Canadian Foundation for Healthcare Improvement/ Fondation canadienne pour l'amélioration des services de santé

Financial statements for the year ending March 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Canadian Foundation for Healthcare Improvement

Opinion

We have audited the financial statements of the **Canadian Foundation for Healthcare Improvement** (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statement of operations, statement of changes in deferred contributions, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Organization as at March 31, 2019, its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Organization for the year-ended March 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on June 19, 2018.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ottawa, Canada,
June 27, 2019

Chartered Professional Accountants
Licensed Public Accountants

Canadian Foundation for Healthcare Improvement/
Fondation canadienne pour l'amélioration des services de santé

Statement of financial position

As at March 31

	2019	2018
	$	$
Assets		
Current		
Cash	**327,618**	749,157
Accounts receivable	**302,224**	377,368
Prepaid expenses	**153,948**	116,010
Partner funding deposits	**1,185,382**	477,251
Short-term investments *[note 2]*	**2,500,000**	2,500,000
Total current assets	**4,469,172**	4,219,786
Tangible capital and intangible assets *[note 3]*	**2,302,658**	2,834,579
Employee future benefits *[note 4 a)]*	**1,198,847**	994,475
Investments - reserve *[note 5]*	**11,561,341**	11,080,644
	19,532,018	19,129,484
Liabilities and deferred contributions		
Current		
Accounts payable and accrued liabilities *[note 6]*	**1,422,436**	1,512,086
Deferred revenue	**88,471**	—
Total current liabilities	**1,510,907**	1,512,086
Obligations under capital lease *[note 7]*	**22,605**	33,459
Deferred lease inducement	**249,584**	176,342
Deferred capital contribution *[note 8]*	**437,413**	486,931
Deferred contibutions		
Restricted - Operations	**5,750,168**	5,840,022
Restricted - Reserve *[note 5]*	**11,561,341**	11,080,644
	17,311,509	16,920,666
	19,532,018	19,129,484

Commitments *[note 13]*

See accompanying notes

Approved by the Board:

Ms. R. Lynn Stevenson
Chair, Board of Directors

Mr. Murray Ross
Chair, Finance and Audit Committee

Dr. Jennifer Zelmer
President & CEO

Ms. Nancy Quattrocchi
Vice-President, Corporate Services

Canadian Foundation for Healthcare Improvement/
Fondation canadienne pour l'amélioration des services de santé

Statement of operations

Year ended March 31

	2019	2018
	$	$
Revenue		
Recognition of deferred contributions relating to operations of the current year	**16,758,725**	14,487,364
Program support revenue	**375,637**	484,610
Other revenue	**1,073**	12,811
Recognition of deferred contributions relating to leasehold improvements	**49,518**	37,139
Recognition of deferred contributions relating to tangible capital and intangible assets	**626,777**	520,136
	17,811,730	15,542,060
Expenses		
Collaborating for spread and scale	**7,045,369**	5,006,485
Building capacity for improvement and transformation	**2,091,750**	2,272,178
Enhancing evaluation, analytical and knowledge translations capacity	**1,115,360**	1,938,113
Corporate strategy and program development	**1,477,612**	1,603,137
Improving access to healthcare for people living in northern, rural, remote & indigenous communities	**1,614,907**	958,648
Partnering with patient and family members in healthcare improvement	**1,461,165**	748,197
Communications and stakeholder relations	**1,708,705**	1,752,366
Corporate services and governance	**1,293,674**	1,266,818
Investment management fees	**40,616**	36,888
Employee future benefits	**(37,428)**	(40,770)
	17,811,730	15,542,060
Excess of revenue over expenses	**—**	—

