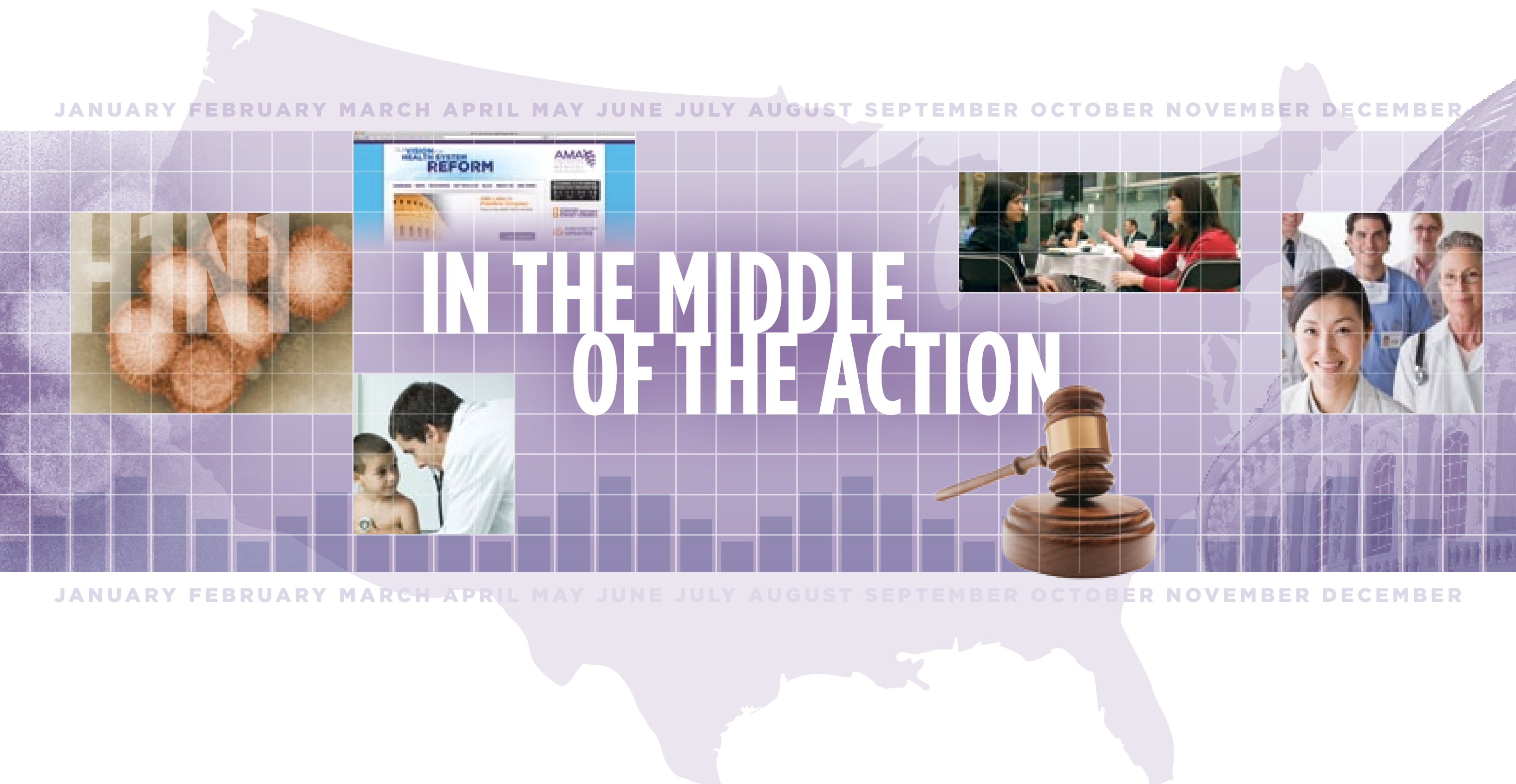
AMA
AMERICAN MEDICAL ASSOCIATION



IN THE MIDDLE OF THE ACTION

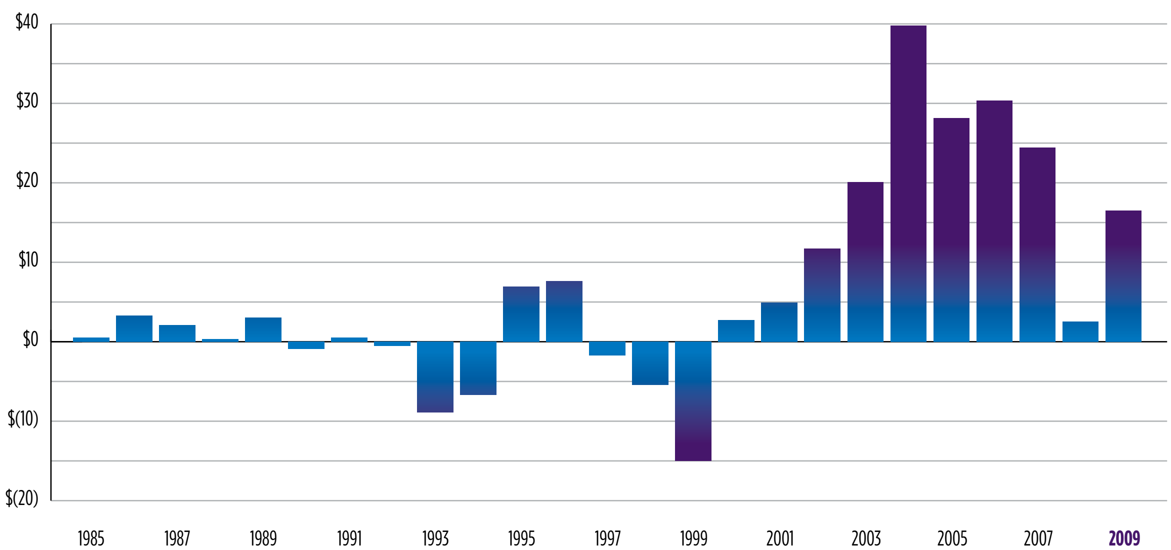
ANNUAL REPORT 2009

FINANCIAL HIGHLIGHTS

Dollars in millions	2009	2008	% change
Revenues	$ 268.6	$ 282.0	(4.8)%
Cost of products sold and selling expenses	36.8	44.9	(18.0)
General and administrative expenses	206.1	226.1	(8.8)
Operating results before income taxes	25.7	11.0	133.6
Operating results	16.5	2.5	560.0
Non-operating and non-recurring items	36.8	(77.2)	147.7
Changes in defined benefit postretirement plans, other than periodic expense, net of tax	(0.2)	(25.3)	99.2
Change in unrestricted equity	53.1	(100.0)	153.1
Change in restricted equity	(0.5)	(0.4)	(25.0)
Change in association equity	$ 52.6	$ (100.4)	152.4%
Association equity at year end	$ 316.3	$ 263.7	19.9%
Employees at year end	1,045	1,155	(9.5)%

The AMA reported its 10th consecutive year of operating profits in 2009. This financial stability enables the AMA to continue its important efforts on behalf of physicians and their patients.

Association operating results (in millions)



2009 ANNUAL REPORT

Financial results

By any measure, 2009 was a remarkable year. A world economy on life support, a new president in the White House, our nation facing challenges as trying as any we've seen in two generations—and all this before January had drawn to a close.

When the year began, the 2009 H1N1 pandemic was not on any radar. "Meaningful use"—of health information technology—had yet to appear in our lexicon. Health system reform had not taken center stage. How quickly things change. Last year the American Medical Association (AMA) was in the thick of these and other important issues. We would want it no other way. From representing our members to promoting the art and science of medicine and the betterment of public health, the AMA is privileged to have these noble forces driving our mission and our work.

The following pages offer a snapshot of some of that work and some of the trends that were active in 2009, a year of twists and turns and strong responses. A year when the AMA navigated an extremely challenging environment to show positive operating results for the 10th time in a row. A year when the AMA and its members again stepped up to lead and keep physicians' and patients' interests top of mind—at the grassroots level, within the medical profession, before the media, and throughout the offices and halls of government.

As a nation we spent 2009 seeking to regain sure footing and working hard to shore up the fundamental pillars that support our country. No pillar is more indicative of a nation's strength, prosperity and compassion than the state of its health care system, and that system's reach and fairness in providing care. On this front, there is little disagreement that we as a nation can and must do better.

Going forward, as we have for more than 160 years, the AMA will continue to lead the charge in pushing for solutions and advances that benefit our members, patients, and the greater good of medicine and public health.

Rebecca J. Patchin, MD
Chair
Board of Trustees

Robert M. Wah, MD
Finance Committee Chair
Board of Trustees

Michael D. Maves, MD, MBA
Executive Vice President,
Chief Executive Officer

Relevance comes in many shapes and sizes.

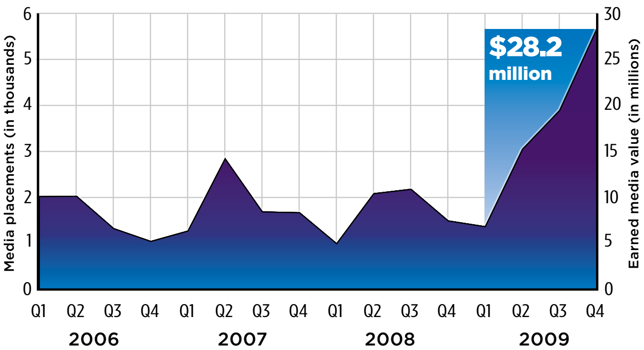
Legislation. Litigation. Science. Media. Technology. In every arena, the AMA worked on the front lines and behind the scenes in 2009 to influence issues that matter.

IN THE MIDDLE OF THE ACTION

HEALTH SYSTEM REFORM

Health system reform (HSR) was a red-hot sea of passions and ideas in 2009. Heading into the national discussion, the AMA knew it would be a turbulent ride. We also knew sitting on the sidelines was not an option. While the debate continues, many important things did take place in 2009 that all AMA members can take pride in.

HSR-RELATED EARNED MEDIA



With HSR dominating the news, AMA leaders engaged with the media daily to share their perspectives on evolving issues affecting the debate. By year's end, the AMA garnered more than 10,000 placements in various media across the country. The ad equivalency value, or "earned media," for this coverage topped $28 million, reaching an estimated audience of 1.6 billion.

GRASSROOTS EFFORTS

Traveling the country:
AMA trustees talked with physicians across the nation about HSR.

