

2023 OMA AGM

Finance and Audit Committee Report to the OMA AGM

Dr. Sanjay Acharya, Chair, May 04, 2023



Mr. Chair and Members of the OMA Board:

1. The Finance and Audit Committee, a committee of the board, comprises the following five members:
 - Sanjay Acharya, Chair*
 - Carmen Rossiter, Vice-Chair*
 - Cathy Faulds, Chair of the OMA Board*
 - Sue Armstrong, (FAC Member, non-OMA Director)*
 - Sharon Bal, FAC Member*
2. Since the last Finance and Audit Committee report, the committee met six times on June 8, August 31, October 12, November 17, 2022, and January 18 and March 17, 2023.
3. As per the approved terms of reference, the committee will assist the board in monitoring and oversight of the financial affairs of the association, its subsidiaries and the OMA employees' pension plans, and ensure compliance with all applicable laws and regulatory requirements relating to financial reporting and disclosures. The committee will:
 - a. Manage relations with the external auditors. Review the annual audit plan and the audited financial statements of the OMA. Receive the auditors' reports on their independence and any issues arising from the audit and complete an annual assessment of the effectiveness of the external auditor.
 - b. Manage relations with the internal auditors. Review the three years internal audit plan and regularly oversee the risk register. Receive the internal audit reports and monitor the action items.
 - c. Provide guidance and direction in developing the association's annual operating budgets.
 - d. Conduct a detailed and wide-ranging review of the expenditure in the association's operations, including a review of forecasts and additional expenses approved during the year.
 - e. Receive information on the audited financial statements of the OMA's subsidiary corporations: OntarioMD Inc., OMA Insurance Inc., and Ontario Physician Services Inc.
 - f. Oversee and monitor the work of the OMA Pension Committee, including review of the audited financial statements of the OMA Employees' Defined Benefit (DB) and Defined Contribution (DC) pension plans.
 - g. Review and approve the association's Investment Policy and portfolio to ensure compliance and sound decision-making; review the OMA's Reserves Policy annually for due diligence.
 - h. Review the Association's financial risk management, insurance coverage, and business continuity programs.
 - i. Maintain oversight of constituency funds on deposit with the association.
 - j. Review the reports of the association's internal auditor, whose work focuses primarily on examining and evaluating the adequacy and effectiveness of the Association's system of internal controls.

- k. Maintain oversight on the measures to enhance the association's management control processes.
- l. Participate in ongoing continuing professional education.

INTERNAL AUDIT

4. The role of the internal audit is to provide independent assurance that OMA's risk management, governance and internal control processes are operating effectively. MNP conducted an enterprise-wide risk assessment through collaboration and input from key personnel to identify threats, risks and their impact on the organization.
5. Based on the assessment, MNP developed a three-year audit plan approved by the board. The audit plan for 2022 included cyber security, entity level controls, governance, and succession planning.

2022 OPERATIONS (in \$000's)

6. OMA operations resulted in a surplus of \$7,870 which was in line with the prior year's surplus of \$7,904. The surplus resulted from a combination of factors including lower-than-budgeted expenses due to the Covid-19 environment and unused advertising campaign budget. The Physician Services Agreement was reached earlier than planned, resulting in a favorable variance as committee-related costs and legal fees were lower.
7. Total revenues of \$75,914 from all sources increased by \$1,282 over the prior year. Revenues from the Insurance program amounted to \$12,453 and slightly higher than the prior year by \$469. Program revenue of \$91 was lower by \$1,227 compared to the prior year, mainly due to loss from investment in OMD and cancellation of corporate partnership events. The income generated by specific programs is detailed in Note 12, page 15 of the audited financial statements; the expenses related to program revenues are reported in the relevant cost centers. Interest and sundry totaled \$3,389.
8. Total expenses of \$69,623 were slightly higher than the prior year by \$467.
9. Total revenues from the Ontario Priority Insurance Program (OPIP) and other insurance funds amounted to \$3,534, mainly representing member contributions. Program costs of \$1,955 included premiums for the legal expense insurance and security evacuation coverage and the transition costs for the insurance program administration.
10. The cost of negotiating and implementing an agreement varies from year to year, and to minimize large fluctuations in membership dues and/or special levies, the OMA continues to maintain a negotiations reserve to support negotiations-related costs and ratification of the cyclical master agreements. At year-end 2022, the negotiations reserve stood at \$2,356.

MEMBERSHIP

11. Membership in 2022 totaled 47,541 and a further 98 non-members paid dues-
12. Association membership increased by 753 in the full fee category.

FINANCIAL POSITION OF THE ASSOCIATION

(In \$000's unless specified otherwise)

13. The Statement of Financial Position presents the association's financial position at the year-end 2022. Assets total \$103,591, of which \$19,248 were current (that is, realizable within one year). Other significant assets include long-term investments of \$75,080, capital assets including leasehold improvements, furniture and computer equipment of \$6,898 and the accrued pension asset of \$2,365 which decreased from \$21,900 in 2021 because of lower-than-expected returns.
14. Liabilities totaled \$16,426 of which \$13,847 were current (that is, payable within one year) and the balance represents accrued pension liabilities of \$2,484 and deferred rent credits of \$95. Constituency funds on deposit with the association of \$4,954 are also included in current liabilities.
15. Net assets amounted to \$87,165 and consisted of \$6,230 invested in capital assets, \$62,600 of restricted assets and \$18,335 of unrestricted assets. The internally restricted assets comprise \$30,200 for the long-term stability of the Association and \$2,356 for negotiations-driven costs. An additional \$30,044 is held in reserve to stabilize member insurance premiums and enhance benefits for OMA insurance program participants following directions from the OMA Insurance board. The objective of net assets is to safeguard the Association's ability to continue operations and meet member needs including maintaining short-term solvency and providing for various contingencies such as protracted negotiations, loss of program funding, loss of dues revenue and costs of an orderly wind-down such as staff severance and unfunded pension obligations.