See accompanying notes

Statement of deferred contributions

Year ended March 31

	2019	2018
	$	$
Deferred contributions – operations		
Balance, beginning of period	**5,840,022**	5,431,215
Health Canada contribution	**17,000,000**	15,575,543
Recognition of deferred contributions relating to operations	**(16,758,725)**	(14,487,364)
Recognition of deferred contributions relating to tangible capital and intangible assets	**(626,777)**	(520,136)
Re-measurement and other items related to employee future benefits	**166,944**	(234,644)
Investment income - restricted	**128,704**	75,408
Balance, end of period	**5,750,168**	5,840,022
Deferred contributions – reserve		
Balance, beginning of period	**11,080,644**	10,692,619
Investment income - restricted	**368,572**	223,458
Change in allowance for uncollectability of investments *[note 9]*	**112,125**	164,567
Balance, end of period	**11,561,341**	11,080,644

See accompanying notes

Canadian Foundation for Healthcare Improvement/
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Statement of cash flows

Year ended March 31	2019	2018
	$	$
Operating activities		
Excess of revenue over expenses	**—**	—
Items not involving cash		
Amortization of tangible capital and intangible assets	**626,777**	520,136
Recognition of deferred contributions relating to tangible capital and intangible assets	**(626,777)**	(520,136)
Loss on disposal of capital assets	**503**	—
Recognition of deferred contributions relating to operations of the current year	**(16,758,725)**	(14,487,364)
Change in employee future benefits asset	**(37,428)**	(40,770)
	(16,795,650)	(14,528,134)
Change in non-cash operating working capital		
Decrease in accounts receivable	**75,144**	75,097
Decrease (increase) in prepaid expenses	**(37,938)**	71,167
Increase in partner funding deposits	**(708,131)**	(477,251)
Decrease in accounts payable and accrued liabilities	**(89,650)**	(498,996)
Increase (decrease) in deferred revenue	**88,471**	(62,000)
Cash used in operating activities	**(17,467,754)**	(15,420,117)
Investing activities		
Transfer of funds to short-term investments	**—**	1,500,000
Transfer of funds to reserve	**—**	(2,303,684)
Tangible capital and intangible asset acquisitions	**(96,209)**	(2,158,403)
Proceeds from disposal of capital assets	**850**	—
Collection of previously written off investments	**174,460**	196,768
Change in allowance for uncollectability of investments	**112,125**	164,567
Investment income - restricted	**322,816**	298,866
Cash provided by (used in) investing activities	**514,042**	(2,301,886)
Financing activities		
Increase (decrease) of obligations under capital lease	**(10,854)**	33,460
Contribution from Health Canada	**17,000,000**	15,575,543
Net increase to deferred contributions - reserve	**(480,697)**	(388,025)
Deferred lease inducement	**73,242**	176,342
Deferred capital contribution	**(49,518)**	486,931
Cash provided by financing activities	**16,532,173**	15,884,251
Decrease in cash	**(421,539)**	(1,837,752)
Cash, beginning of period	**749,157**	2,586,909
Cash, end of period	**327,618**	749,157

See accompanying notes

Notes to financial statements

March 31, 2019

The Canadian Foundation for Healthcare Improvement ["CFHI"] supports partners to accelerate the identification, spread and scale of proven innovations. We work shoulder-to-shoulder with governments, policy-makers, and health system leaders to improve health and care for everyone in Canada by supporting healthcare organizations to convert evidence and innovative practices into actionable policies, programs, tools and leadership development. CFHI changed its name from the Canadian Health Services Research Foundation ["CSHRF"] effective April 5, 2012.

CFHI is a registered charity and accordingly, is exempt from income taxes under paragraph 149(1)(l) of the *Income Tax Ac*t (Canada). The organization became operational in fiscal 1997 and is incorporated under the *Canada Corporations Act*. Effective June 17, 2014, CFHI was continued under the *Canada Not-for-Profit Corporations Act.* Under the Federal Budget 1996, the Government authorized Health Canada to pay $55 million to CFHI (then CHSRF) over a five-year period. As part of the same agreement, the Medical Research Council agreed to contribute $10 million and the Social Sciences and Humanities Research Council of Canada agreed to contribute $1.5 million over the same five-year period. In 1999, the Federal Government granted $35 million to CFHI for participation in the Canadian Institutes of Health Research (this partnership led to the development and implementation of the Capacity for Applied and Developmental Research and Evaluation [CADRE] program), and another $25 million to support a ten-year nursing research fund. In 2003, the Federal Government provided $25 million for the implementation of the Executive Training for Research Application [EXTRA] program over a thirteen-year period.

