

INVESTMENTS
PRIORITIES
SUPPORT
PROGRESS
STAKEHOLDERS
COMMUNITY
GOALS
TRANSFORMATION

ANNUAL REPORT 2010–2011

OPPORTUNITIES
KNOWLEDGE
TRANSLATION
PARTNERSHIPS
FUND
MEASURE
INITIATIVES
EXCELLENCE
MILESTONES
LEGACY
LEADERSHIP
EXPERTISE





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EXECUTIVE SUMMARY

■ **ALBERTA INNOVATES – HEALTH SOLUTIONS (AIHS)** had a very successful transition year in 2010-11, even in the midst of transformative strategic change. The corporation surpassed all previous levels of health research support—over \$83 million in total—in order to support legacy programs and maintain stability in the Alberta health research community.

The transition that began in early 2010 continued to be the theme underlying AIHS' strategies and operations over the past year. This annual report measures our progress against the goals outlined in our business plan and can also be measured by three significant milestones accomplished in this first full transition year.

The first was the release of the Alberta Health Research and Innovation Strategy (AHRIS) in September 2010 and the decision of AIHS' Board of Directors that AHRIS would become the new corporation's strategic framework. This led to a strategic implementation process, based on supporting AHRIS, which would involve iterative engagement with the new corporation's expanded community of stakeholders. In December 2010, an Oversight Committee was struck, composed of key thought leaders from AIHS' stakeholder communities to oversee the process and define the general parameters of the strategic implementation process.

The second milestone in early 2011 was the formation of three foundational Working Groups in the enabling directions of AHRIS: Highly Skilled People, Innovation Platforms, and Knowledge Translation. The Working Groups are composed of people bringing broad perspectives from our stakeholder communities. They have undertaken to identify gaps, needs, and competitive opportunities in each foundational area. The Working Groups will develop, through a process of engagement with their relevant communities, proposals for new initiatives for funding consideration by AIHS' Board of Directors.

The third milestone was the ongoing commitment to AHFMR legacy programs which included support for hundreds of investigators and trainees; ten interdisciplinary research teams; and the Polaris program team—all of whom contribute enormously to the capacity and knowledge generation that will be instrumental to the delivery of our mandate.



EXECUTIVE SUMMARY

An extraordinary draw of \$118 million from the AHFMR Endowment Fund was approved in the February 2011 budget of the Government of Alberta. This amount will be allocated to AIHS over eight years. It will help maintain Alberta's competitive health research and innovation capacity. This will also enable AIHS to focus newly freed up resources on supporting its mandate from the Government of Alberta.

The year, although challenging, has proven to be one of the most successful in terms of overall health research and innovation investment. The balance of this report highlights the goals set in the original business plan, but also demonstrates AIHS' ability to nimbly adjust and forge ahead as new information and opportunities arise. We look forward to continuing the support and commitment of health research and innovation through new initiatives, collaborations and partnerships that will contribute to greater health and wellbeing for Albertans.



Jacques Magnan, PhD
CEO
Alberta Innovates – Health Solutions



ACCOUNTABILITY STATEMENT

■ **AIHS' ANNUAL REPORT** for the year ended March 31, 2011 was prepared under the Board's direction in accordance with the *Alberta Research and Innovation Regulation*, the *Government Accountability Act*, and ministerial guidelines established pursuant to the *Government Accountability Act*. All material economic, environmental, or fiscal implications of which we are aware have been considered in the preparation of this report.



Robert A. Seidel, QC
Chair, Board of Directors
Alberta Innovates – Health Solutions

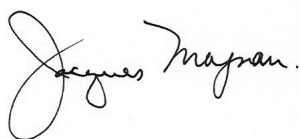


MANAGEMENT'S RESPONSIBILITY FOR REPORTING

■ **AIHS' MANAGEMENT** is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meet reporting requirements, and to ensure that transactions are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Annual Report has been approved by the Board of Directors and is prepared in accordance with ministerial guidelines.

The Auditor General of the Province of Alberta, the corporation's external auditor appointed under the *Auditor General Act*, performs an annual independent audit of AIHS' financial statements in accordance with Canadian auditing standards.



