



2022 ANNUAL REPORT

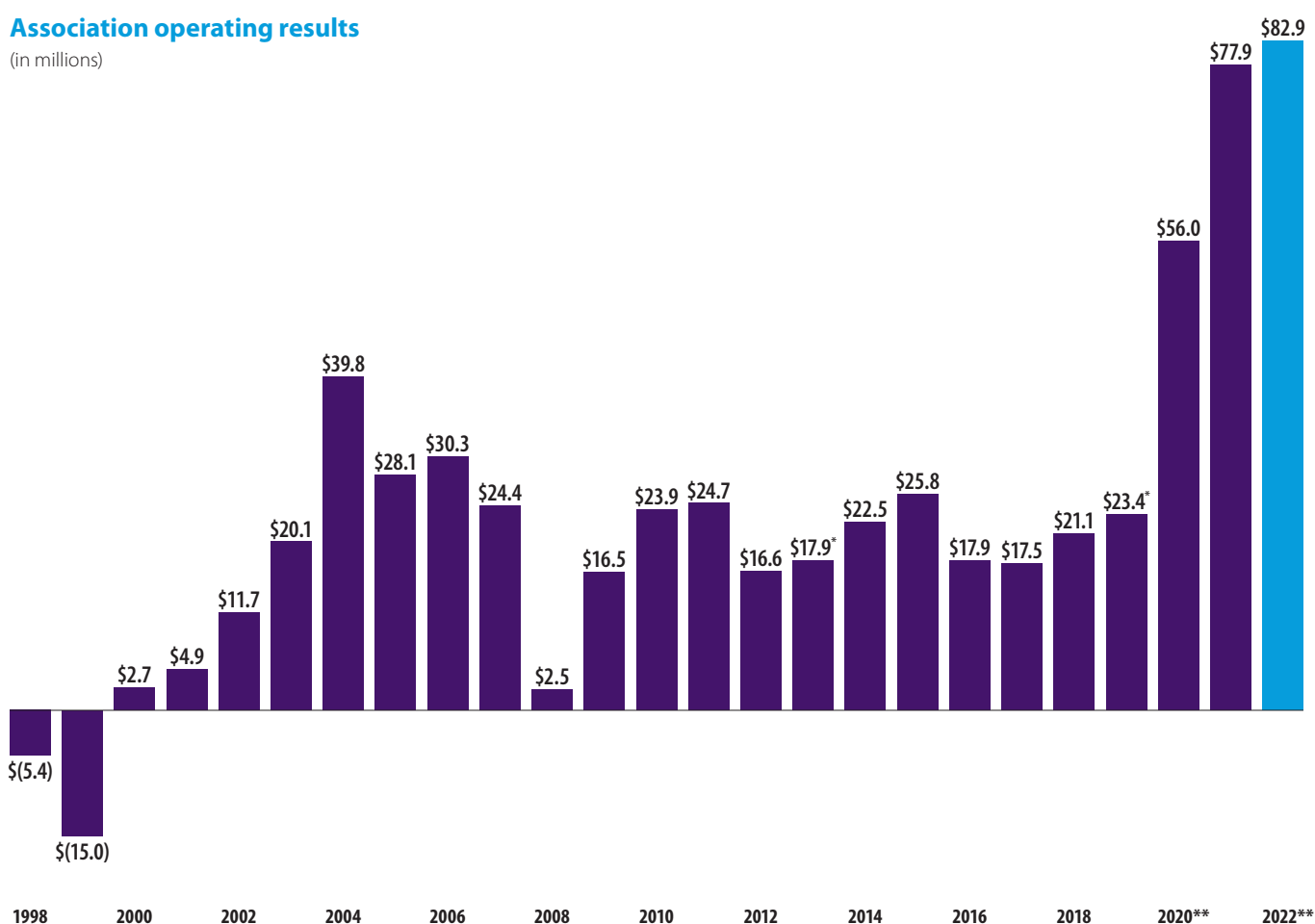
# Fighting for physicians

# Financial highlights

(Dollars in millions)	2022	2021
Revenues	\$ 493.4	\$ 459.7
Cost of products sold and selling expense	30.6	25.9
General and administrative expenses	375.5	352.3
Operating results	82.9	77.9
Non-operating items	(117.9)	79.5
Changes in defined benefit postretirement plans, other than periodic expense, net of tax	29.4	5.6
Change in unrestricted equity	(5.6)	163.0
Change in donor restricted equity	0.1	(0.1)
Change in association equity	(5.5)	162.9
Association equity at year-end	\$ 889.4	\$ 894.9
Employees at year-end	1,267	1,206

## Association operating results

(in millions)



\* Pro forma operating results: 1) 2013 excludes \$33 million in nonrecurring charges relating to AMA's headquarters relocation and 2) 2019 excludes \$36.2 million noncash pension termination expense reclassification from non-operating results.

\*\* 2020 through 2022 results were impacted by a lack of travel due to the pandemic, as well as a hiring freeze and subsequent tight labor market. These savings are temporary in nature.

# Letter to stakeholders

It's been more than three years since the pandemic took hold of our nation and placed unrelenting pressure upon America's physicians and patients. While the number of deaths slowed and the cases trended downward through much of 2022, the pandemic underscored the urgent need to better support physicians who take care of this nation—and fix what's broken in health care. And the AMA answered.

The AMA met the challenge by introducing its Recovery Plan for America's Physicians. The strategy laid out specific actions needed to strengthen our nation's physician workforce, improve access to necessary care and rebuild our health system to more effectively respond to the next health crisis—whatever it may be.

In its first year the Recovery Plan delivered promising results, as AMA advocacy helped secure significant wins that locked in important telehealth expansions and protected physicians by limiting Medicare payment cuts. But this progress is not nearly enough. Much more is needed in 2023 and beyond to help physicians and their practices recover from the trauma of the pandemic and to help eliminate the pain points that continue to threaten patient care and drive physician dissatisfaction and burnout.

In a year that marked the organization's 175th anniversary, the AMA in 2022 continued to fight relentlessly—through the courts, in the halls of Congress and in state legislatures across the country—on behalf of physicians and patients. We are proud that ours was among the nation's leading nonpartisan voices for science and vaccine efficacy, for advancing health equity, and in cutting through the fog of medical disinformation and misinformation.

And we are equally proud that our voice once again set new standards for physician engagement across multimedia platforms, from content offered on our ever-expanding AMA Ed Hub™ digital education platform to record numbers of media impressions and unique visitors to our flagship website, growth that surpassed the record-high numbers from the pandemic's first year.

Other aspects fundamental to the AMA's mission flourished as well. The AMA released a special edition of its *Code of Medical Ethics*, and the *Journal of the American Medical Association*, under the direction of new Editor-in-Chief Kirsten Bibbins-Domingo, MD, PhD, MAS, maintained its place among the world's preeminent medical journals. All 12 specialty publications from the JAMA Network ranked among the top 10 in Journal Impact, with eight ranking in the top three for their respective

specialties. And finally, we expanded the AMA's social impact strategy while helping to improve the lives of residents in our home city with a \$3 million multi-year investment in West Side United.

Following 11 consecutive years of membership growth, in 2022 the AMA experienced a small decrease in overall membership (mainly due to a drop in student numbers), but physician membership remained steady. Overall, the organization's advocacy efforts and mission activities were supported by another strong year of financial performance.

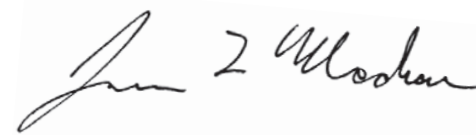
With unparalleled advocacy and engagement, strengthened by our industry-leading research, education and tools, the AMA continues to redefine what it means to be the physicians' powerful ally in patient care. Through challenges and change, in times of crisis and calm, the AMA is committed to physicians, patients and advancing medical practice—and we will never back down.



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# AMA RECOVERY PLAN FOR AMERICA'S PHYSICIANS

**Physicians prioritize patient health and well-being above all else. Fulfilling that obligation during the COVID-19 pandemic has meant putting their own lives on the line to save others while advocating for treatments and preventive measures supported by evidence-based medical science. No matter what role they took on, or where or how they served during the most severe public health crisis in decades, every physician felt the effect of the pandemic—and dealt with the consequences of a health care system stretched to its breaking point.**

The AMA responded with the Recovery Plan for America's Physicians, a five-point strategy to support and strengthen our nation's physician workforce. Introduced at the Annual Meeting of the AMA House of Delegates in June 2022, the AMA continues to make progress in each of the five priorities:

- Fixing prior authorization to reduce the burden on practices and minimize patient care delays
- Reforming the Medicare payment system to ensure financial stability and predictability
- Stopping scope of practice creep that puts patient safety at risk
- Reducing physician burnout and addressing the stigma around mental and behavioral health
- Supporting telehealth to extend gains in coverage and payment

The AMA's progress on these goals in 2022 set the stage for even **greater success** in the future.



