



Annual Report

2015-2016

Alberta 

Transforming health and wellbeing through research and innovation

ISSN: 1918-3232 (Online)

ISSN: 0714-9190 (Print)

Annual Report (Alberta Innovates – Health Solutions)

2015-2016 Annual Report

TABLE OF CONTENTS

Executive Summary.....	2-3
Accountability Statement	4
Message from Board Chair	5-6
Key Research and Innovation Initiatives	7-11
Management’s Discussion and Analysis	12-13
Operational Overview	14-15
Consolidated Financial Statements	16-39
Appendix A: Public Interest Disclosure.....	40

EXECUTIVE SUMMARY

In a time of economic downturn for Alberta, it is more important than ever to show value for public investments. Nowhere is this more urgent than in our health research and healthcare systems. While we are fortunate to have continued government commitment to the people who make research, innovation and healthcare happen so that Albertans' needs are prioritized, the drop in government revenues means that the focus on research and innovation as a health, social and economic driver becomes sharper.

Alberta Innovates – Health Solutions' (AIHS) activity over the last year, summarized in this annual report, provides a lens on progress and achievements that come out of addressing the health needs of Albertans and the needs of our health system. Relevant activity is grouped under three core approaches: strategic investments, provincial platforms, partnerships and collaborations.

Our strategic investments of \$64 million funded collaborative, multidisciplinary research applied to finding answers in priority areas of health for Albertans—from rolling out new life-saving stroke care to combating hospital borne infections. AIHS expanded the reach of its strategic investments by working with partners in several sectors. Initiatives with industry led to partnerships with the Strategic Clinical Networks to validate new technologies in the health system. A fund earmarked for research leaders with the ability to move people and ideas to impact helped bring several outstanding people to Alberta. A collaboration with Alberta Health resulted in community-based cancer prevention funded by the Alberta Cancer Prevention Legacy Fund (ACPLF).

Our provincial platforms investment of nearly \$5 million address the major support and services challenges that are faced by all health research and innovation activity in the province: integrating and making available secondary use health data; creating patient-first research and care, and streamlining processes for ethics review and clinical research. AIHS led a provincial partnership from discussions around an approach to create a secondary use health data repository to five demonstration projects to test the approach's feasibility. The Alberta Strategy for Patient-Oriented Research (SPOR) Support for People and Patient-Oriented Research and Trials (SUPPORT) Unit, a multi-year, multimillion dollar partnership struck between AIHS and the Canadian Institutes of Health Research (CIHR) in 2013, launched seven service and support areas specifically for researchers working in patient-focused areas.

Partnerships and collaborations are more than a discrete approach for AIHS: they make up the lifeblood of everything we do, whether as co-developed innovative investments or as cross-functional teams in our operations. AIHS has increased its partnership activity in the past year and much of that was focused on establishing relationships with industry and provincial partners for long-term initiatives. Important measures for successful partnerships and collaborations are fund leveraging, input from experts all along the value chain of innovation, and the combined horsepower to accelerate a validated innovation into use and application. As an example, AIHS's partnership with MEDEC, the national coalition of the Canadian medical technology industry, matches industry innovations to the Strategic Clinical Networks' needs-based research projects so that the results have the best chance of broad uptake in the health system.

How do we know what success is? We have a provincial asset in our performance management and evaluation group at AIHS. The international linkages, methodology, tools and training the group offers have the capacity for scaling and spreading across all research sectors. This means Alberta can have a common approach and language to show impact of public dollar investments, no matter the field. Last year the group published its first data-based Annual Impact Report. When Albertans ask: what do we get for our support of health research and innovation, the Annual Impact Report is one more way to show how research and innovation contributes to health, social and economic gains for Albertans.

ACCOUNTABILITY STATEMENT

The Alberta Innovates – Health Solutions annual report for the year ended March 31, 2016 was prepared under the Board’s direction in accordance with the *Alberta Research and Innovation Regulation*, the Fiscal Planning and Transparency Act, and ministerial guidelines established pursuant to the Fiscal Planning and Transparency Act. All material economic, environmental, or fiscal implications of which we are aware have been considered in the preparation of this report.



Judy Fairburn, MSc, MBA

CHAIR, BOARD OF DIRECTORS

ALBERTA INNOVATES – HEALTH SOLUTIONS

MESSAGE FROM BOARD CHAIR

The gains made this year by the four Alberta Innovates corporations— Energy and Environment Solutions, Bio Solutions, Health Solutions, and Technology Futures—help lay the foundation for future evolution within Alberta’s innovation system, and will be carried forward and further refined as our research and innovation system continues to mature.

A sampling of the past year’s successes among the four corporations showcases our existing strengths and the potential to build on those strengths through the integrated approach that a single organization will enable—not only with each other but with many partners in the broader research and innovation system.

- Alberta Innovates - Technology Futures has begun staged implementation of measuring outcomes generated by the funding support it provides to technology-based entrepreneurs and small business owners. For every dollar AITF invests, business owners raised another \$9.50 from other investors, and grew net revenues by \$4.50. Of the 157 AITF supported companies, 53 percent exported their products, compared to 10 percent of similarly sized Canadian companies.
- Alberta Innovates – Health Solutions and Alberta Innovates – Technology Futures, in partnership with Economic Development and Trade, launched a \$4 million funding initiative to build, test and validate innovative technologies from local entrepreneurs in real world settings in the province. Under the health portion of the initiative, Alberta Health Services’ Diabetes, Obesity and Nutrition Strategic Clinical Network was funded to test two products in the health system, a bandage to heal diabetic ulcers and a shoe insole to sense foot pressure to prevent diabetic ulcers from forming. Foot ulceration affects 15 to 20 percent of people with diabetes at some point in their lives and is a leading cause of amputations. Early detection and new treatment promises to improve their health and wellbeing.
- Alberta Innovates – Bio Solutions and Alberta Innovates – Technology Futures have a partnership to fund researchers who use wood-based cellulose nanocrystals to create advanced materials for the fields of energy, health, industrial coatings, electronics and the environment. These advanced materials are biodegradable, non-toxic and robust. A recent applied research funding program, Cellulose Nanocrystals (CNC) Challenge 2.0 competition, launched by the partners aims to develop applications for CNC with commercialization potential. One of the eight successful applicants will use the \$25,000 and one kilogram of material to explore CNC’s suitability in the manufacturing of artificial heart valves. Other funding recipients will investigate the use of CNC for the treatment of wounds.

