

RESEARCH COLLABORATION
BREAKTHROUGHS EXCELLENCE
INFRASTRUCTURE IMPACTS BENEFITS
KNOWLEDGE PARTNERSHIPS
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2008-09
ANNUAL
REPORT



Canada Foundation for Innovation
Fondation canadienne pour l'innovation



Canada Foundation for Innovation
Fondation canadienne pour l'innovation

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Glossary of Acronyms

- CCSIP (Canada-California Strategic Innovation Partnership)
- CIHR (Canadian Institutes of Health Research)
- CRI (Clinical Research Initiative)
- CSCC (Cancer Stem Cell Consortium)
- ERA (European Research Area)
- IOF (Infrastructure Operating Fund)
- LEF (Leading Edge Fund)
- LOF (Leaders Opportunity Fund)
- LSIE (Large-Scale Institutional Endeavours)
- MAC (Multidisciplinary Assessment Committee)
- MIST (major investments in science and technology)
- NIF (New Initiatives Fund)
- NSERC (Natural Sciences and Engineering Research Council)
- OMS (Outcome Measurement Study)
- OPEA (Overall Performance Evaluation and Value-for-Money Audit)
- PERAF (Performance, Evaluation, Risk and Audit Framework)
- RHF (Research Hospital Fund)
- SSHRC (Social Sciences and Humanities Research Council)

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OVERVIEW

The Canada Foundation for Innovation (CFI) is an independent corporation created by the Government of Canada to fund research infrastructure. The CFI's mandate is to strengthen the capacity of Canadian universities, colleges, research hospitals and non-profit research institutions to carry out cutting-edge research and technology development that benefits Canadians.

Since the CFI's creation in 1997, its investments — totalling \$4.5 billion as at March 31, 2009 — have led to groundbreaking discoveries across the spectrum of disciplines. Whether focused on health, natural resources and energy, information and communications technology, the environment or social science, research facilitated by CFI-funded infrastructure is recognized for its world-class excellence.

Infrastructure builds long-term capacity for generations of researchers, leaving a lasting legacy to the research community — and ultimately to the Canadian public.

Infrastructure enables cutting-edge research

The infrastructure funded by the CFI includes state-of-the-art equipment, laboratories, databases and the buildings necessary to conduct research. It fosters collaboration among the academic, private, public and non-profit sectors on a range of projects and in all disciplines.

Infrastructure builds long-term capacity for generations of researchers, leaving a lasting legacy to the research community — and ultimately to the Canadian public.

Supporting national objectives

CFI funding enables institutions to set their research priorities in areas of importance to Canada. This helps researchers to compete with the best in the world and solidifies the country's position in the global knowledge-based economy. The CFI contributes to strengthening Canada's science and technology (S & T) capacity in order to:

- support economic growth and job creation, as well as health and environmental quality through innovation;
- increase Canada's capability to carry out important world-class scientific research and technology development;
- expand research and job opportunities for young Canadians;
- promote productive networks and collaboration among Canadian post-secondary educational institutions, research hospitals and the private sector.

The foundation: a model of success

Studies have shown that foundations are an important and effective instrument for the Government of Canada in the delivery of research and education programs, where expert knowledge, partnerships, multi-year funding, long-term planning and independent merit review are critical.

The arm's-length nature of the foundation model allows organizations such as the CFI to address challenges in a highly effective, non-partisan manner. By working with institutions, the CFI ensures that applications for funding are based on solid institutional strategic research plans.

Although the CFI is not alone in supporting innovation in Canada, it is the only national organization focused on providing the infrastructure required to conduct high-quality research in all fields of investigation.

Funding formula

The CFI funds up to 40 percent of a project's research infrastructure costs, which is then leveraged to attract the remaining investment from partners in the public, private and non-profit sectors. Its multi-year funding programs allow institutions to engage in long-term strategic research planning.

Assessment criteria

Eligible Canadian institutions may apply to the CFI through a suite of unique funds. All applications are assessed using three broad criteria:

- Quality of the research and its need for infrastructure;
- Contribution to strengthening the capacity for innovation;
- Potential benefits of the research to Canada.

The CFI relies on experts from Canada and abroad in its rigorous and independent merit-review process, which ensures that only the very best projects are funded.

Benefits to Canadians

State-of-the-art infrastructure helps institutions attract, retain and train highly skilled research personnel. The CFI promotes the optimal use of research infrastructure within and among Canadian institutions to create the necessary conditions for sustainable, long-term economic growth. The innovative research that results from great minds and cutting-edge infrastructure can lead to better public policy and foster spin-off ventures and the commercialization of discoveries, which improves the overall quality of life for Canadians.

GUIDING VALUES AND PRINCIPLES

The CFI strives to be an organization that is:

Transformative — investing in projects that have a profound and enduring impact on the research environment.

Accountable — monitoring impacts and keeping stakeholders informed, while ensuring funds are used responsibly.

Transparent — ensuring the integrity of the review processes, as well as the fairness and independence of its funding decisions.

Consultative — maintaining an open dialogue with research institutions, their partners and other key stakeholders.

Client-focused — providing effective, efficient and innovative client services.

Flexible — adapting to changing environments and continually improving its policies, programs and services.

Innovative — bringing fresh ideas to program design and business practices and fostering a creative work environment.



State-of-the-art equipment made possible by CFI funding has been instrumental in attracting and retaining thousands of the best researchers from home and abroad.

MESSAGE FROM THE CHAIR

The dramatic downturn in the global economy has created significant challenges for countries everywhere. Given the resulting preoccupation with saving industries, financial institutions and jobs, investments in innovation are key. The reality is, however, that those countries which continue to invest heavily in research and innovation during economic downturns are typically those which emerge strongest when the crisis ends.

Canada's significant and ongoing investment in the CFI, provided in the 2009 Federal Budget, will allow the CFI to continue its vital support of the acquisition and operation of the infrastructure essential to maintaining the country's strong research capacity.

For more than a decade, CFI investments in leading-edge infrastructure have allowed researchers to conduct their work at the highest international standards. State-of-the-art equipment made possible by CFI funding has also been instrumental in attracting and retaining thousands of the best researchers from home and abroad and in turning Canada's significant brain drain into a brain gain. Since 2000, approximately 8,000 new faculty members have joined Canada's universities, where they have access to CFI-funded infrastructure.

The result has been new discoveries that have led to new understanding, new technologies and new solutions to challenges in the fields of health, the environment, engineering and many more — and to vitally important new commercial opportunities for Canada.

The staff, Board of Directors and Members of the CFI are proud to contribute to these successes, which impact the future well-being of our country and its people and reach beyond our borders to the rest of the globe. The CFI is grateful to the hundreds of national and international experts who volunteer their time and knowledge to ensure that CFI funding decisions are based on the highest international standards of peer review.

We look forward to continuing to work in partnership with Canada's colleges, universities, research hospitals and non-profit research institutes to provide researchers with the necessary tools to secure their success on the international stage and to advance Canada's vital role as a nation of innovation.

William C. Leggett

MESSAGE FROM THE PRESIDENT AND CEO



Challenging economic times reinforce the notion that innovation will be increasingly important to the nation's future prosperity. This reality is reflected in the Government of Canada's S & T Strategy and in the ongoing support that recent federal budgets have provided to the CFI for investments in research and development infrastructure in Canada's universities, colleges, research hospitals and research institutes.