In 2009, CFHI entered into a Comprehensive Funding Agreement with Health Canada. This agreement superseded the previous agreements. Under this agreement, CFHI was directed to hold all investments in fixed income securities within a single investment portfolio. The agreement enabled CFHI to report their operations under a single program.

On March 16, 2016, CFHI signed a Contribution Agreement with Health Canada, providing $14 million of funding to CFHI to continue its operations until March 2017. On November 10, 2016, CFHI signed an amendment to the Contribution Agreement providing an additional $39 million of funding to CFHI for eligible expenditures up to March 31, 2019. On March 22, 2017, the government announced, as part of the 2017 budget statement that CFHI was to receive funding of $17 million per year beginning in 2019 and $17 million in ongoing funding in each subsequent year. On March 31, 2019, Health Canada approved the carryover of $1.4 million in unspent 2018-19 funding, recorded in *Deferred contributions – Restricted Operations*, to 2019-20. On December 18, 2018, CFHI signed an amendment to the Contribution Agreement providing an additional $34 million of funding for eligible expenditures up to March 31, 2021, bringing the total funding under this agreement to $87 million. CFHI holds the unused deferred contributions from agreements prior to March 2016 in reserve.

Notes to financial statements

March 31, 2019

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Basis of presentation

CFHI uses the deferral method of accounting for contributions for not-for-profit organizations.

b) Revenue recognition

Unrestricted contributions are recognized as revenue when received or receivable.

Externally-restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Externally-restricted contributions applied towards the acquisition of tangible capital and intangible assets are deferred and amortized to revenue, at a rate corresponding with the amortization rate of the related tangible capital and intangible assets.

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

Investment income earned is restricted to be used for the specific purpose of the related externally-restricted contribution. Investment income earned is initially recorded in deferred contributions and is recognized as externally-restricted contributions in the year the related expenses are incurred.

c) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. CFHI has elected to carry all investments at fair value.

Sales and purchases of investments are recorded on the trade date. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. Where an indicator of impairment is present, CFHI determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CFHI expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

d) Tangible capital and intangible assets

Purchased tangible capital and intangible assets are recorded at cost. Repair and maintenance costs are charged to expense. When a tangible capital and intangible asset no longer contribute to CFHI's ability to provide services, their carrying amounts are written down to their residual value.

Tangible capital and intangible assets are amortized on a straight-line basis over the following useful lives:

Assets	**Useful life**
Tangible capital assets	
Computer equipment	3 years
Telephone equipment	4 years
Furniture and fixtures	5 years
Photocopiers	Lease term
Leasehold improvements	Lease term
Intangible assets	
Computer software	3 years

e) Leases

Leases are classified as either capital or operating. Capital leases are those which substantially transfer the benefits and risks of ownership to the lessee. Assets acquired under capital leases are amortized at the rates for their capital asset class as described in note 1 d). Obligations recorded under capital leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to expense.

f) Foreign currency transactions

Foreign currency transactions are initially recorded at the rate of exchange prevailing at the date of the transaction. Thereafter, monetary assets and liabilities are translated at the exchange rates in effect at the statement of financial position date. Gains and losses resulting from the translation are included in unrealized investment income in the statement of deferred contributions.

g) Employee future benefits

CFHI has a defined benefit pension plan for its employees. The benefits are based on years of service and the employee's average compensation over the best five years.

CFHI has elected to use actuarial valuations prepared for funding purposes to measure the defined benefit obligation in respect of its pension plan. These valuations are prepared by an actuary at least every three years to comply with regulatory requirements and are based on assumptions and methods selected in accordance with accepted actuarial practice. In years between valuations, CFHI uses a quarterly roll-forward technique to estimate the defined benefit obligation. The most recent actuarial valuation for funding purposes was performed as at March 31, 2017.

