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# From Strategy to Implementation: An integration toolkit for community-based health service providers

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# 1. Introduction

## Overview

On January 1st, 2012, WoodGreen Community Services (WCS) and Community Care East York (CCEY) combined operations under a single corporation. This represented the culmination of a nine-month effort involving extensive negotiations, planning and engagement with our communities, funders and other stakeholders. Similar transactions between Toronto health service providers in the community support services sector have been relatively rare events. The Toronto Central LHIN, a primary funder of both organizations, invited and provided funding to WCS to develop and share an “integration toolkit”, so that other health service providers and non-profit organizations may benefit from the WCS-CCEY experience. Recognizing that all integration transactions are unique, we hope that organizations can use the toolkit as a general resource, adapting the approach where necessary to take into account their own specific circumstances.

This toolkit is intended for those Board members and senior executives that are considering integration as a means of advancing their organization’s mission and strategy. The toolkit reviews the key phases of an integration transaction in some detail, incorporating many tools and examples from the WCS-CCEY transaction. Integrations can be complex and outside the normal comfort zone for many Boards and executives. However, we believe that the chances of success improve significantly if organizations are well prepared and focus on execution. We hope that the experience and lessons learned from the WCS-CCEY transaction outlined in this toolkit will be of some benefit in this regard.

### WCS-CCEY Integration: At a Glance

#### **CCEY:**

- Community-based agency providing services for seniors, caregivers and adults with disabilities, primarily in East York
- 8,000 clients, 125 staff, \$5 million budget

#### **WCS:**

- Multi-service agency serving clients in Toronto through 25 locations
- 37,000 clients (including seniors), 530 staff, \$30 million budget

**On January 1st, 2012, the two organizations combined through a transfer of CCEY’s assets, liabilities and operations to WCS.**

## “Integration” Defined

There is a spectrum of integration activity in the health care sector, including various forms of coordination and cooperation, joint initiatives, back office and clinical service integration, and mergers of programs, services and entire organizations.

The LHINs, through the Local Health System Integration Act (LHSIA), have specific powers regarding integration in the health care system, including voluntary integrations which are reviewed by the Board of the LHIN in which the health service providers reside. The definition of integration within LHSIA is quite broad and encompasses the spectrum of activities described above. Voluntary integrations are integrations that are initiated and led by health service providers.

**For the purposes of this toolkit, “integration” is defined more narrowly, as the combining of all or a significant part of two or more organizations.** These integration transactions can be effected in different legal forms, including the amalgamation of legal entities or asset transfers between entities. Some examples of integration include:

- two or more organizations of similar size merging to create a new organization,
- a smaller organization combining with a larger one,
- an organization transferring a significant part of its service delivery and operations to another organization, or
- two or more organizations transferring a significant part of their service delivery and operations to a newly created organization.

Although the definition of integration used for the toolkit is narrower than the definition in LHSIA, some aspects of this toolkit may be useful for these integration activities as well.

## Broader Sector Context

The Toronto Central LHIN funds approximately 170 health service providers, ranging from very large hospital networks to small community support services organizations. In May 2012, we conducted an online survey of many of these organizations to get a better understanding of the broader sector’s views and experience regarding integrations.

Overall, the survey suggests that the sector has relatively little integration experience, with only 11% of CEOs/EDs indicating that their organization has completed an integration transaction in the last 5 years. This is not surprising, given the relatively low number of transactions announced over the same time period. Looking forward, integrations may play a larger role in the sector, as 48% of Board Chairs and CEOs/EDs responded that they are likely to consider an integration transaction in the next 5 years. However, only 30% of this group believes they are actually prepared to execute a future transaction, suggesting that developing the necessary strategy, resources, governance and process is required. This work may also improve alignment between Boards and their CEOs/EDs, as 49% of Board Chairs currently believe integrations are vital to the future sustainability of the sector, compared to CEOs/EDs who at 36% are slightly less convinced.

The survey also indicates that future integrations may be primarily driven by the desire to strengthen services (e.g. new integrated solutions, improved quality), with stronger advocacy, back office support and economies of scale also seen as key factors. In terms of integration challenges, CEOs/EDs cited the diversion of focus and resources away from current operations, funding integration costs, obtaining stakeholder “buy-in” and finding a suitable partner, while Board Chairs also saw potential operational issues and the risk of unexpected liabilities as key issues.

**Appendix 1.1** provides a detailed review and discussion of the survey results.

## Integration Process

This toolkit covers the integration process (start to finish) with a section dedicated to each phase. The sections are ordered sequentially based on when each phase may begin, however, many phases overlap and the approach may differ depending on the specific circumstances.

The following table and figure present an overview of the integration process for a typical transaction:

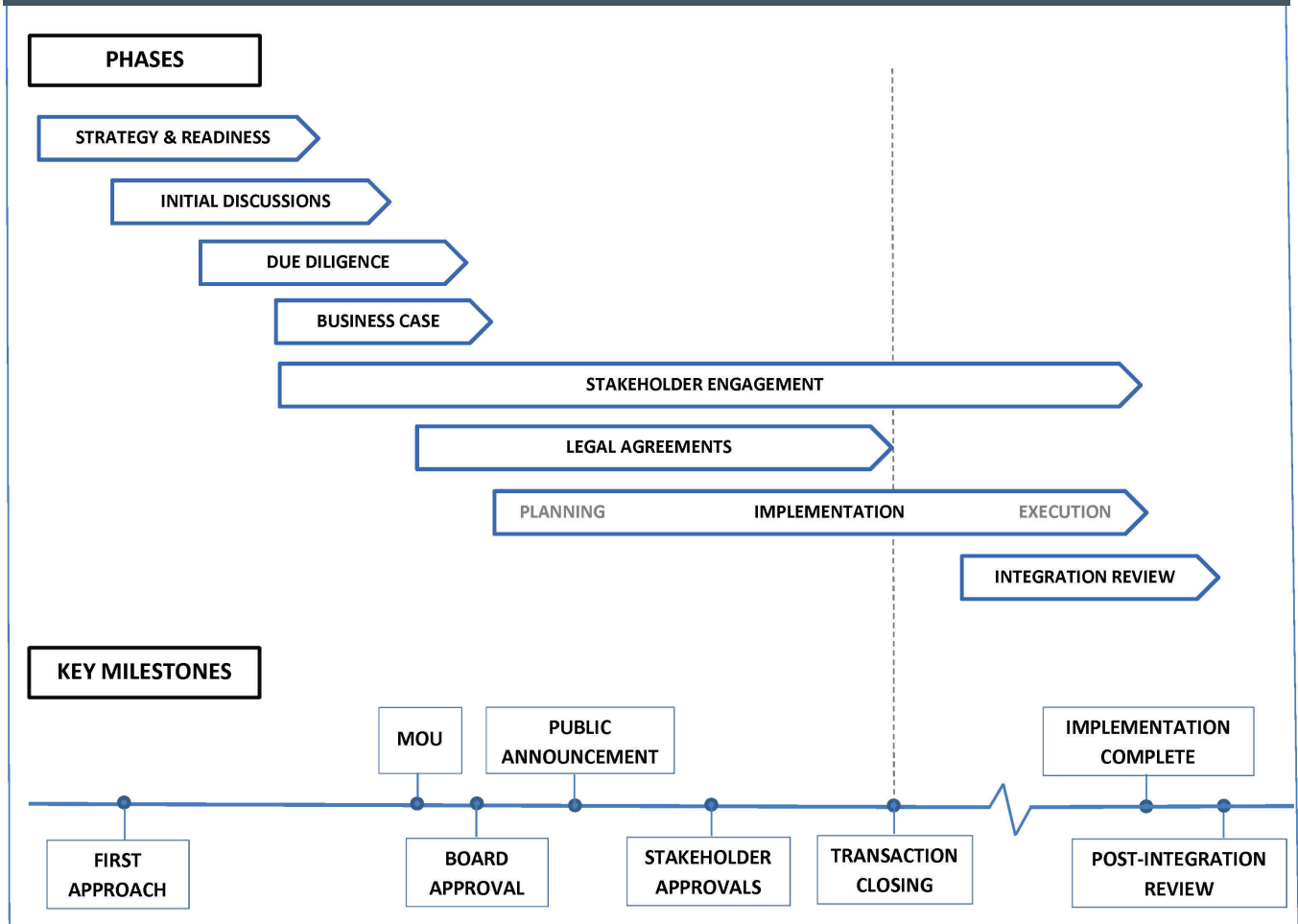
Integration Process	
Phase	Description
Strategy & Integration Readiness	<p>Determine whether integration is an attractive strategic option for the organization and if yes, clearly articulate the reasons for integration.</p> <p>Ensure the organization is generally prepared for integration in terms of leadership, resources, governance and process.</p> <p>Evaluate potential partners at a high level.</p>
Initial Discussions	<p>Approach potential partner(s) to explore a shared future. If discussions progress, develop a vision for the combined organization and negotiate the key transaction terms (Memorandum of Understanding).</p>
Due Diligence	<p>Review each other’s operations to determine whether the integration transaction should proceed and identify major issues and risks that need to be addressed.</p>
Business Case & Board Approval	<p>Prepare a business case and obtain Board approval to move forward with the transaction.</p>



## Integration Process

Phase	Description
Stakeholder Engagement & Approvals	<p>Publicly announce the proposed plan to integrate, communicate the future vision, benefits and progress of the transaction and consult with stakeholders (community, government, funders, clients, members, employees, volunteers etc.) to obtain input, support and formal approvals where required.</p> <p>(The Toronto Central LHIN requires a 60-day period to review proposed integrations.)</p>
Legal Agreements & Transaction Closing	Complete the binding legal agreements and all other deliverables required to close the transaction.
Implementation	Plan and execute on all the activities required to successfully combine the operations and achieve the intended benefits.
Integration Review & Accountability	Review the results of the integration, identify key lessons learned and issues that need to be addressed and report to stakeholders where required (e.g. Board, community, funders etc.).

# Integration Process



## 2. Strategy and Integration Readiness

### Strategy

Most integration transactions can be considered strategic in nature, as they typically create a significant change in the future direction, governance and operations of the organizations involved and require the commitment of substantial resources. Therefore, before considering potential transactions, it is critical that Board members and executives take stock of their own organization's progress in achieving its vision and mission, effectiveness (e.g. client outcomes, service quality), internal strengths and challenges, as well as emerging client and community trends and other external factors affecting the future. Most or all of this evaluation may be completed as part of the organization's strategic planning and ongoing community engagement activities (e.g. client surveys, focus groups, community forums etc.).

Based on this evaluation, Board members and executives can then consider whether an integration transaction would allow the organization to better fulfill its vision and mission, significantly accelerate its strategic plan or address significant challenges that threaten the organization's future success. The following table presents some of the potential benefits, as well as the risks, that should be evaluated when deciding whether it is the right time for the organization to consider an integration transaction:

Integration Transactions	
Potential Benefits – “Why integrate?”	Potential Risks – “What could go wrong?”
<b>Clients &amp; Services:</b> <ul style="list-style-type: none"><li>• Improve service quality</li><li>• Develop new integrated services or solutions for clients</li><li>• Offer a broader range of services to existing clients</li><li>• Expand client base</li><li>• Extend geographic reach</li></ul>	<b>Stakeholders:</b> <ul style="list-style-type: none"><li>• Key stakeholders don't “buy in” to the integration – clients, employees, volunteers, funders, members, community etc.</li><li>• Transaction does not receive the formal approvals required - government, regulatory bodies, major funders, members etc.</li></ul>

## Integration Transactions

### Potential Benefits – “Why integrate?”

#### **Organizational Capacity:**

- Strengthen ability to attract and retain Board members, executives and employees
- Strengthen financial position
- Strengthen ability to attract funding
- Strengthen brand presence
- Strengthen advocacy for clients and the sector
- Strengthen back office resources and their support for service delivery
- Acquire new skills, expertise and technology

#### **Efficiency:**

- Achieve economies of scale, organizational efficiencies or cost savings
- Eliminate service overlaps with another organization

#### **Major Organizational Challenges:**

- Transfer responsibility for service or program areas that are struggling or non-core to the mission of the organization
- Address difficulty in sustaining overall organizational performance

### Potential Risks – “What could go wrong?”

#### **Human Resources:**

- Loss of key executives, employees or volunteers due to uncertainty or dissatisfaction created by the integration
- Employees of both organizations aren’t able to work well together due to organizational culture or individual differences

#### **Operations & Implementation:**

- Day to day operations, client service and other critical projects are negatively impacted as the integration diverts focus and resources
- Significant operational issues are discovered after it’s too late
- Integration is poorly communicated and executed due to lack of leadership, resources and expertise, or poor decision-making

#### **Finance:**

- Combining organizations results in reduced overall funding due to funder overlap or other integration issues
- Integration results in unexpected liabilities or commitments
- Integration costs are higher than projected
- Integration financial benefits are not fully achieved

In the cases where it is determined that an integration transaction may be an attractive option for the organization, Board members and executives should be able to clearly articulate the reasons for integration, including the net benefit to clients and communities served. The eventual success of any transaction will then depend on selecting the right integration partner, executing well and mitigating the risks.

# Integration Readiness

Board members and executives should also assess the overall readiness of their organization in terms of the governance, leadership, resources and processes necessary to successfully complete an integration transaction. Few organizations can be expected to be fully prepared at the outset. However, it is important to understand what is in place and what areas need to be addressed. The following table provides some of the key factors to consider when reviewing integration readiness:

## Assessing Integration Readiness

Board	<ul style="list-style-type: none"> <li>• How is the organization's Board performing?</li> <li>• Does the Board have a clear understanding of the organization's performance and operating environment?</li> <li>• Has the Board helped develop a clear strategic plan for the organization?</li> <li>• Has the Board recently discussed integration as a potential strategic option?</li> <li>• Is the relationship between the Board and CEO/ED a strong one?</li> <li>• What are the strengths and weaknesses of the Board in advancing an integration strategy?</li> </ul>
Executive Leadership	<ul style="list-style-type: none"> <li>• What are the strengths and weaknesses of the executive team?</li> <li>• Are there any key executive vacancies?</li> <li>• Can the CEO/ED be counted on to support the choices and direction of the Board?</li> <li>• What senior level supports might be needed if an integration transaction is pursued?</li> </ul>
Integration Governance	<ul style="list-style-type: none"> <li>• Does the organization have a Board policy that covers all aspects of the integration process? This policy should include:               <ul style="list-style-type: none"> <li>» Board decision points and information requirements</li> <li>» Authorities, roles and responsibilities of Board members, executive team, management, integration-related committees and working groups</li> <li>» Key activities and outcomes required to successfully complete each phase of the integration</li> </ul> </li> </ul>
Integration Expertise	<ul style="list-style-type: none"> <li>• What is the level of expertise in integrations across the Board, executive team and management?</li> <li>• Who are the external advisors that might be consulted?</li> <li>• What other integration resources are available to support the organization (e.g. literature, training)?</li> </ul>
Infrastructure & Finances	<ul style="list-style-type: none"> <li>• How strong is the organization's back office infrastructure?</li> <li>• What is the organization's overall capacity to plan and execute an integration transaction?</li> <li>• Does the organization have the financial resources to pay for the external expertise required to support the integration (e.g. legal, communications, project management), as well as fund other integration costs (e.g. employee-related, information technology, real estate)?</li> </ul>

## Assessing Integration Readiness

Governing Documents & Law	<ul style="list-style-type: none"><li>• Does the organization have a current set of letters patent and bylaws and do the organization's practices comply with them?</li><li>• Do the letters patent or bylaws create any issues with regard to pursuing an integration transaction?</li><li>• What approvals would likely be required to complete an integration transaction?</li></ul>
Corporate Membership	<ul style="list-style-type: none"><li>• How are members connected to the organization?</li><li>• What are the rules for determining membership?</li><li>• Does the organization have an up-to-date list of its members?</li><li>• What are the members' rights?</li><li>• Are members currently engaged in dialogue about the future of the organization?</li><li>• What role would members have in considering or approving an integration transaction?</li></ul>

Integrations are usually major projects, therefore, Board members and executives should take the time to ensure their organizations are well prepared, prior to pursuing any transactions.

## Identifying Potential Partners

An organization usually has a strong base of knowledge regarding the other organizations operating within its sector. It may also have good relationships with many of them, established by working together on various sector committees or umbrella groups or through other forms of partnership and cooperation. Board members and executives can supplement this knowledge and experience with other publicly available information (e.g. annual reports, websites, regulatory or government filings) and scan the sector to identify those organizations that may be a "good fit" as integration partners. The following table includes some of the factors to consider when evaluating a potential integration partner:

## Evaluating a Potential Integration Partner – Factors to Consider

- Similarity of vision, mission and values
- Similarity of future strategic direction
- Similarity of organizational cultures or operating philosophies
- Similarity of client bases
- Similarity or complementarity of services offered
- Overlap or proximity of geographic areas served
- Compatibility of membership bases
- Opportunities (on a combined basis) to expand or improve services, achieve cost savings, attract new clients or funding etc.
- Existing or previous professional relationships or cooperation with partner organization
- Size of partner's organization
- Quality of the partner's Board, executives and employees
- Quality of partner's services offered
- Partner's overall reputation
- Partner's financial position
- Partner's specific strengths, skills and expertise
- Partner's weaknesses

Based on this preliminary review, the organization should be able to identify the best potential integration partner(s). Then, once the Board is onside, the organization can approach the potential partner(s) and begin discussions.

Aside from this more proactive and deliberate process, it is important to note that integration opportunities also arise in a more informal or ad hoc way, as a result of existing relationships or being approached by an organization that is actively considering integration. However, the factors to consider when evaluating potential partners remain the same.

## 3. Initial Discussions

### First Approach

The first meeting between organizations may involve the Board Chairs and CEOs/EDs, who in many cases already have existing relationships or some familiarity with each other. The meeting should take place in a private location. Prior to the meeting, each organization should already have some understanding of how integration or cooperation could be of benefit. The purpose of the meeting is therefore to gauge the level of interest and to explore various strategic options. Integrating may well be the best option, but it is also possible that a simpler partnership arrangement or alliance could achieve many of the same results.

Based on the outcome of the first meeting, the organizations may decide to explore an integration transaction, evaluate other forms of cooperation or end discussions altogether. It should be noted that this toolkit focusses on integration transactions, rather than other forms of cooperation (e.g. coordination of services, partnership or outsourcing agreements), although some of the content may be useful for these arrangements as well.

### Discussions & Negotiations

Once the Board of each organization agrees to further explore an integration transaction, then it is time to set up a joint Steering Committee responsible for providing overall leadership for the process and negotiating key terms. The Steering Committee should include the Board Chairs and CEOs/EDs, other Board members or executives with integration experience or sector knowledge, and possibly an external facilitator depending on the circumstances. The Steering Committee should be small, perhaps a maximum of 8 people. It is also usually necessary at this point for each organization to bring their legal counsel into the discussions.

In some ways, negotiating transactions in the non-profit sector can be more complex than in the private sector, where much of the focus is typically placed on creating value for shareholders. In the non-profit sector, organizations must remain true to their missions, taking care to negotiate terms that are in the best interest of their clients and communities served, while also recognizing and addressing the emotional ownership of employees, volunteers, funders and members. This focus on stakeholders also increases the chances of receiving the necessary approvals and ultimately the success of the integration transaction.

