

July 22, 2014

The Honourable D. Duncan  
Minister of Health  
Room 204, Legislative Building  
REGINA, SK S4S 0B3

Dear Sir:

**Re: eHealth Saskatchewan  
Financial Statements**

We enclose the financial statements of eHealth Saskatchewan for the year ended March 31, 2014 and our report on these financial statements.

Yours truly,



Judy Ferguson, FCA  
Acting Provincial Auditor

/cp

Enclosure

cc: The Honourable K. Krawetz, Chair, Treasury Board  
Ms C. Isman, Secretary, Treasury Board  
Mr. T. Paton, Provincial Comptroller, Ministry of Finance (Email)  
Mr. G. Fiske, Chair, eHealth Saskatchewan  
Ms S. Antosh, Chief Executive Officer, eHealth Saskatchewan  
Ms R. Anderson, Vice President, Finance and Administration, eHealth Saskatchewan  
Ms S. Yasinowki, Director, Financial Management, eHealth Saskatchewan  
Ms C. Fedak, Director, Operations and Internal Audit, Financial Services Branch, Ministry of Health

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**eHealth Saskatchewan**  
**2013 - 2014 Financial Statements**



## INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of eHealth Saskatchewan, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net financial assets and cash flows for the year then ended, and 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 for Treasury Board's approval, 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.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 the auditor's 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, the auditor considers 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of eHealth Saskatchewan as at March 31, 2014, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson, FCA  
Acting Provincial Auditor

Regina, Saskatchewan  
July 21, 2014

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## Statement 1

### eHealth Saskatchewan Statement of Financial Position as at March 31 (\$000s)

|   | <u>2014</u>   | <u>2013</u>   |
|---|---------------|---------------|
| <b>Financial Assets</b>                   |               |               |
| Due from General Revenue Fund (Note 3)    | \$ 13,391     | \$ 15,662     |
| Receivable from Ministry of Health        | 2,875         | 6,355         |
| Other Accounts Receivable                 | 5,690         | 4,714         |
|   | <u>21,956</u> | <u>26,731</u> |
| <b>Liabilities</b>                        |               |               |
| Accounts Payable & Accrued Liabilities    | 8,174         | 8,535         |
| Accrued Salaries & Benefits               | 1,215         | 139           |
| Accrued Vacation                          | 420           | 284           |
| Deferred Revenue (Note 10)                | 234           | 187           |
| Obligations Under Capital Leases          | -             | 1             |
|   | <u>10,043</u> | <u>9,146</u>  |
| <b>Net Financial Assets (Statement 3)</b> | <u>11,913</u> | <u>17,585</u> |
| <b>Non-financial Assets</b>               |               |               |
| Tangible Capital Assets (Note 5)          | 44,814        | 51,945        |
| Prepaid Assets                            | 5,243         | 5,493         |
|   | <u>50,057</u> | <u>57,438</u> |
| <b>Accumulated Surplus (Statement 2)</b>  | <u>61,970</u> | <u>75,023</u> |

### Commitments (Note 12)

(See accompanying notes to financial statements)

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**Statement 2****eHealth Saskatchewan  
Statement of Operations  
for the year ended March 31  
(\$000s)**

|  | <u>Budget<br/>2014</u><br>(Note 4) | <u>2014</u>      | <u>2013</u><br>(Note 14) |
|--|------------------------------------|------------------|--------------------------|
| <b>Revenue</b>   |                                    |                  |                          |
| Ministry of Health Funding                               | \$ 63,057                          | \$ 67,809        | \$ 91,503                |
| Canada Health Infoway Funding                            | 6,838                              | 3,443            | 6,901                    |
| Vital Statistics   | 1,500                              | 1,558            | -                        |
| Recoveries   | 6,055                              | 5,438            | 5,833                    |
| Other Revenue  | 394                                | 374              | 460                      |
| <b>Total Revenue</b>                                     | <u>77,844</u>                      | <u>78,622</u>    | <u>104,697</u>           |
| <b>Expenses</b>  |                                    |                  |                          |
| Amortization   | 21,000                             | 18,036           | 21,354                   |
| eHealth & Business Services                              | 30,502                             | 31,085           | 17,318                   |
| Finance  | 6,386                              | 5,943            | 4,096                    |
| Board and Executive Office                               | 2,129                              | 1,610            | 4,464                    |
| Ongoing Operations                                       | 33,244                             | 31,838           | 46,328                   |
| Strategy & Risk Management                               | 1,690                              | 3,163            | 686                      |
| <b>Total Expenses (Schedule 1)</b>                       | <u>94,951</u>                      | <u>91,675</u>    | <u>94,246</u>            |
| <b>Annual (Deficit) Surplus (Statement 3)</b>            | \$ (17,107)                        | \$ (13,053)      | \$ 10,451                |
| <b>Accumulated Surplus, at beginning of year</b>         | <u>                    </u>        | <u>75,023</u>    | <u>64,572</u>            |
| <b>Accumulated Surplus, at end of year (Statement 1)</b> |                                    | <u>\$ 61,970</u> | <u>\$ 75,023</u>         |

