

Financial statements of

Canadian Patient Safety Institute

March 31, 2020

Canadian Patient Safety Institute

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Independent Auditor's Report

To the Board of Directors of
Canadian Patient Safety Institute

Opinion

We have audited the financial statements of Canadian Patient Safety Institute (the "Institute"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

Responsibilities of Management and those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
June 18, 2020

Canadian Patient Safety Institute

Statement of financial position as at March 31, 2020

	2020	2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,463,592	1,977,992
Accounts receivable	179,058	239,358
Prepaid expenses	165,721	198,762
	1,808,371	2,416,112
Capital assets (Note 4)	99,394	202,499
	1,907,765	2,618,611
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	487,932	792,640
Deferred government revenue (Note 6)	254,821	531,494
Deferred revenue (Note 5)	178,571	208,559
Deferred rent allowance	2,218	11,090
Deferred lease allowance	16,824	84,121
	940,366	1,627,904
Commitments and contingency (Notes 8 and 9)		
Net assets		
Invested in capital assets	82,570	118,378
Unrestricted net assets	429,582	417,082
Internally restricted net assets (Note 7)	455,247	455,247
	967,399	990,707
	1,907,765	2,618,611

Approved by the Board

_____ Director

_____ Director

Canadian Patient Safety Institute

Statement of operations year ended March 31, 2020

	2020	2019
	\$	\$
Revenue		
Contributions from Government of Canada (Note 6)	7,876,673	7,647,778
Other revenue		
Registration	338,813	182,352
Sponsorship	81,214	237,889
Interest	44,024	50,296
Honoraria	3,742	5,700
Publication sales	2,371	2,906
Gain on disposal of capital assets	-	190
	8,346,837	8,127,111
Program expenses		
Safety Improvement Projects	1,402,278	1,890,194
Policy Impact	486,204	271,568
Making Patient Safety a Priority	418,160	190,277
Alliances and Networks	253,657	283,071
	2,560,299	2,635,110
Operations expenses		
Salaries, wages and benefits	4,209,993	3,927,357
Other operating costs	727,876	753,138
Travel and meetings	219,217	216,509
Professional services	215,865	121,005
Corporate communications	168,167	182,021
Depreciation	140,435	141,855
Board of Directors	128,293	155,521
	5,809,846	5,497,406
Total expenses	8,370,145	8,132,516
Deficiency of revenue over expenses	(23,308)	(5,405)

The accompanying notes to the financial statements are an integral part of this financial statement.

Canadian Patient Safety Institute

Statement of changes in net assets year ended March 31, 2020

	2020			
	Unrestricted	Internally restricted	Capital assets	Total
	\$	\$	\$	\$
Opening balance	417,082	455,247	118,378	990,707
Purchase of capital assets	(37,330)	-	37,330	-
Depreciation	140,435	-	(140,435)	-
Amortization of deferred lease allowance	(67,297)	-	67,297	-
Deficiency of revenue over expenses	(23,308)	-	-	(23,308)
	429,582	455,247	82,570	967,399
	2019			
	Unrestricted	Internally restricted	Capital assets	Total
	\$	\$	\$	\$
Opening balance	397,082	455,247	143,783	996,112
Purchase of capital assets	(49,153)	-	49,153	-
Depreciation	141,855	-	(141,855)	-
Amortization of deferred lease allowance	(67,297)	-	67,297	-
Proceeds on disposal of capital assets	190	-	(190)	-
Gain on disposal of capital assets	(190)	-	190	-
Deficiency of revenue over expenses	(5,405)	-	-	(5,405)
	417,082	455,247	118,378	990,707

The accompanying notes to the financial statements are an integral part of this financial statement.

