

Consolidated Financial Statements of

ONTARIO MEDICAL ASSOCIATION

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of Ontario Medical Association

We have audited the accompanying consolidated financial statements of Ontario Medical Association, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ontario Medical Association as at December 31, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The budget figures for 2017 are included for information purposes only. We have not audited the budget figures of Ontario Medical Association for the year ended December 31, 2017 and, accordingly, we do not express an opinion on the budget figures.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 29, 2018
Vaughan, Canada

ONTARIO MEDICAL ASSOCIATION

Consolidated Statement of Financial Position
(In thousands of dollars)

December 31, 2017, with comparative information for 2016

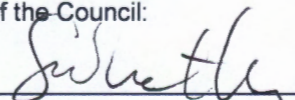
	2017	2016
Assets		
Current assets:		
Cash	\$ 14,818	\$ 15,104
Accounts receivable (note 2)	3,695	2,125
Prepaid expenses	888	1,231
	<u>19,401</u>	<u>18,460</u>
Long-term investments (note 3)	51,072	50,317
Capital assets (note 4)	9,170	9,399
Investment in real estate	3,535	3,363
Accrued pension asset (note 5)	13,434	13,102
	<u>\$ 96,612</u>	<u>\$ 94,641</u>

Liabilities and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,489	\$ 11,041
Due to Canadian Medical Association	1,149	1,198
Deferred revenue	4,928	5,065
Constituency funds (note 6)	3,402	3,307
	<u>19,968</u>	<u>20,611</u>
Deferred rent credits	2,984	3,336
Accrued pension liability (note 5)	3,127	2,932
Net assets:		
Invested in capital assets (note 7)	5,834	5,727
Internally restricted (note 8)	44,611	44,337
Unrestricted	20,088	17,698
	<u>70,533</u>	<u>67,762</u>
Commitments (note 11)		
Subsequent event (note 16)		
	<u>\$ 96,612</u>	<u>\$ 94,641</u>

See accompanying notes to consolidated financial statements.

On behalf of the Council:



Member



Member

ONTARIO MEDICAL ASSOCIATION

Consolidated Statement of Operations
(In thousands of dollars)

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017	Actual 2017		Total	Actual 2016
		General Fund	Insurance Fund (note 9)		
Revenue:					
Membership dues	\$ 51,868	\$ 52,196	\$ –	\$ 52,196	\$ 50,433
Insurance services	12,152	–	13,705	13,705	12,309
Programs (note 12)	3,976	3,483	–	3,483	2,960
Interest and sundry	3,105	2,443	695	3,138	1,912
Income from investment in real estate	390	396	–	396	385
	71,491	58,518	14,400	72,918	67,999
Expenses:					
Executive offices	2,657	3,047	–	3,047	2,570
Legal and governance	7,498	9,622	–	9,622	11,319
Negotiations and implementation	5,205	3,931	–	3,931	4,062
Economics, research, analytics and technology	10,916	10,552	–	10,552	9,616
Advocacy and public affairs	6,776	5,838	–	5,838	12,185
Member services	16,403	14,766	–	14,766	14,923
Insurance services	16,442	–	11,944	11,944	11,666
Institute for Quality Management in Healthcare	2,990	2,471	–	2,471	2,065
Finance and accounting	3,101	3,988	–	3,988	3,174
People and culture (Human resources)	3,028	3,314	–	3,314	3,133
	75,016	57,529	11,944	69,473	74,713
Excess (deficiency) of revenue over expenses	\$ (3,525)	\$ 989	\$ 2,456	\$ 3,445	\$ (6,714)

See accompanying notes to consolidated financial statements.

ONTARIO MEDICAL ASSOCIATION

Consolidated Statement of Changes in Net Assets
(In thousands of dollars)

Year ended December 31, 2017, with comparative information for 2016

					2017	2016
	Invested in capital assets (note 7)	Internally restricted (note 8)	Unrestricted		Total	Total
			General Fund	Insurance Fund (note 9)		
Net assets, beginning of year	\$ 5,727	\$ 44,337	\$ 17,698	\$ -	\$ 67,762	\$ 73,890
Excess (deficiency) of revenue over expenses	(2,011)	-	3,000	2,456	3,445	(6,714)
Insurance sponsorship	-	-	197	(197)	-	-
Net change in investment in capital assets (note 7)	2,118	-	(1,602)	(516)	-	-
Internally imposed restrictions (note 8)	-	274	(325)	51	-	-
Remeasurement gains (losses) (note 5)	-	-	(674)	-	(674)	586
Net assets, end of year	\$ 5,834	\$ 44,611	\$ 18,294	\$ 1,794	\$ 70,533	\$ 67,762

See accompanying notes to consolidated financial statements.

