

Consolidated Financial Statements of

**ONTARIO MEDICAL ASSOCIATION**

Year ended December 31, 2018



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## INDEPENDENT AUDITORS' REPORT

To the Members of Ontario Medical Association

### *Opinion*

We have audited the consolidated financial statements of Ontario Medical Association (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, 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.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



***Other Matter - Budget Information***

The budget information included in the financial statements does not form part of the financial statements. We have not audited or reviewed this budget information and, accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this budget information.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



Page 3

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 28, 2019

# ONTARIO MEDICAL ASSOCIATION

Consolidated Statement of Financial Position  
(In thousands of dollars)

December 31, 2018, with comparative information for 2017

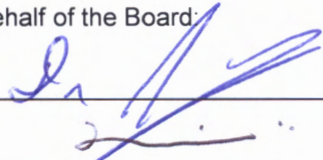
	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 23,874	\$ 14,818
Accounts receivable (note 2)	2,207	3,695
Prepaid expenses	1,112	888
	<u>27,193</u>	<u>19,401</u>
Long-term investments (note 3)	58,029	51,072
Capital assets (note 4)	7,494	9,170
Investment in real estate	—	3,535
Accrued pension asset (note 5)	2,798	13,434
	<u>\$ 95,514</u>	<u>\$ 96,612</u>

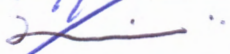
## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,931	\$ 10,489
Due to Canadian Medical Association	259	1,149
Deferred revenue	5,075	4,928
Constituency funds (note 6)	3,440	3,402
	<u>18,705</u>	<u>19,968</u>
Deferred rent credits	2,429	2,984
Accrued pension liability (note 5)	3,004	3,127
Net assets:		
Invested in capital assets (note 7)	4,511	5,834
Internally restricted (note 8)	54,326	44,611
Unrestricted	12,539	20,088
	<u>71,376</u>	<u>70,533</u>
Commitments (note 11)		
	<u>\$ 95,514</u>	<u>\$ 96,612</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Member

  
\_\_\_\_\_  
Member

# ONTARIO MEDICAL ASSOCIATION

Consolidated Statement of Operations  
(In thousands of dollars)

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	Actual 2018		Total	Actual 2017
		General Fund	Insurance Fund (note 9)		
<b>Revenue:</b>					
Membership dues	\$ 54,003	\$ 54,167	\$ -	\$ 54,167	\$ 52,196
Insurance services	12,640	-	14,079	14,079	13,705
Programs (note 12)	3,032	3,014	-	3,014	3,483
Interest and sundry	3,433	3,491	651	4,142	3,138
Income from investment in real estate	383	-	-	-	395
	<u>73,491</u>	<u>60,672</u>	<u>14,730</u>	<u>75,402</u>	<u>72,917</u>
<b>Expenses:</b>					
Executive offices	2,602	3,288	-	3,288	3,046
Legal and governance	7,530	7,693	-	7,693	9,622
Negotiations and implementation	4,680	4,411	-	4,411	3,931
Economics, policy and research	8,284	6,895	-	6,895	7,940
Member relations, advocacy and communications	11,456	10,132	-	10,132	9,142
Member services	9,866	9,333	-	9,333	9,218
Insurance services	17,181	-	14,329	14,329	11,944
Institute for Quality Management in Healthcare	2,355	2,243	-	2,243	2,471
Finance and accounting	3,280	3,053	-	3,053	3,988
People and culture (Human resources)	3,309	3,754	-	3,754	3,314
Technology	4,991	4,593	-	4,593	4,856
	<u>75,534</u>	<u>55,395</u>	<u>14,329</u>	<u>69,724</u>	<u>69,472</u>
Excess (deficiency) of revenue over expenses before the undermoted	(2,043)	5,277	401	5,678	3,445
Gain on sale of investment in real estate	-	6,462	-	6,462	-
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (2,043)</b>	<b>\$ 11,739</b>	<b>\$ 401</b>	<b>\$ 12,140</b>	<b>\$ 3,445</b>

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, 2018, with comparative information for 2017

					2018	2017
	Invested in capital assets (note 7)	Internally restricted (note 8)	Unrestricted		Total	Total
			General Fund	Insurance Fund (note 9)		
Net assets, beginning of year	\$ 5,834	\$ 44,611	\$ 18,294	\$ 1,794	\$ 70,533	\$ 67,762
Excess (deficiency) of revenue over expenses	(2,734)	–	14,473	401	12,140	3,445
Insurance sponsorship	–	–	198	(198)	–	–
Net change in investment in capital assets (note 7)	1,411	–	(2,304)	893	–	–
Internally imposed restrictions (note 8)	–	9,715	(9,699)	(16)	–	–
Remeasurement losses (note 5)	–	–	(11,297)	–	(11,297)	(674)
<b>Net assets, end of year</b>	<b>\$ 4,511</b>	<b>\$ 54,326</b>	<b>\$ 9,665</b>	<b>\$ 2,874</b>	<b>\$ 71,376</b>	<b>\$ 70,533</b>

See accompanying notes to consolidated financial statements.

