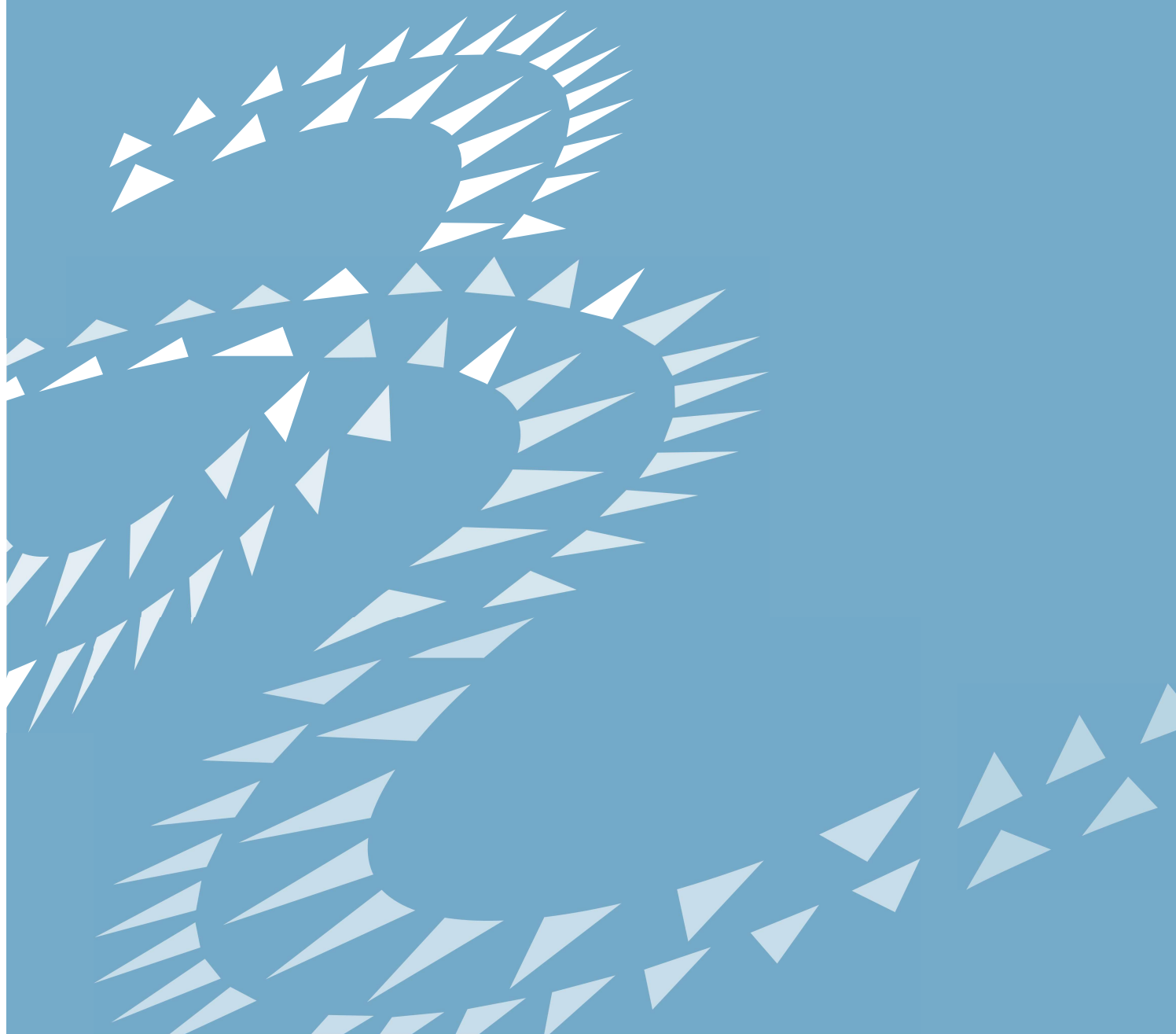
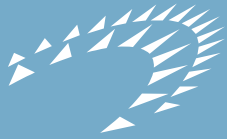


2007-2008 ANNUAL REPORT

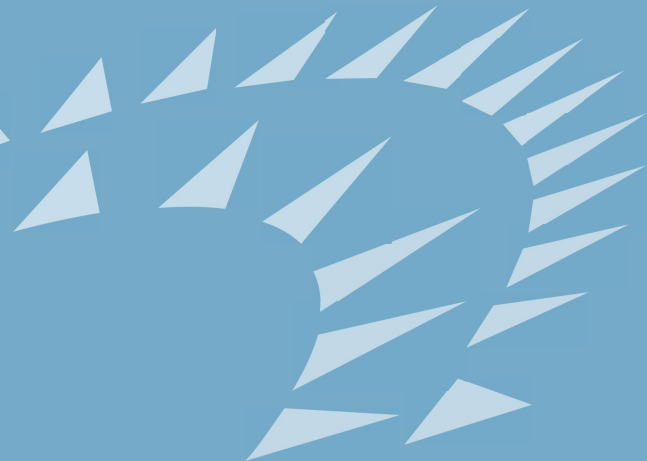
CANADA FOUNDATION FOR INNOVATION





Canada Foundation for Innovation
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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 world-class research and technology development that benefits Canadians. Since its creation in 1997, CFI investments have led to breakthroughs across the full spectrum of science, including health, natural resources and energy, information and communications technology, and the environment.

What is Research Infrastructure?

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

Infrastructure makes a permanent impact because it builds long-term capacity, leaving a legacy that many researchers—and ultimately Canadians—can benefit from for years to come.

Building on a Foundation of Success

Foundations have become important and effective instruments for the delivery of public policy for the Government of Canada, particularly in the areas of research and education, 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 specific challenges in a highly effective, non-partisan manner.

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 research.

The CFI supports all areas of research, and through its direct work with institutions is able to ensure that applications for funding align with an institution's strategic research plan.

For more information about the CFI, visit www.innovation.ca.

To learn more about the exciting research taking place across Canada, visit the CFI's online magazine, www.InnovationCanada.ca.

Funding Formula

The CFI funds up to 40 percent of a project's research infrastructure costs. CFI investments act as a catalyst that institutions can then leverage to attract the remainder from partners in the public, private, and non-profit sectors. Through stable, multi-year funding programs, institutions can 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, ensuring that only the very best projects are funded.

Supporting National Objectives

CFI funding enables institutions to set research priorities in response to areas of importance to Canada. This allows researchers to compete with the best from around the world, and helps to solidify Canada's position in the global knowledge-based

economy. The CFI supports national science and technology (S&T) objectives and strengthens Canada's capacity for innovation by:

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

Benefits to Canadians

State-of-the-art infrastructure helps Canadian research institutions attract, retain, and train highly skilled research personnel. The CFI promotes the optimal use of research infrastructure within and among Canadian institutions, and creates the necessary conditions for sustainable, long-term economic growth. The innovative research that results from great minds and solid infrastructure leads to improvements in public policy, as well as to our health, environment, and quality of life. It also leads to the creation of spin-off ventures and the commercialization of discoveries.

