

**Alberta Medical Association
(C.M.A. Alberta Division)**

Consolidated Financial Statements
September 30, 2022



Independent auditor's report

To the Members of Alberta Medical Association (C.M.A. Alberta Division)

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alberta Medical Association (C.M.A. Alberta Division) and its subsidiary (together, the Entity) as at September 30, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Entity's consolidated financial statements comprise:

- the consolidated statement of financial position as at September 30, 2022;
- the consolidated statement of changes in net assets for the year then ended;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for

PricewaterhouseCoopers LLP
Stantec Tower, 10220 103 Avenue NW, Suite 2200, Edmonton, Alberta, Canada T5J 0K4
T: +1 780 441 6700, F: +1 780 441 6776



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.

In preparing the consolidated 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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.
- 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 auditor's report to the related disclosures in the consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
February 13, 2023

Alberta Medical Association (C.M.A. Alberta Division)

Consolidated Statement of Financial Position

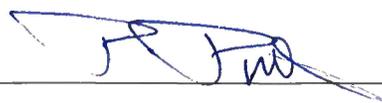
As at September 30, 2022

				2022	2021
	General Fund \$	Contingency Reserve Fund \$	Premium Reserve Fund \$	Total \$	Total \$
Assets					
Current assets					
Cash	15,862,706	2,493,374	952,418	19,308,498	19,082,708
Accounts receivable and prepaid expenses	1,176,943	-	5,340	1,182,283	917,782
Due from administered programs (note 2)	683,053	-	-	683,053	1,199,554
Due from AMA Health Benefits Trust Fund (note 13)	39,500	-	-	39,500	257,126
	17,762,202	2,493,374	957,758	21,213,334	21,457,170
Portfolio investments (note 4)	-	16,522,831	6,796,621	23,319,452	28,911,437
Due (to) from other funds	(14,593,829)	14,767,296	(173,467)	-	-
Employee future benefits (note 9)	-	-	-	-	3,424,537
Intangible assets (note 5)	2,716,417	-	-	2,716,417	2,366,225
Property and equipment (note 6)	5,344,928	-	-	5,344,928	5,603,197
	11,229,718	33,783,501	7,580,912	52,594,131	61,762,566
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	3,507,654	-	1,328,691	4,836,345	4,892,883
Due to Alberta Medical Foundation Charitable Fund	-	-	-	-	-
Payable to Canadian Medical Association	273,824	-	-	273,824	199,488
Deferred membership revenue (note 7)	3,330,152	-	-	3,330,152	2,105,215
Deferred revenue, leasehold inducements and other (note 8)	1,329,270	-	-	1,329,270	2,039,520
	8,440,900	-	1,328,691	9,769,591	9,237,106
Deferred revenue, leasehold inducements and other (note 8)	554,584	-	-	554,584	704,265
Employee future benefits (note 9)	2,234,234	-	-	2,234,234	-
	11,229,718	-	1,328,691	12,558,409	9,941,371
Net Assets	-	33,783,501	6,252,221	40,035,722	51,821,195
	11,229,718	33,783,501	7,580,912	52,594,131	61,762,566

Commitments (note 19)

Approved by the Board of Directors

Director



Director

The accompanying notes are an integral part of these consolidated financial statements.

Alberta Medical Association (C.M.A. Alberta Division)

Consolidated Statement of Changes in Net Assets

For the year ended September 30, 2022

				2022	2021
	General Fund \$	Contingency Reserve Fund \$	Premium Reserve Fund \$	Total \$	Total \$
Net assets – Beginning of year	-	40,287,832	11,533,363	51,821,195	52,536,644
Net revenue (expense) for the year	418,151	(1,003,078)	(5,208,304)	(5,793,231)	(655,196)
Remeasurement of employee future benefits	(5,992,242)	-	-	(5,992,242)	(60,253)
Fund transfers (note 18)	5,574,091	(5,501,253)	(72,838)	-	-
Net assets – End of year	-	33,783,501	6,252,221	40,035,722	51,821,195

The accompanying notes are an integral part of these consolidated financial statements.