Jacques Magnan, PhD
CEO
Alberta Innovates – Health Solutions



Linda Humphreys, CMA
Vice-President Corporate Affairs
Alberta Innovates – Health Solutions



MESSAGE FROM BOARD CHAIR

■ **AIHS WAS CREATED**, within the broader context of a redesign of Alberta's research and innovation system, to take advantage of the AHFMR legacy, to pursue opportunities and deliver support for health research and innovation that will be transformative on an international scale, and thus to create even more health and socio-economic benefits for Albertans. To do this, we launched a strategic implementation process of engagement with those who have an interest and play a role in our provincial health research activity, including the high quality, vibrant provincial research community, the universities that employ them, the health system, the private sector, government departments, and our colleagues in the Alberta Innovates system who contribute to the expanded understanding and activities of health research and innovation.

Our engagement process, begun in the 2010-11 fiscal year, will lead to strategies that will take advantage of our strengths and of new opportunities to develop knowledge and make that knowledge work for Albertans. One area that will be emphasized is the application of knowledge to improve health, health systems, and health care. This will be accomplished by rebalancing our support between basic biomedical research and health services and population health research. The Alberta Health Research and Innovation Strategy is a guiding framework for our activity and through our successes we aim to improve the wellbeing of Albertans and to create socio-economic benefits for the province.

Supporting quality health research across the spectrum of biomedical, clinical, health services and population health activities is an essential feature of the provincial research and innovation system. In 2010/11 AIHS continued funding commitments, which over the next six years total nearly \$160 million, and will support existing AHFMR awards and offset salary and benefit costs for close to 250 researchers. We continued to support 290 trainees who are critical to the growth of the health research enterprise and ten interdisciplinary teams composed of more than 300 individuals in a number of fields, disciplines and practices who are addressing complex health issues. At the same time, new funding opportunities are being created by AIHS and its partners leading to renewed investments in health research and innovation.



MESSAGE FROM BOARD CHAIR

We've just completed a challenging and exciting year of transformation and there's much more work to be done. We're building a health research and innovation system for our needs and for our times. We have the opportunity to support a new portfolio of health research investments, one that will involve many partners and stakeholders who have vested interests in the returns from those investments in research. We have the opportunity to seek partnerships and encourage further investments in research and innovation. We have the opportunity to focus on closing the loop between public support for research and the timely use of the knowledge that research creates. And we have the opportunity to realize enhanced health and a better, more effective and efficient healthcare system, which together contribute immensely to our socio-economic environment. This is the journey we are on now.



Robert A. Seidel, QC
Chair, Board of Directors
Alberta Innovates – Health Solutions



GOALS, OUTCOMES AND PERFORMANCE MEASUREMENT

GOALS

■ THE PRIMARY GOAL OF AIHS IN 2010-11, identified in the original business plan, was to transform its approach to how health research and innovation are linked to the capture of benefits for the health system and the health and wellbeing of Albertans. Our first step was to look at ways to rebalance curiosity led (basic biomedical) and solutions-driven (health services and population health) research. This involved the closure of some programs and the launch of an implementation process to develop new initiatives that will enable the corporation to deliver on its new mandate.

Six goals were originally identified in the *Pilot Strategic Business Plan 2010*. These were rationalized during the year in to three high level overarching goals to capitalize on ongoing strategies aligned to the new research and innovation system—specifically AHRIS.

In summary, the goals can be categorized as:

- 1) Support strategically focused research and innovation activities that improve health outcomes and wellbeing,
- 2) Leverage resources and partnerships and foster knowledge exchange through relationship development, and
- 3) Ensure program and operational excellence.



OUTCOMES

■ Support strategically focused health research and innovation activities that improve health outcomes and wellbeing

People

In fiscal 2010/11 AIHS closed the AHFMR Independent Investigator program to new entry. It also implemented a final cohort of 34 seven-year AHFMR Investigator Awards from the September 2009 competition. These investigator awards represented the recruitment drive of the institutions over the previous two to three years, and were taken up on July 1, 2010 at the University of Calgary (17 awards) and the University of Alberta (17 awards). Nearly half of these awards support individuals who also hold clinical/practice positions or conduct research in health services or population health (CIHR pillars III and IV). The research focus of the investigators supported by these awards includes activities in the areas of child health, immunity, cancer, cardiovascular diseases, dementia, etc. A high proportion of this activity is translational in nature therefore supporting the newly developed role and mandate of AIHS. This will represent a total investment of \$43 million over the next seven years and will help support the continued development of the capacity for health research and innovation in Alberta.

