

eHealth Ontario

Financial statements

December 1, 2019



Independent auditor's report

To the Board of Directors of
eHealth Ontario

Opinion

We have audited the financial statements of eHealth Ontario, which comprise the statement of financial position as at December 1, 2019, and the statement of operations and changes in net assets and the statement of cash flows for the eight-month period 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 eHealth Ontario as at December 1, 2019, and its results of operations and its cash flows for the eight-month period 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 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 eHealth Ontario 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 – transfer of eHealth Ontario assets and liabilities to Ontario Health Agency

We draw attention to note 1 to the financial statements, which describes the transfer of the assets and liabilities of eHealth Ontario to the Ontario Health Agency effective December 2, 2019. Our opinion is not modified in respect to this matter.

Responsibilities 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 eHealth Ontario'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 eHealth Ontario or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing eHealth Ontario'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 eHealth Ontario'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 eHealth Ontario'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 eHealth Ontario 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.

Toronto, Canada
March 24, 2020

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Statement of financial position

[in thousands of dollars]

As at

	December 1, 2019	March 31, 2019
	\$	\$
Assets		
Current		
Cash	9,621	13,494
Prepaid expenses	16,564	15,987
Due from Ministry of Health <i>[note 3[b]]</i>	18,606	17,994
HST and other receivables <i>[note 6[a]]</i>	620	1,916
Total current assets	45,411	49,391
Capital assets, net <i>[note 4]</i>	56,826	70,868
Prepaid expenses	3,292	6,165
	105,529	126,424
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 6 and 7[e]]</i>	15,969	52,963
Due to Ministry of Health <i>[note 3[b]]</i>	2,593	2,593
Deferred contributions – Ministry of Health <i>[note 3[b]]</i>	30,141	—
Total current liabilities	48,703	55,556
Deferred capital contributions <i>[note 5]</i>	56,826	70,868
Total liabilities	105,529	126,424
Commitments and contingencies <i>[note 7]</i>		
Subsequent event <i>[note 1]</i>		
Net assets <i>[note 1]</i>	—	—
	105,529	126,424

See accompanying notes

On behalf of the Board:



William Hatanaka,
Board Chair



Garry Foster,
Director

eHealth Ontario

Statement of operations and changes in net assets

[in thousands of dollars]

	Eight-month period ended December 1, 2019 \$	Year ended March 31, 2019 \$
Revenue		
Government grants <i>[note 3(a)]</i>	133,759	234,102
Amortization of deferred capital contributions <i>[note 5]</i>	16,342	24,387
	150,101	258,489
Expenses <i>[notes 6, 8 and 9]</i>		
Technology and operations	70,890	109,058
Digital health data and services	43,542	92,298
Corporate offices	12,500	20,972
Architecture, standards and planning	5,495	7,543
Amounts provided to transfer payment recipients for capital purposes	1,332	4,231
	133,759	234,102
Amortization of capital assets <i>[note 4]</i>	16,342	24,387
	150,101	258,489
Excess of revenue over expenses for the period <i>[note 1]</i>	—	—
Net assets, beginning of period	—	—
Net assets, end of period	—	—

See accompanying notes

Statement of cash flows

[in thousands of dollars]

	Eight-month period ended December 1, 2019 \$	Year ended March 31, 2019 \$
Operating activities		
Excess of revenue over expenses for the period	—	—
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(16,342)	(24,387)
Amortization of capital assets	16,342	24,387
	—	—
Changes in non-cash working capital balances related to operations		
Prepaid expenses	2,296	(9,821)
Due from Ministry of Health	(612)	(5,919)
HST and other receivables	1,296	(178)
Accounts payable and accrued liabilities <i>[note 10]</i>	(26,206)	21,898
Due to Ministry of Health	—	(6,768)
Deferred contributions – Ministry of Health	30,141	—
Cash provided by (used in) operating activities	6,915	(788)
Capital activities		
Purchase of capital assets <i>[note 10]</i>	(13,088)	(19,940)
Cash used in capital activities	(13,088)	(19,940)
Financing activities		
Contributions used to fund capital asset purchases	2,300	15,610
Cash provided by financing activities	2,300	15,610
Net decrease in cash during the period	(3,873)	(5,118)
Cash, beginning of period	13,494	18,612
Cash, end of period	9,621	13,494

See accompanying notes

Notes to financial statements

[in thousands of dollars]

December 1, 2019

1. Nature of operations

eHealth Ontario is designated as an operational service agency established under the Ontario Regulation made under the *Development Corporations Act* (O. Reg. 43/02). Subsection 2(3) of O. Reg. 43/02 provides that eHealth Ontario is, for all purposes, an agency of Her Majesty within the meaning of the *Crown Agency Act* and its powers may be exercised only as an agency of Her Majesty. Subsection 6(1) of O. Reg. 43/02 provides that the Board of Directors is composed of the members appointed by the Lieutenant-Governor in Council on the recommendation of the Minister of Health [the "Minister"]. The Lieutenant-Governor in Council can appoint up to 12 members to eHealth Ontario's Board of Directors. Pursuant to Subsection 7(1) of O. Reg. 43/02 and subject to any directions given by the Minister of Health under Section 8, the affairs of eHealth Ontario are under the management and control of the Board of Directors. Subsection 9(1) of O. Reg. 43/02 provides that the Chief Executive Officer of eHealth Ontario be appointed by the Lieutenant-Governor in Council.