ONTARIO MEDICAL ASSOCIATION

Consolidated Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 3,445	\$ (6,714)
Items not involving cash:		
Amortization	2,347	2,384
Deferred rent credits	(352)	(336)
Income from investment in real estate	(396)	(385)
Defined benefit pension plan expense	1,169	1,282
Change in non-cash operating working capital	(1,876)	1,552
Employer pension contributions	(1,980)	(1,411)
	<u>2,357</u>	<u>(3,628)</u>
Investments:		
Additions to capital assets	(2,118)	(1,283)
Sale of investments, net	(749)	7,262
Distributions from investment in real estate	224	372
	<u>(2,643)</u>	<u>6,351</u>
Increase (decrease) in cash	(286)	2,723
Cash, beginning of year	15,104	12,381
Cash, end of year	<u>\$ 14,818</u>	<u>\$ 15,104</u>

See accompanying notes to consolidated financial statements.

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year ended December 31, 2017

Ontario Medical Association (the "Association" or "OMA") is a not-for-profit organization, incorporated under the Corporations Act (Ontario), established to advance the science and practice of medicine and public health and to provide services to its membership, comprising physicians and student physicians of the Province of Ontario. As a non-profit organization, it is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

1. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Consolidation:

The Association's wholly owned subsidiaries are accounted for as follows:

<u>Subsidiary</u>	<u>Type</u>	<u>Accounting</u>
OntarioMD Inc.	Profit-oriented	Equity basis
OMA Insurance Inc. ("OMAI")	Profit-oriented	Consolidation
Institute for Quality Management in Healthcare ("IQMH")	Not-for-profit	Consolidation
Ontario Physician Services Inc. ("OPSI")	Not-for-profit	Disclosure

All intercompany balances and transactions have been eliminated on consolidation and the accounting policies of the wholly owned subsidiaries adjusted to conform to those of the Association for purposes of consolidation.

(b) Fund accounting:

The Association uses fund accounting and utilizes the following funds:

- (i) General Fund is used to record the operating revenue and expenses of OMA and IQMH; and
- (ii) Insurance Fund reflects the revenue and expenditures of the insurance operations, including OMAI.

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Revenue recognition:

The Association follows the deferral method of accounting. Membership dues are recognized in the year to which billings relate. Deferred revenue comprises the Association's portion of membership dues received on account of the following year. Externally restricted grants are recognized as revenue when the expenditures are made or when the prescribed milestones are met. Interest income and revenue from insurance programs are recognized in the year earned.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Instruments that are quoted in an active market are subsequently measured at fair value. Management has elected to carry all other financial instruments at cost or amortized cost.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Capital assets:

Purchased capital assets are recorded at cost. When a capital asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

1. Significant accounting policies (continued):

Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and office equipment	10 years
Computer hardware and software (laptops - 3 years)	5 years
Leasehold improvements	Lease term

(f) Investment in real estate:

The investment in real estate represents the Association's 9.1155% undivided interest in a building at 525 University Avenue, Toronto. The Association accounts for its interest in the building using the equity method.

(g) Employee future benefits:

The Association offers a pension plan with a defined benefit ("DB") provision and a defined contribution ("DC") provision, which between them covers the majority of employees of the Association. Effective January 1, 2013, the Association closed the DB provision to new entrants. The Association offered the DC provision to new employees effective July 1, 2013.

The Association accrues its obligations under the DB plan as the employees render the services necessary to earn the pension benefits. The benefits are based on years of service and highest average salary. The actuarial determination of the accrued benefit obligations for pensions uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the plan assets and accrued benefit obligation coincides with the Association's fiscal year. The most recent actuarial valuation of the benefit plans for funding purposes was as at December 31, 2016, and the next required valuation will be at December 31, 2019.

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

1. Significant accounting policies (continued):

Actuarial gains (losses) on plan assets arising from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period are immediately recognized as pension remeasurements in the consolidated statement of changes in net assets. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. These differences between actual results and actuarial assumptions are immediately recognized as pension remeasurements in the consolidated statement of changes in net assets.