Competitions for all trainee programs were offered during the 2010/11 fiscal year. AIHS funding for trainees included award offers to 64 new graduate students, 46 new Fellows and 10 new Clinical Fellows, 202 Summer Students, 45 Heritage Youth Researcher Summer (HYRS) students as well as a number of Forefront Interns and MBA/MBT students. Trainees are a mainstay of research strength in Alberta's research and innovation system and contribute to the province's capacity in research expertise.

Ongoing Commitments

In order to provide time for the initial transition of investigator support to be developed, health researchers currently holding AHFMR Independent Investigator awards which were set to end as of June 2011, or June 2012, were offered an extension of one or two years of funding so that these investigators will have received a seven year AHFMR Investigator award as their last award. These extensions provide up to \$18 million dollars in investigator support, and time for the universities to create appropriate transition plans for the 248 investigators currently supported by AIHS. Additionally, AIHS' Board of Directors made a formal request to the Minister of AET, which was approved in the 2011/12 budget, for an extraordinary draw of \$118 million from the AHFMR Endowment Fund in order to support the universities in their transition plans to maintain critical capacity for health research in Alberta.



Planning for our Future

In September 2010, AIHS' Board of Directors determined that a strategic implementation process (Planning for our Future) based on stakeholder engagement be undertaken by the corporation in order to develop relevant initiatives for investment. The process began in December with the formation of an Oversight Committee tasked to develop the appropriate mandate, timeline and scope for Working Groups that would be constituted in areas of strategic priority as defined in AHRIS. The Oversight Committee recommended the creation of three foundational Working Groups in Highly Skilled People, Innovation Platforms, and Knowledge Translation as well as the subsequent creation of Working Groups in thematic areas defined in AHRIS.

Knowledge Translation

AIHS contributed to a number of initiatives targeted at coordinating and aligning activities to facilitate the translation and uptake of research in Alberta. In the past year, conferences, workshops, Lunch and Learns, Research Fests, and Water Cooler sessions were convened. Ten knowledge translation grants were awarded and the first Knowledge Transfer Casebook was published highlighting knowledge translation research and activities in Alberta. AIHS led the development of a high level Alberta Research Transfer Consortium based on its successful approach of supporting the Research Transfer Network of Alberta over many years.

Community Outreach

Programming specific to researcher professional development was offered through AIHS' Connects program. Connects also hosted professional development workshops for post-doctoral fellows and newly established researchers and career explorer sessions for trainees. A Making Connections conference brought the research community together with international experts to explore current issues and opportunities in health research and innovation.

Outreach and education activities at AIHS included the HYRS Program, Teachers Workshop Program, Science in the Cinema, Education Community Outreach activities for school aged children and their teachers on campus and in rural classrooms, and the annual Gairdner lectures for high school students. These activities supported the AHRIS priorities to develop public awareness and engagement in health research issues and challenges, and to increase health literacy.



■ Leverage resources and partnerships and foster knowledge exchange through relationship development

AIHS is building strong synergy and connections with the other Alberta Innovates corporations, government ministries, Alberta based post-secondary institutions, other stakeholders in Alberta (the Alberta Cancer Foundation, TEC Edmonton, Innovate Calgary and BioAlberta); and outside the province (through the National Alliance of Provincial Health Research Organizations, the National Health Funders Forum, the Centre for Advancement of Health Innovation and many others). Alberta Health and Wellness contracted AIHS to assume the administrative function for the research portion of the Alberta Cancer Prevention Legacy Fund.

AIHS is also actively engaged in collaborative support of current and developing activities with provincially supported platform initiatives such as Genome Alberta, Technology Futures (iCORE) through the AHFMR Polaris Award, support of the National Chronic Diseases Cohort through the Alberta Cancer Prevention Legacy Fund, and the Li Ka Shing Virology Institute with Alberta Innovates – Technology Futures.