The measurement date of the plan assets, which are recorded at fair value, and defined benefit obligation coincides with CFHI's fiscal year.

CFHI recognizes the defined benefit obligation net of the fair value of the plan assets adjusted for any valuation allowance in the statement of financial position at the end of the year.

The annual benefit cost is recorded in the statement of operations and the actuarial gains and losses are recognized in the statement of deferred contributions.

h) Allocation of general support costs

CFHI presents its statement of operations by function, except for investment management fees, and employee future benefits fair value adjustment.

CFHI incurs general support costs that are common to the administration of CFHI and each of its functions. General support costs include occupancy costs, personnel, amortization, finance, information technology, human resources and legal costs.

CFHI allocates these general support costs from the Corporate Services function to the other functions on a per employee basis. These usage rates are used to allocate all the general support costs to administration and each of its functions.

i) 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 revenues and expenses during the reporting period. Actual results could differ from these 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 employee future benefits asset.

j) Deferred contributions

All of the deferred contributions of CFHI are subject to externally imposed restrictions in accordance with the related Contribution Agreement. Investment income earned on the grants received from the Government of Canada is also restricted. Accordingly, these amounts are deferred and recognized as revenue as the related expenses are incurred resulting in CFHI having no net asset balance at the end of the year. Deferred contributions restricted for operations are invested in short-term investments and are available for the operations of programs for CFHI.

k) Lease inducements

Lease inducements, consisting of free rent granted to CFHI for the leased offices, are amortized on a straight-line basis over the term of the lease.

2. Short-term investments

Short-term investments are primarily highly liquid guaranteed interest term deposits with short-term maturity dates. Funds invested in short-term investments will be used for the funding of CFHI's operations during the year.

3. Tangible capital and intangible assets

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Tangible capital assets				
Computer equipment	**434,897**	**255,274**	**179,623**	258,318
Telephone equipment	**46,267**	**31,246**	**15,021**	22,169
Furniture and fixtures	**822,544**	**343,813**	**478,731**	640,126
Equipment under capital lease	**44,025**	**19,261**	**24,764**	35,770
Leasehold improvements	**1,672,056**	**273,371**	**1,398,685**	1,549,784
Intangible assets				
Computer software	**476,092**	**270,258**	**205,834**	328,412
	3,495,881	**1,193,223**	**2,302,658**	2,834,579

Cost and accumulated amortization of tangible capital and intangible assets amounted to $3,401,606 and $567,027, respectively as at March 31, 2018.

4. Employee future benefits

a) Plan assets and obligations

CFHI administers the Canadian Foundation for Healthcare Improvement Employees' Pension Plan, which is a defined benefit plan registered with the Financial Services Commission of Ontario, and covers most of CFHI's employees. CFHI uses a measurement date of March 31 for estimating the plan assets and obligation.

The latest actuarial valuation of the pension plan for funding purposes was performed as at March 31, 2017. The next actuarial valuation for funding purposes is required to be completed as at March 31, 2020 or earlier, in accordance with the requirements of the *Pension Benefits Act* (Ontario).

As part of the regulations governing provincially regulated pension plans, pension plans must meet certain solvency requirements which assume the plans are wound up/liquidated as of the valuation date. If there is a funding deficiency, plan sponsors usually have to make additional contributions to amortize it over a prescribed period.

The actuarial valuation for funding purposes performed as at March 31, 2017 reported a solvency surplus of $279,759 and a going-concern surplus of $1,242,017, based on economic assumptions applicable at March 31, 2017. CFHI reviews the performance of the plan on a quarterly basis to determine if additional payments should be made to the plan. For the year ended March 31, 2019, CFHI was not required to make any additional contributions [2018 – $Nil].