Alberta Medical Association (C.M.A. Alberta Division)

Consolidated Statement of Operations

For the year ended September 30, 2022

				2022	2021
	General Fund \$	Contingency Reserve Fund \$	Premium Reserve Fund \$	Total \$	Total \$
Revenue					
Member dues (note 7)	17,707,114	-	-	17,707,114	18,348,981
Fees and commissions	3,388,195	-	-	3,388,195	3,063,804
Investment income (loss) (note 10)	220,478	(967,350)	(492,156)	(1,239,028)	1,638,212
Canadian Medical Association (note 11)	902,810	-	-	902,810	1,054,318
Other	399,563	-	-	399,563	435,723
	22,618,160	(967,350)	(492,156)	21,158,654	24,541,038
Expenditures (schedule 1)					
Operations	8,147,608	35,728	877,373	9,060,709	10,098,757
Committees (schedule 2)	2,712,526	-	-	2,712,526	1,854,906
Priority projects	2,467,296	-	-	2,467,296	2,233,804
Executive office	2,014,765	-	-	2,014,765	1,951,833
Health policy and economics	1,926,905	-	-	1,926,905	1,944,687
Professional affairs/Health Systems Transformation	1,808,426	-	-	1,808,426	1,456,802
Public affairs	1,782,766	-	-	1,782,766	1,756,103
Southern Alberta Office	742,703	-	-	742,703	664,656
	21,602,995	35,728	877,373	22,516,096	21,961,548
	1,015,165	(1,003,078)	(1,369,529)	(1,357,442)	2,579,490
Realization of insurance experience (note 12)	-	-	(3,838,775)	(3,838,775)	(3,761,282)
Employee future benefits	(597,014)	-	-	(597,014)	526,596
Net revenue (expense) for the year	418,151	(1,003,078)	(5,208,304)	(5,793,231)	(655,196)

The accompanying notes are an integral part of these consolidated financial statements.

Alberta Medical Association (C.M.A. Alberta Division)

Consolidated Statement of Cash Flows

For the year ended September 30, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Net revenue (expense) for the year		
General Fund	418,151	3,762,110
Contingency Reserve Fund	(1,003,078)	910,879
Premium Reserve Fund	(5,208,304)	(5,328,185)
	<hr/>	<hr/>
	(5,793,231)	(655,196)
Items not affecting cash		
Amortization (notes 5 and 6)	1,696,383	1,536,959
Loss (gain) on portfolio investments (note 10)	2,589,099	(746,563)
Gain on pension benefit	(333,471)	(1,489,803)
Change in non-cash working capital items (note 15)	852,430	(1,830,360)
	<hr/>	<hr/>
	(988,790)	(3,184,963)
Investing activities		
Additions to property and equipment	(490,955)	(230,917)
Additions to intangible assets	(1,297,351)	(837,578)
Purchase of portfolio investments	(2,748,514)	(1,878,783)
Proceeds from sale of portfolio investments	5,751,400	1,200,646
	<hr/>	<hr/>
	1,214,580	(1,746,632)
Increase (decrease) in cash during the year	225,790	(4,931,595)
Cash – Beginning of year	<hr/>	<hr/>
	19,082,708	24,014,303
Cash – End of year	<hr/>	<hr/>
	19,308,498	19,082,708

The accompanying notes are an integral part of these consolidated financial statements.

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

1 Basis of presentation

Alberta Medical Association (C.M.A. Alberta Division) (the Association or AMA) is a not-for-profit organization incorporated under the Societies Act of the Province of Alberta. As a not-for-profit organization, the Association is not subject to income taxes. Its principal activities include negotiations on behalf of physicians, representation of members, advocacy for a quality health-care system, management of government funded programs and the provision of products and services for members.

These consolidated financial statements include the general operating accounts of the Association, its Contingency Reserve Fund and the Insurance Premium Reserve Fund (Premium Reserve Fund) and ADIUM Insurance Services Inc., a licensed insurance agency that offers insurance products to members. All inter-entity transactions and balances have been eliminated on consolidation.