GUIDING VALUES AND PRINCIPLES

The CFI strives to be an organization that is:

Transformative —
choosing investments that have a profound and enduring impact on the research environment.

Accountable —
monitoring impacts and keeping stakeholders informed, while ensuring that 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 services to its clientele.

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

Innovative —
bringing fresh ideas to program design and business practices, and developing a work environment that fosters creativity.



“A solid research base is a necessary condition for Canada’s transition from an economy dependent on commodities and raw material exports, to one based on knowledge and technology.”

History has shown that successful knowledge economies revolve around research centres that provide outstanding opportunities for their researchers to perform at internationally competitive standards. This is a critical ingredient for innovation to flourish.

A solid research base is a necessary condition for Canada’s transition from an economy dependent on commodities and raw material exports, to one based on knowledge and technology. Canada’s economic and social well-being depends increasingly on our ability to compete in a world driven by ideas. The competition is fierce, and becoming even fiercer.

But Canada has turned the corner in recognizing the crucial importance of innovation to the future of our society. The deep commitment to invest in research and development (R&D) has empowered researchers at our universities and other institutions to reach higher than ever before, pushing the boundaries of their fields to the leading edge.

Today, we can say with conviction that Canada is a place where world-class research scientists want to be. The CFI has been, and remains, directly involved in helping Canada achieve this objective. In 2007–2008, it continued its innovative leadership and, once again, demonstrated its flexibility by designing and implementing funding mechanisms that respond to the evolving demands of the research community. The CFI also implemented higher standards and new measures to ensure increased accountability and return on investment to the Government of Canada and the Canadian public.

The CFI is also uniquely positioned to bring people together, working as it does with federal research funding agencies, research institutions, associations, provincial and municipal governments, and the private and non-profit sectors to address long-term strategic directions for research funding in Canada.

Reflecting on my first full year as Chair, I have come to appreciate just how much these accomplishments depend on the exceptional people involved with this first-class organization. To the creative and devoted staff, the dedicated CFI Board Directors and Members, and

the thousands of expert volunteers involved with the rigorous merit-review process, I offer my sincere thanks. I now understand first-hand why all sectors—business, public, and academic—respect and admire this unique organization that has become so vital to research, innovation, and the advancement of Canada’s social and economic future.

A handwritten signature in black ink, reading "William C. Leggett". The signature is fluid and cursive, with a large, stylized 'L' and 'G'.

William C. Leggett

“Excellence is fundamental for success in today’s highly competitive global research environment where being good is simply not good enough.”



The past year inaugurated the CFI’s second decade of activity. The year began on a high note with the allocation of \$510 million by the Government of Canada to the CFI in Budget 2007, to enable us to undertake a major funding competition before 2010. Before issuing a formal Call for Proposals, the CFI embarked on an extensive pan-Canadian consultation process that included key stakeholder groups—institutions, provinces, industry, and other organizations involved in funding Canada’s R&D enterprise. Based on these consultations, the current suite of CFI funds was refined to better meet the challenges of the evolving research landscape, and the increasingly intense level of international competition.

The release of the Government of Canada’s S&T Strategy in May was a sentinel event as the CFI’s mandate and objectives are clearly reflected in this document. Our commitment to the principles outlined in the S&T Strategy—excellence, priorities, partnerships, and accountability—remains unwavering.

Excellence is fundamental for success in today’s highly competitive global research environment where being good is simply not good enough. In the context of R&D, excellence means that resources are invested in institutions, groups, and indi-

viduals whose work, evaluated using international benchmarks, is of the highest quality. The CFI’s current major funding competition demonstrates the principle of excellence in action: a rigorous process to identify highly innovative and transformative projects that will lead to advantages for Canadians.

Focusing priorities in areas of Canadian strength and opportunity will enhance Canada’s global competitiveness, particularly as other advanced economies undertake a similar process. This approach will help to ensure that resources are used to build on particular Canadian strengths, while at the same time ensuring the maintenance of a strong base of support for discovery research. Research is the foundation from which the most innovative ideas and technologies can flourish—and the CFI embraces this principle, from the design of its funding programs to the rigorous merit-review process used to determine funding.

The evolving research landscape also requires new and closer working partnerships between academia, industry, and government in order to facilitate knowledge translation, technology development, and commercialization. The CFI has always been a catalyst for collaboration, and will continue in this role to the extent possible under our mandate.

Finally, the accountability of CFI investments continues to be entrenched in how we do business, as we challenge ourselves to find innovative ways of evaluating the results of public investments in R&D, and communicating the benefits of such investments to Canadians.

The economic and social benefits of research investments take time to fully materialize. Impacts become evident only years later, and often cannot be predicted in advance. We are now at an important tipping point in the evolution of the research investment/benefit cycle. For the CFI’s part, we have begun an important second decade of operation with renewed funding, commitment, and optimism about Canada’s potential as a nation of innovation. I look forward to reporting on our contributions to realizing this potential in the coming years.

Eliot A. Phillipson

2007–2008 ACHIEVEMENTS

Promote World-Class Excellence by Sustaining and Evolving the Infrastructure to Meet New Research Demands

The main focus in 2007–2008 was on the Research Hospital Fund competition and three review cycles under the Leaders Opportunity Fund, and ongoing support of the institutions that succeeded in previous competitions.

Further to the Budget 2007 announcement of \$510 million in new funding, the CFI undertook a comprehensive consultation in advance of a competition under the Leading Edge Fund/New Initiatives Fund. The result is a new funding competition well aligned to meet the needs of the research community.

Research Hospital Fund (RHF)

To address current and future health challenges, support is needed for research that will lead to groundbreaking discoveries and knowledge that can be translated quickly and effectively into improved health for Canadians, more effective health services and products, and a better health care system.

The RHF contributes to large-scale, hospital-based research. These are initiatives that take full advantage and build on state-of-the-art equipment, innovative ways of doing research, increased research capacity, and additional highly qualified personnel.

The RHF helps address the need for further investment in research-hospital infrastructure, especially for new and different space, by supporting a more integrated and multidisciplinary approach to health research.

There are two components under the RHF:

Large-Scale Institutional Endeavours (LSIE)

This component is designed for large-scale, hospital-based projects that require mostly space to support outstanding research, training, and knowledge translation.

Clinical Research Initiatives (CRI)

The CRI is a collaboration with the Canadian Institutes of Health Research (CIHR) that seeks to build and enhance Canada's capacity for clinical research. This component provides the opportunity to seek funding for infrastructure from the CFI, and funding for research, training, and operations from CIHR.

Three projects were approved for funding under the CRI stream of the RHF in 2007–2008, representing a total investment of more than \$16 million. Final decisions for the LSIE stream of the RHF are expected in June 2008.

