Financial Statements of

TRANSFORM SHARED SERVICE ORGANIZATION

Years ended March 31, 2018 and 2017

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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Years ended March 31, 2018 and 2017

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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, 2018, March 31, 2017 and April 1, 2016 and the statements of revenue and expenses and cash flows for the years 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 public sector accounting standards, 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 audits. We conducted our audits 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 audits 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, 2018, March 31, 2017 and April 1, 2016, its results of operations and its cash flows for the years ended March 31, 2018 and March 31, 2017, in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
June 28, 2018

TRANSFORM SHARED SERVICE ORGANIZATION

Statement of Financial Position

(in thousands of dollars)

March 31, 2018, March 31, 2017 and April 1, 2016

		March 31, 2018		March 31, 2017		April 1, 2016
Assets						
Current assets:						
Cash	$	4,666	$	5,451	$	4,172
Accounts receivable		4,403		2,415		3,410
Prepaid expenses		288		215		182
		9,357		8,081		7,764
Accounts receivable - long-term		2,077		2,498		2,891
Capital assets (note 2)		3,319		3,849		3,453
	$	14,753	$	14,428	$	14,108
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 3)	$	3,404	$	2,174	$	2,439
Advances - projects		1,421		1,110		1,480
Unearned revenue (note 4)		2,052		2,086		1,849
Current portion of capital leases (note 5)		1,158		971		677
Current portion of long-term debt (note 6)		-		594		772
		8,035		6,935		7,217
Capital leases (note 5)		2,077		2,498		2,297
Long-term debt (note 6)		-		-		594
Deferred capital contributions related to capital assets (note 7)		3,319		3,849		3,447
Unspent deferred capital contributions		1,322		1,146		553
Net Assets						
Unrestricted		-		-		-
Commitments (note 8)						
	$	14,753	$	14,428	$	14,108

See accompanying notes to financial statements.

On behalf of the Board:

M Campagna ~~Director~~ Chair

Paul Audet ~~Director~~ Secretary

TRANSFORM SHARED SERVICE ORGANIZATION

Statement of Revenue and Expenses

(in thousands of dollars)

Years ended March 31, 2018 and 2017

		2018		2017
Revenue:				
Contributions from member hospitals - base funding (note 9)	$	11,723	$	12,237
Project revenues and other income		6,963		7,585
Amortization of deferred contributions related to capital assets		1,190		1,084
Investment income		241		225
		20,117		21,131
Expenses:				
Salaries, wages and benefits		15,898		16,529
Computer hardware, software, maintenance, licenses, data processing & regional data centre		1,666		1,644
Supplies & other expenses		1,234		1,732
Amortization of capital assets		1,190		1,084
Interest		129		142
		20,117		21,131
Excess of revenue over expenses before rebills		-		-
Rebill recoveries & expenses - net (note 9)		-		-
Excess of revenue over expenses	$	-	$	-

See accompanying notes to financial statements.

TRANSFORM SHARED SERVICE ORGANIZATION

Statement of Cash Flows

(in thousands of dollars)

Years ended March 31, 2018 and 2017

	2018	2017
Operating activities:		
Excess of expenses over revenue	$ -	$ -
Items not involving cash:		
Amortization of capital assets	1,190	1,084
Amortization of deferred contributions related to capital assets	(1,190)	(1,084)
	-	-
Changes in non-cash working capital balances:		
Accounts receivable	(1,567)	1,388
Prepaid expenses	(73)	(33)
Accounts payable and accrued liabilities	1,230	(265)
Advances - projects	311	(370)
Unearned revenue	(34)	237
	(133)	957
Investing activities:		
Purchase of capital assets	(660)	(1,480)
	(660)	(1,480)
Financing activities:		
Capital lease obligations incurred	793	1,249
Capital lease payments	(1,027)	(754)
Long-term debt repayments	(594)	(772)
Unspent deferred capital contributions	176	593
Deferred capital contributions related to capital assets	660	1,486
	8	1,802
(Decrease) increase in cash position	(785)	1,279
Cash position, beginning of year	5,451	4,172
Cash position, end of year	$ 4,666	$ 5,451

See accompanying notes to financial statements.

TransForm Shared Service Organization ("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 Technology/Information Management (IT/IM) 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, Erie Shores HealthCare 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.

On April 1, 2017, the Organization adopted Canadian Public Sector Accounting Standards. The Organization has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Public Sector Accounting Standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2016 and all comparative information provided has been presented by applying public sector accounting standards.

As a result of transitioning to these standards, there were no adjustments to net assets as at April 1, 2016 or excess of revenue over expenses for the year ended March 31, 2017.

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

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.

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
Computer hardware & software - capital leases	over the life of the lease, up to 5 years
Computer software licences & software development	3 to 5 years
Computer hardware	5 years
Furniture, fixtures & equipment	10 years
Leasehold improvements	over the life of the lease, 5 years

(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 (continued):

(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/IM 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.