2 Administered programs

The Association is the administrator of certain programs for the benefits of physicians. As the Association is an administrator of the programs, the assets, liabilities, revenue and expenses of these programs are not included in these consolidated financial statements. The costs recovered by the Association to administer these programs have been included in these consolidated financial statements and are segregated for greater clarity (note 14). These programs are audited separately and are reported to Alberta Health (AH). The programs' funding is 100% reliant on funding from AH. Effective April 1, 2022, the Association and Alberta Health reached an agreement (the AMA Agreement) which among other details provides clarity over the scope of future physician benefit programs and funding. The term of the AMA Agreement is from April 1, 2022 to March 31, 2026. The individual grant agreements related to the specific physician benefit programs administered under the AMA Agreement are still being finalized between the Association and AH.

A summary of the programs administered by the Association as at and for the year ended March 31, 2022, which is the most recent fiscal year of the programs, and amounts owing from these programs as at September 30 are as follows:

Summary by program

Program	March 31, 2022		
	Revenue \$	Expenses \$	Net change in reserves \$
Physician and Family Support and Compassionate Assistance Program	4,072,525	4,072,525	-
Parental Leave Program	5,743,530	5,743,530	-
Accelerating Change Transformation Team Program	6,906,499	6,906,499	-
Physician Locum Services	26,143,927	26,143,927	-
	<u>42,866,481</u>	<u>42,866,481</u>	<u>-</u>

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

Program			March 31, 2021
	Revenue \$	Expenses \$	Net change in reserves \$
Physician Assistance and Support Programs	21,018,972	21,018,972	-
Physician Locum Services	23,646,229	23,646,229	-
	<u>44,665,201</u>	<u>44,665,201</u>	-

Due from administered programs

Program	2022 \$	2021 \$
Physician and Family Support and Compassionate Assistance, Parental Leave and Accelerating Change Transformation Team Programs (formerly, 0Physician Assistance and Support Programs)	<u>683,053</u>	<u>1,199,554</u>

3 Summary of significant accounting policies

These consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The preparation of consolidated financial statements for a period necessarily includes the use of estimates and approximations, which have been made using careful judgment. Actual results could differ from those estimates. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Fund accounting

The Association maintains the following funds in accordance with the principles of the restricted fund method of accounting.

- General Fund

This fund includes the ongoing activities of the Association. Any restrictions on the fund are internal.

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

- Contingency Reserve Fund

The Contingency Reserve Fund, established by the Board in 1977, is comprised of emergency, capital and strategic initiative components. The emergency component is available for emergency situations, the likelihood of which is relatively small but where the consequence to the Association is significant. The capital component is available for the purchase, replacement and upkeep of property and equipment. The strategic initiative component is available to pursue strategic initiatives or to take advantage of unforeseen opportunities. Funds are internally restricted and may be transferred from the Contingency Reserve Fund to the other funds to cover operating deficits and contingencies.

- Premium Reserve Fund

The Premium Reserve Fund was established from past positive experience on the insurance plans offered by the Association. The Fund is internally restricted and is used to stabilize plan premium rates over the long term. Commissions earned on the sale of insurance products are recorded in the General Fund.

Measurement uncertainty

In preparing these consolidated financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in the consolidated financial statements is known as a measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the valuation of the pension obligations and arises because actual experience may differ, perhaps significantly, from assumptions used in the calculation of the pension obligation.

While best estimates have been used in the valuation of the pension obligation, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Cash

Cash comprises demand, interest bearing bank deposits held with Canadian chartered banks.

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

Financial instruments

The Association's financial assets include cash, due from AMA Health Benefits Trust Fund, accounts receivable and prepaid expenses, due from administered programs and portfolio investments. Cash is recorded at fair value with realized and unrealized gains and losses reported in the consolidated statement of operations for the period in which they arise. Accounts receivable and prepaid expenses, due from AMA Health Benefits Trust Fund and due from administered programs are classified as loans and receivables and are accounted for at amortized cost using the effective interest rate method. Loans and receivables are initially recorded at fair value. Portfolio investments are held in pooled index funds comprised of equities, bonds and money market vehicles. No segregated or individual stocks or bonds are held. Portfolio investments are recorded at fair value with gains and losses included in investment income in the consolidated statement of operations for the period in which they arise. Dividends and interest income from portfolio investments are recorded in investment income in the consolidated statement of operations.