- In October 2015, Edmonton's Advanced Energy Research Facility (AERF) was named a Clean50 - Top15 Project for 2016. Alberta Innovates – Energy and Environment Solutions (AI-EES) partnered with the City of Edmonton to introduce and manage this facility. In 2015, eight organizations were at AERF testing feedstocks for gasification and production of clean biofuels and value-added products. AERF is associated with the Enerkem Waste to Biofuels and Chemicals plant, established through an AIEES, City of Edmonton and Enerkem partnership, which aims to process 90% of Edmonton's residential waste into clean biofuels such as methanol and ethanol by next year. This will help Edmonton become an energy sustainable city and contributes to Alberta's Climate Leadership Plan.

I am honoured to serve as the Chair of the Board of Directors that oversees all four of the Alberta Innovates corporations. The four corporations are entering a new era as we embark on consolidating into one entity. Guided by Alberta's priorities, we are committed to evolving Alberta's research and innovation system to be more focused on outcomes and responsive. We will build on Alberta's strengths, creating a more diversified economy and delivering value for money while advancing our environmental and social wellbeing. We are motivated to enable researchers and innovators to accelerate their good ideas into impactful application and job growth.

As Chair, my responsibility is to ensure a strong strategic direction and demonstrable outcomes. It will be critical that consolidation into the single Alberta Innovates corporation is successfully accomplished by management – a catalyst for the future economic prosperity of Alberta. Transparent, accountable and effective governance of the corporations is also essential, as detailed in this Annual Report.

As a single, strengthened Alberta Innovates, we'll have the ability to capitalize on the knowledge, experience and brain power of our staff. We'll employ cross-sectoral approaches to big challenges, offer integrated services and supports that are easy to understand and access, forge increased partnerships and deploy a strengthened research base. Regular reporting on the outcomes achieved by the corporation will be a priority.

Thank you to the staff of all four corporations for their contributions over the past year. Their efforts in leveraging relationships with industry, entrepreneurs, academia and government and the health system have enabled us to continue to offer valuable services to advance a diverse and resilient economy. This will remain critical as we transition to the future.

I would also like to recognize and thank the outgoing board members of all four corporations. Their dedication and leadership have been invaluable in establishing a strong foundation for achieving the goals we set for the new Alberta Innovates.



Judy Fairburn, MSc, MBA

CHAIR, BOARD OF DIRECTORS
ALBERTA INNOVATES – HEALTH SOLUTIONS

KEY RESEARCH AND INNOVATION INITIATIVES

AIHS’s mandate is to support research and innovation that improves the health and wellbeing of Albertans and creates social, health and economic benefits for our province and its people.

To fulfill this mandate and to deliver on the 2015-2018 Business Plan, AIHS focused on three goals:

- Strategic Investments
- Provincial Platforms
- Partnerships and Collaboration

In this section, we outline our key achievements for this year which rely on people and organizations within the provincial environment working together towards a common goal – whether it be providing funding or collaborating with researchers in a different field or at a different institution or in a different country. AIHS investments in research and innovation usually involve multi-year commitments and it must be noted that many of the achievements highlighted here are the results of years of patience and diligence.

GOAL 1

Support strategic investment in priority areas of health research and innovation

OUTCOMES

- Optimization of the value of investments on an individual, program and organizational level.

KEY ACHIEVEMENTS

- AIHS published the first annual Impact Report during 2015-2016. AIHS is recognized nationally and internationally for its expertise in measuring and monitoring in the research evaluation field. AIHS was the first organization in the western hemisphere to adopt the use of the tool Researchfish. It is a standardized and internationally used online system that researchers report into, so that funders can capture and track the impacts of investments.
- AIHS undertook program evaluations for the Collaborative Research and Innovation Opportunities (CRIO) portfolio, SPOR SUPPORT Unit and the Training and Early Career Development portfolio during 2015-2016.

Performance Measure:	Actual 2014-2015	Forecast 2015-2016	Actual 2015-2016
Evaluation (including recommendations) completed for 30% of 10 programs	3	3	3
\$ available for Education and Career Development	\$9.0M	\$9.5M	\$10.6M

	New in 2015-2016	Total # supported by AIHS as at March 31, 2016	Total # supported by AIHS as at March 31, 2015
HYRS Students	50	-	-
Summer Students	185	-	-
Media Fellowship	2	-	-
Graduate Studentships	60	136	130
Post Graduate Fellows	34	67	68
MD/PhD	5	27	20
Clinician Fellowships	20	36	34

- The Training and Early Career Development opportunities focus on Alberta’s health innovation priorities, develop skills, provide mentorship, recognize diversity and integrate knowledge translation. These awards foster the development of future health research and innovation leaders, and prepare them to be drivers of change in diverse settings and environments. AIHS invested over \$10 million in these opportunities in 2015-2016.
- The Partnership for Research and Innovation in the Health System (PRIHS) program is a partnership between AIHS and Alberta Health Services (AHS) aimed at improving health outcomes for patients across Alberta. This funding opportunity targets high impact research activities within the AHS Strategic Clinical Networks (SCNs) that align with the priorities identified in Alberta’s Health Research and Innovation Strategy and the AHS Health Plan. PRIHS supports networks of health researchers and clinical practitioners across the continuum of care, with an emphasis on population health

and community and primary care that can reassess potentially inefficient activities within the health system and identify sustainable solutions to improve overall quality of care and value for money in the health system. The 2015-2016 PRIHS competition will fund the implementation of evidence-informed solutions to address specific health system challenges in Alberta through the SCNs. Funded projects will adopt and implement existing evidence to improve quality of patient care and substantially reduce costs for the healthcare system.

