

Consolidated financial statements

December 31, 2003 and 2002

Consolidated statements of activities

In millions	2003	2002
Revenues		
Membership dues	\$ 49.0	\$ 50.2
Advertising	41.1	41.0
Subscriptions	17.7	17.8
Other publishing revenue	12.8	13.8
Book and product sales	44.1	41.7
Royalties and credentialing products	46.4	42.6
Insurance commissions	24.0	23.4
Investment income (Note 3)	5.4	6.2
Equity in loss of unconsolidated subsidiary and affiliates	(0.4)	(1.0)
Grants	9.8	8.6
Other	6.4	6.2
Total revenues	256.3	250.5
Expenses		
Cost of products sold	40.3	40.8
Selling expenses	7.8	9.6
Contribution to general and administrative expenses	208.2	200.1
General and administrative expenses		
Compensation and benefits	106.4	103.5
Occupancy	17.9	17.6
Travel and meetings	11.3	11.2
Computer costs	11.6	14.8
Marketing and promotion	7.4	7.5
Professional services and consulting	13.4	10.5
Other operating expenses	17.1	17.6
Total general and administrative expenses	185.1	182.7
Operating results before income taxes	23.1	17.4
Income taxes (Note 9)	3.0	5.7
Net operating results	20.1	11.7
Non-operating and non-recurring items		
Net gain (loss) on securities (Note 3)	20.8	(12.9)
Pension curtailment loss (Note 7)	—	(0.5)
Other non-recurring income	2.5	1.8
Total non-operating and non-recurring items	23.3	(11.6)
Revenue in excess of expenses	43.4	0.1
Minimum pension liability adjustment, net of tax (Note 7)	17.1	(17.1)
Change in association equity	60.5	(17.0)
Association equity at beginning of year	130.5	147.5
Association equity at end of year	\$ 191.0	\$130.5

Consolidated statements of financial position

In millions	2003	2002
Assets		
Cash and cash equivalents	\$ 68.3	\$ 68.5
Accounts receivable and other receivables, net of an allowance for doubtful accounts of \$4.8 and \$5.5	19.2	22.9
Inventories	3.3	4.1
Prepaid expenses and deposits	3.5	3.2
Investments		
Marketable securities (Note 3)	180.0	131.3
Real estate (Note 4)	1.3	1.3
Unconsolidated subsidiary and affiliates (Note 5)	8.9	10.6
	190.2	143.2
Property and equipment — net (Note 6)	26.1	31.7
Prepaid pension costs (Note 7)	24.8	—
Other assets	3.6	3.2
	\$ 339.0	\$ 276.8
Liabilities, deferred revenue and association equity		
Liabilities		
Accounts payable and accrued expenses	\$ 42.0	\$ 41.4
Accrued payroll and employee benefits (Notes 7 and 8)	52.8	52.4
Reserve for sub-leased space	1.1	1.3
Income taxes	2.8	2.4
	98.7	97.5
Deferred revenue		
Membership dues	17.8	17.1
Subscriptions and royalties	18.9	15.3
Grants	4.3	9.1
Other	8.3	7.3
	49.3	48.8
Association equity – unrestricted	191.0	130.5
	\$ 339.0	\$ 276.8

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

In millions	2003	2002
Cash flows from operating activities		
Change in association equity	\$ 60.5	\$ (17.0)
Adjustments to reconcile change in association equity to net cash from operating activities		
Depreciation and amortization	9.1	12.0
Pension and postretirement health care expense	7.2	9.5
Non-cash (credit) charge for pension curtailment and minimum pension liability, net of tax	(17.1)	17.6
Contributions to pension plan	(13.2)	(25.1)
Equity in loss of unconsolidated subsidiary and affiliates	0.4	1.0
Net (gain) loss on marketable securities	(20.8)	12.9
Provision for losses on receivables	(0.3)	1.2
Other	0.2	0.5
Changes in operating assets and liabilities		
Accounts receivable and other receivables	4.6	(2.9)
Inventories	0.8	0.8
Prepaid expenses and deposits	(0.3)	(0.5)
Accounts payable, accrued liabilities and income taxes	(0.9)	7.7
Deferred revenue	0.5	0.2
Net cash provided by operating activities	30.7	17.9
Cash flows from investing activities		
Investment in affiliates	(0.2)	(0.5)
Distributions from unconsolidated subsidiary and affiliate	1.3	0.8
Physicians for Responsible Negotiations notes receivable	(0.6)	(0.6)
Purchase of property and equipment	(3.5)	(3.3)
Net purchase of securities	(27.9)	(24.7)
Net cash used in investing activities	(30.9)	(28.3)
Net change in cash and cash equivalents	(0.2)	(10.4)
Cash and cash equivalents at beginning of year	68.5	78.9
Cash and cash equivalents at end of year	\$ 68.3	\$ 68.5

See accompanying notes to the consolidated financial statements.