(in thousands of dollars)

2. Capital assets:

March 31, 2018	Cost	Accumulated amortization	Net book value
Computer hardware and software - capital leases	$ 6,259	$ 3,109	$ 3,150
Computer software licences & software development	1,885	1,885	-
Computer hardware	178	147	31
Furniture, fixtures & equipment	312	208	104
Leasehold improvements	86	52	34
	$ 8,720	$ 5,401	$ 3,319

March 31, 2017	Cost	Accumulated amortization	Net book value
Computer hardware and software - capital leases	$ 5,466	$ 2,062	$ 3,404
Computer software licences & software development	1,885	1,812	73
Computer hardware	343	158	185
Furniture, fixtures and equipment	312	177	135
Leasehold improvements	86	34	52
	$ 8,092	$ 4,243	$ 3,849

April 1, 2016	Cost	Accumulated amortization	Net book value
Computer hardware and software – capital leases	$ 3,792	$ 851	$ 2,941
Computer software licences and software development	4,788	4,639	149
Computer hardware	5,793	5,679	114
Furniture, fixtures and equipment	312	146	166
Leasehold improvements	175	92	83
	$ 14,860	$ 11,407	$ 3,453

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of $861 (2017 - $522) which include amounts payable for HST and payroll related remittances.

4. Unearned revenue:

TransForm collects funds from member hospitals and other funders for future purposes including funding of project related resources and holds funds on account for future years' utilization generated from net surpluses within day-to-day operations and third party project activity. The funds are held with future specific purposes with the exception of any accumulated operational surpluses being $526 (2017 - $87) and will become earned revenue when associated expenses are incurred.

5. Capital leases:

In 2018, the Organization leased an additional $855 (2017 - $1,249) in computer hardware and software used within the Regional Data Centre on behalf of its' members. The value of the capital leased assets are discounted based on the interest rate applied within the lease arrangements, and varies between 0.85% to 8.5% depending on the type of asset. Interest of $119 (2017 - $114) relating to the capital lease obligations has been included in interest expense on the statement of revenue and expenses.

(in thousands of dollars)

5. Capital leases (continued):

Capital lease repayments are due as follows:

		2018
2019	$	1,263
2020		1,141
2021		616
2022		311
2023		114
Total minimum lease payments		3,445
Less: amount representing interest		(210)
Present value of minimum capital lease payments		3,235
Less: current portion		(1,158)
Long-term portion	$	2,077

6. Long-term debt:

		March 31, 2018		March 31, 2017		April 1, 2016
Term loan secured by a general security agreement, monthly payments of $66, interest payable at 3.00%, matured on December 1, 2017	$	-	$	594	$	1,366
Less: current portion		-		(594)		(772)
Long-term debt	$	-	$	-	$	594

(in thousands of dollars)

7. Deferred capital 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 reported on the statement of revenue and expenses.

	March 31, 2018	March 31, 2017	April 1, 2016
Balance, beginning of year	$ 3,849	$ 3,447	$ 833
Add: contributions received	660	1,486	3,606
Less: amounts amortized to revenue	(1,190)	(1,084)	(992)
Balance, end of year	$ 3,319	$ 3,849	$ 3,447

8. Contracts and commitments:

The Organization has entered into several maintenance, license and rental agreements and the five year repayment schedule is as follows:

2019	$ 2,001
2020	1,111
2021	45
2022	29
2023	5
	$ 3,191

9. Related party transactions:

The Organization has been granted permission to use the member hospitals' facilities and equipment as considered necessary to carryout the services. The following transaction funding includes not only transactions related to statement of revenue and expenses, but also transactions affecting the statement of financial position.

Rebill funding is provided as a recovery for expenses paid by the Organization on behalf of the member hospitals. These expenses includes shared contract expenditures across member hospitals for computer hardware and software maintenance and licenses. The Rebill recoveries and expenses are reported as a net amount on the statement of revenue and expenses.

(in thousands of dollars)

9. Related party transactions (continued):

In 2018, the Organization received transaction funding from hospitals and at year end the net balance owing from hospitals, are as follows:

March 31, 2018	Contributions from member hospitals	Rebill recoveries	Capital & project funding	Total transaction funding	Balance owing
Windsor Regional Hospital	$ 5,441	$ 1,820	$ 2,053	$ 9,314	$ 548
Chatham-Kent Health Alliance	2,345	904	634	3,883	195
Bluewater Health	2,061	781	490	3,332	59
Hôtel-Dieu Grace Healthcare	1,126	454	516	2,096	230
Erie Shores HealthCare	750	200	178	1,128	55
	$ 11,723	$ 4,159	$ 3,871	$ 19,753	$ 1,087

March 31, 2017	Contributions from member hospitals	Rebill recoveries	Capital & project funding	Total transaction funding	Balance owing
Windsor Regional Hospital	$ 5,639	$ 1,928	$ 1,795	$ 9,362	$ 283
Chatham-Kent Health Alliance	2,430	829	864	4,123	144
Bluewater Health	2,187	659	831	3,677	112
Hôtel-Dieu Grace Healthcare	1,204	309	422	1,935	43
Erie Shores HealthCare	777	170	208	1,155	15
	$ 12,237	$ 3,895	$ 4,120	$ 20,252	$ 597

10. 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.

11. 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 $2,002 (2017 - $2,033) and the employer share of $1,116 (2017 - $1,137) 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, 2017 indicates that the plan is fully funded.

12. 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 the Erie St. Clair region, 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. TransForm has entered into subsequent TPA agreements, the latest extending to December 31, 2018 ($10,509 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 $2,345 (2017 - $2,286).

13. Comparative figures:

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