80,000	Number of new patient activists added to the Patients' Action Network
40,720	Number of phone calls to Congress from the AMA Physicians Grassroots Network and Patients' Action Network in 2009

ONLINE AND SOCIAL MEDIA

380,614	AMA's HSR Web site page views from August through December
13,000	Followers of AMA on Twitter
4,500	Unique visits per month to "On the Road with Dr. Rohack" blog
9	Rank of "AMA" among the most popular Google queries related to "health care reform"

Launched on August 16, HSREFORM.ORG quickly gained public recognition as a vital source for information related to the HSR debate.

2009: A REMARKABLE YEAR

JANUARY 15
UnitedHealth Group agrees to pay $350 million—the largest monetary settlement of its kind—to settle a class-action lawsuit brought by the AMA.

FEBRUARY 2
A re-designed AMA corporate Web site is launched.

FEBRUARY 17
The American Recovery and Reinvestment Act is passed.

MARCH 5
AMA President Nancy H. Nielsen, MD, PhD, participates in White House Summit on Health Care.

MARCH 16
AMA pilots the nation's first performance improvement CME on secondhand smoke.

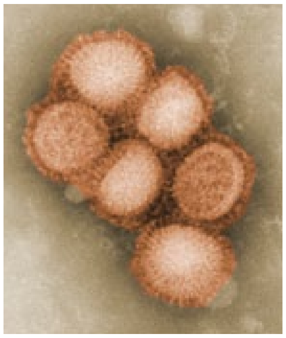
MARCH 17
First known case of H1N1 reported in 4-year-old boy in Mexico.

JANUARY FEBRUARY MARCH

IN THE MIDDLE OF THE ACTION

H1N1: THE RIPPLE EFFECT

The 2009 H1N1 pandemic made its presence known—but thankfully not with the severity many anticipated. Through teamwork and a deep level of knowledge and expertise, the AMA was able to quickly craft and deliver a highly coordinated response to this fast-moving public health threat.



When H1N1 arrived, AMA staff were there to meet it. The "H1N1: Cross-functional teamwork" chart shows the AMA's comprehensive, integrated approach to addressing crises head-on.

H1N1: CROSS-FUNCTIONAL TEAMWORK

Areas of expertise	Story/results
Medicine and Public Health	A coordinated AMA response leverages direct lines of communication to the CDC, state and specialty societies, and relevant national and local organizations. The first North American patients were diagnosed April 17, 2009. The AMA stays in overdrive educating members and staff, and responding to the need for reliable, timely information.
Quality	Working closely with a variety of organizations and entities, the AMA participates in developing AMAfluhelp.org, a care-coordination platform that delivers evidence-based, clinical-decision support tools related to H1N1. The Web site launched nationally October 22, just weeks after the AMA was first contacted about helping test new technology that enables connected care in the future.
Center for Disaster Medicine and Public Health Preparedness	Through Department of Homeland Security funding, the AMA developed Citizen Ready, a pandemic education program, and introduced it between September 1 and October 30 in 80 sites across the country. AMA staff also rushed to produce a special issue of *Disaster Medicine and Public Health Preparedness*. Devoted entirely to the H1N1 pandemic response, the issue was available online September 30 and in print December 1, to coincide with the opening of the Third National Congress on Health System Readiness.
Private Sector Advocacy **CPT® Editorial Research and Development** **CPT® Editorial Panel**	The AMA guided discussions with America's Health Insurance Plans—the national association whose member companies provide coverage to more than 200 million Americans—and major insurers about the mandate to cover administrative expenses for H1N1 vaccine and billing requirements. On September 27, new CPT® codes and guidance are developed and released publicly.
Ethics	The AMA re-writes the Advanced Disaster Life Support™ course chapter on ethics in disaster response to address issues raised by the pandemic.
Marketing	The AMA brings together skills and talents from across the organization—Web designers, content experts, IT and communications professionals—to quickly produce and launch an array of webinars, print ads, informational fliers for physicians and the public, and other online resources and updates.

APRIL 1
AMA launches Twitter feed; gains more than 1,000 followers in just three weeks.

AMA unveils electronic prescribing online learning center.

APRIL 17
First H1N1 cases are reported in United States.

APRIL 22
Covisint and DrFirst are first to partner with the AMA in building its online health information solutions platform.

MAY 14
AMA establishes monthly collaboration with top physician blogger KevinMD.com.

MAY 15
AMA launches webinar series to help doctors access stimulus funds for HIT.

JUNE 11
AMA announces collaboration with Microsoft to better connect patients with their physicians.

World Health Organization declares global pandemic for H1N1 flu.

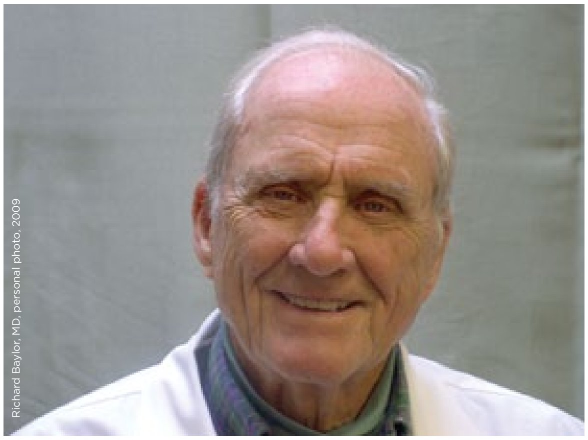
JUNE 15
President Barack Obama speaks at the 2009 Annual Meeting of the AMA House of Delegates in Chicago.

APRIL MAY JUNE

IN THE MIDDLE OF THE ACTION
INSPIRATIONAL MOMENTS

Compassion. Integrity. Leading by example. The AMA understands that continuity of care extends not only to patients, but to the training and education of tomorrow's physicians. These traits define and make physicians remarkable, and make the AMA proud to represent their interests.

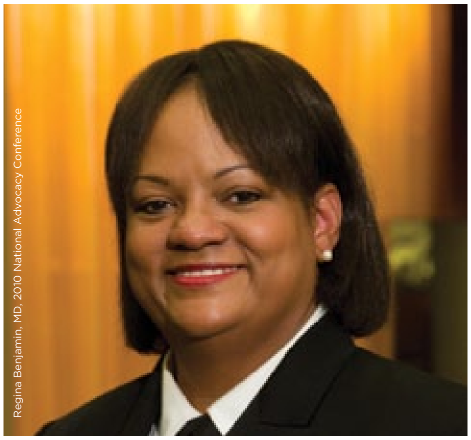
A LIFE OF ACHIEVEMENT



Richard Baylor, MD, personal photo, 2009

The AMA Foundation Jack B. McConnell, MD, Award for Excellence in Volunteerism celebrates physicians who improve access to care *after* retiring from practice. In 2009 AMA member Richard Baylor, MD, (above) an internist for 36 years, received the award for organizing and growing the Northern Neck Free Health Clinic in Kilmarnock, Va. With medical and dental clinics and an on-site pharmacy, the facility is now a medical home for thousands of the area's less fortunate.

A FAMILIAR FACE



Regina Benjamin, MD, 2010 National Advocacy Conference

The unanimous confirmation of Regina Benjamin, MD, to the post of surgeon general came as no surprise. She is, after all, a remarkable physician. She's a recent recipient of a MacArthur Fellowship "genius grant." A past member of the AMA Board of Trustees, a past chair of the AMA Council on Ethical and Judicial Affairs, and longtime member of the AMA's women and minority groups, she's dialed into the issues many physicians face. With a profound commitment to patient care and organized medicine, Dr. Benjamin brings to Washington the insights and experiences that are needed today.

"Some of the great untold stories in health care are the wonderful charitable efforts that physicians all over the country are doing, quietly, day in and day out. Their commitment to others is truly inspiring."

—Surgeon General Regina Benjamin, MD, speaking at the 2009 AMA Pride in the Profession Awards

A WHOLE NEW CROWD

When it comes to choosing a specialty and discussing issues such as quality of life, salary and future goals, budding physicians need first-hand information from a trusted source. Chicago-area medical students got a strong dose of AMA outreach at the AMA's inaugural "Speed dating for your specialty" event in March. More than 70 medical students gained invaluable insights into a number of specialties as they were paired with residents and physicians in 15-minute Q-and-A sessions. An undeniable success, the event has been replicated at AMA Medical Student Section chapters across the country.

"Speed dating for your specialty" event, Chicago, March 31, 2009

JUNE 16
AMA inaugurates J. James Rohack, MD, as president.

JUNE 22
AMA stands with the president at historic bill signing on tobacco regulation.

75: Number of times AMA trustees appear on television in July and August to speak on HSR and other topics

AUGUST 24
AMA launches "On the Road with Dr. Rohack," a blog chronicling the thoughts of AMA President J. James Rohack, MD, on health care in America.

AUGUST 31
World Health Organization predicts that within two years, nearly one-third of the world population will have been infected with H1N1.

SEPTEMBER 1
10th Anniversary of Virtual Mentor (VM)

SEPTEMBER 8
AMA launches Facebook page.

SEPTEMBER 21
AMA launches H1N1 microsite.

JULY AUGUST SEPTEMBER

IN THE MIDDLE OF THE ACTION

EYE ON THE FUTURE

Health information technology? Meaningful use? Connected care? The AMA is working actively in these and other important areas of the health information technology (IT) debate to clarify the issues, shape policy, develop products and help set standards favorable to the practice of medicine in the 21st century.

HEALTH IT: A NEW FRONTIER

What does $19.2 billion do for physicians?

Raise a lot of questions, for one thing—questions the AMA is looking to help answer. The 2009 HITECH Act's unprecedented investment of $19.2 billion in health IT offers a huge upside. It means greater efficiency, improved delivery of care and better patient safety. But there is real uncertainty over how we as a profession best manage the transition to a world of digital patient information. Educating physicians about their options, as well as which level of participation and technology might be right for them, is a critical part of the AMA's ongoing work.

The AMA is focusing on products and services that can provide very practical and tangible help to practicing physicians.

CHARTING THE COURSE IN HEALTH IT

AMA health information solutions platform

The AMA and Covisint, a subsidiary of the Compuware Corporation, are working together to develop a solutions platform that will provide physicians with access to products and services aimed at improving patient care, enhancing physician practice and easing adoption of evolving health information technologies. Field testing began in 2009.

