

# American Medical Association and Subsidiaries

Consolidated Financial Statements  
as of and for the Years Ended  
December 31, 2022 and 2021,  
Schedule of Expenditures of Federal Awards  
for the Year Ended December 31, 2022, and  
Independent Auditor's Reports in accordance  
with *Government Auditing Standards* and the  
Uniform Guidance

# AMERICAN MEDICAL ASSOCIATION AND SUBSIDIARIES

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of  
American Medical Association  
Chicago, IL

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of the American Medical Association and Subsidiaries (the "AMA"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AMA as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the AMA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the AMA's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### *Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 AMA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the AMA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2023 on our consideration of the AMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the AMA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the AMA's internal control over financial reporting and compliance.

*Deloitte & Touche LLP*

February 10, 2023

**American Medical Association and Subsidiaries**  
**Consolidated Statements of Activities**  
**Years Ended December 31**  
*(in millions)*

	2022	2021
<b>Revenues</b>		
Membership dues	\$ 33.8	\$ 34.8
Advertising	13.3	14.4
Journal print subscription revenues	2.9	3.3
Journal online revenues	30.8	31.2
Other publishing revenue	17.8	18.0
Books, newsletters and online product sales	24.7	25.5
Royalties and credentialing products	293.1	270.5
Insurance commissions	33.2	35.0
Investment income (Note 4)	15.1	11.6
Equity in losses of affiliates (Note 2)	(0.8)	(0.6)
Grants and other income	29.5	16.0
<b>Total revenues</b>	<b>493.4</b>	<b>459.7</b>
<b>Expenses</b>		
Cost of products sold and selling expenses	30.6	25.9
<b>Contribution to general and administrative expenses</b>	<b>462.8</b>	<b>433.8</b>
<b>General and administrative expenses</b>		
Compensation and benefits	234.7	233.3
Occupancy	21.4	21.1
Travel and meetings	14.7	3.6
Technology costs	29.5	28.0
Marketing and promotion	21.3	18.1
Professional services	29.2	28.7
Other operating expenses	24.7	19.5
<b>Total general and administrative expenses</b>	<b>375.5</b>	<b>352.3</b>
Operating results before income taxes	87.3	81.5
Income taxes (Note 9)	4.4	3.6
<b>Net operating results</b>	<b>82.9</b>	<b>77.9</b>
<b>Non-operating items</b>		
Net (loss) gain on investments (Note 4)	(115.1)	82.8
Defined benefit postretirement plan non-service periodic expense (Note 8)	(3.5)	(3.9)
Other non-operating income	0.7	0.6
<b>Total non-operating items</b>	<b>(117.9)</b>	<b>79.5</b>
<b>Revenues (less than) in excess of expenses</b>	<b>(35.0)</b>	<b>157.4</b>
Changes in defined benefit postretirement plans, other than periodic expense, net of tax (Notes 8 and 9)	29.4	5.6
<b>Change in association equity</b>	<b>(5.6)</b>	<b>163.0</b>
<b>Change in donor restricted association equity</b>		
Restricted contributions	0.4	0.3
Net assets released from restriction	(0.3)	(0.4)
<b>Change in association equity – donor restricted</b>	<b>0.1</b>	<b>(0.1)</b>
<b>Change in total association equity</b>	<b>(5.5)</b>	<b>162.9</b>
Total association equity at beginning of year	894.9	732.0
<b>Total association equity at end of year</b>	<b>\$ 889.4</b>	<b>\$ 894.9</b>

See accompanying notes to the consolidated financial statements.

**American Medical Association and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of December 31**  
*(in millions)*

	2022	2021
<b>Assets</b>		
Cash, cash equivalents and donor-restricted cash	\$ 33.5	\$ 32.1
Fiduciary funds (Note 2)	22.1	22.5
Investments in affiliates (Note 2)	8.9	7.0
Accounts receivable and other receivables, net of an allowance for doubtful accounts of \$0.3 in 2022 and \$0.2 in 2021	101.5	88.5
Inventories	2.8	1.7
Prepaid expenses and deposits	11.7	13.0
Deferred income taxes (Note 9)	2.7	4.7
Investments (Note 4)	933.2	1,006.6
Property and equipment, net (Note 6)	33.3	39.6
Operating lease right-of-use assets (Note 10)	39.1	46.0
Other assets (Note 5)	8.2	9.4
	<b>\$ 1,197.0</b>	<b>\$ 1,271.1</b>
<b>Liabilities, deferred revenue and association equity</b>		
<b>Liabilities</b>		
Accounts payable, accrued expenses and other liabilities	\$ 16.0	\$ 18.6
Accrued payroll and employee benefits (Note 7)	45.7	54.6
Accrued postretirement healthcare benefits (Note 8)	88.1	117.5
Insurance premiums and other fiduciary funds payable	22.1	22.4
Operating lease liability (Note 10)	65.3	76.7
	237.2	289.8
<b>Deferred revenue</b>		
Membership dues	13.9	14.6
Subscriptions, licensing, insurance commissions and royalties	53.9	69.4
Grants and other	2.6	2.4
	70.4	86.4
<b>Association equity</b>		
Association equity	889.3	894.9
Donor-restricted association equity	0.1	-
<b>Total association equity</b>	<b>889.4</b>	<b>894.9</b>
	<b>\$ 1,197.0</b>	<b>\$ 1,271.1</b>

See accompanying notes to the consolidated financial statements.

