Financial statements of

Canadian Patient Safety Institute

March 31, 2016

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Deloitte.

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Independent Auditor's Report

To the Board of Directors of
Canadian Patient Safety Institute

We have audited the accompanying financial statements of Canadian Patient Safety Institute, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Patient Safety Institute as at March 31, 2016, 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
June 17, 2016

Canadian Patient Safety Institute

Statement of financial position
as at March 31, 2016

	2016	2015
	$	$
Assets		
Current assets		
Cash and cash equivalents	**1,663,239**	1,709,213
Accounts receivable	**73,051**	130,338
Inventory	**-**	6,478
Prepaid expenses	**159,081**	87,319
	1,895,371	1,933,348
Capital assets (Note 3)	**485,358**	89,933
	2,380,729	2,023,281
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**457,978**	600,852
Deferred government revenue (Note 5)	**542,579**	528,663
Deferred revenue (Note 4)	**79,779**	41,614
Deferred rent allowance	**37,706**	-
Deferred lease allowance	**286,011**	7,890
	1,404,053	1,179,019
Commitments and contingency (Notes 7 and 8)		
Net assets		
Invested in capital assets	**199,347**	89,933
Unrestricted assets	**362,082**	360,672
Internally restricted net assets (Note 6)	**415,247**	393,657
	976,676	844,262
	2,380,729	2,023,281

Approved by the Board

______________________________ Director

______________________________ Director

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

Canadian Patient Safety Institute

Statement of operations
year ended March 31, 2016

	2016	2015
	$	$
Revenue		
Contributions from Government of Canada (Note 5)	**7,586,084**	7,608,303
Other revenue		
Registration	**126,747**	254,911
Sponsorship	**63,697**	323,102
Publication sales	**15,028**	10,291
Interest	**13,104**	21,567
Honoraria	**4,936**	3,638
	7,809,596	8,221,812
Program expenses		
Safety Improvement and Innovation	**966,259**	733,311
Strategic Communications	**818,215**	939,842
National Integrated Patient Safety Strategy	**400,496**	490,520
Capacity Building & Knowledge Translation	**390,947**	523,647
	2,575,917	2,687,320
Operations expenses		
Salaries, wages and benefits	**3,607,073**	3,652,470
Other operating costs	**948,499**	1,210,503
Board of Directors	**155,149**	162,364
Professional services	**130,278**	341,994
Travel and meetings	**127,743**	131,275
Depreciation	**118,292**	173,128
Loss (gain) on disposal of assets	**14,231**	(908)
	5,101,265	5,670,826
Total expenses	**7,677,182**	8,358,146
Excess (deficiency) of revenue over expenses	**132,414**	(136,334)

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, 2016

				2016
	Unrestricted	**Internally restricted**	**Capital assets**	**Total**
	$	**$**	**$**	**$**
Opening balance	**360,672**	**393,657**	**89,933**	**844,262**
Purchase of capital assets	**(528,044)**	**-**	**528,044**	**-**
Receipt of lease allowance	**347,700**	**-**	**(347,700)**	**-**
Depreciation expense	**118,292**	**-**	**(118,292)**	**-**
Amortization of lease allowance	**(61,689)**	**-**	**61,689**	**-**
Proceeds on disposal of capital assets	**96**	**-**	**(96)**	**-**
Loss on disposal of capital assets	**14,231**	**-**	**(14,231)**	**-**
Excess of revenue over expenses	**132,414**	**-**	**-**	**132,414**
Transfer	**(21,590)**	**21,590**	**-**	**-**
	362,082	**415,247**	**199,347**	**976,676**

				2015
	Unrestricted	Internally restricted	Capital assets	Total
	$	$	$	$
Opening balance	323,408	430,925	226,263	980,596
Purchase of capital assets	(36,841)	-	36,841	-
Depreciation expense	173,128	-	(173,128)	-
Proceeds on disposal of capital assets	951	-	(951)	-
Gain on disposal of capital assets	(908)	-	908	-
Deficiency of revenue over expenses	(136,334)	-	-	(136,334)
Transfer	37,268	(37,268)	-	-
	360,672	393,657	89,933	844,262

