

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

Consolidated Financial Statements  
**September 30, 2021**



## Independent auditor's report

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

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### 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, 2021 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, 2021;
- 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.

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### 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.

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## 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 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.

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## 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 8, 2022

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

## Consolidated Statement of Financial Position

As at September 30, 2021

				2021	2020
	General Fund \$	Contingency Reserve Fund \$	Premium Reserve Fund \$	Total \$	Total \$
<b>Assets</b>					
<b>Current assets</b>					
Cash	15,129,274	2,455,048	1,498,386	19,082,708	24,014,303
Accounts receivable and prepaid expenses	832,066	-	85,716	917,782	859,717
Due from administered programs (note 2)	1,199,554	-	-	1,199,554	627,218
Due from AMA Health Benefits Trust Fund (note 12)	257,126	-	-	257,126	37,221
	17,418,020	2,455,048	1,584,102	21,457,170	25,538,459
<b>Portfolio investments</b> (note 4)	-	17,564,236	11,347,201	28,911,437	27,486,737
<b>Due (to) from other funds</b>	(20,113,224)	20,268,548	(155,324)	-	-
<b>Employee future benefits</b> (note 8)	3,424,537	-	-	3,424,537	1,994,987
<b>Property and equipment</b> (note 5)	7,969,422	-	-	7,969,422	8,437,887
	8,698,755	40,287,832	12,775,979	61,762,566	63,458,070
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	3,650,267	-	1,242,616	4,892,883	5,986,753
Due to Alberta Medical Foundation Charitable Fund	-	-	-	-	4,375
Payable to Canadian Medical Association	199,488	-	-	199,488	251,734
Deferred membership revenue (note 6)	2,105,215	-	-	2,105,215	3,329,460
Deferred revenue, leasehold inducements and other (note 7)	2,039,520	-	-	2,039,520	373,343
	7,994,490	-	1,242,616	9,237,106	9,945,665
<b>Deferred revenue, leasehold inducements and other</b> (note 7)	704,265	-	-	704,265	975,761
	8,698,755	-	1,242,616	9,941,371	10,921,426
<b>Net Assets</b>	-	40,287,832	11,533,363	51,821,195	52,536,644
	8,698,755	40,287,832	12,775,979	61,762,566	63,458,070

**Commitments** (note 18)

**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, 2021

				2021	2020
	General Fund \$	Contingency Reserve Fund \$	Premium Reserve Fund \$	Total \$	Total \$
<b>Net assets – Beginning of year</b>	1,034,571	34,441,481	17,060,592	52,536,644	44,299,367
Net (expense) revenue for the year	3,762,110	910,879	(5,328,185)	(655,196)	8,245,175
Remeasurement of employee future benefits	(60,253)	-	-	(60,253)	(7,898)
Fund transfers (note 17)	(4,736,428)	4,935,472	(199,044)	-	-
<b>Net assets – End of year</b>	-	40,287,832	11,533,363	51,821,195	52,536,644

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, 2021

				2021	2020
	General Fund \$	Contingency Reserve Fund \$	Premium Reserve Fund \$	Total \$	Total \$
<b>Revenue</b>					
Member dues (note 6)	18,348,981	-	-	18,348,981	19,211,318
Fees and commissions	2,271,588	-	-	2,271,588	2,642,965
Investment income (note 9)	64,617	945,939	627,656	1,638,212	1,582,049
Canadian Medical Association (note 10)	1,054,318	-	-	1,054,318	1,778,418
Other	1,227,939	-	-	1,227,939	1,303,174
	<u>22,967,443</u>	<u>945,939</u>	<u>627,656</u>	<u>24,541,038</u>	<u>26,517,924</u>
<b>Expenditures</b> (schedule 1)					
Corporate affairs	6,329,701	35,060	2,194,559	8,559,320	8,592,585
Priority projects	2,799,170	-	-	2,799,170	4,608,605
Executive office	3,491,270	-	-	3,491,270	3,667,737
Health policy and economics	1,944,687	-	-	1,944,687	2,290,511
Committees (schedule 2)	1,762,008	-	-	1,762,008	2,007,271
Public affairs	1,756,103	-	-	1,756,103	1,903,387
Southern Alberta Office	664,656	-	-	664,656	778,150
Professional affairs/Health Systems Transformation	984,334	-	-	984,334	889,516
	<u>19,731,929</u>	<u>35,060</u>	<u>2,194,559</u>	<u>21,961,548</u>	<u>24,737,762</u>
	3,235,514	910,879	(1,566,903)	2,579,490	1,780,162
<b>Realization of insurance experience</b> (note 11)	-	-	(3,761,282)	(3,761,282)	7,290,516
<b>Employee future benefits</b>	526,596	-	-	526,596	(825,503)
<b>Net (expense) revenue for the year</b>	<u>3,762,110</u>	<u>910,879</u>	<u>(5,328,185)</u>	<u>(655,196)</u>	<u>8,245,175</u>