It is also important for negotiators to have a realistic view of the relative position of the organizations involved and therefore the nature of the integration transaction. Does the integration represent a merger between organizations of similar strength (e.g. size, operating performance, financial resources)? Or does it represent an organization combining with a partner of significantly greater strength? While negotiations need to address the interests of stakeholders of each organization, transaction terms may reflect the relative position of the organizations involved.



Discussions at the beginning may focus on what the organizations are seeking to build together or accomplish. In cases where the transaction represents something close to a merger, this can take the form of a jointly-developed vision for the new combined organization. This new vision not only sets the strategic context for negotiation of key transaction terms, it is also necessary later on for communications to various stakeholders and integration planning. Refer to **Appendix 3.1** for a sample vision statement.

There are many strategies and approaches for negotiation, but it can often be useful to discuss the main principles that must be met in order to proceed with an integration transaction. These are the few high-level “must haves” for each organization rather than specific transaction terms, that serve to guide negotiations, encouraging both organizations to search for and find mutually satisfactory solutions to points of contention. **Appendix 3.2** has a sample of integration principles.

With the integration principles in place and understood, Steering Committee members can then turn to negotiating the key transaction terms. The following table provides an overview of the terms for a typical integration transaction, as well as some factors to consider during negotiations.

Key Transaction Terms	
Item	Factors to Consider
<p><b>Legal Form:</b></p> <p>Will the transaction be effected through an amalgamation, an asset transfer or some other form?</p>	<ul style="list-style-type: none"><li>• Advice from legal counsel, governing law, approvals required, nature of the integration transaction, contingent liabilities, legal or regulatory issues, impact on existing major contracts, continuity of employment, accounting and tax considerations, membership of combined organization, governance of shell organization (in case of asset transfer) etc.</li></ul>
<p><b>Branding:</b></p> <p>What will be the name and branding for the combined organization?</p>	<ul style="list-style-type: none"><li>• New vision for combined organization, existing brand recognition of organizations, nature of the integration transaction etc.</li></ul>
<p><b>Executive Leadership:</b></p> <p>Who will lead the combined organization?</p>	<ul style="list-style-type: none"><li>• Experience, skills and personal attributes of current executives, new vision for combined organization, nature of the integration transaction, new management structure etc.</li></ul>

## Key Transaction Terms

Item	Factors to Consider
<p><b>Board Governance:</b></p> <p>What will be the Board composition of the combined organization?</p>	<ul style="list-style-type: none"> <li>• Experience, skills and personal attributes of current Board members, appropriate Board size, new vision for combined organization, representation for stakeholders of existing organizations, nature of the integration transaction etc.</li> </ul>
<p><b>Clients &amp; Services:</b></p> <p>What will be the commitments to clients and funders of the combined organization (e.g. maintaining or expanding services or facilities, maintaining or enhancing quality, new projects etc.)?</p>	<ul style="list-style-type: none"> <li>• New vision for combined organization, integration plans for programs and services, ensuring client satisfaction, meeting commitments to funders, financial projections for combined organization etc.</li> </ul>
<p><b>Employees:</b></p> <p>What will be the commitments to employees joining the combined organization (e.g. open communication, fair treatment and respect, comparable positions and compensation, recognizing years of service, extent of layoffs, employment contracts for key senior staff etc.)?</p>	<ul style="list-style-type: none"> <li>• New vision and structure for combined organization, existing collective agreements and employment contracts or arrangements, ensuring employee motivation and morale, retaining key senior staff, alignment of compensation and benefit plans, financial projections and targeted cost savings etc.</li> </ul>
<p><b>Volunteers:</b></p> <p>What will be the principles for volunteers joining the combined organization (e.g. open communication, continuity of positions, recognition etc.)?</p>	<ul style="list-style-type: none"> <li>• Ensuring volunteer commitment and morale, integration plan for volunteer groups etc.</li> </ul>
<p><b>Corporate Membership:</b></p> <p>What will be the membership structure of the combined organization?</p>	<ul style="list-style-type: none"> <li>• New vision for combined organization, current membership (size, rules and rights) of existing organizations, representation for stakeholders of existing organizations, nature of the integration transaction etc.</li> </ul>

## Key Transaction Terms

Item	Factors to Consider
<p><b>Finances:</b></p> <p>What are the financial requirements for a successful integration (e.g. funder assurances and support, funding of transaction and integration costs, plans for existing reserves, treatment of designated funds, re-investment of integration savings, new investments etc.)?</p>	<ul style="list-style-type: none"> <li>Ensuring funder support and adequate working capital and long-term solvency of combined organization, new vision for combined organization, legal considerations and obligations for existing reserves and designated funds etc.</li> </ul>
<p><b>Cooperation:</b></p> <p>How will the organizations cooperate prior to closing the transaction (e.g. confidentiality, due diligence, public announcement and stakeholder engagement, integration planning etc.)?</p>	<ul style="list-style-type: none"> <li>Nature of the integration transaction, ensuring successful stakeholder engagement and integration planning, existing staff and resources available etc.</li> </ul>
<p><b>Closing Date:</b></p> <p>When is the transaction expected to close?</p>	<ul style="list-style-type: none"> <li>Minimizing period of uncertainty, approvals required, accounting fiscal periods, payroll dates, holiday schedules, staff resources available for the integration etc.</li> </ul>

Once agreed upon, the key transaction terms may be summarized in a memorandum of understanding (usually non-binding), which forms the basis of moving forward with the transaction. Refer to **Appendix 3.3** for a sample memorandum of understanding.

## Confidentiality

Integration transactions are rarely about maintaining the status quo. They typically lead to some very fundamental changes to governance and operations, thereby creating a great deal of uncertainty for an organization's stakeholders, especially clients and employees. Therefore, it is advisable to maintain confidentiality around integration discussions until the Boards of the organizations involved are committed to proceeding and the necessary communication and consultation strategy has been developed. In addition, organizations contemplating an integration transaction usually share sensitive information with each other. This information needs to be protected and only used in the context of evaluating the transaction. For these reasons, appropriate measures around confidentiality should be put in place as soon as initial discussions get underway.

Steps for maintaining confidentiality and protecting sensitive information may include the following:

- Organizations should sign a Confidentiality Agreement and ensure that all individuals working on the integration have read and understood the agreement and agreed to be bound by it. Refer to **Appendix 3.4** for a sample Confidentiality Agreement.
- Assigning and using a code name for the project, which is not easily linked to the organizations involved, can also be very helpful in protecting confidentiality.
- Negotiations and due diligence should take place at a private location away from the offices of both organizations (e.g. lawyer's or Board member's office, hotel conference room).
- Until public announcement, the number of people working on the integration should be kept to the minimum possible and sensitive documents should only be shared with those individuals who have a "need to know".
- Adequate controls should be in place for documents exchanged during due diligence. This may involve sharing documents in physical form in a secure "data room" or password-protected computer files. It should also be agreed that all shared information will be returned or destroyed if the transaction does not proceed.

## Exclusivity & Non-Solicitation

As initial discussions get underway, organizations may also consider whether an Exclusivity Agreement (or clause) is required, in order to ensure their partner is focused on their integration only and not exploring other possible transactions with other parties. Also, a Non-Solicitation Agreement (or clause) may be required if there is concern that a partner may "poach" clients or employees. These issues should be discussed with legal counsel.

## 4. Due Diligence

### Overview

If the initial discussions between organizations are going well, it is a good time to begin due diligence. Due diligence is the review of the potential partner's operations (and vice-versa) to determine whether one should proceed with the transaction, and to identify the key issues and risks that need to be addressed, either through the legal agreements or actions taken prior to or following closing of the transaction. Therefore, due diligence not only helps answer the question of whether or not one should integrate by confirming strategic and operational fit and the absence of deal breaker issues, it also informs the ongoing negotiations and development of the integration plan.

### Determining Scope

Due diligence typically includes the review of many aspects of the partner's operations (e.g. strategy, governance, programs and services, legal, finance, human resources, IT, real estate etc.). This is usually done by requesting information, reviewing documents and following up through meetings.

The scope of due diligence depends on a number of elements, including the nature of the transaction, as well as the size, complexity and riskiness of the organizations involved.

An integration transaction that represents a merger between organizations of similar size and strength tends to require significant due diligence on both sides. Operations are compared in detail to confirm strategic and operational fit and provide the knowledge for a successful, jointly-developed integration plan.

On the other hand, an integration transaction involving a smaller organization combining with a larger organization may have uneven due diligence requirements. The smaller organization may limit its due diligence to assessing whether the integration provides continuity for its mission and expanded services for its clients. This may involve a review of the larger organization's mission, strategic plan, quality of management and programs, culture, financial stability etc. Meanwhile, the larger organization may require extensive information on most aspects of the smaller organization's operations as it may be largely responsible for integration planning and future operations.

Due diligence also depends on organizational complexity and risk. For example, a single-service organization may need to spend more time evaluating a multi-service partner, not only because there are more programs to evaluate, but also because it may not be familiar with many of the programs offered, thereby increasing perceived risk.

Determining the appropriate level of detail for the due diligence is critical. It is a balance between ensuring that there are no big surprises that will negatively impact future operations of the combined organization and completing the integration transaction in a timely and cost-efficient manner. Due diligence should be completed relatively quickly to avoid disrupting day-to-day activities to the extent possible. Therefore, it should be carefully planned and appropriately-staffed.

The financial materiality threshold for due diligence depends on the size and financial strength of the organizations involved. The threshold needs to be low enough to ensure that any future surprises (e.g. unexpected integration costs) do not threaten the financial stability or operations of the combined organization, but high enough to avoid getting bogged down in unnecessary detail. For example, two organizations of similar size with limited working capital or reserves may choose materiality of 0.5% of combined annual revenue. On the other hand, in the case of a transaction between a larger and a smaller organization, it may be appropriate to set materiality at 2% (or higher) of the smaller organization's annual revenue.

**Appendix 4.1** is a sample due diligence checklist, providing details on possible areas to cover, documents to review and key issues and risks to address.

## Resources & Process

Although the Steering Committee members who are leading the negotiations may be involved in due diligence, it is unlikely that they will have all of the necessary expertise and time to complete the work. Each organization should therefore select a due diligence leader, typically an executive or senior manager, who will be responsible for managing all aspects of due diligence for their organization and coordinating with the integration partner.

The due diligence process may then look something like this:

- Each due diligence leader assembles a team for their organization, composed of executives and senior managers that have expertise in the areas to be reviewed, as well as external resources for those areas that cannot be covered in-house (e.g. lawyer).
- Maintaining confidentiality is essential, as due diligence usually begins prior to public announcement and involves the exchange of sensitive organizational information. Therefore, the number of team members should be kept to the minimum practical (e.g. 4 or 5 per organization may be sufficient).
- Due diligence teams develop and agree upon a checklist for each organization that shows the areas to be covered and the documents to be reviewed. As noted above, the information requirements may not be the same for each organization depending on the circumstances. Refer to **Appendix 4.1** for a sample checklist.
- Due diligence teams assemble and organize all the documents requested by the other organization, either in physical form or as computer files.

- Each due diligence team then reviews the operations of the other organization, with experts covering their respective areas by examining the documents received and meeting with their counterparts to ask questions and discuss issues. If the integration transaction has not been announced publicly, then the meetings and any “data room” should be at a private location away from the offices of both organizations (e.g. lawyer’s or board member’s office, hotel conference room).
- Each due diligence leader keeps an issues log based on input from their area experts as the team reviews the operations of the other organization. The log includes a description of each issue or risk, classification (as major or minor), proposed resolution (e.g. change transaction terms or structure, reflect in business case’s financial projections, address as part of integration plan etc.), current status, and individual responsible.
- Each due diligence leader reviews the log with their team and CEO/ED and ensures that all key findings and issues will be addressed. Issues from the log may or may not be shared with the other organization depending on the circumstances.

## Phasing

Given potential time and resource constraints and concerns around confidentiality, it can be a good idea to complete due diligence in two phases.

The first phase provides enough information to confirm whether or not both organizations are willing to proceed with the integration transaction with a high degree of confidence. Therefore, the first phase reviews those aspects necessary to confirm strategic and operational fit, ensure there are no deal-breakers, address the key terms for the integration transaction and develop financial projections, including estimated integration costs. It provides enough information for each party to complete the business case, obtain board approvals, sign the memorandum of understanding and publicly announce the intention to integrate.

The second phase then reviews the remaining areas of operations in detail, with more focus on those elements necessary for the final legal agreements (e.g. What representations are required with respect to outstanding legal claims?), transaction closing (e.g. What intellectual property needs to be transferred?) and detailed integration planning (e.g. How should the employee benefit plans of both organizations be integrated?).

# 5. Business Case and Board Approval

## Board Involvement

As noted earlier, Boards should be engaged in the integration process right from the start, participating in the initial strategy and readiness work, and making the decision to explore an integration transaction. This ensures that Board members can lend their expertise where required and that time is not wasted pursuing a transaction that has inadequate support. Those Board members who join the Steering Committee should then, along with their CEO/ED, continue to update their Board as negotiations and due diligence progress. This sets the stage for eventual Board approval.

## Business Case

An integration transaction represents a major initiative for most organizations and therefore a business case should be completed for Board review and approval. The business case should clearly define the vision for the combined organization and the targeted outcomes (both qualitative and quantitative) that will later provide an objective basis for reviewing actual results.

The business case should therefore include a brief overview of the transaction, strategic rationale, benefits to be achieved, key operating metrics (including specific targets), financial projections, key issues and risks, and integration plan. It should reflect all the work done to date on the vision, key deal terms and due diligence, as well as the early stages of integration planning. Refer to **Appendix 5.1** for a sample template for a business case.

It is generally advisable for each organization to prepare their own business case, as there may be significant differences in strategic factors driving the desire to integrate, perceived transaction risks, as well as unresolved issues between the two organizations. This also ensures that Board members consider only the information most relevant to their organization and make a decision based on the best interests of their stakeholders. This does not mean that the organizations cannot have some jointly-developed material in their business cases (e.g. vision or financial projections in a true merger scenario).

The final business case may go to the Board for approval at the same time as the final memorandum of understanding. Board approval at this point indicates that the organization is committed to proceeding with the transaction and may be immediately followed by signing of the memorandum of understanding and public announcement.



## Financial Projections

Preparing financial projections is a critical part of the business case, as it provides a view on the future financial condition of the combined organization, helps identify key risks or issues that need to be addressed and forces the integration team to quantify and be accountable for integration costs and benefits. This is especially important in the case of organizations with limited financial resources and flexibility, given that many integration costs tend to be up-front, while benefits such as cost savings may only be realized over time.

Financial projections for an integration transaction should present all significant revenue, expense and balance sheet impacts over time. A four- or five-year horizon is usually sufficient to capture most integration activities and reflect the combined organization reaching steady state. It is usually preferable to line up time periods to match your organization's fiscal years, understanding that the first year may reflect less than 12 months of impact depending on when the transaction is expected to close.

**Appendix 5.2** is a sample template that can be used to develop financial projections for an integration transaction based on the following approach:

- Begin by developing baseline revenue and expense projections on an accounting basis (i.e. GAAP rather than cash) for your organization assuming that the potential integration transaction does not exist.
- Next develop baseline revenue and expense projections for your partner organization, again assuming there is no integration transaction.
- Then add in projections for integration benefits. These may include items such as new or additional sources of funds, as well as cost savings from elimination of positions, consolidation of premises and information technology, lower combined overhead expenses (e.g. audit, insurance), savings through better sourcing etc. It is important to be realistic about timing and include the benefits only when they are most likely to be achieved. For example, it may be several months before certain overhead expenses can be reduced. Therefore, the first year may include only a few months of savings, while the second year can reflect a full year's impact.
- Finally, add in all the projected integration costs. These may include legal and consulting fees to complete the transaction, staff costs (e.g. severance, retirement payments, alignment of salaries and benefits), leasehold improvements, expenses for moving, systems conversion, re-branding, communications and contract exits, as well as lost funding. Some of these costs may be one-time, with others representing a permanent increase in cost structure (e.g. added expense to align salaries and benefits).
- Adding together the baseline projections for the two organizations, the integration benefits and costs and any accounting entries or adjustments required at transaction closing, results in projections for the combined organization.
- If at this point there are material differences between results on an accounting (GAAP) and cash basis, then further adjustments can be made to convert the combined organization's projections to a cash basis. This is necessary to confirm whether there are sufficient funds to carry the combined organization through integration or if there are any near-term financing or funding requirements.
- Finally, financial projections for the key balance sheet items should be completed in the same manner, adding baselines for both organizations with integration impacts to produce projections for the combined organization.

## 6. Stakeholder Engagement and Approvals

### Overview

Effective stakeholder engagement is critical to the success of an integration transaction and is also required as part of the Toronto Central LHIN's review process. Therefore, if initial discussions and due diligence are proceeding well, a joint stakeholder communication and consultation plan should be developed. This will allow the organizations to communicate the future vision, benefits and progress of the integration and consult with stakeholders to obtain their input, support and formal approvals where necessary. In order to ensure a smooth process and consistent messaging, it is essential that the organizations develop the plan and communication materials together and that each organization approves all communications to stakeholders.

A decision is required as to when the organizations will make a public announcement with respect to the proposed integration. In advance of this announcement, there is a considerable amount of work required to prepare a robust and comprehensive plan and all the associated materials. The communication and consultation plan should consider all the stakeholders of the organizations, the mechanisms that will best allow for sharing of information, discussion and input, and the approaches for communicating with each stakeholder group. The plan should be tailored for each group – assessing the potential impact of the integration on the group, outlining the key messages, specifying the mechanisms for questions, collecting input and considering and addressing any concerns or issues, and who to contact for further information.

Potential stakeholder groups to address in the plan include: Clients, management and employees, volunteers, corporate members of the organizations, major funders and donors, relevant government ministries or agencies, community members, partner organizations, suppliers and landlords, local politicians, service clubs and media.

**The importance of clear, timely and frequent communication cannot be overstated.** All relevant stakeholder groups, both internal and external, should receive communication about the integration, early and often. The aim is to communicate a consistent and positive message with the right information, thus avoiding confusion and the rumor mill. Effective stakeholder engagement is vital to building the support and momentum to move forward with the integration.

## Key Principles

Several important principles should guide the approach to communication and consultation. These are summarized in the following table:

### Key Principles for Communication & Consultation

1. Organizations should be open and transparent with information, communicating both what is known and not known at that particular point in time.
2. Information should be provided in a timely manner, with frequent updates as the integration progresses.
3. Information should be broadly and readily accessible (e.g. through print materials, website postings, presentations and open town hall sessions).
4. Communication and information should be relevant and tailored to each audience, conveying the specific impacts of the integration on them, including what will change and what will remain the same.
5. Senior leadership of the organizations should be engaged, visible and accessible.
6. Organizations should provide contacts and mechanisms for inquiries and follow-up.
7. Questions and requests for additional information should be addressed promptly with answers provided broadly.
8. Organizations should demonstrate responsiveness and be prepared to address the concerns and incorporate the advice from stakeholders into the integration process.
9. Personal phone calls, letters and communiqués should be used where possible.

## Resources & Process

As noted earlier, there is a considerable amount of coordination and work involved in developing an effective communication and consultation plan and ensuring its success. Therefore, it is recommended that:

- Steering Committee members oversee development and execution of the plan, with internal or external communications expertise brought in to support the effort.
- Organizations get an early start to identifying stakeholder groups, preparing distribution lists, updating mailing addresses and ensuring access to various lists (e.g. client, employee, volunteer, member and donor).
- Organizations prepare a set of core communications materials (e.g. general announcement, backgrounder, frequently asked questions), audience specific materials (e.g. presentations, letters and communiqués), as well as a communications strategy for each stakeholder group.
- Organizations prepare information scripts for Board members, managers and employees to ensure they can respond to questions and share the correct information with clients, volunteers, community members etc.