The 2015-2016 PRIHS will focus on achieving improvements in two dimensions of the Health Quality Council of Alberta’s Quality Matrix—appropriateness and efficiency—in areas defined by AHS and the SCNs. Full application deadline was March 31, 2016 with the completion of the competition and funding taking place in 2016-2017.

- In partnership with Alberta Health and AHS, AIHS developed the Cancer Prevention Research Opportunity (CPRO), funded through ACPLF. Lowering rates of cancer and improving outcomes for cancer patients through prevention strategies and lifestyle change would be a major health, social and economic gain for everyone. To support that goal, CPRO was designed to support research approaches that create new knowledge in the area of cancer prevention and screening and move that new knowledge and evidence into use in the health system, in communities, in workplaces, and into the daily lives of Albertans. Nineteen applications were received and the four top ranked applications, as identified through a peer review process, were approved for funding. This represents a total investment of just under \$6.5 million over the next five years.
- In 2015-2016, AIHS launched the initiative Accelerating Innovations into CarE (AICE). AICE provides support for the Alberta Health system, through the SCNs, to generate evidence needed to support adoption of new innovative technologies developed by small-medium sized enterprises (SMEs). AICE will support demonstration projects led by the SCNs to test, evaluate and validate the impacts of new technology on the burden of disease, particularly on disease pathways or workflow, with the intent of improving the health system and overall health of Albertans. On March 31, 2016 AIHS announced the first recipients of AICE. The Diabetes, Obesity, and Nutrition SCN will be working with two companies as part of a larger Diabetes Foot Care Clinical Pathway Project being conducted by Alberta Health Services. The overall goal of the project is to improve diabetic patient outcomes and reduce lower limb amputations, a devastating outcome for diabetics in Alberta. Two other applications were under review.

GOAL 2

Facilitate, develop and support provincial platforms that address strategic outcomes and objectives

OUTCOMES

- Launch of the Integrated Secondary Use Data Platform.
- Initial development of the People Capacity Platform
- Priorities established for the development of provincial platforms. Activities to include the completion of an environmental scan and the development of a platform charter with our partners.
- Continued implementation of the Alberta SPOR SUPPORT Unit business plan and further integration and alignment of the Alberta SPOR SUPPORT Unit platforms with the provincial platforms to support the health research and innovation system.

Performance Measure(s)	Actual 2014-2015	Forecast 2015-2016	Actual 2015-2016
% Completion of Integrated Secondary Use Health Data Platform	Completion of Phase 1;	Phase 2: Work plan for Implementation 100%	Phase 2: Work plan for Implementation 100%
% Completion of People Capacity Platform (target completion 2020)	-	10%	-
# of SPOR Platforms implemented	3	5	7
Utilization: # of projects supported by SPOR	50	100	150

KEY ACHIEVEMENTS

- A plan was developed for Phase 2 of the Secondary Use Data Project with five demonstration projects identified. Each demonstration project will address a problem identified by users and work to liberate aggregate data currently unavailable to the health system stakeholders and public. They will show how data integration produces outputs and outcomes of value to Albertans. Phase 2 is scheduled for 12 months starting in 2016-2017.
- The People Capacity Platform was a need identified by partners in Alberta for an effective, coordinated and value-add provincial approach to people capacity utilization and development to support the advancement of the health research and innovation agenda. Initial discussions have taken place among partners with a plan to be developed for next steps.
- The SPOR SUPPORT Unit is one way AIHS and its partner CIHR are supporting patient-oriented research. The Unit is made up of seven platforms that offer researchers expertise and services in core areas such as data support and service, methods support and development, knowledge translation, patient engagement and pragmatic clinical trials. Alberta's SPOR SUPPORT unit platforms held a competition for the Leads positions of the seven platforms during 2014, which resulted in the appointments of nine individuals as Leads or Joint leads. The platform Leads—alongside the Steering Committee and other partners—are working on the processes by which patient-oriented researchers can access the services, expertise and resources they need to increase the quantity and quality of patient-oriented research in Alberta.

GOAL 3

Engage and strengthen relationships and identify new relationships to achieve sustainable impact

OUTCOMES

- Co-development of industry and entrepreneurial partnered solutions
- Co-development of solutions with government and provincial agency-based partners.

Performance Measure(s)	Actual 2014-2015	Forecast 2015-2016	Actual 2015-2016
\$ received through partnerships*	\$26.9M	\$20.1M	\$13.1M
# of new program/activities co-developed with partners	2	2	nil

* These values reflect amounts received into deferred contributions/restricted funds from partners during the period. Amounts are then recognized as spent as per the agreements.

KEY ACHIEVEMENTS

- Alberta Innovates – Health Solutions (AIHS) in partnership with Novartis Pharmaceuticals Canada Inc. (Novartis) and the Government of Alberta completed the 2015 Alberta/Novartis Translational Research Fund Opportunity competition. The Alberta/Novartis Translational Research Fund Opportunity supports translational research and innovation projects with a strong potential to advance Multiple Sclerosis patient care and/or research over the short or medium term (three to five years). AIHS approved four Alberta/Novartis Translational Research Fund Opportunity awards to receive support for an overall success rate of 50 percent. This represents a total investment of approximately \$1.2 million over the next three years.
- Overall AIHS received \$13.1 million from partners during 2015-2016. This was \$7.0 million less than planned as no new funds were received for ACPLF. Program implementation delays for ACPLF resulted in AIHS holding a large cash balance; subsequently, no funds were advanced by Alberta Health.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The results presented in AIHS's audited financial statements are shaped by our mandate from the Government of Alberta: to provide leadership for Alberta's health research and innovation enterprise by directing, coordinating, reviewing, funding and supporting priority health research and innovation activities.

AIHS's investments are targeted to the following outcomes: development and growth of the health sectors, the discovery of new knowledge, and the application of that knowledge to improve the health and wellbeing of Albertans. The major focus of AIHS's activity is on making quality investments relevant to system needs and priorities.