Past service costs arising from plan amendments are immediately recognized as pension remeasurements in the consolidated statement of changes in net assets.

The cost of the DC provision is based on a percentage of the employee's pensionable earnings.

The Association also sponsors supplementary non-registered plans ("Supplementary plans") for certain executives providing benefits above the maximums prescribed under the Income Tax Act (Canada). The cost of the Supplementary plans is actuarially determined using an accounting valuation which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. The Supplementary plans are not funded.

(h) Deferred rent credits:

Deferred rent credits are amortized on a straight-line basis over the 15-year (main lease), 14-year (subsequent lease) and 10-year (IQMH lease) term of the lease as a reduction of rent expense.

(i) Allocation of facility and general administration expenses:

The Association classifies expenses on the consolidated statement of operations by function. Building and facility expenses have been allocated to functions based on the area used and certain administrative support expenses are allocated to member services based on either task-based service, estimated effort expended or headcount of the program.

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include assets and obligations related to employee future benefits and allocation of expenses. Actual results could differ from those estimates.

2. Accounts receivable:

	2017	2016
Trade receivables	\$ 731	\$ 756
OntarioMD Inc., net of investment	288	236
Receivable from subsidiaries	(1,048)	161
Receivable from Ontario Medical Foundation	39	19
Other receivables	3,685	953
	\$ 3,695	\$ 2,125

3. Long-term investments:

	2017		2016	
	Amortized cost	Average effective yield	Amortized cost	Average effective yield
Due within 1 year	\$ 4,713	2.5%	\$ 4,646	2.0%
Due in 1 - 5 years	46,359	2.6%	45,671	2.8%
	\$ 51,072		\$ 50,317	

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

4. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and office equipment	\$ 4,192	\$ 2,845	\$ 1,347	\$ 1,376
Computer hardware and software	11,487	6,454	5,033	5,000
Leasehold improvements	6,116	3,326	2,790	3,023
	\$ 21,795	\$ 12,625	\$ 9,170	\$ 9,399

Included above in computer hardware and software is \$1,160 (2016 - \$471) associated with assets not in use.

5. Pension plans:

(a) The Association has four defined benefit retirement plans. Information about the Association's defined benefit plans is as follows:

2017	Pension Plan	Supplementary plans	Total
Fair value of plan assets	\$ 69,622	\$ -	\$ 69,622
Accrued pension obligation	56,188	3,127	59,315
Accrued pension asset (liability)	\$ 13,434	\$ (3,127)	\$ 10,307

2016	Pension Plan	Supplementary plans	Total
Fair value of plan assets	\$ 63,767	\$ -	\$ 63,767
Accrued pension obligation	50,665	2,932	53,597
Accrued pension asset (liability)	\$ 13,102	\$ (2,932)	\$ 10,170

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

5. Pension plans (continued):

Continuity of the net accrued asset (liability) is as follows:

			2017	2016
	Pension Plan	Supplementary plans	Total	Total
Balance, beginning of year	\$ 13,102	\$ (2,932)	\$ 10,170	\$ 9,455
Contributions	1,727	253	1,980	1,411
Expense	(938)	(231)	(1,169)	(1,282)
Pension remeasurement and other items	(457)	(217)	(674)	586
Balance, end of year	\$ 13,434	\$ (3,127)	\$ 10,307	\$ 10,170

The significant actuarial assumptions adopted in measuring the Association's accrued pension obligations are as follows (weighted average assumption as at December 31):

	2017	2016
Accrued benefit obligation:		
Discount rate	5.5%	6.00%
Rate of compensation increase	3.5%	4.00%
Benefit costs:		
Discount rate	6.0%	6.00%
Rate of compensation increase	4.0%	4.00%
Pension assets:		
Equity securities	65.00%	65.00%
Debt securities	35.00%	35.00%
	100.00%	100.00%

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

5. Pension plans (continued):

Pension remeasurements and other items arising from differences between actual results and actuarial assumptions reported items in the consolidated statement of changes in net assets consist of:

	2017	2016
Excess of actual return on assets less return calculated using discount rate	\$ 1,925	\$ 615
Actuarial loss on obligation	(2,599)	(29)
	<u>\$ (674)</u>	<u>\$ 586</u>

(b) Total employer matching contributions paid and expensed by the Association under the DC plan provision for the year amounted to \$513 (2016 - \$483).