- Each organization involved should sign-off on the communication materials.
- Dedicated staff should be assigned to various tasks - preparing materials, uploading content to websites, preparing mailings, developing and refining distribution lists, taking calls, tracking questions, input and feedback, responding to questions and updating information.

## Communication & Consultation Methods

The following table provides an overview of possible communication and consultation methods for various stakeholder groups:

Stakeholder Group	Communication & Consultation Methods	Information Materials
Management & Employees	<ul style="list-style-type: none"> <li>• Face-to-face meetings with senior leaders</li> <li>• Information posted on website</li> <li>• Employee specific notices and letters</li> <li>• E-mail announcements and updates</li> <li>• Anonymous suggestion/ question box</li> <li>• Meetings and sessions across organizations (e.g. Meet and Greet, information sessions)</li> </ul>	<ul style="list-style-type: none"> <li>• General announcement</li> <li>• Backgrounder</li> <li>• General and staff-specific FAQs</li> <li>• New information updates and notices</li> <li>• Slide presentation</li> </ul>
Clients	<ul style="list-style-type: none"> <li>• Face-to-face meetings with supervisors and employees</li> <li>• Information posted on website</li> <li>• Client specific notices or letters</li> <li>• Regular updates</li> </ul>	<ul style="list-style-type: none"> <li>• Notice or letter for clients</li> <li>• Brief backgrounder</li> <li>• General and client-specific FAQs</li> </ul>
Volunteers	<ul style="list-style-type: none"> <li>• Face-to-face meetings with senior leaders and supervisors</li> <li>• Information posted on website</li> <li>• Volunteer-specific notices or letters</li> <li>• Regular updates</li> </ul>	<ul style="list-style-type: none"> <li>• Notice or letter for volunteers</li> <li>• Brief backgrounder</li> <li>• General and volunteer-specific FAQs</li> </ul>
Corporate Members (and interested Community Members)	<ul style="list-style-type: none"> <li>• Mail or e-mail announcement</li> <li>• Town hall meetings</li> <li>• Regular updates</li> <li>• Information posted on website</li> </ul>	<ul style="list-style-type: none"> <li>• Notice, announcement, letters</li> <li>• Backgrounder</li> <li>• Slide presentation</li> <li>• General and member-specific FAQs</li> </ul>

Stakeholder Group	Communication & Consultation Methods	Information Materials
Major Funders, Government Ministries & Agencies	<ul style="list-style-type: none"> <li>• Face-to-face meetings</li> <li>• Formal requests for information</li> <li>• Regular updates</li> </ul>	<ul style="list-style-type: none"> <li>• Announcement</li> <li>• Backgrounder</li> <li>• General FAQs</li> <li>• Formal response to information requests</li> </ul>
Partner Organizations, Suppliers & Landlords	<ul style="list-style-type: none"> <li>• Mail or e-mail announcements</li> <li>• Information posted on website</li> <li>• Regular updates</li> </ul>	<ul style="list-style-type: none"> <li>• Announcement or notice</li> <li>• Backgrounder</li> <li>• General FAQs</li> </ul>
Donors	<ul style="list-style-type: none"> <li>• Mail or e-mail announcements</li> <li>• Information posted on website</li> <li>• Regular updates</li> </ul>	<ul style="list-style-type: none"> <li>• Announcement</li> <li>• Backgrounder</li> <li>• General FAQs</li> </ul>
Local Politicians, Service Clubs & Media	<ul style="list-style-type: none"> <li>• Announcements or press releases</li> <li>• Face-to-face meetings</li> <li>• Regular updates</li> </ul>	<ul style="list-style-type: none"> <li>• Announcement</li> <li>• Targeted letters</li> <li>• Backgrounder</li> <li>• General FAQs</li> </ul>

**Appendix 6.1** includes some sample communication materials, including the announcement, backgrounder, FAQs and slide presentation.

## Tracking & Responding to Stakeholder Consultation

Stakeholders may provide organizations with a considerable amount of reaction and advice regarding the proposed integration. A mechanism to log and track this input is desirable, along with the ability to route relevant issues and suggestions to the senior leaders or managers developing the implementation plans for the integration. Organizations should then be prepared to make the necessary adjustments to these plans. Furthermore, it is essential that these modifications be communicated to all relevant stakeholders with acknowledgement that important input was received and acted upon.

# Toronto Central LHIN Guidelines for Community Engagement

**This section is relevant to those organizations that require a Toronto Central LHIN review of their integration prior to proceeding with the transaction.** Voluntary integrations and integrations directed by the LHIN, for example, must be reviewed by the LHIN. The LHIN Board will then make the decision whether to allow the voluntary integration to proceed or stop it if the LHIN deems that it is not in the interest of the community and health care system.

In reviewing a proposed integration, the Toronto Central LHIN considers among other factors, the community engagement plan developed by the organizations involved. The LHIN, working with health service provider partners, has developed the *Community Engagement Toolkit for Health Service Providers and the Toronto Central LHIN*. The toolkit defines the roles, accountabilities, expectations, principles and processes for community engagement and also provides a number of tools to assist organizations in their community engagement efforts. The toolkit can be found in the “Community Engagement” section of the LHIN’s website (<http://www.torontocentrallhin.on.ca>).

## Stakeholder Approvals

An integration transaction will likely require formal approvals from various stakeholders, depending on the type of organizations involved, the nature of the transaction, relevant legislation and the specifics of the organizations’ governing documents (e.g. letters patent, bylaws).

Over and above Board approvals, an integration transaction may require approval from:

- Organizations’ corporate members by way of a vote at a members’ meeting
- Major funders (e.g. Toronto Central LHIN)
- Government ministries and agencies (e.g. Ministry of Health and Long-Term Care)

The Steering Committee should work with legal counsel to determine which approvals are required, develop a specific strategy for each approval and ensure that all communications and information submissions are prepared as necessary. It is critical that organizations consult with major funders early on in the process regarding their specific requirements and obtain assurances for continued funding for the newly combined organization.

# Toronto Central LHIN Integration Review Requirements

**This section is relevant to those organizations that require a Toronto Central LHIN review of their integration prior to proceeding with the transaction.**

The Toronto Central LHIN requires that health service providers submit a proposal for the voluntary integration. In evaluating the proposal, the LHIN applies the criteria set out in the *Local Health System Integration Act (LHSIA)*. The LHIN requires that voluntary integration proposals:

1. Improve or, at a minimum, produce the same quality and accessibility of care
2. Be consistent with the LHIN's and Ministry of Health and Long-Term Care's directions
3. Be cost-effective

The Toronto Central LHIN also considers the impact on and benefits to the health care system and the population served. Other factors included in the LHIN's review are transparency, fairness, accountability, risk mitigation, community engagement and the impact on human resources.

Organizations pursuing a voluntary integration will need to factor in a 60-day period after their Boards have approved the transaction for the Toronto Central LHIN's Board to review the proposal. During that period, the LHIN's Board will decide whether to allow the integration to go forward or not. The LHIN has the ability to stop voluntary integrations if it is sufficiently concerned about or questions whether it is in the interest of clients, the community and health care system.

Organizations should consult the "Integration" section of the LHIN's website (<http://www.torontocentrallhin.on.ca>) for additional information and tools related to the review process.

# 7. Legal Agreements and Transaction Closing

## Overview

Once the memorandum of understanding has been signed and with due diligence almost complete and stakeholder engagement proceeding well, it is a good time to begin work on the final legal agreements and all the other deliverables required for transaction closing. Transaction closing refers to the actions required to complete the integration transaction (e.g. amalgamation or asset transfer) from a legal perspective.

To maintain continuity and momentum, it is recommended that the Steering Committee have overall responsibility for the legal agreements and transaction closing, with legal counsel drafting many of the documents required and senior staff providing support and completing many of the required tasks.

There is a significant amount of work involved. Therefore, it is recommended that legal counsel prepare a closing agenda early on in the process, listing all the closing deliverables and which party is responsible. This will help the Steering Committee coordinate the process with senior staff and ensure that everything is ready in time for the targeted closing date. Refer to **Appendix 7.1** for a sample closing agenda.

## Primary Legal Agreement

The memorandum of understanding is usually a non-binding document, so there is a need to negotiate and sign binding agreements that set out the final terms of the integration. In many cases, there is one primary legal agreement that sets out most of the key terms. Depending on the legal form of the transaction, this may be an Amalgamation Agreement, an Asset Transfer Agreement or some other agreement.

If the memorandum of understanding has been carefully negotiated and worded, some of its language on transaction terms may be inserted directly into the final legal agreement with only modest changes. This reduces the need to renegotiate items that have already been agreed upon. However, other terms may still need to be negotiated or renegotiated, either because the memorandum of understanding did not provide enough specificity, or to address key issues identified during due diligence, stakeholder engagement or the early stages of integration planning.



In addition, the legal agreement typically includes some representations and warranties, as well as covenants that are not in the memorandum of understanding. Representations and warranties are statements of fact that one party provides to the other and that the receiving party relies upon in proceeding with the transaction. For example, they may relate to an organization's good standing, title to assets, material contracts, litigation, employee matters, financial position etc. On the other hand, covenants are binding commitments that one party provides to the other, covering items such as conduct of business during the interim period, efforts to complete the transaction, protection of client information, treatment of employees, future plans for client service and operations etc. Legal counsel should provide advice on which representations and warranties and covenants are most appropriate, with Steering Committee members ensuring that all business issues and risks are addressed from their respective organization's point of view.

## Other Legal Agreements & Closing Deliverables

Besides the primary legal agreement, there are typically a number of other legal agreements and deliverables that are also required to close the transaction. These may include items such as employment letters or contracts, new or amended letters patent or bylaws, various assignment and assumption agreements, deed of gift, bill of sale, officer bring-down certificates, bank draft or signing authorities, third-party contract assignments or consents and notices to landlords, clients, suppliers etc.

Employment letters or contracts may be required to ensure continuity of employment as of the transaction closing date (e.g. in the case of non-collective bargaining employees in an integration structured as an asset transfer), align compensation and benefit plans, address changes in position for individuals within the combined organization or ensure certain senior staff remain at least through a transition period. These are sensitive issues and it is important that the process be completed in a smooth and positive fashion, so that morale remains high for employees joining the combined organization. If many employment letters and contracts are required, it is recommended that one common form be used to the extent possible. This keeps the process as simple as possible. In addition, the senior executive responsible will need to determine the level of negotiation they are willing to accept from individual employees. All employment letters or contracts should be completed and signed well before the closing date, with a clause making them conditional and effective on closing. Retirement or exit letters may also be required for certain employees that are not joining the combined organization. Again, this is a sensitive issue and it is critical that these employees be treated fairly.

## Transaction Closing

Once everything on the closing agenda is completed and agreed upon, the parties can meet to sign the final agreements and exchange deliverables, either prior to the closing date with the lawyers holding everything in escrow until closing, or on the closing date itself.

# 8. Implementation

## Implementation Planning & Project Management

Once the organizations have received Board approval to move forward with the integration, a project management structure should be put in place (see example below), so that a detailed implementation plan for combining operations can be developed and executed. Most of the implementation planning and preparation should be completed prior to transaction closing, so that the organizations are ready for the first day of combined operations. However, care must also be taken not to affect the actual operations of the organizations prior to transaction closing.



## Steering Committee

The Steering Committee, originally formed during initial discussions to negotiate the transaction, provides ongoing leadership to ensure that momentum for the integration remains strong. It should provide clear direction to the Implementation Committee, by communicating the vision, key principles and objectives of the integration as the basis for decision-making. The Steering Committee should then continue to monitor the Implementation Committee's progress in developing and executing the implementation plan and provide guidance on any difficult issues as they arise.

## Implementation Committee

The Implementation Committee should be led by a seasoned executive selected by the Steering Committee and include those executives and senior managers who have the necessary authority, knowledge and skills to carry out the task of combining organizations. In determining committee membership, it is also important to strike the right balance of leadership and representation from each organization based on the circumstances of the transaction. In addition, the committee should be supported by a dedicated project manager, as well as a communications expert.

The Implementation Committee is responsible for developing and executing the implementation plan for combining organizations, and ensuring the plan achieves the strategic, operational and financial objectives set out in the business case. This may include organizing the required project resources, setting deliverables and timelines, assigning responsibilities, communicating integration decisions and progress to employees and other stakeholders, and ensuring robust change management and risk management processes are in place. The project manager should support these efforts by compiling and updating the detailed implementation plan, coordinating and monitoring the progress on specific integration deliverables and identifying issues that need to be addressed. Refer to **Appendix 8.1** for a sample implementation plan.

The Implementation Committee also makes many of the key operating decisions necessary for the integration. These may include, for example, determining the staffing for positions within the combined organization and how programs, services and back office operations will be integrated. Depending on the circumstances, it may be a good idea to engage an external facilitator, someone who is neutral and can help establish the rules around decision-making and ensure that the committee is functioning effectively.

**The need for effective employee communication and engagement throughout the implementation process cannot be over-emphasized.** The Implementation Committee should therefore develop and execute a change management plan that demonstrates respect for all employees and recognizes their central role in making the integration a success. The plan may include the following activities:

- Provide leadership by communicating the vision, principles and objectives of the integration and serving as role models for the newly integrated organization
- Communicate the process for making key integration decisions
- Communicate decisions and provide updates on integration progress in a consistent, open, transparent and timely manner
- Provide training and support to managers and supervisors so that they can support employees
- Communicate to every employee on how the integration will impact them personally
- Organize celebration(s) to recognize the legacy of the organization(s) that are integrating
- Engage all employees in the process and build the combined team for the newly integrated organization (e.g. meetings and presentations, discussion and working groups, training, recognition events, social activities)
- Respond to feedback and adjust implementation plans accordingly

Depending on the size and complexity of the integration, the Implementation Committee may also establish a number of working groups to carry out various activities. These working groups should include executives and managers from each organization as necessary. Some potential working groups and their proposed areas of responsibility are outlined below.

## Programs & Services Working Group

The Programs & Services Working Group is responsible for integrating the programs and services offered by the organizations in a manner that is as seamless as possible for all clients. It is important that this group include the front-line management staff from both organizations that are intimately familiar with how the programs and services operate.

The Programs & Services Working Group's implementation plan may include the following activities:

- Identify which programs and services will be impacted by the integration and assign teams to develop specific action plans for each of these programs and services
- Identify the policies, procedures, or guidelines of the organizations that will need to be aligned or changed within the combined organization and categorize each according to the level of urgency
- Review the emergency procedures and incident management processes of the organizations and ensure that these are aligned within the combined organization
- Develop a plan for transferring client records to the combined organization in compliance with industry regulations (e.g. Personal Health Information Protection Act)
- Identify staff training requirements

As the working group and teams seek to integrate similar programs or services, there is an excellent opportunity to make significant improvements to quality and efficiency. This can only be achieved when team members are open to relooking at the way things are done and selecting the best systems or processes for the newly combined program or service. A facilitated approach (such as LEAN) can help the teams come up with the best recommendations for change and also support team building, as everyone works together to create something new and better.

(According to Wikipedia, LEAN stems from the Japanese manufacturing industry and is most commonly identified with Toyota. It is the set of "tools" that assist in the identification and steady elimination of waste. Then, as waste is eliminated, quality improves while production time and costs are reduced.)

## Human Resources Working Group

Integrations typically have substantial implications for employees of the organizations involved. Therefore, the Human Resources Working Group should develop an implementation plan that ensures a smooth transition to the combined organization.

The Human Resources Working Group's implementation plan may include the following activities:

- Help develop and execute the change management plan for employees (e.g. communication, engagement, training and support activities)
- Help develop the staffing model for the combined organization
- Identify all employees who will be directly affected by the integration
- Evaluate job profiles for all affected positions and create new job profiles as necessary
- Review existing collective agreements and employment contracts for affected employees
- Compare compensation packages between organizations and work to align them within the combined organization
- Complete employment letters or contracts to ensure continuity of employment as of the transaction closing date, or retirement or exit letters as required
- Integrate payroll within the combined organization (working with Finance)
- Integrate employee benefit programs (working with Finance)
- Integrate human resources policies and procedures

If the integrating organizations have different collective bargaining units, it may be advantageous to move towards a single collective bargaining unit within the combined organization. This may facilitate employees coming together to work in a coordinated way.

Where collective bargaining units from each organization are claiming an entitlement to continue on with the new combined organization, the Ontario Labour Relations Board has jurisdiction to determine which collective agreement governs which employees. Although, this will only be resolved after the integration transaction closes, it is important to consult legal counsel well in advance (e.g. during due diligence) to determine the most appropriate steps to be taken. This process may also create uncertainty for employees, which can be exacerbated if the process takes several months to complete. As with all other aspects of integration, clear and consistent communication is critical during this time.

## Finance Working Group

The Finance Working Group is responsible for integrating the financial operations and ensuring the financial success of the integration.

The Finance Working Group's implementation plan may include the following activities:

- Ensure funding for integration costs
- Develop a new budget for the combined organization
- Track integration costs and benefits
- Meet with funders to identify the most appropriate process for transitioning funding contracts
- Work with donors to determine how designated funds, bequests, ongoing donations will be transitioned to the combined organization
- Identify contracts and leases that need to be assigned, re-negotiated or terminated and ensure this occurs
- Integrate the financial accounts and operations of the organizations
- Integrate payroll within the combined organization (working with Human Resources)
- Integrate employee benefit programs (working with Human Resources)
- Transition insurance coverage to the combined organization
- Inventory capital assets and transfer ownership to the combined organization if necessary
- Make the required changes to banking and signing authorities
- Develop an audit plan to transition from current organizations to combined organization
- Develop a strategy for winding down any shell companies (e.g. in case of an asset transfer)

## Information Technology Working Group

The Information Technology Working Group's objective is to ensure stable, reliable technology operations throughout the integration, and over time, develop a strong technology platform supporting the combined organization.

The Information Technology Working Group's implementation plan may include the following activities:

- Reassess the priority of each organization's current projects in order to provide capacity for the integration work
- Conduct an inventory of existing systems, infrastructure and IT services (including client management, human resources, financial, other business applications, voice services etc.)
- Compare the systems, infrastructure and IT services in place at each organization, assess gaps, and develop a plan to combine operations (e.g. consolidating applications and infrastructure, establishing links and gateways between critical systems, maintaining independent systems)
- Develop a plan for IT asset management
- Develop a plan for the required system changes (identify which changes will be needed as of the transaction closing date and which can be completed over time)
- Develop an approach for managing and integrating the web sites
- Review and integrate the IT policies and procedures
- Integrate voice services, electronic messaging and site data connectivity as soon as possible following transaction closing (Phase 1 – Business Continuity)
- Complete the remainder of the IT integration plan over time (Phase 2 – IT Integration & Optimization)

## Other Implementation Activities

The implementation plan for the integration should also include other areas of operations, including governance, legal, real estate, marketing, fundraising, volunteers, community engagement, advocacy etc. Depending on the circumstances and the amount of work involved, these activities can be either assigned to individuals, included within the responsibilities of other working groups or a separate working group established if necessary.