The reconciliation of the funded status of the defined benefit pension plan to the amount recorded in the financial statements is as follows:

	2019	**2018**
	$	$
Plan assets at fair value	**13,391,779**	12,544,411
Less: Defined benefit obligation	**(12,192,932)**	(11,549,936)
Employee future benefits asset	**1,198,847**	994,475

b) Plan assets

	2019	**2018**
	$	$
Plan assets at fair value, beginning of period	**12,544,411**	11,324,685
Actual gain on plan assets	**856,937**	300,395
Employer contributions	**782,629**	683,734
Employee contributions	**610,400**	617,311
Benefits paid	**(207,438)**	(381,714)
Transfer out of the pension for former employees	**(1,195,160)**	—
Plan assets at fair value, end of period	**13,391,779**	12,544,411

c) Defined benefit obligation

	2019	2018
	$	$
Defined benefit obligation, beginning of period	**11,549,936**	10,136,336
Current service cost	**1,290,593**	1,142,772
Purchase of past service	**119,755**	182,863
Interest cost	**635,246**	557,498
Benefits paid	**(207,438)**	(381,714)
Transfer out of the pension for former employees	**(1,195,160)**	—
Actuarial loss (gain)	**—**	(87,819)
Defined benefit obligation, beginning of period	**12,192,932**	11,549,936

d) Assumptions

	2019	2018
	%	%
Discount rate	**5.5**	5.5
Rate of compensation increases	**4.5**	4.5
Expected long-term rate of return on plan assets	**5.5**	5.5
Rate of inflation	**2.0**	2.0

5. Investments – Reserve

CFHI has restricted the balance of unused funds as at December 31, 2015 from the previous Comprehensive Funding Agreement in a reserve as a buffer against potential adverse results in the present or future years, the aggregate of existing current and future years' contractual and employer commitments as well as commitments to support initial development of programs or initiatives deemed to have strategic importance for CFHI. Investments have been restricted for this use along with any investment income earned by those investments. The investment balance consists of the following:

	Fair value	Cost
	$	$
March 31, 2019		
Cash and cash equivalents	**115,196**	115,196
Fixed income securities	**11,446,145**	11,424,379
	11,561,341	11,539,575

Notes to financial statements

March 31, 2019

	Fair value $	Cost $
March 31, 2018		
Cash and cash equivalents	**15,691**	15,691
Fixed income securities	**10,952,827**	11,046,532
Equity securities	**112,126**	59,479
	11,080,644	11,121,702

Investments are managed as a pool by investment managers who are under the direction of the Investment Committee reporting to the Board of Directors. Investments include:

a) Cash and cash equivalents

Cash and cash equivalents consist of cash and debt securities with a variety of interest rates and having original maturity dates of less than 90 days.

b) Fixed income securities

Fixed income securities consist of Canadian government and commercial bonds or funds investing primarily in fixed income securities with various interest rates and terms to maturity. The fixed income securities have effective interest rates ranging from 1.25% to 1.39% with maturity dates ranging from two days to 20 months. The value of these securities is subject to interest rate and exchange rate fluctuations.

c) Equity securities

Equity securities consist of funds invested primarily in equity securities. These securities are subject to market value and exchange rate fluctuations.

As at March 31, 2019, CFHI held no equity investments [2018 – US$173,918]

6. Accounts payable and accrued liabilities

At year end, CFHI had no amounts payable for government remittances [2018 – $Nil], such as goods and services tax/harmonized sales tax and payroll-related taxes.

7. Obligations under capital lease

The Foundation has financed certain photocopy equipment by entering into capital leasing arrangements, which expire on May 2021. The minimum aggregate payments are approximately as follows:

	$
2020	11,648
2021	11,648
Total minimum lease payments	23,296
Less amount representing interest (at a rate of 2.7%)	691
Present value of net minimum capital lease payments	22,605

The capital lease is secured by photocopiers that have a net book value of $24,764.