## **Fixing prior authorization**

The Improving Seniors' Timely Access to Care Act, the bipartisan effort to

ease prior authorization burdens under the Medicare Advantage program, garnered 326 co-sponsors before it was passed by the U.S. House of Representatives in September. Its provisions were developed from the consensus statement on prior authorization reform that the AMA helped draft. The AMA represented the interests of physicians in a federal regulatory task force exploring methods to streamline the prior authorization process. The AMA also played a key role in the successful adoption of prior authorization reform laws in five states and laid the groundwork for 2023 reform efforts in dozens more states.

## Reforming the Medicare payment system



The AMA has been leading a multiyear effort to bring about Medicare payment models that give physicians greater flexibility in care delivery, minimize administrative burdens that detract from patient care, and improve the financial viability of physician practices. In 2022, we led a robust advocacy campaign that was joined by more than 150 organizations representing more than 1 million physicians that succeeded in minimizing the 8.5% cuts slated for 2023.

The fight is far from over. Although physicians face a 2% reduction in Medicare payment in 2023, AMA advocacy efforts helped secure a two-year postponement of the 4% cuts from the pay-as-you-go sequester tied to the American Rescue Plan Act.

The AMA continues to advocate for comprehensive Medicare payment reform and a rational system that is clinically relevant, less administratively burdensome, provides real opportunities for participation in new payment models, and provides stability and financial viability for large and small, as well as urban and rural, physician practices. Principles developed by the AMA to guide Medicare payment reform were endorsed by more than 120 medical societies.



## Fighting scope creep

The AMA scored more than 40 state-level

victories by working in partnership with state medical associations and national medical specialty societies. Pressing the fight for patient safety, we stopped bills that would have expanded the scope of practice for nurse practitioners and other APRNs, helped defeat legislation nationwide that would have allowed physician assistants to practice independently without physician oversight, and turned away measures allowing pharmacists to prescribe medications and optometrists to perform surgery.

The AMA continues to aggressively urge the Department of Veterans Affairs to reject the inappropriate scope of practice expansions outlined in the Federal Supremacy Project while advocating as strongly as ever in favor of physician-led teams and against improper scope expansions in all 50 states and the District of Columbia.

## Reducing physician burnout



The AMA helped secure enactment of the Dr. Lorna Breen Health Care Provider Protection Act, which enables a broad range of essential

physician wellness resources, including evidence-based programs dedicated to improving mental health and resiliency. In addition, the AMA helped build coalitions to strip away stigmatizing questions about mental health and substance abuse disorders on licensure applications. Multiple medical boards and health systems made changes based on AMA recommendations.

The AMA also continues to advance strategies organizations can employ to boost professional satisfaction and personal well-being. Finally, the AMA continues to provide tools to address the contributors to burnout in its STEPS Forward series, including a Saving Time Playbook, and a toolkit to address disproportionate impact on patients and physicians called Racial and Health Equity: Concrete STEPS for Health Systems.



## Supporting telehealth gains

As evidenced by its tremendous growth during the COVID-19 pandemic, the AMA believes telehealth is a crucial element of effective health care delivery. That's why we continue to work to expand telehealth research, resources and policies while boosting the tools, support and expertise we offer physicians looking to integrate telehealth services into their practices without financial risks or penalties.

The AMA played a key role in securing passage of legislation to extend Medicare telehealth flexibilities through the end of 2024. We also launched model legislation that states can use to advance telehealth coverage and policies, and further supported telehealth expansion by producing curated webinars, hosting interactive information exchanges and virtual discussion sessions, and by expanding our already-impressive library of print and online resources promoting evidence-based telehealth services to now include strategies to advance health equity in virtual care.

## AMA highlights

The year 2022 was one of much progress across many meaningful initiatives led by the AMA, from advocacy to education and from health equity to blood pressure management. Here are some highlights of our organization's important work during 2022.

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The AMA authored or co-authored a record 27 peer-reviewed journal articles and research reports in 2022 relating to physician burnout and improving professional satisfaction and practice sustainability. And the AMA Steps Forward Program exceeded 1.6 million lifetime users with new training programs that included two more playbooks, two new and 17 updated toolkits, 26 podcasts and four videos.

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The AMA expanded its work in promoting physician wellness through its Joy in Medicine™ Health System Recognition Program, honoring nearly 30 health care organizations that represented more than 80,000 physicians.

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30 million  
unique  
visitors

to our flagship website, a 10% increase  
from the record-setting performance  
the previous year.

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In the face of a worsening drug-related overdose and death epidemic, the AMA continued to fight to remove barriers to evidence-based care for people with substance use disorders, patients with pain and increase access to harm reduction initiatives. Thanks, in part, to AMA advocacy, Congress removed the federal "X-waiver" requirement to prescribe buprenorphine in-office for treating opioid use disorder; the Centers for Disease Control and Prevention (CDC) eliminated arbitrary, numeric thresholds from its revised 2022 opioid prescribing guidelines; and the U.S. Food and Drug Administration (FDA) removed barriers for harm reduction organizations to directly purchase and distribute naloxone. AMA advocacy also played a role in the National Association of Insurance Commissioners' efforts to increase health insurers' compliance with state and federal mental health and substance use disorder parity laws, as well as new laws being enacted in multiple states that decriminalized fentanyl test strips and other drug testing supplies and equipment.

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The industry-leading AMA Ed Hub online education portal continued to expand its programs, affiliations and reach to support live broadcasts and enhance multimedia capabilities. The stable of external education providers grew by 10 to encompass 35 organizations with the addition of the American Board of Pediatrics and the American Academy of Allergy, Asthma and Immunology, among others.

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The AMA, led by its Center for Health Equity, strengthened its physician engagement with the launch of seven new educational modules published on the AMA Ed Hub learning platform that focus on strategies to advance equity through quality and safety improvements.

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The AMA launched the “In Full Health Learning and Action Community to Advance Equitable Health in Innovation” initiative, building upon the expertise of 17 external collaborations to create three AMA Ed Hub learning modules and the “Equitable Health Innovation Solutions” toolkit.

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The AMA developed an mpox resource page to provide physicians with updated information on testing access, vaccines and therapeutics, and worked with the FDA and CDC on a webinar detailing the tecovirimat (TPOXX) antiviral. And the AMA again collaborated on the annual bilingual “Get My Flu Shot/Vacunate Contra la Influenza” campaign, and kept physicians and the public up to date on the latest pandemic developments, including therapeutics and the importance of staying on track with COVID-19 vaccines.

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6 million  
views on our  
AMA Ed Hub™  
digital education platform.

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The launch of the AMA’s new Current Procedural Terminology (CPT®) Developer Program helped creators of health technology and services convert ideas and leverage AMA-published content into transformative innovations. A new self-service portal gave physicians the ability to license CPT code sets through a simple pay model, including new codes introduced in 2022 relating to the mpox outbreak and ongoing releases for specific COVID-19 vaccines. The AMA also developed revised versions of an initial 20 illustrations for the 2023 CPT PRO Book, reflecting the diversity of our patients.

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# 2.7 million YouTube views

2x the total from 2021.

To close the gap in blood pressure management training within medical schools, the AMA launched a three-part eLearning series, supported by a one-year grant program to monitor the impact of this new training. AMA policy guidance led to four state Medicaid programs increasing access for self-measured blood pressure by covering home-use devices and clinical support services. AMA added four more health care organizations to its growing list of AMA MAP BP™ implementation sites and announced exciting results of one implementation site, Cook County Health on Chicago's West Side, which reported that blood pressure control rates increased by 13 percentage points across 11 practice sites. Additionally, the AMA also trained more than 100 community health workers to help Chicago's West Side residents more accurately measure their blood pressure at home.

The AMA's community support included an additional \$3 million multi-year commitment to West Side United, a community-based collaborative that is addressing determinants of health and reshaping economic vitality on Chicago's West Side.

First published in March 2022 as part of the AMA's MedEd Innovation Series, the "Coaching in Medical Education Handbook" quickly sold out. Now in its second printing, this instructor-focused guide outlines a scientific foundation for coaching competency and has ranked in the top 100 of medical education and training books since its release.

The AMA published "Protecting the Education Mission During Sustained Disruption" in 2022, a report that explores organizational strategies to support educators amid extreme stress and which formed the basis of the *Educator Well-Being in Academic Medicine* book published in December.

In cases ranging from COVID-19 standards of care to firearm regulations, the AMA continued to fight for physicians and patients in state and federal courts in 2022. The AMA was a plaintiff in *African American Tobacco Control Leadership Council v. HHS*, which forced the federal government to take the first steps toward banning menthol cigarettes.

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The AMA joined an Association of American Medical Colleges-led U.S. Supreme Court amicus brief in the *Students for Fair Admissions v. Harvard* and *Students for Fair Admissions v. University of North Carolina* cases in support of the consideration of race in higher education admissions. Together with the American Academy of Pediatrics, the AMA submitted an amicus brief urging the U.S. Supreme Court to uphold the Indian Child Welfare Act (ICWA) of 1978. And in the wake of the U.S. Supreme Court's *Dobbs v. Jackson Women's Health Organization* decision, the AMA joined numerous briefs promoting access to reproductive care and opposing government interference in the patient-physician relationship.