## 9. Integration Review and Accountability

Integration transactions are typically major undertakings that consume significant organizational resources and involve major commitments to various stakeholder groups. Therefore, it is critical that the combined organization has the appropriate integration review and accountability mechanisms in place following transaction closing. In many cases, the Implementation Committee should assume responsibility for this, incorporating the related deliverables (e.g. reports, communications) directly into the overall implementation plan.

In the months following transaction closing, the Board of the combined organization should receive regular updates on the integration, so that it can monitor progress of the implementation plan. In addition, perhaps one year following transaction closing, an overall post-integration review should be prepared for the Board. This review should include the actual integration results achieved to date (compared to the business case and commitments made), key lessons learned and any remaining issues that need to be addressed. Refer to **Appendix 9.1** for a sample template that provides some more detail on items to include in the integration review for the Board. Finally, depending on the circumstances, it may be necessary in subsequent years to prepare further updates to the Board on specific integration activities, results or commitments.

As noted earlier, the original business case should have included both the expected qualitative outcomes (e.g. strategic objectives and benefits), as well as the targeted quantitative results (e.g. key performance metrics, financial projections, implementation milestone dates) for the integration. These measures of success provide an objective basis for reviewing the transaction and since they were established well before transaction closing, baseline pre-integration data can be collected for later comparison to post-integration results. As noted, some integration benefits may not easily lend themselves to measurable outcomes, but even these can be assessed using tools such as staff and client surveys or focus groups. **Appendix 9.2** provides a sample of possible performance metrics.

Depending on the circumstances, reporting to various stakeholder groups may also be required or advisable. Major funders may require reports on integration results with specific content (e.g. key performance metrics) and timing. Therefore, organizations should work with funders to ensure they understand the reporting requirements well before transaction closing.

In addition, once the major elements of the implementation have been completed, the combined organization's clients and the community should receive a communication that reviews the integration compared to its original objectives.



# 10. Key Lessons Learned

The WCS-CCEY integration represented the first transaction of significant size and complexity for both organizations and was therefore a real learning experience for all those involved. We have attempted to include all of the knowledge gained during the integration within the main sections of this toolkit, but we thought it would be useful to conclude by highlighting a few major themes. The following reflects both what went well and what could have gone better:

- 1. Mobilize the leadership and staffing necessary for success:** Integrations can be very time consuming and require significant resources. At the outset, a small group of senior leaders from each organization should be able to develop the vision for the combined organization and negotiate the key transaction terms. This group should also identify the executive who will lead the combined organization going forward, or if this is not possible, at least the interim executive who will lead the organizations through the integration. As the process moves forward, the organizations should mobilize the leadership and staffing for the remaining phases of the integration - due diligence, stakeholder engagement, transaction closing, implementation etc. Much of the work will likely fall on certain Board members, executives and managers who already have heavy workloads. Therefore, it is critical to plan early, so that non-integration work can be re-assigned or re-prioritized. In addition, organizations lacking some of the resources or skills for a successful integration (e.g. project management, change management, communication, legal etc.) should be prepared to contract for these services or conduct training in areas where gaps exist.
- 2. Make decisions that best support the vision for the combined organization:** Integrating organizations requires many operating decisions that have a significant impact on clients and employees. The team responsible for these decisions and the overall implementation should be made up of those executives and senior managers who have the required authority and knowledge, while striking the right balance of leadership and representation from each organization based on the circumstances of the transaction. However, making the right decisions for the new combined organization may still be challenging, as implementation team members need to step away from their existing loyalties and ways of doing things and work effectively together in order to build something new in a relatively short period of time. In order to address this, the senior leaders responsible for negotiating the transaction should provide ongoing leadership to the implementation team by emphasizing the vision, key principles and objectives of the integration as the basis for decision-making. The senior leaders should also monitor implementation progress and be prepared to step in to resolve significant issues if they arise. It may also be useful to engage an external facilitator who can help establish the rules around decision-making and ensure that the implementation team is functioning effectively.

- 3. Excel at employee communication and engagement:** Integrations typically create a lot of uncertainty and stress for employees. A strong change management plan is essential to helping employees feel more secure and positive about the future. The plan should ensure strong leadership for the integration, a clearly communicated vision for the combined organization, frequent updates on decisions and implementation progress, as well as training and support for managers and supervisors, so they in turn can support employees. All employees need to be engaged throughout the process, through the ability to provide feedback, participate in integration related activities and discuss any personal concerns with their managers or supervisors.
- 4. Focus on building one team:** The success of integration transactions depends on all employees working well together within the combined organization. The relatively small group of senior leaders and managers involved in negotiations and due diligence should be able to develop a strong working relationship with each other and confirm the overall compatibility of organizational cultures even before deciding to proceed with the transaction. As the integration moves forward, it is important for employees of all levels to have an opportunity to meet or work with each other. This can be done through meetings, presentations, discussion and working groups, training, celebrations, recognition events and social activities. This promotes mutual understanding and trust, provides the opportunity for honest and respectful conversations on perceived differences, and supports the development of a new culture that pulls the best from each organization.

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# APPENDIX 1.1

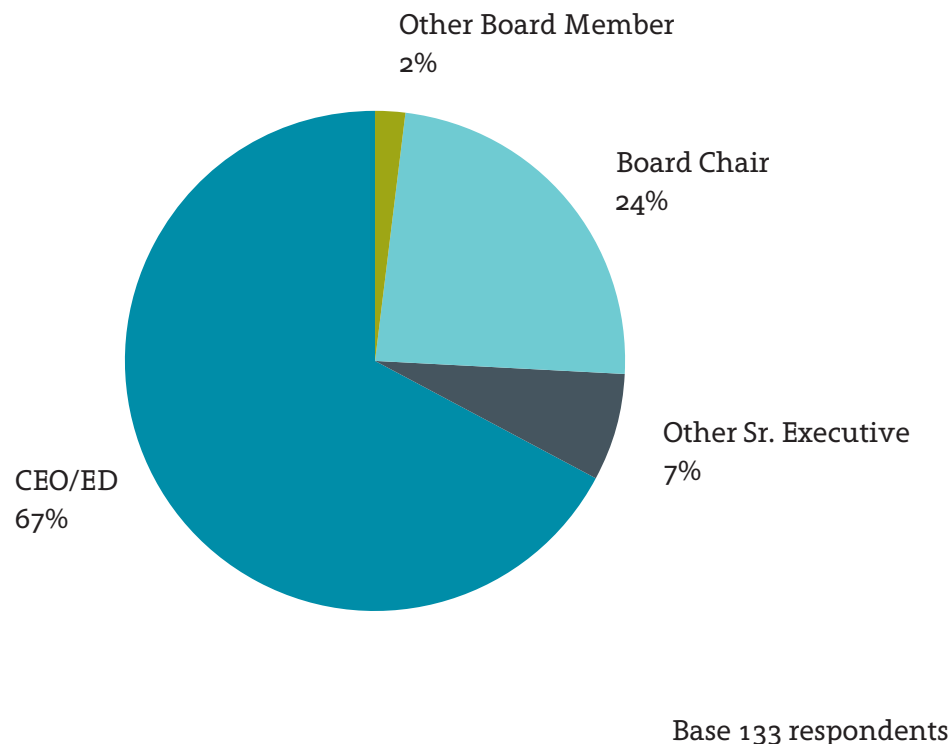
## Perspectives on Integration: Survey Results

### Background

To provide perspective beyond the WoodGreen/Community Care East York experience WoodGreen conducted a survey in May 2012. The voluntary survey was sent to 126 organizations within the Toronto Central LHIN area. The CEOs/EDs and the Board Chairs of the organizations were asked to complete the 12 question survey. In total 135 people participated in the survey (67% CEOs/EDs, 24% Board Chairs, 7% Other Senior Executives, 2% Other Board Members).

A majority (73%) of the CEOs/EDs responding described their organization as Community Support Services, Mental Health & Addiction Services or Community Health Centre. Most (81%) reported that they have budgets that are less than \$10 million. However, larger organizations were also represented with 1 in 5 (19%) reporting budgets of over \$10 million, including 6 organizations with budgets of over \$80 million.

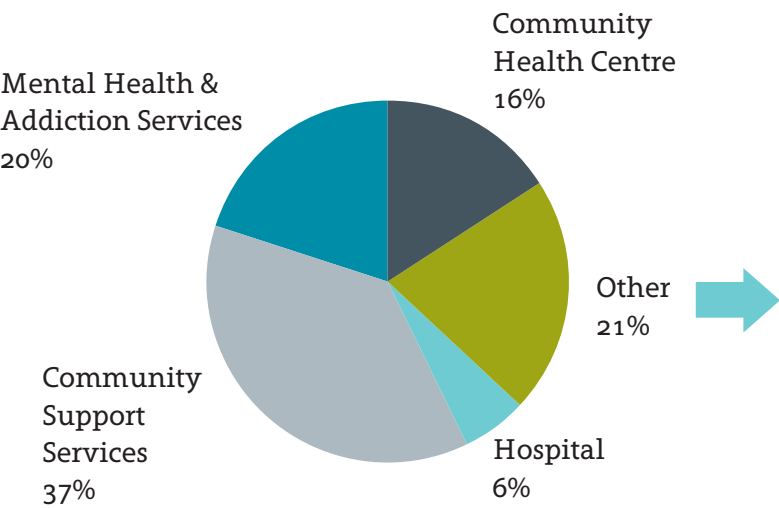
### Who Participated?



Background

As there were multiple respondents per organization, the organizational profile information below is based only on the CEOs/EDs results (91 respondents).

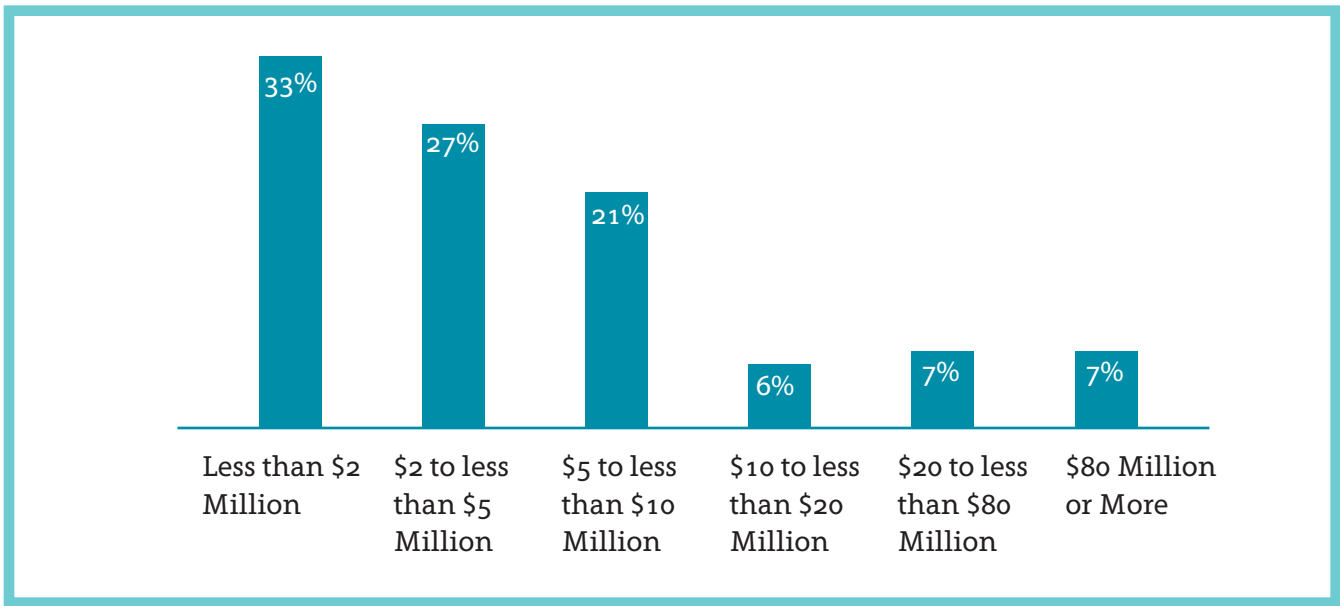
Types of Organizations



- Other types of organizations:
- Women’s Organization
  - Multi-Service Organization
  - Full Continuum Care
  - Supportive Housing
  - Assisted Living
  - Long Term Care
  - Mental Health Charity
  - Independent Living Centre

Base: 91 (CEOs/EDs only respondents)

Organization’s Annual Budget



Base 91 (CEOs/EDs only respondents)

## Integration Experience and Views

Most CEOs/EDs responding to the survey (89%) reported that their organization had not completed an integration in the last 5 years. While, few have been involved in a recent transaction, nearly half (47%) expect to consider an integration in the next 5 years, yet just 1 in 3 (32%) feel prepared to execute an integration. Board Chairs agree with their CEOs/EDs, with just over half (52%) expecting their organization to consider an integration. However, only 1 in 4 Board Chairs (26%) believe the organization is prepared to execute a future integration.

Among those CEOs/EDs and Board Chairs in organizations who have completed an integration, most feel the integration was successful (73% of CEOs/EDs rated their past integrations as very successful or successful compared to 80% for Board Chairs). The table below illustrates some factors cited by CEOs/EDs and Board Chairs that either enhanced a smooth integration or challenges that complicated the process.



Base: Those who have completed an integration in the past 5 years (19 respondents) as such these results are illustrative of organizational experiences with integrations

## Potential Benefits of Integration

Enhancing client services is expected to be the driving force for future integration. CEOs/EDs and Board Chairs both see the key benefits of any future integration to revolve around strengthening services and advocacy for clients. CEOs/EDs also include better back office support as an intended benefit of an integration.

- Develop new integrated services for clients 52%
- Improve service quality 48%
- Strengthen advocacy 40%
- Strengthen back office 39%
- Strengthen ability to attract funding 38%

### CEOs/EDs

Base: 82 CEOs/EDs

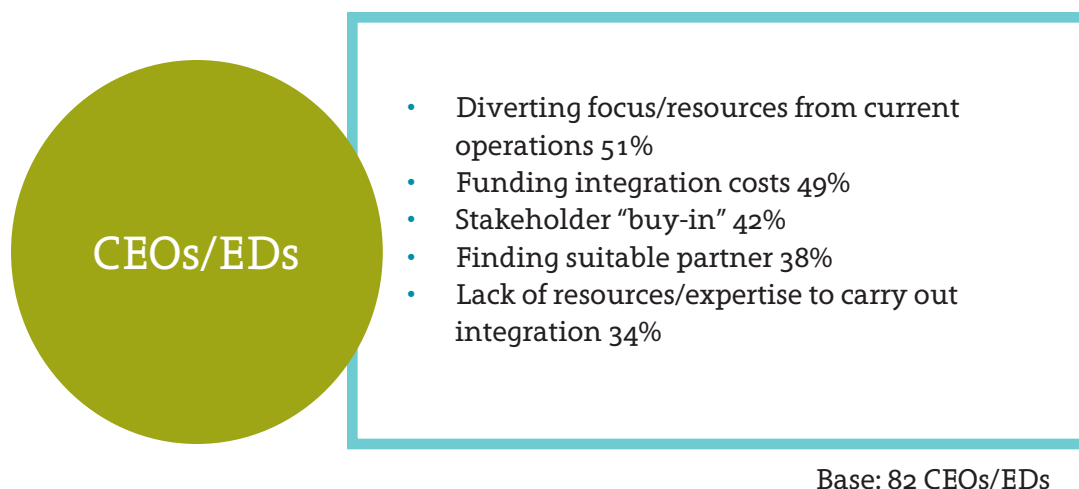
- Improve Service Quality 61%
- Develop New Integrated Services for Clients 55%
- Strengthen Advocacy 39%
- Economies of Scale 36%
- Offer More Services to Existing Clients 32%

### Board Chairs

Base: 31 Board Chairs

## Challenges with Integration

CEOs/EDs and Board Chairs both agree that some of the most challenging aspects of a future integration include resources and simply identifying a partner. CEOs/EDs are particularly concerned that an integration will divert focus from the current operations and impact service delivery. CEOs/EDs are also concerned about funding integration costs and obtaining stakeholder “buy-in”. Board Chairs are concerned about liabilities that may be associated with an integration and the potential for operational complications.





## Qualities Sought in a Partner

When asked what the most important factors were in considering a potential integration partner, CEOs/EDs and Board Chairs were very well aligned. CEOs/EDs place more emphasis on similarity of future direction and the partner's financial position, while Board Chairs are looking more closely at the strengths and expertise a partner organization would bring to the table.

### CEOs/EDs

- Similarity of Vision, Mission Values 69%
- Similarity of organizational culture 54%
- Complementary services offered 52%
- Similar client base 42%
- Similar future direction 27%
- Partner's financial position 27%

Base: 81 CEOs/EDs

### Board Chairs

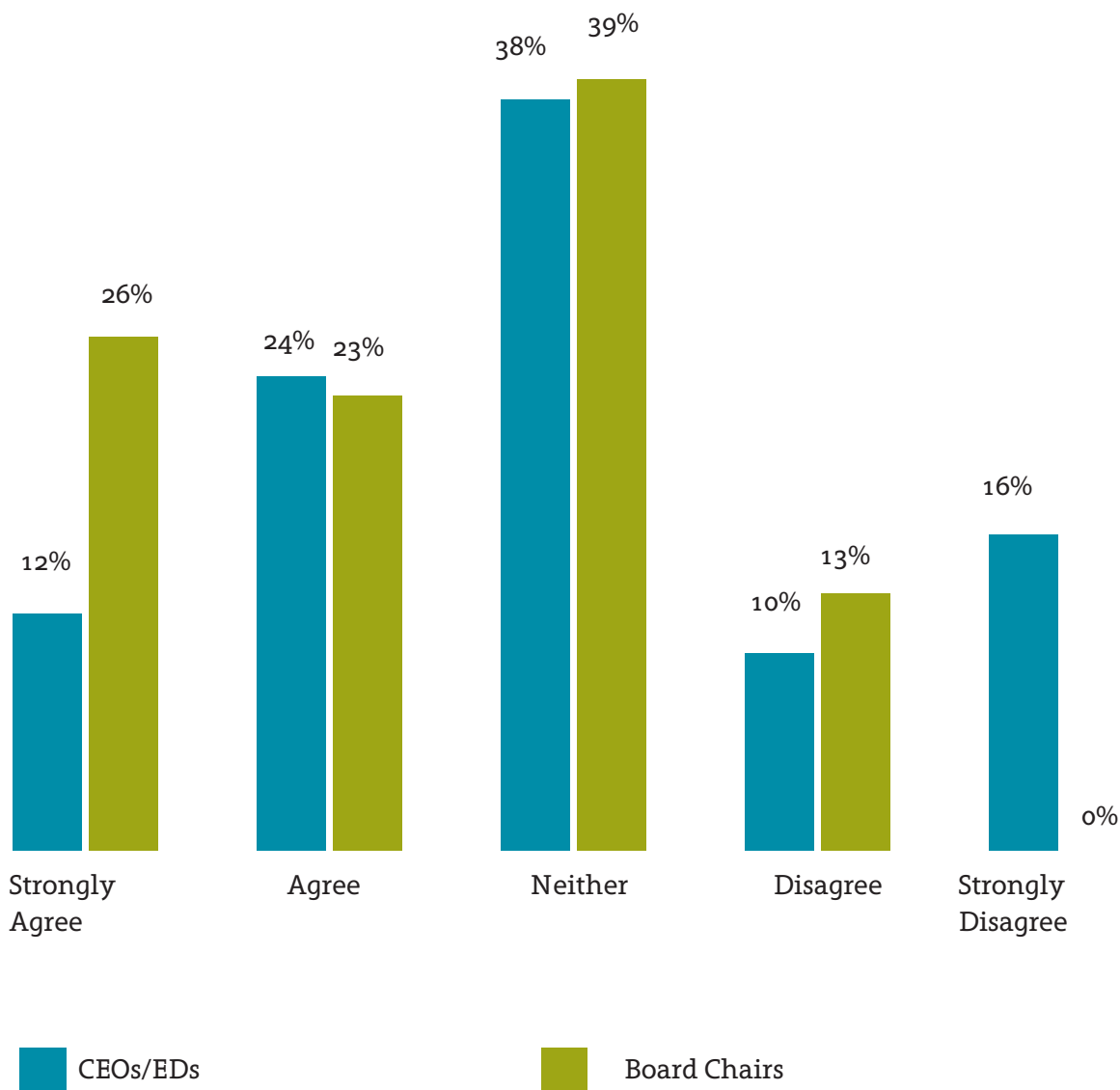
- Similarity of Vision, Mission Values 77%
- Similarity of organizational culture 61%
- Complementary services offered 55%
- Partner's specific strengths and expertise 39%
- Similar client base 39%

Base: 31 Board Chairs

## Integration and the Sustainability of the Sector

Opinion is divided with regard to the importance of integrations to the future of the sector. One in two Board Chairs (49%) agree that integrations are vital to the sustainability of the sector. CEOs/EDs are somewhat less convinced (36%), but don't completely disagree.