FINANCIAL POSITION

The Statement of Financial Position shows net financial assets of \$19.7 million and cash of \$56.7 million. AIHS has \$178 million of contractual obligations over the next five years (see note 13), which will become liabilities in future periods. Cash of \$56.7 million includes restricted cash of \$34.4 million. The restricted cash reflects payments received for a specified purpose. Funds are recorded as restricted cash and deferred revenue until the resources are used for the purpose specified. The unrestricted cash balance of \$22.3 million reflects the delayed timing of the implementation of new programs, platforms and initiatives.

REVENUE

- Operating and unrestricted grants are recognized as revenue in the year the transfers are received or receivable. Externally restricted revenue, including partnership revenue, is recognized as revenue in the period in which the resources are used for the purpose specified.
- Government of Alberta Grants were \$17.2 million lower than budget mainly due to our base operating grant received was \$16.1 million lower than budget. In addition, revenue related to restricted funds for ACPLF, PRIHS and Flood Resiliency programs were \$6 million lower than budget, which was offset by \$5.0 million over budget for the Li Ka Shing Institute of Virology.
- Partnership revenue was \$0.3 million lower than budget; the cash was received but revenue was deferred because the associated program spending was delayed into 2016-2017.
- Investment income is interest income generated by the Consolidated Cash Investment Trust Fund. The higher than budgeted cash balance generated higher than budgeted interest during the year.
- Other revenues were \$0.6 million higher than budgeted. These revenues include fees associated with our ethics review committees and other fees collected on events and activities.

EXPENDITURES

- Strategic investments includes Alberta Heritage Foundation for Medical Research (AHFMR) Legacy programs, the CRIO portfolio, Translational Health Chairs as well as funding for new strategic opportunities. Lower than expected spending by research teams in various award categories resulted in a timing delay of \$10.1 million as compared to budget.
- Platforms expenses include SPOR SUPPORT Unit funding as well as other platform spending such as the Secondary Use Data Platform and Ethics Innovations initiatives. Actual spending was \$4.6 million lower than budgeted relating to the timing of platform development for SPOR and Secondary Use Data.
- Partnership Funding Programs include the use of partner restricted funds as well as partnership development activities of AIHS. Included in this category are partner funds related to ACPLF, PRIHS, and CIHR funds for the Alberta SPOR SUPPORT Unit and industry partnered funds. This was \$1.5 million lower than expected with the variance being deferred into 2016-2017.
- Operations expenses were \$1.1 million higher than budget. Spending was higher than budgeted as AIHS had started the development of the provincial platforms in late 2014-2015 which filled vacancies from prior years and added new roles. This plan of growth was within the vision of the prior business plan. However, as new budget realities exist, operational expenses will be reviewed and aligned with the new level of funding.

COMMITTED FUNDING

AIHS committed funding is money allocated over a time period for a specific purpose. In some cases, AIHS receives cash through partnerships, which require corresponding funding from AIHS. To recognize the expense the grant must be approved, all eligibility criteria met, and the expense unavoidable. In other cases, funding is allocated to AIHS for the purposes of fulfilling an agreement approved by AIHS Board of Directors. The supplemental draw on the AHFMR Endowment is an example of an annual allocation of funding to AIHS from the government to help the province's universities manage the transition of researchers from the Legacy funding program, retain outstanding talent and sustain research capacity and strength.

COMMON OUTLOOK

The recent announcement of the consolidation of the four Alberta Innovates corporations means significant changes will occur for each of the corporations in the coming year. In 2016-2017, the single Alberta Innovates corporation will be developing its structure and operations to deliver on its mandate to generate economic, social and health benefits to Alberta. Centralized access to the new corporation's streamlined services, funding and supports will result in greater opportunities to enhance delivery of services, reduce redundancies and redirect resources to underserved areas of Alberta's innovation system.

The impact on our stakeholders, partners and clients of the combined 2016-2017 base budget reduction of \$45 million for the four Alberta Innovates corporations will be mitigated through various strategies specific to the programs of service, funding and support offered.

OPERATIONAL OVERVIEW

AIHS performs a unique role in our province to address some of these issues through health research and innovation support. This role has three overlapping dimensions:

- Partner, broker and facilitator of targeted, high impact health initiatives;
- Catalyst for major capacity development in core areas critical to the support and competitiveness of our provincial health research and innovation environment;
- Funder of high quality, priority health research activity and enabler for moving the resulting innovations into use and development.

During 2015-16, key activities of AIHS included:

- Completion of Phase 1 and launch of Phase 2 of the Secondary Use Data Platform—Alberta currently lacks a solution to integrate the rich health and health-related data sources at its disposal—data that could optimize the precision of healthcare delivery and health improvement for Albertans. Challenges related to data sharing, data management, data standards, privacy, security, cost, regulation, and governance have contributed to a decade-long struggle to deliver an effective research and quality improvement data sharing solution. The platform will develop a comprehensive solution that integrates health and health-related data for use in strategic planning, policy-making, service delivery, quality improvement, and research. This solution will be accomplished through the development of six working groups, a project steering committee and engagement of over 70 stakeholders. The solution will take into account regulations, technology, privacy and security safeguards, analytics services, shared and equitable governance, and expert supporting resources.

- The CIHR eHealth Innovations Partnership Program (eHIPP)—a collaboration with Alberta Innovates – Technology Futures (AITF) and TEC Edmonton to foster partnerships to co-develop e-health solutions. AIHS is funding two successful Alberta-based projects; each project is receiving \$1.5 million in total from partners, including \$750 thousand from CIHR.
- Launch of the AICE program—AICE provides support for the Alberta Health system, through the SCNs, to generate evidence needed to support adoption of new innovative technologies developed by small-medium sized enterprises (SMEs). AICE will support demonstration projects led by the SCNs to test, evaluate and validate the impacts of new technology on the burden of disease, particularly on disease pathways or workflow, with the intent of improving the health system and overall health of Albertans.
- Continuation of the Alberta SPOR SUPPORT Unit—a virtual network of services, expertise and resources providing support to increase the quantity and quality of patient-oriented research in Alberta and the Northwest Territories. It is a five year, \$48 million provincial-federal partnership between CIHR and AIHS.
 - Staff continue to be recruited to the seven platforms according to their business plans.
 - The Career Development platform announced that 10 students had been successful in the 2015 SPOR Graduate Studentship in Patient-oriented Research competition.
 - The Knowledge Translation platform is delivering a series of webinars, focusing on knowledge synthesis, knowledge translation and implementation science.

