

Financial Statements of

ONTARIO MD INC.

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of OntarioMD Inc.

Opinion

We have audited the financial statements of OntarioMD Inc. (the Entity), which comprise:

- the balance sheet as at March 31, 2019
- the statement of operations and retained earnings (deficit) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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.



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 private enterprises, 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.

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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 18, 2019

ONTARIO MD INC.

Balance Sheet

March 31, 2019, with comparative information for 2018

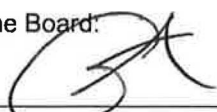
	2019	2018
Assets		
Current assets:		
Cash	\$ 4,686,362	\$ 24,167,459
Accounts receivable	444,290	715,074
Prepaid expenses and deposits	141,150	148,066
	<u>5,271,802</u>	<u>25,030,599</u>
Capital assets (note 3)	176,874	189,822
	<u>\$ 5,448,676</u>	<u>\$ 25,220,421</u>

Liabilities and Shareholder's Equity (Deficiency)


Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,021,047	\$ 3,110,065
Interest payable (note 4)	537,259	1,440,417
Due to Ontario Medical Association (note 5)	379,823	386,269
Deferred revenue (note 6)	1,160,393	20,137,344
Income taxes payable (note 12)	19,469	—
	<u>5,117,991</u>	<u>25,074,095</u>
Deferred capital contributions (note 7)	176,874	189,822
	<u>5,294,865</u>	<u>25,263,917</u>
Shareholder's equity (deficiency):		
Share capital:		
Authorized:		
Unlimited preference shares, redeemable, non-voting		
Unlimited common shares		
Issued:		
1 common share	1	1
Retained earnings (deficit)	153,810	(43,497)
	<u>153,811</u>	<u>(43,496)</u>
Economic dependence (note 13)		
	<u>\$ 5,448,676</u>	<u>\$ 25,220,421</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

ONTARIOMD INC.

Statement of Operations and Retained Earnings (Deficit)

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
MOHLTC TPA activities:		
Revenue:		
Physician subsidies and incentives	\$ 4,884,425	\$ 11,368,475
Operating funds	16,964,869	15,110,451
Product strategy and delivery projects (note 8)	4,453,055	4,386,707
Deferred capital contributions	34,546	21,332
Interest - physician subsidies	251,493	274,116
Interest - operating	138,116	59,027
Other (note 9)	364,291	1,753,537
	<u>27,090,795</u>	<u>32,973,645</u>
Program expenses:		
Physician IT programs:		
Client services and engagement	4,806,279	5,311,438
Peer Leader Projects	406,593	181,754
Physician IT services	2,090,671	2,183,558
Insight, Engagement & Transformation	1,016,700	1,112,550
Product strategy and delivery (note 8)	5,361,612	5,058,695
Technology and integration	1,989,815	1,565,123
Information management	718,432	733,677
Corporate services	5,426,659	5,125,232
Interest (note 4)	389,609	333,143
Physician subsidies and incentives:		
Legacy PC - IT funding	177,700	245,000
New electronic medical record Adoption	2,331,550	5,559,775
New electronic medical record Adoption		
Program Extension 2	2,375,175	5,563,700
	<u>27,090,795</u>	<u>32,973,645</u>
Non-MOHLTC TPA activities (note 10):		
Non-MOHLTC TPA revenue	1,106,013	139,276
Non-MOHLTC TPA expenses	(889,237)	(139,276)
	<u>216,776</u>	<u>-</u>
Net income before income taxes	216,776	-
Income taxes (note 12)	19,469	-
Net income	197,307	-
Deficit, beginning of year	(43,497)	(43,497)
Retained earnings (deficit), end of year	<u>\$ 153,810</u>	<u>\$ (43,497)</u>

See accompanying notes to financial statements.

ONTARIO MD INC.