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600,000  
AMA  
podcast  
downloads

175 billion  
AMA media  
impressions

representing \$1.6 billion in estimated  
advertising value to the organization.

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The AMA expanded its national Behavioral Health Collaborative with the launch of the Behavioral Health Integration Immersion Program, a 12-month curriculum that provides enhanced technical assistance to physician practices seeking to deliver integrated care to patients. This effort builds on the success of the Overcoming Obstacles series with several new webinars on topics such as assembling a behavioral health integration care team and addressing physician and patient mental health.

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The AMA relaunched its popular Physician Innovation Network digital platform, which now has more than 18,000 collaborators and 30 industry partners, to improve user experience and more effectively connect physicians with technology innovators.

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Following up on extensive research that identified the benefits physicians valued most in a disability product, AMA Insurance launched two popular enhancements to this line, including a level-rated premium.

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# Management's discussion and analysis

# Management's discussion and analysis

## Introduction

The objective of this section is to help American Medical Association (AMA) members and other readers of our financial statements understand management's views on the AMA's financial condition and results of operations. This discussion should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements.

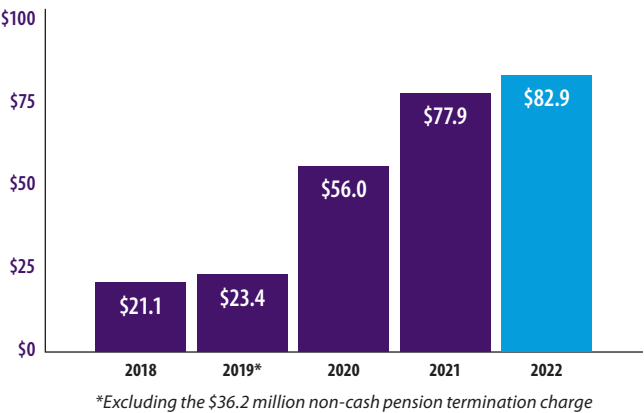
Improving the health of the nation is at the core of the AMA's work. As physicians' powerful ally in patient care, the AMA delivers on this goal by representing physicians with a unified voice in courts and legislative bodies across the nation, removing the largest governmental and private sector obstacles that interfere with optimal patient care, leading the charge to prevent chronic disease and confront public health crises, and driving the future of medicine to tackle the biggest challenges in health care and training the leaders of tomorrow. AMA's strategic arcs are supported by improving health outcomes, lifelong medical education and enhancing physician professional satisfaction and practice sustainability. Our advocacy, health equity and innovation initiatives act as accelerators across all arcs. AMA's foundation is built on science, membership, financial performance, talent and engagement.

2022 accomplishments were led by the launch of the AMA Recovery Plan for America's Physicians, an ambitious roadmap to renewing our country's commitment to physicians—and ensuring their needs are met—so patients can receive the high-quality care they deserve. The plan focuses on five key goals to re-build health care so that it works better for physicians and all those they serve: 1) fixing prior authorization to reduce the burden on practices and minimize care delays for patients; 2) reforming Medicare payment to promote thriving physician practices and innovation; 3) stopping scope creep that threatens patient safety; 4) reducing physician burnout and addressing the stigma around mental health; and 5) supporting telehealth to maintain coverage and payment. Advocacy results included achieving more than 35 state-level scope of practice victories in partnership with the Federation and extending telehealth coverage into 2024, as well as minimizing the impact of the scheduled 8.5 percent Medicare payment cuts. Professional Satisfaction and Practice Sustainability expanded its successful programs to reduce burnout in health systems, based on peer-reviewed studies and research.

The AMA, like all other organizations, recognized in early 2020 that there was substantial uncertainty about the effects and risk of COVID-19 on our funding, financial condition, and results of operations. As a result, AMA took steps to ensure that programmatic activities and employment levels would be protected during a sustained pandemic, knowing the potential for economic uncertainty, including a freeze on hiring and elimination of travel, among other measures. AMA lifted the freeze on hiring in the spring of 2021, but the level of open positions remained high through 2022 due to the very tight job market. The lower staffing levels and limited travel garnered substantial savings. These savings are temporary in nature and drove unusually high operating income for AMA during 2020 through 2022 but are not expected to recur after full return to normal activities in 2023.

## Pro forma net operating results

(in millions)



AMA's 2023 budget assumes that these temporary savings will not recur, and coupled with expansion of certain programmatic areas, expenses will increase to normal levels, resulting in operating income at the board-approved policy level.

The AMA is committed to its responsibility of ensuring that the organization focuses its finite resources on core mission activities and strategic arcs while improving the quality and breadth of products and services for physicians and medical students. Our physicians' and medical students' voices are central to AMA's overall success.

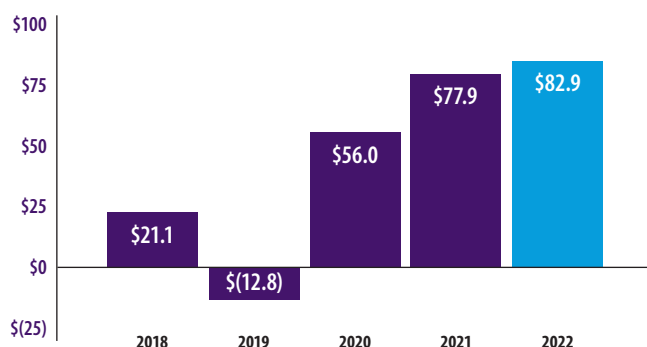
The following pages discuss the 2022 consolidated financial results as compared to 2021. Additional detailed discussion of operating unit results is included in the section titled "Group Operating Results."

## Consolidated financial results

### Results from operations

#### Net operating results

(in millions)



As noted above, the unusually tight labor market that adversely impacted hiring and limited travel and in-person meetings in the first half of 2022 were major factors in spending levels running \$40 million less than budget. At the same time, recurring revenue rose by approximately \$19 million. In addition, the liquidation of a subsidiary and recognition of one-time deferred revenue and costs added \$11.6 million to the 2022 net results. Looking ahead to 2023, AMA does not expect to attain the same level of expense savings and future results are expected to be more modest.

In 2019, the AMA finalized termination of its defined benefit pension plan, providing lump sum payments to individuals that elected that option and purchasing a group annuity plan for participants that chose to remain in the plan. AMA recorded a \$38.2 million noncash reclassification of prior actuarial losses from non-operating expense to operating expense, titled pension termination expense, as well as reclassifying a \$2 million noncash tax benefit to income tax expense that was previously reported as a non-operating credit.

Excluding the \$36.2 million noncash pension termination expense (net of the \$2 million tax credit), AMA would have reported \$23.4 million in net operating income for 2019.

Results discussed below reflect AMA's actual results from operations in 2022 as compared to 2021. Any pro forma charts exclude the impact of the pension termination on 2019 results.

### Revenues

In 2022, total revenue improved by \$33.7 million over the prior year, due to continued growth in AMA's royalties and a one-time recognition of \$14.3 million in deferred revenue from a customer contract in a subsidiary company of Health2047, Inc. (Health2047) upon liquidation of the subsidiary. Most other revenue categories were either slightly down or unchanged for the year.

Consolidated investment income, which is dividend and interest income, net of management fees, increased in 2022, impacted in large part by higher interest rates. Market gains or losses are not included in investment income and are reported as non-operating results.

The number of AMA dues-paying members decreased slightly in 2022 by 0.9 percent, after 11 years of consecutive growth in membership. During that 11-year period, AMA dues-paying membership increased by more than 75,000.

Dues revenue decreased by 2.9 percent as growth in lower dues paying categories such as group memberships and sponsored memberships partially offset the decline in individual direct member categories.

### Cost of products sold and selling expenses

All variable expenses related to the production, distribution and sale of periodicals, books, coding products and licensed products are included in the cost of products sold and selling expense categories. Examples include paper, sales commissions, promotional activities, distribution costs and third-party editorial costs.

In 2022, cost of products sold and selling expenses increased \$4.7 million from the prior year, of which \$2.7 million was for one-time recognition of deferred costs related to the Health2047 subsidiary's recognition of deferred revenue noted above. The remaining increase was largely a function of commodity price and postal rate increases for paper and distribution.