The Association's financial liabilities include accounts payable and accrued liabilities and payable to Canadian Medical Association. Financial liabilities are classified as other liabilities and are accounted for at amortized cost using the effective interest rate method. Financial liabilities are initially measured at fair value.

The fair value of a financial instrument on initial recognition is normally the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets. Purchases and sales of financial assets are accounted for at the trade dates. Transaction costs on financial and prepaid expenses instruments recorded at fair values are expensed when incurred. The fair values of cash, accounts receivable and prepaid expenses, due from administered programs, due from AMA Health Benefits Trust Fund, accounts payable and accrued liabilities and payable to Canadian Medical Association approximate their carrying amounts due to the short-term maturity of those instruments.

All derivative instruments, including embedded derivatives, are recorded at fair value unless exempt from derivative treatment as a normal purchase and sale. The Association has determined it does not have any derivatives.

Intangible assets

Expenditures on research related costs are recognized as an expense as incurred.

Costs incurred on custom developed software applications are capitalized as an intangible asset when they are evaluated as being technically feasible, have an intention to complete the asset, an ability to use the asset to generate probable future economic benefit, have the availability of adequate technical, financial and other resources to complete the asset's development and that costs can be reliably measured. The expenditures capitalized include the materials, direct labour and overhead costs that are directly attributable to the asset in order for it to be capable of operating in the matter intended by management. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortization and any provision for impairment.

Amortization is provided using the straight-line basis over five years.

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

Intangible assets acquired or developed during the year are not amortized until they are placed into use.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided using the straight-line basis over the following estimated useful lives:

Building	25 years
Fixtures and improvements	10 years or lease term
Computers	3 – 5 years
Office furniture and equipment	5 – 10 years

Land is not subject to amortization.

The cost of tangible capital asset additions made up of significant component parts is allocated to the component parts when practicable and when estimates can be made of the useful lives of the separate components. Each component is then amortized based on the greater of the salvage or residual value over the useful life of the asset.

Employee future benefits

The Association has a defined benefit pension plan for all permanent employees.

The Association recognizes its defined benefit obligation as the employees render services giving them the right to earn the pension benefit. The defined benefit obligation as at the consolidated statement of financial position date is determined using the most recent actuarial valuation report prepared for funding purposes and for accounting purposes with respect to the supplementary plan. The measurement date of the plan's assets and the defined benefit obligation is the Association's consolidated statement of financial position date. The date of the most recent actuarial valuation prepared for funding and accounting purposes was December 31, 2019.

In its year-end consolidated statement of financial position, the Association recognized the defined benefit obligation, less the fair value of the plan's assets, adjusted for any valuation allowance in the case of a net defined benefit asset. The plan cost for the year is recognized on the consolidated statement of operations. Past service costs resulting from changes in the plan are recognized immediately in net revenue for the year at the date of the changes.

Remeasurements and other items comprise the aggregate of the following: the difference between the actual return on plan assets and the return calculated using the discount rate; actuarial gains and losses; the effect of any valuation in the case of a net defined benefit asset; past service costs; and gains and losses arising from settlements and curtailments. The remeasurement costs are reflected in the consolidated statement of changes in net assets.

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

Revenue recognition

Annual memberships are valid for the period of October 1 to September 30. Member dues received in the current year, which relate to the following fiscal year, are deferred.

Grants and program administration fees are taken into income as related expenditures are incurred. Grants not expended in the current year are recorded as deferred revenue.

Dividends on portfolio investments are recognized as declared. Interest is recognized as earned.

Leases

Leases that transfer substantially all the risks and benefits of ownership of assets to the Association are accounted for as capital leases. Leasehold inducements (note 8) are considered an inseparable part of the lease agreement and accordingly are accounted for as a reduction of the lease expense over the term of the lease.