Zero-In Rx™: ePrescribing learning

Launched in 2009, this online-learning module walks physicians through the advantages of electronic prescribing. Designed to help those not yet on this digital path, Zero-In Rx™ is just one way the AMA is preparing physicians to make informed decisions before 2012, when CMS will begin to reduce payments to providers who do not prescribe electronically.

PCPI: Quality measures

In 2009 the AMA-convened Physician Consortium for Performance Improvement® (PCPI) continued to lead the way in the development and integration of next-generation performance measures. Having long envisioned a future in which performance measures are integrated into electronic health record systems, the PCPI is ahead of the curve in helping physicians prepare to deliver more effective, evidence-based patient care.

TRENDING UP

CDC estimates that 43.9% of doctors are currently using full or partial EMR/EHR systems.[1]

Fifty-eight percent of U.S. physicians who don't use electronic medical records (EMRs) intend to purchase an EMR system within the next two years.[2]

More than 190 million prescriptions were routed electronically in 2009, a 181% increase over 2008.[3]

1 Centers for Disease Control and Prevention's National Center for Health Statistics' 2009 Survey. Accessed March 16, 2010

2 Accenture survey. www.newsroomaccenture.com, Accessed March 16, 2010

3 Surescripts 2009 National Progress Report on E-Prescribing. www.surescripts.com. Accessed March 16, 2010

OCTOBER 7
U.S. Senate committee approves nomination of Regina Benjamin, MD, as surgeon general.

OCTOBER 22
The AMA launches AMAfluhelp.org, the nation's first comprehensive Web-based patient flu health-assessment program.

AMA + AARP

NOVEMBER 23
AMA and AARP join together and launch national television ad to debunk Medicare myths.

DECEMBER 1
Health and Human Services Secretary Kathleen Sebelius speaks at the AMA's Third National Congress on Health System Readiness, praising AMA efforts on H1N1 and public health emergency response.

DECEMBER 3
A U.S. district court grants preliminary approval of the settlement that would resolve the AMA's class-action lawsuit against UnitedHealth Group.

OCTOBER NOVEMBER DECEMBER

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Columnar amounts in millions)

INTRODUCTION

The objective of this section is to help American Medical Association (AMA) members and other readers of our financial reports 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.

In 2009, the AMA achieved its tenth consecutive year of operating profit. The 2009 operating profit, which excludes non-operating items such as market gains or losses on investments, was $16.5 million compared to $2.5 million in 2008.

In May 2009, the AMA implemented a substantial restructuring program in response to the severe economic downturn, which had a material adverse effect on AMA's business revenues. Most groups in the AMA were required to reduce costs and the 2009 results reflect the cost savings from that restructuring. Approximately $6.5 million in one-time severance and other related benefit costs for terminated employees offset the savings.

The $16.5 million operating profit in 2009 was substantially better than the forecasted operating profit, as revenues improved in the 4th quarter, led by a rebound in display advertising. Expenses, including income taxes, were less than projected in the last quarter of the year. The AMA ended the year in a better financial position than projected during the early part of 2009, although revenues are still materially less than prior years.

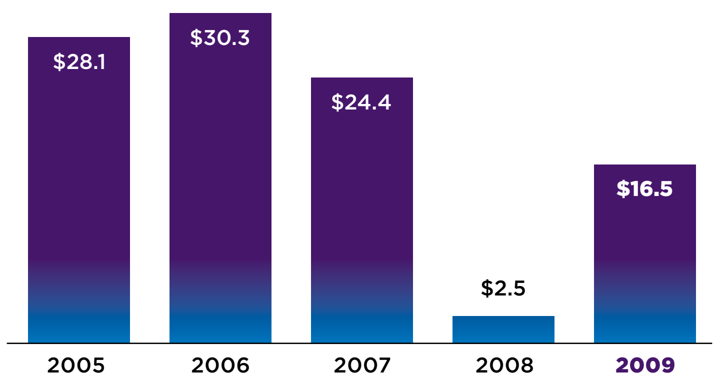
In 2009, the AMA again achieved its financial goal of maintaining an operating surplus substantial enough to withstand adverse changes in economic conditions and to allow the AMA to continue investing in initiatives to improve membership.

The AMA is committed to its responsibility to ensure that the organization focuses its finite resources on its core mission and improving AMA membership. Our members' presence and voice is central to the overall success of our AMA.

CONSOLIDATED FINANCIAL RESULTS

Results from operations

(in millions)



The following provides an overview of the 2009 results from operations compared to 2008. Certain reclassifications have been made to the 2008 results to conform to the 2009 presentation. Additional detailed discussion of operating unit results is provided in the section titled "Group operating results."

Revenues

In 2009, total revenues declined $13.4 million from the prior year, largely a result of reduced publishing revenues, membership dues and investment income.

Publishing revenues decreased by almost $9 million, largely due to a $7.7 million decline in display and classified advertising.

Membership dues revenue decreased $1.7 million in 2009, down 3.9 percent, driven by declines in federation membership dues, some of which was due to three states opting out of the federation membership marketing agreement.

Consolidated investment income was down $3.1 million, a result of the continued historic low interest rates in 2009.

The net increase in the remaining revenue categories totaled $0.2 million, mainly a result of slightly higher insurance commissions and royalties offset by reductions in book sales, grants and other income.

Cost of products sold and selling expenses

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

In 2009, cost of products sold and selling expenses dropped substantially, by $8.1 million in total. Publishing paper, printing, distribution, selling and reprint costs are down $7 million, largely due to reduced advertising pages as well as reduced frequency of *American Medical News* print editions.

Book production costs and selling expenses are down $1.2 million, mainly due to negotiated printing price reductions and a sales product mix change.

Changes in other areas were not material.

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.

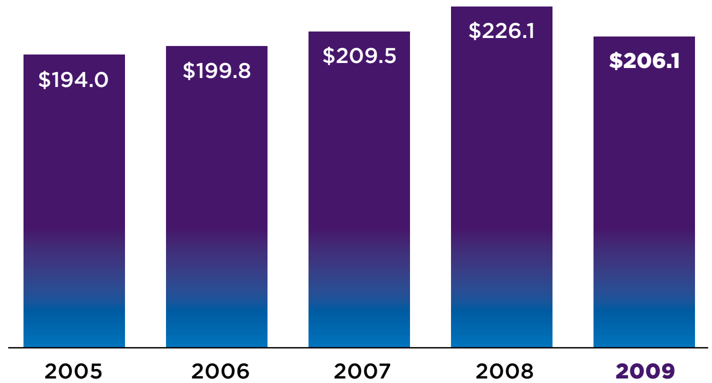
The contribution to general and administrative expenses decreased by $5.3 million in 2009, to $231.8 million.

The contribution to general and administrative expenses from publishing and business services increased $0.6 million, as reductions in revenues were more than offset by savings in cost of products sold and selling expenses.

The declines in membership dues revenue and investment income were the main drivers of the overall decrease.

General and administrative expenses

(in millions)



General and administrative expenses declined $20 million in 2009, or 8.8 percent.

The 2008 expenses include $15.6 million for the AMA's "Voice for the Uninsured" media campaign. Excluding the impact of the "Voice for the Uninsured" media campaign in 2008, general and administrative expenses decreased $4.4 million.

In addition, 2009 expenses include $6.5 million in costs related to the restructuring program implemented in May 2009. These one-time costs include severance, retirement plan special charges, outplacement and consulting that resulted from the employee reductions in force. Excluding those one-time charges, general and administrative expenses totaled $199.6 million in 2009, a $26.5 million decline from the preceding year. The $6.5 million in restructuring charges will be excluded in the discussion of detailed changes below.

Compensation and benefits decreased $1.9 million or 1.5 percent, largely due to the reduction in force, as the partial year savings from the terminations more than offset annual merit increases.

Occupancy costs increased by $0.7 million, primarily due to higher operating costs and taxes associated with AMA's Chicago office lease.

Travel and meetings declined $3.7 million, as this was one of the key discretionary areas targeted for cost reductions. This amounted to a 28 percent reduction.

Computer costs were up $2.9 million in 2009, of which $2.7 million related to the new business development project (VEP).

Marketing and promotion expense declined $14.6 million in 2009. This is largely due to the cessation of the "Voice for the Uninsured" media campaign that totaled $15.6 million in 2008. Media buys in 2009 were focused on health care advocacy support.

AMA decreased its spending on professional services and consulting by $7.9 million in 2009. That includes reductions in consulting fees related to the business development project (VEP), consulting costs for digitizing AMA's archives of publications and general information technology outside services, all of which accounted for $5.9 million in cost reductions. The remaining $2 million decrease in this category occurred across a number of units, a second key discretionary spending area targeted in the restructuring plan.

In 2009, AMA reduced its grants and contributions to other organizations by $0.7 million and printing and postage by $0.9 million. Other categories of other operating expense showed less significant changes, down $0.4 million in aggregate.

Operating results before income taxes

The AMA achieved a $25.7 million pre-tax operating profit in 2009, compared to $11 million in 2008. Despite declining revenues in business, membership and investment income, the cost reductions discussed above more than compensated for the revenue losses, improving AMA's financial position for the next several years.

Income taxes

Income taxes increased $0.7 million in 2009, as AMA recorded a $2.1 million valuation allowance related to deferred tax assets in 2009. This more than offset the reduction in taxes due to the decline in advertising revenues for the AMA.

Net operating results

Operating income was $16.5 million in 2009, up $14 million from the prior year. The actions by AMA's Board and management to reduce costs in a very difficult economic environment improved AMA's financial outlook and positioned the organization to move forward for the next several years, even if the economy does not substantially improve.

Non-operating items

Non-operating items totaled a $36.8 million gain in 2009, compared to a $77.2 million loss in 2008. The gain in the fair value of the portfolio was $36.7 million, due mainly to the rebound in the equity markets following 2008's precipitate decline. AMA had incurred a $77.5 million loss in the fair value of its portfolio during 2008. Other non-operating income totaled $0.1 million in 2009.

Revenue in excess of (less than) expenses

Revenues were $53.3 million greater than expenses in 2009, a combination of the $16.5 million operating profit and the $36.8 million in non-operating gains. Expenses exceeded revenues by $74.7 million in 2008.

Change in association equity

In 2006, the AMA adopted a new accounting standard that requires organizations to recognize previously deferred actuarial losses and prior service credits or charges for defined benefit postretirement plans.

In 2009, the net charge to equity under this accounting standard totaled $0.2 million. Increases in actuarial gains from pension trust asset performance and actuarial gains in the postretirement health care plan were largely offset by an actuarial loss for the increased pension liability resulting from lower interest rates and a reduction in prior service credits in the postretirement health care plan.

