2020
AMA ANNUAL REPORT

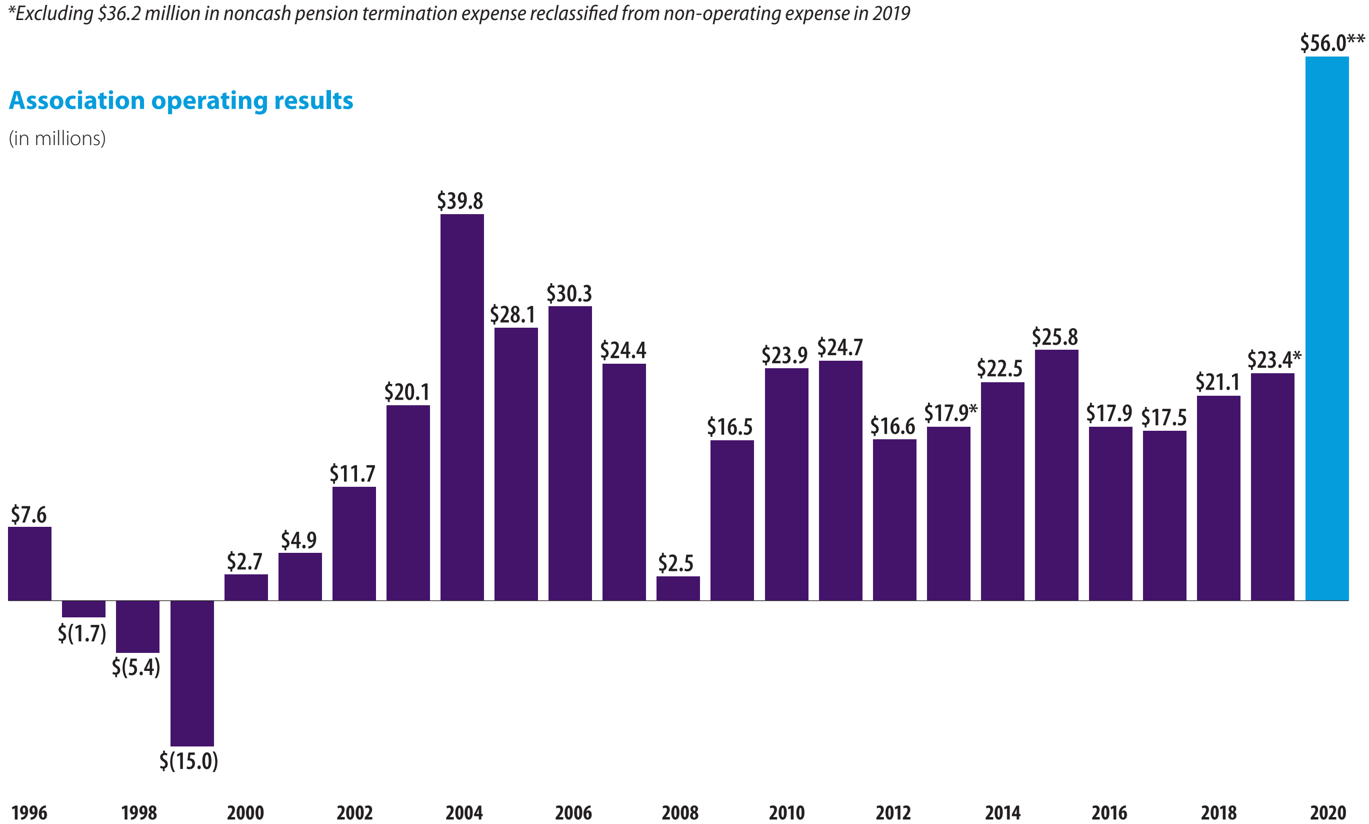
Financial highlights

(Dollars in millions)	2020	2019
Revenues	$ 433.4	$ 392.3
Cost of products sold and selling expense	29.3	27.8
General and administrative expenses, excluding pension termination expense	342.1	335.3
Pro forma operating results*	56.0	23.4
Pension termination expense	-	(36.2)
Non-operating items	58.6	75.2
Defined benefit postretirement plan non-service periodic expense	(2.5)	(3.9)
Changes in defined benefit postretirement plans, other than periodic expense, net of tax	(2.8)	17.0
Change in unrestricted equity	109.3	75.5
Change in donor restricted equity	(1.5)	(0.1)
Change in association equity	$107.8	$75.4
Association equity at year-end	$732.0	$624.2
Employees at year-end	1,215	1,146

**Excluding $36.2 million in noncash pension termination expense reclassified from non-operating expense in 2019*

Association operating results

(in millions)



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

***2020 results were impacted by a freeze in hiring and cancellation of all travel and meetings during the year due to the pandemic. These savings are temporary in nature.*

Letter to stakeholders

In a year defined by disruption and loss, America's physicians and health care professionals at every level rose to the immense challenge of COVID-19 at great personal risk to themselves and their families.

Every step of the way, the American Medical Association proved to be an ally to physicians and to patients in this historic moment, giving voice to their needs and supporting them by:

- Providing clear guidance and trusted, evidence-based resources for physicians on the front lines
- Helping medical practices recover from the damage of the pandemic
- Pushing the government to reduce and remove obstacles to patient care
- Urgently advocating for science-based, equitable policies on pandemic control strategies, testing and vaccine development and distribution

A year of unprecedented challenges and unprecedented AMA-driven results

The AMA's federal advocacy efforts helped secure billions in emergency funding for physician practices to help them weather the economic storm of COVID-19 and continue to provide critical care to patients. We achieved broad telehealth expansion across the United States, and created tools and resources to make it easier to integrate remote care into independent practices—an important advancement that provided a critical lifeline for chronically ill patients and their physicians as shelter-in-place requirements became the norm.

The AMA grew its digital platform to meet the surging informational needs of physicians during the pandemic with expanded livestreams, podcasts, daily COVID-19 updates, and curated resources and research from across the AMA and its JAMA Network™. Engagement metrics rose dramatically across all AMA platforms in 2020 as physicians sought credible, science-based information about the novel coronavirus as misinformation and politicization overwhelmed the early stages of the pandemic.

AMA leaders helped drive a national conversation about the importance of science and evidence in guiding our response to COVID-19 and provided much-needed clarity about the vaccine development process in 115 national media interviews, hundreds of virtual conferences and events, physician-focused townhalls and webinars, and dozens of op-eds and editorials. This exposure contributed to a record 115 billion media impressions in 2020.

Our "Prioritizing Equity" web series, led by the AMA Center for Health Equity, illuminated the devastating effects of the virus on Black, Latinx and Indigenous communities and provided a deeper understanding of systemic racism's lasting impact on public health.