**American Medical Association and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31**  
*(in millions)*

	2022	2021
<b>Cash flows from operating activities</b>		
Change in total association equity	\$ (5.5)	\$ 162.9
Adjustments to reconcile change in association equity to net cash provided by operating activities		
Depreciation and amortization	12.2	12.3
Postretirement health care expense	4.6	5.3
Noncash operating lease expense	9.7	10.1
Net loss (gain) on investments	115.1	(82.8)
Equity in losses of affiliates	0.8	0.6
Noncash credit for changes in defined benefit plans other than periodic expense net of tax	(29.4)	(5.6)
Noncash credit from recognition of deferred revenue and costs related to liquidation of subsidiary	(11.6)	-
Bad debt expense	0.1	(0.2)
Other	(1.3)	(1.1)
Changes in assets and liabilities		
Accounts receivable and other receivables	(13.1)	(5.5)
Inventories	(1.1)	0.6
Prepaid expenses and deposits	1.0	(1.8)
Accounts payable, accrued liabilities and income taxes	(22.5)	(9.4)
Accrued postretirement benefit costs	(2.7)	(2.4)
Deferred revenue	(1.7)	(1.4)
Net cash provided by operating activities	54.6	81.6
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(9.2)	(8.6)
Investment in affiliates	(2.3)	(6.3)
Purchase of investments	(538.3)	(662.6)
Proceeds from sale of investments	496.6	593.0
Net cash used in investing activities	(53.2)	(84.5)
<b>Net change in cash, cash equivalents and donor restricted cash</b>	<b>1.4</b>	<b>(2.9)</b>
Cash, cash equivalents and donor restricted cash at beginning of year	32.1	35.0
<b>Cash, cash equivalents and donor restricted cash at end of year</b>	<b>\$ 33.5</b>	<b>\$ 32.1</b>
<b>Noncash operating activities</b>		
Right-of-use assets obtained in exchange for lease obligation	\$ 0.5	\$ -
<b>Noncash investing activities</b>		
Accounts payable for property and equipment additions	\$ 0.3	\$ 0.9

See accompanying notes to the consolidated financial statements.

**Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Columnar amounts in millions)**

**1. Nature of operations**

The American Medical Association (AMA) is a national professional association of physicians with approximately 275 thousand members. The AMA serves the medical community and the public through standard setting and implementation in the areas of science, medical education, improving health outcomes, health equity, delivery and payment systems, ethics, representation and advocacy, policy development, and image and identity building. The AMA provides information and services to hundreds of thousands of physicians and includes journal and book publishing, physician credentialing, database licensing, insurance and other professional services for physicians.

The AMA classifies all operating results as revenues and expenses in the consolidated statements of activities. Non-operating items include net realized and unrealized gains and losses on investments, defined benefit postretirement plan non-service expense and other non-recurring income or expense.

Donor-restricted association equity includes contributions restricted for use for scope of practice program which are not available for general use by AMA.

**2. Significant accounting policies**

**Consolidation policy**

The accompanying consolidated financial statements include the accounts of the AMA and its subsidiaries, AMA Services, Inc., American Medical Assurance Company and Health2047 Inc. (collectively, the AMA).

AMA, through its wholly owned subsidiary, Health2047 Inc. (Health2047), has investments in nine companies or limited partnerships as of December 31, 2022. Health2047 controls and therefore consolidates the results of two companies, First Mile Care, Inc. as well as Akiri, Inc (Akiri). Akiri was liquidated during 2022 resulting in recognition of \$14.3 million of deferred revenue, in grants and other income, and \$2.7 million of deferred costs, in cost of products sold and selling expenses, related to completion of a customer contract entered into during 2017.

The equity method of accounting is used to account for investments in companies or limited partnerships in which the AMA has significant influence but not overall control. The investments are initially recorded at the original amounts paid for common and convertible preferred stock, and subsequently adjusted

for the AMA's share of undistributed earnings and losses from the underlying entities from the dates of formation. Each investment will be increased or reduced by any future additional contributions and distributions received, respectively. The cost method of accounting is used to account for investments in companies in which the AMA has neither significant influence nor overall control and where the fair value is not readily determinable.

The companies accounted for under the equity method of accounting during 2022 are: HXSquare, Inc. (formed in January 2019 and liquidated in February 2022), Emergence Healthcare Group, Inc. (formed in January 2021), Heal Security, Inc. (formed in February 2021), and Recovery Exploration Technologies, Inc. (formed in August 2021). During 2022, the AMA ceased application of the equity method to account for the investment in Recovery Exploration Technologies, Inc. as additional third-party investment resulted in AMA no longer exercising significant influence over this entity.