Alberta is the first jurisdiction in Canada to have a Health Research Ethics Reciprocity Agreement, signed by the six accredited Health Research Ethics Boards housed at: University of Alberta, University of Calgary, University of Lethbridge, the College of Physicians & Surgeons of Alberta, Alberta Health Services, and AIHS. AIHS facilitated and provided support services for the project. Future platform-based work for AIHS will emulate this model beginning with the discussions around the creation of an Alberta Clinical Research Consortium. This provincial initiative aims to align and harmonize administrative processes across institutions that support clinical trial research activity in Alberta.

■ Ensure program and operational excellence

AIHS was focused on three main strategic thrusts during 2010-11: development of the inclusive process of community engagement which will yield new programs and initiatives; support for the management of existing AHFMR legacy programs which required the major part of its budget and remained the main part of its business; and implementation of best practices in performance management. Consequently, staff continued focusing on legacy programming while planning for change within business units and for future programming.

Redeployment of resources included the appointment of existing staff members to positions with additional responsibilities (Vice-President Programs, Director, Strategic Implementation Process, Director, Knowledge



Transfer Initiatives, Director, Research Ethics Initiatives; and the recruitment of a Project Manager for the development of the Alberta Clinical Research Consortium.

The focus on staff resources led to projects where AIHS inventoried skills and expertise of existing staff; identified needed competencies and potential gaps moving forward; and prepared to implement best practices in change management to effectively transition staff to meet new requirements while maintaining a healthy and dynamic work environment.

PERFORMANCE MEASUREMENT

■ **AIHS PERFORMANCE MANAGEMENT PARTNERS**, consults and collaborates with senior executives, external stakeholders and operational leaders to develop performance management strategies, processes, tools, procedures, and solutions that support the accomplishment of AIHS strategic business objectives and supports the implementation of those strategies and solutions.

With the release of AHRIS, AIHS began developing a supporting performance measurement system that will be integrated in all programs and activities.

Mid-point evaluations of five of the Interdisciplinary Teams (each team supported with \$1 million annually for a five year period) established in 2008 were performed in October 2010. High level impacts were gauged using methodology developed by the Canadian Academy of Health Science and speak to gains in building capacity, advancing knowledge, informing decision-making, health and social impacts, and broad economic impacts.

An evaluation of the \$20 million, ten-year Polaris program conducted in November 2010 showed that in its second year of operation (2009-10), the program successfully established a new internationally recognized major centre of research excellence in the field of systems and computational neuroscience in Lethbridge. For example, it has recruited a significant number of top researchers, trainees and research staff, including some from outside Alberta, to the program. The Polaris group is focused on the generation of new knowledge that falls within health research areas of special interest to Alberta through biomedical and clinical research. The group has also forged multiple local, national and international collaborations that are strengthening Alberta's health research enterprise.



MANAGEMENT'S DISCUSSION AND ANALYSIS

■ **THE FINANCIAL HIGHLIGHTS IN THIS REPORT** provide additional operational information on the programs and expenditures of the Corporation and help to demonstrate the magnitude, direction, and rate of progress as we move forward in enhancing existing activities and establishing new initiatives. The Corporation carefully projects and balances its long-term estimate of available financial resources, the long-term financial implications of new programs, the cost of enhancing existing programs, and the need to have resources available to respond rapidly to new opportunities.

Fundamental to our ability to fulfill the obligations associated with these decisions in a fiscally responsible way, is the annual grant we receive from AET. In 2010/11, this amount was \$74.5 million. As noted in “Operational Overview”, AIHS managed to refocus and establish processes for developing new strategic directions while maintaining historical core program commitments during the year.

Report of Management

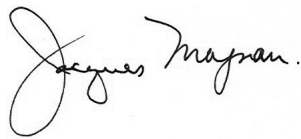
The consolidated financial statements of AIHS (the Corporation) are the responsibility of management and have been approved by the Board of Directors. These financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and include disclosures otherwise required by laws, regulations, and agreements to which the Corporation is subject. These financial statements also include amounts that are based on estimates and judgments, which reflect currently available information.



MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporation has developed and maintains accounting procedures and related systems of internal controls that are designed to provide reasonable assurance that its assets are safeguarded and that its financial records are reliable. In accordance with the *Alberta Research and Innovation Act*, the Auditor General of Alberta is appointed as the external auditor and the auditor's report is presented herein. The Board of Directors has appointed a Finance & Audit Committee whose duties include meeting with management and external auditors periodically to review any significant accounting, internal control, and auditing matters.

As at March 31, 2011:



Jacques Magnan, PhD
CEO
Alberta Innovates – Health Solutions



Linda Humphreys, CMA
Vice-President Corporate Affairs
Alberta Innovates – Health Solutions





AUDITED FINANCIAL STATEMENTS

Alberta Innovates – Health Solutions

Consolidated Financial Statements
March 31, 2011





ALBERTA INNOVATES – HEALTH SOLUTIONS

CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011

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INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of Alberta Innovates—Health Solutions

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Alberta Innovates—Health Solutions, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in

order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alberta Innovates – Health Solutions as at March 31, 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by Merwan N. Saher, CA
Auditor General

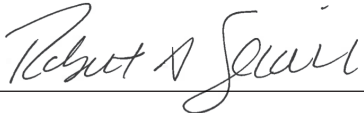
May 31, 2011
Edmonton, Alberta


ALBERTA INNOVATES – HEALTH SOLUTIONS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2011
(in thousands)

	<u>2011</u>	<u>2010</u>
Assets		
Cash (Note 3)	\$ 20,352	\$ 12,662
Accounts Receivable and Other Assets (Note 4)	1,820	159
Tangible Capital Assets (Note 5)	406	882
	<u>\$ 22,578</u>	<u>\$ 13,703</u>
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 5,718	\$ 4,250
Unearned Revenue (Note 6)	555	24
Accrued Retirement Allowance (Note 7(b))	1,554	1,567
	<u>\$ 7,827</u>	<u>\$ 5,841</u>
Net Assets		
Net Assets at Beginning of Year	\$ 7,862	\$ 5,704
Net Operating Results	6,889	2,158
Net Assets at End of Year	14,751	7,862
	<u>\$ 22,578</u>	<u>\$ 13,703</u>

The accompanying notes and schedules are an integral part of these consolidated financial statements.

Approved by the Board of Directors

Director:  Date: May 31, 2011

Director:  Date: May 31, 2011

ALBERTA INNOVATES – HEALTH SOLUTIONS
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2011
(in thousands)

	2011 Budget	2011 Actual	2010 Actual
Revenues			
Grants from the Province of Alberta			
Transfers from the Government of Alberta	\$ 74,500	\$ 74,500	\$ 76,000
Transfers from Unearned Revenue: Alberta Health and Wellness and Alberta Health Services	16,071	16,059	6,016
	<u>90,571</u>	<u>90,559</u>	<u>82,016</u>
Other Revenue			
Interest Income	200	239	214
Other Revenue	225	491	452
Donations	–	2	592
	<u>425</u>	<u>732</u>	<u>1,258</u>
	<u>90,996</u>	<u>91,291</u>	<u>83,274</u>
Expenses Directly Incurred (Schedule 1 and Note 2(c))			
Highly Skilled People			
Research Support	54,210	50,370	58,806
Education and Career Development Grants	9,232	8,022	7,731
Partnerships – Administered Funds	16,071	16,059	6,016
	<u>79,513</u>	<u>74,451</u>	<u>72,553</u>
Knowledge Translation	1,884	1,792	1,850
Innovation Platforms	578	1,110	449
Operations	7,665	6,591	6,262
	<u>10,127</u>	<u>9,493</u>	<u>8,561</u>
	<u>89,640</u>	<u>83,944</u>	<u>81,114</u>
Loss on Write-Down/Disposal of Tangible Capital Assets	–	(458)	(2)
Net Operating Results	<u>\$ 1,356</u>	<u>\$ 6,889</u>	<u>\$ 2,158</u>

The accompanying notes and schedules are an integral part of these consolidated financial statements.