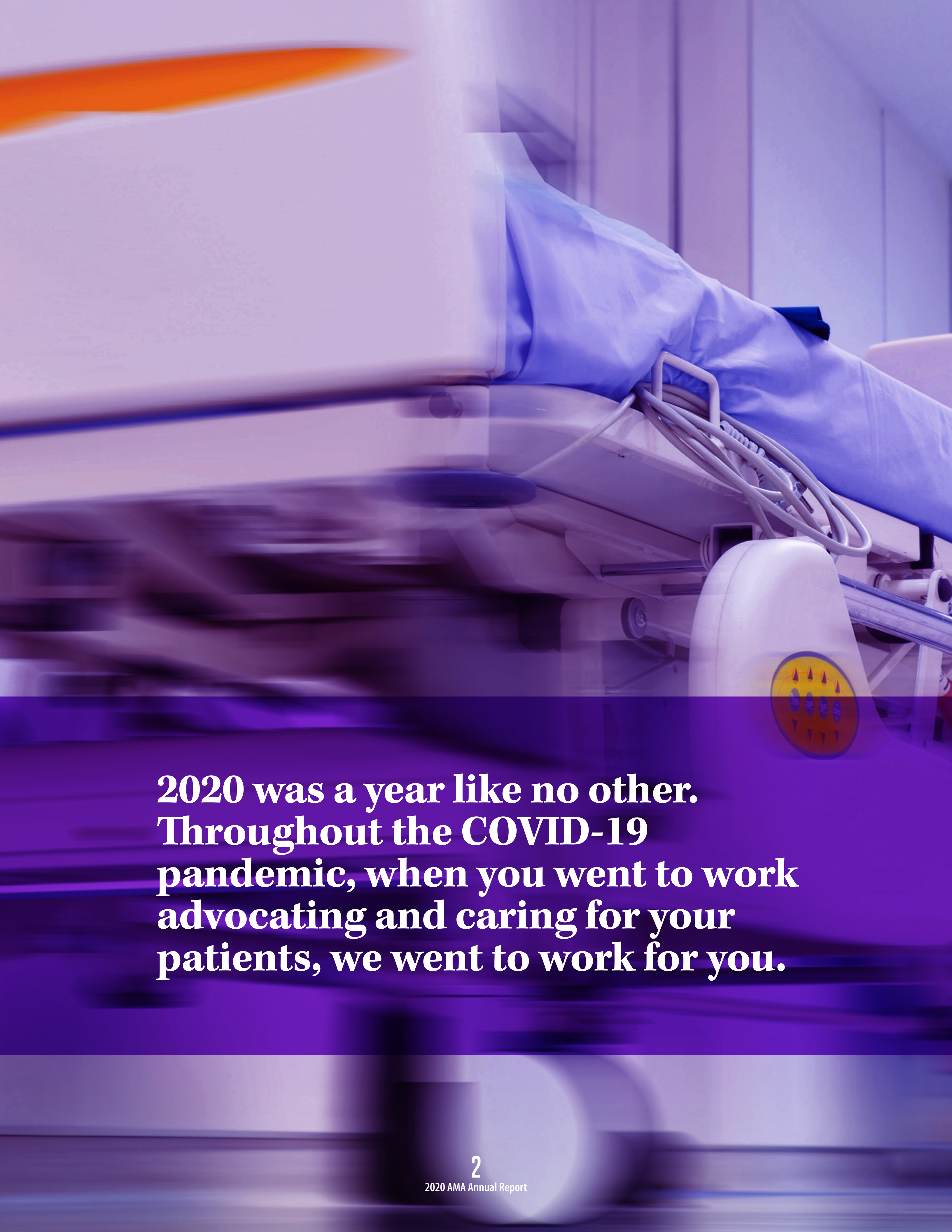
The many ways the AMA supported physicians in 2020 contributed to another strong financial performance and a 6 percent increase in membership, our 10th consecutive year of growth.

During an incredibly difficult year, the AMA's unprecedented response to COVID-19 brought the meaning of our work into sharp focus, and a recommitment and recalibration of our priorities for the road ahead. To be the physicians' powerful ally in patient care is to always fight on the side of science, equity and improving public health. This is a challenge we proudly accept.

Russ Kridel, MD
Chair, Board of Trustees

Scott Ferguson, MD
Finance Committee Chair, Board of Trustees

James L. Madara, MD
CEO and Executive Vice President



2020 was a year like no other. Throughout the COVID-19 pandemic, when you went to work advocating and caring for your patients, we went to work for you.

When COVID-19 seemed a distant threat, we built a definitive online resource to help you diagnose, prevent and treat the virus. When you didn't have the PPE you needed, we pushed the administration to produce more. When your practices were threatened financially, we helped secure funding. And when the nation was faced with misinformation, we led the fight for science and data—keeping the faces and voices of physicians front and center.

Anna Yap, MD
Emergency medicine

Providing resources and guidance to physicians

Building on our **strategic efforts to advance telehealth and improve physician well-being and practice sustainability** during the pandemic, the AMA helped foster widespread adoption of remote patient care through The Telehealth Initiative, the Telehealth Implementation Playbook and accompanying resource guide. We also created dozens of free, online resources to help physicians better manage their mental health and keep their practices afloat.

The AMA worked closely with the White House, Congress, state lawmakers and a range of federal and state agencies to ease the public health and economic consequences of COVID-19. We **secured billions in emergency funding for physician practices** and obtained a broad expansion of telehealth services and payment.

The AMA **launched a physician-focused webinar series with federal health officials** that explored the COVID-19 vaccine development process and rollout. We also launched a comprehensive campaign across multiple platforms and channels, including media interviews, to build confidence in the safety and efficacy of the new vaccines among physicians, health care professionals and the public.

The AMA responded to dire shortages of personal protective equipment by **helping secure hundreds of thousands of PPE units** for AMA physician members through a creative new collaboration with Project N95, a non-profit national clearinghouse for medical supplies.

The Current Procedural Terminology Panel **issued 24 new or revised CPT® codes supporting COVID-19 care**, guides and tools that were the most-downloaded documents from the AMA COVID-19 Resource Center.

The AMA COVID-19 Resource Center was a **trusted source for clear, evidence-based guidance** throughout the year. Features included daily video updates, action plans, quick-start telehealth guides, care for caregivers and more.

The JAMA Network provided access to a wealth of **scientific resources on COVID-19 diagnosis and treatment**, with a focus on information physicians could share with patients and their families. Expanded livestream and podcast portfolios contributed to a 40 percent surge in online traffic across the JAMA Network in 2020, representing some 190 million engagements.

Supporting physicians' mental health needs during the pandemic, the AMA launched a Behavioral Health Integration Collaborative in partnership with leading medical societies to provide practical steps to blend medical and behavioral health services with primary care.

The AMA rapidly **expanded its video programming across digital platforms**, including 200 episodes of the popular daily AMA COVID-19 Update, which resulted in a 900 percent increase in video minutes viewed in 2020.

Helping physicians and practices recover

We pushed the federal government to **accelerate production of life-saving PPE for physicians and frontline workers**, improve and expand testing capabilities, and revise guidelines for serological and antibody testing.

We developed a checklist that **provided physicians and administrators with strategies to sustain their practices**, and information about stimulus relief considerations and legal compliance during the pandemic.

The AMA's guide to "Creating a Resilient Organization" **offered 17 steps to caring for health care workers before, during and after COVID-19,** providing practical tips on coping during times of acute stress, and seeking to lower incidences of chronic stress illness and injury.

AMA Insurance's term-level life policies, customized for physicians, increased 22 percent amid the **uncertainty of 2020**.

The AMA Ed Hub™, our online education platform, expanded its offerings to **feature courses on COVID-19, infection prevention and control, health equity, and physician burnout and wellness**, contributing to a near 65 percent growth in views over 2019.