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, 2021

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	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net (expense) revenue for the year		
General Fund	3,762,110	1,481,139
Contingency Reserve Fund	910,879	829,661
Premium Reserve Fund	(5,328,185)	5,934,375
	<hr/>	<hr/>
	(655,196)	8,245,175
Items not affecting cash		
Amortization (note 5)	1,536,959	1,426,567
Gain on portfolio investments (note 9)	(746,563)	(411,652)
Gain on pension benefit	(1,489,803)	(156,852)
Change in non-cash working capital items (note 14)	(1,830,360)	(427,706)
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	(3,184,963)	8,675,532
<b>Investing activities</b>		
Additions to property and equipment	(1,068,495)	(1,695,665)
Purchase of portfolio investments	(1,878,783)	(1,748,433)
Proceeds from sale of portfolio investments	1,200,646	981,736
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	(1,746,632)	(2,462,362)
<b>(Decrease) increase in cash during the year</b>	(4,931,595)	6,213,170
<b>Cash – Beginning of year</b>	24,014,303	17,801,133
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<b>Cash – End of year</b>	19,082,708	24,014,303
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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, 2021

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### 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 13). These programs are audited separately and are reported to Alberta Health (AH). The programs' funding is 100% reliant on funding from AH. During the year, AMA and AH were in negotiations to seek clarity over future funding. Until a new funding agreement is signed, funding for these programs is uncertain. AMA is currently operating these administered programs under separate grant agreements that expire on March 31, 2022. Accordingly, there could be a material impact on cost recoveries from administered programs, revenue and expenses of these programs and member dues in future periods.

A summary of the programs administered by the Association as at and for the year ended March 31, 2021, 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, 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>	-

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

## Notes to Consolidated Financial Statements

September 30, 2021

Program			March 31, 2020
	Revenue \$	Expenses \$	Net change in reserves \$
Physician Assistance and Support Programs	127,828,612	127,828,612	-
Physician Locum Services	29,097,746	29,097,746	-
Primary Health Care Opioid Response Project	836,221	836,221	-
	<u>157,762,579</u>	<u>157,762,579</u>	-

### Due from administered programs

Program	2021 \$	2020 \$
Physician Assistance and Support Programs	1,199,554	626,188
Other	-	1,030
	<u>1,199,554</u>	<u>627,218</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.

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## Notes to Consolidated Financial Statements

September 30, 2021

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- 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.

### 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

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

## Notes to Consolidated Financial Statements

September 30, 2021

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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.

### 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
Software	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 are 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

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

## Notes to Consolidated Financial Statements

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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.

### 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 7) 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

	2021 \$	2020 \$
Emerald Canadian Short-Term Investment Fund	20,973,682	19,879,680
Emerald Low Volatility Global Equity	3,108,382	2,918,539
Emerald Global Equity Pooled Fund	3,102,751	2,998,311
Emerald Canadian Equity Index Fund	1,726,622	1,690,207
Total portfolio investments – at quoted fair value	<u>28,911,437</u>	<u>27,486,737</u>
Total portfolio investments – at cost	<u>27,712,762</u>	<u>26,777,188</u>

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

## Notes to Consolidated Financial Statements

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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 Property and equipment

	<b>2021</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	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	6,319,183	4,176,064	2,143,119
Software	2,349,261	1,647,829	701,432
Office furniture and equipment	1,373,578	1,190,653	182,925
	<b>18,904,431</b>	<b>10,935,009</b>	<b>7,969,422</b>
			<b>2020</b>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	amortization	\$
		\$	\$
Land	550,000	-	550,000
Building	5,270,000	1,897,359	3,372,641
Fixtures and improvements	3,032,929	1,534,102	1,498,827
Computers	4,451,888	3,892,881	559,007
Software	3,159,513	931,818	2,227,695
Office furniture and equipment	1,371,606	1,141,889	229,717
	<b>17,835,936</b>	<b>9,398,049</b>	<b>8,437,887</b>

Amortization for administered programs is recognized in the administered programs. In the current year, amortization was recognized in the General Fund for a total expense of \$1,536,960 (2020 – \$1,426,567).