Further information about these balances is disclosed in the Statement of Changes in Net Assets (page 5 of the audited financial statements).

CHANGES IN CASH POSITION

16. The Statement of Cash Flows details transactions during the year affecting the Association's cash balances.
17. OMA's cash position was \$10,524 at December 31, 2022, a decrease of \$2,020 from the \$8,504 cash position in the prior year. Operating activities generated a positive cash flow of \$10,031. Investing activities indicated a negative cash flow of \$7,425, primarily due to the purchase of long-term investments and capital assets. Cash at year-end is held on deposit with major Canadian financial institutions in interest-bearing accounts.

OMA INSURANCE INC. (OMAI)

18. OMA Insurance Inc. is an OMA-owned for-profit insurance agency, created to enable licensed personnel to sell individual insurance products. Commission income is earned on insurance sales. Effective January 1, 2017, the insurance operations, including group plans, were transferred to OMAI.
19. The insurance programs are reported as part of OMA's financial statements and include the results from the operations of OMA Insurance Inc. and activities in the insurance reserves under OMA (Note 9 – page 14 of the audited financial statements).
20. The Advantages Retirement Plan, sponsored by OMA Insurance Inc., was officially launched to the membership in early 2020. Information about this program is disclosed in Note 15 (page 17 of the audited financial statements)

ONTARIOMD INC. (OMD)

21. 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 EMR Funding Agreement between OntarioMD Inc. and Ontario Health. This investment in the wholly owned subsidiary is accounted for using the equity method. The financial results are not consolidated in the OMA financial statements but are reported in Note 13a, page 15 of the statements.

ONTARIO PHYSICIAN SERVICES INC. (OPSI)

22. OPSI was incorporated provincially on February 2, 2012, and is a wholly owned subsidiary of the Association with a primary function of administering government-funded programs. Currently, OPSI administers the Physician Health Benefit Program (PHBP), which is financed primarily from funding negotiated with the Ministry of Health (MOH). Any funding gap will be covered by insurance reserves. This program offers members a choice among critical illness insurance, extended health coverage and a health spending account. The financial results are not included as part of the OMA financial statements but are reported in Note 13(c) – page 16 of the audited financial statements.

PROGRAMS ADMINISTERED BY THE ASSOCIATION

23. Since 1998, the association has offered dues collection and cash management services to sections, branch societies and districts. In 2022, the OMA collected \$2,904 in dues on behalf of 81 constituencies, of which funds are held for 55, with a total cash balance of \$4,954 at year-end (Note 6 – page 12 of the audited financial statements).
24. The programs administered by the Association or its subsidiaries include the EMR Funding Agreement and Physician Health Benefit Program. Funds are held in accordance with the Memoranda of Understanding between the OMA and the Ministry, which govern the uses to which these funds may be allocated, as well as administration, accounting, and reporting requirements.

Fund balances and transactions are not part of the association’s financial statements. They are accounted for and audited separately from the OMA.

25. In April 2022, OntarioMD Inc. and Ontario Health signed a one-year agreement to provide funding of \$28.8 million from April 1, 2022, to March 31, 2023. Ontario Health will provide OntarioMD with monthly funding to support the enhanced use and functional improvement of electronic medical records (EMRs) across the province.
26. The Physician Health Benefit Program offers members a choice among critical illness insurance, extended health benefits and health spending account. The Agreement with the Ministry provides for annual funding of up to \$28.5 million for both premiums and administration.

AUDITOR’S REPORT AND FINANCIAL STATEMENTS

27. On March 17, 2023, the Committee received the draft report of the Association’s external auditors concerning the annual audit and the 2022 financial statements of the Association. The attached draft auditor’s report and financial statements form part of this **Report to the AGM** and are presented below.

RECOMMENDATIONS

28. The Board, at its meeting on March 22, 2023, approved the draft audited financial statements for the OMA for the year ended December 31, 2022, and the re-appointment of Deloitte LLP as OMA’s auditors for 2023.

Respectfully Submitted,

*Sanjay Acharya, Chair
Finance and Audit Committee*

Attachments:

Appendix A – Membership Revenue

Appendix B - Auditor’s Report

Appendix C - Audited Financial Statements of the OMA – December 31, 2022

Appendix A

ONTARIO MEDICAL ASSOCIATION
Membership Revenue (in thousands of dollars)
Year ended December 31, 2022, with comparative figures for 2021

MEMBERSHIP CATEGORY	ACTUAL 2022		ACTUAL 2021	
	# MBRS	REVENUE	# MBRS	REVENUE
Full fee	28,071	\$ 54,989	27,318	\$ 53,529
Part time practice	1,386	1,242	1,465	1,329
Second year in practice	1,280	1,660	1,341	1,735
First year in practice	1,406	893	1,303	838
Residents	3,696	526	3,888	564
Medical students	3,382	34	3,556	36
Non-resident - regular	467	72	471	73
Non-resident - Insurance only	1,115	56	1,116	56
Retired	1,604	160	1,554	155
Inactive	396	40	381	38
Non-clinical practice	316	285	305	278
Individual assessment	3	0	7	0
Complimentary members	4,395	0	4,160	0
TOTAL MEMBERS	47,541	\$ 59,956	46,865	\$ 58,631
Non-members	98	100	74	82
TOTAL	47,639	\$ 60,056	46,939	\$ 58,712
Adjustments		(75)		(98)
GRAND TOTAL	47,639	\$ 59,981	46,939	\$ 58,614