To serve the needs of the medical education community, the AMA developed the comprehensive AMA MedED COVID-19 resource guide as a platform to **inform and engage educators, residents and students in discussions about the pandemic.** AMA's Accelerating Change in Medical Education Consortium and "Reimagining Residency" initiative awarded three GME Innovation Grants at its inaugural (virtual) GME Innovation Summit.

Ankush Bansal, MD
Internal medicine

Sunny Jha, MD, MA
Anesthesiology

Reducing obstacles to patient care

At a pair of virtual special meetings, the AMA Board of Trustees and the AMA House of Delegates recognized racism and bias as an urgent threat to public health and **pledged to help dismantle racist and discriminatory policies** and practices across health care.

The AMA committed to a **$2 million, two-year investment in a Chicago-based collaborative** that focuses on addressing social determinants of health in the city's West Side neighborhood, advancing its work in health equity.

The AMA **developed training to better integrate health equity across the organization** and incorporated a diversity, equity and inclusion lens to help guide all convened groups to support our work.

The AMA partnered on national campaigns to **promote flu vaccinations** during the height of the pandemic and to encourage Americans to #MaskUp.

The AMA's Center for Health Equity helped lead a national conversation about the pandemic's disproportionate impact on communities of color, the importance of accurate, nationwide data collection, and **sought to advance policies that eliminated inequities**, supported equitable access to care and research, and improved culturally competent care.

The AMA worked in federal court to **protect international medical graduates**, and we joined 32 other leading health organizations in filing a successful *amicus* brief to ensure the U.S. Supreme Court upheld protections for physicians and medical students with Deferred Action for Childhood Arrivals status. AMA is a plaintiff in three federal cases, including one the U.S. Supreme Court agreed to review involving the Title X program before the Biden administration agreed to reverse the harmful gag rule. In addition, AMA has filed friend-of-the-court briefs in state and federal courts around the country on a wide range of critical issues, with more than 80 briefs filed in 2020 alone.

Tracey L. Henry, MD, MPH, MS
Internal medicine

Advocating for equitable, science-based care

The AMA successfully worked with the Centers for Medicare & Medicaid Services to **reduce physician documentation** relating to Evaluation and Management (E/M) reporting requirements, resulting in the first such overhaul of E/M codes in more than 25 years.

We continued to work at the state and national levels to **push for important prior authorization and step therapy reforms across** the U.S., keeping the focus on reducing the volume of prior authorization requirements and the impact on patient care. The AMA also provided state medical associations with support and resources to push policymakers to increase liability protections for physicians, pausing and then resuming nonurgent procedures, and needed flexibilities for treatment of opioid use disorders.

The AMA's STEPS Forward™ portfolio expanded with 12 new and 19 updated toolkits, educational modules, videos, podcasts and customizable resources to **help physicians and their teams streamline their workflows** for improved patient care.

We enlisted NORC at the University of Chicago to develop the first U.S. Blood Pressure Validated Device Listing™, and provided a health care organization with our first Blood Pressure Population Dashboard which, accompanied by our AMA MAP BP™ program, has **demonstrated increased blood pressure control**.

The AMA partnered with the American Heart Association, the National Medical Association and others on a national campaign to **promote better heart health in Black women**. The "Release the Pressure" campaign created culturally relevant resources to help Black women prioritize their blood pressure control and other aspect of self-care.

As we turn the corner in this pandemic and turn toward a new, more hopeful year, the AMA will continue to be by your side. We hope you'll continue to stand by ours, as we navigate this journey together.

2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis

Columnar and chart amounts in millions

Introduction

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

Improving the health of the nation is at the core of the AMA's work. Our 2020 focus continues the strategic arcs of addressing chronic disease, professional development and removing obstacles in health care, through improving health outcomes, lifelong medical education and enhancing physician professional satisfaction and practice sustainability. Our advocacy, health equity and innovation initiatives act as accelerators across all arcs. AMA's foundation is built on science, membership, financial performance, talent and engagement.

2020 saw a focus on many important activities, including the successful first full year for AMA's Center for Health Equity, with a goal of embedding health equity in all the work of AMA; the creation of AMA's and the JAMA Network's COVID-19 resource centers evolving to trusted sources for clear, evidence-based COVID-19 guidance through research, publications, news and education; launch of the JAMA Health Forum, an online channel that addresses health policy and health strategy; leading the public sector response to the COVID-19 public health emergency which was the most pressing obstacle to physicians and patients in 2020; advocacy efforts and coding support for telemedicine; ongoing development of projects in the Integrated Health Model Initiative to enable interoperable technology solutions and care models; spinoffs of two new companies in AMA's business formation and commercialization enterprise in Silicon Valley, Health2047, Inc. (Health2047); and expansion of the AMA Ed Hub, providing trusted, high-quality education to physicians and other members of the health care team who seek to stay current and continuously improve the care they provide.

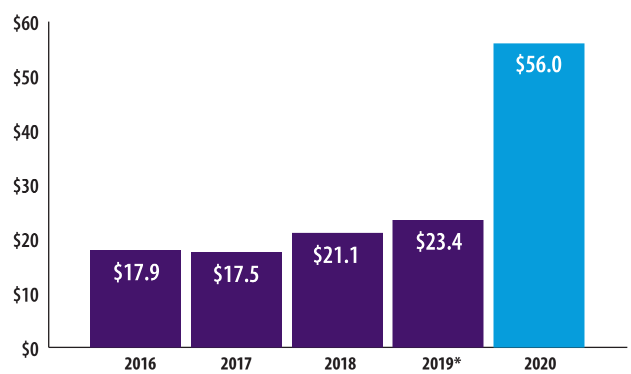
AMA recognized early in 2020 that the impact of COVID-19 was evolving rapidly and its future effects were uncertain. In addition to our responsibility to physicians and the public to be a credible source of information during this pandemic, there was substantial uncertainty about the effects and risks of COVID-19 on our funding, financial condition, and results of operations.

Although AMA expected that the impact on 2020 would be minimal, there was serious concern about AMA's ability to maintain programmatic activities and current employment levels during a sustained pandemic into 2021, knowing the potential for an adverse financial impact on the economy.

As a result, AMA put into place certain restrictions in 2020 in order to avoid increasing our financial obligations in 2021. These included a freeze on hiring, with only limited exceptions. AMA's 2020 overall revenues were not adversely impacted by the pandemic, as revenues increased over 10 percent, or $41.1 million. Despite the freeze on staff additions and absence of travel, expenses were up in 2020 by just over $8 million. However, due to the substantial revenue growth and the temporary absence of staffing and travel costs, AMA net operating income increased from $23.4 million in 2019 to $56 million in 2020. Based on these results and the development of vaccines, AMA maintains a positive outlook for its ability to sustain budgeted programmatic and mission-related activities in 2021.

Pro forma net operating results

(in millions)



**Excluding the $36.2 million non-cash pension termination charge*

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

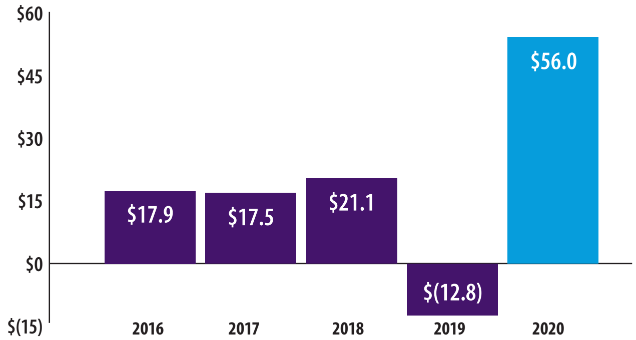
The following pages discuss the 2020 consolidated results from operations, financial position and cash flows, as compared to 2019. Additional detailed discussion of operating unit results is included in the section titled "Group Operating Results."