At December 31, 2022, AMA ownership interest is 20.1% in Emergence Healthcare Group, Inc. and 33.3% in Heal Security, Inc. The book value of the two investments accounted for under the equity method, net of convertible debt, at December 31 2022 is \$1.8 million.

In addition, at December 31, 2022, AMA has an ownership interest of 3.6% in Zing Health Enterprises, LP (formed in May 2020), 12.1% in Medcurio Inc., (formed in February 2020) 12.6% in Phenomix Sciences, Inc. (formed in August 2020), 11.3% in Recovery Exploration Technologies, Inc., 18.8% in Sitebridge Research, Inc. (formed January 2021) and 6.0% in Scholar Rx, Inc. (formed December 2022). The investments in these entities are accounted for using the cost method, as AMA holds less than a 20% ownership and does not exercise significant influence over the entities. The book value of the six investments carried at cost at December 31, 2022 is \$7.1 million.

Health2047 had investments in ten companies or limited partnerships as of December 31, 2021, including two that were consolidated, First Mile Care, Inc. and Akiri, Inc. The companies accounted for under the equity method of accounting during 2021 were: HXSquare, Inc., Phenomix Sciences Inc., Emergence Healthcare Group, Inc., Heal Security, Inc., and Recovery Exploration Technologies, Inc. During 2021, the AMA ceased application of the equity method to account for the investment in Phenomix Sciences Inc. as additional third-party

**Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Columnar amounts in millions)**

investment resulted in AMA no longer exercising significant influence over this entity.

At December 31, 2021 AMA ownership interest was 20% in HXSquare, Inc., 21.9% in Emergence Healthcare Group, Inc., 33.3% in Heal Security, Inc. and 22.6% in Recovery Exploration Technologies, Inc. The book value of the four investments accounted for under the equity method, net of convertible debt, at December 31 2021 was \$2.4 million.

In addition, at December 31, 2021, AMA had an ownership interest of 5.5% in Zing Health Enterprises, LP, 11.8% in Medcurio Inc., 14.4% in Phenomix Sciences, Inc. and 18.8% in Sitebridge Research, Inc. The investments in these entities were accounted for using the cost method, as AMA held less than a 20% ownership and did not exercise significant influence over the entities. The book value of the four investments carried at cost at December 31, 2021 was \$4.6 million.

**Use of estimates**

Preparation of consolidated financial statements in conformity with accounting principles generally accepted (GAAP) in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as reflected in the consolidated financial statements. Actual results could differ from estimates.

**Cash equivalents**

Cash equivalents consist of liquid investments with original maturities of three months or less and are recorded at cost, which approximates fair value.

**Fiduciary funds**

One of the AMA's subsidiaries, the AMA Insurance Agency, Inc., in its capacity as an insurance broker, collects premiums from the insured and, after deducting its commission, remits the premiums to the underwriter of the insurance coverage. Unremitted insurance premiums are invested on a short-term basis and are held in a fiduciary capacity. The AMA also collects and holds contributions on behalf of separate unincorporated entities with \$2.3 million and \$2.8 million held at December 31, 2022 and 2021, respectively.

**Inventories**

Inventories, consisting primarily of books and paper for publications, are valued at the lower of cost or net realizable value.

**Property and equipment**

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Equipment and software are depreciated or amortized over three to 10 years. Leasehold improvements are depreciated over the shorter of the estimated useful lives or the remaining lease term.

**Revenue recognition**

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that AMA expects to receive in exchange for those products or services. AMA enters into contracts that generally include only one product or service and as such, are distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

**Nature of Products and Services**

Membership dues are deferred and recognized as revenue in equal monthly amounts during the applicable membership year, which is a calendar year. Dues from lifetime memberships are recognized as revenue over the approximate life of the member.

Licensing and subscriptions to scientific journals, site licenses, newsletters or other online products are recognized as revenue ratably over the terms of the subscriptions or service period. Advertising revenue and direct publication costs are recognized in the period the related journal is issued. Book and product sales are recognized at the time the book or product is shipped or otherwise delivered to the customer. Royalties are recognized as revenue over the royalty term. Insurance brokerage commissions on individual policies are recognized as revenue on the date they become effective or are renewed, to the extent services under the policies are complete. Brokerage commissions or plan rebates on the group products are recognized as revenue ratably over the term of the contract as services are rendered.

**Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Columnar amounts in millions)**

**Contract Balances**

AMA records a receivable when the performance obligation is satisfied and revenue is recognized. For agreements covering subscription or service periods, AMA generally records a receivable related to revenue recognized for the subscription, license or royalty period. For sales of books and products, AMA records a receivable at the time the product is shipped or otherwise delivered to the customer. These amounts are included in accounts receivable on the consolidated statements of financial position and the balance, net of allowance for doubtful accounts, was \$96.3 million and \$85.1 million as of December 31, 2022 and 2021, respectively.

