

**FINANCIAL STATEMENTS**  
**For**  
**HEALTH SHARED SERVICES ONTARIO**  
**For the year ended**  
**MARCH 31, 2020**

**INDEPENDENT AUDITOR'S REPORT**

To the directors of

**HEALTH SHARED SERVICES ONTARIO**

*Opinion*

We have audited the financial statements of Health Shared Services Ontario ("HSSOntario"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the HSSOntario as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for not-for-profit organizations.

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of HSSOntario in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical 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.

*Emphasis of Matter*

We draw attention to note 1 to the financial statements, which describes the transfer of HSSOntario's employees, assets, liabilities, rights & obligations to Ontario Health on December 2, 2019 and the subsequent dissolution on March 31, 2020. Our opinion is not modified with respect of this matter.

*Responsibilities of Management and Those Charged with Governance 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 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.

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

Those charged with governance are responsible for overseeing HSSOntario's financial reporting process.

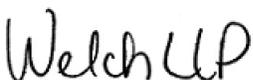
### *Auditor's Responsibilities for the Audit of the Financial Statements*

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 these 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 risks 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, intentional 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 purpose of expressing an opinion on the effectiveness of HSSOntario'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 events or conditions that may cast significant doubt on HSSOntario'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 HSSOntario 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.

We 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.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
June 24, 2020.

**HEALTH SHARED SERVICES ONTARIO**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2020**

	<u>2020</u> (note 3)	<u>2019</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ -	\$ 2,580,413
Accounts receivable (note 8)	-	5,367,547
Prepaid expenses	-	<u>4,385,952</u>
	-	12,333,912
<b>TANGIBLE CAPITAL ASSETS (note 4)</b>	<u>-</u>	<u>5,505,425</u>
	<u>\$ -</u>	<u>\$ 17,839,337</u>
<b><u>LIABILITIES AND NET LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (note 8)	\$ -	\$ 6,076,289
Due to Ministry of Health and Long-Term Care (note 5)	-	<u>241,121</u>
	-	6,317,410
<b>DEFERRED CONTRIBUTIONS</b>	-	1,573,117
<b>DEFERRED CAPITAL CONTRIBUTIONS (note 6)</b>	<u>-</u>	<u>5,108,965</u>
	<u>-</u>	<u>12,999,492</u>
<b>NET LIABILITIES</b>		
Invested in capital assets	-	396,460
Internally restricted	-	1,873,666
Unrestricted net assets	-	<u>2,569,719</u>
	<u>-</u>	<u>4,839,845</u>
	<u>\$ -</u>	<u>\$ 17,839,337</u>
<b>Lease commitments and contractual obligations (note 10)</b>		

Approved by the Board of Directors:

  
 ..... Director  
  
 ..... Director

(See accompanying notes)

**HEALTH SHARED SERVICES ONTARIO**

**STATEMENT OF OPERATIONS**

**YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>Revenue</b>		
Ministry of Health and Long-Term Care (note 5)	\$ 25,354,010	\$ 43,158,051
Amortization of deferred contributions (note 5)	866,820	108,353
Amortization of deferred capital contributions (note 6)	1,338,798	1,069,772
Interest and other income	<u>155,355</u>	<u>241,121</u>
	<u>27,714,983</u>	<u>44,577,297</u>
<b>Expenses</b>		
Salaries and benefits	16,163,498	24,633,193
Information technology	7,695,575	14,348,634
Professional dues, fees and other services	859,431	2,200,941
Occupancy	1,178,110	1,679,532
Office supplies and other	67,806	197,073
Telecommunication	119,852	194,183
Training and meetings	7,999	84,310
Education sessions	54,597	103,281
Travel and accommodation	13,908	46,816
Conference	-	526,690
Bad debts	9,836	17,287
Amortization of tangible capital assets	1,416,618	1,181,525
Net assets transferred to Ontario Health (note 3)	<u>4,967,598</u>	<u>-</u>
	<u>32,554,828</u>	<u>45,213,465</u>
<b>Excess of expenses over revenue</b>	<b>\$ (4,839,845)</b>	<b>\$ (636,168)</b>

(See accompanying notes)

**HEALTH SHARED SERVICES ONTARIO**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED MARCH 31, 2020**

	2020			
	<u>Invested in capital assets</u>	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<b>Net assets, beginning of year</b>	\$ 396,460	\$ 1,873,666	\$ 2,569,719	\$ 4,839,845
Excess of expenses over revenue	(318,640)	(1,873,666)	(2,647,539)	(4,839,845)
Purchase of tangible capital assets	324,574	-	324,574	-
Capital contributions received	(324,574)	-	(324,574)	-
Amortization of tangible capital assets	(1,416,618)	-	1,416,618	-
Amortization of deferred capital contributions	<u>1,338,798</u>	<u>-</u>	<u>(1,338,798)</u>	<u>-</u>
<b>Net assets, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	2019			
	<u>Invested in capital assets</u>	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<b>Net assets, beginning of year</b>	\$ 508,213	\$ 1,873,666	\$ 3,094,134	\$ 5,476,013
Excess of expenses over revenue	-	-	(636,168)	(636,168)
Purchase of capital assets	4,337,739	-	(4,337,739)	-
Capital contributions received	(4,337,739)	-	4,337,739	-
Amortization of tangible capital assets	(1,181,525)	-	1,181,525	-
Amortization of deferred capital contributions	<u>1,069,772</u>	<u>-</u>	<u>(1,069,772)</u>	<u>-</u>
<b>Net assets, end of year</b>	<u>\$ 396,460</u>	<u>\$ 1,873,666</u>	<u>\$ 2,569,719</u>	<u>\$ 4,839,845</u>