Leaders Opportunity Fund (LOF)

The LOF is designed to assist Canadian universities in attracting and retaining outstanding faculty members and researchers.

The LOF has three streams of infrastructure funding:

- Those that support leading researchers
- Those related to the Canada Research Chairs Program
- Those that are submitted along with research support proposals to the CIHR, the Natural Sciences and Engineering Research Council (NSERC), and the Social Sciences and Humanities Research Council (SSHRC)

The CFI developed the third stream in collaboration with the federal research funding agencies in an effort to streamline the application process and eliminate redundancy, while continuing to provide an accurate and fair review for research and infrastructure proposals.

The LOF is an ongoing program with funding decisions made three times a year by the Board of Directors.

In 2007–2008, 619 projects were funded, representing an investment of almost \$86 million. These investments have directly contributed to attracting 387 new faculty members to the respective institutions and the retention of 293 existing research leaders.

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

Reflecting the key role outlined for the CFI in the Government of Canada's S&T Strategy, the Leading Edge Fund (LEF) and the New Initiatives Fund (NIF) support innovative and transformative infrastructure projects covering the full spectrum of disciplines, as well as research and technology development activities.

The LEF strengthens highly competitive research and technology developments that build on successful and productive initiatives made possible 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. Its purpose is to keep the Canadian R&D enterprise creative and dynamic by enabling new research ideas, different teams, and fresh approaches to emerge in promising new areas of strategic

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Committed and Projected Amounts, 1998–2010

(Figures in millions)

Fund	98–99	99–00	00–01	01–02	02–03	03–04	04–05	05–06	06–07	07–08	08–09	09–10	Unallocated	Total
New Opportunities	38	23	37	38	53	75	55	34		—				353
Canada Research Chairs Infrastructure			5	54	35	42	34	30		—				200
Leaders Opportunity								20	79	86	90	246		521
Career Awards					2	2	1	1		—				6
Innovation	143	225	356	590		453	4		11	—				1,782
University Research Development	19	10	3	2	1					—				35
College Research Development		7	9							—				16
Leading Edge/New Initiatives									325	—		400		725
International					159				43	—				202
Research Hospital							57			16	427			500
Exceptional Opportunities						7		8	6	—				21
National Platforms									84	—				84
Infrastructure Operating				182	16	158	14	37	143	27	156	169		902
Unallocated										—			93	93
Total	200	265	410	866	266	737	165	130	691	129	673	815	93	5,440

importance, while improving an institution's research competitiveness and international leadership.

The CFI issued a Call for Proposals for the LEF/NIF in February 2008.

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 committed \$27 million under the IOF towards eligible projects and disbursed a total of \$48.5 million to 60 institutions in 2007–2008.

Consultations with the Research Community

In preparing for a new round of competitions, the CFI set out to engage Canada's R&D and related communities to gauge the value of its program architecture, identify adjustments that might be necessary to future programs, and assure an effective response that best addresses the ever-evolving needs of the research community.

The consultation was conducted from June to October 2007 during which CFI management met with 120 representatives from 42 universities, 32 representatives from 19 colleges and polytechnics, 8 representatives from research hospitals, and 28 provincial government officials from 10 provinces. Consultations also included federal government officials, research community associations, industry, and other federal funding agencies.

Overall, the community—including provincial governments—perceived the CFI's existing suite of funds to be aligned with current needs, and endorsed the CFI's flexible approach.

Ongoing Support to Institutions

The CFI plays an active role in advising institutions about issues relevant to the eventual construction and commissioning of a facility. Many of these issues revolve around eligible costs, interruptions in planned construction schedules, or escalating costs. For example, over the past year, the CFI worked on an estimated 1,800 project files resolving finalizations, extension requests, change requests, and holdback releases on an ongoing basis during a project's implementation phases.

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Overall, the community perceived the CFI's existing suite of funds to be aligned with current needs, and endorsed the CFI's flexible approach.

2007–2008 ACHIEVEMENTS

Encourage Partnerships Between Academia and Industry

Through its funding programs, evaluations, and international partnerships, the CFI continues to work with federal research funding agencies, research institutions, associations, provincial and municipal governments, and the private and non-profit sectors to address long-term strategic directions for research funding in Canada.

Collaboration with Federal Research Funding Agencies

The CFI and the three federal research funding agencies—CIHR, NSERC, and SSHRC—meet regularly to collectively advance Canada's S&T Strategy through the design, coordination, and delivery of collaborative programs and initiatives. Specific progress this year includes:

- exploration of effective research infrastructure funding support to augment recently launched programs included in the federal S&T Strategy and the 2007 federal budget;
- submission of a paper to the Independent Panel on the Transfer of Federal Laboratories to Academia and Industry that identified the impacts of such transfers on federal funding agencies;
- development of a paper on the challenges and broad approaches to ongoing funding of major S&T investments;
- participation in a multi-agency working group targeting improvement of our ability to measure and report on the impact of federally funded S&T;
- collaboration on communication issues and initiatives to present impacts of research in a clear and unified fashion;

- coordination of efforts and resources with the CIHR to achieve enhanced national impact, as well as increased value and efficiencies in the application process for institutions, investigators, and reviewers for the Clinical Research Initiatives stream of the CFI's Research Hospital Fund.

Collaboration with Research Institutions and Provincial Governments

Assessing the effects and impacts of CFI investments is critical as we continue to evolve our funding program to meet the needs of the research community. Over the past year, the CFI continued to work with the provinces and institutions to design evaluation mechanisms to assess the impact of its funding program. This collaboration helps the CFI to better measure its expected outputs and outcomes, as well as its progress in supporting national objectives.

3

2007–2008 ACHIEVEMENTS

Remain Accountable and Transparent

In 2007–2008, the CFI continued to implement measures to ensure its accountability to the Government of Canada and the Canadian public. The following are a few highlights of the CFI's accountability activities:

Reporting to the Government of Canada

- The 2006–2007 Annual Report of the CFI—containing information on financial performance, funded projects, and the achievement of objectives—was presented to the Minister of Industry in November 2007 for tabling in Parliament.
- The CFI's Corporate Plan—including planned expenditures, objectives, and performance expectations—was submitted to the Minister of Industry in January 2008.
- Senior CFI officials met regularly with Parliamentarians and senior government officials at the federal and provincial levels to brief them on the CFI's plans and priorities.
- The Board of Directors met three times in 2007–2008: June (Prince George, BC); October (Ottawa, ON); and March 2008 (Quebec City, QC). Members met in June (Prince George, BC).
- The CFI made an appearance before the Standing Senate Committee on Social Affairs, Science and Technology regarding the impact of the S&T Strategy on research performed in the public sector.