Consolidated financial results

Results from operations

Net operating results

(in millions)



As noted above, the freeze on hiring and travel put in place during 2020 to protect AMA against the economic impact of a sustained pandemic into 2021 restrained spending substantially in 2020, while at the same time, revenue rose by over 10 percent, driving AMA's net operating income to $56 million. AMA does not expect to continue the limitations on spending throughout 2021 and future results are expected to be more modest.

In 2019, the AMA finalized termination of its defined benefit pension plan, providing lump sum payments to individuals that elected that option and purchasing a group annuity plan for participants that chose to remain in the plan. AMA recorded a $38.2 million noncash reclassification of prior actuarial losses from non-operating expense to operating expense, titled pension termination expense, as well as reclassifying a $2 million noncash tax benefit to income tax expense that was previously reported as a non-operating credit. The pension plan liability previously recorded on AMA's financial statements as part of regular pension expense was eliminated by paying a $7 million contribution to the pension plan.

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

Results discussed below reflect AMA's actual results from operations, including the one-time noncash pension termination expense in 2019. Any discussion of results excluding the one-time pension termination expense will be described as pro forma results for 2019.

Revenues

In 2020, total revenues improved by $41.1 million over the prior year, due to continued growth in AMA's royalties, as well as journal advertising, site licensing and open access fees. Coding book sales declined during 2020, reflecting the ongoing transition from print to digital.

Consolidated investment income, which is dividend and interest income, net of management fees, decreased $3.9 million in 2020, reflecting a decline in interest rates since 2019, as well as the impact of reallocating investments to a growth manager, which reduced dividend income. Market gains or losses are not included in investment income and are reported as non-operating results.

The number of AMA dues paying memberships increased in 2020 by almost 7 percent, achieving 10 years of consecutive growth in membership, despite AMA's decision to cease solicitations in the early months of the pandemic and to reallocate funds toward providing COVID-19 resources for physicians. Over that ten-year period, AMA membership increased by over 68,000 members.

Similar to results in previous years, increases occurred in lower dues paying categories such as group memberships and sponsored memberships, which resulted in a small dues revenue decline of just under 2 percent.

Cost of products sold and selling expenses

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

In 2020, cost of products sold and selling expenses increased $1.5 million from the prior year, mainly due to $1.6 million in production costs on a $2.6 million revenue contract in Health2047 for custom applications.

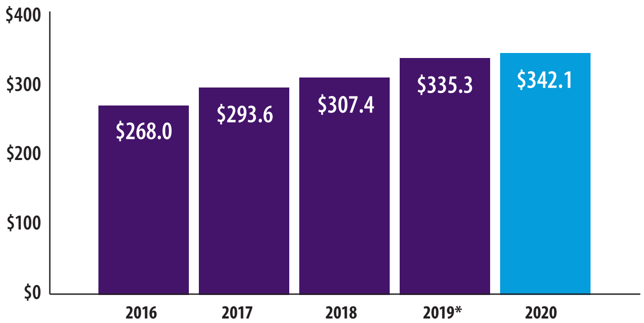
Contribution to general and administrative expenses

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

The contribution to general and administrative expenses increased $39.6 million to $404.1 million in 2020, with revenue improvements from royalties and journal publishing, offset by the declining book sales discussed above, accounting for most of the change.

Pro forma general and administrative expenses

(in millions)



Excluding the $36.2 million non-cash pension termination charge

General and administrative expenses rose only $6.8 million in 2020, or 2 percent, when compared to the pro forma expenses in 2019 that excluded the pension termination expense. This was substantially less than the budgeted increase for 2020 of 13 percent primarily due to the freeze on hiring and lack of travel during the pandemic.

Compensation and benefits increased $12.9 million, or approximately 6 percent. Compensation, including temporary help, was $13.7 million higher in 2020, a 9.9 percent increase. Staff additions hired in late 2019 or early 2020, as well as salary increases, accounted for $11.1 million of the change. Costs for an additional one-time vacation carryover from 2020 totaled $2.5 million. Fringe benefit costs declined $3.5 million in total, mainly due to the absence of pension costs coupled with lower medical costs. Higher incentive compensation accounted for $3.5 million of the increase in compensation and benefits as the salary base increased and key performance indicators were achieved in 2020. Recruiting costs also declined in 2020 due to the freeze on hiring during the pandemic.

Occupancy costs decreased $0.7 million in 2020, largely due to reduced operating costs resulting from closing the office buildings in Chicago and Washington, D.C. during the pandemic.

Travel and meeting costs dropped by $13.9 million in 2020, due to the pandemic.

Technology costs were down slightly in 2020, mainly due to the adoption of a new accounting standard that requires deferring development costs for hosted solutions and expensing the cost over the life of the hosting contract. In 2019, prior to adoption of the new standard, all development costs for hosted solutions were expensed upon payment.

Marketing and promotion costs rose $1.3 million in 2020, due to a variety of media campaigns including the Health Insurer Practice Campaign, a social media and online campaign generating awareness around negative health insurance practices; AMA's COVID-19 response; the No One Has Time for Flu campaign on vaccine awareness; and the Essence Release the Pressure campaign for blood pressure control.

Outside professional services increased $5.9 million in 2020, mainly for chronic health care projects, the Joy in Medicine Recognition Program, development of physician practice resources, strategy development for the Center for Health Equity and implementation of a new AMA Insurance Agency policy administration system.

Other operating expenses rose $1.8 million, driven by increased grants for the Reimagining Residency and the Joy in Medicine Recognition programs and a lease tax assessed by the City of Chicago on hosted solutions used by AMA, offset by the absence of a reserve for bad debts that had been recorded in 2019.

Operating results before income taxes

The AMA reported $62 million in pre-tax operating income in 2020. That compares to $29.2 million in 2019, which excludes the $38.2 million noncash pension termination expense. A $41.1 million increase in revenue was only partially reduced by the general and administrative expense increases described above.

Income taxes

Taxes increased slightly in 2020 when compared to 2019, excluding the $2 million noncash tax benefit related to the pension plan termination in 2019.

Net operating results

Net operating income was $56 million in 2020 compared to $23.4 million in 2019, excluding the pension termination expense in 2019, driven mainly by improved revenues and small expense increases.

Non-operating items

The AMA reported a $58.4 million gain in the fair value of its portfolio during 2020 after a $75 million gain in 2019.

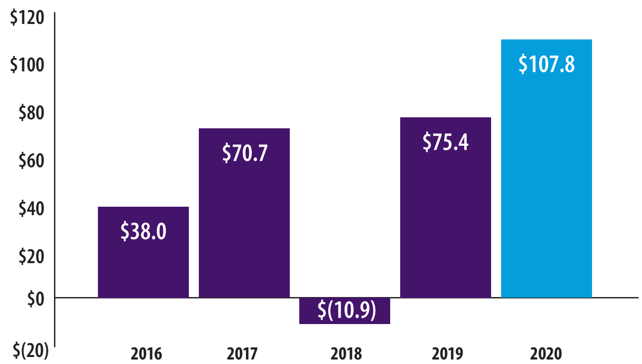
As a result of an accounting standard adopted in 2019 for postretirement benefit plans, non-operating results include $2.5 million and $3.9 million in postretirement plan interest expense and recognized actuarial losses for 2020 and 2019, respectively.