### Integrations Vital to Sector



Base: 82 CEOs/EDs and 31 Board Chairs

# APPENDIX 3.1

## Sample Vision Statement

Community Care East York and WoodGreen Community Services developed the following vision and goals for their combined seniors organizations:

**Vision:**

To become the pre-eminent seniors organization in Toronto, with a significant voice on seniors services.

**Goals:**

- 1) Increase accessibility of services to seniors.
- 2) Expand the scope of services over time.
- 3) Enhance the efficiency of operations to direct more resources to serving clients.
- 4) Strengthen our leadership in community services.

# APPENDIX 3.2

## Sample Integration Principles

Community Care East York and WoodGreen Community Services initially developed the following integration principles to help guide negotiations around combining their seniors organizations:

### **Community Care East York:**

The integration must:

- 1) Maintain or improve current services,
- 2) Minimize involuntary layoffs of staff,
- 3) Preserve brand name in some way,
- 4) Preserve existing reserves for investment in services for seniors, adults with disabilities and their caregivers, and
- 5) Include fair board representation.

### **WoodGreen Community Services:**

The integration must:

- 1) Be good for clients,
- 2) Advance WoodGreen's strategic plan,
- 3) Be financially sustainable (no deficits), and
- 4) Have a viable implementation plan (simple structure, clean integration).

# APPENDIX 3.3

## Sample Memorandum of Understanding

BETWEEN: COMMUNITY CARE EAST YORK

AND: WOODGREEN COMMUNITY SERVICES

### 1. Purpose

- (a) Community Care East York ("**CCEY**") and WoodGreen Community Services ("**WCS**") are each corporations, incorporated under the laws of the Province of Ontario for the purpose of providing services to their communities.
- (b) CCEY and WCS have determined that it is in their mutual interest and in furtherance of their respective missions, to carry on their operations under a single corporation.
- (c) CCEY and WCS are entering into this Memorandum of Understanding ("**MOU**") to set out their mutual understanding with respect to the details of the transaction which would achieve their objective (the "**Proposed Transaction**").

### 2. Non-Binding Nature

- (a) This MOU is non-binding on the parties, except as provided for in this section.
- (b) The following paragraphs are binding on the parties:
  - (i) Costs: Unless the parties otherwise agree, each party will pay their respective costs in connection with the transactions contemplated in this MOU.
  - (ii) Third-Party Approaches: The parties agree that neither party will make an independent approach to, or have any discussions with, any third party (other than their respective advisors). All such approaches will be jointly made unless expressly agreed by the parties.
  - (iii) Confidentiality: The parties have agreed to keep these matters in strict confidence and have entered into a Confidentiality Agreement dated July 13, 2011 which details that agreement.
  - (iv) Publicity: The parties agree that, upon the execution of this MOU, the parties will publicly announce that they have entered into discussions with the intent to carry on their operations under a single corporation. The parties will work together to develop the communications plan and all public messages and announcements are subject to the approval of both parties.

- (v) Termination: Either party may give written notice to the other at any time that they wish to terminate discussions with respect to the Proposed Transaction upon which event this MOU shall terminate except with respect to the provisions of this section(2)(b).

### **3. Proposed Transaction**

- (a) The Proposed Transaction shall be effected by an asset transfer pursuant to which CCEY will transfer all of its right, title and interest in and to all of its assets and undertakings to WCS and WCS will assume certain liabilities of CCEY (the sole consideration for the transfer will be the assumption of liabilities by WCS).
- (b) Upon completion of the Proposed Transaction, CCEY will continue as a corporate entity but will have no assets and no source of revenue. Upon completion of the Proposed Transaction, the corporate governance structure of CCEY will be restructured in such a manner that WCS shall become responsible for the ongoing governance of CCEY. This may be effected by the Board of WCS becoming the members of CCEY and electing individuals to serve as the Board of CCEY until such time as it is appropriate for CCEY to dissolve.
- (c) The parties intend that a fund will be established at The WoodGreen Foundation to be known as the “Community Care East York Fund” (the “CCEY Fund”) to be used for the purpose of improving services for seniors, adults with disabilities and their caregivers. The amount of CCEY assets to be transferred to such fund will be determined immediately prior to the date of the completion of the Proposed Transaction. The parties agree to work together collaboratively to determine the terms and conditions to attach the designated funds which terms and conditions will be proposed by the CCEY Board and subject to the approval of WCS. The parties further agree that the amount to be transferred to the CCEY Fund shall be net of such funds to be transferred without restriction to ensure that the transfer of operations of CCEY on completion of the transaction does not negatively impact the liquidity or solvency of WCS.

### **4. Due Diligence**

- (a) Both parties will cooperate to complete due diligence in a timely manner and, for greater certainty, agree to work to have the due diligence completed on or before August 31, 2011.
- (b) Both parties must be satisfied with the results of the due diligence in order for the Proposed Transaction to proceed.

## 5. Funding

- (a) Both parties agree that ongoing financial sustainability is critical to the success of the Proposed Transaction and that assurances satisfactory to each party from CCEY's and WCS' funders that funding levels will not be impacted are necessary for the Proposed Transaction to proceed.
- (b) Both parties will jointly approach the Toronto Central LHIN for funding of transaction costs.

## 6. Clients and Services

The parties agree that the following principles are critical to the completion of the Proposed Transaction:

- (a) CCEY's current services and level of services for seniors, adults with disabilities and their caregivers will be maintained in East York, including those services provided predominantly by volunteers, provided that stable funding remains in place.
- (b) CCEY's Seniors Centre, currently operating at Cosburn United Church, will be formally named "Community Care East York Seniors Centre", with a Seniors Centre Council formally established to provide input on program planning and delivery to senior management.
- (c) Any cumulative surplus within the combined seniors' program group over the five (5) years following completion of the Proposed Transaction will be reinvested in services for seniors, adults with disabilities and their caregivers. For greater clarity, any cumulative surplus will be reinvested in a timely manner, rather than accumulating over the five (5) year period. This cumulative surplus will be calculated based on WCS' existing management reporting methodologies.
- (d) Upon completion of the Proposed Transaction, WCS will immediately join Accreditation Canada and request an accreditation survey within three (3) years for the combined seniors' program group, provided that WCS is not required to seek accreditation for any other of its program groups.
- (e) The Proposed Transaction will provide for continuation of all of CCEY's partnership agreements and arrangements for at least one (1) year, to be revisited by WCS' Board after one (1) year.
- (f) Designated-purpose funds of both parties related to services to seniors, adults with disabilities and their caregivers will be specifically identified and respected throughout the Proposed Transaction.

## 7. Employees

- (a) Both parties commit to treating employees of both organizations fairly and respectfully throughout the Proposed Transaction. This includes regular and open communication and opportunities for employees to provide feedback and raise questions or concerns.
- (b) The parties acknowledge that WCS will be a successor employer to CCEY's unionized employees under the Labour Relations Act and will become the employer for CCEY's non-unionized employees. The employees will continue in comparable positions with a comparable remuneration package, as described in collective agreements, individual employment contracts, or existing employment arrangements.
- (c) WCS will recognize the years of service of CCEY's non-unionized employees as part of the Proposed Transaction.
- (d) Both parties will respect existing collective agreements while they are in place. It is WCS' goal that the employees of WCS (including former CCEY's employees) will be represented by one collective bargaining unit in due course. CCEY and WCS will work together on employee matters and CCEY agrees to cooperate to the extent reasonably practicable to facilitate communications between WCS and CCEY's employees impacted by the Proposed Transaction.
- (e) Both parties agree that retaining certain CCEY senior staff is vital to the success of the Proposed Transaction. Prior to signing any definitive agreements CCEY and WCS will work together to develop fair offers of employment for these individuals for the period beginning upon completion of the Proposed Transaction.

## 8. Volunteers

Both parties will work together to develop a plan related to volunteers of both organizations, which emphasizes open communication, optimizing opportunities and recognition for all volunteers (including an annual event).

## 9. Governance

- (a) The parties have agreed that it would be advantageous if three (3) elected directors from the current Board of CCEY, to be mutually agreed upon by CCEY and WCS, are added to WCS' Board. Subject to WCS membership approval, WCS agrees that it will expand its Board to 18 and nominate the three (3) agreed upon directors for election to the Board on completion of the Proposed Transaction. Such directors will be eligible to serve the normal two (2) three (3) year terms provided for in the WCS By-laws. The parties acknowledge that the number of directors on the WCS Board will be reduced to fifteen (15) over time as directors' terms expire.



- (b) WCS' Board will continue its existing practice of recruiting new directors based on the skill sets required, representation of WCS clients and communities served and the organization's mission, vision and values.
- (c) WCS' Board will expand the terms of reference for its Planning Committee, to be renamed the Planning and Quality Committee, to include the oversight of quality of services, including those provided to seniors, adults with disabilities and their caregivers.
- (d) WCS senior management will prepare a post-transaction review for the WCS Board within twelve (12) months following completion of the Proposed Transaction to assess the results of the transaction.
- (e) Interested CCEY members have the opportunity of becoming a member of WCS subject to meeting WCS membership requirements.

## **10. New Initiatives**

- (a) Within eighteen (18) months of completion of the Proposed Transaction, WCS will complete an assessment of housing needs and potential solutions for seniors in East York. This may be funded from the CCEY Fund or other sources.
- (b) WCS will complete upgrades to the physical facilities of the Seniors Centre. This may be funded from the CCEY Fund or other sources.
- (c) WCS' strategic initiatives group will build capacity for research and evaluation in areas supporting seniors in the community.
- (d) WCS' executive responsible for the combined seniors' program group will establish a Seniors Advisory Council for a period of no less than three (3) years. This council will serve as an advisory group on issues related to seniors and will include members from communities served by WCS (including East York), policy experts and other interested parties.
- (e) The WoodGreen Foundation will seek to raise funds for projects related to seniors, adults with disabilities and their caregivers.

## **11. Future Plans**

- (a) Both parties will work together to develop a plan for program delivery for seniors, adults with disabilities and their caregivers, to ensure clients of both organizations continue to receive excellent service.
- (b) WCS will lead the integration of CCEY and WCS back-office operations (including Finance, Human Resources, Information Technology, Facilities Management), with input from CCEY.
- (c) Operational plans, once developed, will be well communicated and provide for transparency following public announcement of the Proposed Transaction.

## **12. Timing**

Both parties will work diligently to complete the Proposed Transaction by December 31, 2011, subject to receipt of all necessary approvals.

## **13. Approvals**

- (a) Both parties agree that certain approvals will be required, including:
  - Toronto Central LHIN (WCS will take the lead on preparing the business case for LHIN approval)
  - Minister of Health
  - Board of Directors of CCEY
  - Board of Directors of WCS
  - Members of CCEY
  - Members of WCS (related to election of CCEY Nominees to WCS Board)
  - Other third-parties if consents or approvals are required under contracts or agreements to be assigned

Each of CCEY and WCS confirm that this MOU accurately sets out the understanding upon which they propose to enter into discussions with each other with a view to completing the Proposed Transaction. Except for matters set out in section 2, this MOU does not create any legally binding obligations between the parties. Any legally binding obligations will be subject to and conditional upon the approvals noted above and execution of definitive agreements.

**DATED** at Toronto, Ontario this \_\_\_\_\_ day of August, 2011

**COMMUNITY CARE EAST YORK**

Per: \_\_\_\_\_

Title

Per: \_\_\_\_\_

Title

**WOODGREEN COMMUNITY SERVICES**

Per: \_\_\_\_\_

Title

Per: \_\_\_\_\_

Title

# APPENDIX 3.4

## Sample Confidentiality Agreement

**THE FOLLOWING SAMPLE AGREEMENT IS FOR ILLUSTRATION PURPOSES ONLY. PARTIES CONSIDERING AN INTEGRATION TRANSACTION SHOULD CONSULT WITH LEGAL COUNSEL AND DEVELOP AN AGREEMENT THAT IS APPROPRIATE FOR THE SPECIFIC CIRCUMSTANCES OF THE TRANSACTION.**

### **MUTUAL CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**

**THIS AGREEMENT** made as of the [date]

#### **BETWEEN:**

**ORGANIZATION A**, a corporation incorporated pursuant to the laws of Ontario  
("A")

– and –

**ORGANIZATION B**, a corporation incorporated pursuant to the laws of Ontario  
("B")

#### **RECITALS:**

- A. The Parties have entered into discussions regarding the potential merger of their respective operations (the "**Transaction**").
- B. In the course of such discussions, each of the Parties may disclose certain confidential and proprietary information regarding its operations, strategies, finances, employees, partners, funders, funding models, suppliers and/or clients and each Party requires that all information disclosed by it to the other Party be treated as confidential and used solely for the purposes of evaluating the Transaction.

**NOW THEREFORE**, in consideration of the provision of Confidential Information by each Party to the other Party, and the promises and covenants contained in this Agreement, the Parties agree as follows:

## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Defined Terms

In this Agreement:

**“Agreement”** means this Mutual Confidentiality and Non-Disclosure Agreement as may be amended or replaced from time to time;

**“Applicable Law”** means all current constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations, and by-laws of any Governmental Authority, and the common law, binding on or affecting any Party, Person, property or matter referred to in the context in which such words are used;

**“Authorized Representatives”** means a Party’s employees, agents, consultants, representatives and advisors who have been identified by the Party in writing as having a need to know the other Party’s Confidential Information in order to evaluate the Transaction and who have been advised of the confidentiality obligations attaching to such Confidential Information and who are bound by policy or written agreement to protect the confidentiality of such Confidential Information;

**“Claims”** means any and all claims, losses, costs or expenses of any nature whatsoever, including any demand, liability, obligation, debt, cause of action, suit, proceeding, judgment, award, assessment, and reassessment;

**“Confidential Information”** means any and all information and data generated or collected by the disclosing Party, regardless of form, format or media, including written, oral, graphic, reduced to tangible form, which is directly or indirectly communicated or obtained through meetings or inspections and disclosed to the receiving Party, which the receiving Party ought reasonably to consider to be confidential including:

- (a) matters of a technical nature such as trade secrets or systems, techniques, modes of operation, devices, data, formulas, inventions (whether or not such inventions have been protected by patent, copyright, trademark or industrial design), patents and other intellectual property, ideas, discoveries, designs, know-how, show-how, proposals, development information, specifications, background research information, blueprints, models, research subjects, methods, results, reports, technical data sheets, computer programs and software and similar material;
- (b) matters of a financial, operational, business or commercial nature such as information concerning costs, debtor and creditor information, forecasts, revenue statements, financial situation, funding models, funders, partners, suppliers, clients/patients, fundraising and/or marketing plans or strategies, programs, services, business plans, information relating to the directors, officers or employees of the disclosing Party; and

(c) Personal Information,

and any other information not generally disclosed to the public or within the industry that is either information (a) from which the disclosing Party can be reasonably believed to derive actual or potential value from such information remaining not generally known or readily ascertainable or (b) marked “private”, “proprietary”, “restricted”, “confidential” or otherwise marked so as to indicate confidentiality;

**“Governmental Authority”** means any national, multi-national, federal, provincial, municipal, local or other government, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government;

**“Parties”** means A and B and **“Party”** means either one of them;

**“Person”** means an individual, a corporation, a limited liability company, an unlimited liability company, a partnership, a limited partnership, a trust, an unincorporated organization, a joint venture, a joint stock company and any Governmental Authority;

**“Personal Information”** means any information that is regulated by Privacy Laws and is collected, used, disclosed or retained by the disclosing Party;

**“Privacy Laws”** means all Applicable Laws governing the collection, use, disclosure and retention of information relating to an identifiable individual, including the *Personal Information Protection and Electronic Documents Act (Canada)* and the *Personal Health Information Protection Act, 2004 (Ontario)* as applicable.

## 1.2 Interpretation

In this Agreement:

- (a) Unless specified otherwise, reference to a statute includes any regulations under such statute and refers to that statute and such regulations as they may be amended or to any successor legislation.
- (b) The division into sections and paragraphs and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement. The words “hereto”, “herein”, “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular portion of it.
- (c) Words in the singular include the plural and vice versa, words in one gender include all genders, and the words “including”, “include” and “includes” mean “including (or include or includes) without limitation”.

## **2. DISCLOSURE**

- 2.1 The disclosing Party may provide to the receiving Party certain Confidential Information for the sole purpose of enabling the Parties to have discussions and work together toward the Transaction; provided in all cases that the decision as to whether and what such information will be provided to the receiving Party shall be solely and exclusively that of the disclosing Party, and nothing in this Agreement shall require either to provide any information whatsoever to the other in any given instance.

## **3. USE AND NON-DISCLOSURE OF CONFIDENTIAL INFORMATION**

### **3.1 Use of Confidential Information**

Each Party may use the Confidential Information received by it only for the purpose of evaluating its interest in completing the Transaction.

### **3.2 Non-Disclosure of Confidential Information**

(a) Each Party agrees to:

- (i) treat all Confidential Information of the disclosing Party in strict confidence and shall protect the other Party's Confidential Information with the same degree of care as that with which it protects its own Confidential Information, which in any event shall not be less than a reasonable degree of care;
- (ii) only disclose the other Party's Confidential Information to those of its Authorized Representatives who need to know such Confidential Information for the purpose of evaluating the Transaction and who shall be advised of this Agreement and agree to be bound by the provisions hereof and not otherwise disclose the other Party's Confidential Information without the prior written consent of the disclosing Party;
- (iii) not disclose to any person or entity the fact that it or its Authorized Representatives are receiving Confidential Information or that discussions are taking place regarding the Transaction;
- (iv) not disclose or use the other Party's Confidential Information in any way which could involve a breach of any Privacy Laws;
- (v) keep confidential all information relating to identifiable individuals in accordance with the terms of this Agreement as well as Applicable Law; and
- (vi) be responsible for any breach of this Agreement by any of its Authorized Representatives.