Communicating with Canadians

Specific information about CFI activities was communicated to millions of Canadians through a variety of initiatives, including:

- seven national funding announcements;
- work with funded institutions and the Government of Canada on 48 communications activities, such as media conferences and lab tours, highlighting the impacts of CFI-funded research to the general public;
- six issues of the CFI online magazine *InnovationCanada.ca* received more than 19 million hits (or more than 600,000 visits);
- the corporate website, which provides information on its programs, awards, and the results of evaluations, received more than 24 million hits (or almost 900,000 visits);
- the CFI Science Writing Award recognizes excellence in Canadian science writing. The 2007 recipients were Tom Spears and Lee Greenberg of the *Ottawa Citizen*. The winning entry was selected by an esteemed judging panel chaired by Bob McDonald, host of the CBC's *Quirks & Quarks*;
- participation in February 2008 in the Canada Pavilion at the

annual meeting of the American Association for the Advancement of Science (AAAS) in Boston. The CFI also hosted a networking session on eco-friendly buildings at the annual conference of the Federation of Canadian Municipalities held in Calgary in June 2007;

- the CFI's annual public meeting in Ottawa in October 2007. The Chair of the CFI Board of Directors tabled the 2006–2007 annual report and welcomed special guest Eva Klein, a leading expert on knowledge-based economic development and technology park planning, who spoke on "Creating an Innovation Economy." More than 100 people representing a wide range of sectors attended the meeting;
- continuing our youth outreach strategy, we collaborated with several national organizations, including the annual Sanofi-Aventis BioTalent Challenge, Youth in Motion's Top 20 Under 20, Youth Science Foundation, Schad Valley International, The Learning Partnership, and Actua to communicate positive messages about science to thousands of teachers and students across Canada. The CFI was also involved with "Iron Science"—a Canada-wide challenge to recognize the best science teachers in the country;
- media initiatives resulting in positive coverage of the CFI and the Government of Canada included: an article on the benefits of CFI investments in *Canadian Technology & Business* with readership of about 1.8 million; an interview on the

Sky Radio Network broadcast on 30,000 American Airlines flights, reaching 4.2 million passengers; a partnership with the Association of Atlantic Universities (AAU) to produce a six-part television series on innovative research in the Atlantic Provinces, reaching almost 500,000 viewers.

Assessing the Outcomes of CFI Investments

Over the past year, the CFI has renewed and increased its evaluation and outcome assessment capacity in the following ways:

Performance, Evaluation, Risk, and Audit Framework

The CFI, in partnership with KPMG, developed an integrated Performance, Evaluation, Risk, and Audit Framework. This exercise involved updating and refining the current evaluation framework, risk management approach, and audit strategy. The approach was inspired by Treasury Board best practices for integrating the Result-Based Management and Accountability Framework and Risk-Based Audit Framework, and responds to stakeholder expectations for accountability.

Progress Reports

Annual progress report data for every active CFI project has been regularly compiled and analyzed since 1999. The 2007 Report on Results incorporates many improvements over the previous year, including breakdowns by fund and by category of institution, as well as the use of externally sourced data to provide additional context.

Outcome Measurement Study (OMS)

The OMS assesses the impact of CFI funding at selected institutions in specific thematic areas, using a questionnaire followed by a site visit by an expert panel. In 2007–2008, four visits were carried out with the following institutions and in these thematic areas: the University of Calgary (biomedical engineering); Dalhousie University (information communication and technology), the University of Western Ontario (musculoskeletal research); and McGill University (cognition and brain imaging).

New Opportunities Fund: Final Evaluation

SPR Associates Inc. completed a third-party, final evaluation of the New Opportunities Fund in June 2007. Several actionable items relating to the report's recommendations were adopted by the CFI, including examining factors influencing the time it takes for funded projects to progress from application to completion.

Planning and Monitoring Investments

In addition to directing public funds to where they are needed the most and where they will have the greatest impact, the CFI has a duty to ensure responsible stewardship of funds.

Financial Highlights

The CFI maintains proper financial controls and sound management practices to ensure the best use of public funds. External auditors issued an unqualified audit opinion about the CFI financial statements, which appear at the end of this report.

As at March 31, 2008, the CFI had received a total of \$3.65 billion, as well as \$964,384 in accrued interest in 1997, from the Government of Canada. The following are highlights of the CFI's audited financial statements:

- The total market value of the funds under management (investments as per the balance sheet): \$2.297 billion
- Investment income: \$132 million
- Since 1997, the average annual rate of return on the invested amount: 5.72 percent

CFI investments are subject to strict guidelines. To ensure diversification and compliance with its Funding Agreement, the funds have been placed in a variety of secure investment vehicles:

- \$88 million in money market funds
- \$328 million in mortgage-backed securities
- \$1.819 billion in bonds
- \$63 million in amortizing bonds

Since 1997, \$2.574 billion has been disbursed to fund research infrastructure. This reflects the proportional share of the CFI contribution and the level of completion of the project (e.g. most construction projects span many months or years).

Managing Public Investments

The Investment Committee oversees the management and investment of the CFI's funds in compliance with the Funding Agreement. A buy-and-hold strategy is used to achieve the principal objective of preserving capital to meet future disbursement requirements. The CFI investment strategy and investment policy are reviewed annually, and the portfolio is reviewed regularly.

The CFI implemented the new Canadian Institute of Chartered Accountants (CICA) standards related to financial instruments for the fiscal year 2007–2008. As such, investments and returns are now accounted for on a market-value basis.

Investment guidelines only allow for liquid, low-risk investment instruments. These restrictions served the CFI well during the debt capital market crisis as the portfolio had no exposure to asset-backed commercial paper and little exposure to asset-backed bonds (the underlying security behind these bonds was sound).

Financial Monitoring

Monitoring visits are conducted at recipient institutions to assess the adequacy and effectiveness of policies, processes, and controls in place for the management of CFI-funded projects. This helps ensure that funds are being used for their intended purposes, and in accordance with terms and conditions of award agreements, as well as CFI policies and guidelines.

The objectives of the monitoring visits are to:

- develop an understanding of key policies, processes, and controls in place at the institution and to assess their adequacy;

The CFI's Corporate Plan was submitted to the Minister of Industry in January 2008.

CFI's online magazine InnovationCanada.ca received more than

19
million hits.

The CFI's corporate website received more than

24
million hits.

More than
100
people representing
a wide range of sectors
attended the CFI's annual
public meeting in
October 2007.

- review a sample of expenditures and contributions to confirm the CFI's understanding of the various key processes and controls, as well as to confirm their existence and effectiveness. In this process, the CFI also reviews whether the expenditures and contributions were made in accordance with the terms and conditions of the applicable award agreements, and if CFI policies and guidelines have been respected;
- disseminate information on the CFI's policies, guidelines, and expectations for financial accountability and integrity.

The top 85 to 90 percent of CFI-funded institutions (based on funding received from the CFI) are subject to a monitoring visit. On average, these visits are performed every three years. In addition, to properly mitigate risk, the CFI may also visit other institutions.

