

Financial statements of

Canadian Patient Safety Institute

March 31, 2018

Canadian Patient Safety Institute

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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, 2018 and the statements of operations, changes in net assets and cash flows 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, 2018 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.

The image shows the signature of Deloitte LLP in a cursive, handwritten style.

Chartered Professional Accountants
June 22, 2018

Canadian Patient Safety Institute

Statement of financial position as at March 31, 2018

	2018	2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,021,653	1,508,212
Accounts receivable	142,693	99,616
Prepaid expenses	158,600	163,942
	2,322,946	1,771,770
Capital assets (Note 3)	295,201	419,759
	2,618,147	2,191,529
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	726,123	425,491
Deferred government revenue (Note 5)	579,272	492,616
Deferred revenue (Note 4)	145,260	7,500
Deferred rent allowance	19,962	28,834
Deferred lease allowance	151,418	218,715
	1,622,035	1,173,156
Commitments and contingency (Notes 7 and 8)		
Net assets		
Invested in capital assets	143,783	201,044
Unrestricted assets	397,082	362,082
Internally restricted net assets (Note 6)	455,247	455,247
	996,112	1,018,373
	2,618,147	2,191,529

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, 2018

	2018	2017
	\$	\$
Revenue		
Contributions from Government of Canada (Note 5)	7,513,343	7,649,963
Other revenue		
Registration	241,526	168,023
Sponsorship	132,888	122,499
Interest	24,764	14,495
Honoraria	5,200	6,517
Publication sales	956	3,124
Gain on disposal of assets	762	952
	7,919,439	7,965,573
Program expenses		
National Integrated Patient Safety Strategy	1,212,132	655,346
Safety Improvement and Innovation	532,665	794,680
Strategic Communications	435,423	537,675
Capability Building and Knowledge Translation	315,725	261,384
	2,495,945	2,249,085
Operations expenses		
Salaries, wages and benefits	3,782,276	3,936,001
Other operating costs	866,000	933,320
Board of Directors	176,067	146,849
Professional Services	262,955	317,082
Travel and meetings	212,323	202,501
Depreciation	146,134	139,038
	5,445,755	5,674,791
Total expenses	7,941,700	7,923,876
(Deficiency) excess of revenue over expenses	(22,261)	41,697

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, 2018

	2018			
	Unrestricted	Internally restricted	Capital assets	Total
	\$	\$	\$	\$
Opening balance	362,082	455,247	201,044	1,018,373
Purchase of capital assets	(21,576)	-	21,576	-
Depreciation expense	146,134	-	(146,134)	-
Amortization of leasehold inducement	(67,297)	-	67,297	-
Proceeds on disposal of capital assets	762	-	(762)	-
Gain on disposal of capital assets	(762)	-	762	-
Deficiency of revenue over expenses	(22,261)	-	-	(22,261)
	397,082	455,247	143,783	996,112
	2017			
	Unrestricted	Internally restricted	Capital assets	Total
	\$	\$	\$	\$
Opening balance	362,082	415,247	199,347	976,676
Purchase of capital assets	(73,439)	-	73,439	-
Depreciation expense	139,038	-	(139,038)	-
Amortization of leasehold inducement	(67,296)	-	67,296	-
Proceeds on disposal of capital assets	952	-	(952)	-
Gain on disposal of capital assets	(952)	-	952	-
Excess of revenue over expenses	41,697	-	-	41,697
Transfer	(40,000)	40,000	-	-
	362,082	455,247	201,044	1,018,373

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, 2018

	2018	2017
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(22,261)	41,697
Items not affecting cash		
Depreciation	146,134	139,038
Amortization of lease allowance	(67,297)	(67,296)
Gain on disposal of assets	(762)	(952)
	55,814	112,487
Changes in non-cash operating working capital items		
Accounts receivable	(43,077)	(26,565)
Prepaid expenses	5,342	(4,861)
Accounts payable and accrued liabilities	300,632	(32,487)
Deferred revenue	224,416	(122,242)
Deferred rent allowance	(8,872)	(8,872)
	534,255	(82,540)
Investing activities		
Purchase of capital assets	(21,576)	(73,439)
Proceeds on disposal of capital assets	762	952
	(20,814)	(72,487)
Net cash outflow	513,441	(155,027)
Cash and cash equivalents, beginning of year	1,508,212	1,663,239
Cash and cash equivalents, end of year	2,021,653	1,508,212

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, 2018

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. 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.

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.

Canadian Patient Safety Institute

Notes to the financial statements

March 31, 2018

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

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer	494,140	462,076	32,064	51,558
Office equipment	101,485	100,680	805	1,729
Office furniture	206,994	190,862	16,132	21,792
Leasehold improvements	633,163	386,963	246,200	344,680
	1,435,782	1,140,581	295,201	419,759

4. Deferred revenue

At March 31, 2018, the Institute held a total of \$145,260 (2017 - \$7,500) in deferred revenue for services not yet provided. The amount of \$145,260 represents industry sponsorships not yet expended on the activities which the funds were contributed to support.

Canadian Patient Safety Institute

Notes to the financial statements

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5. Contributions from Government of Canada

Funding received for the 2017-2018 fiscal year was the fifth under an initial five-year contribution agreement with the Government of Canada that provided for total contributions of up to \$38,160,000 for the 2014-2018 fiscal years. The Institute received payments of \$7,600,000 (2017 - \$7,600,000) from the Government of Canada during the year.

During the year, this contribution agreement was extended by one more year, to provide an additional \$7,600,000 for the 2019 fiscal 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 10% 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 \$492,616 carried forward from the prior 2016-17 year, the Institute recognized \$7,513,343 as revenue, and is holding the remaining \$579,272 as deferred revenue to be applied in the 2018-19 fiscal year. The Institute's excess of revenue over eligible expenditures for Government of Canada purposes was \$35,000, 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 \$455,247 (2017 - \$455,247).

7. Commitments

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

	\$
2019	186,451
2020	187,320
2021	50,850

8. Contingency

The Institute is contingently liable for cancellation fees of up to \$52,372 on facilities for conferences to be held in the 2018-2019 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 (2017 - \$750,000) that, when used, bears interest at bank prime and is secured by a general security agreement.

Canadian Patient Safety Institute

Notes to the financial statements

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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, 2018, the most significant liabilities are accounts payable and accrued liabilities, deferred contributions from the Government of Canada and deferred revenue.