### 6 Deferred membership revenue

	<b>Balance –</b>		<b>Recognized</b>	<b>Balance –</b>
	<b>October 1,</b>	<b>Net amount</b>	<b>as revenue</b>	<b>September 30,</b>
	<b>2020</b>	<b>received</b>	<b>\$</b>	<b>2021</b>
	\$	\$	\$	\$
General Fund	3,329,460	17,124,736	18,348,981	2,105,215

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

## Notes to Consolidated Financial Statements

September 30, 2021

	Balance – October 1, 2019 \$	Net amount received \$	Recognized as revenue \$	Balance – September 30, 2020 \$
General Fund	4,966,815	17,573,963	19,211,318	3,329,460

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

### 7 Deferred revenue, leasehold inducements and other

	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 10)	221,582	2,600,000	1,054,318	1,767,264
Other (note 10)	119,735	54,034	65,700	108,069
Leasehold inducements	1,007,787	-	151,761	856,026
	<u>1,349,104</u>	<u>2,706,343</u>	<u>1,311,662</u>	<u>2,743,785</u>

	Balance – October 1, 2019 \$	Net amount received \$	Recognized in net revenue \$	Balance – September 30, 2020 \$
Canadian Medical Foundation	26,684	45,333	72,017	-
Canadian Medical Association (note 10)	-	2,000,000	1,778,418	221,582
Other (note 10)	80,164	168,020	128,449	119,735
Leasehold inducements	1,131,482	30,000	153,695	1,007,787
	<u>1,238,330</u>	<u>2,243,353</u>	<u>2,132,579</u>	<u>1,349,104</u>

Deferred revenue, leasehold inducements and other to be settled within one year of September 30, 2021 represent \$2,039,520 (2020 – \$373,343) of the total balance. The remaining non-current balance represents the leasehold inducements amounts to offset rent expense in periods beyond one year.

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

## Notes to Consolidated Financial Statements

September 30, 2021

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### 8 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.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Fair value of plan assets	41,177,214	39,260,982
Accrued benefit obligation	37,752,677	37,265,995
Plan surplus	<u>3,424,537</u>	<u>1,994,987</u>

The net accrued benefit 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:

	<b>2021</b>	<b>2020</b>
Discount rate	4.50%	4.50%
Rate of compensation increase	0% until 2022 then 3.00% + SMP	0% until 2022 then 3.00% + SMP
Inflation	2.00%	2.00%

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

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Discount rate	3.10%	2.70%
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, 2021

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Total cash payments for employee future benefits for 2021, consisting of cash contributed by the Association to the registered pension plan, were \$1,590,840 (2020 – \$1,718,780). Cash contributions received from administered programs and remitted to the pension plan were \$620,811 (2020 – \$736,425).

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

	2021 \$	2020 \$
Employee future benefits – Opening balance	1,994,987	1,846,033
Net benefit plan expense	(101,037)	(1,561,928)
Remeasurement of employee future benefits	(60,253)	(7,898)
Gross employer contributions	1,590,840	1,718,780
	<hr/>	<hr/>
Employee future benefits – Ending balance	3,424,537	1,994,987

### 9 Investment income

	2021 \$	2020 \$
Portfolio interest and dividend income	711,661	827,494
Gain on portfolio investments	746,563	411,652
Interest income	179,988	342,903
	<hr/>	<hr/>
	1,638,212	1,582,049

### 10 Canadian Medical Association

During the year, the Association accepted an extended funding letter from Canadian Medical Association (C.M.A.) providing the Association with a further \$2,000,000 (2020 – \$2,000,000) to support research, communications and legal efforts in its activities to secure a negotiated agreement with the Alberta Government (note 2). A total of \$250,000 was received in the current year related to the prior year 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 \$1,029,995 (2020 – \$1,528,418) in Canadian Medical Association revenue related to this funding. As at September 30, 2021, \$1,441,587 (2020 – \$221,582) was unspent and recorded in deferred revenue (note 7).

The Association also received two additional grants from C.M.A. during the year for total proceeds of \$350,000 of which \$24,323 was recorded in C.M.A. revenue related to this funding. As at September 30, 2021, \$325,677 was unspent and recorded in deferred revenue (note 7).

In addition, during the prior year, the Association received a total program funding of \$250,000 from the Bank of Nova Scotia and C.M.A. to cover costs incurred by the Association as a result of COVID-19 efforts and may include content development, member outreach, engagement platforms, educational materials, training and other initiatives in support of physicians. The funding was fully spent during the prior year.

