

Alberta Innovates – Health Solutions

Financial Statements

March 31, 2010 and 2009

ALBERTA INNOVATES – HEALTH SOLUTIONS
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

Auditor's Report

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Auditor's Report

To the Board of Directors

I have audited the consolidated statements of financial position of Alberta Innovates – Health Solutions as at March 31, 2010 and 2009 and the consolidated statements of operations and cash flows for the years then ended. These financial statements are the responsibility of Health Solutions' management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Alberta Innovates - Health Solutions as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Merwan N. Saher] CA
Auditor General

Edmonton, Alberta
June 16, 2010

ALBERTA INNOVATES – HEALTH SOLUTIONS

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

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 research and innovation activities to improve the health and well-being of Albertans and create, through innovation, health related social and economic benefits for Albertans. It provides leadership for Alberta's health research and innovation enterprise by directing, coordinating, reviewing, funding and supporting research and innovation.

The Corporation is a wholly owned subsidiary of the Ministry of Advanced Education and Technology and accountable to the Minister of Advanced Education and Technology. The Ministry of Advanced Education and Technology and its wholly owned subsidiaries are exempt from the payment of income tax under Section 149 of the Income Tax Act.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The PSAB financial statement presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the Corporation.

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) Restatement of Financial Information before January 1, 2010

On January 1, 2010, the Research and Innovation Act and regulation were proclaimed which resulted in the dissolution of the Alberta Heritage Foundation for Medical Research. The assets and liabilities of the Alberta Heritage Foundation for Medical Research were transferred to the Corporation.

This transaction has been accounted for as a continuity-of-interests, which maintains the carrying value of the assets and liabilities of the Corporation. Accordingly, these financial statements have been prepared to reflect the financial position and results of operations and cash flows for all periods presented as if the Corporation operated since the Alberta Heritage Foundation for Medical Research inception. No adjustments were required to the 2009 comparative amounts.

The Alberta Heritage Foundation for Medical Research received its primary funding through direct transfers from the AHFMR Endowment Fund. Alberta Innovates – Health Solutions will receive its primary funding through an annual grant from the Department of Advanced Education and Technology starting April 1, 2010.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

b) Basis of Consolidation

These consolidated financial statements include the accounts of the Alberta Foundation for Health Research (AFHR), a wholly-owned subsidiary of the Corporation for accounting purposes. 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 and health research. All intercompany balances and transactions have been eliminated on consolidation.

c) Revenue recognition

All revenues are reported on the accrual basis of accounting.

Grants from the Province of Alberta are recognized as revenue in the year the transfers are authorized. Transfers received before revenue recognition criteria have been met are included in deferred contributions or unearned revenue and recognized as revenue when the Corporation meets the criteria.

d) Expenses

Directly incurred expenses are costs the Corporation has primary responsibility and accountability for including program operating expenses such as salaries and benefits, and supplies and services. Directly incurred expenses also include amortization of tangible capital assets.

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

e) Assets

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 of the corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful life of the assets. The threshold for all other tangible capital assets is \$1,000.

f) Net Assets

Net assets represents the difference between the carrying value of assets held by Alberta Innovates - Health Solutions and its liabilities.

g) Pension

The Corporation operates a defined contribution pension plan. Pension expense comprises the amount of employer contributions required for its employees during the year. There are no unfunded liabilities with respect to pensions and pension costs.

NOTE 3 CASH

Cash is comprised of cash deposited in the Consolidated Cash Investment Trust Fund (CCITF) which 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 is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2010, securities held by the Corporation have an annualized return of 1.0% per annum (2009: 3.0% per annum).

NOTE 4 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment ^(a)			Computer Hardware and Software ^(b)			Leasehold Improvements			2010 Total		2009 Total		
Estimated Useful Life	Indefinite 5-10 years			3yrs			Lease Term							
Historical Cost														
Beginning of year	\$	643	\$	1,700	\$	589	\$	2,932	\$	2,454	\$	2,454	\$	2,454
Additions		7		46		5		58		515		515		515
Disposals, including write-downs		(3)		(106)		-		(109)		(37)		(37)		(37)
	\$	<u>647</u>	\$	<u>1,640</u>	\$	<u>594</u>	\$	<u>2,881</u>	\$	<u>2,932</u>	\$	<u>2,932</u>	\$	<u>2,932</u>
Accumulated Amortization														
Beginning of year	\$	377	\$	1,174	\$	353	\$	1,904	\$	1,739	\$	1,739	\$	1,739
Amortization expense		64		42		96		202		198		198		198
Effect of disposals		-		(107)		-		(107)		(33)		(33)		(33)
	\$	<u>441</u>	\$	<u>1,109</u>	\$	<u>449</u>	\$	<u>1,999</u>	\$	<u>1,904</u>	\$	<u>1,904</u>	\$	<u>1,904</u>
Net Book Value at End of Year														
	\$	<u>206</u>	\$	<u>531</u>	\$	<u>145</u>	\$	<u>882</u>	\$	<u>1,028</u>	\$	<u>1,028</u>	\$	<u>1,028</u>
Net Book Value at Beginning of Year														
	\$	<u>266</u>	\$	<u>526</u>	\$	<u>236</u>	\$	<u>1,028</u>	\$	<u>715</u>	\$	<u>715</u>	\$	<u>715</u>

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

(b) Computer hardware and software includes work-in-progress at March 31, 2010 totaling \$443 (2009 - \$433).

NOTE 5 **UNEARNED REVENUE**
(in thousands)

Unearned revenue represents unspent funds externally restricted for non-capital purposes.

	2010	2009
	<u> </u>	<u> </u>
Balance, beginning of year	\$ 3,500	\$ 6,308
Grants received	3,535	3,800
Recognized as revenue	(6,016)	(6,466)
Grant funds returned	(995)	-
Recognized as cost recovery	-	(142)
Balance end of year	<u>\$ 24</u>	<u>\$ 3,500</u>
The balance consists of funds restricted for:		
Research projects	\$ 24	\$ 3,500
	<u>\$ 24</u>	<u>\$ 3,500</u>

NOTE 6 **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 \$249 (2009 - \$328).

(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. Participation in the supplemental retirement plan was closed to new entrants effective March 7, 2007. The two active members remaining in the plan were given notice that their benefits under the then current plan would be terminated December 31, 2008, and their benefit at that date actuarially determined and notionally transferred to a new arrangement based on their participation in the registered defined contribution plan.

	2010	2009
	<u> </u>	<u> </u>
Accrued retirement allowance – Beginning of year	\$ 1,568	\$ 1,224
Current service costs	-	125
Interest cost	49	-
Conversion costs	-	528
Benefits paid	(50)	(309)
Accrued retirement allowance – End of year	<u>\$ 1,567</u>	<u>\$ 1,568</u>

NOTE 7 **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.

Obligations Under Operating Leases, Contracts and Programs

	Grants & Awards (a)		Office Premises (b)		Total
2011	\$	47,587	\$	184	\$ 47,771
2012		33,349		92	33,441
2013		28,477		-	28,477
2014		21,823		-	21,823
2015		12,326		-	12,326
Thereafter		7,108		-	7,108
	\$	150,670	\$	276	\$ 150,946

- (a) Grants and awards are recorded as commitments when all terms and conditions have been agreed to but eligibility criteria has not been met.
- (b) The Corporation has entered into a 60 month lease for office premises. This lease commenced on October 1, 2006 and expires on September 30, 2011.