(See accompanying notes)

**HEALTH SHARED SERVICES ONTARIO**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of expenses over revenue	\$ (4,839,845)	\$ (636,168)
Items not involving cash:		
Amortization of tangible capital assets	1,416,618	1,181,525
Amortization of deferred capital contributions	(1,338,798)	(1,069,772)
Non-cash balances transferred to Ontario Health	<u>(2,966,393)</u>	<u>-</u>
	(7,728,418)	(524,415)
Change in non-cash operating working capital:		
Accounts receivable	4,716,438	(2,758,797)
Prepaid expenses	182,365	(1,474,781)
Accounts payable and accrued liabilities	(3,594,865)	(2,864,456)
Due to Ministry of Health and Long-Term Care	4,710,887	(3,117,335)
Deferred contributions	<u>(866,820)</u>	<u>930,845</u>
	<u>(2,580,413)</u>	<u>(9,808,939)</u>
<b>CASH FLOWS FROM (USED IN) CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	(324,574)	(4,337,739)
Deferred capital contributions received	<u>324,574</u>	<u>4,337,739</u>
	<u>-</u>	<u>-</u>
<b>DECREASE IN CASH</b>	(2,580,413)	(9,808,939)
<b>CASH, BEGINNING OF YEAR</b>	<u>2,580,413</u>	<u>12,389,352</u>
<b>CASH, END OF YEAR</b>	\$ <u>-</u>	\$ <u>2,580,413</u>

(See accompanying notes)

**HEALTH SHARED SERVICES ONTARIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**1. NATURE OF OPERATIONS**

Health Shared Services Ontario (hereafter referred to as "HSSOntario") is a provincial agency, incorporated without share capital on January 1, 2017 by Ontario Regulation 456/16 made under the *Local Health System Integration Act, 2006*, with a mandate to provide shared services to Local Health Integration Networks (LHINs), health service providers and other entities whose primary function is to deliver health services. As a provincial agency, HSSOntario is subject to legislation, directives and policies of the Government of Ontario and is a party to a Memorandum of Understanding with the Minister of Health and Long-Term Care.

While HSSOntario was incorporated on January 1, 2017, operations did not officially commence until March 1, 2017.

On May 30, 2019, the *Connecting Care Act* (the "CCA") was proclaimed with key sections of the Act, including the creation of a new Crown Agency called Ontario Health, effective June 6, 2019. This legislation is a key component of the government's plan to build an integrated health care system. The CCA grants the Minister of Health (the "Minister") the power to transfer assets, liabilities, rights, obligations and employees of certain government organizations, including HSSOntario, into Ontario Health, a health service provider, or an integrated care delivery system. The CCA also grants the Minister the power to dissolve the transferred organizations.

On March 8, 2019, the members of the board of directors of Ontario Health were appointed to also constitute the board of HSSOntario. The board of directors of Ontario Health will oversee the transition process of transferring multiple provincial agencies into Ontario Health.

On November 13, 2019, the Minister issued transfer orders to five provincial agencies, including HSSOntario. Effective December 2, 2019, the employees, assets, liabilities, rights and obligations of HSSOntario were fully transferred to Ontario Health. The net effect of this restructuring transaction on Health Shared Services Ontario on December 2, 2019 is disclosed in note 3.

On March 13, 2020, the Minister issued an order to dissolve HSSOntario effective March 31, 2020.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations and consist of the following accounting policies:

*Basis of accounting*

HSSOntario follows the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

*Government transfer payments*

Government transfer payments from the Ministry of Health and Long-Term Care ("MOHLTC") are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

**HEALTH SHARED SERVICES ONTARIO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Financial instruments*

Financial assets and financial liabilities are initially measured at fair value. HSSOntario subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

*Tangible capital assets*

Tangible capital assets are recorded at historical cost. Historical cost includes the cost directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and office equipment	5 years
Computer hardware	3 years
Leasehold improvements	term of lease

For assets acquired or brought into use during the year, amortization is calculated for the remaining months.

*Deferred lease inducements*

Leases are accounted for as operating leases wherein rental payments are initially recorded in the statement of operations and are adjusted to a straight-line basis over the term of the related lease. The difference between the straight-line rent expense and the rental payments, as stipulated under the lease agreement, is included in accounts payable and accrued liabilities.

HSSOntario recognizes rent expense on its premises on a straight-line basis over the term of the lease. Lease inducements received by HSSOntario as rent free periods are deferred and amortized on a straight-line basis over the term of the lease as a reduction of occupancy expense.