Budget 2007, which allocated \$510 million to the CFI, resulted in the launch of a Leading Edge Fund/New Initiatives Fund competition, the results of which were to be announced in June 2009. Budget 2009 provided an additional \$150 million for this competition, for a total investment of \$660 million in state-of-the-art infrastructure in Canada's research enterprise.

Budget 2009 also provided the CFI with \$600 million for one or more competitions to be launched before the end of 2010. In response, the CFI began an extensive consultation exercise with stakeholders to determine how the forthcoming competition will best address the opportunities and challenges presented by today's evolving and highly competitive global research environment.

The CFI places a high value on accountability and, as a result, has developed new approaches for evaluating the research outcomes and economic and social impacts of its investments. The innovative Outcome Measurement Study continued in 2008-09, with early findings made public in a summary report. An Overall Performance Evaluation and Value-for-Money Audit of the CFI is also scheduled for completion in early 2010 with an assessment by a distinguished International Review Panel.

The CFI also recognizes the importance of "telling the stories" behind its investments — that is, communicating their benefits to Canadians. We have reached millions of people across the country through a number of initiatives, including revamping our popular online magazine, *InnovationCanada.ca*, and creating a new publication, *InnovatioNation*, to showcase research excellence in Canada.

Canada's R & D enterprise has made impressive advances in recent years. By continuing to build on these gains, today's investments in S & T will help to ensure tomorrow's economic and social prosperity.

Eliot A. Phillipson

Challenging economic times reinforce the notion that innovation will be increasingly important to the nation's future prosperity.

2008-09 ACHIEVEMENTS

1 STRENGTHEN THE CORE ASSETS OF THE CFI PROGRAM

Guided by the strategic principle of promoting world-class excellence, the CFI's core objective in 2008-09 was to enhance the nation's research capacity by funding research infrastructure through a number of competitions and improving its program delivery.

RHF AT A GLANCE, 2008-09

The competition awarded **\$426.5 million** to eight institutions, along with approximately **\$128 million** for infrastructure-operating funding.

FUNDS Research Hospital Fund (RHF)

The RHF contributed to large-scale hospital-based research infrastructure projects that build on state-of-the-art equipment, innovative ways of doing research, increased research capacity and additional highly qualified personnel. The RHF supported a more integrated and multidisciplinary approach to health research by investing in research-hospital infrastructure — especially for new space. The research enabled by this infrastructure holds the promise of improving health for Canadians, more effective health services and products and a better overall health-care system.

The RHF comprised two initiatives: the Clinical Research Initiative (CRI), which was a collaboration with the Canadian Institutes of Health Research (decisions were approved in March 2008), and the Large-Scale Institutional Endeavours (LSIE).

The LSIE was designed for large-scale hospital-based projects mainly requiring space to support outstanding research, training and knowledge translation. The competition awarded \$426.5 million to eight institutions, (Centre for Mental Health, Hamilton Health Sciences Corporation, McGill University, Sunnybrook Health Sciences Centre, Hospital for Sick Children, Ottawa Hospital, University Health Network and Memorial University) along with approximately \$128 million for infrastructure-operating funding. The decisions were approved by the CFI Board in June 2008.

Leaders Opportunity Fund (LOF)

The LOF is an allocation-based fund that assists Canadian universities in attracting and retaining outstanding faculty members and researchers in priority areas identified in an institution's strategic research plan. The CFI Board makes LOF funding decisions three times annually.

Intended to serve the infrastructure needs of individual faculty or small groups of up to three faculty members, the LOF is delivered through three funding streams: stand-alone CFI support for leading researchers; funding related to the Canada Research Chairs Program; and research-support proposals submitted to the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC).

LOF AT A GLANCE, 2008-09

Total: **\$69.6 million**
Institutions: **52**
Municipalities: **40**
Projects: **439**
Researchers supported: **532**

In 2008-09, the CFI committed \$69.6 million to 439 projects, which included funds from the \$80 million in new funding announced by the Government of Canada in Budget 2006.

Infrastructure Operating Fund (IOF)

The IOF contributes to the incremental operating and maintenance costs of infrastructure projects funded by the CFI. As a general rule, eligible institutions receive an IOF allocation representing 30 percent of the finalized CFI contribution.

The CFI awarded approximately \$128 million in IOF support through successful RHF (LSIE) projects and approximately \$21 million through successful LOF projects.

Leading Edge Fund (LEF) and New Initiatives Fund (NIF)

The LEF and NIF support innovative and transformative infrastructure projects covering all disciplines and research and technology development activities.

The LEF strengthens highly competitive research and technology development that builds on successful and productive initiatives supported by past CFI investments. It is designed to encourage collaborative, multidisciplinary research and technological development approaches and to reinforce strategic planning and priority setting by Canadian institutions.

The NIF supports infrastructure initiatives in which the CFI has not previously invested at the applicant institution. It aims to spark creativity and dynamism in the Canadian research and development enterprise by enabling new research ideas, unique research teams and fresh approaches in promising new areas of strategic importance, while improving an institution's research competitiveness and international leadership.

Following a Call for Proposals in February 2008, the CFI progressed through the first of three review stages by the end of the 2008-09 fiscal year. This competition stems from the \$510 million announced by the Government of Canada in Budget 2007. The CFI convened 67 expert committees to assess applications outside Quebec, while the Quebec granting agencies convened 34 committees to assess the projects submitted by Quebec institutions. A total of 114 additional reviewers from Canada and abroad agreed to serve on nine Multidisciplinary Assessment Committees (MACs) — eight focused on research proposals and one on technology development proposals.

The MACs were preparing to convene in April 2009 to review 394 projects requesting \$1.5 billion. The additional \$150 million the Government of Canada allocated to the CFI in Budget 2009 increased the original competition to \$663 million (\$510 million for capital and \$153 million for operating). An international seven-member Special-MAC was invited to meet in May 2009 to make final recommendations to the CFI Board, which was scheduled to meet in June 2009.

LEF/NIF AT A GLANCE, 2008-09

The additional **\$150 million** the Government of Canada allocated to the CFI in Budget 2009 increased the original competition to **\$663 million**.

IMPROVE PROGRAM DELIVERY

The CFI undertook special initiatives to strengthen program delivery in 2008-09.

Leaders Opportunity Fund (LOF) review

The CFI reviewed the LOF to ensure it continues to be effective in responding to the research needs of institutions. The review analyzed external pressures on faculty recruitment and featured a consultation workshop with institutional representatives. Recommendations were presented to the CFI Board at its March 2009 meeting and included: increasing the financial limit on LOF projects from \$1 million to \$2 million; reviewing such large projects once a year; extending to 2012 the planning horizon for institutions to use their allocation; and allowing institutions to collaborate and share their allocation to attract or retain a leading researcher.

Infrastructure Operating Fund (IOF) improvements

To help alleviate the institutions' administrative burden and enhance their flexibility in using the IOF, the CFI improved its guidelines and requirements for the fund. The changes were communicated to the research community both on the CFI's corporate website and in presentations to associations, such as the Canadian Association of University Research Administrators and the Canadian Association of University Business Officers. All projects funded under the IOF will generate the IOF at a rate of 30 percent of the finalized CFI contribution, and the increased rate will be retroactive to the launch of the IOF in October 2005.