- Implementation of a new electronic data system for collection of annual impact results, called Researchfish. The first phase of researchers entering annual reports into the system was completed.
- Awarding of the CPRO, a collaborative competition through ACPLF. AIHS received 19 CPRO full applications and awarded the top four ranked applications for funding support, which represents a total investment of just under \$6.5 million over the next five years.
- Awarding 19 Community Engagement and Conference grants. The Community Engagement and Conference Grant is designed to support activities that centre on the promotion and awareness of science, research and innovation. It covers a broad spectrum of activities and is available to community and educational organizations, not-for-profits, the academic community, and those involved in knowledge exchange in the health research and innovation environment.

AIHS governance remained stable throughout the year. There were no changes to the bylaws, code of conduct, conflict of interest policies or intellectual property practices during the year. The organization continues to follow guidance provided by the Government of Alberta on appropriate policies and procedures for transparency and accountability.

Grants received from the Government of Alberta totaled \$69.2 million. This was comprised primarily of the annual base grant was \$50.2 million from Alberta Health, \$10.0 million for the Li Ka Shing Virology Institute and \$6.7 million from ACPLF as well as other smaller grants. An additional \$6.3 million was from partnership, investment revenues and other revenues. Total expenses were \$103.5 million, resulting in net operating deficit of \$28.0 million.

Alberta Innovates – Health Solutions

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

Management’s Responsibility for the Consolidated Financial Statements

Independent Auditor’s Report

Consolidated Statement of Operations

Consolidated Statement of Financial Position

Consolidated Statement of Change in Net Financial Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Schedule 1 – Expenses – Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Budget Reconciliation

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

The accompanying consolidated financial statements are the responsibility of management and have been reviewed and approved by senior management. The consolidated financial statements were prepared in accordance with Canadian Public Sector Accounting Standards, and, out of necessity, include some amounts that are based on estimates and judgement.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system provides management with reasonable assurance that transactions are in accordance with governing legislation and are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded.

AIHS's Board of Directors carry out their responsibility for the consolidated financial statements through the Finance and Audit Committee. The Committee meets with management and the Auditor General of Alberta to review financial matters, and recommends the consolidated financial statements to AIHS's Board of Directors for approval upon finalization of the audit. The Auditor General of Alberta has free access to the Finance and Audit Committee.

The Auditor General of Alberta provides an independent audit of the consolidated financial statements. His examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and procedures, which allow him to report on the fairness of the consolidated financial statements prepared by management.



Dr. Pamela Valentine

CHIEF EXECUTIVE OFFICER (INTERIM)
ALBERTA INNOVATES – HEALTH SOLUTIONS



Maureen Fromhart

VICE PRESIDENT, CORPORATE SERVICES
ALBERTA INNOVATES – HEALTH SOLUTIONS

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, 2016, and the consolidated statements of operations, change in net financial assets, 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 consolidated financial position of Alberta Innovates—Health Solutions as at March 31, 2016, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Merwan N. Saher FCPA, FCA

Auditor General

May 31, 2016

Edmonton, Alberta

**ALBERTA INNOVATES - HEALTH SOLUTIONS
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31**

	2016		2015
	Budget	Actual	Actual
	(in thousands)		
Revenues			
Government Transfers			
Government of Alberta Grants	\$ 86,433	\$ 69,207	\$ 97,932
Partnership Revenue	5,310	5,030	500
Investment Income	266	352	882
Other Revenues	308	868	933
	92,317	75,457	100,247
Expenses			
Strategic Investments	73,888	63,831	60,454
Partnership Funding Programs	25,780	24,272	12,109
Administration	9,500	10,617	8,896
Platforms	9,360	4,762	6,119
	118,528	103,482	87,578
Annual (Deficit) Surplus	(26,211)	(28,025)	12,669
Accumulated Surplus, Beginning of Year	48,600	48,600	35,931
Accumulated Surplus, End of Year	\$ 22,389	\$ 20,575	\$ 48,600

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

**ALBERTA INNOVATES - HEALTH SOLUTIONS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31**

	<u>2016</u>	<u>2015</u>
	(in thousands)	
Financial Assets		
Cash (Note 5)	\$ 56,656	\$ 95,245
Accounts Receivable (Note 6)	592	680
	<u>57,248</u>	<u>95,925</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 8)	9,579	9,421
Deferred Revenue (Note 9)	27,792	38,687
Benefit Plans (Note 10(b))	202	328
	<u>37,573</u>	<u>48,436</u>
Net Financial Assets	<u>19,675</u>	<u>47,489</u>
Non-Financial Assets		
Tangible Capital Assets (Note 11)	647	841
Prepaid Expenses	253	270
	<u>900</u>	<u>1,111</u>
Net Assets		
Accumulated Surplus (Note 12)	<u>\$ 20,575</u>	<u>\$ 48,600</u>

Contractual Obligations (Note 13)

**ALBERTA INNOVATES - HEALTH SOLUTIONS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31**

	2016		2015
	Budget	Actual	Actual
	(in thousands)		
Annual (Deficit) Surplus	\$ (26,211)	\$ (28,025)	\$ 12,669
Acquisition of Tangible Capital Assets	(615)	(143)	(167)
Amortization of Tangible Capital Assets	375	332	269
Loss on Disposal of Tangible Assets	-	5	-
Proceeds on Sale of Tangible Capital Assets	-	-	-
Change in Prepaid Expenses	-	17	(165)
(Decrease) Increase in Net Financial Assets in the Year	(26,451)	(27,814)	12,606
Net Financial Assets, Beginning of Year	47,489	47,489	34,883
Net Financial Assets, End of Year	\$ 21,038	\$ 19,675	\$ 47,489

