

2006

CONSOLIDATED FINANCIAL STATEMENTS
AND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
[YEARS ENDED DECEMBER 31]

06

CONSOLIDATED STATEMENTS OF ACTIVITIES

In millions	2006	2005
Revenues		
Membership dues	\$ 47.0	\$ 48.5
Advertising	37.8	40.6
Subscriptions	17.0	17.2
Other publishing revenue	20.5	15.9
Sponsored revenue	0.5	1.0
Book and product sales	47.3	47.8
Royalties and credentialing products	59.6	55.4
Insurance commissions	32.7	33.4
Investment income (Note 4)	12.9	9.2
Equity in profit of unconsolidated subsidiary	0.1	0.1
Grants and other income	10.6	11.0
Total revenues	286.0	280.1
Expenses		
Cost of products sold	37.5	37.5
Selling expenses	8.4	8.5
Contribution to general and administrative expenses	240.1	234.1
General and administrative expenses		
Compensation and benefits	113.2	108.3
Occupancy	18.4	17.8
Travel and meetings	12.6	11.4
Computer costs	9.0	9.4
Marketing and promotion	22.5	22.1
Professional services and consulting	11.5	11.4
Other operating expenses	12.6	13.6
Total general and administrative expenses	199.8	194.0
Operating results before income taxes	40.3	40.1
Income taxes (Note 10)	10.0	12.0
Net operating results	30.3	28.1
Non-operating and non-recurring items		
Net gain on marketable securities (Note 4)	18.4	5.8
Gain on partnership distribution, net of tax (Notes 5 and 10)	—	5.1
Other non-recurring income (expense)	0.6	(0.5)
Total non-operating and non-recurring items	19.0	10.4
Revenues in excess of expenses	49.3	38.5
Effect of adoption of new accounting standard for defined benefit postretirement plans, net of tax (Notes 8, 9 and 10)	(24.1)	—
Change in association equity—unrestricted	25.2	38.5
Change in temporarily restricted association equity		
Restricted contributions	0.3	0.5
Net assets released	(0.4)	(0.1)
Change in association equity—temporarily restricted	(0.1)	0.4
Change in association equity	25.1	38.9
Association equity at beginning of year	288.7	249.8
Association equity at end of year	\$ 313.8	\$ 288.7

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions	2006	2005
Assets		
Cash and cash equivalents	\$ 71.3	\$ 59.6
Accounts receivable and other receivables, net of an allowance for doubtful accounts of \$0.3 in 2006 and \$0.5 in 2005	21.0	20.9
Inventories	3.2	3.1
Prepaid expenses and deposits	4.0	3.5
Prepaid and deferred income taxes (Note 10)	6.3	1.7
Investments		
Marketable securities (Note 4)	324.8	288.1
Investment in unconsolidated subsidiary and affiliate (Note 6)	2.2	2.2
Property and equipment—net (Note 7)	16.3	17.5
Prepaid pension costs (Note 8)	15.4	32.7
Other assets	4.4	4.2
	\$ 468.9	\$ 433.5
Liabilities, deferred revenue and association equity		
Liabilities		
Accounts payable and accrued expenses	\$ 41.7	\$ 44.5
Accrued payroll and employee benefits (Notes 8 and 9)	70.2	55.3
Reserve for sub-leased space	0.3	0.6
	112.2	100.4
Deferred revenue		
Membership dues	18.3	19.5
Subscriptions and royalties	19.2	19.5
Grants and other	5.4	5.4
	42.9	44.4
Association equity		
Unrestricted	311.6	286.5
Temporarily restricted	2.2	2.2
	313.8	288.7
	\$ 468.9	\$ 433.5

