By the numbers

Financial statements

Year ended March 31, 2015

Independent auditors' report

To the Board of Directors of the Canadian Institute for Health Information

We have audited the accompanying financial statements of the Canadian Institute for Health Information, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Institute for Health Information as at March 31, 2015 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matter

The financial statements of the Canadian Institute for Health Information as at and for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on June 19, 2014.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 28, 2015
Ottawa, Canada

Statement of financial position

As at March 31, 2015, with comparative information for 2014

	2015	2014
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 3)*	**10,016,619**	14,985,889
Accounts receivable *(note 4)*	**4,662,415**	1,601,019
Prepaid expenses	**3,003,774**	3,034,327
	17,682,808	19,621,235
Capital assets *(note 5)*	**9,153,368**	11,265,372
Other assets *(note 6)*	**325,161**	166,969
Accrued pension benefit asset *(note 7 d)*	**7,110,900**	9,281,500
	34,272,237	40,335,076
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities *(note 9)*	**5,059,844**	5,985,004
Unearned revenue	**2,083,003**	2,433,219
Deferred contributions *(note 10)*	**2,335,084**	4,663,218
	9,477,931	13,081,441
Accrued pension benefit liability *(note 7 d)*	**610,100**	741,200
Deferred contributions *(note 10)*		
Expenses of future periods	**311,022**	153,180
Capital assets	**6,747,055**	8,595,366
Lease inducements *(note 11)*	**2,178,410**	2,755,870
	9,846,587	12,245,616
Net assets		
Invested in capital assets	**1,958,363**	1,964,611
Unrestricted	**26,923,443**	26,749,095
Remeasurements — pension *(note 7 e)*	**(13,934,087)**	(13,705,687)
	14,947,719	15,008,019
Commitments *(note 15)*		
	34,272,237	40,335,076

See accompanying notes to financial statements.

On behalf of the CIHI Board:

Director

Director

Statement of operations

Year ended March 31, 2015, with comparative information for 2014

	2015 $	2014 $
Revenue		
Core plan *(note 12)*	**17,390,658**	17,050,273
Sales	**2,807,812**	2,370,426
Funding — other *(note 13)*	**3,646,415**	2,218,267
Health information initiative (*note 10)*	**81,777,582**	78,735,392
Other revenue	**237,402**	264,245
	105,859,869	100,638,603
Expenses		
Compensation	**78,659,526**	76,050,211
External and professional services	**7,913,370**	6,196,672
Travel and advisory committee	**3,072,242**	2,643,654
Office supplies and services	**717,618**	854,977
Computers and telecommunications	**6,435,268**	6,621,034
Occupancy	**8,893,745**	8,802,952
	105,691,769	101,169,500
Excess (deficiency) of revenue over expenses	**168,100**	(530,897)

See accompanying notes to financial statements.

Statement of changes in net assets

Year ended March 31, 2015, with comparative information for 2014

	Invested in capital assets $	Remeasurements — pension $	Unrestricted $	**Total 2015** **$**	Total 2014 $
Balance, beginning of year	1,964,611	(13,705,687)	26,749,095	**15,008,019**	(3,016,994)
Excess (deficiency) of revenue over expenses	(696,066)	—	864,166	**168,100**	(530,897)
Change in invested in capital assets	689,818	—	(689,818)	**—**	—
Remeasurements and other items related to pension *(note 7 e)*	—	(228,400)	—	**(228,400)**	18,555,910
Balance, end of year	1,958,363	(13,934,087)	26,923,443	**14,947,719**	15,008,019

See accompanying notes to financial statements.

Statement of cash flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
	$	$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	**168,100**	(530,897)
Items not involving cash		
Amortization of capital assets	**3,406,191**	3,926,421
Amortization of lease inducements	**(591,106)**	(588,377)
Pension benefits	**1,811,100**	734,210
Amortization of deferred contributions — capital assets	**(2,493,030)**	(3,076,605)
Loss on disposal of capital assets	**40,350**	50,980
Change in non-cash operating working capital *(note 14)*	**(4,306,219)**	796,745
Net change in other assets	**(158,192)**	235,821
Net change in deferred contributions	**(1,525,573)**	3,496,050
	(3,648,379)	5,044,348
Investing activities		
Acquisition of capital assets	**(1,344,095)**	(2,356,941)
Proceeds on disposal of capital assets	**9,558**	10,226
	(1,334,537)	(2,346,715)
Financing activities		
Lease inducement received	**13,646**	—
Increase (decrease) in cash and cash equivalents	**(4,969,270)**	2,697,633
Cash and cash equivalents, beginning of year	**14,985,889**	12,288,256
Cash and cash equivalents, end of year	**10,016,619**	14,985,889
Represented by		
Cash	**1,816,619**	1,285,889
Short-term investments	**8,200,000**	13,700,000
	10,016,619	14,985,889
Supplemental information		
Interest received	**185,514**	197,539
Interest paid	**31**	62