Enhanced governance and management oversight for major investments

The CFI spearheaded an Inter-Agency Working Group (including the three federal funding agencies and the National Research Council) to identify the issues surrounding investments in existing major investments in science and technology (MIST). Over the past two decades or more, Canada has developed a considerable portfolio of MISTs that represent major hubs of science and technology which link together networks of researchers from academia, industry and government. The CFI, as a significant investor in several MISTs, felt it timely and important to develop a discussion paper to provide a factual, comprehensive overview of the issues related to MISTs in Canada, including their current status, opportunities and challenges. The paper was submitted to Industry Canada in mid-2008, and the creation of a handbook for operators on the governance and management of MIST facilities was initiated.

COMMITTED AND PROJECTED AMOUNTS (\$M) 1998-2012

Fund	Committed by the CFI Board				Projected				
	98-06	06-07	07-08	08-09	09-10	10-11	11-12	Unallocated	Total
New Opportunities	353								353
Canada Research Chair Infrastructure	200								200
Leaders Opportunity Fund	19	77	86	69	90	90	90		521
Career Awards	6								6
Innovation	1,769	13							1,782
University Research Development	35								35
College Research Development	16								16
Leading Edge & New Initiatives		325			510				835
International	159	43							202
Research Hospital	57		16	427					500
Exceptional Opportunities	15	6							21
National Platforms		84							84
Infrastructure Operating	406	142	27	168	180	27	27		977
Automotive Partnership Initiative					8	7			15
Budget 2009 Future Competitions							600		600
Unused Amounts Confirmed by Final Financial Reports *				(21)					(21)
Unallocated								64	64
Total	3,035	690	129	643	788	124	717	64	6,190

* The maximum grants awarded to date include \$21 million that will be unused by eligible recipients, which has been confirmed by final financial reports submitted as at March 31, 2009.

2 CONTINUE TO ALIGN THE CFI WITH THE PRIORITIES OF THE FEDERAL GOVERNMENT AND THE RESEARCH COMMUNITY

The CFI allocated \$15 million over five years toward collaborative research and development initiatives driven by auto-industry needs.

From its inception, the CFI has always encouraged Canadian institutions to develop strategic research plans and has worked with these institutions to ensure its funding programs support the strategic needs of the Canadian research community. To date, the majority of CFI funds have been allocated to health, energy, sustainable development and the environment, information and communications technology and advanced materials. The Research Hospital Fund (RHF) competition in 2008-09 provided extensive support for health research, and the Leaders Opportunity Fund (LOF) supported all priority S & T areas. Two additional initiatives, in particular, were the focus of a collaborative process with a variety of funding-agency partners.

Automotive Partnership Canada

The CFI, in partnership with Industry Canada, NSERC, SSHRC and the National Research Council, established the governance structure and funding arrangements necessary to enhance innovation in the Canadian auto industry: Automotive Partnership Canada. The CFI allocated \$15 million over five years toward collaborative research and development initiatives driven by auto-industry needs.

The Cancer Stem Cell Consortium

Led by Genome Canada, the CFI, in partnership with the Canadian Institutes of Health Research (CIHR), the Ontario Institute for Cancer Research and the Stem Cell Network, created the Cancer Stem Cell Consortium, which brings together established agencies, organizations and scientists to build a critical mass of expertise that will address an important research opportunity through a well-defined governance and management structure. It is a non-profit corporation that coordinates and oversees the scientific direction, research goals and milestones for large-scale cancer stem cell research programs across Canada and California and is part of the Canada-California Strategic Innovation Partnership.

3 EXTEND CFI CAPABILITY THROUGH LEVERAGING RELATIONSHIPS

The CFI fosters relationships with a variety of funding partners within private and public sectors.

Federal funding agencies

The CFI's mandate allows for collaboration in all sectors and disciplines. Since it provides up to 40 percent of the cost for any given infrastructure project, the CFI understands the importance of working with funding partners to plan, deliver, evaluate and communicate the results of our investments. In doing so, the CFI decreases the burden on institutions and creates programs that better address institutional needs. In 2008-09, the president and vice-presidents of the CFI met regularly with their counterparts at the federal funding agencies — NSERC, SSHRC and CIHR — to enhance collaboration and improve program delivery.

Joint programs

Through its Leaders Opportunity Fund (LOF) program, the CFI worked with the federal funding agencies by allocating \$11.2 million in infrastructure support to the Canada Research Chairs and approximately \$400,000 through research-support proposals submitted to the federal funding agencies.

ERA-Can

The CFI signed a contract in 2005 with the European Commission to act as the legal entity for ERA-Can, a science and technology co-operation initiative to improve the linkages between Canada and the European Research Area (ERA). The other federal funding agencies are also involved in the initiative. Over the past year, ERA-Can provided information sessions and advice on the European Union's Seventh Framework Programme (FP7) to the Canadian research community.

Canada-California Strategic Innovation Partnership (CCSIP)

The CFI became a founding member, together with the other federal funding agencies, of the CCSIP, a strategic partnership with the State of California.

Provinces

The CFI has always governed its relations with provinces on the principle of flexibility and openness. Provincial governments investing in CFI-funded university-research infrastructure set their own conditions and priorities on those projects, while working with the CFI to avoid duplication and maximize investment benefits.

Through its Leaders Opportunity Fund (LOF) program, the CFI worked with the federal funding agencies by allocating \$11.2 million in infrastructure support to the Canada Research Chairs.

With a better understanding of individual provincial governments' science and technology objectives — and how they fit within the overall federal S & T framework — the CFI is able to plan more strategically on issues relating to program design, issues management and communications.

The CFI achieved these objectives in 2008-09 through its regular VP updates and face-to-face meetings. Provinces were consulted as part of the Performance, Evaluation, Risk and Audit Framework, as well as the 2009 Leading Edge Fund/New Initiatives Fund competition and LOF reviews. They were offered an opportunity to provide input into where each project submitted by an institution in its respective jurisdiction fit into their S & T priorities. Provinces were also offered the opportunity to participate in various activities of the CFI's Evaluation and Outcome Assessment team, such as the Outcome Measurement Study.

4 REINFORCE THE CFI'S ACCOUNTABILITY AND TRANSPARENCY

In 2008-09, the CFI continued to enhance its accountability to the federal government and the Canadian public.

ASSESS IMPACTS AND DISSEMINATE RESULTS

The CFI completed development of the Performance, Evaluation, Risk and Audit Framework (PERAF) to document and update existing practices and assure that the CFI responsibly stewards public funds on an ongoing basis. The CFI solicited comments on the draft PERAF document in the June 2008 VP update sent to funded institutions, funding agencies and provincial governments. Following this consultation, the final PERAF was posted on the CFI's corporate website.

In 2008, the CFI began implementing the PERAF by developing an approach for reviewing milestones for large and complex projects and establishing new or improved reporting and monitoring practices.