In 2008, AMA recorded a $25.3 million loss under this accounting standard. This included a $26.5 million charge for increases in unrecognized pension actuarial losses, mainly due to pension trust investment losses; and a $3.3 million increase in actuarial losses reduced by a $1.3 million increase in prior service credits for the postretirement health care plan. This was due mainly to lower interest rates, higher projected retiree medical claim costs and plan amendments. The charges were reduced by a $3.2 million credit in deferred taxes.

The AMA increased unrestricted association equity by $53.1 million during 2009, the amount by which revenues were greater than expenses, less the charges to equity for changes in defined benefit postretirement plans discussed above.

The $0.5 million decrease in temporarily restricted equity represents the net of funds raised and expended during 2009 in funds restricted for use to specific purposes and not available for general use within the AMA. The increase in total association equity for 2009 was $52.6 million.

In 2008, total equity decreased by $100.4 million, including $74.7 million of expenses in excess of revenues, a $25.3 million charge to equity for changes in defined benefit postretirement plans and a $0.4 million reduction in temporarily 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

	2009	2008	% change
Total cash and investments	$ 395.9	$ 335.8	17.9%
Fiduciary funds	19.1	20.4	(6.4)
Operating assets	29.0	31.7	(8.5)
Investment in subsidiary	3.1	3.1	-
Property and equipment	20.2	19.4	4.1
Prepaid pension	3.4	6.5	(47.7)
Other assets	4.3	3.4	26.5
Total	$ 475.0	$ 420.3	13.0%

The AMA's total assets increased $54.7 million in 2009. This includes a $60.1 million increase in cash and investments resulting from gains in the fair value of investment securities of $36.7 million and $23.4 million in positive free cash flow.

Fiduciary funds are premium payments from the insurance customers not yet remitted to the carriers and equal the liability titled insurance premiums payable.

Operating assets decreased $2.7 million in 2009, largely due to a reduction in the deferred tax receivable resulting from the $2.1 million valuation allowance established in 2009. There were also smaller reductions in prepaid income taxes, inventories and other prepaid expenses. Changes in operating assets from year to year are largely due to timing of cash receipts and payments.

Property and equipment net book value increased $0.8 million, as new capital spending was partially offset by depreciation and amortization of prior years' capital purchases.

Prepaid pension costs decreased by $3.1 million during 2009. This includes reductions resulting from $2.7 million in pension expense and $2.1 million from changes in unrecognized actuarial losses, offset by a $1.7 million increase from the pension contribution in 2009.

Liabilities and equity

	2009	2008	% change
Operating liabilities	$ 95.6	$ 96.3	(0.7)%
Insurance premiums payable	19.1	20.4	(6.4)
Deferred revenue	44.0	39.9	10.3
Association equity	316.3	263.7	19.9
Total	$ 475.0	$ 420.3	13.0%

Operating liabilities decreased $0.7 million in 2009. The largest decrease was in accounts payable and accrued expenses, down $3.4 million. Most of this was related to AMA's overall lower spending levels, which ultimately reduced year-end accruals as well. This was largely offset by a $3.2 million increase in accrued payroll and employee benefits, of which $2.3 million was in the liability for post-retirement health care costs. This included a $5.4 million increase for 2009 retiree health care expense, of which $0.9 million related to the restructuring, reduced by unrecognized actuarial gains net of prior service credits, totaling $2 million. These increases were partially offset by claims payments of $1.1 million.

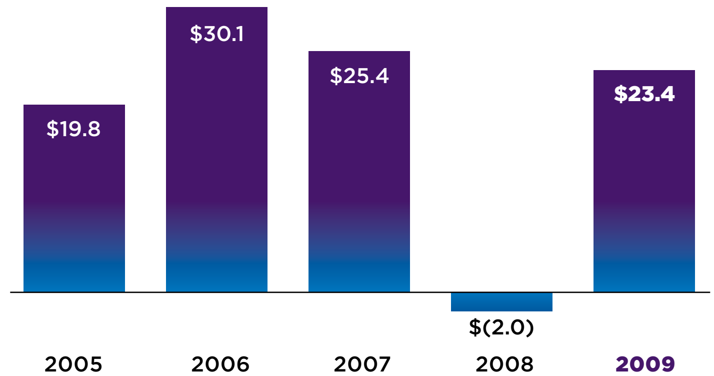
Deferred revenue represents funds received during the year that will not be recognized as income until the following year or thereafter. These amounts vary, as well as accounts payable and accrued expenses, depending on the timing of cash receipts and payments.

CASH FLOWS

Cash and cash equivalents increased $0.7 million in 2009, compared to an $11.6 million decrease in 2008. This comparison may cause misleading conclusions, since 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 / adjusted cash from operations

(in millions)



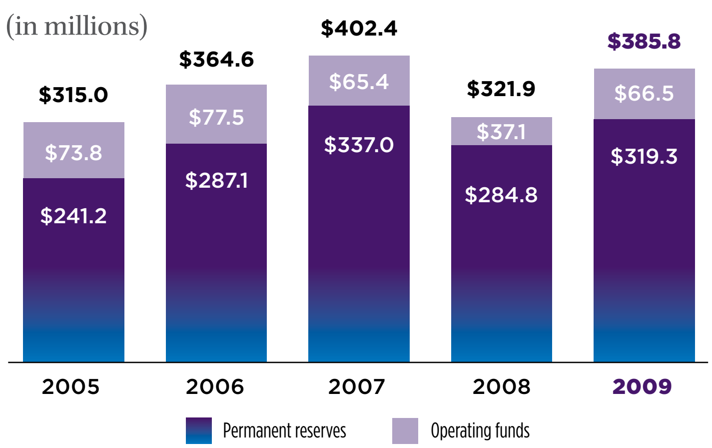
Free cash flow measures the AMA's ability to fund operations, capital expenses and major programmatic initiatives from funds generated from operations. This measure excludes one-time or non-operating gains and losses. The above graph highlights the five-year comparison of free cash flow.

The increase in free cash in 2009, as compared to 2008, stems from improved cash operating results coupled with the $1.7 million pension contribution in 2009, compared to a $10 million contribution in 2008. Although the pension plan is frozen, continued funding for the plan will be required until all current participants receive their retirement benefits. Changes in operating assets and liabilities increased free cash by $1.8 million and $1.5 million in 2009 and 2008 respectively. Spending on property and equipment increased by $1.3 million in 2009, slightly reducing free cash when compared to 2008.

RESERVES (AMA-ONLY)

Reserves

(in millions)



The reserves and operating funds above do not include the 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 2009, permanent reserves were $319.3 million compared to $284.8 million in 2008, a $34.5 million increase. The increase was the result of a $36.6 million gain in the market value of the reserve portfolio, $0.7 million in investment income and a $2.8 million transfer of 2008 approved use of reserves to operating funds.

Operating funds totaled $66.5 million in 2009, up $29.4 million from 2008, primarily due to improved operating results in 2009. Excess operating funds totaled $22.6 million in 2009, which will be transferred to reserves in early 2010. No excess operating funds were generated in 2008.

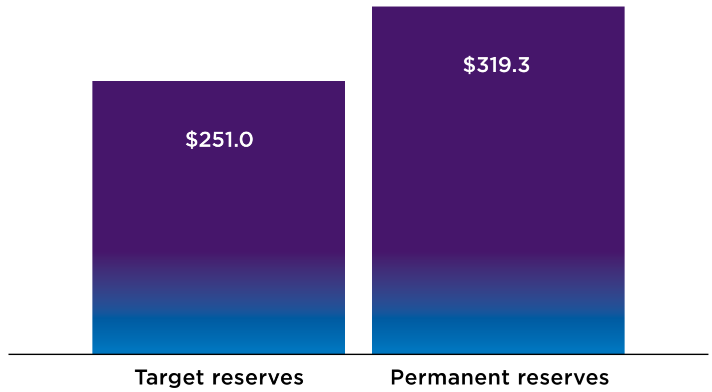
The AMA has established target reserve levels requiring that permanent reserves be adequate to cover 100 percent of annual general and administrative expenses (excluding grant expenses) plus an amount sufficient to pay long-term pension and postretirement liabilities. Operating funds, coupled with operating assets, are to be maintained at a level that allows payment of all operating liabilities.

These reserve levels are designed to ensure that AMA can always meet its long-term obligations for pension and postretirement health care, as well as provide that the AMA could continue operations for at least one year in the case of a catastrophic occurrence.

Reserve funds also provide the AMA with the ability to fund major spending initiatives not within the operating budget. Spending from reserves is limited to no more than the amount by which reserves exceed target. The Board of Trustees must authorize any use of reserves.

2009 permanent reserves and target

(in millions)



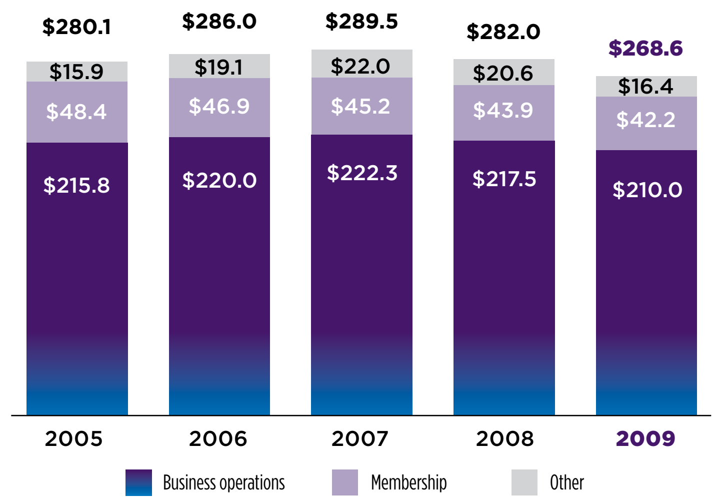
GROUP OPERATING RESULTS

The AMA is organized into various groups: Membership, Publishing and Business Services, Core Operations, Administration and Operations, Affiliated Organizations and Unallocated Overhead. 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.

REVENUES

Total revenue

(in millions)



Membership

The Membership group's total revenue includes both net membership dues and interest expense on lifetime memberships. Net membership dues is equal to the gross dues revenue collected reduced by commissions paid to state societies, and is the membership dues revenue reported on the statement of activities. Total revenue decreased $1.7 million in 2009, a 3.9 percent decrease from 2008.