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

**ALBERTA INNOVATES - HEALTH SOLUTIONS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31**

	<u>2016</u>	<u>2015</u>
	(in thousands)	
Operating Transactions		
Annual (Deficit) Surplus	\$ (28,025)	\$ 12,669
Non-cash items:		
Amortization of Tangible Capital Assets	332	269
Deferred Revenue Recognized as Revenue	(24,076)	(12,046)
Loss on Disposal of Tangible Capital Assets	5	-
	<u>(51,764)</u>	<u>892</u>
Decrease in Accounts Receivable	88	7,742
Decrease (Increase) in Prepaid Expenses	17	(165)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	158	(2,550)
Change in Employee Future Benefit Liabilities	(126)	(50)
Increase in Deferred Revenue	13,181	26,970
Cash Provided by (Applied to) Operating Transactions	<u>(38,446)</u>	<u>32,839</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	<u>(143)</u>	<u>(167)</u>
Cash Applied to Capital Transactions	<u>(143)</u>	<u>(167)</u>
(Decrease) Increase in Cash	(38,589)	32,672
Cash, Beginning of Year	<u>95,245</u>	<u>62,573</u>
Cash, End of Year	<u>\$ 56,656</u>	<u>\$ 95,245</u>

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

ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1 AUTHORITY

Alberta Innovates – Health Solutions (the Corporation) is a Provincial Corporation, as defined in the Financial Administration Act that was established on January 1, 2010 and operates under the authority of the *Alberta Research and Innovation Act*. The mandate of the Corporation is to support the economic and social well-being of Albertans, health research and innovation activities that are 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 income taxes under the *Income Tax Act*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS).

a) Reporting Entity and Method of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity, which is comprised of the Corporation and the 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) Basis of Financial Reporting

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 deferred revenue. Externally restricted revenue, including partnership revenue, is recognized as revenue in the period in which the resources are used for the purpose specified. Funds received prior to meeting the criterion are recorded as deferred revenue until the resources are used for the purpose specified.

ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

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

Investment income includes interest income.

Investment income earned from restricted sources is deferred and recognized when the terms imposed have been met.

Government transfers

Transfers from the Government of Alberta, other governments, and other government entities are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of the transfer.

All other government transfers, without stipulations for use of the transfer, are recorded as revenue when the transfer is authorized and the Corporation meets the eligibility criteria (if any).

Donations and Non-government contributions

Donations and Non-government contributions are received from individuals, corporations, and private sector not-for-profit organizations. Donations and Non-government contributions may be unrestricted or externally restricted for operating or capital purposes.

Unrestricted donations and non-government contributions are recorded as revenue in the year received or in the year the funds are committed to the Corporation if the amount can be reasonably estimated and collection is reasonably assured.

**ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Externally restricted donations, non-government contributions, and realized and unrealized gains and losses for the associated externally restricted investment income are recorded as deferred revenue if the terms for their use, or the terms along with the Corporation's actions and communications as to the use, create a liability. These resources are recognized as revenue as the terms are met and, when applicable, the Corporation complies with its communicated use.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Directly incurred expenses are costs the Corporation has primary responsibility and accountability for. In addition to operating expenses such as salaries and supplies, directly incurred expenses also include:

- Amortization of tangible capital assets.
- Pension costs which comprise of the cost of employer contributions for current service of employees during the year.
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

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

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash	Cost
Accounts receivable and other assets	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost

ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

The Corporation has no assets or liabilities in the fair value category, has not engaged in foreign currency transactions and has no remeasurement gains or losses. Consequently, no statement of remeasurement gains or losses has been presented.

Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals.

The Consolidated Cash Investment Trust Fund (CCITF) is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality, short-term and mid-term fixed income securities with a maximum to maturity of three years.

Accounts Receivable

Accounts receivable are recorded at the lower of cost or net recoverable value. A valuation allowance is recorded when recovery is uncertain.

Liabilities

Liabilities represent present obligations of the Corporation to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- All financial claims payable by the Corporation at the year end
- Accrued employee vacation entitlements; and
- Contingent liabilities where future liabilities are likely.

Non-Financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

**ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line bases over their estimated useful lives as follows:

Furniture and Equipment	5 – 10 years
Computer Hardware and Software	3 years
Leasehold Improvements	over the lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide services or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

Prepaid Expenses

Prepaid expenses are recorded at cost and amortized base on terms of the agreement.

Measurement uncertainty

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated 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 above.

ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

c) **Changes in Accounting Policy**

Adoption of the Net Debt Presentation

The net debt presentation (with reclassification of comparatives) have been adopted for the presentation of the consolidated financial statements. Net debt or net financial assets is measured as the difference between the Corporation's financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding the Statement of Change in Net Financial Assets.

NOTE 3 FUTURE ACCOUNTING CHANGES

In June 2015 the Public Sector Accounting Board issued the following standards:

PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)

PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Management is currently assessing the impact of these standards on the consolidated financial statements.

PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)

PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosures on contractual rights. Management is currently assessing the impact of these standards on the consolidated financial statements.

PS 3430 Restructuring Transactions (effective April 1, 2018)

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

Management is currently assessing the impact of these standards on the consolidated financial statements.

ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
MARCH 31, 2016

NOTE 4 BUDGET
(in thousands)

A preliminary business plan with a budgeted deficit of \$26,211 was approved by the Board on December 8, 2015 and the full financial plan was submitted to the Minister of Health. The budget reported in the statement of operations reflects the original \$26,211 deficit.

NOTE 5 CASH
(in thousands)

Cash in the amount of \$56,656 (2015 - \$95,245) include deposits in the Consolidated Cash Investment Trust Fund (CCITF) amounting to \$56,570 (2015 - \$95,096). Cash as at March 31, 2016 includes restricted cash of \$34,430 (2015 - \$42,785). As at March 31, 2016, securities held by the Corporation have a return of 0.8% per annum (2015: 1.2% per annum).

Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 6 ACCOUNTS RECEIVABLE
(in thousands)

	2016		2015	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 592	\$ -	\$ 592	\$ 680

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

ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
MARCH 31, 2016

NOTE 7 FINANCIAL RISK MANAGEMENT

The Corporation's financial instruments include cash and cash equivalents, accounts receivable and other assets and accounts payable and accrued liabilities. The Corporation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Corporation's financial instruments are exposed to credit risk, market risk and liquidity risk.

a) Credit Risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the corporation. The Corporation's accounts receivable are exposed to credit risk. Management manages this risk by continually monitoring the creditworthiness of counterparties and by dealing with counterparties that it believes are creditworthy.

b) Market Risk

Market risk is the risk of loss from unfavourable change in fair value or future cash flows of a financial instruments causing financial loss. Market risk is comprised of currency risk, interest rate risk and price risk. The Corporation's cash is exposed to interest rate risk. Management manages this risk by continually monitoring the Corporation's deposits in the CCITF and their corresponding rate of return.

c) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's accounts payable and accrued liabilities are exposed to liquidity risk. Management manages this risk by continually monitoring cash flows.

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2016	2015
Accounts Payable and Accrued Liabilities	\$ 9,491	\$ 9,270
Other	88	151
	<u>\$ 9,579</u>	<u>\$ 9,421</u>

ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 9 DEFERRED REVENUE
(in thousands)

	2016			2015	
	Government of Alberta	Federal Government	Non- Government	Total	Total
Balance, Beginning of Year	\$ 29,935	\$ 7,609	\$ 1,143	\$ 38,687	\$ 23,763
Received/receivable During the Year	7,740	5,310	-	13,050	26,851
Restricted Realized Investment Income	131	-	-	131	119
Less Amount Recognized as Revenue	(19,046)	(4,558)	(472)	(24,076)	(12,046)
Balance, End of Year	\$ 18,760	\$ 8,361	\$ 671	\$ 27,792	\$ 38,687

NOTE 10 BENEFIT PLANS
(in thousands)

(a) Pension Plan

The Corporation participates in a Defined Contribution Pension Plan pension. The expense for this pension plan is \$610 (2015 - \$445). AIHS accounts for this plan on a defined contribution basis.

(b) Accrued Retirement Allowance

The Benefit Plans 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 no active members remaining in the plan and one retired member eligible for benefits.

At March 31, 2016 these plans have net accrued liability of \$202 (2015-\$328).

	2016	2015
Benefit Plans, Beginning of Year	\$ 328	\$ 378
Interest Cost	3	3
Benefits Paid	(129)	(53)
Benefit Plans, End of Year	\$ 202	\$ 328

ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 11 TANGIBLE CAPITAL ASSETS
(in thousands)

	2016			2015	
	Equipment	Computer hardware & software (c)	Leasehold improvements (b)	Total	Total
Estimated Useful Life	5-10 years	3 years			
Historical Costs^(a)					
Beginning of Year	\$ 456	\$ 1,954	\$ 888	\$ 3,298	\$ 3,133
Additions	6	113	24	143	167
Disposals	(18)	(31)	-	(49)	(2)
	<u>444</u>	<u>2,036</u>	<u>912</u>	<u>3,392</u>	<u>3,298</u>
Accumulated Amortization					
Beginning of Year	358	1,306	793	2,457	2,190
Amortization Expense	13	295	24	332	269
Effects of Disposals	(16)	(28)	-	(44)	(2)
	<u>355</u>	<u>1,573</u>	<u>817</u>	<u>2,745</u>	<u>2,457</u>
Net Book Value at March 31, 2016	<u>\$ 89</u>	<u>\$ 463</u>	<u>\$ 95</u>	<u>\$ 647</u>	
Net Book Value at March 31, 2015	<u>\$ 97</u>	<u>\$ 649</u>	<u>\$ 95</u>		<u>\$ 841</u>

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

(b) Leasehold improvements are amortized over the lease term.

(c) Historical cost includes computer hardware and software work-in-progress at March 31, 2016 totaling \$nil (2015 - \$31).

**ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016**

NOTE 12 ACCUMULATED SURPLUS
(in thousands)

Accumulated surplus is comprised of the following:

	2016			2015	
	Investments in Tangible Capital Assets	Unrestricted Surplus	Total	Total	Total
Balance, Beginning of Year	\$ 841	\$ 47,759	\$ 48,600	\$ 35,931	
Annual (Deficit) Surplus	-	(28,025)	(28,025)	12,669	
Net Investment in Capital Assets	(194)	194	-	-	
Balance, End of Year	\$ 647	\$ 19,928	\$ 20,575	\$ 48,600	

ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 13 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.

	2016	2015
Obligations under grants and awards and office premises	<u>\$ 178,124</u>	<u>\$ 184,746</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Grant and Awards (a)	Office Premises (b)	Total
2016-17	\$ 73,845	\$ 609	\$ 74,454
2017-18	56,795	682	57,477
2018-19	34,591	698	35,289
2019-20	4,964	698	5,662
2020-21	2,061	698	2,759
Thereafter	<u>1,436</u>	<u>1,047</u>	<u>2,483</u>
	<u>\$ 173,692</u>	<u>\$ 4,432</u>	<u>\$ 178,124</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 104 month lease for office premises. The lease expires on September 30, 2022.

**ALBERTA INNOVATES – HEALTH SOLUTIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016**

NOTE 14 COMPARATIVES FIGURES

Certain 2015 figures have been reclassified to conform to the 2016 presentation.

NOTE 15 SUBSEQUENT EVENT

On April 14, 2016, the Government of Alberta announced the consolidation of the four Alberta Innovates corporations, BIO Solutions, Technology Futures, Energy and Environment Solutions, and Health Solutions into one, along with a wholly owned subsidiary corporation to provide a specialized applied research services. Government will introduce legislation in 2016 to legally create the new entity. Until then, each of the four existing corporations will retain their legal identity.

As the four Alberta Innovates corporations are still legal entities until legislation to create the new corporation is passed and in force later fiscal 2016-2017, the Lieutenant Governor in Council has appointed a new Board of Directors to serve for all four of the Alberta Innovates corporations.