The allowance for doubtful accounts reflects AMA's best estimate of probable losses inherent in the accounts receivable balance. The allowance is based on historical experience and other currently available evidence.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. Some annual licensing agreements carry longer payment terms. In instances where the timing of revenue recognition differs from the timing of invoicing, AMA has determined that these contracts generally do not include a significant financing component.

Prepaid dues are included as deferred membership dues revenue in the consolidated statements of financial position. Prepayments by customers in advance of the subscription, royalty or insurance coverage period are recorded as deferred subscriptions, licensing, insurance commissions and royalty revenue in the consolidated statements of financial position.

**Income taxes**

The AMA is an exempt organization as defined by Section 501(c)(6) of the Internal Revenue Code and is subject to income taxes only on income determined to be unrelated business taxable income. The AMA's subsidiaries are taxable entities and are subject to income taxes.

**3. New accounting standards update**

In August 2020, Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2020-06, *Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40) — Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The amendments in this update are expected to improve, simplify, and enhance the financial reporting

requirements for convertible instruments and contracts in an entity's own equity for all entities, including private companies. The new guidance is effective for the AMA for the year ending December 31, 2024. AMA does not expect there to be a material impact on the consolidated financial statements upon adoption.

**4. Investments**

Investments include marketable securities and venture capital private equity investments that are carried at fair value.

In determining fair value, the AMA uses various valuation approaches. The FASB's Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset based on market data obtained from sources independent of the organization. Unobservable inputs are inputs that would reflect an organization's assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1—Valuations based on quoted prices in active markets for identical assets that the organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

**Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Columnar amounts in millions)**

The AMA uses prices and inputs that are current as of the measurement date, obtained through a third-party custodian from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below.

Exchange-traded equity securities are valued based on quoted prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized in Level 1 of the fair value hierarchy.

Mutual funds are open-ended Securities and Exchange Commission (SEC) registered investment funds with a daily net asset value (NAV). The mutual funds allow investors to sell their interests to the fund at the published daily NAV, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy.

The fair value of corporate debt securities is estimated using recently executed transactions, market price quotations (where observable) or bond spreads. If the spread data does not reference the issuer, then data that reference a comparable issuer are used. Corporate debt securities are generally categorized in Level 2 of the fair value hierarchy.

U.S. government agency securities consist of two categories of agency issued debt. Non-callable agency issued debt securities are generally valued using dealer quotes. Callable agency issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. Agency issued debt securities are categorized in Level 2 of the fair value hierarchy.

U.S. government securities are valued using quoted prices provided by a vendor or broker-dealer. These securities are categorized in Level 2 of the fair value hierarchy, as it is difficult for the custodian to accurately assess at a security level whether a quoted trade on a bond represents an active market.

Foreign and U.S. state government securities are valued using quoted prices in active markets when available. To the extent quoted prices are not available, fair value is determined based on interest rate yield curves, cross-currency basis index spreads, and country credit spreads for structures similar to the bond in terms of issuer, maturity, and seniority. These investments are generally categorized in Level 2 of the fair value hierarchy.

Investments also include investments in a diversified closed end private equity fund with a focus on buyout

and secondary market opportunities in the United States and the European Union, as well as investments in a venture capital fund focused on companies developing promising health care technologies that can be commercialized into revolutionary products and services that improve the practice of medicine and the delivery and management of health care. The investments are not redeemable and distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next four to ten years. The fair value estimates of these investments are based on NAV as provided by the investment manager. Unfunded commitments as of December 31, 2022, and 2021 totaled \$80.1 million and \$76.4 million, respectively.

The AMA manages its investments in accordance with Board-approved investment policies that establish investment objectives of real inflation-adjusted growth over the investment time horizon, with diversification to provide a balance between long-term growth objectives and potential liquidity needs.

The following table presents information about the AMA's investments measured at fair value as of December 31. In accordance with ASC Subtopic 820-10, investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

	2022	2021
Level 1 – Quoted prices in active market for identical securities		
Equity securities	\$ 419.9	\$ 474.6
Fixed-income mutual funds	27.1	48.9
	447.0	523.5
Level 2 – Significant other observable inputs		
Debt securities		
Corporate	106.7	116.0
U.S. government and federal agency	264.8	269.1
Foreign government	24.7	28.7
U.S. state government	0.1	0.2
	396.3	414.0
Other investments measured at NAV – Private equity and venture capital funds	89.9	69.1
Investments	\$ 933.2	\$1,006.6

**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**  
**(Columnar amounts in millions)**

Interest and dividends are included in investment income as operating revenue while realized and unrealized gains and losses are included as a component of non-operating items.