Canadian Patient Safety Institute

Statement of cash flows year ended March 31, 2020

	2020	2019
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(23,308)	(5,405)
Items not affecting cash		
Depreciation	140,435	141,855
Amortization of deferred lease allowance	(67,297)	(67,297)
Gain on disposal of capital assets	-	(190)
	49,830	68,963
Changes in non-cash operating working capital items		
Accounts receivable	60,300	(96,665)
Prepaid expenses	33,041	(40,162)
Accounts payable and accrued liabilities	(304,708)	66,517
Deferred revenue	(306,661)	15,521
Deferred rent allowance	(8,872)	(8,872)
	(477,070)	5,302
Investing activities		
Purchase of capital assets	(37,330)	(49,153)
Proceeds on disposal of capital assets	-	190
	(37,330)	(48,963)
Net cash outflow	(514,400)	(43,661)
Cash and cash equivalents, beginning of year	1,977,992	2,021,653
Cash and cash equivalents, end of year	1,463,592	1,977,992

The accompanying notes to the financial statements are an integral part of this financial statement.

Canadian Patient Safety Institute

Notes to the financial statements

March 31, 2020

1. Purpose of organization

The Canadian Patient Safety Institute (the "Institute") was incorporated under the Canada Corporations Act on December 5, 2003, and effective October 1, 2014, continued under the Canada Not-for-Profit Corporations Act. The purpose of the Institute is to address patient safety issues by strengthening system coordination, promoting best practices and providing advice to governments and stakeholders that places patient safety in the broader context of quality improvement in healthcare.

The Institute is exempt from income taxes under Section 149(1)(l) of the Income Tax Act.

2. Future funding and continuation

During the year, the Boards of the Institute and of the Canadian Foundation for Healthcare Improvement ("CFHI") have approved a letter of intent to pursue the formation of a combined organization dedicated to advancing safety and quality in the Canadian healthcare system. Over the coming months, the two organizations will seek the approval of their voting members to proceed with a plan to create the amalgamated organization. If approved, the intent of the Institute and CFHI is to have the amalgamated organization in place by April 2021, as well as a new contribution agreement with Health Canada that directs the existing funding of both organizations towards the new entity. As the operations of the Institute are planned to continue under the combined organization and the Institute has committed funding until March 31, 2021, note 6, the going concern basis continues to be appropriate.

3. Significant accounting policies

The Institute's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

The Institute's accounting policies set out below have been applied consistently to all periods presented in these financial statements and reflect the following policies:

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on deposit in interest-bearing bank accounts.

Revenue recognition

The Institute receives contributions from the Government of Canada to fund operations. The Institute follows the deferral method of accounting for contributions. Contribution revenue from the Government of Canada, interest income earned on the contribution and sponsorship revenue are recognized in the period in which the related expenditures are incurred.

Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other income is unrestricted and recognized in the period earned.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value less transaction costs when the Institute becomes a party to the contractual provisions of the financial instrument and subsequently measured at amortized cost with any changes recorded in the statement of operations. Financial assets include cash and cash equivalents and amount receivables. Cash and cash equivalents and amounts receivables are measured at amortized cost. The Institute currently does not hold any equity instruments that would be measured after initial recognition at fair value.

Canadian Patient Safety Institute

Notes to the financial statements

March 31, 2020

3. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is provided at rates designed to amortize the carrying values of the assets over their estimated useful lives as follows:

Computers	2 years straight-line
Office equipment	5 years straight-line
Office furniture	5 years straight-line
Leasehold improvements	5 years straight-line

Impairment of long-lived assets

When a long-lived asset no longer contributes to the Institute's ability to provide services, the carrying amount is written down to residual value. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its residual value.

Lease allowance

Tenant lease allowance received are deferred and amortized straight-line over the term of the lease by offsetting occupancy costs.

Donated services

Many people and organizations contribute their time and effort to the success of the Institute. Neither the benefit nor the cost of donated services is recognized in these financial statements as it is not practically determinable.

Net assets

Net assets consist of unrestricted net assets, internally restricted net assets and invested in capital assets. Transfers from invested in capital assets to unrestricted net assets consist of additions funded through operations, depreciation and disposals of assets. Transfers between unrestricted and internally restricted net assets are based on the Institute's operating reserve policy and approved by the Board of Directors (the "Board").

Use of estimates

The preparation of the financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the year. Actual results could differ from these estimates. Significant estimates include useful lives of capital assets, revenues deferred to future periods, the amount of accrued liabilities and fair value of financial instruments.