The CFI also conducts audits to ensure that the funding received by an institution for a given project has been used for the intended purposes. A risk-based approach is used to determine which funded projects are subject to an audit. The CFI reviews project risk and assesses the need for audits periodically. These audits are conducted using either external auditors or internal resources.

Oversight of the CFI

As well as monitoring the distribution and use of awarded funds, the CFI is also subject to review. Highlights over the past year include:

Audit by the Auditor General of Canada

A recent audit by the Office of the Auditor General of innovation across federal government departments and agencies determined that within the context of this audit, the CFI was effectively delivering on its mandate and was in compliance with the relevant legislation and policy.

Evaluation of Foundations

A 2007 Treasury Board assessment of the role and value of foundations, including the CFI, determined that foundations are an appropriate mechanism for the delivery of programs (such as support of research) that require specialized expertise and multi-year funding allocations. The report also determined that the larger foundations (of which CFI is the largest) are a very cost-effective mechanism for delivering such service.

Annual progress report data for every active CFI project has been regularly compiled and analyzed since 1999.

Since 1997, the average annual rate of return on the invested amount:

5.72%

Monitoring visits are conducted at recipient institutions to help ensure that funds are being used for their intended purposes.

Governance

There is high expectation in Canada for public agencies to carry out their activities in ways that are open, transparent, and accountable. The CFI's governance structure assures constant oversight, invites public scrutiny, and relies on the input of expert Canadians who uphold governance practices, and protect the public interest in every undertaking.

Over the past year, the Board of Directors has made funding decisions involving more than \$129.4 million in the context of an evolving S&T environment. It is in this context that the Board continues to devote considerable time to strategic planning and consultation, leading to more informed decisions, better program design and delivery, and even more robust communications initiatives with its stakeholders.

Members

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 and are responsible for:

- the appointment of eight of the 15 Board Directors;
- the appointment of auditors;
- the review of audited financial statements;
- the approval of the annual report at the annual public meeting.

Gail Dinter-Gottlieb

National Executive Director,
American Society of the University
of Haifa

David Fung

Chairman and CEO, ACDEG Group

Gail Gabel

President and CEO, E.S.I.
Environmental Sensors Inc.

Roland Hosein

Vice-President, Health and Safety,
GE Canada

Murray Knuttila

Professor, Department of Sociology
and Social Studies; Research Faculty,
University of Regina

Members (continued)

Marie-Andrée Mallette

Member, Government of Canada Audit Committee, Treasury Board; Lawyer; Vice-President, Adnutrio International Ltd.

Rick Miner

President, Seneca College of Applied Arts and Technology

Heather Munroe-Blum

Principal and Vice-Chancellor, McGill University

Leigh Murphy

Professor, Department of Biochemistry and Medical Genetics and Senior Scientist, Manitoba Institute of Cell Biology, University of Manitoba

Michel Nadeau

Corporate Director and Strategic Management Consultant

Indira Samarasekera

President and Vice-Chancellor, University of Alberta

Donald J. Savoie

Canada Research Chair in Public Administration and Governance, University of Moncton

Matt Spence

Past President and CEO, Alberta Heritage Foundation for Medical Research

William Tholl

Secretary General and CEO, Canadian Medical Association

Board of Directors

The Board of Directors meets a minimum of three times per year and is composed of 15 individuals from a variety of backgrounds. Each director has a unique perspective and understanding of the research world, and brings expertise from one or more of the private, institutional, academic, research, or government sectors. Seven directors are appointed by the Government of Canada, one of whom is a representative from one of the federal research funding agencies, on a rotational basis. Directors are nominated and then appointed for a three-year term.

William C. Leggett, Chair

Principal Emeritus, Professor Emeritus of Biology, Queen's University

Kevin O'Brien Fehr, Vice-Chair

Director, R&D Alliances, GlaxoSmithKline Inc.

Claude Benoît

President and CEO, Old Port of Montréal; Director, Montréal Science Centre

Elizabeth Cannon

Dean of the Schulich School of Engineering, University of Calgary

David Dolphin

Chair, Centre for Drug Research and Development

Robert J. Giroux

Chair, Canadian Council on Learning; Consultant in public management; Part-time member of the Federal Public Service Staffing Tribunal

Gary Glavin

Professor, University of Manitoba, Faculty of Medicine, Departments of Pharmacology and Therapeutics and Community Health Sciences

Liz Harrison (appointed June 2007)
Professor, School of Physical Therapy and Associate Dean, College of Medicine, University of Saskatchewan

Linda Hohol

Past President, TSX Venture Exchange

Ross McCurdy

President and CEO, Cape Breton Development Corporation (DEVCO)

Kevin Smith

(appointed December 2007)
President and Chief Executive Officer, St. Joseph's Healthcare Hamilton

Ronald Whelan

Chairman, Archive Committee, Canadian Medical Association

Terms that Expired in 2007–2008

Lorne A. Babiuk (June 2007)

Vice-President, Research, University of Alberta

Aldée Cabana (June 2007)

Corporate Board Director, Former Rector, Université de Sherbrooke

Alan Bernstein (October 2007)