# ONTARIO MEDICAL ASSOCIATION

Consolidated Statement of Cash Flows  
(In thousands of dollars)

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 12,140	\$ 3,445
Items not involving cash:		
Amortization	2,384	2,347
Write-off of capital assets	703	-
Deferred rent credits	(353)	(336)
Income from investment in real estate	-	(396)
Gain on sale of investment in real estate	(6,462)	-
Defined benefit pension plan expense	1,328	1,169
Change in non-cash operating working capital	441	(1,892)
Employer pension contributions	(2,112)	(1,980)
	<u>8,069</u>	<u>2,357</u>
Investments:		
Additions to capital assets	(1,411)	(2,118)
Purchase of investments, net	(6,957)	(749)
Proceeds from sale of investment in real estate	9,283	-
Distributions from investment in real estate	72	224
	<u>987</u>	<u>(2,643)</u>
Increase (decrease) in cash	9,056	(286)
Cash, beginning of year	14,818	15,104
Cash, end of year	<u>\$ 23,874</u>	<u>\$ 14,818</u>

See accompanying notes to consolidated financial statements.



# ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended December 31, 2018

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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:

Subsidiary	Type	Accounting
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

For the consolidated subsidiaries, 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 expenses of the insurance operations, including OMAI.

# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

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## 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 expenses 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. Equity 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, 2018

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## 1. Significant accounting policies (continued):

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

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

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### (f) Investment in real estate:

The investment in real estate represented the Association's 9.1155% undivided interest in a building at 525 University Avenue, Toronto. The Association accounted for its interest in the building using the equity method. In 2018, the Association sold its interest in the building.

### (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 measures its defined benefit obligation using an actuarial valuation prepared for funding purposes. The most recent actuarial valuation of the DB plan for funding purposes was as at December 31, 2017, and the next required valuation will be at December 31, 2020.

# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

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. In 2018, changes in Ontario pension legislation resulted in the requirement to include an explicit formula based provision for adverse deviation that is added to going concern liabilities and services cost, and funded.

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.

# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (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.

### (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, allocation of expenses and certain accrued liabilities. Actual results could differ from those estimates.

## 2. Accounts receivable:

	2018	2017
Trade receivables	\$ 424	\$ 731
OntarioMD Inc., net of investment	501	288
Receivable from subsidiaries	129	(1,048)
Receivable from Ontario Medical Foundation	35	39
Other receivables	1,118	3,685
	<u>\$ 2,207</u>	<u>\$ 3,695</u>

# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

### 3. Long-term investments:

	2018		2017	
	Amortized cost	Average effective yield	Amortized cost	Average effective yield
Due within 1 year	\$ 10,155	2.3%	\$ 4,713	2.5%
Due in 1 - 5 years	47,874	2.6%	46,359	2.6%
	<b>\$ 58,029</b>		<b>\$ 51,072</b>	

### 4. Capital assets:

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and office equipment	\$ 4,399	\$ 3,258	\$ 1,141	\$ 1,347
Computer hardware and software	11,925	7,963	3,962	5,033
Leasehold improvements	6,170	3,779	2,391	2,790
	<b>\$ 22,494</b>	<b>\$ 15,000</b>	<b>\$ 7,494</b>	<b>\$ 9,170</b>

Included above in computer hardware and software is \$248 (2017 - \$1,160) associated with assets not in use.

Insurance services and technology expense includes \$596 and \$107 (2017 - nil and nil), respectively, of write-off of capital assets under development.

### 5. Pension plans:

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

2018	Pension Plan	Supplementary plans	Total
Fair value of plan assets	\$ 67,233	\$ -	\$ 67,233
Accrued pension obligation	64,435	3,004	67,439
Accrued pension asset (liability)	\$ 2,798	\$ (3,004)	\$ (206)

# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

## 5. Pension plans (continued):

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

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

	2018		2017	
	Pension Plan	Supplementary plans	Total	Total
Balance, beginning of year	\$ 13,434	\$ (3,127)	\$ 10,307	\$ 10,170
Contributions	1,883	229	2,112	1,980
Expense	(1,104)	(224)	(1,328)	(1,169)
Pension remeasurement and other items	(11,415)	118	(11,297)	(674)
<b>Balance, end of year</b>	<b>\$ 2,798</b>	<b>\$ (3,004)</b>	<b>\$ (206)</b>	<b>\$ 10,307</b>

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

	2018	2017
Accrued benefit obligation:		
Discount rate	5.65%	5.5%
Rate of compensation increase	3.50%	3.5%
Benefit costs:		
Discount rate	5.50%	6.0%
Rate of compensation increase	3.50%	4.0%
Pension assets:		
Equity securities	65.00%	65.00%
Debt securities	35.00%	35.00%
	<b>100.00%</b>	<b>100.00%</b>

# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

## 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:

	2018	2017
Excess of actual return on assets less return calculated using discount rate	\$ (6,298)	\$ 1,925
Actuarial loss on obligation	(4,999)	(2,599)
	<u>\$ (11,297)</u>	<u>\$ (674)</u>

(b) Total employer matching contributions paid and expensed by the Association under the DC plan provision for the year amounted to \$632 (2017 - \$530).