Gross dues revenue was $43.2 million, a $1.8 million decrease from 2008. Commissions and incentives paid to state societies totaled $0.9 million in 2009, down $0.1 million from 2008. Interest expense on lifetime memberships was $0.1 million, unchanged from 2008.

Federation gross dues revenue was down $3.2 million in 2009, or 14.7 percent. Direct gross dues revenue increased $1.2 million, or 5.6 percent. Group dues revenue rose $0.2 million and student dues revenue was unchanged from 2008. Three states dropped out of the federation marketing program and moved to direct. Excluding the impact of that change in channel, federation dues would be down 4.6 percent and direct dues would be down 4.7 percent.

Publishing and business services revenue

	2009	2008	% change
Publications	$ 55.9	$ 64.6	(13.5)%
Database Products	47.5	47.6	(0.2)
Book and Products	70.9	69.9	1.4
Insurance Agency	35.4	35.1	0.8
Other business operations	0.3	0.3	-
	$ 210.0	$ 217.5	(3.4)%

Publications include the *Journal of the American Medical Association*, the *Archives* journals and *American Medical News*. Publication revenues are derived from advertising, subscriptions, site licensing, reprints, electronic licensing and royalties. Publishing revenues dropped $8.7 million in 2009, as display advertising again declined, down $6.5 million or 25.6 percent from 2008. Classified advertising and print subscriptions declined an additional $1.2 million and $2.3 million respectively. These declines were somewhat offset by continued improvement in site licensing. Some of the display advertising loss was due to a change in publishing frequency for *American Medical News*, but the majority of the decline was a result of the poor economy and changes in print advertising channels by customers.

Database Products includes licensed data sales, credentialing products revenue and other royalties. Revenues were largely unchanged in 2009, as the addition of new licensing customers helped offset reduced usage from current customers, again a result of the poor economy.

AMA-published books, AMA affinity products and the reimbursement products, such as CPT books, workshops and licensed data files, make up the Book and Products unit. Book and Products revenues improved by $1 million, with a $1.8 million improvement in royalties, largely in CPT, more than offsetting lower book sales. In 2008, new editions of the *Guides to Permanent Impairment* and the *Directory of Physicians* were published and sales in 2009 are, as expected, slightly lower than the first full year of publication.

The AMA has one active subsidiary, the AMA Insurance Agency (Insurance Agency). The Insurance Agency revenues were up $0.3 million in 2009, as improved commission and other fee income more than offset the reduction in investment income from lower interest rates. The Insurance Agency, as broker, receives a commission on insurance policies sold.

Investments (AMA-only)

AMA-only investment income relates to earnings on the AMA's portfolio as well as earnings of the unconsolidated subsidiary, American Medical Assurance Company (AMACO). Investment income in AMA's active insurance subsidiary is included in business operations.

Investment income was down $2.7 million in 2009, when compared to 2008. Dividends and interest from the investment portfolio, net of management fees, totaled $9.6 million in 2009, compared to $12.1 million in 2008. Substantial interest rate declines that began in 2008, remaining at unprecedented lows through the end of 2009, were the primary driver of this change. To illustrate the decline, the federal funds rate dropped from 4.25 percent at the end of 2007 to 0.25 percent at the end of 2008, where it remained throughout 2009.

Equity in earnings of AMACO, was zero in 2009 and $0.2 million in 2008. This company has been inactive since the late 1980's but continues to settle old claims. Loss reserves established in prior years were taken back to income during 2008 as claims settled and the reserves were no longer necessary, based on actuarial reviews.

The net gain or loss on investments is not included in operating results, but considered a non-operating item. This amount is in addition to the investment income discussed above and totaled a $36.7 million gain in 2009 compared to a $77.5 million loss in 2008. The total investment return was calculated at a positive 16.6 percent in 2009 and a negative 17 percent in 2008.

Other revenues

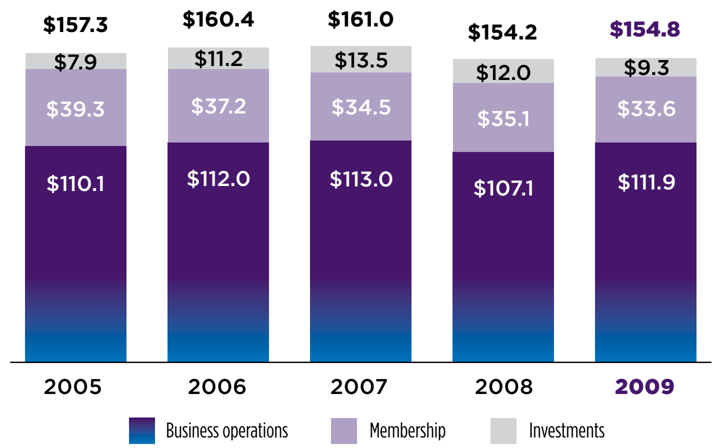
Other revenues are derived from grants and other fee income. Other revenues decreased $1.5 million in 2009, across a number of areas.

CONTRIBUTION MARGIN (NET EXPENSES)

Contribution margin equals unit revenues minus cost of products sold, selling expenses and direct general and administrative expenses such as compensation, occupancy, travel and meetings, computer costs and professional services. Net expenses equals total spending, net of any revenue produced by the unit, such as grants or other fee income. Total contribution margin and net expenses equals consolidated operating results before income taxes. The following two graphs separate groups with contribution margin from groups with net expenses.

Contribution margin

(in millions)



Financial support of AMA's Core Operations and Administration are derived mainly from Business Services and Membership, with the latter providing almost one-quarter of AMA's funding needs.

Membership

Membership's contribution margin decreased $1.5 million in 2009, with a $1.7 million revenue decrease offset by $0.2 million in lower expenses, mainly due to $0.5 million in savings from improving the effectiveness of marketing expenses and $0.2 million in lower travel costs. Compensation and benefits rose $0.5 million due to filling vacancies.

Publishing and Business Services

Business operations results improved by $4.8 million in 2009, despite revenue declines of $7.5 million. Aggressive cost cutting efforts paid off as expenses decreased by $12.3 million. This includes $7 million in savings directly related to reduced advertising pages, reduced publication frequency in *American Medical News* and lower promotional costs and $1.2 million largely due to negotiating print cost reductions and product mix changes in book sales. The remaining $4.1 million in savings came from staff reductions, with compensation and benefits decreasing $1.7 million and reduced use of professional services with savings of $2.1 million, largely a result of finishing the digitizing project. Other costs declined $0.3 million, mainly in travel and meetings.

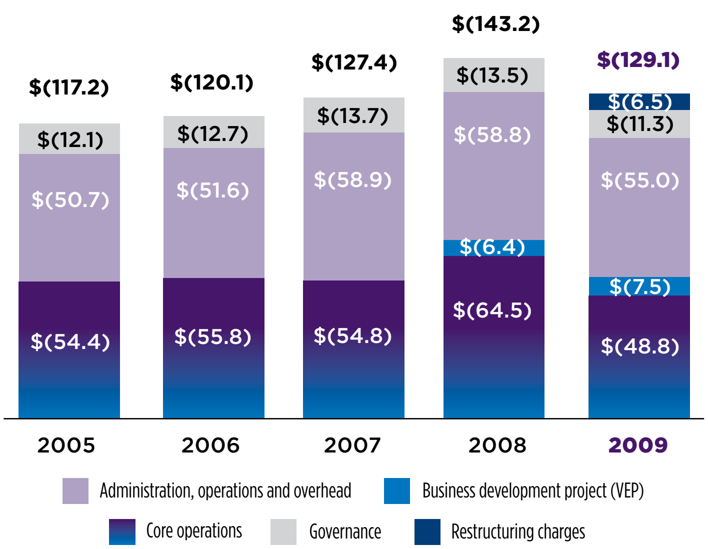
Contribution margin increased in all groups, with Publishing up 1.5 percent, Database Products up 0.5 percent, Book and Products, up 7.4 percent, and the Insurance Agency up 1.5 percent. Other business operations reduced net expenses by $0.8 million.

Investments (AMA-only)

The $2.7 million decrease in contribution margin was solely a result of the interest and dividend revenue decreases discussed above.

Net expenses

(in millions)



Core operations

Core operations includes three groups: Professional Standards, Advocacy and Federation Relations, and Marketing and Communications.

Professional Standards includes Science, Medicine and Public Health; Clinical Quality Improvement; Clinical Quality and Patient Safety; Medical Education; Ethics; and Grants. The various groups are involved in developing AMA policies on scientific issues for the House of Delegates; public health advocacy; defining or influencing standards for undergraduate, graduate and continuing medical education; establishing and disseminating ethical standards for the profession; providing support for the Councils on Ethical and Judicial Affairs, Science and Public Health and Medical Education; influencing the public on health problems; quality of care and patient safety; prevention and wellness; disaster preparedness; and eliminating health care disparities.

Advocacy and Federation Relations includes federal and state-level advocacy operations; private sector advocacy; economic, statistical and market research to support advocacy efforts; political education for physicians; and maintaining relations with the federation of medicine.

Marketing and Communications focuses its efforts on enhancing the AMA's brand image; informing the public about the AMA's positions and policies; supporting the AMA's advocacy efforts; maintaining member communications; and organizing conferences on medical communications.

Core Operations decreased net expenses by $15.7 million or 24.3 percent in 2009. Advocacy net spending declined $1.2 million and Professional Standards decreased net spending by $0.8 million, both areas reflecting planned cost reductions. Marketing and Communications net expenses decreased $13.7 million, of which $13.1 million related to reduced media buys, mainly a result of the "Voice for the Uninsured" campaign ending in 2008.

Advocacy net expenses reflect reduced expenses for travel and meetings, professional services and grants and contributions. Compensation and benefits remained at prior year levels.

Professional Standards net expenses include cost savings in travel, meetings, print, and postage, which were partially offset by higher professional services, mainly in Clinical Quality Improvement and Medical Education. AMA continues to expand its work with the Physician Consortium for Performance Improvement, providing physician leadership for clinical standards that can be widely adopted and consistently measured. Compensation and benefits remained at prior year levels.

Marketing and Communications net expenses are down $0.6 million, excluding $13.1 million decrease in media buys noted above. Compensation and benefits, as well as consulting and market research costs accounted for most of that remaining decrease.

Governance

Governance includes the Board of Trustees and Officer Services and the House of Delegates and Professional Relations units. The Board of Trustees expenses include costs related to governance activities as well as expenses associated with support of Advocacy, Professional Standards, and Marketing and Communications. The House of Delegates and Professional Relations unit includes costs associated with annual and interim meetings, groups and sections and other House of Delegates activities.