Past President, Canadian Institutes of Health Research

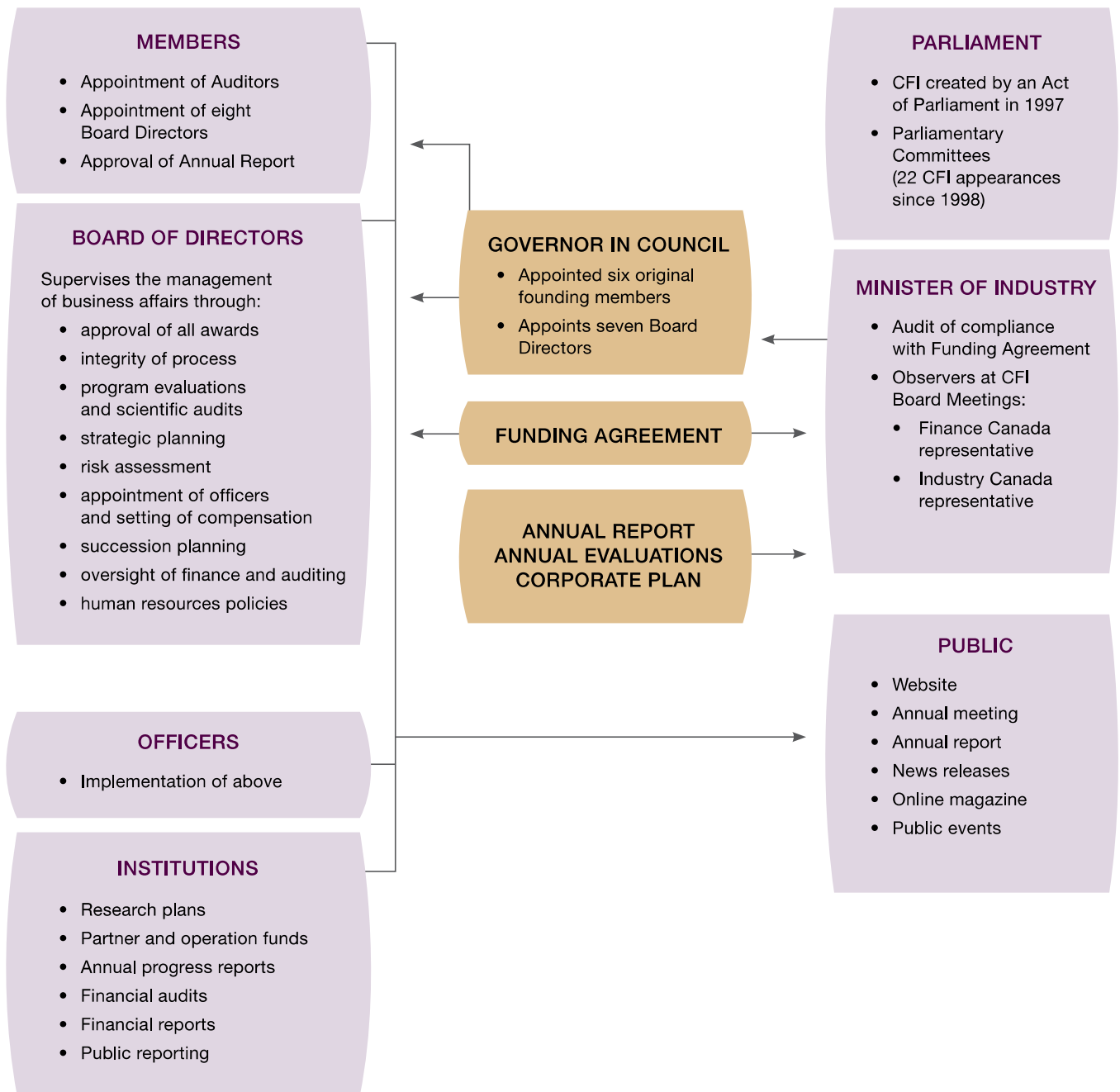
Michel Gervais (October 2007)

Director General, Centre hospitalier Robert-Giffard

Gerri Sinclair (October 2007)

Executive Director, World Center for Digital Media

Governance and Accountability Structure



Committees

Audit and Finance

Ross McCurdy, Chair
 Claude Benoît
 Kevin O'Brien Fehr
 Linda Hohol
 William C. Leggett
 Ronald Whelan

Investment

Linda Hohol, Chair
 (since July 2007)
 William C. Leggett
 Ross McCurdy

Governance and Nominating

David Dolphin, Chair
 Elizabeth Cannon
 Robert J. Giroux
 Gary Glavin
 William C. Leggett

Ranges of Remuneration

For the fiscal year ending March 31, 2008, compensation was within the following annual salary ranges:

CFI Management (Officers)

Eliot A. Phillipson
 President and CEO
 \$188,000 to \$235,000

Suzanne Corbeil
 Vice-President, External Relations
 and Communications
 \$125,000 to \$173,000

Manon Harvey
 Vice-President, Finance and
 Corporate Services
 \$125,000 to \$173,000

Jac van Beek
 Vice-President, Programs and
 Planning
 \$125,000 to \$173,000

Employees

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

Director, Programs
 \$100,900 to \$134,600

Director, Corporate Services
 \$78,300 to \$104,400

Director, Finance
 \$78,300 to \$104,400

Director, Communications
 \$78,300 to \$104,400

Senior Advisor, External Relations
 and Communications
 \$78,300 to \$104,400

Senior Programs Officers
 \$78,300 to \$104,400

Special Advisor, Research and Strategy
 \$78,300 to \$104,400

Attendance

Director	Board Meetings	Committee Meetings
Lorne A. Babiuk ¹	1/1	1/1
Alan Bernstein ²	0/2	
Kevin O'Brien Fehr	4/4	3/3
Claude Benoît	1/4	2/3
Aldée Cabana ¹	1/1	2/2
Elizabeth Cannon	3/4	3/3
David Dolphin	3/4	3/3
Michel Gervais ²	1/3	1/2
Robert J. Giroux	3/4	2/2
Gary Glavin	2/4	3/3
Liz Harrison ³	3/3	
Linda Hohol	3/4	4/4
William C. Leggett	4/4	5/9
Ross McCurdy	4/4	5/5
Ronald Whelan	2/4	3/3
Gerri Sinclair ²	1/3	2/2
Kevin Smith ⁴	1/1	

¹Lorne A. Babiuk and Aldée Cabana ceased to be Directors effective June 2007.

²Alan Bernstein, Michel Gervais, and Gerri Sinclair ceased to be Directors effective October 2007.

³Liz Harrison was appointed to the Board of Directors effective June 2007.

⁴Kevin Smith was appointed to the Board of Directors effective December 2007.

Board Directors and Members

To determine remuneration, the Board uses the guidelines established by the Government of Canada entitled 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 is entitled to \$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. They 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 \$12,600.

Looking Ahead 2008–2009

Canada's future prosperity will rest upon the capacity to innovate—generating knowledge and ideas upon which we develop new products and services, create wealth, enhance social foundations, sustain the environment, and ultimately improve the quality of life for all Canadians.

In the year ahead, the CFI will continue to play a key role in fostering Canada's knowledge, people, and entrepreneurial advantages in support of the federal S&T Strategy through the pursuit of four strategic objectives:

OBJECTIVE 1:

Strengthen the Core Assets of the CFI Program

Guiding strategic principle: Promote World-Class Excellence

The CFI will continue to sustain, enhance, and support Canada's R&D capacity by:

- announcing the results of a recent collaboration with the CIHR to complete a comprehensive merit review of the projects under the Clinical Research Initiatives component of the Research Hospital Fund;
- investing approximately \$430 million under the Large-Scale Institutional Endeavours stream of the Research Hospital Fund;
- committing an estimated \$90 million through the Leaders Opportunity Fund to assist universities in attracting and retaining high-quality researchers;
- assessing funding opportunities under the Leading Edge Fund and New Initiatives Fund to strengthen research and technology development in areas of institutional priority;
- committing approximately \$156 million to institutions to support the ongoing operations and maintenance of CFI-funded infrastructure through the Infrastructure Operating Fund.

OBJECTIVE 2:

Continue to Align the CFI with the Priorities of the Federal Government and the Research Community

Guiding strategic principle: Focus on Priorities

The CFI will seek out a new National Platform based on strategic research and development needs in the areas of national priorities identified in the S&T Strategy. Through a bottom-up approach, the CFI will gauge the degree of support within the respective communities of interest, and facilitate discussions to formulate a concept and framework for development of a Call for Proposals.

The CFI will participate in an Automotive R&D Partnership Initiative with Industry Canada portfolio partners to foster an innovative and competitive Canadian auto industry driven by a research agenda to support automotive manufacturing innovation.