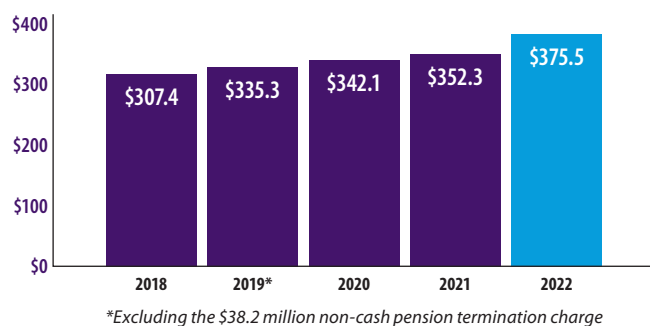
### Contribution to general and administrative expenses

Cost of products sold and selling expenses are deducted from revenues to determine the amount of money available for the general and administrative expenses of the organization. Contribution to general and administrative expenses measures the gross margin derived from revenue-producing activities.

The contribution to general and administrative expenses increased \$29 million to \$462.8 million in 2022, with revenue improvements from royalties and the one-time recognition of the Health2047 subsidiary's deferred revenue and costs accounting for most of the change.

## Pro forma general and administrative expenses

(in millions)



General and administrative expenses rose only \$23.2 million in 2022, or 6.6 percent, when compared to 2021. This was substantially less than the budgeted increase for 2022, with nonrecurring savings related to staffing, professional services and travel.

Compensation and benefits were largely unchanged in 2022, increasing \$1.4 million, or less than one percent. Compensation, including temporary help, was \$5.8 million higher in 2022, a 3.6 percent increase which was mainly a function of annual merit increases. Fringe benefit costs increased \$2.5 million in total primarily due to higher medical and payroll tax expenses, continuing a post-pandemic trend from 2021. Recruiting costs also increased as an unusually large number of open positions were under recruitment in 2022. Incentive compensation declined \$7.8 million, offsetting most of the above increases, as some key performance indicators were not achieved in 2022 and others were met but not exceeded.

Occupancy costs were up slightly as operating costs rose with a return to office in late 2022 as well as the impact of higher property taxes. In late 2022, AMA exercised a contraction option in the main headquarters lease whereby AMA will relinquish one full floor of office space beginning in 2023 upon payment of a termination penalty. The cash savings over the remaining lease period, including operating expenses and property taxes and net of the penalty, are estimated to be in excess of \$8 million.

Travel and meeting costs increased by \$11.1 million in 2022, as AMA resumed in-person meetings and travel mid-year.

Technology costs were up \$1.5 million in 2022, largely related to continued development of the AMA Ed Hub, JAMA Network initiatives and implementation of the Insurance Agency's new policy administration system.

Marketing and promotion costs rose \$3.2 million in 2022, mainly for marketing and media costs related to the launch of AMA's Recovery Plan for America's Physicians and membership solicitation.

Outside professional services increased \$0.5 million in 2022, due in part to Advocacy conducting a bi-annual Physician Practice Expense survey as well as costs for the "Stop Medicare Cuts" campaign early in 2022.

A \$5.2 million increase in other operating expenses was driven by a \$2.2 million increase in grants and contributions, of which a \$1 million increase is for various grants sponsored by the Center for Health Equity and a \$0.7 million increase is for the Accelerating Change in Medical Education (ACE) Consortium grants. Continued growth in the use of online solutions across a number of business units, as well as price increases, resulted in online product subscription costs increasing \$1.7 million during 2022.

## Operating results before income taxes

The AMA reported \$87.3 million in pre-tax operating income in 2022 compared to \$81.5 million in 2021. Both years reflect substantially reduced expenses due to pandemic restrictions on travel and meetings, staffing freezes and tight labor markets. A \$33.7 million increase in revenue was only partially reduced by cost of products sold and general and administrative expense increases described above.

## Income taxes

Taxes increased \$0.8 million in 2022 when compared to 2021. The 2021 tax provision included a \$1.2 million credit reflecting a reversal of a previously established reserve for taxes deemed unnecessary due to completion of tax audits. The absence of the credit in 2022 was partially offset by the effect of lower taxable income in one of the subsidiaries.

## Net operating results

Net operating income was \$82.9 million in 2022 compared to \$77.9 million in 2021, driven mainly by improved revenues net of expense increases.

## Non-operating items

The AMA reported a \$115.1 million loss in the fair value of its portfolio during 2022 after an \$82.8 million gain in 2021. Additional portfolio performance information is discussed in the group operating results section.

As a result of an accounting standard adopted in 2019 for postretirement benefit plans, non-operating results include \$3.5 million and \$3.9 million in postretirement plan interest expense and recognized actuarial losses and prior service credits for 2022 and 2021, respectively.

## Revenue (less than) in excess of expenses

Expenses exceeded revenues by \$35 million in 2022, a combination of \$82.9 million in operating income, the \$115.1 million loss in fair value in the portfolio and \$2.8 million in other non-operating expenses. Revenues exceeded expenses by \$157.4 million in 2021, a combination of \$77.9 million in operating income, an \$82.8 million gain in fair value in the portfolio and \$3.3 million in other non-operating expenses.

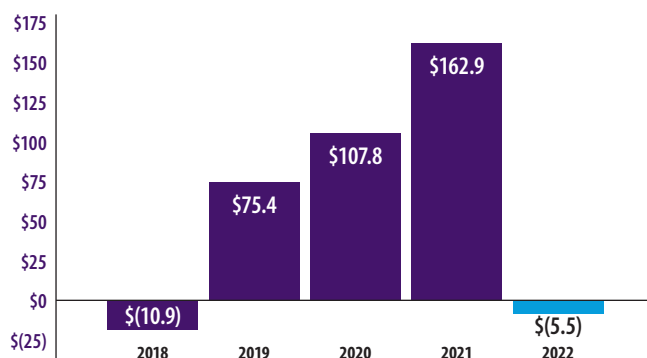
Accounting standards require organizations to recognize deferred actuarial losses and prior service credits or charges for defined benefit postretirement plans as a charge or credit to equity.

In 2022, AMA recorded a \$29.4 million credit to equity reflecting an actuarial gain for the postretirement health care plan, net of a reclassification of actuarial losses for the plan to operating expense and income tax. The gain resulted primarily from higher interest rates reducing the present value of plan liabilities.

In 2021, AMA recorded a \$5.6 million credit to equity reflecting an actuarial gain for the postretirement health care plan, net of a reclassification of actuarial losses and prior service credits for the plan to operating expense and income tax. The gain resulted from higher interest rates and changes in participants, offset by an increase in baseline claims costs.

## Change in total association equity

(in millions)



The AMA reported a \$5.5 million decrease in association equity in 2022. This reflects the amount by which expenses exceeded revenues, plus the credit to equity for changes in defined benefit postretirement plans discussed above, as well as a small increase in donor-restricted equity.

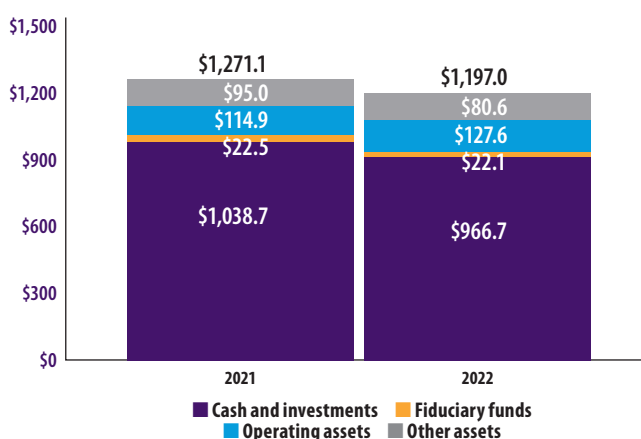
The AMA reported a \$162.9 million increase in association equity in 2021. This reflects the amount by which revenues exceeded expenses, plus the credit to equity for changes in defined benefit postretirement plans discussed above, as well as a small decrease in donor-restricted equity.

## Financial position and cash flows

The AMA's assets include cash, cash equivalents and investments; operating assets such as accounts receivable, inventory and prepaid expenses; fixed capital such as equipment, computer hardware and software; and other assets. AMA assets are supported by association equity, operating liabilities and deferred revenue.

### Assets

(in millions)



The AMA's total assets decreased \$74.1 million in 2022. This includes a \$72 million decrease in cash and investments resulting from \$45.4 million in free cash flow minus a \$115.1 million loss in the fair value of investment securities and \$2.3 million for investments in affiliates.

Fiduciary funds are premium payments from insurance customers not yet remitted to the carriers and funds held by the AMA for third parties for future use as approved by the third parties. This approximates the offsetting liability titled insurance premiums and other fiduciary funds payable.

Operating assets increased \$12.7 million in 2022, primarily due to an increase in accounts receivable and prepaid expenses. Changes in operating assets from year to year are largely due to timing of cash flows.

Other assets includes operating lease right-of-use assets, property and equipment and investments in mutual funds maintained in separate accounts designated for various nonqualified benefit plans that are not available for operations. Operating lease right-of-use assets decreased due to amortization of the asset over the life of the lease as well as the impact from the headquarters' lease contraction noted above. Property and equipment net book value also decreased as new capital spending was exceeded by annual depreciation and amortization of existing capital assets.

