Financial Statements of

TRANSFORM SHARED SERVICE ORGANIZATION

Year ended March 31, 2015

Mission: *As a strategic partner, we are dedicated to delivering exceptional service and creating new opportunities to improve value to the health system;* **Vision:** *Lead innovation and change to achieve health system transformation;* ***Values****: Collaboration, Accountability, Respect, Teamwork*

TRANSFORM SHARED SERVICE ORGANIZATION

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Year ended March 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of TransForm Shared Service Organization

We have audited the accompanying financial statements of TransForm Shared Service Organization, which comprise the statements of financial position as at March 31, 2015 and the statements of revenue and expenses and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 in our audit 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 TransForm Shared Service Organization as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 25, 2015
Windsor, Canada

TRANSFORM SHARED SERVICE ORGANIZATION
Statements of Financial Position

March 31, 2015, with comparative information for 2014

		2015		2014
Assets				
Current assets:				
Cash	$	4,106,144	$	5,607,653
Accounts receivable		4,597,848		2,773,639
Prepaid expenses		114,290		179,803
		8,818,282		8,561,095
Accounts receivable - long-term		1,366,309		298,012
Capital assets (note 2)		951,358		1,433,687
	$	11,135,949	$	10,292,794
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 3)	$	3,207,278	$	2,575,484
Advances - projects		2,037,836		1,959,154
Unearned revenue		5,000		2,594,790
Current portion of capital leases		86,845		199,382
Current portion of long-term debt (note 4)		1,123,900		974,047
		6,460,859		8,302,857
Capital leases		28,764		-
Long-term debt (note 4)		1,366,309		298,012
Deferred capital contributions related to capital assets (note 5)		3,019,116		1,452,687
Unspent deferred capital contributions		260,901		239,238
Net Assets				
Unrestricted		-		-
Commitments (note 6)				
	$	11,135,949	$	10,292,794

See accompanying notes to financial statements.

On behalf of the Board:

_______________ CHAIR ~~Director~~

_______________ SECRETARY ~~Director~~

TRANSFORM SHARED SERVICE ORGANIZATION

Statements of Revenue and Expenses

Year ended March 31, 2015, with comparative information for 2014

		2015		2014
Revenue:				
Contributions from member hospitals (note 7)	$	16,507,657	$	15,345,379
Project revenues		8,413,558		5,591,646
Amortization of deferred contributions related to capital assets		178,804		388,143
Investment income		101,297		108,757
Recoveries		43,649		18,423
		25,244,965		21,452,348
Expenses:				
Salaries, wages and benefits		16,844,968		14,188,402
Computer hardware, software and maintenance		2,442,556		1,503,232
Software licenses and data processing		1,650,259		1,399,206
Professional fees		1,465,610		1,395,992
Regional data centre		685,853		659,685
Amortization of capital assets		601,253		958,611
Supplies and other		473,093		358,670
Telephone and communications		309,848		244,504
Travel		266,418		209,114
Accommodations		224,138		208,800
Minor equipment		210,703		221,593
Interest		70,266		104,539
		25,244,965		21,452,348
Excess of revenue over expenses	$	-	$	-

See accompanying notes to financial statements.

TRANSFORM SHARED SERVICE ORGANIZATION
Statements of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Operating activities:		
Excess of expenses over revenue	$ -	$ -
Items not involving cash:		
Amortization of capital assets	601,253	958,611
Amortization of deferred contributions related to capital assets	(178,804)	(388,143)
	422,449	570,468
Changes in non-cash working capital balances:		
Accounts receivable	(2,892,506)	1,017,663
Work in process - projects	-	1,259,686
Prepaid expenses	65,513	(11,329)
Accounts payable and accrued liabilities	631,794	(10,438)
Advances - projects	78,682	1,959,154
Unearned revenue	(2,589,790)	(1,028,906)
	(4,283,858)	3,756,298
Investing activities:		
Purchase of capital assets	(118,924)	(152,005)
	(118,924)	(152,005)
Financing activities:		
Capital lease payments	(83,773)	(68,737)
Issuance of debt	2,300,000	-
Long-term debt repayments	(1,081,850)	(828,830)
Capital sinking fund	21,663	100,223
Deferred capital contributions related to capital assets	1,745,233	1,293,872
	2,901,273	496,528
(Decrease) increase in cash position	(1,501,509)	4,100,821
Cash position, beginning of year	5,607,653	1,506,832
Cash position, end of year	$ 4,106,144	$ 5,607,653

See accompanying notes to financial statements.