This consolidation will have a significant financial impact on future operations of the four Corporations but an estimate of the financial impact cannot be made at this time.

NOTE 16 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of Alberta Innovates – Health Solutions on May 31, 2016.

**ALBERTA INNOVATES - HEALTH SOLUTIONS
SCHEDULE 1
EXPENSES - DETAILED BY OBJECT
YEAR ENDED MARCH 31**

	2016		2015
	Budget	Actual	Actual
	(in thousands)		
Grants	\$ 99,851	\$ 88,640	\$ 74,021
Supplies and Services	11,280	6,960	7,043
Salaries, Wages and Employee Benefits	7,022	7,545	6,245
Amortization of Tangible Capital Assets	375	332	269
Loss on Disposal of Tangible Capital Assets		5	-
	<u>\$ 118,528</u>	<u>\$ 103,482</u>	<u>\$ 87,578</u>

ALBERTA INNOVATES - HEALTH SOLUTIONS
SCHEDULE 2
SALARY AND BENEFITS DISCLOSURE
YEAR ENDED MARCH 31

	2016			2015	
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
	(in thousands)				
Chair of the Board	\$ -	\$ -	\$ -	\$ -	\$ -
Board Members	-	23	-	23	25
Chief Executive Officer (interim) ⁽⁴⁾	255	-	33	288	386
Chief Partnership Officer ⁽⁴⁾	-	-	-	-	294
Executives/Vice Presidents:					
Vice President - Corporate Services	225	-	28	253	222
Vice President - Initiatives and Innovation ⁽⁵⁾	225	-	27	252	203
Vice President - Provincial Platforms & SPOR ⁽⁶⁾	250	-	31	281	75
Executive Director, Operations ⁽⁷⁾	175	-	31	206	97
	<u>\$ 1,130</u>	<u>\$ 23</u>	<u>\$ 150</u>	<u>\$ 1,303</u>	<u>\$ 1,302</u>

⁽¹⁾ Base salary includes regular salary.

⁽²⁾ Other cash benefits includes honoraria.

⁽³⁾ Other non-cash benefits includes the share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, health spending accounts, short and long-term disability plans and professional memberships.

⁽⁴⁾ On March 5, 2015 the Chief Partnership Officer and the Chief Executive Officer (interim) positions were combined after the Chief Executive Officer passed away.

⁽⁵⁾ The Vice President – Health Technologies position was reclassified as Vice President – Initiatives and Innovations on December 16, 2014.

⁽⁶⁾ The Vice President – Provincial Platforms & SPOR was a new position effective January 5, 2015.

⁽⁷⁾ The Strategic Advisor, CEO position was reclassified as Executive Director, Operations on June 1, 2015

ALBERTA INNOVATES - HEALTH SOLUTIONS
SCHEDULE 3
RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31

Related parties are those entities consolidated or accounted for on a modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the corporation. The corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect changes applicable to all users, and have been excluded from this schedule.

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.

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2016	2015	2016	2015
	(in thousands)			
Revenues				
Grants	\$ 69,119	\$ 97,113	\$ 88	\$ 819
Other	197	156	4	7
	<u>69,316</u>	<u>97,269</u>	<u>92</u>	<u>826</u>
Expenses - Directly Incurred				
Grants	3,854	3,062	82,362	69,063
Other Services	98	192	459	692
	<u>\$ 3,952</u>	<u>\$ 3,254</u>	<u>\$ 82,821</u>	<u>\$ 69,755</u>
Receivables from	<u>\$ 78</u>	<u>\$ 45</u>	<u>\$ 427</u>	<u>\$ 524</u>
Payables to	<u>\$ 698</u>	<u>\$ 153</u>	<u>\$ 8,072</u>	<u>\$ 7,883</u>
Deferred Revenue	<u>\$ 15,892</u>	<u>\$ 27,004</u>	<u>\$ 2,868</u>	<u>\$ 2,931</u>
Contractual Obligations	<u>\$ 3,844</u>	<u>\$ 6,375</u>	<u>\$ 169,461</u>	<u>\$ 172,719</u>

ALBERTA INNOVATES - HEALTH SOLUTIONS
SCHEDULE 4
BUDGET
YEAR ENDED MARCH 31, 2016

	Original Budget	Reclassifications	Budget
	(in thousands)		
Revenues			
Government Transfers			
Government of Alberta Grants	\$ 86,433	\$ -	\$ 86,433
Partnership Revenue	5,310	-	5,310
Investment Income	266	-	266
Other Revenues	308	-	308
	<u>92,317</u>	<u>-</u>	<u>92,317</u>
Expenses			
Strategic Investments	73,888	-	73,888
Partnership Funding Programs ⁽¹⁾	25,463	317	25,780
Administration	9,500	-	9,500
Platforms	9,360	-	9,360
Partnerships ⁽¹⁾	317	(317)	-
	<u>118,528</u>	<u>-</u>	<u>118,528</u>
Annual Deficit	<u>\$ (26,211)</u>	<u>\$ -</u>	<u>\$ (26,211)</u>

⁽¹⁾ Partnership expenses reallocated to Partnership Funding Programs

APPENDIX A: PUBLIC INTEREST DISCLOSURE

Section 32 of the Public Interest Disclosure Act requires Alberta Innovates – Health Solutions, an agency of the Government of Alberta, to report annually on the following parts of the Act:

- a) The number of disclosures received by the designated officer of the Public Interest Disclosure Office, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- b) The number of investigations commenced by the designated officer as a result of disclosures;
- c) In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2015–2016 for Alberta Innovates – Health Solutions, there were no disclosures of wrongdoing filed with the Public Interest Disclosure Office.



ALBERTA INNOVATES - HEALTH SOLUTIONS

Suite 1500, 10104 - 103 Avenue
Edmonton, Alberta
T5J 4A7

Phone: (780) 423-5727
Toll-free: 1-877-423-5727
Fax: (780) 429-3509
E-mail: health@albertainnovates.ca

aihealthsolutions.ca