4 Portfolio investments

	2022 \$	2021 \$
Emerald Canadian Short-Term Investment Fund	17,480,774	20,973,682
Emerald Low Volatility Global Equity	2,403,901	3,108,382
Emerald Global Equity Pooled Fund	2,199,206	3,102,751
Emerald Canadian Equity Index Fund	1,235,571	1,726,622
	<hr/>	<hr/>
Total portfolio investments – at quoted fair value	23,319,452	28,911,437
	<hr/>	<hr/>
Total portfolio investments – at cost	24,641,021	27,712,762

The asset mix for the portfolio investments is determined by management, taking into consideration the purposes of the reserves (note 3) as required by Board policy.

5 Intangible assets

	2022		
	Cost \$	Accumulated amortization \$	Net \$
Software	5,476,063	2,759,646	2,716,417

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

	2021		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Software	4,178,712	1,812,487	2,366,225

In the current year, amortization was recognized in the General Fund for a total expense of \$946,116 (2021 – \$751,299).

6 Property and equipment

	2022		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Land	550,000	-	550,000
Building	5,900,924	2,632,351	3,268,573
Fixtures and improvements	2,433,735	1,778,700	655,035
Computers	4,947,913	4,236,586	711,327
Office furniture and equipment	1,384,102	1,224,109	159,993
	<u>15,216,674</u>	<u>9,871,746</u>	<u>5,344,928</u>

	2021		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Land	550,000	-	550,000
Building	5,900,924	2,358,459	3,542,465
Fixtures and improvements	2,411,485	1,562,004	849,481
Computers	4,489,732	4,011,406	478,326
Office furniture and equipment	1,373,578	1,190,653	182,925
	<u>14,725,719</u>	<u>9,122,522</u>	<u>5,603,197</u>

In the current year, amortization was recognized in the General Fund for a total expense of \$750,267 (2021 – \$785,660).

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

7 Deferred membership revenue

	Balance – October 1, 2021 \$	Net amount received \$	Recognized as revenue \$	Balance – September 30, 2022 \$
General Fund	2,105,215	18,932,051	17,707,114	3,330,152
	Balance – October 1, 2020 \$	Net amount received \$	Recognized as revenue \$	Balance – September 30, 2021 \$
General Fund	3,329,460	17,124,736	18,348,981	2,105,215

Deferred membership revenue represents membership dues collected during the fiscal year but related to the subsequent membership year.

8 Deferred revenue, leasehold inducements and other

	Balance – October 1, 2021 \$	Net amount received \$	Recognized in net revenue \$	Balance – September 30, 2022 \$
Canadian Medical Foundation	12,426	86,600	99,026	-
Canadian Medical Association (note 11)	1,767,264	350,000	902,810	1,214,454
Other	108,069	88,333	110,000	86,402
Leasehold inducements	856,026	-	273,028	582,998
	2,743,785	524,933	1,384,864	1,883,854
	Balance – October 1, 2020 \$	Net amount received \$	Recognized in net revenue \$	Balance – September 30, 2021 \$
Canadian Medical Foundation	-	52,309	39,883	12,426
Canadian Medical Association (note 11)	221,582	2,600,000	1,054,318	1,767,264
Other	119,735	54,034	65,700	108,069
Leasehold inducements	1,007,787	-	151,761	856,026
	1,349,104	2,706,343	1,311,662	2,743,785

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

Deferred revenue, leasehold inducements and other to be settled within one year of September 30, 2022 represent \$1,329,270 (2021 – \$2,039,520) of the total balance. The remaining non-current balance represents the leasehold inducements amounts to offset rent expense in periods beyond one year.

9 Employee future benefits

The Association has a defined benefit pension plan for all permanent employees as well as a supplementary plan for certain employees. The benefits are based on years of service and the employees' final average earnings.

The Association accrues its obligations under the employee defined benefit plans as the employees render the services necessary to earn the pension.

The Association measures its accrued employee future benefit obligation and the fair value of plan assets using the valuation for funding purposes as at December 31 each year (note 3). The most recent actuarial valuation of the pension plan for funding purposes was as at December 31, 2019, and the next required valuation will be as at December 31, 2022. In accordance with note 3, the supplementary plan measures its accrued employee future benefit obligation using the valuation for accounting purposes as at December 31 each year. The most recent actuarial valuation of the supplementary pension plan for accounting purposes was as at December 31, 2019.