The CFI will also work with other funding organizations to explore the merits of infrastructure support for the Canada-California Strategic Innovation Partnership Initiative—a collaborative exchange involving academic, private sector, financial, and public sector organizations. More specifically, the CFI will examine opportunities to foster and encourage Canadian partnerships targeting cancer stem-cell research.

OBJECTIVE 3:

Extend CFI Capability by Leveraging our Relationships

Guiding strategic principle: Foster Partnerships

The CFI will continue to nurture closer working relations with federal research funding agencies to identify additional areas of integration and collaborative funding initiatives, such as the infrastructure funding support to the Canada Research Chairs through the Leaders Opportunity Fund.

The CFI will focus on defining the key challenges associated with major investments in science and technology, and continue to support ERA-Can to organize four Canada-EU workshops that will align with the Canadian federal S&T Strategy, and with the EU's Framework Program 7.

The CFI will continue to build strong provincial relationships by sharing information, collaborating on joint funding announcements, and working together to explore potential for collaboration on post-award processes, such as audit, evaluation, and outcome assessment.

OBJECTIVE 4:

Reinforce the CFI's Accountability and Transparency

Guiding strategic principle: Enhance Accountability

The CFI will continue to implement measures to enhance its accountability to the Government of Canada and to the Canadian public.

The CFI will submit two key documents to the Government of Canada: an annual report—containing information on financial performance, funded projects, and the achievement of objectives—and a corporate plan, including planned expenditures, objectives, and performance expectations.

The Board of Directors will meet a minimum of three times in 2008–2009 to make funding decisions and provide strategic direction to the organization.

The CFI will use a variety of communication vehicles to inform key stakeholders and the Canadian public about the impact of investments in research infrastructure, including the annual public meeting and its online magazine, InnovationCanada.ca.

As part of its accountability mechanism, the CFI will continue to conduct monitoring visits and audits to ensure that funds are being used for their intended purposes, and in accordance with terms and conditions of award agreements, as well as CFI policies and guidelines.

Financial Statements

Canada Foundation for Innovation

March 31, 2008

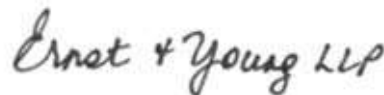
Auditors' Report

To the Members of the Canada Foundation for Innovation

We have audited the balance sheet of **Canada Foundation for Innovation** as at March 31, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Ottawa, Canada
May 16, 2008

Responsibility for Financial Reporting

The financial statements of the CFI were prepared by CFI management, which is responsible for the integrity and fairness of the data presented. In certain cases, the data includes amounts that are based on best estimates and judgments. The financial statements were prepared in accordance with generally accepted accounting principles, including the accounting recommendations for non-profit organizations in Canada. Financial information appearing throughout this Annual Report is consistent with the financial statements.

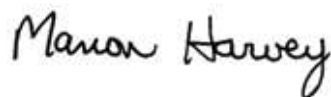
Management maintains the necessary system of internal controls in discharging its responsibility for the integrity and fairness of the financial statements, and for the accounting systems from which they are derived. This system is designed to provide assurance that transactions are authorized, assets are safeguarded, and proper financial records are maintained. The CFI's external auditors, who periodically review and evaluate the accounting records and related internal controls, and who report any findings to management, further validate the system. The external auditors' findings and recommendations are reported to the CFI's Audit and Finance Committee and the Board of Directors.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit and Finance Committee. The committee reviews the financial statements and recommends them to the Board for approval and submission to the Members. The committee's other key responsibilities include reviewing the budgets, ensuring proper internal controls are in place, and advising the directors on auditing matters and financial reporting issues. An Investment Committee oversees and monitors all matters related to the investment management of the funds.

Ernst & Young LLP, independent auditors appointed by the CFI Members on the recommendation of the Audit and Finance Committee, have examined the financial statements. Their report follows. The independent auditors have full and unrestricted access to the Audit and Finance Committee and the Board of Directors to discuss their audit and related findings about the integrity of the financial reporting, and the adequacy of the system of internal controls.



Ross McCurdy
Chair, Audit and Finance Committee



Manon Harvey, CA
Vice-President, Finance and Corporate Services

Canada Foundation for Innovation
 Incorporated under the laws of Ontario

Balance Sheet

As at March 31

	2008 \$	2007 \$
Assets		
Cash	1,758,983	2,434,373
Interest and other receivables	26,255,172	37,184,133
Investments [note 4]	2,297,648,671	2,435,105,736
Prepaid expenses	97,490	93,686
Capital assets [note 5]	1,336,007	1,205,677
	2,327,096,323	2,476,023,605
Liabilities and Net Assets		
Accounts payable and accrued charges	648,573	457,107
ERA-Can project deposits	493,709	333,519
	1,142,282	790,626
Deferred contributions: [note 6]		
Expenses of future periods	2,324,618,034	2,474,027,302
Capital assets	1,336,007	1,205,677
	2,325,954,041	2,475,232,979
Commitments [note 8]		
Net assets [note 7]	—	—
	2,327,096,323	2,476,023,605

See accompanying notes

On behalf of the Board



William C. Leggett
 Chair, CFI Board of Directors



Ross McCurdy
 Chair, Audit and Finance Committee

FINANCIAL STATEMENTS

Canada Foundation for Innovation

Statement of Operations

Year ended March 31

	2008 \$	2007 \$
Revenues		
Recognition of deferred contributions relating to amounts granted to eligible recipients	298,217,547	355,347,745
Recognition of deferred contributions relating to current year operations	10,873,882	10,950,261
Amortization of deferred contributions relating to capital assets	413,563	393,574
	309,504,992	366,691,580
Expenses		
Grants to eligible recipients	298,217,547	355,347,745
General and administration	10,873,882	10,950,261
Amortization of capital assets	413,563	393,574
	309,504,992	366,691,580
Excess of revenues over expenses	—	—

See accompanying notes

Statement of Cash Flows

Year ended March 31

	2008 \$	2007 \$
Operating activities		
Excess of revenues over expenses	—	—
Items not involving cash:		
Amortization of capital assets	413,563	393,574
Amortization of deferred contributions related to capital assets	(413,563)	(393,574)
Net decrease in deferred contributions related to expenses of future periods	(149,409,268)	(240,068,331)
Change in non-cash operating working capital	11,276,813	(11,448,818)
Cash used in operating activities	(138,132,455)	(251,517,149)
Financing and investing activities		
Purchase of capital assets	(543,893)	(42,836)
Increase in deferred contributions related to capital assets	543,893	42,836
Net sale of investments	137,457,065	245,992,226
Cash provided by financing and investing activities	137,457,065	245,992,226
Net decrease in cash	(675,390)	(5,524,923)
Cash, beginning of year	2,434,373	7,959,296
Cash, end of year	1,758,983	2,434,373

See accompanying notes

1. General

The Canada Foundation for Innovation [“the Foundation”] was incorporated under Part 1 of the *Budget Implementation Act, 1997* on April 25, 1997 for the purpose of making research infrastructure grants to Canadian universities, colleges, hospitals, and other not-for-profit research institutions to increase the capability of carrying on high-quality research.