6. Constituency funds:

The Association collects and holds funds on behalf of certain districts, branch societies and sections which raise funds to support their work on behalf of their members. Funds are disbursed as instructed by the constituency group for whom the funds were received. The related activities have not been disclosed in these consolidated financial statements. Funds held at December 31, 2017 were \$3,402 (2016 - \$3,307).

7. Invested in capital assets:

Investment in capital assets is calculated as follows:

	2017	2016
Capital assets	\$ 9,170	\$ 9,399
Amounts funded by deferred rent credits:		
Current portion, as recorded in accounts payable and accrued liabilities	(352)	(336)
Long-term portion	(2,984)	(3,336)
	<u>\$ 5,834</u>	<u>\$ 5,727</u>

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

7. Invested in capital assets (continued):

The change in this balance is calculated as follows:

	2017	2016
Deficiency of revenue over expenses:		
Amortization	\$ (2,347)	\$ (2,384)
Decrease in deferred rent credits	336	336
	<u>\$ (2,011)</u>	<u>\$ (2,048)</u>
Net change in investment in capital assets:		
Additions to capital assets	\$ 2,118	\$ 1,283

8. Internally restricted net assets:

	2017	2016
Negotiations (a)	\$ 2,356	\$ 2,031
IQMH stabilization (b)	400	400
Stabilization (c)	20,501	20,501
Insurance (d)	21,354	21,405
	<u>\$ 44,611</u>	<u>\$ 44,337</u>

(a) Cost of negotiating and implementing agreements vary significantly from year to year and negotiations reserves are maintained to minimize fluctuations in membership dues. The balance of the negotiations reserves as of December 31, 2017 includes an additional allocation of \$325. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

(b) IQMH established an internally restricted fund to support its operations in the event of unanticipated changes. These internally restricted funds are not available for other purposes without the approval of the IQMH Board of Directors.

(c) The Board of Directors also established an internally restricted fund to support its operations in the event of unanticipated changes. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

8. Internally restricted net assets (continued):

(d) Insurance reserves and related investment earnings are held for the sole purpose of enhancing the insurance benefits available to OMA members and to stabilize insurance premiums for OMA insurance program participants. A deficit was recovered from the OMA insurance reserves for \$51 (note 9) (2016 - \$140).

9. Insurance services:

The Association, through its subsidiary, OMAI, offers Group Insurance plans and individual insurance products for the benefit of members and their families. Group Insurance plans include Group life, Disability, AD&D, EHC/Dental, Critical Illness, Travel and POE coverage.

Group life and disability income programs operate on a retained basis; that is, premiums not required to pay claims, reserve contributions and expenses are returned to the plan members annually. In December 2017, a total of \$37,944 (2016 - \$38,290), including nil (2016 - \$1,769) from the insurance operations, was returned to plan members.

The insurance operations are summarized as follows:

	Budget 2017	Actual 2017	Actual 2016
Revenue	\$ 12,133	\$ 11,563	\$ 12,309
Dividend refund from (to) plan members	–	2,142	(1,769)
Interest	580	695	703
Operating expenses	(16,419)	(11,944)	(9,897)
Excess of revenue over expenses from insurance services	\$ (3,706)	\$ 2,456	\$ 1,346

10. Allocation of expenses:

Administrative support and infrastructure expenses reported in the consolidated statement of operations of \$14,224 (2016 - \$14,012) are reported after allocation of \$2,441 (2016 - \$2,291) to insurance services, and \$128 (2016 - \$103) to IQMH.

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

11. Commitments:

The Association leases office premises at 150 Bloor Street West, Toronto, which expires in 2024, and 393 University Avenue, Toronto, which expires in 2021. The minimum aggregate rental for these premises, including termination charges (excluding escalation and operating charges), as well as office equipment, is as follows:

2018	\$ 2,465
2019	2,561
2020	2,518
2021	2,464
2022	2,235
Thereafter	2,598
	\$ 14,841

12. Program revenue:

The following programs generate program-specific revenue. Related expenses are reported in the appropriate cost centres:

	Budget 2017	Actual 2017	Actual 2016
Annual meeting sponsorship and ticket sales	\$ 41	\$ 35	\$ 16
Seminar sponsorships and registrations	89	35	157
Ontario Medical Review	317	343	312
Physician Health Program	168	203	201
OMA Incorporation Service	172	92	134
Physician Benefits & Discount Program	155	161	227
IQMH	3,022	2,604	1,899
Others	12	10	14
	\$ 3,976	\$ 3,483	\$ 2,960

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

13. Investments in wholly owned subsidiaries:

(a) OntarioMD Inc.:

OntarioMD Inc. was incorporated under the Ontario Business Corporations Act as a for-profit entity. The mandate of OntarioMD Inc. is to achieve the goals set out in the delivery collaborative between OntarioMD Inc. and the Ministry of Health and Long-Term Care ("MOHLTC"). On July 28, 2017, OntarioMD Inc. and the MOHLTC signed a one-year agreement to provide funding of \$24.8 million, including HST, for the 2017-2018 fiscal year. MOHLTC has provided OntarioMD Inc. with monthly funding to support the enhanced use and functional improvement of Electronic Medical Records (EMRs) across the province. OntarioMD Inc.'s primary goal is to support the automation of physician family practices.

At December 31, 2017, assets, liabilities and equity of OntarioMD Inc. were \$25,747, \$25,790 and (\$43) (2016 - \$36,564, \$36,607 and (\$43)), respectively.

Revenue for the year ended December 31, 2017 was \$34,995 (2016 - \$44,842) and expenditures for the year were \$34,995 (2016 - \$44,842).

Cash flows from (used in) operating, financing and investing activities were (\$12,344), \$506 and (\$93) (2016 - (\$26,322), \$442 and \$19,999), respectively.

Financial statements of the subsidiary are available upon request.

The Association provides administrative, support services and facilities to OntarioMD Inc. in return for a fee. Amounts charged to OntarioMD Inc. by the Association during the year amounted to \$1,985 (2016 - \$1,734).

(b) OMAI:

OMAI was incorporated under the Canada Business Corporations Act as a for-profit entity and was subsequently licensed as an insurance agency offering members (and their families) additional life, disability, critical illness, home and auto, legal expense insurance and long-term care insurance.

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

13. Investments in wholly owned subsidiaries (continued):

(c) IQMH:

IQMH was incorporated under the Corporations Act (Ontario) as a not-for-profit entity dedicated to excellence in health care in order to promote patient safety and quality of care. It offers proficiency testing, accreditation services, education and expertise in guideline development.

(d) OPSI:

OPSI was incorporated provincially under the Corporations Act (Ontario) as a not-for-profit corporation with a primary function of administering government-funded programs. OPSI administers the physician health benefit program primarily financed with funding negotiated with MOHLTC. This program offers members a choice among critical illness insurance, extended health coverage and a health spending account.

At December 31, 2017, assets, liabilities and net assets of the OPSI were \$3,760, \$3,760 and nil (2016 - \$10,981, \$10,981 and nil), respectively.

Revenue for the year ended December 31, 2017 was \$26,973 (2016 - \$24,097) and expenses for the year were \$26,973 (2016 - \$24,097).

Cash flows from operating activities was (\$9,135) (2016 - (\$322)).

Any program funding shortfalls will be supported by OMA.

14. Government-funded programs administered by the Association:

In addition to the investments mentioned above, the Association, through IQMH, administers the Quality Management Program - Laboratory Services ("QMP-LS"). This program is funded by MOHLTC to provide proficiency testing and accreditation services to medical laboratories.

QMP-LS is not included in the Association's consolidated financial statements. At December 31, 2017, QMP-LS had a deficit of \$358 (2016 - deficit of \$245).

ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

15. Financial risks:

(a) Interest rate risk:

The Association is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about fixed rate investments are included in note 3.

(b) Market risk:

Market risk arises as a result of trading in fixed income securities. Fluctuations in interest rates and market prices expose the Association to a risk of loss. The Association mitigates this risk through controls to monitor and limit concentration levels.

The Association believes that it is not exposed to significant currency risk or credit risk arising from its financial instruments. There has been no change to the risk profile from 2016.

16. Subsequent event:

Subsequent to year end, the Association sold its investment in real estate resulting in a gain of \$5,828.

17. Comparative information:

Certain comparative information has been reclassified to conform with the financial statements presentation adopted in the current year.