Revenue in excess of (less than) expenses

Revenues exceeded expenses by $112.1 million in 2020, a combination of $56 million in operating income, a $58.4 million gain in fair value in the portfolio and $2.3 million in other non-operating expenses. Revenues exceeded expenses by $58.5 million in 2019, a combination of the $12.8 million operating loss, the $75 million gain in fair value in the portfolio and $3.7 million in other non-operating expenses.

Change in total association equity

(in millions)



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

In 2020, AMA recorded a $2.8 million charge to equity reflecting an increase in actuarial losses for the postretirement healthcare plan and a reclassification of prior service credits for the plan to operating expense.

In 2019, the net credit to equity related to defined benefit postretirement plans totaled $17 million. This included a noncash credit of $36.2 million due to reclassifying prior actuarial losses and prior service cost for the pension plan to operating expense, upon finalizing the pension plan termination. Excluding the $36.2 million credit from reclassifying the pension plan expense to operating expense, the AMA reported a $19.2 million charge to equity for the postretirement health care plan. Actuarial losses due to year-end lower interest rates that increased the present value of plan liabilities accounted for $18.2 million of the charge.

The AMA reported a $107.8 million increase in association equity in 2020. This reflects the amount by which revenues exceeded expenses, less the charge to equity for changes in defined benefit postretirement plans discussed above, as well as a $1.5 million decrease in donor-restricted equity due to release of previously restricted funds.

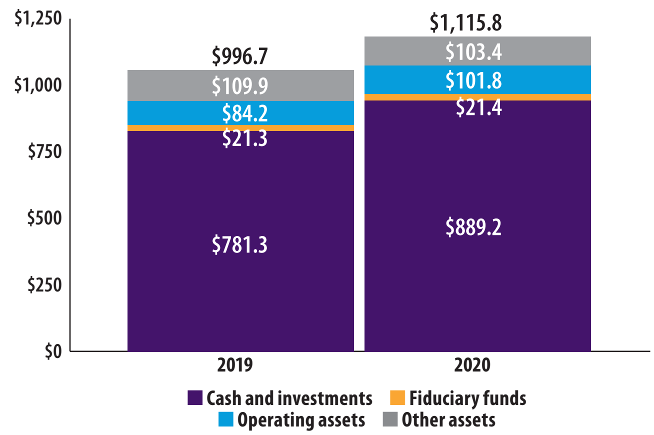
The AMA reported a $75.4 million increase in association equity in 2019, which included the amount by which revenues exceeded expenses, plus the credits to equity for changes in defined benefit postretirement plans discussed above and less a small decrease in donor-restricted equity.

Financial position and cash flows

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

Assets

(in millions)



The AMA's total assets increased $119.1 million in 2020. This includes a $107.9 million increase in cash and investments resulting from $51 million in free cash flow, a $58.4 million gain in the fair value of investment securities, minus $1.5 million for investments in affiliates.

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

Operating assets increased $17.6 million in 2020, primarily due to a $15.1 million increase in accounts receivable from higher fourth quarter royalty revenue. Changes in operating assets from year to year are largely due to timing of cash flows.

Other assets includes operating lease right-of-use assets, property and equipment and investments in mutual funds maintained in separate accounts designated for various nonqualified benefit plans that are not available for operations. Operating lease right-of-use assets decreased due to amortization of the asset that represents the present value of lease payments. Property and equipment net book value decreased $1.2 million, as new capital spending was exceeded by annual depreciation and amortization of existing capital assets.

Operating liabilities increased $7.2 million in 2020, largely due to an increase in postretirement health care plan liabilities and other accrued payroll costs included in accrued payroll and employee benefits.

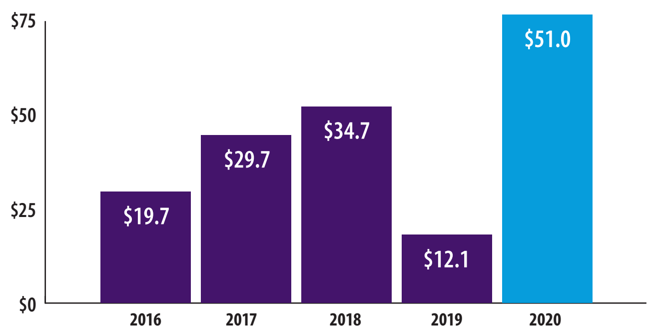
Deferred revenue represents funds received during the year that will not be recognized as income until the following year or thereafter. These amounts vary, as well as accounts payable and accrued expenses, depending on the timing of cash receipts and payments.

Cash flows

Cash, cash equivalents and donor-restricted cash increased $4.1 million in 2020 and declined $10.4 million in 2019. This comparison may cause misleading conclusions, as the change in cash and cash equivalents includes reductions for amounts invested in marketable securities, as well as cash inflows from non-operating activities.

Free cash

(in millions)



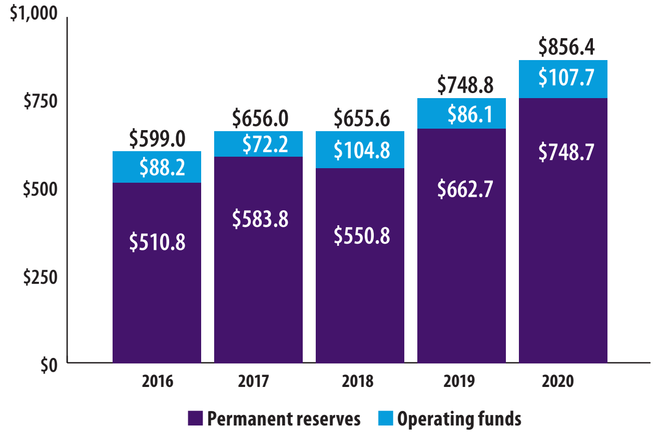
Free cash flow measures the AMA's ability to fund operations, capital expenses and major programmatic initiatives from funds generated from operations. This measure excludes non-operating gains and losses.

Free cash in 2020 totaled $51 million, substantially higher than the 2019 results, driven by a $39.3 million increase in cash from operations reduced by slightly higher capital spending. The increase in cash from operations was mainly due to improved operating results and the absence of the final $7 million pension contribution made in 2019.

Reserve portfolios

Reserves

(in millions)



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

As of year-end 2020, the reserve portfolio's value was $748.7 million compared to $662.7 million in 2019, an $86 million increase. That increase was the result of a $57.7 million gain in the fair value of the reserve portfolios plus a $28.9 million transfer of 2019 excess operating funds to reserves. Operating funds totaled $107.7 million in 2020, up $21.6 million from 2019.

