Financial Statements of

TRANSFORM SHARED SERVICE ORGANIZATION

Year ended March 31, 2024

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, 2024

Financial Statements of TransForm Shared Services Organization

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TransForm Shared Service Organization

Opinion

We have audited the financial statements of TransForm Shared Service Organization (the Organization), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of revenue and expenses for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 opinion.

Responsibility 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 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Organization'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 the events or conditions that may cast significant doubt on the Organization’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 Organization’s 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

August 8, 2024

TRANSFORM SHARED SERVICE ORGANIZATION

Statement of Financial Position

(in thousands of dollars)

March 31, 2024, with comparative information for 2023

		2024		2023
Assets				
Current assets:				
Cash	$	8,718	$	6,860
Accounts receivable		13,296		8,144
Inventory		624		510
Prepaid expenses		366		532
		23,004		16,046
Accounts receivable - long-term		1,365		1,580
Capital assets (note 2)		2,680		2,803
	$	27,049	$	20,429
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 3)	$	12,902	$	5,366
Advances - projects		3,604		4,117
Unearned revenue (note 4)		4,384		4,361
Current portion of capital leases (note 5)		378		566
		21,268		14,410
Capital leases (note 5)		95		473
Deferred capital contributions related to capital assets (note 6)		2,680		2,803
Unspent deferred capital contributions		3,006		2,743
Net Assets				
Unrestricted		-		-
Contracts and commitments (note 7)		-		-
	$	27,049	$	20,429

See accompanying notes to financial statements. On behalf of the Board:

____________________ Director and Board Chair

____________________ CEO and Corporate Secretary

TRANSFORM SHARED SERVICE ORGANIZATION

Statement of Revenue and Expenses

(in thousands of dollars)

Year ended March 31, 2024, with comparative information for 2023

		2024		2023
Revenue:				
Contributions from member hospitals - base funding (note 8)	$	12,921	$	11,807
Project revenues and other income		12,449		11,504
Amortization of deferred contributions related to capital assets		1,125		1,185
Investment income		672		370
		27,167		24,866
Expenses:				
Salaries, wages and benefits		19,011		17,393
Computer hardware, software, maintenance, licenses, data processing and regional data centre		3,062		4,577
Supplies and other expenses		3,950		1,664
Amortization of capital assets		1,125		1,185
Interest		19		47
		27,167		24,866
Excess of revenue over expenses before rebills		-		-
Rebill recoveries and expenses - net (notes 8 and 11)		-		-
Excess of revenue over expenses	$	-	$	-

See accompanying notes to financial statements.

TRANSFORM SHARED SERVICE ORGANIZATION

Statement of Cash Flows

(in thousands of dollars)

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Operating activities:		
Excess of revenue over expenses	$ -	$ -
Items not involving cash:		
Amortization of capital assets	1,125	1,185
Amortization of deferred contributions related to capital assets	(1,125)	(1,185)
	-	-
Changes in non-cash working capital balances:		
Accounts receivable	(4,937)	(1,961)
Inventory	(114)	(39)
Prepaid expenses	166	(214)
Accounts payable and accrued liabilities	7,536	(316)
Advances - projects	(513)	660
Unearned revenue	23	1,025
	2,161	(845)
Investing activities:		
Purchase of capital assets	(1,002)	(1,364)
	(1,002)	(1,364)
Financing activities:		
Capital lease payments	(566)	(682)
Deferred capital contributions related to capital assets	1,002	1,364
Unspent deferred capital contributions	263	75
	699	757
Increase (decrease) in cash position	1,858	(1,452)
Cash position, beginning of year	6,860	8,312
Cash position, end of year	$ 8,718	$ 6,860

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 was founded by the five Erie St. Clair hospitals (Bluewater Health, Chatham-Kent Health Alliance, Hôtel-Dieu Grace Healthcare, Erie Shores HealthCare and Windsor Regional Hospital) and is governed by a Board of Directors comprised of senior executives nominated by each hospital, as well as 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 a funding formula methodology which incorporates service driver data on a three-year rolling average. 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 public sector accounting standards.

1. Significant accounting policies:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which includes 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) Inventory:

Inventories are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis. Inventory consists of medical supplies that are distributed for home and community care.

(c) 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,	up to 5 years

1. Significant accounting policies (continued):

(d) 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.

(e) 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.

(f) 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.

(in thousands of dollars)

1. **Significant accounting policies (continued):**

(g) 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.

(h) Change in accounting policy:

On April 1, 2023 the Organization adopted Canadian public sector accounting standard PS 3400 Revenue. The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. The Organization determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

2. **Capital assets:**

2024	Cost	Accumulated Amortization	Net book value
Computer hardware and software - capital leases	$ 12,238	$ 10,009	$ 2,229
Computer software licences and software development	1,906	1,906	–
Computer hardware	778	443	335
Furniture, fixtures and equipment	331	321	10
Leasehold improvements	378	272	106
	$ 15,631	12,951	$ 2,680

2023	Cost	Accumulated Amortization	Net book value
Computer hardware and software - capital leases	$ 11,474	$ 8,987	$ 2,487
Computer software licences and software development	1,906	1,906	–
Computer hardware	607	367	240
Furniture, fixtures and equipment	331	314	17
Leasehold improvements	309	250	59
	$ 14,627	11,824	$ 2,803

(in thousands of dollars)

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of $281 (2023 - $249) 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 undesignated accumulated operational surpluses of $472 (2023 - $716) and will become earned revenue when associated expenses are incurred.

5. Capital leases:

The value of the capital leased assets are discounted based on the interest rate applied within the lease arrangements, and varies between 0.0% and 8.5% depending on the type of asset. Interest of $41 (2023 - $67) relating to the capital lease obligations has been included in interest expense on the statement of revenue and expenses.