In 2009, Governance net spending decreased $2.2 million, with a $1 million reduction in the Board of Trustees unit and $1.2 million in the House of Delegates and Professional Relations. Compensation and benefits dropped $0.9 million, travel and meeting costs declined by $1 million, and printing and postage accounted for the remaining decrease.

Administration and Operations

These units provide administrative and operational support for Business, Membership and Core Operations. Net expenses decreased by $3.2 million in 2009, or 6.2 percent. Costs decreased or remained at the prior year levels in all units, with Information Technology showing the largest decrease, totaling $2.3 million. Overall compensation and benefits and outside professional services are down by $0.7 million and $2.4 million, respectively. Other changes netted to a $0.1 million decrease.

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. The reimbursement is not allocated to the units providing the service, but remains in this group as unallocated contribution margin. Net expenses were largely unchanged in 2009.

Business Development Project (VEP)

In 2008, the AMA began a large project to enhance AMA's value to physicians through products and services, called the VEP. During 2009, the AMA continued its work to complete a business plan to focus efforts on new products and services to meet physician's everyday needs. The costs for this project in 2009 total $7.5 million compared to $6.4 million in 2008. In 2010, AMA expects this new venture to be operational, with new revenues, but as this is a new venture, it is not expected to be profitable for several years.

Unallocated Overhead

The net expenses for Unallocated Overhead include expenses not allocated back to operating units such as corporate insurance and actuarial services, employee incentive compensation, valuation allowances or other reserves. In 2009, these net expenses totaled $6.4 million, down from $7.1 million in 2008.

Restructuring costs

As discussed above, AMA approved a restructuring plan in early 2009 to respond to the extreme downturn in the U.S. economy and its impact on AMA revenues. The plan included approximately $20 million in cost savings to be achieved during 2009 and 2010, and impacted all areas of the AMA. Reductions in force occurred, with approximately 100 jobs eliminated. The costs associated with the employee terminations include severance costs, pension settlement costs and special termination benefits in the postretirement health plan, as well as outplacement and consulting costs. These costs total $6.5 million and were segregated in a separate unit titled restructuring costs, but are included as part of AMA's normal operating results as required by accounting standards.

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

GROUP OPERATING RESULTS

	Revenues		Contribution margin (net expenses)	
In millions	**2009**	**2008**	**2009**	**2008**
Membership	$ 42.2	$ 43.9	$ 33.6	$ 35.1
Publishing and business services				
Publications	55.9	64.6	6.6	6.5
Database Products	47.5	47.6	40.7	40.5
Book and Products	70.9	69.9	49.4	46.0
Insurance Agency	35.4	35.1	20.1	19.8
Other business operations	0.3	0.3	(4.9)	(5.7)
	210.0	217.5	111.9	107.1
Investments (AMA-only)	9.6	12.3	9.3	12.0
Core operations				
Advocacy and Federation Relations	1.2	1.5	(20.9)	(22.1)
Professional Standards	4.2	4.7	(14.2)	(15.0)
Marketing and Communications	-	0.1	(13.7)	(27.4)
	5.4	6.3	(48.8)	(64.5)
Governance				
Board of Trustees and Officer Services	-	-	(5.1)	(6.1)
House of Delegates and Professional Relations	0.1	0.2	(6.2)	(7.4)
	0.1	0.2	(11.3)	(13.5)
Administration and operations				
Information Technology	-	-	(23.2)	(25.5)
Corporate Services	0.7	0.8	(5.7)	(6.0)
Senior Executive Management	-	-	(4.3)	(4.5)
General Counsel	0.2	0.6	(4.3)	(4.4)
Finance	-	-	(5.2)	(5.2)
Human Resources	-	-	(4.0)	(4.2)
Risk, Planning and International	-	-	(1.5)	(1.6)
	0.9	1.4	(48.2)	(51.4)
Business development project (VEP)	-	-	(7.5)	(6.4)
Affiliated organizations	-	0.1	(0.4)	(0.3)
Unallocated overhead	0.4	0.3	(6.4)	(7.1)
Restructuring costs	-	-	(6.5)	-
Consolidated	**$ 268.6**	**$ 282.0**	**$ 25.7**	**$ 11.0**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31

(in millions)	2009	2008
Revenues		
Membership dues	$ 42.3	$ 44.0
Advertising	23.4	31.1
Periodical subscription revenues	12.7	15.0
Other publishing revenue	19.3	18.1
Sponsored revenue	0.3	0.3
Books, newsletters and online product sales	50.0	50.4
Royalties and credentialing products	66.4	65.0
Insurance commissions	34.0	32.9
Investment income (Note 4)	9.6	12.7
Equity in profit of unconsolidated subsidiary	-	0.2
Grants and other income	10.6	12.3
Total revenues	**268.6**	**282.0**
Expenses		
Cost of products sold	30.2	36.6
Selling expenses	6.6	8.3
Contribution to general and administrative expenses	**231.8**	**237.1**
General and administrative expenses		
Compensation and benefits	131.2	126.8
Occupancy	18.8	18.1
Travel and meetings	9.5	13.2
Computer costs	11.4	8.5
Marketing and promotion	10.5	25.1
Professional services and consulting	13.5	21.2
Other operating expenses	11.2	13.2
Total general and administrative expenses	**206.1**	**226.1**
Operating results before income taxes	25.7	11.0
Income taxes (Note 9)	9.2	8.5
Net operating results	**16.5**	**2.5**
Non-operating items		
Net gain (loss) on marketable securities (Note 4)	36.7	(77.5)
Other non-operating income	0.1	0.3
Total non-operating items	**36.8**	**(77.2)**
Revenues in excess of (less than) expenses	**53.3**	**(74.7)**
Changes in defined benefit postretirement plans, other than periodic expense, net of tax (Notes 7, 8 and 9)	(0.2)	(25.3)
Change in association equity – unrestricted	**53.1**	**(100.0)**
Change in temporarily restricted association equity		
Restricted contributions	0.4	0.7
Net assets released from restriction	(0.9)	(1.1)
Change in association equity – temporarily restricted	**(0.5)**	**(0.4)**
Change in association equity	**52.6**	**(100.4)**
Association equity at beginning of year	263.7	364.1
Association equity at end of year	**$ 316.3**	**$ 263.7**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended December 31

(in millions)	2009	2008
Assets		
Cash and cash equivalents	$ 31.1	$ 30.4
Fiduciary funds	19.1	20.4
Accounts receivable and other receivables, net of an allowance for doubtful accounts of $0.1 in 2009 and $0.2 in 2008	17.3	16.1
Inventories	3.4	4.2
Prepaid expenses and deposits	3.7	4.0
Prepaid and deferred income taxes (Note 9)	4.6	7.4
Investments		
Marketable securities (Note 4)	364.8	305.4
Investment in unconsolidated subsidiary (Note 5)	3.1	3.1
Property and equipment - net (Note 6)	20.2	19.4
Prepaid pension costs (Note 7)	3.4	6.5
Other assets	4.3	3.4
	$ 475.0	**$ 420.3**
Liabilities, deferred revenue and association equity		
Liabilities		
Accounts payable and accrued expenses	$ 16.5	$ 19.9
Accrued payroll and employee benefits (Notes 7 and 8)	74.4	71.2
Insurance premiums payable	19.1	20.4
Deferred tenant allowances	1.7	1.8
Reserve for subleased office space (Note 10)	3.0	3.4
	114.7	116.7
Deferred revenue		
Membership dues	17.9	16.7
Subscriptions and royalties	21.1	18.8
Grants and other	5.0	4.4
	44.0	39.9
Association equity		
Unrestricted	314.1	261.0
Temporarily restricted	2.2	2.7
	316.3	263.7
	$ 475.0	**$ 420.3**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

(in millions)	2009	2008
Cash flows from operating activities		
Change in association equity	$ 52.6	$ (100.4)
Adjustments to reconcile change in association equity to net cash provided by operating activities		
Depreciation and amortization	5.2	4.9
Pension and postretirement health care expense	8.1	4.4
Deferred rent expense	0.2	0.2
Equity in profit of unconsolidated subsidiary	-	(0.2)
Net (gain) loss on marketable securities	(36.7)	77.5
Noncash charge for changes in defined benefit postretirement plans other than periodic expense, net of tax	0.2	25.3
Other	0.4	0.2
Contributions to pension plan	(1.7)	(10.0)
Changes in operating assets and liabilities		
Accounts receivable and other receivables	(1.2)	5.9
Inventories	0.8	(0.7)
Prepaid expenses and deposits	0.3	(0.1)
Accounts payable, accrued liabilities and income taxes	(2.2)	(0.6)
Deferred revenue	4.1	(3.0)
Net cash provided by operating activities	30.1	3.4
Cash flows from investing activities		
Purchase of property and equipment	(6.7)	(5.4)
Investment in marketable securities	(217.5)	(165.4)
Proceeds from sale of marketable securities	194.8	155.8
Net cash used in investing activities	(29.4)	(15.0)
Net change in cash and cash equivalents	0.7	(11.6)
Cash and cash equivalents at beginning of year	30.4	42.0
Cash and cash equivalents at end of year	**$ 31.1**	**$ 30.4**

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008

(Columnar amounts in millions)

1. NATURE OF OPERATIONS

The American Medical Association (AMA) is a national professional association of physicians with approximately 228 thousand members. The AMA serves the medical community and the public through standard setting and implementation in the areas of science, medical education, clinical research and patient care, ethics, representation and advocacy, policy development and image/identity building. The AMA's publishing and business services include publishing and multimedia development, database licensing, book and catalog products, insurance and other services for physician practices. Membership dues are approximately 16 percent of revenues.

The AMA classifies all association results as revenues and expenses in the consolidated statements of activities, except non-operating items. Non-operating items include net realized and unrealized gains and losses on marketable securities and other non-recurring expenses or income.

Temporarily restricted equity includes contributions for physician liability reform and scope of practice. These funds are restricted for use to areas such as national tort reform campaign efforts and are not available for general use within the AMA.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation policy

The accompanying consolidated financial statements include the accounts of the AMA and its subsidiaries (collectively referred to herein as the AMA), except for the AMA's wholly owned reinsurance subsidiary, American Medical Assurance Company (AMACO), which is included in the financial statements on the basis of the equity method of accounting. All significant intercompany transactions have been eliminated.