8. Deferred capital contributions

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

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

	2019	**2018**
	$	$
Balance, beginning of year	**486,931**	—
External contributions received	**—**	524,070
Amount recognized as revenue	**(49,518)**	(37,139)
Balance, end of year	**437,413**	486,931

9. Investment allowance for uncollectability

Allowance for uncollectability:

	2019	**2018**
	$	$
Allowance for uncollectability (US$)	**—**	86,958
Foreign exchange to CDN$	**—**	25,167
Allowance for uncollectability (CDN$)	**—**	112,125

To comply with the 2009 Comprehensive Funding Agreement of the Government of Canada CFHI had to restructure its investment portfolio to meet the requirements of the Minister of Finance Investment Management

Framework for Up-front Funding (Part II). In 2012, CFHI was informed that it could realize immediate collection of certain equity investments at a discount of 50%. Based on this information, CFHI maintained an allowance for uncollectibility at 50% of the fair market value while these investments were being liquidated. CFHI has now completed this liquidation process and is no longer holding any equity investments [2018 – $224,251].

10. Allocation of general support costs

General support costs of $3,375,627 [2018 – $2,877,507] have been allocated as follows:

	2019	**2018**
	$	$
Collaborating for spread and scale	**1,181,523**	816,380
Building capacity for improvement and transformation	**357,012**	302,708
Enhancing evaluation, analytical and knowledge translations capacity	**282,790**	531,046
Corporate strategy and program development	**367,283**	342,429
Improving access to healthcare for people living in northern, rural, remote & indigenous communities	**294,118**	224,554
Partnering with patient and family members in healthcare improvement	**401,089**	213,658
Communications and stakeholder relations	**491,812**	446,732
	3,375,627	2,877,507

11. Capital management

CFHI considers its capital to consist of its unused externally restricted contributions which are presented as deferred contributions in the statement of financial position. CFHI's objectives with respect to managing capital are to comply with external and internal restrictions which fund its ongoing operations and its future business costs. CFHI monitors its capital requirements and objectives through its budgeting process, its financial statement review process and reviews of the terms and conditions contained in its agreement with Health Canada. CFHI is also subject to external restrictions on its capital with respect to requirements to fund post-employment benefits in accordance with related regulations. CFHI monitors its compliance with these requirements by following the funding recommendations provided by the plan's actuary. The Board of Directors believes that CFHI has adhered to all externally imposed restrictions.

12. Financial risks

a) Credit risk

CFHI is exposed to credit risk relating to its receivables. Credit exposure is minimized by dealing mostly with creditworthy counterparties. Management does not believe CFHI is exposed to significant credit risk from its receivables. CFHI assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in an allowance for doubtful accounts. At year end, there were no amounts allowed for in accounts receivable.

b) Liquidity risk

CFHI does not believe that it is exposed to significant liquidity risk.

c) Market rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in currency exchange rates, interest rates or changes in market prices.

i) Interest rate risk:

CFHI is exposed to interest rate risk with respect to its interest-bearing investments as disclosed in notes 2 and 5.

ii) Foreign currency and market risk:

Foreign currency exposure arises from holdings of non-Canadian financial instruments. At year end, CFHI held no U.S. dollar denominated investment in equity funds [2018 – CAD $112,126].

iii) Other price risk:

CFHI does not believe that it is exposed to other price risk.

CFHI believes that it is not exposed to significant financial risks arising from its financial instruments.

13. Commitments

Operating

CFHI is committed to payments under operating leases for its premises. The lease held for CFHI's current premises will expire January 2028. Including estimated operating costs, the amount of the rent payments is approximately:

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2020	603,702
2021	677,292
2022	732,220
2023	779,886
Thereafter	4,100,747

In the normal course of business, CFHI entered into a lease agreement for the rental of its premises. It is common in such lease transactions for CFHI as the lessee to agree to indemnify the lessor for liabilities that may arise from the use of the leased premises. The maximum amount potentially payable under the foregoing indemnities cannot be reasonably estimated. CFHI has liability insurance that relates to the indemnifications described above.

14. Comparative information

Certain 2018 comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.