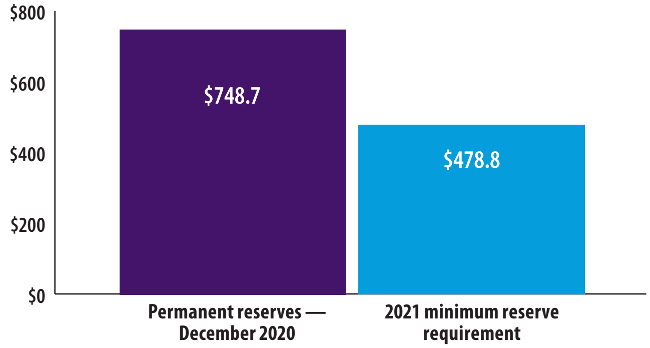
The AMA has established a required minimum reserve investment portfolio level that is adequate to cover 100 percent of annual general and administrative expenses (excluding grant expenses) plus an amount sufficient to pay long-term postretirement and lease liabilities (net of the right-of-use asset value).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

The minimum reserve portfolio level is designed to ensure that the AMA can always meet its long-term obligation for 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 portfolio funds also provide the AMA with the ability to fund major strategic spending initiatives not within the operating budget. Spending from the reserve funds is limited to the amount by which reserves exceed the minimum requirement. The Board of Trustees must authorize any use of reserves.

Permanent reserves and minimum reserve requirement

(in millions)



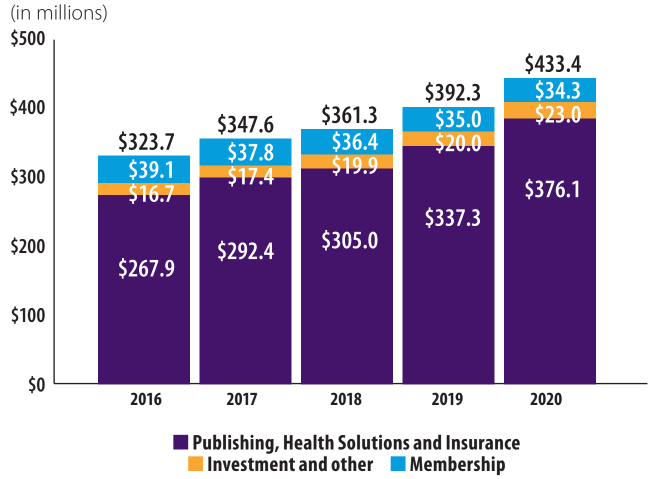
Group operating results

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

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 include the gross dues revenue collected, reduced by any commissions paid to state societies, and equal the membership dues revenue reported on the statement of activities.

The AMA achieved its tenth consecutive year of increases in the number of dues-paying members, although total dues revenue declined in 2020. The number of dues paying members increased 6.7 percent and total membership increased 6 percent in 2020. Membership growth in 2020 was favorably impacted by employing digital tools to more effectively engage physicians and retain them as lifelong members; group membership marketing; and expanding AMA's reach to physicians through programmatic activities.

Dues revenue was $34.4 million, a $0.7 million decrease from 2019, as membership increased in categories with lower average dues rates, such as group practices, retirees, residents and sponsored memberships. Interest expense on lifetime memberships was $0.1 million in both 2020 and 2019.

Investments (AMA-only)

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

Investments' income was $11.4 million in 2020, a $3.1 million decrease over the prior year, due to two factors. Interest rates had improved in early 2019 but then dropped back to historic low levels at the end of 2019 through 2020. In addition, certain portfolio assets were reallocated from a value manager to a growth manager resulting in reduced dividend income.

The net gain or loss on the market value of investments is not included in operating results but reported as a non-operating item. This amount is in addition to the investment income discussed above. In 2020, AMA reported a gain of $58.4 million, compared to a $75 million gain in 2019. The total investment return, including investment income, on the reserve portfolios was 10.4 percent. That compares to a composite benchmark index of 10.5 percent.

Publishing, Health Solutions and Insurance

Publications in the JAMA Network include the *Journal of the American Medical Association (JAMA)* and the JAMA Network specialty journals. In 2020, the JAMA Network launched JAMA Health Forum, an online channel that addresses health policy and health strategy issues affecting medicine and health care, combining curated content from across the JAMA Network with weekly blog posts by leaders in health policy. This follows the successful launches of *JAMA Oncology* in 2015 and *JAMA Cardiology* in 2016, which are hybrid journals offering open access options for research articles, and *JAMA Network Open* in 2018, a fully open access journal.

Publishing revenues are derived from advertising, subscriptions, site licensing, reprints, electronic licensing, open access fees and royalties. Publishing revenues increased $4.7 million in 2020, with a rebound in print advertising coupled with growth in journal site licensing and open access fees.

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

Database Products includes royalties from licensed data sales and credentialing products revenue. Revenues were largely unchanged in 2020, up $0.3 million when compared to 2019.

AMA-published books and coding products, such as CPT books, workshops and licensed data files, make up the Books and Digital Content unit. Revenues in this unit increased by $34.9 million. Royalties and digital content sales drove this increase, as the market for electronic use of digital coding products continues to expand. A change in the pricing models for 2020 was also a key factor. Coding book sales declined again in 2020 as the move from print products to digital continues to adversely impact print product sales.

The AMA has two active for-profit subsidiaries, the AMA Insurance Agency (Insurance Agency) and Health2047. The latter is discussed separately at the end of this discussion and analysis. The Insurance Agency revenues dropped by $1.1 million in 2020, mainly due to a decrease in commission rates and the impact of lower interest rates on interest income. The Insurance Agency, as broker, receives a commission on insurance policies sold.

Other revenues

Other revenues are derived from grants, fee and miscellaneous income. These increased $1.9 million in 2020, due to a combination of releasing donor restricted funds and a premium refund related to the purchase of the pension group annuity contract in 2019. Health2047 revenues are discussed separately at the end of this discussion and analysis.

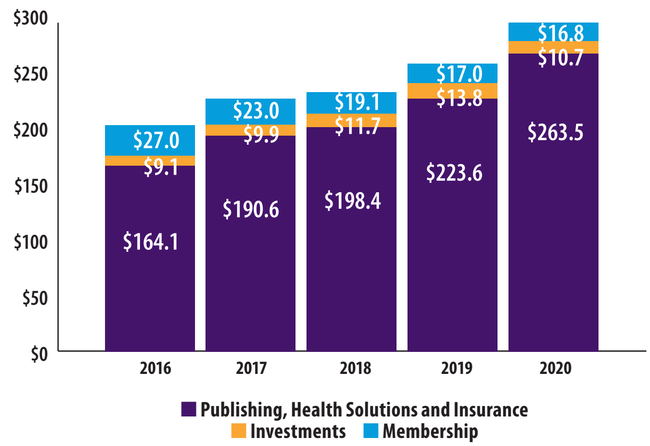
Contribution margin (net expenses)

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, technology 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 charts below separate groups with contribution margin from groups with net expenses.

Contribution margin

(in millions)



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

Membership

Membership's contribution margin decreased $0.2 million in 2020 with a small dues revenue decline, offset by savings on marketing efforts during the pandemic.

Investments (AMA-only)

The $3.1 million decline in contribution margin was attributable to lower investment revenue.

Publishing, Health Solutions and Insurance

Publishing, Health Solutions & Insurance results were up $39.9 million in 2020. Increased royalty and digital products revenue, site licensing, journal print advertising and open access fees were the major drivers.

Contribution margin improved $5.1 million in Publishing, a combination of the $4.7 million revenue increase and cost savings, mainly from reduced travel.