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Net income	\$ 197,307	\$ –
Items not involving cash:		
Amortization of capital assets	34,546	21,332
Amortization of deferred capital contributions	(34,546)	(21,332)
Change in non-cash operating working capital	(18,768,800)	(9,059,749)
	(18,571,493)	(9,059,749)
Financing activities:		
(Decrease) increase in interest payable	(903,158)	333,143
Decrease in amount due to Ontario Medical Association	(6,446)	(10,631)
Increase in deferred capital contributions	21,598	179,163
	(888,006)	501,675
Investing activities:		
Purchase of capital assets	(21,598)	(179,163)
Decrease in cash	(19,481,097)	(8,737,237)
Cash, beginning of year	24,167,459	32,904,696
Cash, end of year	\$ 4,686,362	\$ 24,167,459

See accompanying notes to financial statements.

ONTARIOMD INC.

Notes to Financial Statements

Year ended March 31, 2018

OntarioMD Inc. (the "Company") was incorporated under the Ontario Business Corporations Act as a for-profit entity. The mandate of the Company is to achieve the goals set out in the EMR Funding Transfer Payment Agreement ("TPA") between the Company and the Ministry of Health and Long-Term Care ("MOHLTC"). On April 19, 2018, the Company and the Ministry signed a nine-month amendment to provide funding of \$16.4 million, excluding HST, for the period April 1, 2018 to December 31, 2018. On December 20, 2018 an extension was signed for an additional 3 months to provide funding of \$5.5 million, excluding HST, for the period of January 1, 2019 to March 31, 2019. Effective March 31, 2019, both parties agreed to the terms of a twelve-month extension that provides funding of \$21.9 million, excluding HST, for the period April 1, 2019 to March 31, 2020. The Company approved this amendment and returned it to MOHLTC for their approval. In May 2019, MOHLTC advised the Company that they were revising the amendment. Those revisions are currently under negotiation and not yet complete. The Ministry has provided the Company with monthly funding to support the enhanced use and functional improvement of Electronic Medical Records ("EMR") across the province. The Company's primary goal is to support the automation of physician family practices.

The program initiative described in the TPA and amendments includes financial support for resources and educational services to assist physicians in implementing and using EMR systems. There is no new funding to implement or upgrade EMR systems. The TPA and amendments also include:

- (a) Administering physician subsidies and incentives until the end of the program, December 31, 2018;
- (b) Practice information technology adoptions and operations activities and a Help Desk for physicians and their staff to assist them to acquire and implement information technology. This includes communicating and marketing the program to physicians;
- (c) Product management and strategic solutions managing enhancements to, and broadened use of, the Physician Portal and a suite of physician products to complement the adoption and functionality of EMR systems;
- (d) Certifying and managing EMR systems (formerly Clinical Management Systems) software solutions to comply with functional specifications and maintaining and developing the specifications to meet physicians' changing needs; and
- (e) Participation in other regional, provincial or federal EMR adoption initiatives, and other services and projects, as agreed to between the parties.

ONTARIO MD INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises ("ASPE").

(a) Revenue recognition:

The Company receives its revenue from MOHLTC, conference exhibitor and participant registration fees, vendor system certifications and various other agencies and organizations in accordance with various agreements. Revenue is recognized, in accordance with the agreements, when related expenses are incurred. Deferred revenue represents project and program funding received, but not yet spent.

Deferred capital contributions are recognized as revenue on the same basis as the related capital assets are amortized.

Interest is recognized as earned.

(b) Investments:

The investments are stated at cost plus accrued interest.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently measured 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 Company 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 Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, market or credit risk arising from financial instruments.

ONTARIO MD INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets consist of computer hardware, software, furniture and office equipment and leasehold improvements and are stated at cost, less accumulated amortization. Amortization is provided on the straight-line basis over the assets' estimated useful lives as follows:

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

(e) Income taxes:

The Company uses the future income taxes method of accounting for income taxes. Under the future income taxes method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for the current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

(f) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

ONTARIO MD INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

All other related party transactions are measured at the carrying amount.

(g) Use of estimates:

The preparation of the financial statements in conformity with ASPE 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 financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and certain accrued liabilities. Actual results could differ from those estimates.