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions	2006	2005
Cash flows from operating activities		
Change in association equity	\$ 25.1	\$ 38.9
Adjustments to reconcile change in association equity to net cash from operating activities		
Depreciation and amortization	6.0	6.7
Pension and postretirement health care expense	5.5	5.0
Contributions to pension plan	—	(9.0)
Equity in profit of unconsolidated subsidiary	(0.1)	(0.1)
Net gain on partnership distribution	—	(5.1)
Net gain on marketable securities	(18.4)	(5.8)
Increase in provision for losses on receivables	—	0.1
Noncash charge for adoption of new accounting standard for defined benefit postretirement plans, net of tax	24.1	—
Other	—	0.1
Changes in operating assets and liabilities		
Accounts receivable and other receivables	(0.1)	(1.3)
Inventories	(0.1)	(0.1)
Prepaid expenses and deposits	(0.5)	1.1
Accounts payable, accrued liabilities and income taxes	(5.3)	(7.8)
Deferred revenue	(1.5)	0.5
Net cash provided by operating activities	34.7	23.2
Cash flows from investing activities		
Distribution of partnership assets	—	1.6
Purchase of property and equipment	(4.6)	(3.4)
Investment in marketable securities	(186.0)	(285.9)
Proceeds from sale of marketable securities	167.6	228.0
Net cash used in investing activities	(23.0)	(59.7)
Net change in cash and cash equivalents	11.7	(36.5)
Cash and cash equivalents at beginning of year	59.6	96.1
Cash and cash equivalents at end of year	\$ 71.3	\$ 59.6

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[COLUMNAR AMOUNTS IN MILLIONS]

1. NATURE OF OPERATIONS

The American Medical Association (AMA) is a national professional association of physicians with approximately 240 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 while non-dues revenues account for 84 percent of total revenue.

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

Temporarily restricted equity includes contributions for physician liability reform, Medicare physician payment formula changes and a scholarship fund. The funds are restricted for use to areas such as national tort reform campaign efforts, studies on the Medicare sustainable growth rate and scholarships for Women in Medicine, 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.

Inventories

Inventories, consisting primarily of book and catalog products 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 ten years. Leasehold improvements are depreciated over 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 2005 financial statements to conform to the 2006 presentation.

3. NEW ACCOUNTING STANDARDS

Effective in 2006, the AMA adopted Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The standard requires organizations to recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation—in the statement of financial position, with an offsetting charge or credit to equity. Gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost will be recognized each year as a separate charge or credit to equity.

Refer to notes 8 and 9 for further discussion of the AMA's pension and other postretirement benefit obligations.

In July 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109* (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 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 of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the

current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is applied to all open tax years as of the effective date. At this time, AMA management is evaluating the implications of FIN 48 and its impact in the financial statements.

4. INVESTMENTS IN MARKETABLE SECURITIES

Marketable securities are carried at market value. The aggregate carrying value (based on quoted market prices) of investments in marketable securities, exclusive of cash equivalents, at December 31 is summarized as follows:

	2006	2005
Equity securities		
Common stocks	\$ 153.1	\$ 125.5
Debt securities		
Corporate and government bonds	119.1	98.5
Fixed income mutual funds and commingled trusts	52.6	64.1
	\$ 324.8	\$ 288.1

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 and non-recurring items.

Investment income consists of:

	2006	2005
Marketable securities dividend and interest income net of management fees	\$ 9.8	\$ 7.2
Interest income on cash and cash equivalents	3.1	1.9
Real estate and other income	—	0.1
	\$ 12.9	\$ 9.2

Non-operating and non-recurring items include:

	2006	2005
Realized gains on marketable securities—net	\$ 7.9	\$ 4.4
Unrealized gains on marketable securities—net	10.5	1.4
	\$ 18.4	\$ 5.8

5. REAL ESTATE AND OTHER INVESTMENTS

At December 31, 2006 and 2005, the AMA had no remaining investments in real estate.

During 2005, AMA received a full distribution of its 25 percent limited partnership interest in a partnership entered into in the late 1980's. In 2005, the partnership sold all assets and liquidated the partnership by distributions to both the general and limited partners. As a result, the AMA recognized a \$6.9 million gain on the distribution reduced by \$1.8 million in tax expense. The net gain of \$5.1 million was included as a non-operating gain in 2005.

6. INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AND AFFILIATE

Medem, Inc.

In November 1999, AMA and six other unaffiliated medical societies entered an agreement to form Medem Inc., a medical information website. The AMA contributed \$1.7 million during 1999 through 2003. At December 31, 2006 and 2005, the investment is carried at zero.

American Medical Assurance Company

The American Medical Assurance Company (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 \$2.2 million at both December 31, 2006 and 2005.

The operating profit totaled \$0.1 million for both 2006 and 2005. The operating results of AMACO consist primarily of investment income, net of taxes. Its financial position at December 31 is summarized as follows:

	2006	2005
Investments, principally bonds at amortized cost (market value of \$4.2 million and \$4.1 million)	\$ 4.2	\$ 4.1
Capital and surplus	\$ 2.2	\$ 2.2

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	2006	2005
Leasehold improvements	\$ 22.7	\$ 22.6
Furniture and office equipment	19.5	19.4
Data processing equipment and software	64.1	59.9
	106.3	101.9
Accumulated depreciation and amortization	(90.0)	(84.4)
	\$ 16.3	\$ 17.5

During 2005, AMA retired \$35.6 million of fully-depreciated computer and office equipment no longer in use.