The objectives of eHealth Ontario are as follows:

- [a] To provide eHealth Ontario services and related support for the effective and efficient planning, management and delivery of health care in Ontario;
- [b] To develop eHealth Ontario services strategy and operational policy; and
- [c] To protect the privacy of individuals whose personal information or personal health information is collected, transmitted, stored or exchanged by and through eHealth Ontario, in accordance with the *Freedom of Information and Protection of Privacy Act*, the *Personal Health Information Protection Act, 2004* and any other applicable law (O. Reg. 339/08, s.4).

eHealth Ontario is funded by the Province of Ontario through the Ministry of Health [the "Ministry"]. eHealth Ontario and the Ministry entered into an Accountability Agreement, which was in effect from April 1, 2015 until March 31, 2018. A new Accountability Agreement was signed and will be in effect from April 1, 2018 until terminated by either the Ministry or eHealth Ontario. Any excess of revenue over expenses must be repaid in the following fiscal year. Any deficiency reduces the funding allocation in the following fiscal year.

As a Crown agency, eHealth Ontario is exempt from income taxes.

On May 30, 2019, the *Connecting Care Act* [the "CCA"] was proclaimed, with key sections of the CCA, 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 the power to transfer assets, liabilities, rights, obligations and employees of certain government organizations, including eHealth Ontario, 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 eHealth Ontario. The board of directors of Ontario Health will oversee the transition process of transferring multiple provincial agencies into Ontario Health.

Notes to financial statements

[in thousands of dollars]

December 1, 2019

On November 13, 2019, the Minister issued transfer orders to five provincial agencies, including eHealth Ontario. Effective December 2, 2019, the employees, assets, liabilities, rights and obligations of eHealth Ontario were fully transferred to Ontario Health.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with the *CPA Canada Public Sector Accounting Handbook*, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. eHealth Ontario has chosen to use the standards for government not-for-profit organizations that include Sections PS 4200 to PS 4270. The significant accounting policies are summarized below.

Revenue recognition

eHealth Ontario follows the deferral method of accounting for contributions. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions with respect to the purchase of capital assets are recorded as deferred capital contributions when initially recorded in the accounts and are amortized to operations on the same basis as the related asset is amortized.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are included in corporate offices expenses.

Capital assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware	3 to 5 years
Computer software	3 to 10 years
Furniture and office equipment	5 years
Leasehold improvements	Over the term of the leases

Capital assets that no longer have any long-term service potential for eHealth Ontario are written down to residual value, if any. The excess of the carrying value over the residual value of such assets is recognized as amortization in the statement of operations and changes in net assets.

Internal labour costs are capitalized in connection with the development of information technology projects.

Employee future benefits

eHealth Ontario has a defined contribution pension plan for its employees. Under the plan, eHealth Ontario contributes an equal match to employees' contributions up to a maximum of 6% of their annual earnings. eHealth Ontario's contributions to the plan are expensed on an accrual basis.

Notes to financial statements

[in thousands of dollars]

December 1, 2019

Financial assets and liabilities

eHealth Ontario initially measures its financial assets and liabilities at fair value. eHealth Ontario subsequently measures all its financial assets and liabilities at amortized cost, net of any provisions for impairment.

Financial assets and liabilities measured at amortized cost include cash, due from (to) the Ministry of Health, Harmonized Sales Tax ["HST"] and other receivables and accounts payable and accrued liabilities.

3. Government of Ontario

[a] Funding from the Ministry recognized as revenue is calculated as follows:

	Eight-month period ended December 1, 2019	Year ended March 31, 2019
	\$	\$
Funding for eHealth Ontario operating/capital expenditures	146,175	196,796
Funding for transfer payments to eHealth Ontario partners	16,142	52,961
Total funding received	162,317	249,757
Amounts receivable to fund capital assets <i>[note 3[b]]</i>	2,300	2,210
Amount receivable to fund transfer payment recipients for capital purposes <i>[note 3[b]]</i>	1,332	—
Total funding receivable for capital expenses	3,632	2,210
Amounts used to fund capital assets and recorded as deferred capital contributions <i>[note 5]</i>	(2,300)	(15,610)
Interest earned during the period repayable to the Ministry of Health	251	338
Funding repayable to the Ministry of Health <i>[note 3[b]]</i>	—	(2,593)
Funding received and deferred to cover the period up to March 31, 2020 <i>[note 3[b]]</i>	(30,141)	—
Amount recognized as revenue	133,759	234,102