Capital lease repayments are due as follows:

		2024
2025	$	385
2026		95
Total minimum lease payments		480
Less: amount representing interest		(7)
Present value of minimum capital lease payments		473
Less: current portion		378
Long-term portion	$	95

(in thousands of dollars)

6. 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.

	2024	2023
Balance, beginning of year	$ 2,803	$ 2,624
Add: contributions received	1,002	1,364
Less: amounts amortized to revenue	(1,125)	(1,185)
Balance, end of year	$ 2,680	$ 2,803

7. Contracts and commitments:

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

2025	$ 613
2026	113
2027	67
2028	–
	$ 794

8. Related party transactions:

(a) The Organization has been granted permission to use the member hospitals' facilities and equipment as considered necessary to carry out 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.

(b) Rebill funding is provided as a recovery for expenses paid by the Organization on behalf of the member hospitals. The Rebill recoveries and expenses are reported as a net amount on the statement of revenue and expenses. These include shared contract expenditures across member hospitals, for the following:

i. Computer hardware and software maintenance and licenses of $8,919 (2023 - $6,588), included under Rebill recoveries

ii. Regional Hospital Health Information System ("HIS") project of $9,225 (2023 - $12,052), included under Capital & project funding.

The HIS project named e-VOLVE is a critical initiative for the hospitals in Erie St. Clair ("ESC") region, to replace their legacy Hospital Information Systems with a single, shared, modern, scalable, and sustainable solution. The Chatham-Kent Health Alliance, Erie Shores HealthCare, Hôtel-Dieu Grace Healthcare, and Windsor Regional Hospital are together funding this project, and Bluewater Health formally approved joining the ESC instance of Oracle in January 2024 with a planned go-live of fall 2024.

The Organization, in its role as the ESC hospital's sole Information Technology service provider, has been leading the implementation of this project, with the support of the software vendor (Oracle Health Cerner). TransForm as the sole client, has entered into a contract with Oracle for the development, implementation and hosting of a shared HIS solution. A Funding Letter dated January 15, 2019, was executed by the four ESC region hospitals and the Organization.

In 2021, implementation was completed at Chatham-Kent Health Alliance, Erie Shores HealthCare and Hôtel-Dieu Grace Healthcare, with Windsor Regional Hospital in early 2022.

(in thousands of dollars)

8. Related party transactions (continued):

In 2024, the Organization received transaction funding from hospitals and at year end the net balance owing from hospitals (included in accounts receivable), are as follows:

2024	Contributions from members hospitals	Rebill recoveries	Capital and project funding	Total transaction funding	Balance owing
Windsor Regional Hospital	$ 5,909	$ 3,796	$ 6,068	$ 15,773	$ 3,014
Chatham-Kent Health Alliance	2,339	1,523	2,463	6,325	1,742
Bluewater Health	2,345	1,671	186	4,202	679
Hotel-Dieu Grace Healthcare	1,368	1,222	1,470	4,060	1,159
Erie Shores Healthcare	960	709	813	2,482	615
	$ 12,921	$ 8,921	$ 11,000	$ 32,842	$ 7,209

2023	from members hospitals	Rebill recoveries	Capital and project funding	Total transaction funding	Balance owing
Windsor Regional Hospital	$ 5,386	$ 2,665	$ 8,085	$ 16,136	$ 1,959
Chatham-Kent Health Alliance	2,227	1,628	2,931	6,786	47
Bluewater Health	2,170	1,129	232	3,531	1,272
Hotel-Dieu Grace Healthcare	1,127	841	1,624	3,592	579
Erie Shores Healthcare	897	325	1,035	2,257	341
	$ 11,807	$ 6,588	$ 13,907	$ 32,302	$ 4,198

9. 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.

10. 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 $2,338 (2023 - $2,183) and the employer share of $1,300 (2023 - $1,218) 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, 2021 indicates that the plan is fully funded.

11. Home and Community Care Support Services Erie St. Clair (“HCCSS ESC”) Supply Chain:

The HCCSS ESC supply chain implementation is a project designed to transform Home and Community Care supply chain activity from a manual based operation to an automated solution managed by the Organization utilizing cost advantageous contracts standardized to the member hospitals. The implementation commenced in 2019 and warehouse activities commenced on April 1, 2019.

Rebill funding is provided as a recovery for expenses paid by the Organization on behalf of HCCSS ESC. These expenses in 2024 were for medical supplies of $6,437 (2023 - $6,059) that were distributed for home and community care throughout the HCCSS region. The Rebill recoveries and expenses are reported and included in the net amount on the statement of revenue and expenses.

12. Code Grey:

During the year, the Organization and its member hospitals were subject to a ransomware attack. None of the impacted parties paid ransom as a result of the attack. The Organization has undertaken a number of measures in response to the attack, including notifying affected employees, working closely with vendors to continue procurements and payments in order to maintain services and supplies to the ESC region and reporting the results of it’s internal analysis to the Ontario Information and Privacy. Management is of the view that costs associated with the recovery of systems, including labour and vendor costs, from the attack are recoverable through the Organization’s insurance provider.

13. Subsequent event:

Effective April 1, 2024, the Organization’s purchasing and payment services were transitioned to Mohawk Medbuy Corporation. The Organization and Mohawk Medbuy Corporation (“MMC”) executed an Asset Purchase Agreement whereby MMC acquire the inventory, capital assets and liabilities associated with the supply chain and accounts payable functions provided by the Organization. Employees in these divisions became MMC employees as of April 1, 2024. The Organization also agreed to become a customer of MMC for purchasing and payment services and to provide limited IT services for a fixed period during the transition.