8. 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 the 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 at December 31 were as follows:

	2006	2005
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 100.4	\$ 96.2
Interest cost	5.2	5.4
Settlement loss	1.3	0.5
Benefits paid	(8.2)	(6.6)
Actuarial (gain) losses	(2.5)	4.9
Benefit obligation at end of year	\$ 96.2	\$ 100.4
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 107.0	\$ 98.7
Actual return on plan assets	12.8	5.9
Employer contributions	—	9.0
Benefits paid	(8.2)	(6.6)
Fair value of plan assets at end of year	\$ 111.6	\$ 107.0

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

	2006	2005
Fair value of plan assets	\$ 111.6	\$ 107.0
Projected benefit obligation	96.2	100.4
Funded status	15.4	6.6
Unrecognized actuarial losses	—	26.1
Prepaid pension costs	\$ 15.4	\$ 32.7

In accordance with SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, adopted by AMA in 2006, all previously unrecognized actuarial losses are reflected in the consolidated statement of financial position. The pension plan items not yet recognized as a component of periodic pension expense, but included as a separate charge to equity at December 31 are:

	2006	2005
Actuarial losses	\$ 17.3	\$ —
	\$ 17.3	\$ —

An estimated \$0.6 million of this amount will be included as a component of pension expense in 2007.

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

	2006	2005
Discount rate	5.75%	5.5%
Expected long-term return on plan assets	7.5%	7.5%

The AMA recognizes pension expense in its consolidated statements of activities. The provisions of SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, require the AMA to recognize settlement charges based on the employees receiving lump sum benefits in 2006 and 2005. The components of pension expense are:

	2006	2005
Interest cost	\$ 5.2	\$ 5.4
Expected return on plan assets	(7.7)	(7.2)
Lump sum settlement charges	1.3	1.5
Recognized actuarial loss	1.2	1.1
Pension expense	\$ —	\$ 0.8

Actuarial assumptions used in determining pension expense were:

	2006	2005
Discount rate	5.5%	5.75%
Expected long-term return on plan assets	7.5%	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 total pension plan weighted-average asset allocations and the plan's target asset allocations at December 31, by asset category, are as follows:

	2006	2005	Target
Equity securities	61%	61%	60%
Debt securities	35%	35%	35%
Cash	4%	4%	5%

The AMA currently anticipates making no contributions to the pension plan in 2007. 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 7.5 percent expected rate of return would cause contributions to increase by an amount equivalent to the shortfall in performance.

The following pension benefit payments are expected:

2007	\$ 6.6
2008	6.0
2009	6.0
2010	6.2
2011	6.5
2012–2016	34.8

The AMA has a 401(k) retirement and savings plan, which allows eligible employees to contribute up to 25 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 IRS limits and excludes bonuses and severance pay. AMA matching and discretionary contribution expense totaled \$4.1 million and \$3.9 million for 2006 and 2005, respectively.

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 liability totaled \$1 million at both December 31, 2006 and 2005. The associated expense for this plan was \$0 and \$0.1 million in 2006 and 2005, respectively. The accumulated benefit obligation totaled \$0.9 million and \$0.8 million at December 31, 2006 and 2005, respectively, using the same discount rates noted above for the pension plan. AMA expects to pay approximately \$0.3 million in benefits over the next five years.

9. 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 mirroring 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 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 FASB Staff Position (FSP) No. 106-2, 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 SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, as amended by SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, 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:

	2006	2005
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 49.4	\$ 44.3
Service cost	2.2	1.8
Interest cost	3.0	2.5
Benefits paid	(1.7)	(1.7)
Participant contributions	0.4	0.4
Federal subsidy	0.1	—
Actuarial losses	3.8	2.1
Benefit obligation at end of year	57.2	49.4
Items not yet recognized in the statement of financial position		
Actuarial losses	—	(15.7)
Prior service credits	—	8.7
Postretirement health care liability	\$ 57.2	\$ 42.4

The periodic postretirement health care plan items not yet recognized as a component of periodic postretirement health care expense, but included as a separate charge to equity as of December 31 are:

	2006	2005
Actuarial losses	\$ 18.4	—
Prior service credits	(7.8)	—
	\$ 10.6	—

An estimated \$0.8 million in actuarial losses and \$0.8 million in prior service credits will be included as components of postretirement health care expense in 2007.