## 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, 2018 were \$3,440 (2017 - \$3,402).

## 7. Invested in capital assets:

Investment in capital assets is calculated as follows:

	2018	2017
Capital assets	\$ 7,494	\$ 9,170
Amounts funded by deferred rent credits:		
Current portion, as recorded in accounts payable and accrued liabilities	(554)	(352)
Long-term portion	(2,429)	(2,984)
	<u>\$ 4,511</u>	<u>\$ 5,834</u>



# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

## 7. Invested in capital assets (continued):

The change in this balance is calculated as follows:

	2018	2017
Deficiency of revenue over expenses:		
Amortization	\$ (2,384)	\$ (2,347)
Decrease in deferred rent credits	353	336
Write-off of capital assets	(703)	-
	<u>\$ (2,734)</u>	<u>\$ (2,011)</u>
Net change in investment in capital assets:		
Additions to capital assets	\$ 1,411	\$ 2,118

## 8. Internally restricted net assets:

	2018	2017
Negotiations (a)	\$ 2,356	\$ 2,356
IQMH stabilization (b)	400	400
Stabilization (c)	30,200	20,501
Insurance (d)	21,370	21,354
	<u>\$ 54,326</u>	<u>\$ 44,611</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. 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, 2018

## 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. OMA insurance reserves includes a surplus of \$16 (2017 - \$51 deficit).

## 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 2018, a total of \$22,214 (2017 - \$37,944) was returned to plan members.

The insurance operations are summarized as follows:

	Budget 2018	Actual 2018	Actual 2017
Revenue	\$ 12,640	\$ 12,407	\$ 11,563
Dividend refund from (to) plan members	-	1,672	2,142
Interest	601	651	695
Operating expenses	(17,181)	(14,329)	(11,944)
Excess of revenue over expenses (expenses over revenue) from insurance services	\$ (3,940)	\$ 401	\$ 2,456

## 10. Allocation of expenses:

Certain expenses are reported in the consolidated statement of operations after allocation of \$2,827 (2017 - \$2,441) to insurance services and \$149 (2017 - \$128) to IQMH.

# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

## 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 rent for these premises, including termination charges (excluding escalation and operating charges), as well as office equipment, is as follows:

2019	\$ 2,589
2020	2,566
2021	2,464
2022	2,235
2023	2,227
Thereafter	371
	<b>\$ 12,452</b>

## 12. Program revenue:

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

	Budget 2018	Actual 2018	Actual 2017
Annual meeting sponsorship and ticket sales	\$ -	\$ -	\$ 35
Seminar sponsorships and registrations	17	22	35
Ontario Medical Review	197	240	343
Physician Health Program	194	180	203
OMA Incorporation Service	102	81	92
Physician Benefits & Discount Program	257	219	161
IQMH	2,255	2,252	2,604
Others	10	20	10
	<b>\$ 3,032</b>	<b>\$ 3,014</b>	<b>\$ 3,483</b>

# ONTARIO MEDICAL ASSOCIATION

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

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## 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"). In December 2018, OntarioMD Inc. and the MOHLTC signed a 3 month agreement to provide funding of \$6.2 million, including HST, for the 2018-2019 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, 2018, assets, liabilities and equity of OntarioMD Inc. were \$17,832, \$17,876 and (\$43) (2017 - \$25,747, \$25,790 and (\$43)), respectively.

Revenue for the year ended December 31, 2018 was \$29,942 (2017 - \$34,995) and expenses for the year were \$29,942 (2017 - \$34,995).

Cash flows from (used in) operating, financing and investing activities were (\$7,652), \$653 and (\$31) (2017 - (\$12,344), \$506 and (\$93)), 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 \$2,018 (2017 - \$1,985).

### (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 and legal expense insurance.

# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

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## 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, 2018, assets, liabilities and net assets of the OPSI were \$2,139, \$3,636 and (\$1,497), (2017 - \$3,760, \$3,760 and nil), respectively.

Revenue for the year ended December 31, 2018 was \$27,003 (2017 - \$26,973) and expenses for the year were \$28,500 (2017 - \$26,973).

Cash flows from operating activities was \$293 (2017 - (\$9,135)).

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, 2018, QMP-LS had a deficit of \$291 (2017 - deficit of \$358).

# ONTARIO MEDICAL ASSOCIATION

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

Year ended December 31, 2018

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## 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 2017.

## 16. Comparative information:

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