See accompanying notes to financial statements.

Notes to financial statements

Year ended March 31, 2015

1. Organization

The Canadian Institute for Health Information ("CIHI") is a national not-for-profit organization continued under Section 211 of the *Canada Not-for-Profit Corporations Act*.

CIHI's mandate is to lead the development and maintenance of comprehensive and integrated health information that enables sound policy and effective health system management that improve health and health care.

CIHI is not subject to income taxes under paragraph 149(1)(l) of the *Income Tax Act* (Canada).

2. Significant accounting policies and change in accounting policy

Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook — Accounting and include the following significant accounting policies:

a. Revenue recognition

CIHI follows the deferral method of accounting for contributions for not-for-profit organizations.

Funding contributions are recognized as revenue in the same period as the related expenses are incurred. Amounts approved but not received at the end of the period are recorded as accounts receivable. Excess contributions which require repayment in accordance with the agreement are recorded as accrued liabilities.

Contributions provided for a specific purpose and those restricted by a contractual arrangement are recorded as deferred contributions, and subsequently recognized as revenue in the same period as the related expenses are incurred.

Contributions provided for the purchase of capital assets are recorded as deferred contributions — capital assets, and subsequently recognized as revenue over the same terms and on the same basis as the amortization of the related capital assets.

Interest revenue is recorded as period income on the basis of the accrual method.

Restricted investment revenue and investment losses on restricted contributions are debited or credited to the related deferred contributions account and recognized as revenue in the same period as eligible expenses are incurred.

b. Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives, as follows:

Tangible capital assets	
Computers	5 years
Furniture and equipment	5–10 years
Telecommunication equipment	5 years
Leasehold improvements	Term of lease
Intangible assets	
Computer software	5 years

c. Lease inducements

Lease inducements, consisting of leasehold improvement allowances, free rent and other inducements, are amortized on a straight-line basis over the term of the lease.

d. Pension benefits

CIHI maintains a defined benefit pension plan.

Pension benefits are accounted for using the immediate recognition approach. Under this approach, the amount of the accrued benefit obligation net of the fair value of plan asset is recognized on the statement of financial position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total difference between actual and the expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets.

The accrued benefit obligations are measured using an actuarial valuation prepared for accounting purposes. The assets are measured at fair value at the date of the statement of financial position.

e. Foreign currency translation

Revenue and expenses are translated at the exchange rates prevailing on the transaction date. Any resulting foreign exchange gains or losses are charged to miscellaneous income or expenses. Foreign currency monetary assets and liabilities are translated at the prevailing rates of exchange at year end.

f. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from management's estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

Significant management estimates include assumptions used in determining the accrued pension benefits asset and liability.

g. Financial instruments

Financial instruments are measured at fair value on initial recognition. Subsequent to initial recognition, they are accounted for based on their classification. Cash and cash equivalents as well as investments are measured at fair value. Accounts receivable net of allowance for doubtful accounts and accounts payable and accrued liabilities are carried at amortized cost. Because of the short-term nature of the accounts receivable as well as the accounts payable and accrued liabilities, amortized cost approximates fair value.

It is management's opinion that CIHI is not exposed to significant interest rate or credit risks arising from the financial instruments.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on CIHI's cash flows, financial position and investment income.

Credit risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. CIHI monitors the financial health of its investments on an ongoing basis.

In addition, as disclosed in note 8, CIHI has an available line of credit that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures, including contributions to the CIHI Pension Plan.

Changes in accounting policy

Effective April 1, 2014, CIHI retrospectively adopted the new CPA Canada Handbook Accounting Part III, Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations which incorporates Section 3462, Employee Future Benefits issued.