**ALBERTA INNOVATES – HEALTH SOLUTIONS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2011**

(in thousands)

	2011	2010
Operating Transactions		
Net Operating Results	\$ 6,889	\$ 2,158
Non-Cash Items included in Net Operating Results:		
Amortization (Note 5)	196	202
Loss on Write-Down/Disposal of Tangible Capital Assets	458	2
	<u>7,543</u>	<u>2,362</u>
Net Change in Non-Cash Working Capital Items:		
(Increase) Decrease in Accounts Receivable and Other Assets	(1,661)	182
Increase in Accounts Payable and Accrued Liabilities	1,468	2,419
Increase (Decrease) in Unearned Revenue	531	(3,476)
(Decrease) in Pension Liability	(13)	(1)
	<u>7,868</u>	<u>1,486</u>
Capital Transactions		
Purchase of Tangible Capital Assets (Note 5)	(178)	(58)
	<u>(178)</u>	<u>(58)</u>
Increase in Cash	7,690	1,428
Cash, Beginning of Year	<u>12,662</u>	<u>11,234</u>
Cash, End of Year	<u>\$ 20,352</u>	<u>\$ 12,662</u>

The accompanying notes and schedules are an integral part of these consolidated financial statements.

ALBERTA INNOVATES – HEALTH SOLUTIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011

NOTE 1 AUTHORITY AND PURPOSE

Alberta Innovates – Health Solutions (the Corporation) is a Provincial Corporation that was established on January 1, 2010 and operates under the authority of the *Alberta Research and Innovation Act*. The objects of the Corporation are to support, for the economic and social well-being of Albertans, health research and innovation activities aligned to meet Government of Alberta priorities, including, without limitation, activities directed at the development and growth of the health sector, the discovery of new knowledge and the application of that knowledge.

The Corporation is exempt from Canadian federal and Alberta provincial income taxes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below.

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Alberta Foundation for Health Research (AFHR). The AFHR operates under the *Alberta Companies Act* and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to promote and support medical research. All intercompany balances and transactions have been eliminated on consolidation.

b) **Revenue Recognition**

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Operating and unrestricted grants are recognized as revenue in the year the transfers are authorized. Restricted grants are included in unearned revenue when received, and recognized as revenue when the Corporation meets the conditions of the grant.

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collection.

c) **Expenses**

Directly incurred expenses are costs the Corporation has primary responsibility and accountability for including operating expenses such as salaries and benefits, and supplies and services.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

d) **Assets**

Financial Assets

Financial assets of the Corporation are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Tangible Capital Assets

Tangible capital assets of the Corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing all tangible capital assets is \$5,000.

e) **Net Assets**

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

f) **Employee Future Benefits**

The Corporation operates a defined contribution pension plan. Pension costs included in these financial statements comprise the cost of employer contributions for the current service of employees during the year. There are no unfunded liabilities with respect to pension and pension costs.

NOTE 3

CASH

(in thousands)

Cash is comprised of cash deposited in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is administered by the Ministry of Finance and Enterprise with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital.

CCITF comprises high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2011, securities held by the Corporation have a return of 1.05% per annum (2010: 1% per annum).

NOTE 4

ACCOUNTS RECEIVABLE AND OTHER ASSETS

(in thousands)

	2011			2010
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	\$ 1,740	\$ –	\$ 1,740	\$ 82
Other Assets	80	–	80	77
	<u>\$ 1,820</u>	<u>\$ –</u>	<u>\$ 1,820</u>	<u>\$ 159</u>

Accounts receivable are unsecured, non-interest bearing and reported at their net realizable value.