Use of estimates

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

Cash equivalents

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

Fiduciary funds

AMA's subsidiary, the AMA Insurance Agency, Inc. (Agency) 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, which are invested on a short-term basis, are held in a fiduciary capacity.

Inventories

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

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is 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.

Other assets

Other assets consist of investments maintained in separate accounts designated for various nonqualified benefit plans that are not available for operations.

Membership dues

Membership dues are deferred and recognized as revenue in equal monthly amounts during the applicable membership year, which ends on December 31. Dues from lifetime memberships are recognized as revenue over the approximate life of the member. Prepaid dues are included as deferred revenue in the consolidated statements of financial position.

Subscriptions

Subscriptions to periodicals are recognized as revenue ratably over the terms of the subscriptions. Advertising revenue and direct publication costs are recognized in the period the related periodical is issued. Other publication costs are included in expense as incurred.

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.

Reclassifications

Certain reclassifications have been made in the 2008 consolidated financial statements to conform to the 2009 presentation.

3. NEW ACCOUNTING STANDARDS

Effective in 2008, the AMA adopted Accounting Standards Codification (ASC) Topic 820*, Fair Value Measurements and Disclosures*. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Topic 820 does not require any new fair value measurements but applies to assets and liabilities that are required to be recorded at fair value under other accounting standards. The implementation of ASC Topic 820 did not have an effect on the AMA's consolidated results of operations, financial position or cash flows. Refer to Note 4 for further discussion of the AMA's disclosure related to this standard.

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (which is currently part of ASC Topic 740). ASC Topic 740 requires the evaluation of tax positions taken in the course of preparing the AMA's tax returns to determine whether tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits or positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. The AMA adopted ASC Topic 740 in 2009 and the impact of adoption was not material.

In December 2008, the FASB issued FSP No. 132R-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* (which is currently part of ASC Topic 715). ASC Topic 715 provides additional guidance regarding disclosures about plan assets of defined benefit pension or other postretirement plans and is effective for financial statements issued for fiscal years ending after December 15, 2009. The implementation of ASC Topic 715 did not have an effect on the AMA's consolidated results of operations, financial position or cash flows. Refer to Note 7 for AMA's disclosure related to this standard.

4. INVESTMENTS IN MARKETABLE SECURITIES

Marketable securities are carried at fair value.

In determining fair value, the AMA uses various valuation approaches. ASC Topic 820 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.

U.S. government securities are valued using quoted market prices and accordingly are categorized in Level 1 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.

Foreign 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.

The fair value of corporate 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 bonds are generally categorized in Level 2 of the fair value hierarchy.

Investments in bank common trusts are bank-administered trusts that hold and invest commingled assets of various participating institutional organizations. A trust document outlines the terms under which the bank manages and administers the commingled assets. Participants in a common trust are the beneficial owners of the trust's assets. Each participant owns an interest in the aggregate assets of the trust, but does not directly own any specific asset held by the trust. These trusts cannot be marketed to the public, and unlike mutual funds, are not registered investment securities.

The underlying investments in these trusts include government securities, agency securities, repurchase agreements, certificates of deposit and other fixed income investments. These are priced daily by the custodian using quoted prices in active markets when available, recently executed transactions, market price quotations (where observable), bond spreads or other benchmarking model-derived prices. The net asset value (NAV) for a unit is derived by dividing the fair value of the trust by total units outstanding.

The common investment trust document has no restrictions on participant redemptions. The AMA periodically reviewed the underlying assets of the investment trust, including the pricing of these investments. AMA redeemed a portion of its interest each month, at the published NAV. As such, the bank common investment trusts were categorized in Level 2 of the fair value hierarchy.

Fixed income mutual funds are open-ended Securities and Exchange Commission (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 following fair value hierarchy tables present information about the AMA's investments measured at fair value as of December 31.

	2009	2008
Level 1 – Quoted prices in active markets for identical securities		
Equity securities	$ 141.3	$ 133.5
Debt securities		
U. S. government	111.9	55.0
Fixed income mutual funds	6.4	5.2
	259.6	193.7
Level 2 – Significant other observable inputs		
Equity securities	-	1.1
Debt securities		
U.S. government agency	33.5	24.9
Foreign government	9.0	6.9
Corporate	62.7	52.3
Bank common investment trusts	-	26.5
	105.2	111.7
Level 3 – Significant unobservable inputs		
Marketable securities – all levels	$ 364.8	$ 305.4

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:

	2009	2008
Marketable securities dividend and interest income, net of management fees	$ 9.6	$ 11.6
Interest income on cash and cash equivalents	-	1.1
	$ 9.6	$ 12.7

Non-operating items include:

	2009	2008
Realized losses on marketable securities - net	$ (18.5)	$ (12.6)
Unrealized gains (losses) on marketable securities - net	55.2	(64.9)
	$ 36.7	$ (77.5)

5. INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

AMACO, a wholly owned subsidiary of the AMA, is in the process of winding down its medical professional liability reinsurance business. AMACO ceased writing new and renewal business in 1986 and is paying claims on contracts entered into prior to 1987. The AMA's investment in AMACO was $3.1 million at both December 31, 2009 and 2008.

The operating profit totaled zero and $0.2 million for 2009 and 2008, respectively. The operating results of AMACO consist primarily of investment income and loss reserve adjustments, net of taxes. Its financial position at December 31 is summarized as follows:

	2009	2008
Investments, principally bonds at amortized cost (fair value of $4.1 million and $4.2 million)	$ 4.0	$ 4.1
Capital and surplus	$ 3.1	$ 3.1

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	2009	2008
Leasehold improvements	$ 24.4	$ 24.2
Furniture and office equipment	17.4	17.4
Information technology hardware and software	66.4	63.7
	108.2	105.3
Accumulated depreciation and amortization	(88.0)	(85.9)
	$ 20.2	$ 19.4

7. RETIREMENT PENSION AND SAVINGS PLANS

The AMA has a defined benefit pension plan covering eligible salaried and hourly employees. The plan is designed to pay a monthly retirement benefit that, together with Social Security benefits, provides retirement income based on employees' earnings, age and years of service. Other employers participate in this plan and assets and liabilities are allocated between AMA and the other employers.

The AMA amended the pension plan to freeze pension benefits as of December 31, 2002. After that date, no individual shall become a participant in the plan and no further benefits shall accrue under the plan. Individuals not vested as of that date will be credited for future years of service for vesting purposes only. As a result, the projected benefit obligation is equal to the accumulated benefit obligation for this plan.

The changes in benefit obligation and plan assets were as follows:

	2009	2008
Change in benefit obligation		
Benefit obligation at beginning of year	$ 89.1	$ 94.7
Interest cost	5.3	5.4
Settlement loss	1.5	1.8
Benefits paid	(10.4)	(7.5)
Actuarial loss (gain)	11.4	(5.3)
Benefit obligation at end of year	$ 96.9	$ 89.1

	2009	2008
Change in plan assets		
Fair value of plan assets at beginning of year	$ 95.6	$ 117.9
Return (loss) on plan assets	13.4	(24.8)
Employer contributions	1.7	10.0
Benefits paid	(10.4)	(7.5)
Fair value of plan assets at end of year	$ 100.3	$ 95.6

The funded status and amounts recognized in the AMA's consolidated statements of financial position at December 31 are:

	2009	2008
Fair value of plan assets	$ 100.3	$ 95.6
Projected benefit obligation	96.9	89.1
Prepaid pension costs	$ 3.4	$ 6.5

In accordance with ASC Topic 958-715, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* all previously unrecognized actuarial losses are reflected in the consolidated statement of financial position. Accumulated amounts recognized in unrestricted equity that are not yet recognized as a component of periodic pension expense are:

	2009	2008
Actuarial losses	$ 41.6	$ 39.5
	$ 41.6	$ 39.5

An estimated $2.1 million of this amount will be included as a component of pension expense in 2010.

The weighted-average assumptions used in determining the December 31 benefit obligations were:

	2009	2008
Discount rate	5.7%	6.4%
Expected long-term return on plan assets	7.0%	7.5%

The AMA recognizes pension expense in its consolidated statements of activities. The provisions of ASC Topic 958-715 require the AMA to recognize settlement charges based on the paid lump-sum benefits in 2009 and 2008. The components of pension expense are:

	2009	2008
Interest cost	$ 5.3	$ 5.4
Expected return on plan assets	(7.7)	(8.3)
Lump-sum settlement charges	4.1	3.0
Recognized actuarial loss	1.0	-
Pension expense	$ 2.7	$ 0.1

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

	2009	2008
Actuarial losses arising during period	$ (7.2)	$ (29.5)
Reclassification adjustment for losses reflected in periodic pension expense	5.1	3.0
Change in unrestricted equity	$ (2.1)	$ (26.5)

Actuarial assumptions used in determining pension expense were:

	2009	2008
Discount rate	6.4%	6.25%
Expected long-term return on plan assets	7.0%	7.5%

To develop the expected long-term rate of return on plan assets for the pension plan, the AMA considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. The AMA's investment strategy reflects the expectation that equity securities will outperform debt securities over the long term. Assets are invested in a prudent manner to maintain the security of funds while maximizing returns within the plan's investment policy guidelines. The strategy is implemented utilizing actively managed assets from the categories listed below.

The investment goal is to provide a total return that, over the long term, increases the ratio of plan assets to liabilities subject to an acceptable level of risk. This is accomplished through diversification of assets in accordance with the investment policy. Periodic rebalancing occurs after the end of each calendar quarter, as required by the policy.

The target allocations for plan assets are 45 percent equity securities, 50 percent corporate bonds and U.S. Treasury or Agency securities, and 5 percent in cash and cash equivalents.

Equity securities include investments in large-cap, mid-cap, and small-cap companies primarily located in the United States and large- to mid-cap companies outside the United States through investments in mutual funds.

Fixed income securities include primarily investment grade corporate bonds of companies from diversified industries and U.S. Treasury or Agency securities, either through direct investment in bonds or through common trusts, as well an allocation to high-yield U.S. corporate bonds, with a target of 5 percent of the portfolio.

The underlying investments in the bank common trust include government securities, agency securities, repurchase agreements, certificates of deposit and other fixed income investments.

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.

Investments in bank common trusts are bank-administered trusts that hold and invest commingled assets of various participating institutional organizations. A trust document outlines the terms under which the bank manages and administers the commingled assets. Participants in a common trust are the beneficial owners of the trust's assets. Each participant owns an interest in the aggregate assets of the trust, but does not directly own any specific asset held by the trust. These trusts cannot be marketed to the public, and unlike mutual funds, are not registered investment securities. The common trust is priced daily by the custodian using quoted prices in active markets when available, recently executed transactions, market price quotations (where observable), bond spreads or other benchmarking model-derived prices. The NAV for a unit is derived by dividing the fair market value of the trust by total units outstanding. The common investment trust document has no restrictions on participant redemptions.