Under the new standard, the actuarial gains and losses and past service costs are no longer deferred and amortized over future periods. The accrued benefit obligation, net of plan assets, and adjusted for any valuation allowance, is recorded in the statement of financial position. The annual benefit cost is recorded in the statement of operations, and all changes from remeasuring the accrued benefit obligation are recognized on the statement of changes in net assets. In addition, interest cost and expected rate of return on plan assets are replaced with a net interest amount that is calculated by applying the discount rate used to calculate the net accrued benefit obligation.

For defined benefit plans for which an actuarial valuation for funding purposes exists, an accounting policy choice between using the funding valuation or an accounting valuation is available. CIHI has elected to use an accounting valuation as the basis to measure its defined benefit plans.

Upon transitioning to Section 3463, an adjustment to the statement of financial position was required. The unamortized losses of $13,705,687 as at April 1, 2014 were immediately recognized as a transitional adjustment to net assets. In addition, the amount of deferred contributions related to pension plan expenses of future years were immediately recognized as a transitional adjustment to net assets, resulting in an increase in the net assets of $22,755,116 as at April 1, 2014.

The following table provides a reconciliation of the net assets as at April 1, 2013, and the excess of revenue over expenses for the year ended March 31, 2014 as previously reported, with those computed after adopting Section 3463.

	Excess of revenue over expenses for the year ended March 31, 2014	Net assets as at April 1, 2013
	$	$
Excess of revenue over expenses for the year and net assets, as previously reported	137,320	5,821,270
Recognition of unamortized actuarial gains and losses	1,625,500	(31,796,497)
Changes to interest cost on accrued benefit obligations	175,600	—
Changes to interest income on plan assets	(2,266,200)	—
Reversal of deferred contributions — expenses of future periods related to defined benefit plan	(203,117)	22,958,233
Excess of expenses over revenue for the year and net assets, restated	(530,897)	(3,016,994)

The impact on the statement of financial position and cash flows for the year ended March 31, 2014 is as follows:

	As previously reported March 31, 2014	Amended Section 3463	Restated March 31, 2014
	$	$	$
Statement of financial position			
Accrued pension benefit assets	22,985,852	(13,704,352)	9,281,500
Accrued pension benefit liability	739,865	1,335	741,200
Deferred contributions — expenses of future periods	22,908,296	(22,755,116)	153,180
Unrestricted net assets	3,993,979	22,755,116	26,749,095
Remeasurements — pension	—	(13,705,687)	(13,705,687)

	As previously reported March 31, 2014	Amended section 3463	Restated March 31, 2014
	$	$	$
Statement of cash flows			
Excess (deficiency) of revenue over expenses	137,320	(668,217)	(530,897)
Pension benefits	269,110	465,100	734,210
Net change in deferred contributions	3,292,933	203,117	3,496,050

3. Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with a variety of interest rates and having original maturity dates of less than 90 days.

4. Accounts receivable

	2015	2014
	$	$
Operating	**1,820,925**	1,544,224
Funding — other	**2,841,490**	56,795
	4,662,415	1,601,019

Government refunds receivable at the end of the year are $187,870 (2014: $387,313).

5. Capital assets

			2015	2014
	Cost	Accumulated amortization	**Net book value**	Net book value
	$	$	**$**	$
Tangible capital assets				
Computers	9,288,262	6,025,896	**3,262,366**	3,346,454
Furniture and equipment	6,190,568	5,006,392	**1,184,176**	1,634,498
Telecommunications equipment	1,074,827	1,024,878	**49,949**	82,198
Leasehold improvements	10,848,293	7,813,409	**3,034,884**	4,081,454
Intangible assets				
Software	12,341,329	10,719,336	**1,621,993**	2,120,768
	39,743,279	30,589,911	**9,153,368**	11,265,372

The capital assets include $Nil assets (2014: $819,172) that are not in service at the end of the year.

6. Other assets

Other assets consist of rent deposits to landlords for office space as well as prepaid software, equipment support and maintenance expenses.

7. Accrued pension benefits

CIHI has a contributory defined benefit plan (“Registered Retirement Plan”) which offers its employees annual retirement income based on length of service and highest consecutive five-year average earnings. In addition, CIHI supplements this benefit to plan members who are affected by the application of the *Income Tax Act*’s maximum pension limit (“Supplementary Retirement Plan”).