(See accompanying notes to financial statements)

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**Statement 3**

**eHealth Saskatchewan**  
**Statement of Change in Net Financial Assets**  
**for the year ended March 31**  
**(\$000s)**

|  | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|
| <b>Annual (Deficit) Surplus (Statement 2)</b>            | \$ (13,053)      | \$ 10,451        |
| Acquisition of Tangible Capital Assets                   | (10,905)         | (13,501)         |
| Amortization of Tangible Capital Assets                  | 18,036           | 21,354           |
|  | <u>7,131</u>     | <u>7,853</u>     |
| Use (acquisition) of Prepaid Assets                      | 250              | (813)            |
|  | <u>250</u>       | <u>(813)</u>     |
| <b>(Decrease) Increase in Financial Assets</b>           | \$ (5,672)       | \$ 17,491        |
| <b>Net Financial Assets at beginning of year</b>         | <u>17,585</u>    | <u>94</u>        |
| <b>Net Financial Assets at end of year (Statement 1)</b> | <u>\$ 11,913</u> | <u>\$ 17,585</u> |

(See accompanying notes to financial statements)

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**Statement 4**

**eHealth Saskatchewan  
Statement of Cash Flows  
for the year ended March 31  
(\$000s)**

|   | <u>2014</u>      | <u>2013</u>      |
|---|------------------|------------------|
| <b>Cash Flows From Operating Activities</b>                 |                  |                  |
| Cash Receipts   | \$ 81,173        | \$ 81,120        |
| Cash Paid To Suppliers And Others                           | (72,538)         | (71,314)         |
| <b>Increase in Operating Activities For The Year</b>        | <u>8,635</u>     | <u>9,806</u>     |
| <br><b>Cash Flows From Investing Activities</b>             |                  |                  |
| Purchase Of Tangible Capital Assets                         | (10,905)         | (13,501)         |
| <b>Decrease In Investing Activities For The Year</b>        | <u>(10,905)</u>  | <u>(13,501)</u>  |
| <br><b>Cash Flows From Financing Activities</b>             |                  |                  |
| Net Change in Obligations Under Capital Leases              | (1)              | (195)            |
| <b>Decrease In Financing Activities For The Year</b>        | <u>(1)</u>       | <u>(195)</u>     |
| <br><b>Net Decrease In Due From General Revenue Fund</b>    | (2,271)          | (3,890)          |
| <b>Due From General Revenue Fund, Beginning Of The Year</b> | 15,662           | 19,552           |
| <b>Due From General Revenue Fund, End Of The Year</b>       | <u>\$ 13,391</u> | <u>\$ 15,662</u> |

(See accompanying notes to financial statements)

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**eHealth Saskatchewan**  
**Notes to the Financial Statements**  
**for the year ended March 31, 2014**  
**(\$000s)**

**1. Description of Business**

Saskatchewan Health Information Network (SHIN) was established as a Treasury Board Crown Corporation by Order in Council 581/1997 under the provisions of *The Crown Corporations Act, 1993* (Act) effective August 19, 1997.

SHIN was renamed to eHealth Saskatchewan by Order in Council 734/2010

eHealth Saskatchewan (eHealth) was created to design, implement, own, operate, and manage a provincial health information network. eHealth's purpose is to foster the development of the health information technology sector, to foster re-engineering of health delivery processes and to protect health information as a strategic resource.