The following fair value hierarchy tables present information about the AMA pension plan investments measured at fair value as of December 31.

	2009	2008
Level 1 – Quoted prices in active markets for identical securities		
Equity securities		
U.S. common stocks	$ 37.5	$ 37.4
International mutual funds	7.6	7.1
Debt securities		
U.S. government	10.2	-
Fixed income mutual funds	29.7	35.1
High-yield fixed income mutual fund	4.2	2.1
	89.2	81.7
Level 2 – Significant other observable inputs		
Debt securities		
Corporate	7.8	-
U.S. government agencies	2.4	-
Foreign government and agency	0.9	-
Bank common investment trusts	-	13.9
	11.1	13.9
Level 3 – Significant unobservable inputs		
Marketable investments – all levels	$ 100.3	$ 95.6

The AMA currently anticipates making no contribution to the pension plan in 2010, as plan assets are greater than the funding target of 110 percent of liabilities. This estimate is based on current tax laws, plan asset performance and liability assumptions, which are subject to change. Any shortfall in plan asset performance from the 7 percent expected rate of return could cause contributions to increase by an amount equivalent to the shortfall in performance.

The following pension benefit payments are expected:

2010	$ 7.5
2011	7.5
2012	7.2
2013	8.8
2014	5.5
2015 – 2019	35.2

The AMA has a 401(k) retirement and savings plan, which allows eligible employees to contribute up to 75 percent of their compensation annually. The AMA matches 100 percent of the first 3 percent and 50 percent of the next 2 percent of employee contributions. The AMA may, in its discretion, make additional contributions for any year in an amount up to 2 percent of the compensation for each eligible employee. Compensation is subject to Internal Revenue Service limits and excludes bonuses and severance pay. AMA matching and discretionary contribution expense for 2009 and 2008 totaled $4.6 million each year.

The AMA also maintains a non-qualified, unfunded supplemental pension plan for certain long-term employees. Participation in the plan was closed in 1994. The AMA recognizes the liability in its consolidated statement of financial position. The accumulated benefit obligation and liability totaled $0.7 million and $0.6 million at December 31, 2009 and 2008, respectively. AMA uses the same discount rates noted above for the pension plan to determine the plan benefit obligation. The associated expense for this plan was less than one hundred thousand dollars in both 2009 and 2008. Changes in pension actuarial gains that are not yet reflected in periodic pension expense, but have been included as a credit to unrestricted equity were not material for this plan.

AMA expects to pay approximately $0.2 million in benefits for the supplemental pension plan over the next five years.

8. POSTRETIREMENT HEALTH CARE BENEFITS

The AMA provides health care benefits to retired employees. Generally, qualified employees become eligible for these benefits if they retire in accordance with provisions similar to AMA's pension plan 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 70 to 80 percent of the 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 assets and liabilities are allocated between AMA and the other employers.

The AMA has applied for and received the federal subsidy to sponsors of retiree health care benefit plans that provide 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, 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 statement 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:

	2009	2008
Change in benefit obligation		
Benefit obligation at beginning of year	$ 56.6	$ 51.5
Service cost	2.1	1.8
Interest cost	3.3	3.1
Benefits paid	(1.8)	(1.8)
Participant contributions	0.5	0.4
Federal subsidy	0.2	0.2
Actuarial (gains) losses	(2.5)	3.5
Curtailment gain	(0.9)	-
Special termination benefits	1.4	-
Prior service credit from plan amendments	-	(2.1)
Accrued postretirement benefit costs	$ 58.9	$ 56.6

The postretirement health care plan accumulated losses and prior service credits 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:

	2009	2008
Actuarial losses	$ 8.2	$ 11.7
Prior service credits	(6.8)	(8.3)
	$ 1.4	$ 3.4

An estimated $0.2 million in actuarial losses and $1 million in prior service credits will be included as components of postretirement health care expense in 2010.

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

	2009	2008
Discount rate	6.0%	6.0%
Initial health care cost trend		
Pre-Medicare costs	7.8%	9.0%
Post-Medicare costs	7.8%	9.0%
Ultimate health care cost trend	4.5%	5.0%
Year that the rate reaches the ultimate trend rate		
Pre-Medicare costs	2028	2016
Post-Medicare costs	2028	2016

The AMA recognizes postretirement health care expense in its consolidated statements of activities. The components of expense are:

	2009	2008
Service cost	$ 2.1	$ 1.8
Interest cost	3.3	3.1
Special termination benefits	1.4	-
Curtailment gains	(0.5)	-
Recognized actuarial loss	0.2	0.2
Amortization of prior service credits	(1.1)	(0.8)
Postretirement health care expense	$ 5.4	$ 4.3

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

	2009	2008
Actuarial gains (losses) arising during period	$ 2.5	$ (3.5)
Effect of curtailment	0.4	-
Reclassification adjustment for losses reflected in periodic expense	0.2	0.2
Prior service credit arising during period	-	2.1
Reclassification adjustment for recognition of prior service credits	(1.1)	(0.8)
Change in unrestricted equity	$ 2.0	$ (2.0)

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:

	2009	2008
Discount rate	6.0%	6.25%

A one-percentage point change in assumed health care cost rates would have the following effect:

	1% increase	1% decrease
Effect on postretirement service and interest cost	$ 1.2	$ (0.9)
Effect on postretirement benefit obligation	$ 10.9	$ (8.7)

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

2010	$ 1.7
2011	1.9
2012	2.0
2013	2.2
2014	2.4
2015 – 2019	15.5

9. INCOME TAXES

The provision for income taxes includes:

	2009	2008
Operating		
Current	$ 7.3	$ 8.0
Deferred	(0.2)	0.5
Valuation allowance	2.1	-
	9.2	8.5
Tax (benefit) expense related to credits or charges to equity		
Deferred	-	(3.2)
	$ 9.2	$ 5.3

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 the future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

The benefit or charge in deferred taxes from credits or charges to equity, represent the estimated tax benefit from recording unrecognized actuarial losses and prior service credits for both the pension and postretirement health care plans, 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. AMA evaluates the likelihood of realizing AMA's deferred tax assets by estimating sources of future taxable income and assessing whether or not it is likely that the future taxable income will be adequate for AMA to realize the deferred tax asset. AMA established a valuation allowance in 2009 to reflect the fact that deferred tax assets include future expected benefits related to retiree health care payments that may not be deductible due to a projected lack of taxable advertising income in future years. If AMA were to make a determination in future years that the deferred tax assets for which there is currently a valuation allowance 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:

	2009	2008
Benefit plans and compensation	$ 6.0	$ 5.9
Other	0.4	0.3
	6.4	6.2
Valuation allowance	(2.1)	-
	$ 4.3	$ 6.2

Cash payments for income taxes were $7.5 million and $8 million in 2009 and 2008, respectively.

10. RESERVE FOR SUBLEASED OFFICE SPACE

In 1995, AMA ceased using one floor of its current headquarters and subleased that space through 2007. It was assumed at that time that AMA would re-occupy the space at the end of the sublease. In 2007, AMA decided to sublease the floor through the end of the lease in August, 2015 and recorded a charge to equity representing the present value of the lease obligation through the end of the lease, net of future estimated sublease rental income, totaling $3.8 million. This will be amortized through the end of August, 2015.

11. COMMITMENTS AND CONTINGENCIES

Lease commitments

Rent expense under operating leases, including executory costs and taxes, was $16 million and $15.1 million in 2009 and 2008, respectively. At December 31, 2009, minimum lease payments under existing operating leases for office facilities are:

2010	$ 9.8
2011	10.0
2012	10.1
2013	10.3
2014	10.5
2015 and beyond	18.3
	$ 69.0

Minimum payments have not been reduced by minimum sublease rentals of $1.6 million due in the future under noncancelable subleases. All leases have renewal options.

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.

12. FUNCTIONAL EXPENSES

	2009	2008
Membership	$ 8.6	$ 8.8
Publishing and business services		
Publications	49.3	58.1
Database products	6.8	7.1
Book and products	21.5	23.9
Insurance agency	15.3	15.3
Other business products	5.2	6.0
	98.1	110.4
Investments	0.3	0.3
Core operations		
Advocacy and federation relations	22.1	23.6
Professional standards	18.4	19.7
Marketing and communications	13.7	27.5
	54.2	70.8
Governance	11.4	13.7
Administration and operations		
Information technology	23.2	25.5
Corporate services	6.4	6.8
Senior executive management	4.3	4.5
General counsel	4.5	5.0
Finance	5.2	5.2
Human resources	4.0	4.2
Risk, planning and international	1.5	1.6
Other	7.2	7.8
	56.3	60.6
Business development (VEP)	7.5	6.4
Restructuring costs	6.5	-
	$ 242.9	$ 271.0

In early 2009, AMA approved a restructuring plan targeted to reduce expenses by $20 million, in response to projected revenue losses due to the economic downturn. Employee separations took place in May 2009. Expenses related to employee separations include severance costs, pension settlement costs and special termination benefits in the postretirement health plan, as well as outplacement and consulting costs. The employee related restructuring costs totaled $6.5 million.

13. SUBSEQUENT EVENTS

In May 2009, ASC Topic 855, *Subsequent Events*, was issued. ASC Topic 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The AMA adopted this standard in 2009 and determined this statement did not have a material impact on their consolidated financial statements. For the year ended December 31, 2009, the AMA has evaluated all subsequent events through February 26, 2010 which is the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
American Medical Association

We have audited the accompanying consolidated statements of financial position of the American Medical Association (the "AMA") and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the AMA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the American Medical Association and subsidiaries as of December 31, 2009 and 2008, and the changes in their equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Chicago, Illinois

February 26, 2010

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, 2009 and 2008 fairly presents, in all material respects, the financial condition and the results of operations of the American Medical Association.

Michael D. Maves, MD, MBA
Executive Vice President, Chief Executive Officer

Denise M. Hagerty
Chief Financial Officer

February 26, 2010

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The chair-elect and immediate past chair, serve on all committees and task forces, except where otherwise noted, as ex-officio members without vote. The president serves on all committees and task forces as an ex-officio member with vote.

* Resigned 2010

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AMERICAN
MEDICAL
ASSOCIATION

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