- (b) For the purpose of this Agreement,, a Party's Confidential Information does not include information that:
- (i) is or becomes publicly available or public knowledge through no fault of the receiving Party;
  - (ii) is documented as already being in the Party's possession without burden of confidentiality;
  - (iii) is documented as being independently developed by the receiving Party without use of the Confidential Information of the disclosing Party;
  - (iv) was disclosed without similar restrictions by the disclosing Party to a third party;
  - (v) is furnished to the receiving Party by a third party as a matter of right and without restriction on disclosure; or
  - (vi) to the extent such Confidential Information is disclosed pursuant to the lawful requirement of a court or government agency of competent jurisdiction without condition of confidentiality, provided that the disclosing Party is notified in advance and given the opportunity to seek a protective order against such disclosure;

### 3.3 Requests for Information

All communications regarding the Transaction, all requests for additional information, all requests for visits to the facilities or management meetings of the other Party and all discussions or questions regarding procedures will be submitted or directed solely to the Executive Director or CEO of the other Party.

### 3.4 No Disclosure of Personal Health Information

No Personal Health Information (as defined in Ontario's Personal Health Information Protection Act, 2004) will be disclosed under this Agreement.

## **4. OWNERSHIP AND RETURN OF CONFIDENTIAL INFORMATION**

### 4.1 No Ownership Interest

Each Party acknowledges that the Confidential Information received by it remains the sole, absolute and exclusive property of the disclosing Party and contains confidential and/or proprietary information, the disclosure of which would be detrimental to the disclosing Party, and that the disclosure of such information to the receiving Party or its Authorized Representatives does not, and will not be deemed to, confer upon the receiving Party or its Authorized Representatives any rights whatsoever in respect of any part thereof.



#### 4.2 Return of Confidential Information

The receiving Party shall promptly return all Confidential Information and copies or duplications thereof, in whatever media or form to the disclosing Party at the request of the disclosing Party or upon termination of this Agreement or in the event that the Transaction is not effected within twelve (12) months after the date of this Agreement. Alternatively, the receiving Party shall destroy all such Confidential Information and copies or duplications thereof at the request of the disclosing Party, as the case may be.

### 5. NO LIABILITY OF DISCLOSER

#### 5.1 No Representation or Warranty

Each Party acknowledges that the other Party makes no representation or warranty as to the accuracy or completeness of its Confidential Information and will have no liability whatsoever, direct or indirect, to the other Party or to any of its Authorized Representatives as a result of any error or omission in the Confidential Information or the other Party's or such Authorized Representatives' awareness or use of the Confidential Information.

Each Party agrees that it will rely upon its own investigations, due diligence and analysis in evaluating the Transaction and in satisfying itself as to all matters relating to the other Party, its operations and assets.

### 6. GENERAL CONTRACT MATTERS

#### 6.1 Entire Agreement

This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no representations, warranties, conditions, covenants or other agreements, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth herein.

#### 6.2 Remedies

The rights and remedies of a Party under this Agreement are cumulative and are in addition to, and not in substitution for, any rights or remedies provided by law or by equity, and any single or partial exercise by a Party of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement does not waive, alter, affect or prejudice any other right or remedy or other rights or remedies to which such Party may be entitled for such default or breach.

Each Party acknowledges that:

- (a) the other Party would be irreparably harmed if any provision of this Agreement were not performed by it or its Authorized Representatives in accordance with its terms, and that any such harm could not be compensated reasonably or adequately in damages;
- (b) the other Party will be entitled to injunctive and other equitable relief to prevent or restrain breaches of any of the provisions of this Agreement, or to enforce the terms and provisions hereof, by an action instituted in a court of competent jurisdiction. Such remedies shall not be deemed to be the exclusive remedy for a breach of this Agreement but shall be in addition to all other remedies available at law or in equity; and
- (c) if there is any legal proceeding concerning this Agreement in which the disclosing Party is successful, the disclosing Party shall be entitled to payment of its legal fees and disbursements, court costs and other expenses of protecting its interest hereunder.

### 6.3 No Agreement to Undertake Transaction

The Parties agree that neither this Agreement nor any conduct by either of the Parties or their respective Authorized Representatives shall be deemed to constitute a binding agreement or understanding to undertake the Transaction.

### 6.4 Reservation of Rights

Each Party expressly reserves the right, without giving reasons therefor, at any time to terminate discussions, to reject any or all proposals or to negotiate with any other Party with respect to the Transaction.

### 6.5 Notices

- (a) Any notice, direction or other communication required or contemplated by any provision of this Agreement (a "Notice") will be in writing and given by personal delivery, by registered mail, by overnight courier or by telecopier and addressed:

- (i) in the case of a Notice to [Organization A] at:

[Address]

Attention: [Name]

Fax No.: [Number]

in the case of a Notice to [Organization B], at:

[Address]

Attention: [Name]

Fax No.: [Number]

#### Any Notice:

- (ii) delivered before 4:30 p.m. local time on a Business Day will be deemed to have been received on the date of delivery and any Notice delivered after 4:30 p.m. local time on a Business Day or delivered on a day other than a Business Day, will be deemed to have been received on the next Business Day.
  - (iii) mailed will be deemed to have been received seventy two (72) hours after the date it is postmarked, provided that if the day on which the Notice is deemed to have been received is not a Business Day, then the Notice will be deemed to have been received on the next Business Day.
  - (iv) sent by telecopier before 4:30 p.m. local time on a Business Day will be deemed to have been received when the sender receives the answer back confirming receipt by the recipient, provided that any telecopy received after 4:30 p.m. local time on a Business Day or received on a day other than a Business Day will be deemed to have been received on the next Business Day.
- (b) If the Party sending the Notice knows or might reasonably be expected to know that, at the time of sending or within 72 hours thereafter, normal mail service has been disrupted, then the Notice may only be sent (or re-sent) by delivery, overnight courier, or telecopier.
- (c) Any Party may change its address for service, its fax number, the name of the individual to the attention of whom a Notice is to be sent or the person to whom a copy of the Notice is to be sent, by written notice given to the other Parties in accordance with this Section 6.5.

#### 6.6 Amendment and Waiver

This Agreement may only be amended by written agreement signed by each Party hereto. Any waiver of any provision of this Agreement will be effective only if it is in writing and signed by the Party to be bound thereby, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of either Party to exercise, and no delay in exercising, any right under this Agreement will operate as a waiver of such right. No single or partial exercise of any such right will preclude any further or other exercise of such right.

#### 6.7 Severability

If any provision of this Agreement is determined to be invalid, illegal or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement, and the remaining provisions will remain in full force and effect.

#### 6.8 Time

Time is of the essence of this Agreement.

## 6.9 Assignment and Benefit of the Agreement

Neither this Agreement nor any of the rights or obligations under this Agreement are assignable by any Party without the prior written consent of the other Party. Subject to that condition, this Agreement will enure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators, legal representatives, successors and permitted assigns.

## 6.10 Governing Law

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

## 6.11 Term

This Agreement shall apply to all Confidential Information of the Parties disclosed to each other following the date of this Agreement, and any preliminary information supplied prior to that date. The obligations of confidentiality imposed hereunder shall survive the expiration or other termination of this Agreement.

## 6.12 Termination

This Agreement shall terminate upon the earlier of:

- (a) the closing of the Transaction; and
- (b) the second anniversary of the date of this Agreement.

## 6.13 Counterparts and Electronic Execution

This Agreement may be executed in any number of counterparts each of which will be deemed to be an original, and all of which taken together will be deemed to constitute one and the same instrument.

This Agreement may be executed and delivered by electronic means and each of the Parties may rely on such electronic execution as though it were an original hand-written signature

**IN WITNESS WHEREOF**, the Parties have executed this Agreement.

ORGANIZATION A

Per: \_\_\_\_\_

Name:

Title:

ORGANIZATION B

Per: \_\_\_\_\_

Name:

Title:

# APPENDIX 4.1

## Due Diligence Checklist

### Project [Code Name]

The following is a sample due diligence checklist with possible areas to cover, documents to review and key issues to consider. This checklist should be amended to reflect the specific transaction being considered and the organizations involved.

Area	Documents to Review	Key Issues
Strategy  [Individual Responsible]	<ul style="list-style-type: none"><li>• Mission, Vision &amp; Values</li><li>• Strategic Plan</li><li>• Operating Plan</li><li>• Annual Reports (Public)</li></ul>	<ul style="list-style-type: none"><li>• Is there a strong fit between the organizations in mission, vision and values?</li><li>• What are the organization's strengths and weaknesses?</li><li>• What are the key external opportunities and challenges facing the organization?</li><li>• Is the organization executing well on its strategic plan?</li></ul>
Governance  [Individual Responsible]	<ul style="list-style-type: none"><li>• Board Governance Policies</li><li>• Board Committee Terms of Reference</li><li>• Director Resumes or Biographies</li><li>• Corporate Membership Requirements &amp; Rights</li><li>• List of Corporate Members</li><li>• Organization's Performance Reports (e.g. Scorecard)</li><li>• Quality Management Policies &amp; Procedures</li><li>• Risk Management Policies &amp; Procedures</li></ul>	<ul style="list-style-type: none"><li>• Is the Board performing effectively?</li><li>• Does the organization have strong performance management, quality and risk processes?</li><li>• Who should be on the combined Board post-integration?</li><li>• Who should be the corporate membership post-integration?</li></ul>

Area	Documents to Review	Key Issues
Programs & Services  [Individual Responsible]	<ul style="list-style-type: none"> <li>• Organization's Website</li> <li>• Description of Programs &amp; Services</li> <li>• List of Locations</li> <li>• Program &amp; Services Performance Metrics</li> <li>• Client Statistics</li> <li>• Client Satisfaction Survey</li> <li>• Description of Major Initiatives Underway</li> <li>• Description of Client Management Systems</li> <li>• Material Contracts (funder, referral, supplier, equipment lease etc.)</li> <li>• Details on Program Staffing (including volunteers)</li> <li>• Program Budgets &amp; Forecasts</li> <li>• Program Policies &amp; Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Is there a strong fit between the organizations in programs and services offered?</li> <li>• How are programs and services performing?</li> <li>• Are there any major operating issues to be addressed?</li> <li>• Are there opportunities to expand combined services?</li> <li>• Are there opportunities to achieve efficiencies or cost savings?</li> <li>• How should the programs and services be integrated?</li> </ul>
Marketing & Fund Development  [Individual Responsible]	<ul style="list-style-type: none"> <li>• Fund Development Strategy &amp; Plan</li> <li>• Fund Development Results &amp; Forecast</li> <li>• Description of Major Marketing &amp; Fund Development Activities</li> <li>• Donor Statistics</li> <li>• Description of Fund Development Systems (donor database, tax receipting etc.)</li> <li>• Material Contracts (marketing, donor, endowment etc.)</li> <li>• Details on Department Staffing</li> <li>• Department Budget &amp; Forecast</li> <li>• Fund Development Policies &amp; Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• How successful are the fundraising efforts?</li> <li>• Which programs and services are supported by fundraising?</li> <li>• Are there any new fundraising opportunities for the combined organization?</li> <li>• How should fundraising be integrated to avoid a near-term slow-down during integration and ensure future growth?</li> </ul>
Community Engagement & Advocacy  [Individual Responsible]	<ul style="list-style-type: none"> <li>• Community Engagement Strategy &amp; Priorities</li> <li>• Advocacy Strategy &amp; Priorities</li> <li>• Description of Major Initiatives Underway</li> <li>• Details on Department Staffing</li> <li>• Department Budget &amp; Forecast</li> </ul>	<ul style="list-style-type: none"> <li>• Is there a strong fit between the organizations in approach to community engagement and advocacy?</li> <li>• How should community engagement and advocacy activities be integrated?</li> </ul>

Area	Documents to Review	Key Issues
<p>Legal &amp; Regulatory</p> <p>[Individual Responsible]</p>	<ul style="list-style-type: none"> <li>• Description of Legal Entity Structure (including all related legal entities)</li> <li>• Letters Patent &amp; Bylaws</li> <li>• Results of Searches (charitable status, corporate status, real estate, bankruptcy etc.)</li> <li>• List of Licenses, Permits, Consents &amp; Approvals Required to Operate</li> <li>• List of Intellectual Property (trademarks, trade names, logos, web addresses etc.)</li> <li>• Description of Binding Consents, Decrees, Judgments, Orders &amp; Settlements Affecting the Organization</li> <li>• Description of Litigation &amp; Other Claims (current and potential)</li> <li>• Description of Other Legal &amp; Regulatory Issues (current and potential)</li> <li>• Material Contracts (entire organization)</li> <li>• Details on Department Staffing (including external counsel)</li> <li>• Department Budget &amp; Forecast</li> </ul>	<ul style="list-style-type: none"> <li>• What is the best legal form for the integration transaction (e.g. statutory amalgamation, asset transfer or other form)?</li> <li>• What approvals are required for the integration transaction?</li> <li>• Are there any legal claims or risks?</li> <li>• Are there any regulatory issues of concern?</li> <li>• Are there contracts which could restrict future activity of the combined organization?</li> <li>• Are there contracts with expensive termination clauses?</li> <li>• What should be done with each contract (maintain, terminate, assign, re-negotiate etc.) and what legal work is required (notifications, consents etc.)</li> <li>• How should the legal function be integrated?</li> </ul>



Area	Documents to Review	Key Issues
Finance  [Individual Responsible]	<ul style="list-style-type: none"> <li>• Current Budget &amp; Forecast (entire organization – all Programs &amp; Departments)</li> <li>• Audited Financial Statements (3 years)</li> <li>• Interim Financial Statements</li> <li>• Audit Reports (3 years)</li> <li>• Current General Ledger Report</li> <li>• Details on Balance Sheet (assets – cash, investments, A/R, prepaid expenses, capital assets etc.; liabilities – A/P, accrued liabilities, deferred revenue &amp; capital contributions etc.; fund balances)</li> <li>• Details on Statement of Operations (revenue – grants, fees for service, donations, investment income etc.; expenses – salaries, benefits, occupancy etc.)</li> <li>• Description of Banking &amp; Investment Arrangements (loan facilities, deposit &amp; investment accounts etc.)</li> <li>• Description of Contingent Liabilities</li> <li>• Description of Insurance Coverage</li> <li>• Description of Tax Requirements &amp; Issues (payroll deductions, HST, property &amp; land transfer taxes etc.)</li> <li>• Description of Financial Systems (G/L, Accounts Payable &amp; Receivable etc.)</li> <li>• List of Suppliers</li> <li>• Material Contracts (loan facilities, insurance, accounting systems, audit services etc.)</li> <li>• Details on Department Staffing</li> <li>• Department Budget &amp; Forecast</li> <li>• Accounting Policies &amp; Procedures</li> <li>• Investment Policies &amp; Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Does the organization have an operating surplus or a deficit?</li> <li>• Does the organization have sufficient working capital to fund near-term operations?</li> <li>• Does the organization have sufficient fund balances to ensure long-term solvency?</li> <li>• Does the balance sheet fairly reflect the value of assets and liabilities?</li> <li>• Are there any audit or financial controls issues?</li> <li>• What is projected for future revenue?</li> <li>• Which revenue sources are stable and which are more risky?</li> <li>• What is projected for future expenses?</li> <li>• Are there significant capital expenditures required in the future?</li> <li>• What should be done with loan facilities, deposit and investment accounts post-integration?</li> <li>• Are there any restricted funds?</li> <li>• Are there contingent liabilities or other exposures which create financial risk?</li> <li>• Does existing insurance coverage sufficiently address all operations and risks?</li> <li>• What insurance coverage is required post-integration?</li> <li>• What are the major tax requirements and issues impacting normal operations?</li> <li>• Are there major tax issues for the integration transaction?</li> <li>• How should the finance function be integrated?</li> <li>• How do the accounting and investment policies of the organizations compare?</li> <li>• What accounting entries and adjustments are required at transaction closing?</li> </ul>

Area	Documents to Review	Key Issues
<p>Human Resources</p> <p>[Individual Responsible]</p>	<ul style="list-style-type: none"> <li>• Organizational Chart</li> <li>• Senior Executive Resumes or Biographies</li> <li>• List of Permanent Staff (name, title, department, compensation, years of service, leave of absence etc.)</li> <li>• List of Contract Staff (name, role, department, compensation, term of contract etc.)</li> <li>• Description of Compensation Levels</li> <li>• Description of Cash Compensation (salary, wage, bonus etc.)</li> <li>• Description of Benefit Plans (pension, group RRSP, disability, health, life insurance etc.)</li> <li>• Benefit Plan Funding Positions (financial statements, actuarial reports etc.)</li> <li>• Description of Collective Bargaining Units</li> <li>• Description of Staff Performance Management Programs</li> <li>• Description of Staff Training Programs</li> <li>• Description of Staff Claims (current &amp; potential)</li> <li>• Staff Satisfaction Survey</li> <li>• List of Volunteers</li> <li>• Description of Volunteer Programs</li> <li>• Description of HR Systems (payroll, scheduling etc.)</li> <li>• Material Contracts (collective bargaining, executive employment, benefit plans, consulting, HR systems etc.)</li> <li>• Details on Department Staffing</li> <li>• Department Budget &amp; Forecast</li> <li>• HR Policies &amp; Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Do the cultures of the organizations align well with each other?</li> <li>• Who should lead the combined organization? (senior management roles)</li> <li>• What should the structure of the combined organization look like? (organizational chart)</li> <li>• Where are the opportunities to reduce combined staffing?</li> <li>• How should the compensation levels in the organizations be aligned and what is the net cost or saving?</li> <li>• How should the compensation and benefit plans be integrated?</li> <li>• Do the benefit plans have any unfunded liabilities?</li> <li>• Which staff members require offers of employment or contracts prior to integration?</li> <li>• What is expected to happen to the collective bargaining units post-integration?</li> <li>• Are staff satisfied and performing well?</li> <li>• Are there any major staff claims, issues or risks to be addressed?</li> <li>• How should volunteers and volunteer programs be integrated?</li> <li>• How should the human resources function be integrated?</li> </ul>

Area	Documents to Review	Key Issues
<p>Information Technology</p> <p>[Individual Responsible]</p>	<ul style="list-style-type: none"> <li>• Chart of IT Architecture</li> <li>• List &amp; Description of Software (owned &amp; leased)</li> <li>• List &amp; Description of Hardware (owned &amp; leased)</li> <li>• Description of Information Security</li> <li>• Business Recovery Plan</li> <li>• Description of Major Projects Underway</li> <li>• Material Contracts (licenses, development, contractors, outsourcing etc.)</li> <li>• Details on Department Staffing</li> <li>• Department Budget &amp; Forecast</li> <li>• IT Policies &amp; Procedures</li> <li>• Organization's Website</li> </ul>	<ul style="list-style-type: none"> <li>• What are the critical IT systems, applications and infrastructure supporting operations?</li> <li>• Are there any key IT issues or risks to be addressed?</li> <li>• What are the major IT projects underway?</li> <li>• How should the IT systems, applications and infrastructure be integrated?</li> <li>• How should the information technology function be integrated?</li> </ul>