Notes to financial statements

[in thousands of dollars]

December 1, 2019

[b] The amounts due from (to) from the Ministry of Health consists of the following:

	December 1, 2019	March 31, 2019
	\$	\$
Due from the Ministry of Health for administered programs <i>[note 6[f]]</i>	5,686	8,706
Funding receivable – prior period capital <i>[note 3[a]]</i>	2,210	—
Funding receivable – prior periods operating	7,078	7,078
Funding receivable – current period capital <i>[note 3[a]]</i>	3,632	2,210
Amount due from the Ministry of Health	18,606	17,994
Funding payable – prior periods <i>[note 3[a]]</i>	(2,593)	—
Funding payable – current period <i>[note 3[a]]</i>	—	(2,593)
Amount due to the Ministry of Health	(2,593)	(2,593)
Contributions received from the Ministry of Health and deferred for the period to March 31, 2020 <i>[note 3[a]]</i>	(30,141)	—

4. Capital assets

	December 1, 2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer hardware	99,787	76,109	23,678
Computer software	150,267	119,463	30,804
Furniture and office equipment	6,316	6,195	121
Leasehold improvements	6,620	6,147	473
Work-in-process	1,750	—	1,750
	264,740	207,914	56,826

Notes to financial statements

[in thousands of dollars]

December 1, 2019

	March 31, 2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer hardware	103,287	71,894	31,393
Computer software	149,613	111,235	38,378
Furniture and office equipment	6,322	6,126	196
Leasehold improvements	6,603	5,899	704
Work-in-process	197	—	197
	266,022	195,154	70,868

In the current period, certain assets no longer in use with a total cost of \$3,582 [year ended March 31, 2019 – \$8,893], accumulated amortization of \$3,569 [year ended March 31, 2019 – \$8,710] and a net book value of \$13 [year ended March 31, 2019 – \$183] were written off and included in amortization of capital assets.

5. Deferred capital contributions

	Eight-month period ended December 1, 2019	Year ended March 31, 2019
	\$	\$
Balance, beginning of period	70,868	79,645
Contributions used to fund capital asset purchases <i>[note 3[a]]</i>	2,300	15,610
Amortization	(16,342)	(24,387)
Balance, end of period	56,826	70,868

6. Related party transactions

eHealth Ontario is controlled by the Province of Ontario through the Ministry and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province of Ontario. Transactions with related parties are outlined below.

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

[a] eHealth Ontario has entered into transfer payment agreements with various related parties. Under these agreements, eHealth Ontario makes payments to these parties once defined eligibility requirements have been met.

During the eight-month period ended December 1, 2019, digital health data and services expenses include \$8,499 [year ended March 31, 2019 – \$30,766] in transfer payments to related hospitals and local health integration networks.

Notes to financial statements

[in thousands of dollars]

December 1, 2019

As at December 1, 2019, accounts payable and accrued liabilities include \$884 [March 31, 2019 – \$15,196] payable to related parties and HST and other receivables include nil [March 31, 2019 – \$187] repayable to eHealth Ontario from a related party under these agreements.

- [b] eHealth Ontario has entered into a service provider agreement with an Ontario hospital for the provision of support services in connection with one of its applications. During the eight-month period ended December 1, 2019, digital health data and services expenses include \$727 [year ended March 31, 2019 – \$1,468] in connection with this agreement. Technology and operations expenses include nil [year ended March 31, 2019 – \$156]. As at December 1, 2019, accounts payable and accrued liabilities include \$62 [March 31, 2019 – \$606] payable to the hospital.
- [c] During the eight-month period ended December 1, 2019, Hydro One charged eHealth Ontario \$12,850 [year ended March 31, 2019 – \$19,135] for network services. This amount is included in technology and operations expenses. As at December 1, 2019, accounts payable and accrued liabilities include \$1,759 [March 31, 2019 – \$1,691] payable to Hydro One.
- [d] During the eight-month period ended December 1, 2019, technology and operations expenses include \$1,346 [year ended March 31, 2019 – \$2,020] for the rental of office space and other facility-related expenses from the Ministry of Government and Consumer Services. Corporate offices expenses also include \$3,486 [year ended March 31, 2019 – \$5,341] for the rental of office space and other facility-related expenses from Infrastructure Ontario. As at December 1, 2019, accounts payable and accrued liabilities include \$609 [March 31, 2019 – \$682] and nil [March 31, 2019 – \$963] payable to the Ministry of Government and Consumer Services and Infrastructure Ontario, respectively.
- [e] During the eight-month period ended December 1, 2019, technology and operations expenses include \$425 [year ended March 31, 2019 – \$828] and corporate offices expenses include \$91 [year ended March 31, 2019 – \$171] for the provision of administrative and other support services from the Ministry of Government and Consumer Services, Treasury Board Secretariat, the Ontario Ministry of Labour, the Ministry of Finance, the Ministry of the Attorney General and other hospitals and health care organizations. As at December 1, 2019, accounts payable and accrued liabilities include \$222 [March 31, 2019 – \$308] in respect of these services.
- [f] During the eight-month period ended December 1, 2019, eHealth Ontario spent \$5,686 [year ended March 31, 2019 – \$8,706] on programs that it administers on behalf of the Ministry. Amounts spent on these programs are recoverable from the Ministry [note 3[b]]. Amounts are recorded net of recoveries and included in technology and operations expenses.
- [g] During the eight-month period ended December 1, 2019, under an arrangement with an Ontario college, eHealth Ontario spent \$100 [year ended March 31, 2019 – \$355] to develop prototypes and proofs of concept for eHealth Ontario's electronic health record infrastructure. Of these costs, \$100 [year ended March 31, 2019 – \$355] is included in architecture, standards and planning expenses. As at December 1, 2019, accounts payable and accrued liabilities include nil [March 31, 2019 – \$235].