Operating liabilities decreased \$52.6 million in 2022, led by decreases in the postretirement health care plan liabilities, lease liability and accrued payroll. The postretirement health care plan liability decrease was a function of the impact of higher interest rates on the present value of plan liabilities. The lease liability change includes a \$2.3 million reduction in the present value of the headquarters liability resulting from exercising the contraction option noted above.

Deferred revenue represents funds received during the year that will not be recognized as income until the following year or thereafter. These amounts vary, as well as accounts payable and accrued expenses, depending on the timing of cash receipts and payments.

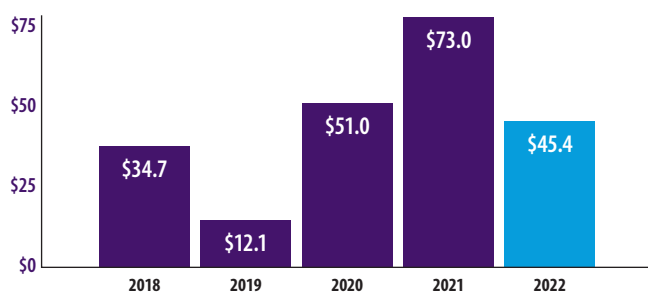
## Cash flows

Cash, cash equivalents and donor-restricted cash increased \$1.4 million in 2022 and decreased \$2.9 million in 2021. This comparison may cause misleading conclusions, as the change in cash and cash equivalents includes reductions for amounts invested in marketable securities, as well as cash inflows from non-operating activities.

Free cash flow measures the AMA's ability to fund operations, capital expenses and major programmatic initiatives from funds generated from operations. This measure excludes non-operating gains and losses.

## Free cash

(in millions)

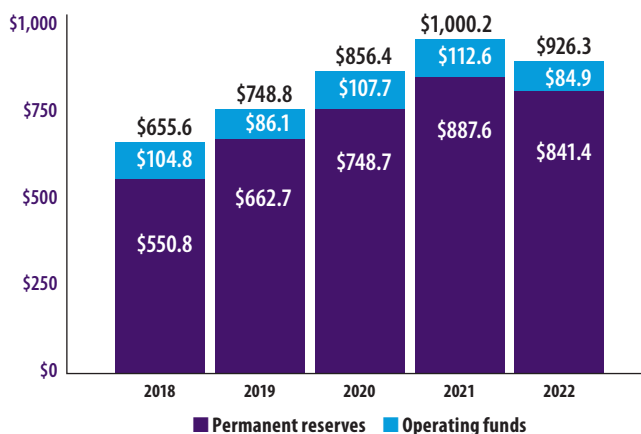


Free cash in 2022 totaled \$45.4 million, substantially less than the 2021 results, driven mainly by changes in operating assets and liabilities.

## Reserve portfolio

### Reserves

(in millions)



The reserves and operating funds above do not include cash and investments in the for-profit subsidiaries and reflect only the not-for-profit entity's cash and investment portfolio values.

As of year-end 2022, the reserve portfolio's value was \$841.4 million compared to \$887.6 million in 2021, a \$46.2 million decrease. That decrease was mainly the result of a \$108.1 million loss in the fair value of the reserve portfolio offset by a \$61.5 million transfer of 2021 excess operating funds to reserves. Operating funds totaled \$84.9 million in 2022, down \$27.7 million from 2021.

The AMA has established a required minimum reserve investment portfolio level that is adequate to cover 100 percent of annual general and administrative expenses (excluding grant expenses) plus an amount sufficient to pay long-term postretirement and lease liabilities (net of the right-of-use asset value). Operating funds, coupled with operating assets, are to be maintained at a level that allows payment of all current operating liabilities.

The minimum reserve portfolio level is designed to ensure that the AMA can always meet its long-term obligations, as well as provide that the AMA could continue operations for at least one year in the case of a catastrophic occurrence.

Reserve portfolio funds also provide the AMA with the ability to fund major strategic spending initiatives not within the operating budget. Spending from the reserve funds is limited to the amount by which reserves exceed the minimum requirement. The Board of Trustees must authorize any use of reserves.

### Permanent reserves and minimum reserve requirement

(in millions)



### Group operating results

The AMA is organized into various operating groups: Membership; Publishing, Health Solutions & Insurance; Strategic Arcs & Core Mission Activities; Administration and Operations; Affiliated Organizations; Unallocated Overhead; and Health2047 (including subsidiaries). Revenues and expenses directly attributed to those units are included in the group operating results. A financial summary of group operating results is presented at the end of this section. Prior year financial results have been restated to be consistent with the current year reported results for each group.

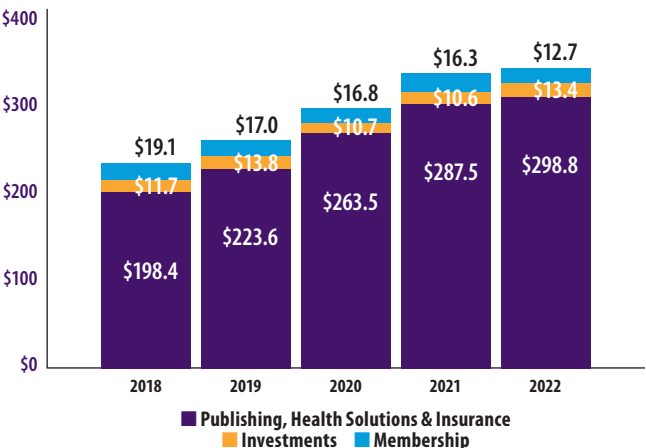
### Contribution margin (net expenses)

Contribution margin equals individual group revenues minus cost of products sold, selling expenses, and direct general and administrative expenses such as compensation, occupancy, travel and meetings, technology costs and professional services.

Net expenses equals total spending, net of any revenue produced by the group, such as grants or other fee income. Total contribution margin and net expenses equals consolidated operating results before income taxes. The charts below separate groups with contribution margin from groups with net expenses.

### Contribution margin

(in millions)



The contribution margin generated by Membership; Publishing, Health Solutions & Insurance; as well as Investments, provides the funding for all mission-related activities of the AMA as well as funding for all administration and support operations required to run the organization.

### Membership

The Membership group's total revenue includes both net membership dues and interest expense on lifetime memberships. Net membership dues include the gross dues revenue collected, reduced by any commissions paid to state societies, and equal the membership dues revenue reported on the statement of activities.

After 11 consecutive years of increases in the number of dues-paying members, AMA experienced a small decrease in total membership in 2022, as the number of dues paying members declined by 0.9 percent. This was driven largely by a drop in student membership which was unfavorably impacted by limitations on in-person recruiting on campuses, while physician membership held steady. Membership continues to focus on expanding use of digital tools to engage physicians and retain them as lifelong members, group membership marketing, and more effectively reaching physicians through expanded programmatic activities.

Dues revenue was \$33.8 million, a \$1 million decrease from 2021. Although the number of physician memberships remained steady, growth in lower dues paying categories was only partially offset by the decline in individual direct member categories. Interest expense on lifetime memberships was \$0.1 million in 2022 and zero in 2021. Membership substantially expanded its marketing and solicitation efforts during 2022, with a \$1.9 million increase in marketing costs, accounting for most of the \$2.5 million cost increase. Membership's contribution margin decreased \$3.6 million in 2022, a combination of the revenue decline and cost increases.

## Publishing, Health Solutions & Insurance

Publications in the JAMA Network include the *Journal of the American Medical Association (JAMA)* and the JAMA Network specialty journals. In recent years, the JAMA Network has launched four new journals: *JAMA Oncology* in 2015 and *JAMA Cardiology* in 2016, which are hybrid journals offering open access options for research articles; *JAMA Network Open* in 2018, a fully open access journal; and *JAMA Health Forum* in 2021, a peer-reviewed, open-access, online journal focused on health policy, health care systems, and global and public health.

Publishing revenues are derived from advertising, subscriptions, site licensing, reprints, electronic licensing, open access fees and royalties. Publishing revenues decreased \$1.8 million in 2022, with declines in most revenue lines except open access fees. The prior year had included two large one-time purchases of reprints and journal backfiles totaling \$2.4 million which accounted for most of the decline. Expenses rose \$5.2 million during 2022, with approximately \$1.3 million related to inflationary cost increases on paper, printing and distribution. The remaining cost increases occurred across most expense categories. The contribution margin thus declined by \$7 million to \$2.1 million.

Health Solutions includes two major lines: Database Products, and Books and Digital Content.

Database Products includes royalties from licensed data sales and credentialing products revenue. Revenues increased in 2022, up \$3.5 million when compared to 2021, driven in large part by a major compliance effort to upgrade existing customer contracts from development contracts to full licenses. Expenses were up \$1.1 million driven by higher compensation, increased technology costs and resumption of travel. The resulting contribution margin rose by \$2.4 million in 2022 to \$54.3 million.