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

Canadian Patient Safety Institute

Statement of cash flow
year ended March 31, 2016

	2016	2015
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses	**132,414**	(136,334)
Items not affecting cash		
Depreciation	**118,292**	173,128
Amortization of lease allowance	**(61,689)**	(44,571)
Loss (gain) on disposal of assets	**14,231**	(908)
	203,248	(8,685)
Changes in non-cash operating working capital items		
Accounts receivable	**57,287**	(26,995)
Inventory	**6,478**	7,304
Prepaid expenses	**(71,762)**	(8,087)
Accounts payable and accrued liabilities	**(142,874)**	12,715
Deferred revenue	**52,081**	(227,988)
Deferred rent allowance	**37,706**	-
Deferred lease allowance	**(7,890)**	-
	134,274	(251,736)
Investing activities		
Purchase of capital assets	**(528,044)**	(36,841)
Proceeds on disposal of capital assets	**96**	951
	(527,948)	(35,890)
Financing activities		
Receipt of lease allowance	**347,700**	-
Net cash outflow	**(45,974)**	(287,626)
Cash and cash equivalents, beginning of year	**1,709,213**	1,996,839
Cash and cash equivalents, end of year	**1,663,239**	1,709,213

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

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)(1) of the Income Tax Act.

2. 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.

Inventory

Inventory is valued at the lower of cost or net realizable value using the average cost method.

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.

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.

2. Significant accounting policies (continued)

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.

3. Capital assets

			2016	2015
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
	$	**$**	**$**	$
Computers	**540,430**	**519,487**	**20,943**	49,987
Office equipment	**101,485**	**96,782**	**4,703**	11,540
Office furniture	**207,944**	**191,392**	**16,552**	464
Leasehold improvements	**633,163**	**190,003**	**443,160**	27,942
	1,483,022	**997,664**	**485,358**	89,933

4. Deferred revenue

At March 31, 2016, the Institute held a total of $79,779 (2015 - $41,614) in deferred revenue for services not yet provided. Of this amount, $73,589 is sponsorship funding from governmental, healthcare and industry organizations not yet expended on the activities which the funds were contributed to support. The remaining $6,190 is registration payments received for sessions not completed at March 31, 2016.

	2016	2015
	$	$
Sponsorship	**73,589**	33,589
Registration	**6,190**	8,025
	79,779	41,614

5. Contributions from Government of Canada

Funding received for the 2015-2016 fiscal year was the third under a five-year contribution agreement with the Government of Canada that provides for total contributions of up to $38,160,000 for the 2014-2018 fiscal years. During the year, the Institute received payments of $7,600,000 (2015 - $7,600,000) from the Government of Canada.

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 10% of the current year's funding can be carried forward to the following year. Of the $7,600,000 in funds received in the year plus the $528,663 carried forward from the 2014-2015 year, the Institute recognized $7,586,084 as revenue, and is holding the remaining $542,579 as deferred revenue to be applied in the 2016-2017 fiscal year. The Institute's excess of revenue over eligible expenditures for Government of Canada purposes was $23,000, 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.

6. 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 $415,247 (2015 - $393,657).

7. Commitments

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

	$
2017	182,105
2018	182,105
2019	186,451
2020	187,320
2021	50,850

The Institute has committed funding on various programs and initiatives over the next fiscal years totalling $5,000 for 2017 and $5,000 for 2018.

8. Contingency

The Institute is contingently liable for cancellation fees of up to $5,262 on facilities for conferences to be held in the 2016-2017 fiscal year if the events are cancelled.

9. Demand loan

The Institute has an unused revolving demand loan with a maximum limit of $750,000 (2015 - $750,000) that, when used, bears interest at bank prime and is secured by a general security agreement.

10. 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, 2016, the most significant liabilities are accounts payable and accrued liabilities, deferred contributions from the Government of Canada and deferred revenue.