	2022	2021
	\$	\$
Fair value of plan assets	36,716,319	41,177,214
Accrued benefit obligation	38,950,553	37,752,677
Plan (deficit) surplus	<u>(2,234,234)</u>	<u>3,424,537</u>

The net accrued benefit (deficit) asset is included in the Association's consolidated statement of financial position.

The significant actuarial assumptions adopted in measuring the Association's employee future benefits under the valuation for funding purposes are as follows:

	2022	2021
Discount rate	4.50%	4.50%
Rate of compensation increase	3.00% + SMP	0% until 2022 then 3.00% + SMP
Inflation	2.00%	2.00%

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

The significant actuarial assumptions adopted in measuring the Association's supplementary plan employee future benefits under the valuation for accounting purposes are as follows:

	2022	2021
Discount rate	3.10%	3.10%
Rate of compensation increase	3.00% + SMP	3.00% + SMP
Inflation	2.00%	2.00%

Total cash payments for employee future benefits for 2022, consisting of cash contributed by the Association to the registered pension plan, were \$1,474,230 (2021 – \$1,590,840). Cash contributions received from administered programs and remitted to the pension plan were \$543,747 (2021 – \$620,811).

Employee future benefits as reported on the consolidated statement of financial position include the following:

	2022	2021
	\$	\$
Employee future benefits – Opening balance	3,424,537	1,994,987
Net benefit plan expense	(1,140,759)	(101,037)
Remeasurement of employee future benefits	(5,992,242)	(60,253)
Gross employer contributions	1,474,230	1,590,840
Employee future benefits – Ending balance	<u>(2,234,234)</u>	<u>3,424,537</u>

10 Investment income (loss)

	2022	2021
	\$	\$
Portfolio interest and dividend income	1,059,414	711,661
(Loss) gain on portfolio investments	(2,589,099)	746,563
Interest income	290,657	179,988
	<u>(1,239,028)</u>	<u>1,638,212</u>

11 Canadian Medical Association

During the year ended September 30, 2021, the Association accepted an extended funding letter from Canadian Medical Association (C.M.A.) providing the Association with a further \$2,000,000 to support research, communications and legal efforts in its activities to secure a negotiated agreement with the Alberta Government (note 2). No additional funding was received during the year ended September 30, 2022 with respect to the initial funding letter. Any unspent funding will be returned to C.M.A. within 30 days after a resolution has been reached with the Alberta Government. The funding received from C.M.A. is recorded into revenue in accordance with the deferral method. During the year, the Association recorded \$712,013 (2021 – \$1,029,995) in Canadian Medical Association revenue related to this funding. As at September 30, 2022, \$729,574 (2021 – \$1,441,587) was unspent and recorded in deferred revenue (note 8). Subsequent to year-end, the Association and AH signed the AMA Agreement, which resulted in the full \$729,574 being repaid to C.M.A. in October 2022.

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

The Association also received two (2021 – two) additional grants from C.M.A. during the year for total proceeds of \$350,000 (2021 – \$350,000), of which \$190,797 (2021 – \$24,323) was recorded in C.M.A. revenue related to this funding. As at September 30, 2022, \$484,880 (2021 – \$325,677) was unspent and recorded in deferred revenue (note 8).

12 Insurance experience

The Association maintains a group insurance policy for the benefit of the members and enters into an annual financial letter of understanding. It is the intention of the Association that insurance products operate on a break-even basis over the long term. Over the short term, the Association participates, out of reserves, in experience surpluses and losses calculated as at December 31 of each fiscal year. An experience loss of \$3,838,775 (2021 – \$3,761,282) was recognized during the year with \$nil (2021 – \$nil) recorded as funds on deposit.

As a result of the historical positive experience in aggregate, the Association has provided premium rate reductions for a number of years. The 2022 premium reduction of \$850,490 (2021 – \$2,164,845) is funded from the Premium Reserve Fund.