Overall Performance Evaluation and Value-for-Money Audit (OPEA)

Guided by the PERAF, the CFI developed a strategy and began implementing the OPEA, including the design of the evaluation and the audit. An international review panel was invited to assess and make recommendations on the CFI's performance, based on historic CFI documents and data-collection exercises conducted by KPMG. The CFI's current Funding Agreement with Industry Canada requires that an audit be completed by March 31, 2010.

Evaluations and special studies

The CFI completed a special study exploring the role of CFI-funded research infrastructure in the development of Canadian-based university spin-off companies. The study found that as of 2006, CFI-funded infrastructure played a significant role in the enhancement and development of 94 university spin-offs.

Outcome Measurement Study (OMS)

The OMS is a unique and innovative approach for capturing critical information on the impacts of CFI investments. Each OMS site visit provides rich quantitative and qualitative data across CFI-funded projects in a specific research theme at a given institution. Six institutions were visited in 2008-09 to determine outcomes of CFI investments in selected thematic areas: University of Victoria (environment and oceans); University of Manitoba (immunology and infectious diseases); University of Guelph (food science and soft materials); Cégep de Saint-Hyacinthe/CTT (textiles); Simon Fraser University (materials science); and University of New Brunswick (river ecosystems). The CFI was joined by observers from provincial governments and other funding agencies. The results of the first nine OMS visits were also documented in a summary report.

As of 2006, CFI-funded infrastructure played a significant role in the enhancement and development of 94 university spin-offs.

Progress reports

As in previous years, the CFI posted progress-report data on its website in its Report on Results. After consultation with experts and to facilitate the data-collection process, the CFI refined several questions to better align data with performance measures identified in the PERAF.

Improved capacity for analyzing investments

The CFI updated its business-intelligence software to improve the capacity to report on business processes, including the analysis of infrastructure investments and project outcomes. This more sophisticated analytical capacity will enhance the value of CFI data as a unique window into the research activities of Canadian universities.

COMMUNICATE WITH CANADIANS

The CFI employed a variety of vehicles and strategies to communicate to the Canadian public the results and impacts of investments in research infrastructure.

InnovationCanada.ca, the online magazine of the CFI showcasing excellence in Canadian research, relaunched in 2008 with a new look and user-friendly interface. The site published more than 40 articles and received 15 million hits from various sectors of the population.

Some 6,000 copies of *InnovationNation*, a biannual publication that highlights benefits of research to Canadians, were distributed to key stakeholders, including senators, MPs, CFI-funded institutions and media.

The CFI hosted more than 130 guests at its 11th Annual Public Meeting in Ottawa in the fall of 2008. The meeting featured guest speaker Dr. Ilse Treurnicht, CEO of the MaRS Discovery District in Toronto, who spoke about Canada's commercialization challenges in the new global economy.

**InnovationCanada.ca
published more than
40 articles and received
15 million hits from various
sectors of the population.**

In addition to seven national funding announcements, the CFI worked with funded institutions and other partners on 67 activities that showcased research and its impacts. Through national and regional media coverage (print, television and radio), more than 150 news items featuring the CFI reached over 6.2 million people. The CFI also collaborated with partner institutions to communicate to the public through the media on the research enabled by its infrastructure investments.

The CFI collaborated on a series of national radio public service announcements and television programs that profiled the benefits of the work being done by some of Canada's top researchers. Broadcasts reached more than 700,000 people.

Seeing a pressing need in Canada to improve the quality of science journalism, the CFI assembled a steering committee and funded a study on the feasibility of a Canadian science media centre, which included an online survey and regional focus groups. The study showed overwhelming support for the initiative, and a business plan was approved to establish the Science Media Centre of Canada.

REPORT AND MONITOR FINANCIAL PERFORMANCE

Investment plan

The CFI invested its funds in accordance with its Investment Policy and Investment Strategy and is in full compliance with its Funding Agreement. The principal objective of investment decisions is the preservation of capital to meet future cash requirements. Consequently, a buy-and-hold strategy was used, in which investment maturities match the forecasted cash requirements of the CFI. Despite the credit crisis, the CFI not only preserved its capital but also continued to experience good returns on its investments.

The CFI Investment Policy and Investment Strategy were reviewed in November 2008 by the Investment Committee, which oversees the management and investment of CFI funds. Recognizing the current market volatility and uncertainty, the Committee approved a temporary approach to the day-to-day management of the funds. Until market conditions improve, investments have been restricted to the most secure types permitted under the Funding Agreement. This adjustment is expected to remain in force — in full or in part — through the 2009-10 fiscal year.

Monitoring activities

The CFI conducted nine monitoring visits/meetings and 25 audits in 2008-09. Monitoring visits and related preliminary meetings are conducted at recipient institutions to assess the adequacy and effectiveness of policies, processes and controls that are in place for the management of CFI-funded projects. The CFI also conducts contribution audits of projects. It uses a risk-based approach to select the institutions that will be visited and the projects that will be subject to an audit. These activities help ensure that CFI funds are being used for their intended purpose, in accordance with the terms and conditions of award agreements and CFI policies and guidelines. Monitoring visits and contribution audits are important activities that allow the CFI to mitigate its key risks.

Internal audits/reviews

The CFI's internal auditors, Deloitte & Touche LLP, worked with the CFI to review the security risks associated with its IT systems and infrastructure. They produced an IT Security Review Scoping Report, which provides an initial risk assessment of IT systems and networks and suggests possible improvements.

REPORT TO THE GOVERNMENT OF CANADA

The CFI strives to remain accountable to its funder, the Government of Canada, in a number of ways.

In fulfilling the requirements of our Funding Agreement, the 2007-08 Annual Report was submitted to the Minister of Industry. The Minister tabled the report in the House of Commons on January 27, 2009, and the electronic version was posted on the CFI's corporate website and emailed to more than 10,000 subscribers. Only a limited number of printed copies were distributed to the Government of Canada, in an effort to reduce the CFI's impact on the environment.

The CFI submitted two briefs to the House of Commons Standing Committees on Industry and Finance as part of the pre-budget consultation process.

The CFI Board of Directors met in June 2008 in St. John's, in November 2008 in Winnipeg and in March 2009 in Vancouver. The June meeting also included the annual meeting of CFI Members.

The CFI conducted nine monitoring visits/meetings and 25 audits in 2008-09.

GOVERNANCE

BOARD OF DIRECTORS

CFI BOARD OF DIRECTORS

William C. Leggett, Chair
 Kevin O'Brien Fehr, Vice-Chair
 Elizabeth Cannon
 Natalie Dakers (appointed June 2008)
 David Dolphin
 Suzanne Fortier (appointed June 2008)
 Robert J. Giroux
 Gary Glavin
 Liz Harrison
 Linda Hohol
 Ross McCurdy
 Kevin Smith
 Ronald Whelan

Terms that expired in 2008-09

Claude Benoît (June 2008)

The CFI Board of Directors meets a minimum of three times each year and is composed of a maximum of 15 individuals from a variety of backgrounds. Each Director has a unique perspective and understanding of the research community and brings expertise from one or more of the private, institutional, academic, research or government sectors. The Government of Canada appoints seven Directors on a rotational basis, one of whom is from one of the federal research-funding agencies. Directors are nominated and then appointed for three-year terms.

Attendance

The Directors of the CFI Board take their role seriously and, to the best of their ability, strive to be active participants in all Board and Committee meetings. Their impressive attendance rate reflects their tremendous dedication to the CFI.