In November 2014, a decision to wind-up the pension plans effective December 31, 2015 was approved by the CIHI’s Board of Directors.

The most recent actuarial valuation for funding purposes of the Registered Retirement Plan was prepared as of January 1, 2014. The next valuation will be as of December 31, 2015.

The fair value of the plans’ assets and accrued benefit obligations for accounting purposes are determined as at March 31 of each year.

The following tables present the plans’ funded status and amounts recognized in CIHI’s statement of financial position.

a. Pension expense

The pension plans’ expenses include the following components:

	2015		2014	
	Registered Retirement Plan $	**Supplementary Retirement Plan $**	Registered Retirement Plan $	Supplementary Retirement Plan $
Current service cost, net of employee contributions	**8,963,200**	**97,500**	8,176,400	64,600
Interest cost on accrued benefit obligation	**5,257,100**	**35,000**	4,817,500	28,500
Investment income on plan assets	**(5,732,800)**	**—**	(4,428,300)	—
Pension expense	**8,487,500**	**132,500**	8,565,600	93,100

b. Pension benefit obligation

Changes in the accrued benefit obligation are as follows:

	2015		2014	
	Registered Retirement Plan	Supplementary Retirement Plan	Registered Retirement Plan	Supplementary Retirement Plan
	$	$	$	$
Defined benefit obligation, at end of prior year	112,693,300	741,200	107,056,200	632,800
Current service cost, net of employee contributions	8,963,200	97,500	8,176,400	64,600
Interest cost on accrued benefit obligation	5,257,100	35,000	4,817,500	28,500
Employee contributions	4,152,300	—	3,847,000	—
Benefits paid	(3,383,600)	(27,800)	(4,275,400)	(11,600)
Actuarial loss (gain)	9,560,100	(235,800)	(6,928,400)	26,900
Accrued benefit obligation, end of year	137,242,400	610,100	112,693,300	741,200

c. Pension assets

Changes in the plan assets are as follows:

	2015		2014	
	Registered Retirement Plan	Supplementary Retirement Plan	Registered Retirement Plan	Supplementary Retirement Plan
	$	$	$	$
Fair value of assets, beginning of year	121,974,800	—	98,407,600	—
Interest income	5,732,800	—	4,428,300	—
Employer contributions	6,781,100	27,800	7,896,100	11,600
Employee contributions	4,152,300	—	3,847,000	—
Benefits paid	(3,383,600)	(27,800)	(4,275,400)	(11,600)
Remeasurements — return on plan assets	17,377,300	—	11,671,200	—
Fair value of assets, end of year	152,634,700	—	121,974,800	—

The Plan's assets consist of:

	2015		2014	
	Registered Retirement Plan	**Supplementary Retirement Plan**	Registered Retirement Plan	Supplementary Retirement Plan
	%	**%**	%	%
Asset category				
Bonds (Canada)	**100**	**—**	34	—
Equities (Canada)	**—**	**—**	25	—
Equities (Global)	**—**	**—**	41	—
	100	**—**	100	—

d. Accrued pension benefit asset (liability)

CIHI recorded the assets and liabilities as follows:

	2015		2014	
	Registered Retirement Plan	**Supplementary Retirement Plan**	Registered Retirement Plan	Supplementary Retirement Plan
	$	**$**	$	$
Accrued benefit obligation, end of year	**(137,242,400)**	**(610,100)**	(112,693,300)	(741,200)
Fair value of assets, end of year	**152,634,700**	**—**	121,974,800	—
Funded status — surplus (deficit), end of year	**15,392,300**	**(610,100)**	9,281,500	(741,200)
Valuation allowance — wind up	**(8,281,400)**	**—**	—	—
Accrued pension benefit asset (liability)	**7,110,900**	**(610,100)**	9,281,500	(741,200)

e. Remeasurements — pension

Remeasurements, which are recognized directly in net assets rather than in the statement of operations, consist of the difference between actual and expected return on plan assets, actuarial gains and losses, and changes in valuation allowance. For the year, the remeasurements for both pension plans amounted to $228,400 [2014 - $(18,090,810)].