Database Products reported a $1.7 million margin improvement as the improved royalty revenue was coupled with lower expenses, largely due to the absence of costs incurred in 2019 for a new technology platform.

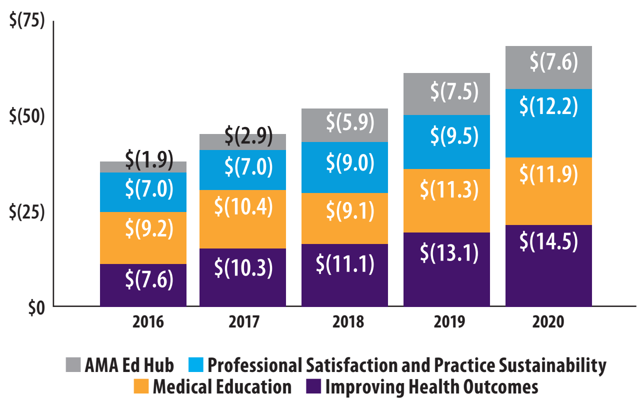
Books and Digital Content contribution margin rose $34.5 million, largely on the strength of continued growth in royalties and digital product revenues, offset slightly by costs to improve operational and international distribution capability.

The Insurance Agency/Affinity Products margin decreased $1.6 million in 2020, due to the revenue decline discussed earlier as well as costs for the new technology platform.

Other business operations net expenses were down slightly in 2020.

Net expenses - Strategic Arcs

(in millions)



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

IHO involves AMA focusing on two of the nation's most prevalent issues: Cardiovascular disease and type-2 diabetes, setting a course of innovation and action aimed at reducing the disease and cost burden associated with these selected conditions.

To help prevent type-2 diabetes, the AMA and the Centers for Disease Control and Prevention (CDC) developed a toolkit to help health care teams screen, test and refer at risk patients to in-person or online diabetes prevention programs (DPPs).

The AMA has developed online tools and resources created using the latest evidence-based information to support physicians to help manage their patients' high blood pressure (BP). These resources are available to all physicians and health systems as part of Target: BP™, a national initiative co-led by the AMA and the American Heart Association.

In 2020, the focus remained on hypertension and prediabetes outcome goals with groundwork for moving toward cardiovascular disease risk reduction pilots of cloud-based, M.A.P. BP (a three-step program that works to diagnose and manage patients with hypertension) dashboards for health care organizations, providing a visual representation of their performance on five key blood pressure metrics, including stratification by ethnicity, race, and gender.

2020 also saw an emphasis on self-measured blood pressure (SMBP) in light of COVID-19, with new physician tools for effective SMBP, a validated device listing (VDL) and wrap around SMBP support to Chicago west side clinics. Net expenses continued to increase in 2020, reflecting designed expansion for these initiatives.

Through ACE, in 2013 the AMA launched a multi-year grant program aimed at bringing innovative changes to medical education. The consortium of schools has been substantially expanded and now acts as a learning collaborative so that best practices can be developed, shared and implemented in medical schools across the country. ACE launched its Reimagining Residency program in 2019 at 11 partner institutions in order to continue creating and disseminating innovations to better train physicians to meet the needs of patients today and in the future.

One of the key outcomes of the ACE consortium was the development of Health Systems Science, a foundational platform and framework for the study and understanding of how care is delivered, how health professionals work together to deliver that care, and how the health system can improve patient care and health care delivery. The AMA has created the Health Systems Science Scholars program to cultivate a national community of medical educators and health care leaders who will drive the necessary transformation to achieve improved patient experience, improved health populations and reduced cost of care. Medical Education is also responsible for defining or influencing standards for undergraduate, graduate and continuing medical education and providing support for the Council on Medical Education. There was only a small increase in net expenses during 2020, as $1.8 million in additional ACE grants were partially offset by a substantial decrease in travel and meeting costs.

The AMA Ed Hub, formally launched in 2018, is a platform providing physicians and other health care providers content and services that support lifelong professional development. The AMA Ed Hub has unified the AMA education portfolio and has piloted integration of external content providers, launched new content sets and established internal development plans enterprise wide. The Ed Hub also gives physicians and other health professionals a streamlined way to earn, track and report continuing medical education activities spanning clinical, practice transformation and professionalism topics. Net expenses were largely unchanged in 2020 from 2019.

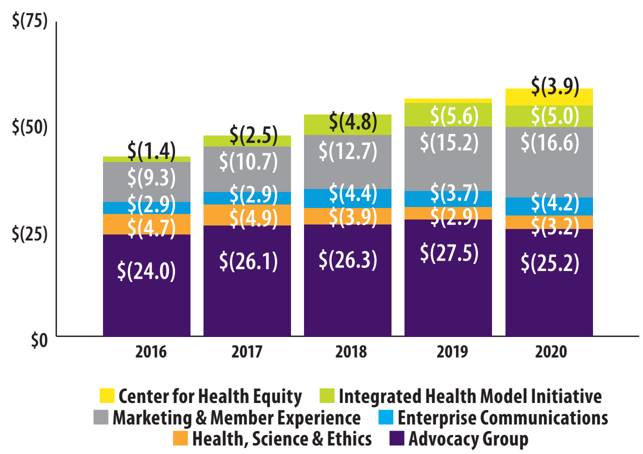
PS2 includes three major streams of work: practice transformation, digital health, and payment and quality, all designed to improve the day-to-day practice and professional experience of physicians and remove obstacles to care.

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

In 2020, efforts shifted toward providing COVID-19 resources as well as practice management, with well over 100,000 physicians and residents impacted by PS2's efforts. In 2020, net expenses increased by $2.7 million including a $1.2 million increase in practice transformation grants and a $1.2 million increase in outside professional services related to major projects on physician practice resources and digital health.

Core activities

(in millions)



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

The Advocacy Group includes federal and state level advocacy to enact laws and advance regulations on issues important to patients and physicians; economic, statistical and market research to support advocacy efforts; political education for physicians; grassroots advocacy; and maintaining relations with the federation of medicine. The Advocacy Group led the AMA's public sector response to the COVID-19 public health emergency which was the most pressing obstacle to physicians and patients in 2020. COVID-19 led to dual crises – public health and economic. AMA worked with the Administration, Congress, federal and state agencies, and state legislatures to address both. AMA secured emergency funding for physician practices; pressed FDA to approve increased/more accurate testing; obtained a broad telehealth expansion; achieved payment for both audio-visual and audio-only telemedicine; sought demographic data on infections/deaths to highlight inequities; urged federal/state leaders to follow public health guidelines; and highlighted PPE shortages among other activities. In 2020, Advocacy net spending totaled $25.2 million, down $2.3 million from the prior year. Declines in travel and meetings, occupancy costs in the DC offices and grant expenses all contributed to the reduction in net expenses.

Health, Science & Ethics is involved in developing AMA policies on scientific, public health and ethical issues for the House of Delegates (HOD) providing leadership, subject matter expertise and scientifically sound content and evidence that underpins and informs both current and future AMA initiatives in areas such as infectious disease, drug policy and opioid prescribing; overseeing maintenance of the AMA Code of Medical Ethics and publication of the *AMA Journal of Ethics*, AMA's online ethics journal; and selecting generic names for drugs by establishing logical nomenclature classifications based on pharmacological or chemical relationships through the United States Adopted Names (USAN) program. In 2020, this group led the AMA's COVID-19 efforts by providing subject matter expertise and content, increased grant funding for public health-related work through a multi-million-dollar CDC grant, and developed and launched a strategic plan for precision medicine. Net expenses increased $0.3 million, mainly due to expenses for participating in a national campaign to provide science-based information on the flu vaccine.