* Dates for Committee meetings are set two years in advance, which, in some instances, causes scheduling conflicts, particularly for new Board Directors.

Director	Board meetings	Committee meetings *
Elizabeth Cannon	3/3	3/3
Natalie Dakers	2/2	N/A
David Dolphin	2/3	3/3
Suzanne Fortier	2/2	N/A
Robert J. Giroux	3/3	1/5
Gary Glavin	3/3	3/3
Liz Harrison	3/3	2/2
Linda Hohol	3/3	4/6
William C. Leggett	3/3	9/9
Ross McCurdy	3/3	6/6
Kevin O'Brien Fehr	3/3	3/3
Kevin Smith	1/3	0/2
Ronald Whelan	3/3	3/3

MEMBERS

CFI MEMBERS

Gail Dinter-Gottlieb
 David Fung
 Gail Gabel
 Roland Hosein
 Murray Knuttila
 Marie-Andrée Mallette
 Rick Miner
 Heather Munroe-Blum
 Leigh Murphy
 Michel Nadeau
 Indira Samarasekera
 Donald J. Savoie
 Matt Spence
 William Tholl

The Board of Directors reports to Members — a higher governing body similar to a company's shareholders but representing the Canadian public. Members are nominated and appointed for a five-year term. They meet in June each year and are responsible for:

- the appointment of eight of the 15 Board Directors;
- the appointment of external auditors;
- the review of audited financial statements;
- the approval of the Annual Report prior to its distribution at the Annual Public Meeting.

In the past year, Members reviewed their responsibilities and adopted new procedures that allow them to play a more effective role in the governance of the CFI. To that end, they selected two Co-Chairs for Members (David Fung and Roland Hosein) and two additional Members (Murray Knuttila and Marie-Andrée Mallette) to participate in the nomination discussions and recommendations of Board Directors and Members at meetings of the Board's Governance and Nominating Committee.

RANGES OF REMUNERATION

Board Directors and Members

To determine remuneration, the Board uses guidelines established by the Government of Canada: Remuneration Guidelines for Part-time Governor in Council Appointees in Crown Corporations. Directors who opt to receive remuneration from the CFI are entitled to an annual retainer of \$5,000, while Committee Chairs receive \$7,500 and the Board Chair receives \$10,000. They are also entitled to receive a per diem fee of \$750 for attending Board or Committee meetings and a \$500 fee for attending a Committee meeting associated with a Board meeting. Members are not entitled to any remuneration. Members and Directors may, however, be reimbursed for any reasonable out-of-pocket expenses incurred while performing their duties or attending CFI meetings. The remuneration of Board Directors was in the range of \$0 to \$19,750 in 2008-09.

For the fiscal year ending March 31, 2009, compensation for CFI staff was within the following annual salary ranges:

CFI Management (Officers)

Eliot A. Phillipson, President and CEO
\$190,000 to \$240,000

Suzanne Corbeil, Vice-President, External Relations and Communications
\$128,000 to \$177,200

Manon Harvey, Vice-President, Finance and Corporate Services
\$128,000 to \$177,200

Jac van Beek, Vice-President, Programs and Planning
\$128,000 to \$177,200

Employees

(whose remuneration exceeds \$100,000, including any fee, allowance or other benefit paid in year)

Director, Programs
\$103,300 to \$137,900

Director, Communications
\$88,300 to \$117,800

Director, Corporate Services
\$88,300 to \$117,800

Director, Evaluation and Outcome Assessment
\$88,300 to \$117,800

Director, Finance
\$88,300 to \$117,800

Senior Advisor, External Relations and Communications
\$80,200 to \$106,900

Senior Programs Officers
\$80,200 to \$106,900

COMMITTEES

Audit and Finance

Ross McCurdy, Chair
Robert Giroux (since November 2008)
Linda Hohol
William C. Leggett
Kevin O'Brien Fehr
Kevin Smith (since November 2008)
Ronald Whelan

Investment

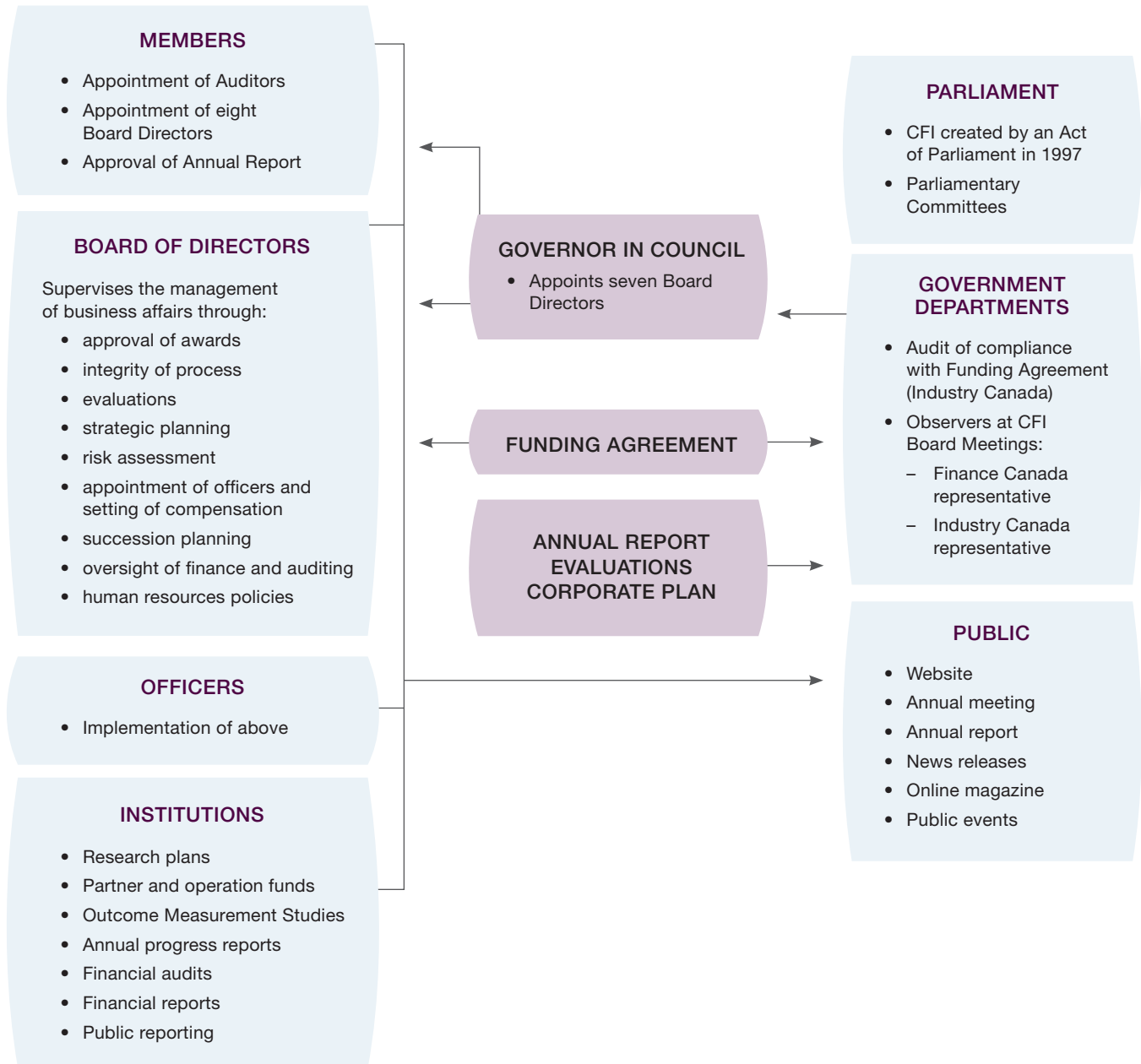
Linda Hohol, Chair
William C. Leggett
Ross McCurdy

Governance and Nominating

David Dolphin, Chair
Elizabeth Cannon
Robert J. Giroux
Gary Glavin
Liz Harrison (since November 2008)
William C. Leggett

Two CFI Members, Murray Knuttila and Marie-Andrée Mallette, also participate in the nomination discussions and recommendations of possible Board Directors and Members.