Investment income consists of:

	2022	2021
Investment dividend and interest income	\$ 18.3	\$ 15.1
Management fees	(3.2)	(3.5)
	<u>\$ 15.1</u>	<u>\$ 11.6</u>

Investment non-operating items include:

	2022	2021
Realized gains on investments, net	\$ 6.4	\$ 74.8
Unrealized (losses) gains on investments, net	(121.5)	8.0
	<u>\$(115.1)</u>	<u>\$ 82.8</u>

**5. Other assets**

Other assets include investments in mutual funds maintained in separate accounts designated for various nonqualified benefit plans that are not available for operations. Mutual funds are open-ended SEC registered investment funds with a daily NAV. The mutual funds allow investors to sell their interests to the fund at the published daily NAV, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy. The investments totaled \$8.2 million and \$9.4 million as of December 31, 2022 and 2021, respectively.

**6. Property and equipment**

Property and equipment at December 31 consists of:

	2022	2021
Leasehold improvements	\$ 39.0	\$ 38.7
Furniture and office equipment	19.9	19.7
Information technology		
Hardware	12.9	13.5
Software	94.4	97.6
	<u>166.2</u>	<u>169.5</u>
Accumulated depreciation and amortization	(132.9)	(129.9)
Property and equipment, net	<u>\$ 33.3</u>	<u>\$ 39.6</u>

**7. Retirement savings plans**

The AMA has a 401(k) retirement and savings plan, which allows eligible employees to contribute up to 75 percent of their compensation annually, subject to Internal Revenue Service (IRS) limits. The AMA matches 100 percent of the first three percent and 50 percent of the next two percent of employee contributions. The AMA may, at its discretion, make additional contributions for any year in an amount up to two percent of the compensation for each eligible employee. Compensation is subject to IRS limits and excludes bonuses and severance pay. AMA matching and discretionary contribution expense totaled \$8.3 million and \$7.9 million in 2022 and 2021, respectively.

**8. Postretirement health care benefits**

The AMA provides health care benefits to retired employees who were employed on or prior to December 31, 2010. After that date, no individual can become a participant in the plan. Generally, qualified employees become eligible for these benefits if they retire in accordance with the plan provisions and are participating in the AMA medical plan at the time of their retirement. The AMA shares the cost of the retiree health care payments with retirees, paying approximately 60 to 80 percent of the expected benefit payments. The AMA has the right to modify or terminate the postretirement benefit plan at any time. Other employers participate in this plan and liabilities are allocated between the AMA and the other employers.

The AMA has applied for and received the federal subsidy to sponsors of retiree health care benefit plans that provides a prescription drug benefit that is actuarially equivalent to Medicare Part D under the *Medicare Prescription Drug, Improvement and Modernization Act of 2003*. In accordance with ASC Topic 958-715, *Compensation-Retirement Benefits*, the AMA initially accounted for the subsidy as an actuarial experience gain to the accumulated postretirement benefit obligation.

The postretirement health care plan is unfunded. In accordance with ASC Topic 958-715, the AMA recognizes this liability in its consolidated statements of financial position.

**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**  
**(Columnar amounts in millions)**

The following reconciles the change in accumulated benefit obligation and the amounts included in the consolidated statements of financial position at December 31:

	2022	2021
Benefit obligation at beginning of year	\$ 117.5	\$ 120.5
Service cost	1.1	1.5
Interest cost	3.1	2.8
Benefits paid	(4.1)	(3.8)
Participant contributions	1.2	1.2
Federal subsidy	0.2	0.2
Actuarial gain	(30.9)	(4.9)
Accrued postretirement benefit costs	\$ 88.1	\$ 117.5

The postretirement health care plan accumulated losses not yet recognized as a component of periodic postretirement health care expense, but included as an accumulated charge or credit to equity as of December 31 are:

	2022	2021
Actuarial (gains) losses	\$ (9.7)	\$ 21.6

Actuarial assumptions used in determining the accumulated benefit obligation at December 31 are:

	2022	2021
Discount rate	5.2%	2.8%
Initial health care cost trend	7.0%	6.1%
Ultimate health care cost trend	4.0%	4.0%
Year that the rate reaches the ultimate trend rate	2046	2045

AMA recognizes postretirement health care expense in its consolidated statements of activities. The service cost component is included as part of compensation and benefits expense and the other components of expense are recognized as a non-operating item:

	2022	2021
Service cost	\$ 1.1	\$ 1.4
Interest cost	3.1	2.8
Amortization of prior service credit	-	(0.3)
Amortization of actuarial loss	0.4	1.4
	\$ 4.6	\$ 5.3

Postretirement health care-related changes, other than periodic expense, that have been included as a charge or credit to unrestricted equity consist of:

	2022	2021
Actuarial gains arising during period	\$ 30.9	\$ 4.8
Reclassification adjustment for recognition of actuarial loss	0.4	1.4
Reclassification adjustment for recognition of prior service credit	-	(0.3)
Change in unrestricted equity	\$ 31.3	\$ 5.9

Actuarial assumptions used in determining postretirement health care expense are the same assumptions noted in the table above for determining the accumulated benefit obligation, except as follows:

	2022	2021
Discount rate	2.8%	2.5%
Initial health care cost trend	6.1%	5.64%

The following postretirement health care benefit payments are expected to be paid by the AMA, net of contributions by retirees and federal subsidies:

2023	\$ 3.6
2024	3.7
2025	4.1
2026	4.3
2027	4.6
2028 – 2032	26.0

## 9. Income taxes

The provision for income taxes includes:

	2022	2021
Operating		
Current	\$ 4.3	\$ 3.7
Deferred	(21.4)	0.1
Valuation allowance	21.5	(0.2)
	4.4	3.6
Tax expense related to credits or charges to equity		
Deferred	1.9	0.3
	\$ 6.3	\$ 3.9

**Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(Columnar amounts in millions)**

As prescribed under ASC Topic 740, *Income Taxes*, the AMA determines its provision for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

The deferred tax benefit or charge from credits or charges to equity represents the estimated tax benefit from recording unrecognized actuarial losses and prior service credits for the postretirement health care plan, pursuant to ASC Topic 958-715.

Valuation allowances are provided to reduce deferred tax assets to an amount that is more likely than not to be realized. The AMA evaluates the likelihood of realizing its deferred tax assets by estimating sources of future taxable income and assessing whether or not it is likely that future taxable income will be adequate for the AMA to realize the deferred tax asset. The AMA established an initial valuation allowance in 2009 to reflect the fact that deferred tax assets include future expected benefits, largely related to retiree health care payments, that may not be deductible due to a projected lack of taxable advertising income in future years. Increases or decreases in deferred tax assets, where future benefits are considered unlikely, will result in an equal and offsetting change in the valuation reserve. If the AMA were to make a determination in future years that these deferred tax assets would be realized, the related valuation allowance would be reduced and a benefit to earnings recorded.

Deferred tax assets recognized in the consolidated statements of financial position at December 31 are:

	2022	2021
Net operating loss carryforward	\$ 21.4	\$ -
Benefit plans and compensation	5.2	7.3
Other	0.1	(0.1)
	26.7	7.2
Valuation allowance	(24.0)	(2.5)
	\$ 2.7	\$ 4.7

Cash payments for income taxes were \$4 million and \$6.2 million in 2022 and 2021, respectively, net of refunds.

**10. Leases**

AMA leases office space at a number of locations and the initial terms of the office leases range from five years to 15 years. Most leases have options to renew at then prevailing market rates, or, in one circumstance, early terminate with appropriate notice and termination payments. As any extension, renewal, or termination is at the sole discretion of AMA, and at this date is not certain, renewal and termination options are not included in the right-of-use (ROU) asset or lease liability.

AMA leases do not provide an implicit interest rate and as such, AMA calculates the lease liability at lease commencement or remeasurement date as the present value of unpaid lease payments using an estimated incremental borrowing rate. The incremental borrowing rate represents the rate of interest that AMA estimates it would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term, based on information available at the time of commencement or remeasurement.

AMA exercised a contraction option during 2022 reducing the square footage at the main headquarters by approximately 10%, with a contraction penalty. The ROU asset and lease liability were remeasured as of the lease modification date and the impact of the contraction is reflected in the ROU asset and lease liability as of December 31, 2022. ROU assets decreased \$1.3 million, lease liabilities decreased \$2.3 million, with the resulting net gain of \$1 million included as a reduction to other operating expense. AMA also leases copiers and printers in several locations. The lease agreements do not contain variable lease payments, residual value guarantees or material restrictive covenants. All office and equipment leases are classified as operating leases.

Operating lease costs totaled \$9.7 million in 2022 and \$10.1 million in 2021. Cash paid for amounts included in the measurement of lease liabilities totaled \$13.2 million in 2022 and \$13.1 million in 2021.

The remaining weighted-average lease term is 6.3 years and 7.1 years as of December 31, 2022 and 2021, respectively. The weighted-average discount rate used for operating leases is 5% for both 2022 and 2021.

**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**  
**(Columnar amounts in millions)**

The maturity of lease liabilities as of December 31, 2022:

2023	\$ 15.3
2024	11.4
2025	11.4
2026	11.6
2027	11.8
2028 and beyond	14.5
Total lease payments	76.0
Less imputed interest	(10.7)
Present value of lease obligations	\$ 65.3

**11. Financial asset availability and liquidity**

AMA has a formal reserve policy that defines the reserve investment portfolios as pools of liquid net assets that can be accessed to mitigate the impact of undesirable financial events or to pursue opportunities of strategic importance that may arise, as well as provide a source of capital appreciation. The policy establishes minimum required dollar levels required to be held in the portfolios (defined as an amount equal to one-year's general and administrative operating expenses plus long-term liabilities). The policy also covers the use of dividend and interest income, establishes criteria for use of the funds and outlines the handling of excess operating funds on an annual basis.