The amounts recognized in CIHI's financial statements account for the decision to wind-up the pension plans, and more specifically a curtailment gain of $20,051,900 is included in the remeasurements amount reported as of March 31, 2015.

f. Actuarial assumptions

The actuarial assumptions, which represent management's best estimate assumptions used to determine costs and benefit obligations, were as follows:

	2015		2014	
	Registered Retirement Plan	Supplementary Retirement Plan	Registered Retirement Plan	Supplementary Retirement Plan
	%	%	%	%
Service cost for years ended March 31				
Discount rate	**4.70**	**4.70**	4.50	4.50
Rate of compensation increase	**4.00**	**4.00**	4.00	4.00
Accrued benefit obligation, as at March 31				
Discount rate	**3.4**	**3.4**	4.70	4.70
Rate of compensation increase	**4.00**	**4.00**	4.00	4.00

8. Bank indebtedness

CIHI has a line of credit of $5,000,000 with a financial institution bearing interest at prime rate. This credit facility is secured by a general security agreement on all assets with the exception of information systems. As at March 31, 2015, a letter of credit in the amount of $515,800 (2014: $204,200) for the purpose of the Supplementary Retirement Plan had been issued against the line of credit.

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are operational in nature and include $Nil (2014: $139,066) representing the annual excess contribution received from Health Canada for the Health Information Initiative.

The government remittances payable at the end of the year is $83,736 (2014: $85).

10. Deferred contributions

a. Expenses of future periods

Since 1999, Health Canada has been significantly funding the building of a comprehensive national health information system and infrastructure to provide Canadians with the information they need to maintain and improve Canada's health system and the population's health. Health Canada's funding contribution is received annually based on CIHI's capital resources requirements.

Deferred contributions related to expenses of future years represent unspent restricted contributions. The changes for the year in the deferred contributions — expenses of future years are as follows:

	2015 $	2014 $
Balance, beginning of year	**4,816,398**	3,055,150
Current year contribution received from Health Canada	**77,758,979**	79,293,900
Contribution payable to Health Canada *(note 9)*	**—**	(139,066)
Amount recognized as funding	**(79,284,552)**	(75,658,787)
Amount transferred to deferred contributions — capital assets	**(644,719)**	(1,734,799)
Balance, end of year	**2,646,106**	4,816,398
Less: current portion	**2,335,084**	4,663,218
	311,022	153,180

b. Capital assets

Deferred contributions related to capital assets include the unamortized portions of restricted contributions with which capital assets were purchased.

The changes for the year in the deferred contributions — capital assets balance are as follows:

	2015 $	2014 $
Balance, beginning of year	**8,595,366**	9,937,172
Amount received from Health Information Initiative	**644,719**	1,734,799
Amount recognized as funding	**(2,493,030)**	(3,076,605)
Balance, end of year	**6,747,055**	8,595,366

11. Lease inducements

The lease inducements include the following amounts:

	2015 $	2014 $
Leasehold improvement allowances	**447,950**	705,395
Free rent and other inducements	**1,730,460**	2,050,475
	2,178,410	2,755,870

During the year, free rent and other inducements of $13,646 (2014: $Nil) were provided. The amortization of leasehold improvement allowances and free rent and other inducements are $257,445 and $333,661, respectively (2014: $257,445 and $330,932, respectively).

12. Core plan

The Core Plan revenue relates to a set of health information products and services offered to Canadian healthcare facilities, regional health authorities and provincial/territorial ministries of health. Provincial/territorial governments have secured CIHI Core Plan on behalf of all facilities in their jurisdiction.

13. Funding — other

	2015	2014
	$	$
Provincial/territorial governments	**3,228,937**	2,148,700
Other	**417,478**	69,567
	3,646,415	2,218,267

14. Change in non-cash working capital items

	2015	2014
	$	$
Accounts receivable	**(3,061,396)**	332,348
Prepaid expenses	**30,553**	(568,468)
Accounts payable and accrued liabilities	**(925,160)**	1,363,739
Unearned revenue	**(350,216)**	(330,874)
	(4,306,219)	796,745

15. Commitments

CIHI leases office space under different operating leases, which expire on various dates. In addition, CIHI is committed under various agreements with respect to professional contracts and software and equipment maintenance and support. The minimum amounts payable over the next five years and thereafter are as follows:

	$
2016	10,911,644
2017	9,495,090
2018	9,172,579
2019	7,255,153
2020	4,310,981
2021 and thereafter	25,585,767

16. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.