Governance and accountability



LOOKING AHEAD 2009-10

It is well known that there is a direct connection between better publicly funded research and industrial growth in modern knowledge-based economies. The availability of complex infrastructure has become vital to ensuring Canadian researchers remain globally competitive. Investments made in research infrastructure serve as a beacon for attracting researchers, helping institutions build their human infrastructure — Canada's most important renewable resource — and enhance their expertise.

Canada's research institutions play a critical role in times of economic downturn. The research being conducted in these institutions explores new areas, pushes the frontiers of knowledge and contributes to the foundations for new industries.

During fiscal year 2009-10, the CFI will conduct extensive consultations across the country — in person and online — with the national research community, including colleges, universities, research hospitals, funding agencies, umbrella private-sector organizations and provincial governments. The consultations will inform a long-term strategic plan for the CFI's future funding competitions. The CFI will also continue to support the Government of Canada's Science and Technology Strategy, *Mobilizing Science and Technology to Canada's Advantage*, through the delivery of its programs, with three main objectives.

OBJECTIVE 1

Enhance Canada's research capacity by promoting world-class excellence

The CFI will continue to enhance the nation's research capacity by enabling Canadian institutions to remain competitive, positioning them to compete internationally and sustaining previous investments in research infrastructure.

To meet these objectives, the CFI will design one or more new competitions to award \$600 million (from Budget 2009) before December 2010 to reflect the needs of the national research community, based on a strategic plan that builds on Canada's areas of research strength. The strategic focus adopted by the CFI in its programs to date provides a strong platform upon which to support the goals envisioned in the federal Science and Technology Strategy. This year, in consultation with institutions and the federal government, the CFI will design a Call for Proposals that complements our institutional focus with a national orientation.

Continuing its regular funding programs, the CFI will award an estimated \$510 million for infrastructure project funding in the 2009 Leading Edge Fund (LEF) and New Initiatives Fund (NIF) competitions, commit approximately \$90 million to about 500 projects for

The research being conducted in institutions explores new areas, pushes the frontiers of knowledge and contributes to the foundation for new industries.

assisting universities in attracting and retaining highly qualified researchers through the Leaders Opportunity Fund (LOF) and provide approximately \$180 million to institutions to support the ongoing operations and maintenance of CFI-funded infrastructure through the Infrastructure Operating Fund (IOF). It will also improve and steward the implementation of the Clinical Research Initiatives and Large-Scale Institutional Endeavours components of the Research Hospital Fund (RHF) to ensure they are progressing in a timely manner.

The CFI will introduce and implement several improvements to the LOF to better serve the needs of Canada's research organizations, empowering them to recruit and retain talented researchers. It will also provide support and direction to the operators and funders of large-scale science facilities by disseminating a comprehensive handbook that introduces good governance and management principles for such facilities.

In 2009-10, the CFI aims to update technology and processes for the CFI awards-management system and database to improve service to the research community by providing better functionality and tools as well as improved responsiveness.

OBJECTIVE 2

Foster strategic partnerships to support Canada's research enterprise

Through the LOF, the CFI will continue to partner with NSERC, SSHRC and CIHR, as well as the Canada Research Chairs Program, to provide infrastructure funding support.

The CFI will continue to work with the federal research-funding agencies to identify additional areas of integration and develop initiatives with common synergies, with the ultimate goal of working more cohesively to support Canada's research enterprise. Where appropriate, the CFI will help its federal funding partners find solutions to the significant issues facing the research sector.

The CFI will continue to support ERA-Can so that it continues to deliver workshops and disseminate strategic information to stakeholders.

In the coming year, the program operations of the CFI will continue to be characterized by flexibility, fairness and openness in interactions with all stakeholders, including provinces and provincial organizations. The CFI will continue to meet with provincial representatives, with a focus on developing effective relationships and channels of communication in the context of our competitions and, where appropriate, public announcements.

OBJECTIVE 3

Enhance accountability to responsibly steward public funds

The CFI assures responsible stewardship of public funds through ongoing management of performance within a broad framework that integrates performance measurement, evaluation, risk assessment and audit activities.

Implementation of an Overall Performance Evaluation and Value-for-Money Audit (OPEA) will decrease the workload burden on institutions and create resource synergies within the CFI. The CFI will also implement an OPEA to comply with its Funding Agreement. The evaluation will focus on the achievement of the CFI with respect to its national objectives and will address global questions regarding results, program design and delivery and relevance. The OPEA will examine the management practices and processes in place to achieve the objectives and determine whether they are carried out efficiently, effectively and economically.

There will be at least six more Outcome Measurement Study (OMS) visits in 2009-10 focused on exploring the outcomes of CFI investments in selected thematic areas. Visits will include the University of Regina (energy and environment), the University of Toronto (nanomaterial), Université de Montréal (cardiology), Queen's University (geoengineering), the University of Ottawa (e-society) and the University of Alberta (oil sands).

The CFI will undertake monitoring visits and audits at funded institutions to verify that funds are being used appropriately and in compliance with agreements as well as CFI policies and guidelines. It will also submit its Annual Report of expenditures and achievements for 2009-10, as well as a Corporate Plan with its intentions and expectations for 2010-11. The CFI Board will meet at least three times during the next fiscal year to approve funding recommendations and provide strategic direction.

Finally, the CFI will employ a variety of communications vehicles in both official languages to disseminate messages about the impact of CFI investments, including the Annual Public Meeting, major funding announcements, the online magazine (InnovationCanada.ca) and hundreds of special events in collaboration with CFI-funded institutions.

There will be at least six more Outcome Measurement Study (OMS) visits in 2009-10 focused on exploring the outcomes of CFI investments in selected thematic areas.

Canada Foundation for Innovation

FINANCIAL STATEMENTS

March 31, 2009

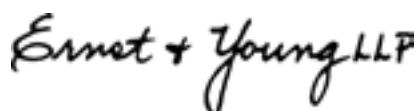
AUDITORS' REPORT

To the Members of the **Canada Foundation for Innovation**

We have audited the balance sheet of **Canada Foundation for Innovation** [the "Foundation"] as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The logo for Ernst & Young LLP is written in a stylized, cursive script. The word "Ernst" is followed by an ampersand, then "Young", and "LLP" is written in a smaller, more upright font at the end.