**2. Significant Accounting Policies**

Pursuant to standards established by the Public Sector Accounting Board (PSAB) and published by Chartered Professional Accountants (CPA) Canada, eHealth is classified as an other government organization. eHealth uses Canadian generally accepted accounting principles applicable to governments. The following principles are considered to be significant:

a) The Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

b) Revenue

Government transfers are recognized as revenue in the period the transfer is authorized and any eligibility criteria are met. Other revenue is recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Expenses

Expenses represent the cost of resources consumed for operations during the year. Expenses include provision for the amortization of tangible capital assets.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost and are amortized over their useful life. Amortization is recorded, commencing with the quarter after the assets are placed into service, on a straight-line basis at the annual rates set out below:

|   |     |
|---|-----|
| Desktop Computer Hardware                             | 33% |
| Computer Software                                     | 33% |
| Network Hardware, Software & System Development costs | 20% |
| Office Equipment                                      | 20% |
| Office Furniture                                      | 10% |

e) Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge liabilities unless they are sold.

f) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, such adjustments are reported in earnings in the period in which they become known.

**3. Due from the General Revenue Fund**

Earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty-day borrowing rate and eHealth's average daily account balance. The Government's average thirty-day borrowing rate in 2014 was 1.02% (2013 - 1.03%).

**4. Budget Approval**

eHealth's budget was approved by the Board on May 22, 2013.



## 5. Tangible Capital Assets

|                                      | March 31, 2014                       |                           |   |                              |                          |                                     |                  | March 31, 2013   |  |
|--------------------------------------|--------------------------------------|---------------------------|---|------------------------------|--------------------------|-------------------------------------|------------------|------------------|--|
|                                      | Desktop Computer Hardware & Software | Computer Network Hardware | Licensed or Multiple Application Software | Office Furniture & Equipment | System Development Costs | Work In Progress System Development | Total            | Total            |  |
| Opening Cost                         | \$ 1,087                             | \$ 11,941                 | \$ 14,919                                 | \$ 1,578                     | \$ 144,396               | \$ 5,340                            | \$ 179,261       | \$ 165,760       |  |
| Additions During the Year            | -                                    | 1,370                     | 3,735                                     | 947                          | -                        | 4,853                               | 10,905           | 13,501           |  |
| WIP moved into Production            | -                                    | -                         | -   | -                            | 7,929                    | (7,929)                             | -                | -                |  |
| Disposals                            | (1,074)                              | (5,913)                   | (6,898)                                   | (1,056)                      | (5,120)                  | -                                   | (20,061)         | -                |  |
| Closing Cost                         | 13                                   | 7,398                     | 11,756                                    | 1,469                        | 147,205                  | 2,264                               | 170,105          | 179,261          |  |
| Opening Accumulated Amortization     | 1,075                                | 9,376                     | 10,057                                    | 1,211                        | 105,597                  | -                                   | 127,316          | 105,962          |  |
| Annual Amortization                  | 4                                    | 933                       | 2,200                                     | 63                           | 14,836                   | -                                   | 18,036           | 21,354           |  |
| Disposals                            | (1,074)                              | (5,913)                   | (6,898)                                   | (1,056)                      | (5,120)                  | -                                   | (20,061)         | -                |  |
| Closing Accumulated Amortization     | 5                                    | 4,396                     | 5,359                                     | 218                          | 115,313                  | -                                   | 125,291          | 127,316          |  |
| <b>Total Tangible Capital Assets</b> | <b>\$ 8</b>                          | <b>\$ 3,002</b>           | <b>\$ 6,397</b>                           | <b>\$ 1,251</b>              | <b>\$ 31,892</b>         | <b>\$ 2,264</b>                     | <b>\$ 44,814</b> | <b>\$ 51,945</b> |  |

## 6. Maintenance Agreements for Software

eHealth has several agreements with software vendors to provide maintenance for software that has been purchased by eHealth. A total of \$23,143 was spent in 2014 (2013 - \$23,089). This arrangement will likely continue into the future.

## 7. Related Parties

These financial statements include routine transactions with related parties. eHealth is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Related party transactions to March 31, 2014, include the following:

|   | 2014          | 2013          |
|---|---------------|---------------|
| <b>Revenue</b>                                  |               |               |
| Saskatchewan Ministry of Health                 | \$ 67,809     | \$ 91,503     |
| Regional Health Authorities                     | 4,785         | 4,565         |
| Saskatchewan Ministry of Finance                | 198           | 271           |
| Saskatchewan Cancer Agency                      | 227           | 185           |
| Health Shared Services Saskatchewan (3S Health) | 193           | 83            |
| Saskatchewan Ministry of Central Services       | -             | 2             |
|   | <b>73,212</b> | <b>96,609</b> |
| <b>Accounts Receivable</b>                      |               |               |
| Saskatchewan Ministry of Health                 | 2,875         | 6,355         |
| Regional Health Authorities                     | 1,419         | 676           |
| Saskatchewan Ministry of Finance                | 49            | 67            |
| Saskatchewan Cancer Agency                      | 140           | 30            |
| Health Shared Services Saskatchewan (3S Health) | 193           | 1             |
|   | <b>4,676</b>  | <b>7,129</b>  |
| <b>Expenditures</b>                             |               |               |
| SaskTel   | 7,769         | 5,147         |
| Regional Health Authorities                     | 2,225         | 3,985         |
| Saskatchewan Opportunities Corporation          | 1,106         | 1,135         |
| Public Employees Pension Plan                   | 588           | -             |
| Saskatchewan Ministry of Central Services       | 465           | 1,424         |
| Health Shared Services Saskatchewan (3S Health) | 349           | 820           |
| Public Employees - Extended Health Care Plan    | 92            | -             |
| Public Employees - Dental Plan                  | 65            | -             |
| Saskatchewan Workers' Compensation Board        | 47            | 152           |
| Public Employees - Group Life Insurance Plan    | 26            | -             |
| Public Employees - Disability Income Plan       | 14            | -             |
| SaskEnergy                                      | 13            | -             |
| Other   | 4             | -             |
|   | <b>12,763</b> | <b>12,663</b> |
| <b>Accounts Payable</b>                         |               |               |
| SaskTel   | 391           | 433           |
| Regional Health Authorities                     | 195           | 72            |
| Public Employees Pension Plan                   | 135           | -             |
| Health Shared Services Saskatchewan (3S Health) | 89            | 149           |
| Saskatchewan Ministry of Central Services       | 56            | 30            |
| Public Employees - Dental Plan                  | 23            | -             |
| Public Employees - Extended Health Care Plan    | 22            | -             |
| Public Employees - Group Life Insurance Plan    | 9             | -             |
| Public Employees - Disability Income Plan       | 6             | -             |
| Saskatchewan Opportunities Corporation          | -             | 5             |
|   | <b>926</b>    | <b>689</b>    |

eHealth occupies tenant and storage space, and uses parking stalls at the T.C. Douglas Building. The accommodation charge paid by the Ministry of Health to Government Services on behalf of eHealth Saskatchewan was \$294. This expense is not reflected in these financial statements.

Vital Statistics transferred to eHealth from Information Services Corporation on June 16, 2013. Included in this transfer were staff positions and operations for which

eHealth received \$2,700. This amount is included in the Ministry of Health funding. eHealth also received \$2,828 in tangible capital assets and recorded these as tangible capital assets and revenue from the Ministry of Health.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. In addition, eHealth pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases.

Other Expenditures include Ministry of Social Services; Saskatchewan Government Insurance; University of Regina; and University of Saskatchewan

## 8. Financial Instruments

eHealth's financial instruments include due from the General Revenue Fund, accounts receivable and accounts payable. The carrying amount of these instruments approximates fair value due to their short-term nature. These instruments have no interest or credit risk.

## 9. Operating Lease

eHealth has entered into a lease agreement with Primaris which expires March 31, 2023 for office space, as well as a new data centre with Fujitsu Consulting. eHealth currently has 9 leases with Macquarie Equipment Finance for desktop computer equipment. The operating lease payments for the next 10 years are as follows:

|                      |    |               |
|----------------------|----|---------------|
| 2015                 | \$ | 2,066         |
| 2016                 |    | 2,044         |
| 2017                 |    | 1,958         |
| 2018                 |    | 1,952         |
| 2019                 |    | 2,041         |
| 2020                 |    | 2,057         |
| 2021                 |    | 2,073         |
| 2022                 |    | 2,090         |
| 2023                 |    | <u>2,107</u>  |
| Total Lease Payments | \$ | <u>18,388</u> |

## 10. Deferred Revenue

As of March 31, 2014, eHealth's deferred revenue balance is \$234 (2013 - \$187). Deferred revenue is only used once all project planning and due diligence (including stakeholder readiness) is completed and other revenue opportunities are maximized. Deferred revenue consists of unspent amounts provided by the Project Management Board of the Provider Registry System from Alberta, Saskatchewan and Newfoundland

| Deferred Revenue              | April 1, 2013 | 2013-14 Expenditures | Amounts Received | March 31, 2014 |
|-------------------------------|---------------|----------------------|------------------|----------------|
| Provider Registry Host Agency | \$ 185        | \$ 176               | \$ 224           | \$ 233         |
| Other                         | 2             | 1                    | -                | 1              |
| <b>Total Deferred Revenue</b> | <b>\$ 187</b> | <b>\$ 177</b>        | <b>\$ 224</b>    | <b>\$ 234</b>  |