Area	Documents to Review	Key Issues
<p>Real Estate (including Building Services)</p> <p>[Individual Responsible]</p>	<ul style="list-style-type: none"> <li>• List &amp; Description of Premises (owned &amp; leased)</li> <li>• Land Registrations, Deeds, Surveys, Liens for Owned Premises</li> <li>• Estimated Market Value for Owned Premises</li> <li>• Schedule of Occupancy Costs</li> <li>• Description of Major Projects Underway or Required (repairs, renovations etc.)</li> <li>• Description of Health, Safety &amp; Environmental Issues (including regulatory compliance)</li> <li>• Material Contracts (leases, subleases, mortgages, maintenance, security etc.)</li> <li>• Details on Department Staffing</li> <li>• Department Budget &amp; Forecast</li> <li>• Real Estate Policies &amp; Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• How does the market value of owned premises compare to book value?</li> <li>• What are the occupancy costs for each location?</li> <li>• What is each location used for and is space utilized efficiently?</li> <li>• What are the key terms of each lease?</li> <li>• What are the major real estate projects underway?</li> <li>• Are there any major real estate issues or risks to be addressed?</li> <li>• Which locations should be maintained post-integration?</li> <li>• How should the real estate function be integrated?</li> </ul>

# APPENDIX 5.1

## Business Case Template

[Your Organization's Name]

### Business Case

Project [Code Name]	
<b>Date:</b>	<b>One-time Integration Costs (\$):</b>
<b>Prepared By:</b>	
<b>Project Overview:</b> <ul style="list-style-type: none"><li>Brief description of the integration transaction and key deal terms.</li><li>Brief description of your partner organization.</li></ul>	
<b>Strategic Rationale:</b> <ul style="list-style-type: none"><li>Description of how the transaction advances your organization's strategic plan with reference to vision, mission and strategic objectives.</li><li>Description of vision for the combined organization.</li><li>Description of specific benefits (e.g. developing new integrated services, improving service quality, achieving economies of scale etc.).</li><li>Description of other strategic alternatives considered (if applicable) and why they were not chosen.</li></ul>	
<b>Key Performance Metrics:</b> <ul style="list-style-type: none"><li>Summary of key operating metrics related to the transaction and the combined organization (e.g. client and employee satisfaction, service volumes, efficiencies achieved etc.). Include specific targets for each metric.</li></ul>	
<b>Financial Impact:</b> <ul style="list-style-type: none"><li>Summary of the transaction's impact on future revenue and expenses, cash flow and key balance sheet items. Full financial projections should be included as an appendix.</li><li>Description of integration costs and how they will be funded.</li><li>Description of funding opportunities and cost savings.</li><li>Details on major assumptions underpinning the financial projections, and how changes to assumptions may alter the financial outcomes.</li></ul>	

<b>Key Issues &amp; Risks:</b> <ul style="list-style-type: none"> <li>Description of the transaction's key issues and risks and how they will be resolved or mitigated.</li> </ul>	
<b>Implementation Plan:</b> <ul style="list-style-type: none"> <li>Identify the executive who will be leading the combined organization.</li> <li>Identify the executive who will be responsible for integrating the operations.</li> <li>Overview of the resources required to complete the integration.</li> <li>Summary of key integration milestones and target completion dates.</li> </ul>	
<b>Request for Approval:</b> <ul style="list-style-type: none"> <li>[Specific approval sought from the Board.]</li> </ul>	
Approved By:	Date:

### Comparison of Operations

	Your Organization	Partner Organization
Vision & Mission		
Date Founded		
CEO/ED		
Revenue \$		
Assets \$		
Programs & Services		
Clients		
Staff		
Volunteers		
Members		
Funders		
Area Served & Locations		

### Integration Risk Management

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
Governance: <ul style="list-style-type: none"> <li></li> </ul>			
Implementation: <ul style="list-style-type: none"> <li></li> </ul>			

<b>Risk</b>	<b>Likelihood (L/M/H)</b>	<b>Impact (L/M/H)</b>	<b>Mitigation Strategy</b>
Reputational: •			
Programs & Services: •			
Human Resources: •			
Legal & Regulatory: •			
Financial: •			
Information Technology: •			
Real Estate: •			

### Sample Integration Risk Management

<b>Risk</b>	<b>Likelihood (L/M/H)</b>	<b>Impact (L/M/H)</b>	<b>Mitigation Strategy</b>
Discontinuation or disruption of services to current clients throughout the transition	L	H	Development and approval of an Integration Plan that includes processes to mitigate any disruption to current services.
Refusal by clients to have care/ support delivered by new entity	L	H	Communicate with all stakeholders that they will continue to receive service from the existing staff. Ensure clients and other stakeholders' needs are addressed and promote the continued quality of the service.
Large loss of trained volunteers.	L	H	Advise volunteers of the importance of their continued support of clients. Emphasize that existing volunteers will continue to work in the same communities and that the coordinator/ volunteer relationship will be maintained.

<b>Risk</b>	<b>Likelihood (L/M/H)</b>	<b>Impact (L/M/H)</b>	<b>Mitigation Strategy</b>
Loss of key management staff during transition	L	H	Advise staff that their skills and experience are essential to the continuation of the service and maintaining the relationship with clients and volunteers. Emphasize the opportunities available in working with the new entity and the financial and organizational capacity to ensure successful delivery of services for the future.
Perception by the public and key stakeholders that services will somehow be inferior under new management	L	H	Address public/stakeholder concerns through targeted Communications Plan. Continue to communicate throughout the process and after the integration.
Rejection of the Integration Plan by the Boards, members and the TCLHIN	L	H	Keep the Boards informed at all times. Ensure Boards are engaged throughout the integration planning process and there are no surprises when the Integration Plan is presented for their approval. Schedule information/education event for Board members.
Unlawful actions of any kind, particularly as they relate to privacy and confidentiality of information, employment standards and good governance	L	H	Obtain legal advice and abide by the advice. Work with privacy officer to ensure that the integration approach meets legislative standards.
Delays in the implementation of the Integration Plan	L	H	Establish an Implementation Committee to manage the transition and develop a detailed transition plan. Ensure ongoing monitoring and reporting to Boards as the plan is implemented. Ensure the Steering Committee addresses any difficult issues.
Some services not immediately available to potential new clients	L	M	Establish a policy/procedure to triage potential new clients, if necessary delay services to least at risk individuals.



<b>Risk</b>	<b>Likelihood (L/M/H)</b>	<b>Impact (L/M/H)</b>	<b>Mitigation Strategy</b>
Addition of new service places stress on management and back office support functions	L	M	Integration plan enhances Finance and Administration skill sets and staffing. By utilizing staff through the consolidation of the two organizations, the additional new services will have more back office support.
Large decline in other fundraising/donor support	L	H	Advise donors of the importance of their continued support of services. Get donors written agreement to transfer personal information to the new entity. Meet directly with donors and reassure them their donations will go to seniors programs.
Determination of Union Bargaining Agent and integration of contracts is problematic	L	M	Transparent HR plan and provide timely and accurate information to staff and union leaders. Utilize legal support.
Disruption to existing services	L	H	Continue to assign a priority to uninterrupted services throughout the transition. All services will continue to be provided by the same staff in the same way to clients after integration. Any changes to services will only happen after deliberation and careful planning by staff. To the extent currently possible, work is being done now prior to integration to prepare for that date including planning for staging of staff move, equipment move, etc.

# APPENDIX 5.2

## Financial Projections Template

**Project [Code Name]**

(in \$ thousands, on GAAP basis unless otherwise stated)	Current Year	Projections for Fiscal Years Ending					Key Assumptions & Comments:
		2013	2014	2015	2016	2017	
<b>[Your Organization] Baseline:</b>							
<b>Revenue</b>							
Government funding	-	-	-	-	-	-	
Fees for service	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
Total Revenue	-	-	-	-	-	-	
<b>Expenses</b>							
Salaries & benefits	-	-	-	-	-	-	
Building occupancy	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
Total Expenses	-	-	-	-	-	-	
<b>[Your Organization] baseline excess (deficiency)</b>	-	-	-	-	-	-	
<b>[Partner Organization] Baseline:</b>							
<b>Revenue</b>							
Government funding	-	-	-	-	-	-	
Fees for service	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
Total Revenue	-	-	-	-	-	-	

<b>Expenses</b>							
Salaries & benefits	-	-	-	-	-	-	
Building occupancy	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
Total Expenses	-	-	-	-	-	-	
<b>[Partner Organization] baseline excess (deficiency)</b>	-	-	-	-	-	-	
<b>Funding opportunities:</b>							
New sources of funds		-	-	-	-	-	
Other		-	-	-	-	-	
Total funding opportunities		-	-	-	-	-	
<b>Cost savings:</b>							
Salaries & benefits		-	-	-	-	-	
Building occupancy		-	-	-	-	-	
Information technology		-	-	-	-	-	
Other (e.g. audit, insurance, sourcing)		-	-	-	-	-	
Total expense savings		-	-	-	-	-	
<b>Integration costs:</b>							
Legal & consulting fees		-	-	-	-	-	
Severance & retirement payments		-	-	-	-	-	
Compensation adjustments (alignment of salaries and benefits)		-	-	-	-	-	
Building occupancy		-	-	-	-	-	
Information technology		-	-	-	-	-	
Re-branding & communications		-	-	-	-	-	

Other (e.g. staff overtime, contract exits, lost funding)		-	-	-	-	-	
Total integration costs		-	-	-	-	-	
Accounting entries & adjustments (due to integration):		-	-	-	-	-	
<b>Combined excess (deficiency) - GAAP basis</b>		-	-	-	-	-	
Adjustments to convert to cash basis:							
Changes in net working capital		-	-	-	-	-	
Capital expenditures vs. depreciation		-	-	-	-	-	
Deferred revenue & expenses		-	-	-	-	-	
Other		-	-	-	-	-	
Total adjustments		-	-	-	-	-	
<b>Combined excess (deficiency) - Cash basis</b>		-	-	-	-	-	
<b>[Your Organization] Baseline:</b>							
Current assets	-	-	-	-	-	-	
Capital assets	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	
Current liabilities	-	-	-	-	-	-	
Deferred capital contributions	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	-	
Fund balances	-	-	-	-	-	-	

<b>[Partner Organization]</b>							
<b>Baseline:</b>							
Current assets	-	-	-	-	-	-	
Capital assets	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	
Current liabilities	-	-	-	-	-	-	
Deferred capital contributions	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	-	
Fund balances	-	-	-	-	-	-	
<b>Combined Organization:</b>							
Current assets		-	-	-	-	-	
Capital assets		-	-	-	-	-	
Other assets		-	-	-	-	-	
Current liabilities		-	-	-	-	-	
Deferred capital contributions		-	-	-	-	-	
Other liabilities		-	-	-	-	-	
Fund balances		-	-	-	-	-	

# APPENDIX 6.1

## Sample Communication Materials

### SPECIAL ANNOUNCEMENT

Community Care East York and WoodGreen Community Services are pleased to announce today that they have agreed to work together towards a voluntary integration of their activities and operations under a single corporation. The two organizations have signed a Memorandum of Understanding that sets out the core principles for proceeding.

Both organizations are very well regarded for delivering high quality services for seniors, adults with disabilities and their caregivers in east Toronto. CCEY and WCS believe that services could be delivered more efficiently, programs could be expanded, and advocacy for seniors could be enhanced by bringing their services together under a single organization.

CCEY and WCS are leaders in the community care sector and share a common vision and mission in serving the community. Both organizations have a long track record working collaboratively on new initiatives to provide seniors services.

Both have been successful in expanding supportive and assisted housing services for seniors. Each organization also brings complementary expertise to building an expanded seniors operation: CCEY has expertise in accreditation and use of information technologies and WCS brings expertise in housing, immigrant services, mental health and developmental services and elder abuse awareness and prevention. Both organizations also provide Adult Day Programs, supportive housing, wellness clubs, case management and social work.

For these reasons, CCEY and WCS agree it makes sense to come together as a single organization under the name WoodGreen Community Services. Over the next few months, we will be conducting a comprehensive due diligence process that will assess the financial, human resources, clinical and other aspects of the proposal. We will also be preparing and submitting a plan to the Toronto Central Local Health Integration Network. We are working towards an effective date of midnight on December 31, 2011, subject to having all the necessary approvals.

CCEY and WCS are committed to open and transparent communications. As such, we will be embarking on a community consultation process that will seek input from the community, local leaders, our health care and community care partners, our clients and their families. Information will be available on our respective websites: [www.ccey.org](http://www.ccey.org) and [www.woodgreen.org](http://www.woodgreen.org). In addition regular newsletters will be available to clients, volunteers and community.

## About Community Care East York

Community Care East York is an accredited, community-based agency serving seniors, caregivers, and adults with disabilities. CCEY provides in-home services to help clients maintain independence and live safely in their homes, wellness programs to promote good health, well-being and active engagement in their communities, and social support services for clients needing assistance. CCEY serves 8,000 people annually and engages over 300 volunteers.

## About WoodGreen Community Services

WoodGreen Community Services is one of the largest social service agencies in Toronto. A founding United Way of Toronto member agency, WoodGreen has 530 staff members, 1,000 volunteers and serves 37,000 people each year from 25 locations. WoodGreen helps seniors live independently, people find safe, affordable housing, internationally-trained professionals enter the job market, parents access childcare, children and youth access after-school programs, newcomers settle in to Canadian life, homeless and marginalized people get off the streets and youth find meaningful employment and training.

## BACKGROUND

Community Care East York (CCEY) and WoodGreen Community Services (WCS) are community based organizations that serve seniors, adults with disabilities and their caregivers. These two organizations share a common vision and mission in serving the community and provide services to clients in two adjacent geographic areas within the City of Toronto. While both are in sound financial shape, the current economic, political and health and social services environment calls for change.

- Our communities are changing - an aging population, increases in newcomers and shifting socioeconomic profiles, all with higher needs for community services;
- There is little or no increase in funding to meet these changing and growing needs;
- We need to improve access to services and reduce the barriers and fragmentation created by multiple organizations;
- There is a push to streamline organizational administrative and infrastructure costs to reinvest in direct services to clients;

Our funders are looking for organizations to integrate.

The management and boards of both organizations recognize that, through consolidation, services could be delivered more efficiently, programs could be expanded, and advocacy for clients could be enhanced. The Boards of WCS and CCEY have asked their management staff to work on a proposal and process that would result in bringing together the activities and operations under one organization. The conditions under which the organizations would become one are laid out in a Memorandum of

Understanding (MOU). This document is available from the offices of both organizations upon request.

## **OUR GOALS**

In coming together, CCEY and WCS aim to:

- Become the preeminent seniors' organization in Toronto increasing community impact and policy directions with a stronger voice.
- Increase accessibility of services to seniors, adults with disabilities, and their caregivers; expand the scope of services over time; and ensure the same high quality of service as currently provided by each individual organization.
- Enhance the efficiency of operations in order to direct more resources to serving our clients.
- Strengthen leadership and innovation in the community sector and contribute to a growing body of knowledge on effective services and supports that foster good health, wellness and independence among seniors and adults with disabilities to age at home.
- Lead in responding to the Local Health Integration Network's objective for improved health services integration and consolidation of service providers.

## **OUR CORE PRINCIPLES**

### Client Services

- The services currently offered by both organizations will be maintained or improved including those services provided predominantly by volunteers.
- All clients will continue to receive services from current staff and volunteers.
- Seniors and other clients currently served by WCS will benefit because CCEY will bring programs such as lunch & theatre outings, hikes through Toronto green spaces, health education, foot care, nutritional counseling, friendly visiting and a handyperson program.
- Seniors and other clients currently served by CCEY will benefit because WCS will provide direct access to programs such as crisis outreach support services, housing, research and planning, immigrant services, and developmental services.
- The Senior Centre on Cosburn will be named CCEY Senior Centre and a Senior Centre Council will be established to provide input to the management on the Senior Centre programs.
- Several new initiatives are proposed:
  - an assessment of housing needs and potential solutions for the clients of CCEY;
  - required upgrades for the Senior Centre will be completed;
  - a Seniors Advisory Committee will be established to address issues related to seniors services and provide advice to the executive team responsible for seniors services;
  - fundraising will include a focus on projects for seniors; and
  - research and evaluation in areas supporting seniors in the community.
- WCS will seek accreditation within the next three years, taking advantage of the expertise provided by current CCEY staff.



## **Impact on our Boards and Corporate members**

- Three board members from CCEY will be nominated to the WCS board.
- CCEY corporate members may become members of WCS by meeting membership requirements

## **Impact on Staff and Volunteers**

No involuntary layoffs are planned – all staff will have positions with WCS.

Employees, including Community Care Workers, will continue in comparable positions with comparable remuneration packages.

All volunteers are highly valued and will continue in their roles – a plan will be developed for integrating volunteers of both organizations.

## **NEXT STEPS AND TIMELINES**

Target date of the integration of CCEY and WCS to come together as a single organization under the name of WoodGreen Community Services is December 31, 2011 at midnight subject to all approvals.

Due diligence process over the next 4 to 8 weeks – looking at financial, human resources and systems information.

A plan will be submitted to the Toronto Central Local Health Integration Network, our primary funder, who will require assurances that the principle of maintaining current services to the CCEY area will be observed.

We will be consulting with community members and organizations over the next four weeks, including town hall meetings.

Approvals will be required from the Toronto Central Local Health Integration Network, the Boards of both organizations, Ministry of Health and Long Term Care, and the corporate members of CCEY.

## **QUESTIONS & ANSWERS**

### **1. General**

#### Why join together now?

Community Care East York (CCEY) and WoodGreen Community Services (WCS) are community-based organizations that serve seniors, adults with disabilities and their caregivers. These two organizations share a common vision and mission in serving the community and provide services to clients in two adjacent geographic areas within the City of Toronto. While both are in sound financial shape, the current economic, political and health and social services environment calls for change.

- Our communities are changing. An aging population, an increase in newcomers and shifting socioeconomic profiles means higher needs for community services
- There is little or no increase in funding to meet these changing and growing needs
- We need to improve access to services and reduce the barriers and fragmentation created by multiple organizations
- There is a push to streamline organizational administrative and infrastructure costs to reinvest in direct services to clients
- Our funders are looking for organizations to integrate and consolidate.

The management and boards of both organizations recognize that, through consolidation, services could be delivered more efficiently, programs could be expanded, and advocacy for clients could be enhanced. The Boards of WCS and CCEY have asked their management staff to work on a proposal and process that would result in bringing together the activities and operations under one organization. The conditions under which the organizations would become one are laid out in a Memorandum of Understanding (MOU). This document is available from the offices of both organizations upon request.

#### Who initiated these discussions?

Both organizations voluntarily came together at the same time to discuss the benefits integration could provide to seniors in East Toronto.

#### Whose idea was this?

The idea did not stem from one person. Both organizations saw excellent opportunities to improve service offerings.

#### Why does it make sense for these two specific organizations to integrate?

CCEY and WCS are leaders in the community care sector and share a common mission and vision in serving the community. Both organizations have a long track record working collaboratively on new initiatives to provide seniors services.

Both have been successful in expanding supportive and assisted housing services for seniors. Each organization also brings complementary expertise to building an expanded seniors operation: CCEY has expertise in Accreditation and use of information technologies and WCS brings expertise in housing, immigrant services, mental health and developmental services and elder abuse awareness and prevention. Both organizations also provide Adult Day Programs, supportive housing, wellness clubs, case management and social work.

#### Are you doing this to save money?

Although we may find efficiencies as we progress with the integration process this is not the primary reason for integration. Together, we can effectively expand our programs by combining our service offerings and expertise. Our goal is to provide additional, enhanced and cost effective solutions to the clients we serve in East Toronto.