2. Credit facility:

In June 2018, the Company entered into a facility agreement consisting of a \$1,000,000 revolving operating line of credit. The facility is unsecured and interest is charged at the bank's prime rate per annum. As at March 31, 2019, no amounts were drawn on the facility.

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 65,049	\$ 43,693	\$ 21,356	\$ 24,813
Software	732,951	686,743	46,208	48,801
Furniture and equipment	58,710	7,395	51,315	57,186
Leasehold improvements	69,758	11,763	57,995	59,022
	<u>\$ 926,468</u>	<u>\$ 749,594</u>	<u>\$ 176,874</u>	<u>\$ 189,822</u>

Amortization expense related to capital assets amounted to \$34,546 (2018 - \$21,332).

4. Interest payable:

Under the TPA, any interest earned is payable to MOHLTC on demand and, accordingly, is recorded as an expense.

ONTARIO MD INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Due to Ontario Medical Association ("OMA"):

The amounts due to OMA are non-interest bearing, are unsecured and have no specified terms of repayment.

OMA provides administrative and support services to the Company in return for a fee. Amounts charged by OMA to the Company in the year ended March 31, 2019 amounted to \$1,980,397 (2018 - \$1,993,783). At March 31, 2019, \$248,894 (2018 - \$255,340) is included in amount due to OMA, in respect of these charges and reimbursement for third-party expenses paid by OMA.

	2019	2018
Loan payable to OMA	\$ 130,929	\$ 130,929
Services and purchases provided by OMA	248,894	255,340
	<u>\$ 379,823</u>	<u>\$ 386,269</u>

6. Deferred revenue:

	2019	2018
Physician subsidies	\$ –	\$ 16,926,751
Operating funds	1,117,293	3,181,987
Other	43,100	28,606
	<u>\$ 1,160,393</u>	<u>\$ 20,137,344</u>

7. Deferred capital contributions:

	Balance, beginning of year	Contributions received	Amortization	Balance, end of year
Capital assets	\$ 189,822	\$ 21,598	\$ 34,546	\$ 176,874

ONTARIO MD INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Product strategy and delivery:

The revenue and expenses for the product strategy and delivery projects are as follows:

	2019	2018
Projects:		
Hospital report manager expansion	\$ 2,364,624	\$ 2,176,667
EMR dashboard	1,283,512	542,286
eConsult RM phase 2 pilot	472,815	1,604,536
DHIR/DHDR	162,244	–
OLIS deployment	104,832	63,218
Clinical Connect	65,028	–
	4,453,055	4,386,707
Operations	908,557	671,988
	\$ 5,361,612	\$ 5,058,695

9. Other revenue:

	Revenue	Expenses
Conference	\$ 163,465	\$ 175,340
Ontario Telemedicine Network (eConsult Project)	135,826	1,069,620
Vendor Certifications	65,000	20,000
Canada Health Infoway (OLIS PQ Project)	–	190,365
Canada Health Infoway (Peer Leader Project)	–	298,212
	\$ 364,291	\$ 1,753,537

10. Non-MOHLTC TPA revenue and expenses:

	Revenue	Expenses
Canada Health Infoway (OLIS PQ Project)	\$ 166,933	\$ –
Ontario Telemedicine Network (eVisit Project)	324,950	310,252
eHealth Ontario (TC & NER LHIN Project)	463,426	460,738
Reformulary Group Project	6,661	4,573
Saskatchewan Medical Association (EPA Project)	144,043	113,674
	\$ 1,106,013	\$ 889,237

ONTARIO MD INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

11. Defined contribution ("DC") pension plan:

The Company's employees are part of the OMA DC pension plan. Total employer matching contributions paid and expensed by the Company under the DC plan amounted to \$581,465 (2018 - \$528,944).

12. Income taxes:

As at March 31, 2019, the Company has nil non-capital loss carryforward available to reduce future years' income for tax purpose (2018 - \$13,073).

13. Economic dependence:

The Company receives the majority of its revenue in the form of funds from MOHLTC.

14. Comparative information:

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