Chartered Accountants
Licensed Public Accountants

Ottawa, Canada
May 20, 2009
[except as to note 13, which is at June 11, 2009]

Canada Foundation for Innovation
 Incorporated under the laws of Ontario

BALANCE SHEET

As at March 31

	2009 \$	2008 \$
ASSETS		
Cash	2,650,722	1,758,983
Interest and other receivables	20,000,786	26,255,172
Investments [note 5]	2,128,587,259	2,297,648,671
Prepaid expenses	352,273	97,490
Capital assets, net [note 6]	1,108,780	1,336,007
	2,152,699,820	2,327,096,323
LIABILITIES AND NET ASSETS		
Accounts payable and accrued charges	1,190,580	648,573
European Research Area-Canada project deposits	158,844	493,709
	1,349,424	1,142,282
Deferred contributions [note 7]		
Expenses of future years	2,150,241,616	2,324,618,034
Capital assets	1,108,780	1,336,007
	2,151,350,396	2,325,954,041
Commitments [note 9]		
Net assets [note 8]	—	—
	2,152,699,820	2,327,096,323

See accompanying notes

On behalf of the Board



William C. Leggett
 Chair, CFI Board of Directors



Ross McCurdy
 Chair, Audit and Finance Committee

STATEMENT OF OPERATIONS

Year ended March 31

	2009 \$	2008 \$
REVENUES		
Recognition of deferred contributions related to amounts granted to eligible recipients	372,219,250	298,217,547
Recognition of deferred contributions related to current year operations	12,577,170	10,873,882
Amortization of deferred contributions related to capital assets	453,627	413,563
	385,250,047	309,504,992
EXPENSES		
Grants to eligible recipients	372,219,250	298,217,547
General and administration	12,577,170	10,873,882
Amortization of capital assets	453,627	413,563
	385,250,047	309,504,992
Excess of revenues over expenses	—	—

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended March 31

	2009 \$	2008 \$
OPERATING ACTIVITIES		
Excess of revenues over expenses	—	—
Items not involving cash:		
Amortization of capital assets	453,627	413,563
Amortization of deferred contributions related to capital assets	(453,627)	(413,563)
Net decrease in deferred contributions related to expenses of future years	(174,376,418)	(149,409,268)
Net change in non-cash operating working capital	6,206,745	11,276,813
Cash used in operating activities	(168,169,673)	(138,132,455)
FINANCING AND INVESTING ACTIVITIES		
Purchase of capital assets	(226,400)	(543,893)
Increase in deferred contributions related to capital assets	226,400	543,893
Proceeds from investments	169,061,412	137,457,065
Cash provided by financing and investing activities	169,061,412	137,457,065
Net increase (decrease) in cash during the year	891,739	(675,390)
Cash, beginning of year	1,758,983	2,434,373
Cash, end of year	2,650,722	1,758,983

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2009

1. General

The Canada Foundation for Innovation ["CFI"] was incorporated on April 25, 1997, under Part 1 of the Budget Implementation Act, 1997 for the purpose of making research infrastructure grants to Canadian universities, colleges, hospitals and other non-profit research institutions to increase the capability for conducting high-quality research.

2. Changes in accounting policies

Effective April 1, 2008, the CFI adopted the recommendations issued by the Canadian Institute of Chartered Accountants ["CICA"], Section 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enable users of the financial statements to evaluate the CFI's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 12.

3. Significant accounting policies

The financial statements have been prepared by CFI's management in accordance with Canadian generally accepted accounting principles. The following are the significant accounting policies:

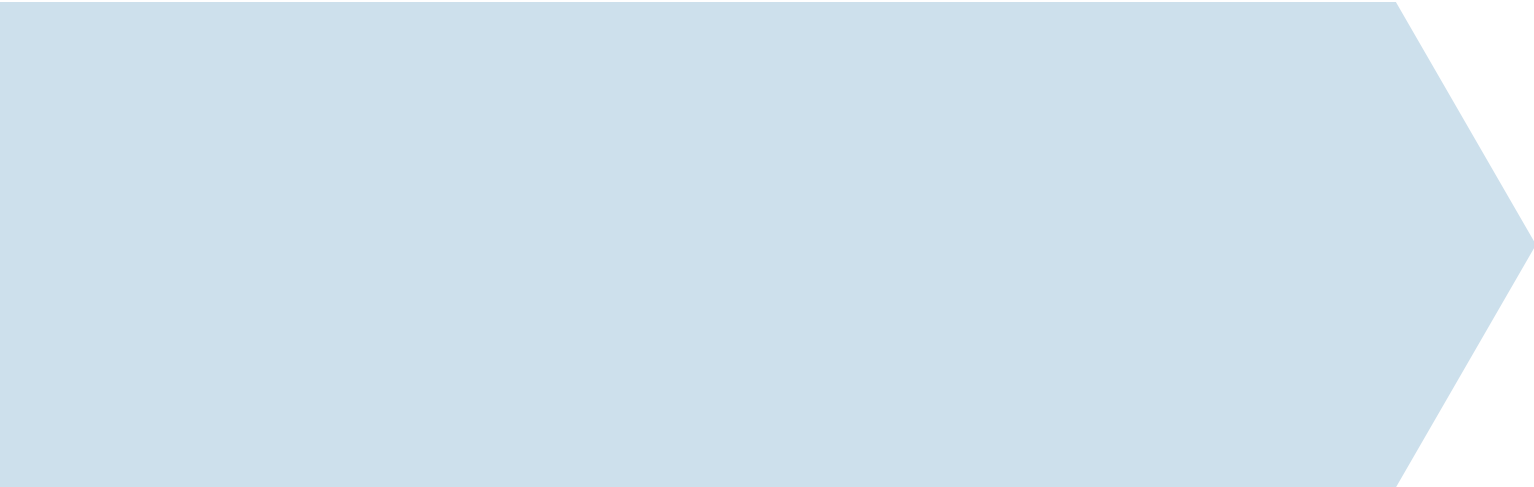
REVENUE RECOGNITION

The CFI follows the deferral method of accounting for contributions that include government grants and potential donations from other sources.

Under the Budget Implementation Act, 1997, the CFI received \$3.65 billion in grants until 2005 [plus accrued interest of \$964,384 on the initial contribution] from the Government of Canada. The grants, which have been received and recorded in prior fiscal years, are to be held, invested, administered and disbursed in accordance with the Act and the related Funding Agreement between the CFI and the Government of Canada.

The Government of Canada provided an additional \$80 million for the Leaders Opportunity Fund in Budget 2006 and announced an additional \$510 million to enhance CFI support for eligible costs specified in the Funding Agreement in Budget 2007. These funds will be disbursed to the CFI based on its cash flow requirements and are subject to sufficient appropriation by Parliament in the given government fiscal year in which payments are to be made. As at March 31, 2009, the CFI had received a total of \$104.4 million, of which \$53.4 million related to Budget 2006 and \$51 million related to Budget 2007.