### Will any new services be offered?

CCEY clients will still receive the same services currently being delivered to them, and in addition will have direct access to WCS's full basket of social services including immigrant settlement services, affordable housing, mental health & developmental services and many more.

Additionally, we will add a new Research & Development initiative. The focus of this new R&D piece will be to create innovative new programming.

### What will happen to the CCEY name?

CCEY will become part of WoodGreen Community Services, with CCEY staff bringing their expertise to the new organization. In acknowledgement of the many years of CCEY's service to East York, the current CCEY Senior Centre will retain its name.

### How many management staff were involved?

Negotiations around the proposed integration were held at the CEO/ED and Board levels of both organizations. Negotiations began in April 2011.

### How long will it take for CCEY and WCS to become fully integrated?

Although the effective integration date is December 31, 2011, the process of fully meshing the two organizations will take several months.

### Will clients lose access to the staff and volunteers they currently work with?

No, all clients will continue to receive services from the same staff and volunteers as they currently do.

### What happens with existing program structures?

We do not foresee any changes to existing program structures at this time. However, with input from staff, improvements to programs structures would be considered in the future.

## **2. Human Resources and Staffing**

### How many employees will new organization have?

WCS currently employs approximately 530 staff and CCEY employs approximately 120 staff, so the new organization will have roughly 650 staff members.

### How will merger affect staff?

All CCEY employees will be offered comparable employment at WCS, and this employment will take effect as of January 1, 2012. There will be no involuntary job loss as a result of this merger and CCEY staff will be offered positions at levels similar to their current ones.

Additionally, WCS will work with both unions to ensure a smooth transition for CCEY staff into the structure of WCS.

#### What happens to the volunteers?

Volunteers at both organizations will continue to provide their excellent services to the community through their exemplary work.

#### Relocation

There will be some relocation of staff for efficiency of operations. However, seniors will still be able to access services through the same locations.

#### How will decisions be made about employment issues?

WCS and CCEY will form a joint Steering Committee to work through the due diligence process which will include dealing with any employment issues.

#### Will the pay freeze remain in place?

Yes, all employees of provincially funded organizations like CCEY and WCS are subject to the pay freeze through March 31, 2012 as per the Public Sector Compensation Act.

#### How will the Board of Directors come together?

There will be one WoodGreen Community Services Board of Directors. This new Board will include three CCEY members.

### **3. Donations and Fundraising**

#### What happens to current CCEY Donors?

We rely on donations to support our services, strengthen our work and to build a sustainable future for the people we serve. CCEY donors can continue to donate to CCEY. In order to accommodate this, The WoodGreen Foundation will set up a CCEY Fund to accept all gifts designated to CCEY including planned and estate giving.

Will The WoodGreen Foundation be supporting East York seniors through fundraising efforts?

Yes, The WoodGreen Foundation will be actively raising money for programs to support seniors in East York.

## **4. Communication**

### Who will be consulted on this integration?

The organizations will undertake a consultation process that will seek input from the community, local leaders, health care and community care partners, clients and their families and the Toronto Central Local Health Integration Network.

CCEY and WCS are committed to open and transparent communications as details are worked through. Information will be available on our respective websites at [www.ccey.org](http://www.ccey.org) and [www.woodgreen.org](http://www.woodgreen.org). In addition regular print updates will be available to clients, volunteers and the community.

## **5. What happens next?**

Over the next 4-8 weeks, we will be conducting a comprehensive due diligence process that will assess the financial, human resources, clinical and other aspects of the proposal. We will also be preparing and submitting a plan to the Toronto Central Local Health Integration Network.

We will be consulting with community members and organization over the next four weeks, including town hall meetings.

Information about our progress and further plans will be readily available on WCS's website at [www.woodgreen.org](http://www.woodgreen.org) and on CCEY's website at [www.ccey.org](http://www.ccey.org) as we move forward towards the integration date of December 31, 2011 (subject to all approvals).

Approvals will be required from the Toronto Central Local Health Integration Network, the Boards of both organizations, the Ministry of Health and Long Term Care, and the corporate members of CCEY.

# Community Care East York and WoodGreen Community Services Voluntary Integration

Information Session

Community Care East York and WoodGreen  
Community Services have much in common

- Community-based organizations that serve seniors, adults with disabilities and their caregivers
- Provide services to clients in adjacent geographic areas in East Toronto
- Share a common vision and mission in serving the community
- As a single operation, we will deliver services more efficiently, expand programs and enhance our advocacy work for clients.



# Mission and Vision

## CCEY MISSION STATEMENT

CCEY is a not-for-profit agency serving seniors, adults with disabilities and their caregivers through quality services that promote independence, good health and wellness.

## CCEY VISION

Outstanding leadership and innovation for healthy aging at home.

## WCS MISSION STATEMENT

WoodGreen Community Services enhances self sufficiency, promotes well-being and reduces poverty through innovative solutions to critical social needs.

WoodGreen is also a not-for-profit, charitable agency.

## WCS VISION

A Toronto where everyone has the opportunity to thrive.

# Values

## CCEY VALUES

- Caring for each other
- Respecting client choice
- Safety
- Diversity and equity
- Accountability
- Community partnerships
- Learning and growth
- Volunteerism

## WCS VALUES

**RESPECT** We value every individual.

**EXCELLENCE** We strive for excellence in all we do.

**COMPASSION** We care for and support each other.

**INTEGRITY** We act ethically.

**TEAMWORK** We work together to achieve our goals.

## Our Goals in Coming Together

- ▶ Become the preeminent seniors' organization in Toronto.
- ▶ Increase accessibility of services to seniors and expand the scope of services over time
- ▶ Enhance the efficiency of operations to direct more resources to serving clients

## Our Core Principles

- ▶ All services currently offered will be maintained or improved
- ▶ All clients will continue to receive services from current staff and volunteers
- ▶ Seniors Centre will be formally named the CCEY Seniors Centre
- ▶ No involuntary layoffs – all staff will have comparable positions with comparable remuneration packages



## New Initiatives Proposed

- An assessment of housing needs and solutions for CCEY clients
- Establish a Seniors Advisory Committee
- Fundraising will include a focus on projects for seniors
- Research and evaluation in areas supporting seniors services in the community
- Upgrades for the Seniors Centre – On June 30, we met with many of our CCEY seniors to talk about some required upgrades for the Senior Centre. We will have further consultations with you as we move forward with these upgrades.

## What CCEY and WCS bring together

- CCEY has expertise in accreditation and use of information technologies
- WCS brings expertise in housing, immigrant services, mental health and developmental services
- Both organizations provide Adult Day Programs, supportive housing, wellness clubs, case management and social work.
- WoodGreen's Meals on Wheels provides nutritious meals to seniors and CCEY offers Friendly Visiting programs.

# APPENDIX 7.1

## Sample Closing Agenda

### TRANSFER OF ASSETS

FROM

ORGANIZATION A  
TO  
ORGANIZATION B

---

CLOSING AGENDA

---

Date of Escrow Closing:

Effective Time of Closing:

Place & Date of Closing Documents:

#### Parties:

Transferor

ORGANIZATION A  
Represented by:

Transferee

ORGANIZATION B  
Represented by:

Transferor's Counsel

Represented by:

Transferee's Counsel

Represented by:

**TERMS OF ESCROW:** All documents and payments listed below will be in escrow until all such documents and payments have been delivered and all parties have agreed that the escrow is terminated. Upon termination of the escrow, the documents will be released from escrow simultaneously.

The term "Standard" means the delivery of one original of each document to each of the Transferor, the Transferee, Transferor's Counsel and Transferee's Counsel. Otherwise the delivery of an original of a document is indicated by the designation "(O)" and the delivery of a photocopy of an original document is indicated by the designation "(P)".

**DEFINITIONS:** Capitalized terms used herein but not defined, have the meaning given to them in the Asset Transfer Agreement dated as of [insert date] between the Transferor and the Transferee (the "Asset Transfer Agreement").

Where reference is made herein to a Section number it refers to a Section of the Asset Transfer Agreement.

	Item	Tabled by	Delivery
<b>I. Pre-Closing Items</b>			
1.	Asset Transfer Agreement	All parties	Standard
2.	Approval of transfer of assets by directors and members of A	A	N/A
3.	Approval of amendments to A by-laws (effective on Closing)	A	N/A
4.	Resolution of B increasing number of directors (effective on Closing)	B	N/A
5.	Approval of Ontario Ministry of Health and Long-Term Care and Toronto Central LHIN	All parties	
<b>II. Closing Items</b>			
CORPORATE DELIVERIES			
6.	Bringdown Certificate of a senior officer of A (as to the accuracy of A's representations and warranties and compliance with terms, covenants and conditions at Closing)	A	Standard
7.	Officer's Certificate of A certifying (i) copies of authorizing resolutions of directors and members, (ii) resolutions approving amendments to by-laws, (iii) amendments to by-laws, (iv) proper constitution of meetings of directors and members and (v) resolution of directors confirming membership	A	Standard
8.	Evidence that A is a registered charity in good standing with CRA	A	B (O) Others (P)
9.	Bringdown Certificate of a senior officer of B (as to the accuracy of the B's representations and warranties and compliance with terms, covenants and conditions at Closing)	B	Standard
10.	Evidence that B is a registered charity in good standing with CRA	B	A (O) Others (P)
11.	Officer's Certificate of B certifying (i) copy of authorizing resolution of directors and (ii) authorizing resolutions of directors and members expanding the B board	B	Standard
RELEASES, CONSENTS, APPROVALS AND NOTICES			
12.	Consents of: (a) Ministry of Health and Long-Term Care (b) Toronto Central LHIN (c) Landlords (if required)	B	B (O) Others (P)

	Item	Tabled by	Delivery
13.	Copies of notices previously given by A to: (a) landlords (b) clients (c) suppliers and trade partners (d) others	A	All (P)
TRANSFER OF ASSETS			
14.	Deed of Gift signed under seal from A to B	A	B (O) Others (P)
15.	Assignments of Leases, including landlord consent and estoppel letters relating to such leases	A	B (O) Others (P)
16.	Registrable Assignment of Trademarks	A	Standard
17.	Assignment of Trade Names and Domain Names	A	Standard
18.	Assignment and Assumption Agreement in respect of Contracts, equipment leases and transferable licences	A	Standard
19.	Notice of Transfer of Assets to Suppliers, Trade Partners, etc. (simple notice of transfer of operations to B and authorization to third parties to deal with B post-closing)	A	B (O)
20.	Bill of Sale for Motor Vehicles and any required declaration to exempt transfer of motor vehicles from HST [Note: B to confirm that insurance on all vehicles will be in place]	A	Standard
21.	Vehicle and plate ownerships endorsed by A for transfer to B	A	B (O)
22.	All required vehicle safeties and emissions tests required to effect to complete transfer of motor vehicles	A	B (O)
23.	A Fund Establishment Agreement	All parties	Standard
24.	Irrevocable Direction to bank by A for bank draft to be issued in respect of contribution to A Fund	A	All (P)
25.	Bank form(s) to effect change of signing authorities on all A bank accounts	A	B (O)
26.	Offers of employment by B to non-union employees	B	All (P)
27.	Side letter between A and The Foundation regarding fundraising	The Foundation	Standard
28.	Escrow agreement among A, B and legal counsel (escrow agent)	B	Standard
<b>III. Post-Closing Items</b>			
29.	File change of signing authority forms with bank	B	
30.	File Assignment of Trademarks	B	
31.	Register/complete transfer of trade name and domain names	B	
32.	Registration of business name "A" by B	B	
33.	Register transfer of motor vehicles	B	
34.	Addition of acquired motor vehicles to WBCS RIN	B	
35.	Final determination of amount to be transferred to A Fund	A	

# APPENDIX 8.1

## Sample Implementation Plan

WoodGreen – CCEY Voluntary Integration Project – Tasks list June 2011 – April 2012						Last Updated:
						Updated :
						Version
Task Name	Start	Finish	Lead Person	Resource	Status / Decision	
Executive						
Integrated Org Chart						
Business Case – LHIN Charter						
Updated Community Engagement Plan						
Finalize positions, titles & salary levels						
Finalize offer package						
Finalize office plan						
Meet with funders						
Change management						
Develop a staff engagement plan to celebrate new entity						
Governance						
Definitive agreement						
Finalize Board Structure						
CCEY governance structure						
CCEY final governance structure						
Post-transaction review for WCS Board						
Annual reporting to WCS Board on integration commitments (for 3 years post-closing)						
Legal						
CCEY contracts - review & develop strategy for each and communicate to CCEY						
<b>Definitive agreements:</b>						
1) Asset Transfer Agreement						
2) CCEY Fund Gift Agreement						
3) WCS closing documents						
4) CCEY closing documents						
Strategy for CCEY legal entity post-closing						
Strategic Initiatives Unit						
Research and evaluation for seniors issues						

Develop Staff and Client Satisfaction Tool to measure integration process					
Foundation					
<b>CCEY Fund:</b>					
1) Investment Policy					
2) Disbursement approval policy					
3) Accounting processes					
4) Annual public disclosure					
Fundraising for seniors					
Create plan for continuing major events such as Candy Cane Magic, newsletter, membership drive in Feb.					
Communication strategy for major donors and known bequestors					
WCS membership inquiries					
Donor consent list					
Pending gifts, any outstanding pledges or bequests					
Tax receipting					
Human Resources					
Salary / Benefit comparison					
Collective agreement comparison					
CCEY Staff presentations re RRSP + benefits					
Complete benefits enrollment forms					
Prepare and distribute employment offers/contracts and info package for each staff					
Request File Transfer load with EE data					
Request basic personnel file information					
Request benefits/RRSP information from CCEY					
Finalize all QHR Related information with Finance					
Receive all requested information from CCEY					
Configure and load QHR with required changes					
CCEY and WCS collective agreement training					
PDA's for all new positions					
Arrange union meeting for Bargaining unit members with WCS HR					
Complete outstanding PAs ( CCEY staff)					
Review WCS PA forms with managers					
Emergency management reporting system					
Assignment of new cases of integrated program					
Linkage to payroll system					
Linkage of scheduling to new union terms					
Information Technology					
<b>IS and IT assessment</b>					
<b>Review CCEY existing IT infrastructure</b>					
Sites					
Asset inventory					

User accounts					
User IT needs					
Exchanges server					
Web Site					
<b>Review of Voice services</b>					
Telecom inventory					
Mobile phones					
Communication to staff re connectivity and IT					
<b>Database Integration plan:</b>					
<b>IT infrastructure:</b>					
Inter site data connectivity – main site					
Users account setup in the network					
IT asset and inventory database integration					
Exchange server migration					
Web site					
<b>Voice Service integration plan:</b>					
Voice service connectivity for the main site					
Voice service integration for the main site					
Voice connectivity and service integration for satellite sites					
Establish new voice mail accounts					
Finance					
New job descriptions for all Finance staff.					
Revise budgets					
Training for managers on budget & cost centres					
Update EHT numbers for all sites					
Update insurance coverage					
CCEY D&O for post-closing					
WSIB closing process					
Bank accounts & term deposits					
Signing authorities					
Transfer balances & closing entries					
Audit plan					
Community Care and Wellness Unit (Senior Services)					
On-Call staff Training					
CCEY Operational Policies and Collective agreement training					
WoodGreen Operational Policies and collective agreement training					
Identify all policy and protocols that need to be operational					
Intake Process-immediate issues					
Identify programs that need to be integrated by Dec. 15					
Review WCS Emergency and Pandemic Procedures					
Review with managers of intakes/clients reception					

Integration plan for programs & services					
Establish staff level integration committee for programs					
Client communication & notices					
CCEY client records transfer (PHIPA compliance)					
Establish Seniors Centre Council					
Establish Seniors Advisory Council					
Finalize decision regarding uniforms for PSW/HSW					
Weekly Updates to all staff of WG and CCEY					
Office design – who sits where					
Office design – prepare plans					
Office design –leasehold improvements					
CCEY leases review					
<b>CCEY building services</b>					
Cleaning contract to be assigned to WCS					
Security/Fire & Emergency exit CCEY to assign to WCS					
CCEY Seniors Centre upgrades					
Community Engagement and Volunteer services					
CCEY volunteer personal information consents					
Recognition event					
Identify current CCEY volunteer recruitment practices					
Implement joint Tax Clinic					
Develop new policies and protocols reflecting integrated program					
Marketing					
Develop communications plan for all stakeholders (clients, staff, volunteers, community, funders, donors etc.)					
Pre-closing					
At closing					
During integration					
Branding & signage for all sites					
Training CCEY staff on brand standards					
Media Training selected CCEY staff					
Specific signage plans for CCEY vehicles					
Update WG web page to reflect all CCEY programs and sites					
Post Implementation					
Post implementation review and feedback					
Review Issue Log/Risk Registry					
Assess project cost and scheduling					
Update lessons learned					
Release project staff					
Close project					
CCEY partnership agreements review (1 year post-closing)					



# APPENDIX 9.1

## Integration Review Template

[Project Name]	
<b>Prepared By:</b>	<b>Date:</b>
<b>Project Description:</b> <ul style="list-style-type: none"><li>Brief description of the integration transaction.</li></ul>	
<b>Strategic Rationale:</b> <ul style="list-style-type: none"><li>Description of outcomes achieved with reference to vision, mission and strategic objectives and compared to Business Case.</li><li>Description of specific integration benefits achieved and compared to Business Case.</li></ul>	
<b>Key Performance Metrics:</b> <ul style="list-style-type: none"><li>Summary of key operating metrics related to the transaction and the combined organization, with actual results achieved compared to targets in the Business Case.</li><li>Explanation for major differences between actual results and targets.</li></ul>	
<b>Financial Impact:</b> <ul style="list-style-type: none"><li>Updated financial results/forecast of the integration transaction's impact on revenue and expenses, cash flow and key balance sheet items. Include comparison to Business Case.</li><li>Explanation for major differences to Business Case.</li></ul>	
<b>Implementation:</b> <ul style="list-style-type: none"><li>Summary of key integration milestones actually achieved and compared to Business Case.</li><li>Explanation for major differences to Business Case.</li></ul>	
<b>Key Lessons Learned:</b> <ul style="list-style-type: none"><li>Brief description of key lessons learned from the integration (e.g. What did we do well? What would we do differently next time?).</li></ul>	
<b>Remaining Issues (if any):</b> <ul style="list-style-type: none"><li>Description of any major issues remaining, including plan for resolution, timing and individual responsible.</li><li>Statement as to whether or not any subsequent Board updates or follow-up are required for the project</li></ul>	
<b>Approved By:</b>	<b>Date:</b>

# APPENDIX 9.2

## Sample Performance Metrics

Goal	Metric	
Improve client satisfaction	Summary of feedback received through ongoing community engagement strategy	
Maintain or improve staff satisfaction	Employee feedback related to the integration from annual survey	
	Voluntary turnover	
Program surplus resulting from integration efficiencies will be reinvested into services for seniors	Identify surplus and where it is being reinvested	
Enhance back-office efficiency	Savings achieved through back-office integration	
Increase service to seniors	Case Management - X% increase	X additional clients
		X contacts
	Social Recreational Programs X% increase	X additional clients
		X client attendances
	Volunteer Services X% increase	X additional clients
		X volunteer contacts
	Health Promotion Programs X% increase – Social & Congregate Dining	X additional clients
		X client attendances
	Adult Day Program	X additional clients
		X additional attendances
	Have any other programs or services experienced significant (+/- 10%) volume changes?	