13 Related party transactions

During the year, the Association recognized administration fees totalling \$465,857 (2021 – \$459,860) from the AMA Health Benefits Trust Fund. Of this amount in the current year, \$39,500 (2021 – \$257,126) remains due from the AMA Health Benefits Trust Fund at the end of the fiscal year.

These amounts are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Association is related to AMA Health Benefits Trust Fund by virtue of an Indenture of Trust with Trustees of the AMA Health Benefits Trust Fund on June 1, 2000.

14 Cost recoveries

During the year, the Association recognized cost recoveries for costs incurred on behalf of the programs in the amount of \$1,526,019 (2021 – \$1,517,301).

Cost recoveries relate to costs incurred on behalf of the programs administered by the Association. Cost recoveries include administrative expenses, support staff salaries and benefits, insurance, rent and hosting fees. The costs are allocated to the programs based on cost drivers that appropriate the underlying nature of the transactions. These cost drivers are applied in a consistent manner from year to year. Refer to note 2 for the status of the administered programs.

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

15 Change in non-cash working capital items

	2022 \$	2021 \$
Accounts payable and accrued liabilities	(56,538)	(1,093,869)
Due from AMA Health Benefits Trust Fund	217,626	(219,905)
Deferred membership revenue	1,224,937	(1,224,245)
Payable to Canadian Medical Association	74,336	(52,246)
Due from administered programs	516,501	(572,336)
Accounts receivable and prepaid expenses	(264,501)	(58,065)
Deferred revenue, leasehold inducements and other	(859,931)	1,394,681
Due to Alberta Medical Foundation Charitable Fund	-	(4,375)
	<u>852,430</u>	<u>(1,830,360)</u>

16 Government remittances

Government remittances consist of amounts other than income taxes (such as sales taxes and payroll withholding taxes), which are payable or receivable from government authorities and recognized when the amounts become payable or receivable. Included in accounts payable and accrued liabilities are government remittances payable of \$102,179 (2021 – payable of \$64,794) related to sales taxes.

17 Financial risk management

Liquidity risk

Since inception, the Association has primarily financed its liquidity through member dues, fees and commissions primarily from administered programs, investment income and reserves. The Association expects to continue to meet future requirements through all of the above sources.

The Association is not subject to any externally imposed capital requirements. There have been no changes to the Association's objectives and what it manages as capital since the prior fiscal year.

Credit risk

The Association is subject to credit risk with respect to accounts receivable and related party balances. Accounts receivable relate primarily to members, which comprise a significant number of individuals and hence the Association is not exposed to any significant concentration of credit risk. Related party balances primarily relate to cost recoveries from administered programs (note 2). Management monitors these accounts regularly and as at the consolidated statement of financial position date has identified no heightened risks.

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

Interest rate risk

The Association is potentially subject to concentrations of interest rate risk principally with its portfolio investments. The Association manages interest rate risk by purchasing units in funds that comprise investments with diverse maturity dates and a variety of issuers.

Currency risk

The Association is subject to currency risk with its portfolio investments. Accordingly, the values of these financial instruments will fluctuate as a result of changes in foreign currency prices. Management does not enter into foreign exchange contracts to limit the exposure to foreign currency exchange risk. This risk is mitigated by diversification of portfolio holdings among different countries.

Market risk

The Association is subject to market risk with its portfolio investments. Accordingly, the value of these financial instruments will fluctuate as a result of changes in market prices, market conditions, or factors affecting the net asset values of the underlying investments. Should the value of the financial instruments decrease significantly, the Association could incur material losses on disposal of the instruments. This risk is mitigated by diversification of portfolio holdings among different asset classes and by holding investments with diverse maturity dates and a variety of issuers.

The outbreak of COVID-19 caused by a novel strain of coronavirus was recognized as a pandemic by the World Health Organization. COVID-19 has introduced uncertainty and volatility in global markets and economies. The length and extent of the impact of the virus on the fair value of the investments will depend on future developments, which cannot be predicted at this time.

The geopolitical situation in Eastern Europe intensified on February 24, 2022, with Russia's invasion of Ukraine. The conflict between both countries continues to evolve, resulting in economic and global financial markets challenges, including rising inflation and global supply chain disruption. At this time, it is uncertain how long the conflict, economic sanctions and market instability will continue and whether they will escalate further.