Dividend and interest income generated from the reserve portfolios are transferred to operating funds monthly and used to fund operations. The formal reserve policy contemplates use of reserve portfolio funds for board approved time- or dollar-limited strategic outlays, to the extent that the reserve portfolio balances exceed the minimum amount established by policy. All surplus funds generated from operations annually (defined as operating cash plus other current assets minus current liabilities and deferred revenue at year end) are transferred to the reserve portfolios after year-end. The reserve policy does not cover the for-profit subsidiaries' activities.

AMA invests cash in excess of projected weekly requirements in short-term investments and money market funds. AMA does not maintain any credit facilities as the reserve portfolios provide ample protection against any liquidity needs.

The following reflects AMA's financial assets as of December 31 reduced by amounts not available for general use that have been set aside for long-term investing in the reserve investment portfolios or funds subject to donor restrictions. AMA's financial assets include cash, cash equivalents and donor restricted

cash, short-term investments and long-term investments in the reserve portfolios.

	2022	2021
Financial assets	\$ 966.7	\$ 1,038.7
Less assets unavailable for general expenditures:		
Restricted by governing body primarily for long-term investing or for governing body approved outlays	(841.4)	(887.6)
Financial assets available to meet cash needs for general expenditures within one year	\$ 125.3	\$ 151.1

In addition to financial assets available to meet general expenditures over the next 12 months, the AMA operates under a policy that requires an annual budget surplus, excluding time- or dollar-limited strategic expenditures approved by the board, and anticipates generating sufficient revenue to cover general ongoing expenditures on an annual basis.

**12. Contingencies**

In the opinion of management, there are no pending legal actions for which the ultimate liability will have a material effect on the equity of the AMA.

**13. Subsequent events**

ASC Topic 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the consolidated balance sheet date but before consolidated financial statements are issued or are available to be issued.

For the year ended December 31, 2022, the AMA has evaluated all subsequent events through February 10, 2023, which is the date the consolidated financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition or disclosure in these consolidated financial statements that have not already been accounted for.

**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**  
**(Columnar amounts in millions)**

**14. Functional expenses**

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the Strategic Arcs and Core Mission Activities, Publishing, Health Solutions and Insurance, Membership and other supporting services.

The expenses that are allocated and the method of allocation include the following: fringe benefits based on percentage of compensation and occupancy based on square footage. All other expenses are direct expenses of each functional area.

	Membership	Publishing, Health Solutions and Insurance	Investments (AMA only)	Strategic Arcs and Core Mission Activities	Governance, Administration and Operations	Health2047 and Subsidiaries	Total
Cost of products sold and selling expense	\$ -	\$ 27.9	\$ -	\$ -	\$ -	\$ 2.7	\$ 30.6
Compensation and benefits	6.4	65.1	-	78.1	78.1	7.0	234.7
Occupancy	0.4	5.7	-	6.9	7.1	1.3	21.4
Travel and meetings	0.1	2.6	-	4.5	7.2	0.3	14.7
Technology costs	1.0	11.0	-	7.1	10.3	0.1	29.5
Marketing and promotion	11.7	0.1	-	7.3	1.6	0.6	21.3
Professional services	0.4	4.2	0.3	17.5	3.8	3.0	29.2
Other operating expense	1.0	5.9	0.4	12.0	4.7	0.7	24.7
<b>2022 total expense</b>	<b>\$ 21.0</b>	<b>\$ 122.5</b>	<b>\$ 0.7</b>	<b>\$ 133.4</b>	<b>\$ 112.8</b>	<b>\$ 15.7</b>	<b>\$ 406.1</b>
Cost of products sold and selling expense	\$ -	\$ 25.9	\$ -	\$ -	\$ -	\$ -	\$ 25.9
Compensation and benefits	5.8	62.4	-	70.1	88.5	6.5	233.3
Occupancy	0.5	5.6	-	6.7	6.8	1.5	21.1
Travel and meetings	-	0.6	-	1.1	1.8	0.1	3.6
Technology costs	1.6	10.4	-	6.3	9.7	-	28.0
Marketing and promotion	9.6	0.4	-	7.5	0.1	0.5	18.1
Professional services	0.1	4.5	0.3	16.6	4.7	2.5	28.7
Other operating expense	0.9	5.3	0.4	8.9	2.8	1.2	19.5
<b>2021 total expense</b>	<b>\$ 18.5</b>	<b>\$ 115.1</b>	<b>\$ 0.7</b>	<b>\$ 117.2</b>	<b>\$ 114.4</b>	<b>\$ 12.3</b>	<b>\$ 378.2</b>

**UNIFORM GUIDANCE  
SUPPLEMENTAL REPORT**

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of  
American Medical Association  
Chicago, IL

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of American Medical Association and Subsidiaries (the "AMA"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated February 10, 2023.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the AMA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AMA's internal control. Accordingly, we do not express an opinion on the effectiveness of the AMA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the AMA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AMA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AMA's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering AMA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for Deloitte & Touche LLP, featuring the company name in a stylized, handwritten-style font.