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

	2006	2005
Discount rate	5.75%	5.5%
Initial health care cost trend		
Pre-Medicare costs	10.0%	9.0%
Post-Medicare costs	10.0%	10.0%
Ultimate health care cost trend	5.0%	5.0%
Year that the rate reaches the ultimate trend rate		
Pre-Medicare costs	2017	2009
Post-Medicare costs	2017	2010

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

	2006	2005
Service cost	\$ 2.2	\$ 1.8
Interest cost	3.0	2.5
Recognized actuarial losses	1.1	0.6
Amortization of prior service credits	(0.8)	(0.8)
Postretirement health care expense	<u>\$ 5.5</u>	<u>\$ 4.1</u>

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:

	2006	2005
Discount rate	5.5%	5.5%

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	\$ (1.0)
Effect on postretirement benefit obligation	10.1	(8.0)

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

2007	\$ 1.5
2008	1.7
2009	1.8
2010	2.0
2011	2.2
2012–2016	13.6

10. INCOME TAXES

The provision for income taxes includes the following components:

	2006	2005
Operating		
Current	\$ 10.7	\$ 12.0
Deferred	(0.7)	—
	10.0	12.0
Non-operating and change in equity		
Current	—	6.1
Deferred	(3.8)	(4.3)
	(3.8)	1.8
	\$ 6.2	\$ 13.8

The \$3.8 million credit deferred taxes within non-operating items and change in equity for 2006 results from the adoption of SFAS No. 158, and represent the estimated tax benefit resulting from recognizing actuarial losses and prior service credits for both the pension and postretirement health care plans. In 2005, the non-operating items resulted from the limited partnership distribution discussed in footnote 5.

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.

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

	2006	2005
Benefit plans and compensation	\$ 4.7	\$ 0.3
Other	0.5	0.4
	\$ 5.2	\$ 0.7

Cash payments for income taxes were \$10.8 million and \$20.6 million in 2006 and 2005, respectively. The 2005 payments included \$6.1 million related to the limited partnership distribution.

11. FUNCTIONAL EXPENSES

	2006	2005
Membership	\$ 9.7	\$ 9.1
Publishing and business services		
Publications	58.0	56.4
Database products	6.9	7.0
Book and products	22.6	22.3
Insurance agency	15.2	14.4
Educational products	0.7	1.3
Other business operations	4.6	4.3
	108.0	105.7
Investments	0.3	0.3
Core operations		
Advocacy and federation relations	19.7	19.5
Professional standards	17.4	15.9
Marketing and communications	24.7	25.1
	61.8	60.5
Governance	11.5	10.9
Administration and operations		
Information technology	22.4	21.5
Corporate services	6.3	6.2
General counsel	4.5	4.4
Senior executive management	4.5	5.0
Finance	5.0	4.8
Human resources	3.6	3.8
Planning and risk management	1.7	1.6
Other	6.4	6.2
	54.4	53.5
	\$ 245.7	\$ 240.0

12. COMMITMENTS AND CONTINGENCIES

Lease commitments

Rent expense under operating leases, including executory costs and taxes, was \$15.8 million and \$15.2 million in 2006 and 2005, respectively. At December 31, 2006, minimum lease payments under existing operating leases for office facilities are:

2007	\$ 9.7
2008	9.3
2009	9.5
2010	9.6
2011	9.8
2012 and beyond	47.0
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	\$ 94.9

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.

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 "Association") and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Association'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 Association'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 its subsidiaries at December 31, 2006 and 2005, 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.

As discussed in Note 3 to the consolidated financial statements, the Association changed its method of accounting for defined benefit pension and other postretirement plans in 2006.

Deloitte & Touche LLP
Chicago, Illinois

February 28, 2007

WRITTEN STATEMENT OF CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The undersigned hereby certify that the information contained in the audited financial statements of the American Medical Association for the years ended December 31, 2006 and 2005 fairly presents, in all material respects, the financial condition and the results of operations of the American Medical Association.

Michael D. Maves, MD, MBA
AMA executive vice president, chief executive officer

Denise M. Hagerty
AMA chief financial officer

February 28, 2007