## 11 Designated Assets

eHealth's designated assets consist of: 1) Ministry of Health funding committed to developing information technology systems that support frontline delivery and improve access, quality and efficiency of care; and 2) Designated eHealth funding for the Cornwall Centre space redevelopment.

eHealth's designated asset balance as at March 31, 2014 is \$11,840 (2013 - \$17,583). eHealth's Board of Directors has approved the following designated assets in 2013-14:

| Designated Assets                       | April 1, 2013    | 2013-14 Expenditures | Amounts Received | March 31, 2014   |
|---|------------------|----------------------|------------------|------------------|
| Drug Plan System Enhancements           | \$ 888           | \$ 649               | \$ 1,000         | \$ 1,239         |
| eHealth Saskatchewan                    | 1,800            | 1,800                | -                | -                |
| Acute and Emergency System Enhancements | 1,680            | 25                   | -                | 1,655            |
| Community System Enhancements           | 1,958            | 24                   | 53               | 1,987            |
| Physician Payment System Enhancements   | 560              | 90                   | -                | 470              |
| Saskatchewan Surgical Initiatives       | 5,029            | 3,405                | 215              | 1,839            |
| Chronic Disease Management              | 5,668            | 1,826                | -                | 3,842            |
| Vital Statistics                        | -                | 2,100                | 2,700            | 600              |
| Patient Services                        | -                | -                    | 150              | 150              |
| Other                                   | -                | 17                   | 75               | 58               |
| <b>Total Designated Assets</b>          | <b>\$ 17,583</b> | <b>\$ 9,936</b>      | <b>\$ 4,193</b>  | <b>\$ 11,840</b> |

## 12 Commitments

As of March 31, 2014, eHealth is committed to developing information technology applications totaling \$1,534 (2013 - \$10,735) and technical support for internal and regional IT systems totaling \$38,810 (2013 - \$42,098). The following table outlines the funds dedicated for capital and operational expenditures.

| Commitments              | Total Budgeted Costs | Total Expenditures March 31, 2014 | Total Commitments March 31, 2014 |
|--------------------------|----------------------|-----------------------------------|----------------------------------|
| Capital Projects         | \$ 2,845             | \$ 1,311                          | \$ 1,534                         |
| Operational Services     | 85,891               | 47,081                            | 38,810                           |
| <b>Total Commitments</b> | <b>\$ 88,736</b>     | <b>\$ 48,392</b>                  | <b>\$ 40,344</b>                 |

**13 Subsequent Event**

eHealth has signed a capital lease agreement with First Capital Leasing in May 2014 for furniture and walls in the Cornwall space totaling \$1,382.

**14 Comparative Figure Note**

Prior year figures have been restated and reclassified to conform to current year presentation.

## Schedule 1

### eHealth Saskatchewan Schedule of Expenses by Object for the year ended March 31 (\$000s)

|                      | <u>March 31, 2014</u> | <u>March 31, 2013</u> |
|----------------------|-----------------------|-----------------------|
| Amortization         | \$ 18,036             | \$ 21,354             |
| Board                | 41                    | 1                     |
| Cabling              | 14                    | 27                    |
| Communications       | 442                   | 419                   |
| Community Net        | 4,109                 | 6,680                 |
| Electrical           | 4                     | 12                    |
| Facilities           | 300                   | 62                    |
| Hardware             | 94                    | 257                   |
| Hardware Maintenance | 421                   | 3,745                 |
| Insurance            | 24                    | 17                    |
| Leases               | 179                   | 86                    |
| Legal                | 600                   | 479                   |
| Membership           | 16                    | 123                   |
| Miscellaneous        | 468                   | 153                   |
| Office Supplies      | 1,017                 | 495                   |
| Parking              | 171                   | 100                   |
| Professional Fees    | 30,157                | 29,229                |
| Rent                 | 2,051                 | 1,877                 |
| Salary & Benefits    | 11,374                | 8,433                 |
| SW License           | 3,858                 | 2,624                 |
| SW Maintenance       | 17,496                | 17,522                |
| Telephone            | 348                   | 241                   |
| Travel               | 455                   | 310                   |
|                      | <u>\$ 91,675</u>      | <u>\$ 94,246</u>      |