18 Fund transfers

Any operating excess is transferred from the General Fund to the Contingency Reserve Fund to be held to satisfy Board reserve requirements and to support future strategic initiatives. For the fiscal year ended September 30, 2022, \$5,501,253 (2021 – \$4,935,472) was transferred to the Contingency Reserve Fund.

An annual transfer is made from the Premium Reserve Fund to the General Fund to offset the insurance commission lost as a result of any premium discount offered to members. For the fiscal year ended September 30, 2022, \$72,838 (2021 – \$199,044) was transferred from the Premium Reserve Fund.

Alberta Medical Association (C.M.A. Alberta Division)

Notes to Consolidated Financial Statements

September 30, 2022

19 Commitments

AMA has lease obligations for the rental of office space for its operations. The estimated minimum annual payments required under the lease agreements are as follows:

	\$
2023	521,181
2024	482,937
2025	271,146
2026	271,146
2027	271,146
Thereafter	<u>45,191</u>
	<u>1,862,747</u>

The Association entered into a lease agreement to obtain office space for its SAO operations with a ten-year term beginning on December 1, 2017. The above table reflects the impact of the estimated minimum annual lease payments required under this lease agreement. During the year, the Association exercised its right under the lease agreement to surrender a portion of the leased premises due to the fact that the AMA can no longer operate one or more of its administered programs or if a program is substantially decreased due to a substantial loss of funding from the Government of Alberta. As a result of this provision, the estimated minimum annual payments required under the lease agreement were reduced based on the reduction in leased square footage.

20 Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's consolidated financial statement presentation. These reclassifications have no effect on the reported results of operations.

Alberta Medical Association (C.M.A. Alberta Division)

Schedule 1

Consolidated Schedule of Expenditures

For the year ended September 30, 2022

	2022	2021
	\$	\$
Expenditures		
Salaries	7,007,793	7,160,250
Purchased services	4,281,286	3,377,137
Committee per diem and travel	2,712,526	1,854,906
Employee benefits	2,556,452	2,415,643
Amortization	1,696,383	1,536,959
Equipment maintenance	939,478	828,668
Insurance discount premium	850,490	2,164,845
Zone grants	725,220	789,850
Facilities	533,559	687,360
Section support	353,398	360,725
Investment and bank fees	305,906	230,358
Scholarships	145,000	151,000
Travel and accommodation	100,716	35,025
Insurance	92,296	77,352
Communications production	82,187	53,684
Telephone	49,118	51,582
Postage and courier	29,755	10,106
Sundry	26,385	22,005
Stationery and office supplies	24,822	24,970
Subscriptions and publications	3,326	129,123
	<hr/>	<hr/>
	22,516,096	21,961,548

Alberta Medical Association (C.M.A. Alberta Division)

Schedule 2

Consolidated Schedule of Committee Expenditures

For the year ended September 30, 2022

	2022 \$	2021 \$
Governance		
Representative Forum	1,297,302	792,555
Board of Directors	682,365	558,364
CMA General Council	27,000	26,383
Executive Committee	13,861	16,434
	<hr/> 2,020,528	<hr/> 1,393,736
Other committees		
Negotiations	170,895	53,320
Primary Care Network Executive Committee	161,394	139,844
Other committees	64,571	15,554
Compensation	60,691	51,725
Nominating Committee	33,102	27,140
Advocacy Research	32,502	-
Information management / Information technology task force	29,180	39,578
Health Issues Council	28,851	24,538
Committee on Financial Audit	19,733	13,203
Primary Care Alliance	19,727	31,697
Specialty Care Alliance	18,963	36,427
Stipend Action	11,047	-
Council of Presidents	9,989	7,172
AMHSP Advisory Committee	9,534	11,022
Committee on Student Affairs	6,971	225
Healthy Working Environments	6,022	1,625
Indigenous Health	4,238	3,957
Provincial Physician Liaison Forum	3,914	3,688
Committee on Bylaws	674	455
	<hr/> 691,998	<hr/> 461,170
	<hr/> 2,712,526	<hr/> 1,854,906