AMA-published books and coding products, such as CPT® books, workshops and licensed data files, make up the Books and Digital Content unit. Revenues in this unit increased by \$18.6 million. Royalties and digital content sales drove this increase, as the market for electronic use of digital coding products continues to expand. Phasing in previous pricing model changes was also a factor. Coding book sales declined slightly in 2022 as the move from print products to digital continues to adversely impact print product sales. Expenses were down slightly in 2022, driven by reduced use of outside professional services. The contribution margin increased by \$19.4 million to \$228.5 million.

The AMA has two active for-profit subsidiaries, the AMA Insurance Agency (Agency) and Health2047. The latter is discussed separately at the end of this discussion and analysis.

The Agency's revenues declined by \$1.6 million in 2022, mainly due to a second decrease in commission rates to protect the viability of the plan, which allowed the Agency to avoid charging higher premiums to physician customers. The Agency, as broker, receives a commission on insurance policies sold. Expenses were up \$0.6 million mainly due to technology costs related to development of a new customer facing platform. The contribution margin declined to \$17.8 million from \$20 million in the prior year.

Other business operations net expenses were up \$1.3 million in 2022, which included \$0.7 million in one-time costs.

In total, Publishing, Health Solutions & Insurance contribution margin was \$298.8 million, up \$11.3 million from 2021.

## Investments (AMA-only)

AMA-only investment income includes dividend and interest earnings on the AMA's portfolio. Investment income in AMA's active subsidiaries is included as part of the group results for Publishing, Health Solutions & Insurance and Health2047.

Investments' revenue was \$14.1 million in 2022, a \$2.8 million increase over the prior year. Dividend and interest income continued to improve in 2022, impacted in part by higher interest rates. The contribution margin also increased by \$2.8 million as expenses were unchanged.

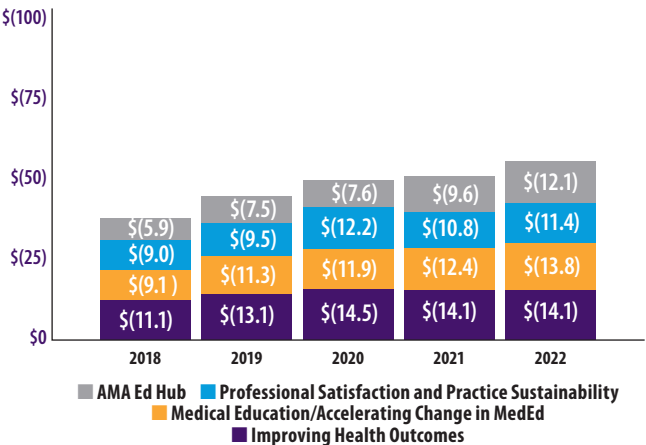
The net gain or loss on the market value of investments is not included in operating results but reported as a non-operating item. This amount is in addition to the investment income discussed above.

In 2022, AMA reported a net loss of \$115.1 million, compared to an \$82.8 million gain in 2021. The total investment return, including investment income, on the reserve portfolios was negative 10.5 percent, better than the 13.1 percent loss in the composite benchmark index.

# Net expenses

## Strategic Arcs

(in millions)



The Strategic Arcs include direct costs associated with the groups for Improving Health Outcomes (IHO), Medical Education including Accelerating Change in Medical Education (ACE), the AMA Ed Hub and Professional Satisfaction and Practice Sustainability (PS2).

IHO focuses on confronting two of the nation’s most prevalent issues: cardiovascular disease and type-2 diabetes, setting a course of innovation and action aimed at reducing the disease and cost burden associated with these selected conditions.

To help prevent type-2 diabetes, the AMA and the Centers for Disease Control and Prevention (CDC) developed a toolkit to help health care teams screen, test and refer at-risk patients to in-person or online diabetes prevention programs (DPPs). In 2022, the AMA completed a six-year public awareness campaign with the CDC and the Ad Council, reaching 12.5 million individuals who took an online prediabetes risk test.

The AMA has developed online tools and resources using the latest evidence-based information to support physicians to help manage their patients’ high blood pressure (BP). In 2022, to improve the identified gap in BP measurement training in medical schools, IHO developed a three-part e-learning series and hosted a grant program to help embed and monitor the success of the training.

The main focus during 2022 was on hypertension outcome goals as progress continues on implementation of cloud-based M.A.P. BP (a three-step program that works to diagnose and manage patients with hypertension) dashboards at health care organizations (HCOs), providing a visual representation of their performance on five key blood pressure metrics, including stratification by ethnicity, race, and gender. Since 2019, the AMA has worked with forty-six HCOs across

20 states to help them implement AMA M.A.P. BP. Additionally, the AMA is currently testing new ways to disseminate M.A.P. BP through population health channel partnerships to help serve health care organizations that care for historically marginalized and minoritized populations. Net expenses were unchanged in 2022.

Advancing Professional Development includes Medical Education/ACE and the AMA Ed Hub.

While the undergraduate medical school consortium grants successfully concluded in 2018, all 32 consortium schools have continued collaboration and new schools have been added to the ACE Consortium each year through focused innovation grants. The consortium of schools has been substantially expanded and now acts as a learning collaborative so that best practices can be developed, shared and implemented in medical schools across the country.

In 2019, the methods and learning from the undergraduate consortium initiative were extended to a new multi-year grant program on graduate medical education, designed to improve the transition from undergraduate to graduate medical education and to maintain and reinforce the positive changes initiated by the undergraduate consortium work.

One of the key outcomes of the ACE Consortium was the development of Health Systems Science, a foundational platform and framework for the study and understanding of how care is delivered, how health professionals work together to deliver that care, and how the health system can improve patient care and health care delivery.

In 2022, Medical Education convened its first Precision Education Summit with a goal of advancing a conceptual model of precision education to optimize lifelong learning for physicians. This will be the next phase of AMA’s critical education transformation. Medical Education is also responsible for defining or influencing standards for undergraduate, graduate and continuing medical education and providing support for the Council on Medical Education. Net expenses increased \$1.4 million in 2022 reflecting resumption of in-person meetings and travel as well as payment of ACE grants previously deferred during the pandemic.

The AMA Ed Hub, formally launched in 2018, is a platform providing physicians and other health care providers content and educational services that support lifelong professional development. The AMA Ed Hub has unified the AMA education portfolio and has piloted integration of external content providers, launched new content sets and established internal development plans enterprise-wide, including the Health Equity Education Center and the UME Curricular Enrichment Program. The AMA Ed Hub also gives doctors and other health professionals a streamlined way to earn, track and report continuing medical education activities spanning clinical,

practice transformation and professionalism topics. The number of external education providers on the platform grew by ten organizations to 35 organizations in 2022. Net expenses were up \$2.5 million in 2022 due largely to growth in staffing and enhancements to the technology platform, including features to support live broadcasting and advance multi-media, as well as expanding real-time credit submission to four additional medical boards.

PS2 includes three major streams of work: professional satisfaction/practice transformation, practice sustainability, and digital health all designed to improve the day-to-day practice and professional experience of physicians and remove obstacles to care. The goals of this group are to promote successful models in both the public and private sectors. This includes expanding research of credible practice science, creating tools and other solutions to help guide physicians, care teams and health system leaders on developing and implementing strategies to optimize practice efficiencies, reduce burnout and improve professional well-being; ensuring the physician perspective is represented in the design, implementation and evaluation of new health care technologies; and shaping the evolution of payment models for sustainability and satisfaction.

In 2022, 220,000 physicians were the direct beneficiaries of PS2 services/interventions, as measured by the number of physicians within participating HCOs utilizing organizational/ burnout assessments; within participating HCOs in collaborative training and/or coaching efforts; and within HCOs recognized by the Joy in Medicine Health System Recognition Program. In addition, PS2 launched the Private Practice Simple Solutions Initiative and also led and funded the Behavioral Health Integration (BHI) Collaborative of Federation members to design and launch the BHI Immersion Program. In 2022, net expenses increased \$0.6 million, driven almost entirely by staffing and travel costs.

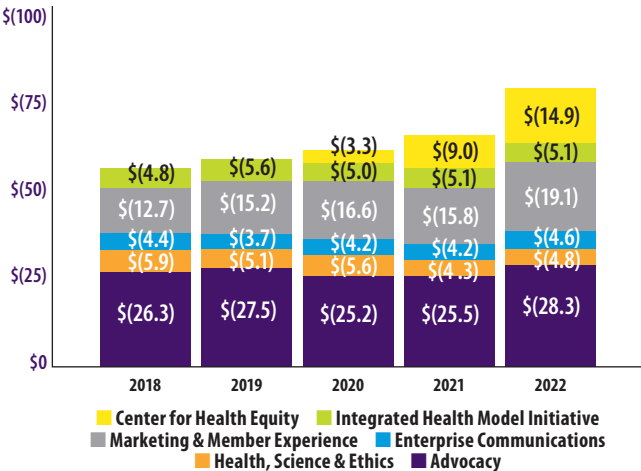
Core Mission Activities includes six groups: Advocacy; Health, Science & Ethics; Center for Health Equity; Integrated Health Model Initiative (IHMI); Enterprise Communications; and Marketing & Member Experience (MMX).