In Budget 2009, the Government of Canada announced an additional \$750 million in funds for the CFI, \$150 million of which was set aside to supplement the funding available for the 2009 Leading Edge and New Initiatives funds competition. The remaining \$600 million is intended for the launch of one or more new competitions by December 2010 in support of science and technology priorities identified by the Minister of Industry in consultation with the CFI, and guided by the CFI's strategic plan. As at March 31, 2009, these amounts were pending final approval of an updated Funding Agreement.



Grants received, together with future investment revenue, are directed to funding eligible recipients and paying the CFI's operating expenses and acquisition of capital assets in accordance with the requirements of the Act and the terms of the Funding Agreement. Grants received and future restricted interest earned on the invested amounts will be deferred and recognized as income as expenditures are incurred by the CFI.

Contributions applied toward the purchase of capital assets are deferred and amortized to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

GRANTS TO ELIGIBLE RECIPIENTS

Grants to eligible recipients are recognized as expenses as the awarded funds are disbursed.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognized at fair value on the balance sheet at the settlement date. After initial recognition, the measurement of financial instruments depends on their classification.

The CFI classifies investments as financial assets held-for-trading. Gains and losses as a result of changes in fair value of investments during the year are recognized as restricted revenue earned in the CFI's deferred contributions.

Interest and other receivables are included in the "loans and receivables" category, and accounts payable and accrued charges are included in the "other financial liabilities" category. Subsequent measurements are recorded at amortized cost using the effective interest rate method. These measurements generally correspond to cost.

The CFI has chosen to apply Section 3861, Financial Instruments - Disclosures and Presentation in place of Sections 3862, Financial Instruments - Disclosure and 3863, Financial Instruments - Presentation.

INVESTMENTS

Investments are recorded at fair value and are based on the quoted market prices from the independent investment custodian.

CAPITAL ASSETS

Purchased capital assets are recorded at cost while contributed capital assets, if any, are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to the CFI's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Leasehold improvements	term of the lease
Furniture and other equipment	20%
Computers and software	3-5 years

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2009

USE OF ESTIMATES

The preparation of financial statements requires CFI's management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. These have been made using careful judgment. Actual results could differ from these estimates.

4. Future accounting changes

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relates to not-for-profit-organizations. These changes in accounting policies must be adopted by fiscal years beginning on or after January 1, 2009, with earlier adoption permitted. Management is assessing the impact of these revisions and the timing for their adoption. However the impact, if any, will be limited to reclassification of figures in the financial statements and additional disclosures.

5. Investments

Investments comprise the following financial instruments:

	2009		2008	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Money-market funds	132,750,669	132,753,234	88,416,269	88,423,156
Bonds	1,403,539,711	1,436,650,307	1,777,585,287	1,818,711,802
NHA mortgage-backed securities	512,410,650	526,211,176	322,632,513	327,745,551
Amortizing bonds	32,666,998	32,972,542	63,149,100	62,768,162
	2,081,368,028	2,128,587,259	2,251,783,169	2,297,648,671

It is the CFI's policy to invest only in securities with at least AA investment ratings, or its equivalent. The principal amount will not be invested in shares, warrants or other equities, convertible debt securities, derivatives, swaps, options or futures.

Money-market funds mature in April 2009. Bond maturities range between April 2009 and February 2016. Mortgage-backed security maturities range between May 2009 and December 2013. Amortizing bond maturities range between April 2009 and June 2011.

6. Capital assets

Capital assets consist of the following:

	2009		2008	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Leasehold improvements	2,343,063	1,585,400	2,329,528	1,261,731
Furniture and other equipment	737,853	619,414	697,091	571,315
Computers and software	1,052,333	819,655	880,230	737,796
	4,133,249	3,024,469	3,906,849	2,570,842
Accumulated amortization	(3,024,469)		(2,570,842)	
Net book value	1,108,780		1,336,007	

7. Deferred contributions

EXPENSES OF FUTURE YEARS

Deferred contributions related to expenses of future years represent unspent externally restricted grants, together with investment revenue earned, for the purpose of providing grants to eligible recipients and paying for operating and capital expenditures in future years.

	2009 \$	2008 \$
Balance, beginning of year	2,324,618,034	2,502,610,632
Add grants received [note 3]	104,400,000	—
Add restricted investment revenue earned	106,246,402	131,642,724
Less amount recognized as revenue	(384,796,420)	(309,091,429)
Less amount applied toward capital assets acquired	(226,400)	(543,893)
Balance, end of year	2,150,241,616	2,324,618,034

Included in restricted investment revenue earned for 2009 is \$1,384,769 [2008 - \$17,282,172] relating to unrealized gains recognized during the year.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2009

CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount of restricted grants received and applied toward the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization of the related capital assets.

	2009 \$	2008 \$
Balance, beginning of year	1,336,007	1,205,677
Restricted grants applied toward the purchase of capital assets	226,400	543,893
Less amount amortized to revenue	(453,627)	(413,563)
Balance, end of year	1,108,780	1,336,007

8. Restricted contributions and net assets

The requirements of the *Budget Implementation Act, 1997*, which governs the CFI and the terms of its Funding Agreement with the Government of Canada, externally imposes restrictions on all of the CFI's net assets. Investment revenue to be earned on the grants received from the Government of Canada is also restricted. Accordingly, the entire net assets of the CFI are deferred and taken into revenue as expenditures are made with no net asset balance outstanding at any time. A statement of changes in net assets has not been prepared since it would not provide additional useful information.

9. Commitments

During the year, the CFI awarded grants for a maximum amount of \$663.8 million [2008 - \$129.4 million]. Total disbursements to eligible recipients during the fiscal year were \$372.2 million [2008 - \$298.2 million]. To date, the CFI has awarded grants for a maximum amount of \$4,517.8 million, of which \$2,946.6 million had been disbursed as at March 31, 2009. The maximum grants awarded to date include \$21.0 million of grants that will be unused by eligible recipients, which has been confirmed by infrastructure project final financial reports submitted by eligible recipients as at March 31, 2009. The balance of the awarded grants will be recorded as expenses in subsequent years as funds are disbursed.

The CFI entered into a lease agreement for its premises at 230 Queen Street (Ottawa, Ontario) for a 10-year period starting August 2001. The minimum annual lease payments related to these premises are approximately \$1,225,000.

10. Pension plan

The employees of the CFI may elect to become members of the Association of Universities and Colleges of Canada Pension Plan, a defined contribution plan managed by Sun Life Financial Inc. The employer contributions made to the Plan during the year ended March 31, 2009, amounted to \$450,458 [2008 - \$398,496].

11. Tax status

The CFI is a non-taxable entity under paragraph 149 (1)(1) of the Income Tax Act (Canada).

12. Capital management

In managing capital, the CFI focuses on liquid resources available for operations and to be disbursed to eligible recipients. The CFI's objective is to have sufficient liquid resources to continue operating in accordance with the Funding Agreement between the CFI and the Government of Canada, despite adverse events with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual corporate plan, including long-term cash flow projections, and budget. Disbursements to eligible recipients and actual operating results are monitored and compared to the cash flow projections to ensure availability of sufficient liquid resources. As at March 31, 2009, the CFI has met its objective of having sufficient liquid resources to meet its current obligations.

13. Subsequent event

In June 2009, an updated Funding Agreement between the CFI and the Government of Canada was signed and includes the \$150 million provided to the CFI in Budget 2009.