*Deferred capital contributions*

Any amounts received and used to fund expenditures that are recorded as tangible capital assets, are initially recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services.

**HEALTH SHARED SERVICES ONTARIO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Net assets*

The net asset balances are defined as follows:

- Designated reserve for capital assets - reflects amounts that have been designated for the purchase of capital assets net of accumulated amortization expense.
- Designated reserve for operations - includes reserves for unanticipated business interruption and the net accumulated surplus balances from HSSOntario conferences, which are reserved for educational purposes, including conference development. The designated reserve for operations is not available for use without the Board of Directors' approval.
- Unrestricted net assets - includes the cumulative surpluses (deficits).

*Use of estimates*

The preparation of these financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates include determining the collectability of accounts receivable, the useful lives of capital assets, and the amount of accrued liabilities. For all estimates, actual results could differ materially from those estimates.

**3. TRANSFER TO ONTARIO HEALTH**

On November 13, 2019, the Ministerial Order under the Connecting Care Act transferred the employees, assets, liabilities, rights and obligations of HSSOntario to Ontario Health. This transfer took place on December 2, 2019 for no compensation. The net effect of this restructuring transaction on HSSOntario was to expense \$4,967,598.

Below are the details of assets and liabilities transferred to Ontario Health based on carrying values at December 1, 2019:

Cash	\$ 7,933,991
Accounts receivable	651,109
Prepaid expenses	4,203,587
Tangible capital assets	<u>4,413,381</u>
Net assets	<u>\$ 17,202,068</u>
Accounts payable and accrued liabilities	\$ 2,481,424
Due to Ministry of Health and Long-Term Care (note 5)	4,952,008
Deferred contributions	706,297
Deferred capital contributions (note 6)	<u>4,094,741</u>
Net liabilities	<u>\$ 12,234,470</u>
Net assets transferred to Ontario Health	<u>\$ 4,967,598</u>

**HEALTH SHARED SERVICES ONTARIO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2020**

**4. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Furniture and office equipment	\$ -	\$ -	\$ 599,571	\$ 598,511
Computer hardware	-	-	8,314,298	3,205,668
Leasehold improvements	-	-	<u>1,105,880</u>	<u>710,145</u>
	-	<u>\$ -</u>	10,019,749	<u>\$ 4,514,324</u>
Less: accumulated amortization	<u>-</u>		<u>(4,514,324)</u>	
Net book value	<u>\$ -</u>		<u>\$ 5,505,425</u>	

**5. DUE TO MINISTRY OF HEALTH AND LONG-TERM CARE**

The amount due to MOHLTC consists of the following activity:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 241,121	\$ 3,358,456
Add:		
Funding received	30,389,471	49,530,202
Prior year funding settlement		
Deferred contributions clawed back by MOHLTC	<u>-</u>	<u>642,272</u>
	30,630,592	53,530,930
Less:		
Amounts repaid to MOHLTC	-	(4,112,549)
Amounts recognized as revenue	(25,354,010)	(43,158,051)
Deferred contributions	-	(1,681,470)
Deferred capital contributions	<u>(324,574)</u>	<u>(4,337,739)</u>
	4,952,008	241,121
Transferred to Ontario Health (note 3)	<u>(4,952,008)</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 241,121</u>

**HEALTH SHARED SERVICES ONTARIO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2020**

**6. DEFERRED CAPITAL CONTRIBUTIONS**

Changes in deferred capital contributions are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 5,108,965	\$ 1,840,998
Add: capital contributions received from MOHLTC	324,574	4,337,739
Less: amortization of deferred capital contributions	(1,338,798)	(1,069,772)
Transferred to Ontario Health (note 3)	<u>(4,094,741)</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 5,108,965</u>

**7. GUARANTEES**

HSSOntario is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, HSSOntario may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

**8. GOVERNMENT REMITTANCES**

Government remittances consist of harmonized sales tax and provincial sales taxes and payroll source deductions required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, a receivable of \$nil (2019 - \$5,264,056) for outstanding sales tax rebates is included in accounts receivable. Included in accounts payable and accrued liabilities are \$nil (2019 - \$37,454) of payroll remittances payable.

**9. PENSION PLAN**

HSSOntario makes contributions to the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer plan, on behalf of most of its employees. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. Eligible employees contribute a range of 6.9% to 9.2% of their earnings. HSSOntario is required to match the employees' contributions at 1.26 times the employees' contributions. The amount contributed to HOOPP for the year was \$1,931,023 (2019 - \$1,667,016) for current service costs and is included in salaries and benefits. The last actuarial valuation was completed for the plan as of December 31, 2019. At that time, the plan was fully funded.

**10. LEASE COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

HSSOntario had lease commitments for office premises and various multi-year contractual obligations for various licences and support services. As described in note 3, the payments required on these commitments and contractual obligations transferred to Ontario Health on December 2, 2019.

**11. FINANCIAL INSTRUMENTS**

As described in note 3, HSSOntario transferred all of its assets and liabilities to Ontario Health on December 2, 2019. Since HSSOntario does not have any financial assets or liabilities at March 31, 2020, it is not subject to liquidity, credit or market risks.

**12. COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.