TransForm Shared Service Organization ("the Organization") is a not-for-profit organization resulting from the amalgamation of PROcure Healthcare and Consolidated Health Information Systems on January 1, 2013. The Organization is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The objective of the Organization is to provide;

i. Specialty Information Management/Information Technology services;
ii. Supply chain and specialized contract services;
iii. Project Management Services to address local, regional and provincial health priorities and initiatives.

All divisions work with various health service providers and government officials to lead transformational change. Specifically all divisions are focused on providing value, improving the patient experience, achieving better health outcomes and utilizing health resources more effectively. All three divisions work to support their customers in the delivery of exceptional patient care by ensuring efficiencies, service excellence and cost savings. The Organization is currently owned by the five Erie St. Clair hospitals and is governed by a Board of Directors comprising of senior executives from each hospital, namely: Bluewater Health, Chatham-Kent Health Alliance, Hôtel-Dieu Grace Healthcare (formerly Hôtel-Dieu Grace Hospital), Leamington District Memorial Hospital and Windsor Regional Hospital as well as up to five independent Directors.

Services are provided to member organizations at rates designed to reflect the costs and expenses incurred by the Corporation in the normal course of business. Annual operating expenses are to be allocated to the members based primarily on the public sector funding provided to each member as of the most recent fiscal year end. Any surplus of revenue over expenses is to be retained by the Corporation for provision of future services. Any deficiency of revenue over expenses is recoverable from the individual members in accordance with the allocation formula previously described. Additional funds for capital projects or additional expenses outside the annual operating plan are shared based on the number of users impacted by these projects at each member hospital.

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit corporations.

1. Significant accounting policies:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include government contributions.

Operating contributions are recorded as revenue in the period to which they relate. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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

Investment income on unspent deferred contributions, if restricted for future use, is deferred as a component of such contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

(b) Capital assets:

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives, at the following rates:

Asset	Rate
Software licences and software development	20% - 33%
Hardware	3 to 5 years
Major equipment	10 years
Leasehold improvements	7 years

Amortization of a specific asset is not recorded until the asset has been placed into use.

(c) Deferred capital contributions

The Organization records deferred capital contributions using the deferral method. Deferred capital contributions are amortized on the straight-line basis over the estimated useful life of the corresponding capital asset acquired.

1. **Significant accounting policies:**

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Capital disclosure:

The Organization considers its capital to be its deferred contributions, deferred contributions related to capital assets and unrestricted net assets. The Organization's primary objective of capital management is to ensure that it has sufficient resources to continue to provide the full continuum of supply chain and IT services. Annual budgets are developed and monitored to ensure the Organization's capital is maintained at an appropriate level.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates include the valuation of accounts receivable and capital assets. Actual results could differ from those estimates.

2. Capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Software licences and software development	$ 2,437,765	$ 2,071,506	$ 366,259	$ 558,454
Hardware	6,798,736	6,481,196	317,540	531,869
Major equipment	1,999,713	1,760,039	239,674	301,536
Leasehold improvements	88,670	60,785	27,885	41,828
	$ 11,324,884	$ 10,373,526	$ 951,358	$ 1,433,687

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of $807,431 (2014 - $755,290) which include amounts payable for HST and payroll related remittances.

4. Long-term debt:

	2015	2014
Two term loans secured by a general security agreement, blended payments of $144,081, interest payable at 3.37% and 3.00% due on August 1, 2015 and December 1, 2017.	$ 2,490,209	$ 1,272,059
Less: current portion	1,123,900	974,047
Long-term debt	$ 1,366,309	$ 298,012

Principal payments due within each of the next 3 years is as follows:

2016	$ 1,123,900
2017	772,111
2018	594,197
	$ 2,490,208

5. Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of contributions from member hospitals and grants received for capital assets acquired. The amortization of capital contributions is recorded in the statement of revenue and expense.

	2015	2014
Balance, beginning of year	$ 1,452,687	$ 1,656,282
Add: contributions received	1,745,233	161,051
Less: amounts amortized to revenue	(178,804)	(364,646)
Balance, end of year	$ 3,019,116	$ 1,452,687

6. Contracts and commitments:

The Organization has entered into several operating leases and rental agreements and the five year repayment schedule is as follows:

2016	$ 1,090,023
2017	1,001,379
2018	864,586
2019	864,586
2020	826,728
	$ 4,647,302

7. Related party transactions:

The Organization has been granted permission to use the member hospitals' facilities and equipment as considered necessary to carryout the services.