2. Change in Accounting Policy

On April 1, 2007, the Foundation prospectively adopted the standards issued by the Canadian Institute of Chartered Accountants [“CICA”]—Section 3855 « Financial Instruments—Recognition and Measurement », which states the requirements for the recognition and measurement of financial instruments, and Section 3861 « Financial Instruments—Disclosure and Presentation». As a result, the financial statements presented for comparison purposes have not been restated, in accordance with the applicable transitional provisions.

Section 3855 requires that financial assets and financial liabilities be 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: held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

The Foundation decided to classify investments as financial assets held-for-trading. Gains and losses as a result of changes in the fair value of investments during the period are recognized as restricted revenue earned in the Foundation’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. These are initially recognized at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. These measurements generally correspond to cost.

Upon initial application, a gain of \$28,583,330 was recognized as an adjustment to the opening balance of deferred contributions.

3. Significant Accounting Policies

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

Revenue recognition

The Foundation follows the deferral method of accounting for contributions which include government grants and, potentially, donations from other sources.

Under the *Budget Implementation Act, 1997* [“the Act”], the Foundation has, since inception, received grants from the Government of Canada totaling \$3.65 billion, plus accrued interest of \$964,384 on the initial contribution, to be held, invested, administered and disbursed in accordance with the Act and the related Funding Agreement between the Foundation and the Government of Canada. All grants and related interest have been received and recorded in prior fiscal years.

In March 2007, it was announced in the 2007 budget that the Government of Canada would provide an additional \$510 million to the Foundation to be used to enhance the support the Foundation provides for eligible costs specified in the Funding Agreement. An additional sum of \$80 million for the purposes of the Leaders Opportunity Fund was provided for in the 2006 budget, of which the first installment of \$26.7 million was paid to the Foundation on April 1, 2008. These funds will be disbursed to the Foundation based on cash flow requirements and are subject to there being sufficient appropriation by Parliament for the Government’s fiscal year in which the payments are to be made.

Grants received, together with future investment revenue, are directed to the granting of amounts to eligible recipients and the payment of the Foundation'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 Foundation.

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

Section 3855 of the CICA Handbook requires that financial assets and financial liabilities be 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: held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

The Foundation classifies investments as financial assets held-for-trading. Gains and losses as a result of changes in fair value of investments during the period are recognized as restricted revenue earned in the Foundation'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. These are initially recognized at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. These measurements generally correspond to cost.

Investments

Since April 1, 2007, investments are recorded at fair value. The fair value of investments is based on the quoted market prices obtained from the independent investment custodian. As at March 31, 2007, investments were recorded at cost.

Capital assets

Purchased capital assets are recorded at cost. 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 Foundation'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

Use of estimates

The preparation of financial statements requires 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.

4. Investments

Investments comprise the following financial instruments:

	2008		2007	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Money-market funds	88,416,269	88,423,156	72,933,451	72,931,173
Bonds	1,777,585,287	1,818,711,802	1,943,866,785	1,975,648,338
NHA Mortgage-backed securities	322,632,513	327,745,551	325,643,341	324,261,351
Amortizing bonds	63,149,100	62,768,162	92,662,159	90,848,204
	2,251,783,169	2,297,648,671	2,435,105,736	2,463,689,066

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

Money-market fund maturities range between April 2008 and May 2008. Bond maturities range between April 2008 and February 2016. Mortgage-backed security maturities range between April 2008 and February 2013. Amortizing bond maturities range between April 2009 and June 2011.

5. Capital Assets

Capital assets consist of the following:

	2008		2007	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Leasehold improvements	2,329,528	1,261,731	1,996,364	974,868
Furniture and other equipment	1,577,321	1,309,111	1,366,592	1,182,411
	3,906,849	2,570,842	3,362,956	2,157,279
Accumulated amortization	(2,570,842)		(2,157,279)	
Net book value	1,336,007		1,205,677	

6. Deferred Contributions

Expenses of future periods

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

	2008 \$	2007 \$
Balance, beginning of year	2,474,027,302	2,714,095,633
Change in accounting policy [note 2]	28,583,330	—
Add restricted investment revenue earned	131,642,724	126,272,511
Less amount recognized as revenue	(309,091,429)	(366,298,006)
Less amount applied toward capital assets acquired	(543,893)	(42,836)
Balance, end of year	2,324,618,034	2,474,027,302

Included in restricted investment revenue earned for 2008 is \$17,282,172 that relates to unrealized gains that were recognized during the year.

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.

	2008 \$	2007 \$
Balance, beginning of year	1,205,677	1,556,415
Restricted grants applied toward the purchase of capital assets	543,893	42,836
Less amount amortized to revenue	(413,563)	(393,574)
Balance, end of year	1,336,007	1,205,677

7. Restricted Contributions and Net Assets

All of the net assets of the Foundation are subject to externally imposed restrictions as per the requirements of the *Budget Implementation Act, 1997* which governs the Foundation and the terms of the related Funding Agreement between the Foundation and the Government of Canada. Investment revenue to be earned on the grants received from the Government of Canada is also restricted. Accordingly, the entire net assets of the Foundation 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 therefore not been prepared since it would not provide additional useful information.

8. Commitments

During the year, the Foundation awarded grants for a maximum amount of \$129.4 million [2007—\$692.6 million]. Total disbursements to eligible recipients during the fiscal year were \$298.2 million [2007—\$355.3 million]. To date, the Foundation has awarded grants for a maximum amount of \$3,857.1 million, of which \$2,574.3 million had been disbursed as of the end of the fiscal year. The balance of the awarded grants will be recorded as expenses in subsequent years as funds are disbursed.

The Foundation entered into a lease agreement in 2001 for its premises at 230 Queen Street [Ottawa, Ontario] for a ten-year period starting August 2001. The minimum annual lease payments related to these premises are approximately \$1,187,000.

9. Pension Plan

The employees of the Foundation may elect to become members of the Association of Universities and Colleges of Canada [“AUCC”] 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, 2008 amounted to \$398,496 [2007—\$319,932].

10. Tax Status

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

11. Future Changes in Accounting Policies

The CICA issued new accounting standards, “Financial Instruments—Disclosure”—Section 3862 and “Financial Instruments—Presentation”—Section 3863, which will apply for the Foundation’s fiscal year beginning April 1, 2008.

These new standards revise and enhance the disclosure requirements, and carry forward, substantially unchanged, the presentation requirements. These new standards emphasize the significance of financial instruments to the Foundation’s financial position and performance, the nature and extent of risks arising from financial instruments, and how these risks are managed.