February 10, 2023

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of  
American Medical Association  
Chicago, IL

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the American Medical Association's and Subsidiaries (the "AMA") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the AMA's major federal programs for the year ended December 31, 2022. The AMA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. In our opinion, the AMA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the AMA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the AMA's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the AMA's federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the AMA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the AMA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the AMA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the AMA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the AMA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control Over Compliance***

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Deloitte & Touche LLP*

February 10, 2023

AMERICAN MEDICAL ASSOCIATION AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN Number	Pass-Through Entity Identifying Number	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:			
U.S. Department of Health and Human Services — Centers for Disease Control and Prevention — COVID-19 — Engaging Physicians to Strengthen the Public Health System and Improve the Nation's Public Health	93.421	5 NU38OT000293-05-00	
	93.421	6 NU38OT000293-02-03	\$ 526,068
U.S. Department of Health and Human Services — Centers for Disease Control and Prevention — COVID-19 — passed through American College of Preventive Medicine — Improving Minority Physician Capacity to Address COVID-19 Disparities	93.421	6 NU38OT000289- 03-08	302,783
U.S. Department of Health and Human Services — Centers for Disease Control and Prevention — COVID-19 — Improving Health Outcomes through Partnerships with Physicians to Prevent and Control Emerging and Re-Emerging Infectious Disease Threats	93.318	5 NU50CK000597-02-00	
	93.318	1 NU50CK000597-01-00	600,634
U.S. Department of Health and Human Services — Centers for Disease Control and Prevention — Engaging Physicians to Strengthen the Public Health System and Improve the Nation's Public Health	93.421	5 NU38OT000293-03-00	
	93.421	5 NU38OT000293-04-00	
	93.421	5 NU38OT000293-05-00	224,150
U.S. Department of Health and Human Services — Centers for Disease Control and Prevention — passed through American College of Preventive Medicine — Building Healthcare Provider Capacity to Screen, Test, and Refer Disparate Populations with Prediabetes	93.421	6 NU38OT000289-01-01	147,329
U.S. Department of Health and Human Services — Health Resources and Services Administration — passed through American Heart Association — National Hypertension Control Initiative: Addressing Disparities Among Racial and Ethnic Minority Populations	93.129	1CPIMP211228-01-00	878,334
U.S. Department of Health and Human Services — Substance Abuse and Mental Health Services Administration — passed through American Academy of Addiction Psychiatry Providers Clinical Support System — Medicated Assisted Treatment	93.243	1H79TI081968-01	<u>24,030</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 2,703,328</u>

See accompanying notes to the schedule of expenditures of federal awards.

# AMERICAN MEDICAL ASSOCIATION AND SUBSIDIARIES

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2022

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### 1. BASIS OF PRESENTATION

The AMA receives federally funded grants to support research and development for various initiatives. Expenditures charged to federally funded grants are incurred for the purposes specified by the funding source in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The accompanying schedule of expenditures of federal awards (the “schedule”) has been prepared using the accrual basis of accounting and includes expenditures for all federally funded grants administered by the AMA for the year ended December 31, 2022. For purposes of the schedule, federal awards include all grants and cooperative agreements entered into directly between AMA and agencies and departments of the federal government as well as federal awards passed through to the AMA by other governmental entities or not-for-profit organizations. The schedule should be read in conjunction with AMA’s consolidated financial statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Direct and Indirect Expenditures** — Expenditures presented in the schedule consist of direct and indirect costs. Direct costs are those that can be easily attributed to a federal award, such as the salary of a principal investigator. Indirect costs cannot be easily attributed to a federal award and relate to the cost of services and resources that benefit federal awards as well as non-federal activities of the AMA.

The AMA has a policy that allows for the allocation of indirect costs such as salaries, employee benefits, occupancy, and other miscellaneous organizational costs relating to federal grants. Indirect costs are charged to federal grants based on the indirect cost rate approved by the U.S. Department of Health and Human Services. As such, the AMA did not elect to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

### 3. NONCASH ASSISTANCE AND FEDERAL INSURANCE

The AMA did not receive any noncash federal awards, federal insurance, or loans or guarantees during the year ended December 31, 2022.

\* \* \* \* \*

**SCHEDULE OF  
FINDINGS AND QUESTIONED COSTS**

# AMERICAN MEDICAL ASSOCIATION AND SUBSIDIARIES

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2022

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### PART I — SUMMARY OF INDEPENDENT AUDITORS' RESULTS

#### Financial Statements

##### Type of Auditors' Report Issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

##### Type of Auditors' Report Issued on Compliance for Major Federal Programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No
- AMA's major federal program was the Research and Development Cluster
- A threshold of \$750,000 was used to distinguish between Type A and Type B programs
- AMA qualifies as a low-risk auditee as that term is defined in 2 CFR 200.520

### PART II — FINANCIAL STATEMENT FINDINGS

None.

### PART III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

# AMERICAN MEDICAL ASSOCIATION AND SUBSIDIARIES

## SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2021

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### Prior-Year Financial Statement Findings

None.

### Prior-Year Federal Award Findings and Questioned Costs

None.