Notes to financial statements

[in thousands of dollars]

December 1, 2019

7. Commitments and contingencies

- [a] eHealth Ontario has various multi-year contractual commitments for services. Payments required on these commitments are as follows:

	\$
2020 [four months from December 2, 2019 to March 31, 2020]	8,496
2021	36,924
2022	27,081
2023	15,787
	<u>88,288</u>

Commitments above include \$64,082 payable to Hydro One under a network services contract and \$4,490 payable to the Ministry of Government and Consumer Services for facility-related costs.

- [b] Ontario Realty Corporation, a Crown corporation of the Province of Ontario, holds leases on the office space occupied by eHealth Ontario. eHealth Ontario is responsible for all of the operating lease payments and other occupancy costs. The payments required up to the date of expiry are as follows:

	\$
2020 [four months from December 2, 2019 to March 31, 2020]	1,813
2021	5,892
2022	3,318
2023	2,139
2024 and thereafter	4,405
	<u>17,567</u>

- [c] eHealth Ontario has entered into transfer payment agreements with eHealth Ontario partners that require future payments once defined eligibility requirements have been met. Work has begun under many of these arrangements and progress against the eligibility requirements is monitored regularly. Total future payments in connection with these contracts are approximately \$31.8 million, of which \$23.1 million will be paid to related parties as described in note 6[a]. Approximately \$12.1 million of these future payments is expected to be paid in the last four months of fiscal 2019/2020 and the balance of \$19.7 million is to be paid in fiscal 2020/2021.

- [d] eHealth Ontario participates in the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the public liability insurance risks of its members who are all Canadian not-for-profit health care organizations. All members of the HIROC pool pay annual premiums that are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they are members. No assessments have been made for the eight-month period ended December 1, 2019.

Notes to financial statements

[in thousands of dollars]

December 1, 2019

[e] In the normal course of operations, eHealth Ontario is subject to various claims and potential claims. Management has recorded its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time.

Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to any amount recorded are determined to be required.

8. Employee future benefits

eHealth Ontario has a defined contribution pension plan for its employees. eHealth Ontario's contributions to this plan during the eight-month period ended December 1, 2019 amounted to \$2,648 [year ended March 31, 2019 – \$3,923].

9. Board remuneration

Total remuneration paid to members of the Board of Directors during the eight-month period ended December 1, 2019 was nil [year ended March 31, 2019 – \$55]. Salary paid to members of the Board of Directors who are employees of the Government of Ontario is disclosed on the "Public Sector Salary Disclosure" listing on the Government of Ontario website.

10. Supplemental cash flow information

The change in accounts payable and accrued liabilities related to the purchase of capital assets for the eight-month period ended December 1, 2019 of \$10,788 [March 31, 2019 – \$4,330] has been excluded from the statement of cash flows.

11. Financial instruments

Credit risk

eHealth Ontario is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

eHealth Ontario manages and controls credit risk with respect to accounts receivable by only dealing with recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. As at December 1, 2019, there are no significant amounts that are past due or impaired.

Liquidity risk

eHealth Ontario is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. eHealth Ontario derives all of its operating revenue from the Government of Ontario with no firm commitment of funding in future years. To manage liquidity risk, eHealth Ontario keeps sufficient resources readily available to meet its obligations.

Accounts payable mature within six months.

Notes to financial statements

[in thousands of dollars]

December 1, 2019

12. Comparative financial statements

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation of the financial statements for the eight-month period ended December 1, 2019.