4. Capital assets

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer	189,352	152,671	36,681	34,432
Office equipment	48,203	48,042	161	483
Office furniture	207,826	201,819	6,007	10,472
Leasehold improvements	643,598	587,053	56,545	157,112
	1,088,979	989,585	99,394	202,499

Canadian Patient Safety Institute

Notes to the financial statements

March 31, 2020

5. Deferred revenue

At March 31, 2020, the Institute held a total of \$178,571 (2019 - \$208,559) in deferred revenue for services not yet provided. Of this amount, \$35,417 (2019 - \$116,875) represents registrations for programs not yet expended on the activities which the funds were contributed to support and \$143,154 (2019 - \$91,684) represents industry sponsorships not yet expended on the activities which the funds were contributed to support.

6. Contributions from Government of Canada

Funding received for the 2019-20 fiscal year was the seventh year of funding under a contribution agreement with the Government of Canada. The contribution agreement initially provided for total contributions of up to \$38,160,000 for the 2014-2018 fiscal years. In both the 2017-18 and 2018-19 fiscal years, the agreement was extended for one year, and in the 2019-20 fiscal year, it was extended again to provide an additional \$7,600,000 for the 2020-21 fiscal year, to the end of March 2021. The Institute received payments of \$7,600,000 (2019 - \$7,600,000) from the Government of Canada during the year.

The contribution agreement specifies that the funding must be used for the eligible expenditures under the contribution agreement or returned to the Government of Canada. Eligible expenditures are determined on a capital expenditure basis. Where funds received in a given year are not fully expended on eligible expenditures, the agreement permits that up to 15% (2019 - 15%) of the current year's funding can be carried forward to the following year, up until the final year of the contribution agreement. Of the \$7,600,000 in funds received in the year plus the \$531,494 carried forward from the prior 2018-19 year, the Institute recognized \$7,876,673 as revenue, and is holding the remaining \$254,821 as deferred revenue to be applied in the 2020-21 fiscal year. The Institute's excess of revenue over eligible expenditures for Government of Canada purposes was \$12,500 (2019 - \$20,000), as reflected in the increase in net assets other than those invested in capital.

The Institute's ability to continue operations depends on the Government of Canada providing on-going contributions in accordance with the contribution agreement.

7. Restrictions on net assets

The Institute defines capital as the sum of unrestricted net assets, internally restricted net assets and net assets invested in capital assets. The Institute's goal in managing its capital is to safeguard its ability to address patient safety issues as mandated. To accomplish this goal, policies have been established to preserve the financial condition of the Institute and financial reports are reviewed regularly by management and the Board.

The Board has adopted an operating reserve policy to set aside and maintain a portion of unrestricted net assets for emergency and program development purposes upon approval of the Board. Included in net assets is an internally restricted operating reserve of \$455,247 (2019 - \$455,247).

8. Commitments

The Institute has entered into various premises lease agreements. The minimum payments due under these contracts over the next five years and thereafter are as follows:

	\$
2021	144,729
2022	125,172
2023	135,603
2024	139,080
2025	139,080
Thereafter	34,770

Canadian Patient Safety Institute

Notes to the financial statements

March 31, 2020

9. Contingency

The Institute is contingently liable for cancellation fees of up to \$15,000 (2019 - \$42,267) on facilities for conferences to be held in the 2020-2021 fiscal year if the events are cancelled.

10. Demand loan

The Institute has an unused revolving demand loan with a maximum limit of \$750,000 (2019 - \$750,000) that, when used, bears interest at bank prime and is secured by a general security agreement.

11. Financial instruments

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institute is exposed to interest rate risk on its cash balances because the interest rate fluctuates with the prime rate.

Credit risk

Credit risk is the potential for financial loss should a counterparty in a transaction fail to meet its obligations. The Institute is exposed to credit risk through accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Institute cannot meet a demand for cash to fund its obligations as they come due. The Institute monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2020, the most significant liabilities are accounts payable and accrued liabilities, deferred contributions from the Government of Canada and deferred revenue.