Chatham-Kent Health Alliance

At March 31, 2015, the Organization received from Chatham-Kent Health Alliance $3,398,566 (2014 - $3,168,536) in transaction funding comprising $2,479,527 (2014 - $2,232,059) in Operational Funding and $919,039 (2014 - $936,477) in Computer Licenses, Maintenance and Leasing Expense Funding. At year end, the balance owing from the Hospital is $221,520 (2014 - $15,447).

7. Related party transactions (continued):

Windsor Regional Hospital

At March 31, 2015, the Organization received from Windsor Regional Hospital $7,872,728 (2014 - $5,084,621) in transaction funding comprising $5,908,418 (2014 - $4,016,825) in Operational Funding and $1,964,310 (2014 - $1,067,796) in Computer Licenses, Maintenance and Leasing Expense Funding. At year end, the balance owing from the Hospital is $364,309 (2014 - $3,595).

Bluewater Health

At March 31, 2015, the Organization received from Bluewater Health $2,640,461 (2014 - $2,960,536) in transaction funding comprising $2,121,133 (2014 - $2,495,410) in Operational Funding and $519,328 (2014 - $465,126) in Computer Licenses and Maintenance Expense Funding. At year end, the balance owing from the Hospital is $105,382 (2014 - $1,999,643 due to the hospital).

Hôtel-Dieu Grace Healthcare

At March 31, 2015, the Organization received from Hôtel-Dieu Grace Healthcare $1,682,572 (2014 - $3,261,719) in transaction funding comprising $1,422,138 (2014 - $2,845,296) in Operational Funding and $260,434 (2014 - $416,423) in Computer Licenses and Maintenance Expense Funding. At year end, the balance owing from the Hospital is $95,951 (2014 - $423,322).

Leamington District Memorial Hospital

At March 31, 2015, the Organization received from Leamington District Memorial Hospital $913,330 (2014 - $869,967) in transaction funding comprising of $777,793 (2014 - $750,089) in Operational Funding and $135,537 (2014 - $119,878) in Computer Licenses and Maintenance Expense Funding. At year end, the balance owing from the Hospital is $94,402 (2014 - $159,904 balance due to hospital).

8. Economic dependence:

The Organization is financially dependent on the member hospitals as it does not provide significant services to any other parties at this time.

9. Pension plan:

Substantially all of the full-time employees of the Organization, as well as those part-time employees who chose to participate, are members of the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer final average pay contributory pension plan. Contributions to the plan made during the year on behalf of its employees amounted to $1,983,209 (2014 - $1,679,223) and the employer share of $1,095,255 (2014 - $948,506) is included in salaries, wages and benefits in the statement of revenue and expenses. The most recent actuarial valuation of the plan as at December 31, 2014 indicates that the plan is fully funded.

10. Connecting Southwest Ontario:

The connecting South West Ontario (cSWO) Program is a regional eHealth program, funded by eHealth Ontario. The cSWO Program is one of three provincial regional eHealth integration programs tasked to implement an integrated electronic health record (EHR) for the residents of Ontario. The implementation of the cSWO Program is aligned with *Ontario's Action Plan for Health Care* and is key to the provincial health care transformation agenda.

In its role as delivery partner for cSWO in the Erie St. Clair Local Health Integration Network (ESC LHIN), TransForm Shared Service Organization (TransForm) is responsible for cSWO Change Management & Adoption. In this capacity, TransForm transacts the deployment of Program Services by working with participating HSPs to facilitate business/technical adoption of cSWO EHR Program solutions and standards into the regular delivery of care.

London Health Sciences Centre (LHSC) is the Program Manager for cSWO in South West Ontario, providing EHR program management throughout the four SWO LHINs, including ESC LHIN. As the delivery partner for cSWO in ESC, TransForm entered into a Transfer Payment Agreement (TPA) with LHSC to execute Phase 2D deliverables of the cSWO Program in the ESC LHIN. The Phase 2D agreement and subsequent amendments ended on June 30, 2015 and TransForm has entered into a new TPA ($ 7,175,200 approved) with LHSC in order to deliver the Phase 3 Program in the ESC LHIN. Total funding earned and recognized into revenue for cSWO Phase 3 TPA in the year was $1,824,105.

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.