NOTE 5**TANGIBLE CAPITAL ASSETS**

(in thousands)

	Equipment (b)	Computer Hardware & Software	Other (c)	2011 Total	2010 Total
Estimated Useful Life	5–10 years	3 yrs			
Historical Cost (a)					
Beginning of Year	\$ 647	\$ 1,640	\$ 594	\$ 2,881	\$ 2,932
Additions	18	80	80	178	58
Disposals, Including Write-Downs	(59)	(565)	–	(624)	(109)
	<u>\$ 606</u>	<u>\$ 1,155</u>	<u>\$ 674</u>	<u>\$ 2,435</u>	<u>\$ 2,881</u>
Accumulated Amortization					
Beginning of Year	\$ 441	\$ 1,109	\$ 449	\$ 1,999	\$ 1,904
Amortization Expense	60	35	101	196	202
Effect of Disposals, Including Write-Downs	(47)	(119)	–	(166)	(107)
	<u>\$ 454</u>	<u>\$ 1,025</u>	<u>\$ 550</u>	<u>\$ 2,029</u>	<u>\$ 1,999</u>
Net Book Value at End of Year	<u>\$ 152</u>	<u>\$ 130</u>	<u>\$ 124</u>	<u>\$ 406</u>	<u>\$ 882</u>
Net Book Value at Beginning of Year	<u>\$ 206</u>	<u>\$ 531</u>	<u>\$ 145</u>	<u>\$ 882</u>	<u>\$ 1,028</u>

(a) Historical cost included computer hardware and software work-in-progress at March 31, 2011 totaling \$nil (2010 - \$443)

(b) Equipment includes office equipment and furniture, and other equipment.

(c) Other tangible capital assets include leasehold improvements that are amortized over the lease term.

NOTE 6**UNEARNED REVENUE**

(in thousands)

	2011	2010
Balance, beginning of year	\$ 24	\$ 3,500
Grants received	16,590	3,535
Recognized as revenue		
Grants from Government of Alberta	(16,059)	(6,016)
Grant funds returned	–	(995)
Balance end of year	<u>\$ 555</u>	<u>\$ 24</u>

NOTE 7**EMPLOYEE FUTURE BENEFITS**

(in thousands)

(a) Pension Plan

The Corporation participates in a Defined Contribution Pension Plan pension. The expense for this pension plan is \$295 (2010 - \$249).

(b) Accrued Retirement Allowance

The retirement allowance consists of the unfunded liability for the Corporation's supplemental retirement plan, the benefits under which are paid for entirely by the Corporation when they come due. There are no plan assets. There are two active members remaining in the plan and two retired members eligible for benefits.

	2011	2010
Accrued retirement allowance – Beginning of year	\$ 1,567	\$ 1,568
Interest cost	37	49
Benefits paid	(50)	(50)
Accrued retirement allowance – End of year	<u>\$ 1,554</u>	<u>\$ 1,567</u>

NOTE 8

CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met. Estimated payment requirements for each of the next five years are as follows:

Obligations Under Operating Leases, Contracts and Programs:

	Grants & Awards (a)	Office Premises (b)	Total
2011–12	\$ 51,636	\$ 234	\$ 51,870
2012–13	43,734	283	44,017
2013–14	28,750	283	29,033
2014–15	17,062	142	17,204
2015–16	10,890	–	10,890
Thereafter	7,513	–	7,513
	<u>\$ 159,585</u>	<u>\$ 942</u>	<u>\$ 160,527</u>

- (a) Grants and awards are recorded as commitments when all terms and conditions have been agreed to but eligibility criteria have not been met.
- (b) The Corporation has entered into a 36 month lease for office premises. The lease will commence on October 1, 2011 and expires on September 30, 2014.

NOTE 9

COMPARATIVE FIGURES

Certain 2010 figures have been reclassified to conform to the 2011 presentation.

ALBERTA INNOVATES – HEALTH SOLUTIONS

Schedule 1 Expenses – Directly Incurred by Object For the Year Ended March 31, 2011 (in thousands)

	2011 Budget	2011 Actual	2010 Actual
Grants	\$ 80,595	\$ 75,759	\$ 73,720
Salaries, Wages & Employee Benefits	3,960	3,280	3,269
Supplies & Services	5,085	4,709	3,923
Amortization of Tangible Capital Assets	–	196	202
	<u>\$ 89,640</u>	<u>\$ 83,944</u>	<u>\$ 81,114</u>

ALBERTA INNOVATES – HEALTH SOLUTIONS

Schedule 2 Executive Compensation For the Year Ended March 31, 2011 (in thousands)

	2011			2010	
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Chair of the Board	\$ –	\$ –	\$ –	\$ –	\$ 12
Board Members	27	–	–	27	42
Chief Executive Officer	289	–	95	384	448
Executive: Vice President – Corporate Affairs	161	–	46	207	204
	<u>\$ 477</u>	<u>\$ –</u>	<u>\$ 141</u>	<u>\$ 618</u>	<u>\$ 706</u>

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes regular base pay, overtime and other direct cash remuneration.