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

## Notes to Consolidated Financial Statements

September 30, 2021

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### 11 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 \$3,761,282 (2020 – gain of \$7,290,516) was recognized during the year with \$nil (2020 – \$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 2021 premium reduction of \$2,393,605 (2020 – \$2,083,000) is funded from the Premium Reserve Fund.

### 12 Related party transactions

During the year, the Association recognized administration fees totalling \$459,860 (2020 – \$450,765) from the AMA Health Benefits Trust Fund. Of this amount in the current year, \$257,126 (2020 – \$37,221) 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.

### 13 Cost recoveries

During the year, the Association recognized cost recoveries for costs incurred on behalf of the programs in the amount of \$1,517,301 (2020 – \$1,873,859).

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, 2021

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### 14 Change in non-cash working capital items

	2021 \$	2020 \$
Accounts payable and accrued liabilities	(1,093,869)	238,075
Due from AMA Health Benefits Trust Fund	(219,905)	(370,886)
Deferred membership revenue	(1,224,245)	(1,637,355)
Payable to Canadian Medical Association	(52,246)	(167,208)
Due from administered programs	(572,336)	469,639
Accounts receivable and prepaid expenses	(58,065)	(252,559)
Deferred revenue, leasehold inducements and other	1,394,681	110,774
Funds held on deposit	-	1,179,413
Due to Alberta Medical Foundation Charitable Fund	(4,375)	2,401
	<u>(1,830,360)</u>	<u>(427,706)</u>

### 15 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 \$64,794 (2020 – receivable of \$93,045) related to sales taxes.

### 16 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, 2021

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### **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.

In March 2020, the outbreak of a novel strain of the coronavirus known as COVID-19 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.

## **17 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, 2021, \$4,736,428 (2020 – \$959,126) 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, 2021, \$199,044 (2020 – \$169,926) was transferred from the Premium Reserve Fund.

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

Notes to Consolidated Financial Statements

September 30, 2021

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**18 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:

	\$
2022	596,156
2023	635,502
2024	599,020
2025	387,228
2026	387,228
Thereafter	<u>451,766</u>
	<u>3,056,900</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. A right of AMA to surrender a portion of the leased premises if 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 exists within the lease agreement. Estimated annual cost recoveries from the administered programs' use of the leased premises are expected to offset the aggregate commitment cost.

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

Schedule 1

## Consolidated Schedule of Expenditures

For the year ended September 30, 2021

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	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Expenditures</b>		
Salaries	7,160,250	8,270,095
Purchased services	3,470,034	5,218,546
Employee benefits	2,415,643	2,425,999
Insurance discount premium	2,164,845	1,914,091
Committee per diem and travel	1,762,008	2,007,271
Amortization	1,536,960	1,426,567
Equipment maintenance	828,668	778,697
Zone grants	789,850	759,285
Facilities	687,360	559,013
Section support	360,725	156,055
Investment and bank fees	230,358	319,695
Scholarships	151,000	145,000
Subscriptions and publications	129,123	86,709
Insurance	77,352	63,903
Communications production	53,684	124,723
Telephone	51,582	61,025
Travel and accommodation	35,025	256,109
Stationery and office supplies	24,970	83,101
Sundry	22,005	43,968
Postage and courier	10,106	37,910
	<hr/>	<hr/>
	21,961,548	24,737,762

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

Schedule 2

## Consolidated Schedule of Committee Expenditures

For the year ended September 30, 2021

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Governance</b>		
Representative Forum	792,555	949,562
Board of Directors	558,364	677,966
CMA General Council	26,383	21,841
Executive Committee	16,434	31,233
	<hr/>	<hr/>
	1,393,736	1,680,602
<b>Other committees</b>		
Primary Care Network Executive Committee	139,844	12,459
Compensation	51,725	94,623
Specialty Care Alliance	36,427	6,329
Primary Care Alliance	31,697	12,423
Nominating Committee	27,140	27,828
Health Issues Council	24,538	26,143
Other committees	15,554	66,012
Committee on Financial Audit	13,203	25,983
AMHSP Advisory Committee	11,022	21,061
Council of Presidents	7,172	11,840
Indigenous Health	3,957	4,118
Provincial Physician Liaison Forum	3,688	2,667
Healthy Working Environments	1,625	13,654
Committee on Bylaws	455	682
Committee on Student Affairs	225	847
	<hr/>	<hr/>
	368,272	326,669
	<hr/>	<hr/>
	1,762,008	2,007,271