Advocacy includes federal and state level advocacy to enact laws and advance regulations on issues important to patients and physicians; economic, statistical and market research to support advocacy efforts; political education for physicians; grassroots advocacy; and maintaining relations with the federation of medicine. Advocacy led a campaign (Reforming Medicare Pay) joined by more than 150 other organizations that helped minimize the 8.5 percent in Medicare payment cuts originally slated for 2023, and continuing to urge Congress for long-term, systemic reform through the AMA's coalition. Other major initiatives included: supporting telehealth by extending Medicare telehealth coverage through 2024; fighting scope creep by achieving more than 35 state-level scope of practice victories in strong collaboration with Federation partners; reducing physician burnout by advocating in support of passage of the Dr. Lorna Breen Health Care Provider Protection Act, which provides essential physician wellness resources and by leading a national campaign that enacted multiple state laws, changed licensing and changed credentialing questions; and tackling prior authorization by successfully advocating for unanimous passage of a federal Medicare Advantage prior authorization reform bill in one chamber during the 117th Congress, and helping to enact prior authorization reform laws in Michigan, Georgia and Iowa. In 2022, Advocacy net spending increased \$2.8 million, primarily compensation expenses, travel and meeting costs as in-person meetings resumed as well as campaign costs to stop Medicare cuts.

Health, Science & Ethics is involved in developing AMA policies on scientific, public health and ethical issues for the House of Delegates (HOD) providing leadership, subject matter expertise and scientifically sound content and evidence that underpins and informs both current and future AMA initiatives in areas such as infectious disease, drug policy and opioid prescribing; overseeing maintenance of the AMA Code of Medical Ethics and publication of the AMA Journal of Ethics, AMA's online ethics journal; and managing the United States Adopted Names (USAN) program, responsible for selecting generic names for drugs by establishing logical nomenclature classifications based on pharmacological or chemical relationships (reported separately in Group Operating Results). This group continued to lead the AMA's COVID-19 efforts during 2022 by providing subject matter expertise and content, and in conjunction with the Ad Council and CDC, updated and launched the annual campaign to get vaccinated against seasonal flu. Net expenses increased \$0.5 million in 2022, due to limited staff expansion and higher costs in the grant administration unit.

### Core Mission Activities

(in millions)



The AMA recognized that a key to long-term success in our strategic arcs is increasing our efforts to reduce health and health care disparities. As a result of a 2018 task force report, the AMA sought leadership to embed health equity initiatives as relevant into all strategic priorities and areas of the organization, creating a new group, the Center for Health Equity (CHE). The focus of this group is to elevate AMA's public role and responsibilities to improve health equity. In 2022, CHE expanded its efforts to establish an AMA presence in the health equity research literature with the publication of seven Social Justice Education Ed Hub modules and the continuation of the Prioritizing Equity Series; launched the *In Full Health Learning and Action Community to Advance Equitable Health in Innovation* that prioritizes investment in health innovations developed by, with, and for historically marginalized communities; launched the Peer Network for Advancing Equity through quality and safety in collaboration with Brigham & Women's Hospital and The Joint Commission to help health systems apply an equity lens to all aspects of quality and safety practices; and announced Rise to Health, a national coalition for equity in health care, co-led with the Institute for Healthcare Improvement. CHE also established AMA as an anchor mission partner for a collaborative on Chicago's west side, West Side United, and continued building staff capacity to understand concepts surrounding health equity and to operationalize equity in goal and metric setting and developing structural competency learning tools. The continued planned growth of CHE resulted in a \$5.9 million increase in net expenses in 2022.

IHMI brings together experts from patient care, medical terminology, and informatics around a common framework for defining and expressing health data. IHMI has been recognized as a leading authority on clinical content standards and is contributing to the development and use of clinical content through collaboration with Health Level 7 (HL7) Fast Healthcare Interoperability Resources (FHIR), the Gravity Project and others. In 2022, IHMI completed development of a Self-Measured Blood Pressure (SMBP) software and services solution and gathered baseline data from a pilot site related to pilot population. IHMI net expenses were largely unchanged in 2022.

MMX extends the reach and impact of AMA's mission and advocacy initiatives and strengthens the AMA brand. MMX continues to take on increased oversight for managing the quality, timing and relevance of the experience physicians have at each point of interaction through AMA's digital publishing, health system engagement and member programs. MMX creates or packages AMA's content into digital formats and distributes AMA resources and thought leadership to intended audiences through owned and paid channels, raising awareness of AMA initiatives, resources and accomplishments and elevating the voice of AMA and physicians. In 2022, more than 30 million unique individuals accessed AMA's website, a 20 percent increase over the record number of users in the prior

year which was driven by AMA's COVID-19 Resource Center and other compelling editorial, video and social content. The launch of AMA's Recovery Plan for America's Physicians alone generated nearly five million website users. Net expenses increased \$3.3 million in 2022, largely staffing and media marketing expenses for the recovery plan launch.

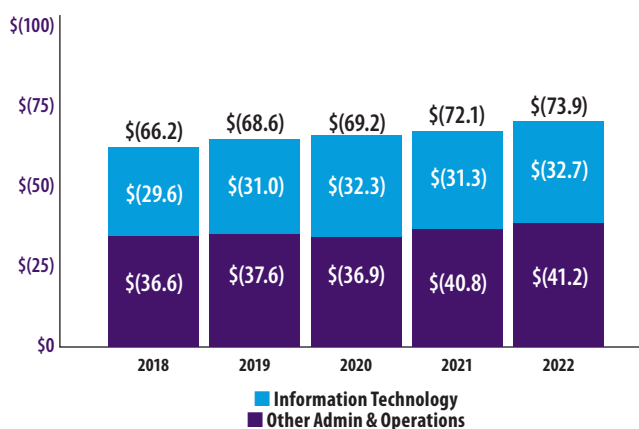
Ongoing responsibilities of the Enterprise Communications area include amplifying the work of individual operating units among their core audiences while providing consistency and alignment with the AMA narrative. Enterprise Communications distinctly communicates AMA's leading voice in science to embed equity, innovation and advocacy across the AMA's strategic work throughout health care. Net expenses were up \$0.4 million in 2022, mainly related to activities celebrating AMA's 175th anniversary.

## Governance

Governance includes the Board of Trustees and Board Operations, the HOD, Sections and Special Constituencies & International units. The Board of Trustees unit includes costs related to governance activities as well as expenses associated with support of the Strategic Arcs and Core Mission Activities. The HOD, Sections and Special Constituencies & International unit includes costs associated with annual and interim meetings, groups and sections and other HOD activities, as well as costs associated with AMA's involvement in the World Medical Association. In 2022, Governance net spending was up \$5.6 million, mainly for resumption of in-person meeting and travel costs.

## Administration and Operations

(in millions)



These units provide administrative and operational support for Publishing & Health Solutions, Membership, Strategic Arcs and Core Mission Activities, as well as other operating groups. Net expenses were up slightly in 2022, an increase of \$1.8 million, or 2.5 percent, mainly inflationary cost increases.

## Affiliated organizations

Affiliated Organizations represent either grant or in-kind service support provided by the AMA to other foundations and societies. In some cases, the AMA is reimbursed for services provided. No net expenses were reported in 2022.

## Unallocated overhead

The net expenses in this area include costs not allocated back to operating units such as corporate insurance and actuarial services, employee incentive compensation, valuation allowances or other reserves. In 2022, these expenses totaled \$20.5 million, down from \$31.1 million in 2021. Lower incentive compensation was the main factor in the decrease.

## Health2047 and subsidiaries

AMA owns a business formation and commercialization enterprise designed to enhance AMA's ability to define, create, develop and launch, with partners, a portfolio of products and technologies that will have a profound impact on many aspects of the U.S. health care system and population health, with a central goal of helping physicians in practice. The Board of Trustees approved the use of reserves to establish this subsidiary with plans to use third-party resources to assist in funding spinoffs with commercial potential in future years.

Health2047 funds initial projects and moves those that demonstrate commercial appeal into separate companies, along with necessary seed funding for the new companies. After the initial stage, it is expected that these companies should command additional investment from third parties to begin commercialization of the product, either through debt or equity financing. At some point in the future, the spinoffs will be sold or liquidated, at which time, AMA could expect to receive a financial return.

Since 2017, Health2047 has spun off or invested in 11 companies: Akiri, Inc. (Akiri), First Mile Care, Inc. (FMC), HXSquare, Inc. (HXS), Zing Health Enterprises, LP (Zing), Medcurio, Inc. (Medcurio), Phenomix Sciences, Inc. (Phenomix), Sitebridge Research, Inc. (Sitebridge), Emergence Healthcare Group, Inc. (Emergence), Heal Security, Inc. (Heal), Recovery Exploration Technologies, Inc. (RecoverX) and Scholar Rx, Inc. (Scholar Rx).