(2) Other cash benefits include honoraria.

(3) Other non-cash benefits include employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, health care, dental coverage, group life insurance, short and long term disability plans and professional memberships. Under the terms of the supplementary retirement plan, executive officers may receive supplemental retirement payments (Note 7(b)).

ALBERTA INNOVATES – HEALTH SOLUTIONS

Schedule 3 Related Party Transactions For the Year Ended March 31, 2011 (in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Entities in the Ministry refers to entities consolidated in the Ministry of Advanced Education and Technology. Other entities outside the Ministry relates to the remaining entities consolidated at the Provincial level. The Corporation had the following transactions with related parties which are recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	(in thousands)			
	Entities in the Ministry		Other Entities Outside of the Ministry	
	2011	2010	2011	2010
Revenues				
Grants	\$ 74,500	\$ –	\$ 16,059	\$ 82,016
Other Revenue	–	–	21	–
	<u>\$ 74,500</u>	<u>\$ –</u>	<u>\$ 16,080</u>	<u>\$ 82,016</u>
Expenses – Directly Incurred				
Grants	\$ 61,794	\$ 71,898	\$ 12,357	\$ 279
Other Services	285	288	12	–
	<u>\$ 62,079</u>	<u>\$ 72,186</u>	<u>\$ 12,369</u>	<u>\$ 279</u>
Receivables from	<u>\$ 551</u>	<u>\$ 40</u>	<u>\$ 1,000</u>	<u>\$ 6</u>
Payables to	<u>\$ 4,404</u>	<u>\$ 3,795</u>	<u>\$ 629</u>	<u>\$ 40</u>
Unearned Revenue	<u>\$ 550</u>	<u>\$ –</u>	<u>\$ 5</u>	<u>\$ 24</u>
Contractual obligations	<u>\$ 158,321</u>	<u>\$ 149,602</u>	<u>\$ 699</u>	<u>\$ 1,344</u>

OPERATIONAL OVERVIEW

CORE PROGRAMS

■ DURING THE YEAR, AIHS operated the following core programs:

- Independent Investigator Awards
- Undergraduate, graduate and post-graduate Trainee
- Interdisciplinary Team Grants Program (co-funded by Alberta Health and Wellness)
- Polaris
- Cancer Research grants and awards as supported through the Alberta Cancer Prevention Legacy Fund
- Knowledge Transfer Initiatives
- Research Ethics Initiatives
- Communications and Education Outreach
- Performance Management

ENVIRONMENTAL FACTORS AND SIGNIFICANT OPERATIONAL CHANGES

■ ALTHOUGH AIHS UNDERWENT SIGNIFICANT STRATEGIC CHANGE as outlined in this report, performance was on target and aligned with the business plan objectives. The corporation did take on the administration of the Alberta Cancer Research Legacy Fund for a one year period and anticipates entering into negotiations to manage the Fund and related programs over the longer term.

There were no changes to the bylaws, code of conduct, conflict of interest policies or intellectual property practices during the year. There were however, a number of operational changes implemented to help us start building the management structure to meet the new business model. This included the appointment of a Vice-President Programs; two Directors to oversee the knowledge transfer and research ethics initiatives; and a Director to oversee the Strategic Implementation Processes. These appointments were made from existing staff.



OPERATIONAL OVERVIEW

FINANCIAL OVERVIEW

■ **REVENUE** was \$91.3 million and net expenses were \$84.4 million, resulting in net operating results of \$6.9 million. Revenue continues to increase based primarily on partnership development. Because the corporation is in the process of defining and implementing new programs and some existing programs were closed, overall program expenses were less than budgeted by approximately \$5.7 million, and the carry forward will be applied to new programs in the coming year. There were no major capital initiatives undertaken during the year, and the only change in operations was to focus resources on the strategic implementation process which involved significant stakeholder engagement.