In 2022, Health2047 liquidated two of these companies, Akiri and HXS, as third-party financing efforts were unsuccessful. Upon liquidation of Akiri, there was an \$11.6 million gain from recognizing deferred revenue and expense for a customer contract entered into and paid in 2017. There was no material gain or loss upon the HXS liquidation.

As of December 31, 2022, Health2047 has an ownership interest in nine companies, including a consolidated subsidiary, FMC, two companies accounted for using the equity method, Heal and Emergence, and six companies accounted for using the cost method, Zing, Medcurio, Phenomix, Sitebridge, RecoverX and Scholar Rx. The footnotes to AMA's financial statements include a detailed discussion on accounting for Health2047 spinoff companies.

Third-party financing is expected to cover most long-term future costs for many of these companies.

Health2047 revenue in 2022 was \$14.3 million, compared to \$1 million in 2021. In 2022, as a result of the Akiri liquidation, Health2047 recognized \$14.3 million in revenue and \$2.7 million in associated costs for creating a custom platform for a customer. Both revenue and expense had been received or incurred in prior years but were deferred until the project was completed or abandoned, which occurred in 2022.

Costs increased \$3.4 million, of which \$2.7 million was the recognition of deferred costs for the custom platform.

Net expenses declined by \$9.9 million in 2022 to \$1.4 million, primarily due to the net \$11.6 million impact from recognizing the deferred revenue and expense discussed above.

The summary of group operating results is included on the following page.

## American Medical Association group operating results

(in millions)	Revenues		Margin (expenses)	
	2022	2021	2022	2021
<b>Membership</b>	\$ 33.7	\$ 34.8	\$ 12.7	\$ 16.3
<b>Publishing, Health Solutions &amp; Insurance</b>				
Publishing	65.9	67.7	2.1	9.1
Database Products	66.9	63.4	54.3	51.9
Books and Digital Content	252.1	233.5	228.5	209.1
Insurance Agency/Affinity Products	36.4	38.0	17.8	20.0
Other business operations	-	-	(3.9)	(2.6)
	421.3	402.6	298.8	287.5
<b>Investments (AMA-only)</b>	14.1	11.3	13.4	10.6
<b>Strategic Arcs &amp; Core Mission Activities</b>				
Improving Health Outcomes	-	0.1	(14.1)	(14.1)
Medical Education/Accelerating Change in Medical Education	0.3	0.3	(13.8)	(12.4)
AMA Ed Hub	0.4	0.3	(12.1)	(9.6)
Professional Satisfaction and Practice Sustainability	0.4	0.4	(11.4)	(10.8)
Advocacy	0.5	0.5	(28.3)	(25.5)
Health, Science & Ethics	2.7	2.5	(4.8)	(4.3)
Center for Health Equity	0.1	-	(14.9)	(9.0)
Integrated Health Model Initiative	-	-	(5.1)	(5.1)
Marketing and Member Experience	-	-	(19.1)	(15.8)
Enterprise Communications	-	-	(4.6)	(4.2)
United States Adopted Names Program	3.7	4.0	2.9	3.3
	8.1	8.1	(125.3)	(107.5)
<b>Governance</b>				
Board of Trustees and Board Operations	-	-	(6.5)	(5.2)
House of Delegates, Sections, Special Constituencies & International	0.1	-	(10.0)	(5.7)
	0.1	-	(16.5)	(10.9)
<b>Administration and Operations</b>				
Information Technology	-	-	(32.7)	(31.3)
Senior Executive Management	-	-	(5.6)	(4.7)
General Counsel	-	-	(6.9)	(8.3)
Finance & Risk Management	-	-	(7.7)	(7.8)
Human Resources	-	-	(8.1)	(7.1)
Corporate Services	-	-	(5.6)	(5.4)
Customer Service	-	-	(3.4)	(3.4)
Strategic Insights and Planning	-	-	(3.9)	(4.1)
	-	-	(73.9)	(72.1)
Affiliated Organizations	0.1	0.1	-	-
Unallocated Overhead	1.7	1.8	(20.5)	(31.1)
Health2047 & Subsidiaries	14.3	1.0	(1.4)	(11.3)
<b>Consolidated revenue and income before tax</b>	\$ 493.4	\$ 459.7	87.3	81.5
Income taxes			(4.4)	(3.6)
<b>Consolidated net operating income</b>			\$ 82.9	\$ 77.9



# Consolidated financial statements

# 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.

# 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>	889.3	894.9
Donor-restricted association equity	0.1	-
<b>Total association equity</b>	889.4	894.9
	<b>\$ 1,197.0</b>	<b>\$ 1,271.1</b>

See accompanying notes to the consolidated financial statements.

# 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 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.

### **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, venture capital and 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.

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
<b>Level 1 – Quoted prices in active market for identical securities</b>		
Equity securities	\$ 419.9	\$ 474.6
Fixed-income mutual funds	27.1	48.9
	447.0	523.5
<b>Level 2 – Significant other observable inputs</b>		
<b>Debt securities</b>		
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
<b>Other investments measured at NAV –</b>		
Private equity and venture capital funds	89.9	69.1
Investments	\$ 933.2	\$ 1,006.6

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)
	\$ 15.1	\$ 11.6

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
	\$ (115.1)	\$ 82.8

## 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
	166.2	169.5
Accumulated depreciation and amortization	(132.9)	(129.9)
Property and equipment, net	\$ 33.3	\$ 39.6

## 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.

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

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.

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.

## 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>

# Independent auditor's report

The Board of Trustees of American Medical Association

## **Opinion**

We have audited the consolidated financial statements of the American Medical Association (the "AMA") and subsidiaries, 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). 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 audits. 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 available to be 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 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, 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.

Deloitte & Touche LLP  
Chicago, Illinois  
February 10, 2023

### **Written statement of certification of chief executive officer and chief financial officer**

The undersigned hereby certify that the information contained in the consolidated financial statements of the American Medical Association for the years ended December 31, 2022 and 2021 fairly present, in all material respects, the financial condition and the results of operations of the American Medical Association.

James L. Madara, MD

*Executive Vice President and Chief Executive Officer*

Denise M. Hagerty

*Senior Vice President and Chief Financial Officer*

February 10, 2023

# 2022–2023 Board of Trustees and Executive Leadership

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Lisa Bohman Egbert, MD  
*Vice Speaker, AMA House of Delegates*

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*Chair*

Willie Underwood III, MD, MSc, MPH  
*Chair-elect*

Bobby Mukkamala, MD  
*Immediate Past Chair*

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Scott Ferguson, MD

Drayton Charles Harvey

Marilyn J. Heine, MD

Pratistha Koirala, MD, PhD

Ilse R. Levin, DO, MPH & TM

Thomas J. Madejski, MD

Harris Pastides, PhD, MPH

## Executive Management

James L. Madara, MD  
*CEO and Executive Vice President*

## Standing Committees

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Dr. Fryhofer, *chair*

Dr. Underwood

Dr. Resneck

Dr. Ehrenfeld

Dr. Harmon

Dr. Suk

Dr. Scott

Dr. Mukkamala

### Audit Committee

Dr. Harmon, *chair*

Dr. Aizuss

Dr. Butler

Dr. Madejski

Dr. Pastides

Dr. Scott

Dr. Suk

### Awards and Nominations

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Dr. Ajayi, MD

Dr. Egbert

Mr. Harvey

Dr. Heine

Dr. Koirala

Dr. Levin

## Compensation Committee

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Dr. Ferguson

Dr. Fryhofer (*ex-officio w/vote*)

Dr. Mukkamala (*ex-officio w/vote*)

Dr. Scott

Dr. Suk

Dr. Underwood (*ex-officio w/vote*)

## Finance Committee

Dr. Suk, *chair*

Dr. Aizuss

Dr. Butler

Dr. Ding

Dr. Edwards

Dr. Ehrenfeld

Dr. Ferguson

## Governance and Self-Assessment Committee

Dr. Harmon, *chair*

Dr. Ehrenfeld

Dr. Fryhofer

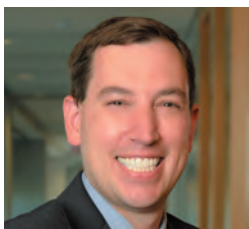
Dr. Madejski

Dr. Suk

Note: Drs. Fryhofer, Underwood and Mukkamala serve on all committees, except where otherwise noted, as ex-officio members without vote. Dr. Resneck serves on all committees as an ex-officio member with vote.



**Jack Resneck Jr., MD**



**Jesse M. Ehrenfeld, MD, MPH**



**Gerald E. Harmon, MD**



**Bruce A. Scott, MD**



**Lisa Bohman Egbert, MD**



**Sandra Adamson Fryhofer, MD**



**Willie Underwood III, MD,  
MSc, MPH**



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