AMA recognized that a key to long-term success in our strategic arcs is increasing our efforts to reduce health and health care disparities. As a result of a 2018 task force report, the AMA sought leadership to embed health equity initiatives as relevant into all strategic priorities and areas of the organization, creating a new group, the Center for Health

Equity (CHE). The focus of this newly created group is to meaningfully and significantly operationalize health equity in AMA strategic, business, membership and collaborative efforts. During its first full year of operations, efforts focused on establishing an AMA presence in the health equity research literature that reflects our alliances with other organizations and external thought leaders; strengthening AMA assets into place-based community-driven efforts such as the collaborative on Chicago's west side called West Side United; building staff capacity to understand concepts surrounding health equity and to operationalize equity in goal and metric setting, aligning with Advocacy to engage with health equity leaders and elected officials and developing structural competency learning tools. Since CHE was in the first full year of operations, it was exempted from the freeze on new employees. As a result, CHE net spending rose in 2020 to $3.9 million from $0.8 million in its first partial year of operations in 2019.

IHMI brings together experts from patient care, medical terminology, and informatics around a common framework for defining and expressing health data. IHMI has been recognized as a leading authority on clinical content standards and is contributing to the development and use of clinical content through collaboration with Health Level 7 (HL7) FHIR (Fast Healthcare Interoperability Resources), the Gravity Project and others. In 2020, IHMI received recognition within the digital health community for work in developing Social Determinants of Health (SDoH) and data standards and promoting interoperability. IHMI also collaborates on projects with other organizations across the health care industry to make health data more useful and actionable and supports areas across AMA around innovation and technology solutions. IHMI net expenses declined $0.6 million in 2020, due to a decrease in compensation and travel.

MMX creates or packages AMA's content into digital formats and distributes AMA resources and thought leadership to intended audiences through owned and paid channels, raising awareness of AMA initiatives, resources and accomplishments and elevating the voice of AMA and physicians. In 2020, over 20 million unique individuals accessed AMA's website, a 66 percent increase over the prior year, driven by AMA's COVID-19 Resource Center and other compelling editorial, video, and social content developed during 2020, which accounted for most of the $1.4 million increase in net expenses in 2020.

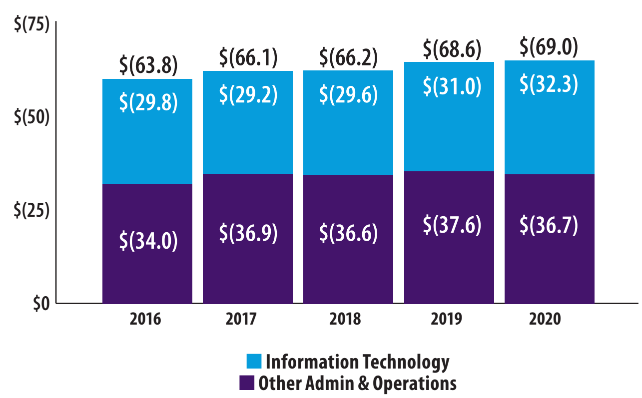
Ongoing responsibilities of the Enterprise Communications area include amplifying the work of individual operating units among their core audiences while providing consistency and alignment with the AMA narrative. Enterprise Communications distinctly communicates AMA's leading voice in science and evidence to embed equity, innovation, and advocacy across the AMA's strategic work throughout health care. Net expenses increased by $0.5 million in 2020, largely due to use of outside professional services on a major communications project.

Governance

Governance includes the Board of Trustees and Officer Services, the HOD, Sections and Special Constituencies & International units. The Board of Trustees unit includes costs related to governance activities as well as expenses associated with support of the Strategic Arcs and Core Activities. The HOD, Sections and Special Constituencies & International unit includes costs associated with annual and interim meetings, groups and sections and other HOD activities, as well as costs associated with AMA's involvement in the World Medical Association. In 2020, Governance net spending was down $5.1 million, almost entirely due to the absence of travel and in-person meetings due to the pandemic.

Administration and operations

(in millions)



These units provide administrative and operational support for Publishing & Health Solutions, Membership, Strategic Arcs and Core Activities, as well as other operating groups. Net expenses were up slightly in 2020, an increase of $0.4 million. Staff expansion and increased use of consultants in Information Technology accounted for most of the increase. Senior Executive Management costs declined and the remaining units reported little or no change in costs.

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. Net expenses decreased $0.9 million in 2020 as 2019 results included a $0.8 million one-time grant to an affiliated entity.

Unallocated overhead

The net expenses in this area include costs not allocated back to operating units such as corporate insurance and actuarial services, employee incentive compensation, valuation allowances or other reserves. In 2020, these expenses totaled $32.7 million, up from $24.7 million in 2019. Due to the pandemic, AMA changed its vacation policy to permit a one-time carryover of five additional days per employee which was expensed as required under accounting standards. Higher incentive compensation and a reserve for the Chicago lease tax on hosted solutions used by AMA were also factors in the increase.

Health2047 and subsidiaries

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

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

Since 2017, Health2047 has spun off six companies, Akiri, Inc. (Akiri), First Mile Care, Inc. (FMC), HXSquare, Inc. (HXS), Zing Health Enterprises, LP (Zing), Medcurio, Inc. (Medcurio), and Health2047 Spinout Corporation (Spinout Corp). Akiri and FMC are subsidiaries of Health2047 while HXS, Zing, Medcurio and Spinout Corp are not wholly owned by Health2047 and therefore not consolidated. Health2047 operating costs, as well as two of the four spinoffs, Akiri and FMC, are included in the consolidated financial results reported herein. Health2047's proportionate share of net earnings or loss from the four affiliated companies is reported as one line on AMA's financial statements and included in Health2047's operating results. Third-party financing is expected to cover most future costs for the four entities not consolidated with Health2047, HXS, Zing, Medcurio and Spinout Corp.

Akiri is a network for facilitating the flow of health care data as well as a protocol for transferring the data in real time, acting as a network for securely transmitting information through a standardized system of codes by leveraging blockchain principles.

FMC is building an affordable, scalable, and sustainable platform that helps people combat prediabetes. Based on the proven DPP method being developed by the CDC, FMC's program fosters community-based, connections that provide people with the guidance they need in the settings where they make their lifestyle choices.

Health2047 revenue in 2020 was $2.3 million, compared to a $1.9 million loss in 2019. In 2020, Health2047 recognized revenue and associated costs for creating custom applications for a customer, with revenue of $2.6 million. Health2047 reflects its proportionate loss in earnings of affiliates as a contra revenue, totaling $0.6 million and $2.2 million in 2020 and 2019, respectively. Health2047 also has $0.3 million in investment income and other income in both years.

Expenses declined in 2020 by $1.6 million, as costs for the custom apps were more than offset by the absence of a large reserve for bad debts in 2019 and reduced operating costs in Akiri. The combination of increased revenue, reduced losses from affiliates and lower expenses resulted in a $5.8 million decrease in net expenses in 2020. This reflects the proportionate share of results for all Health2047 companies.

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

American Medical Association group operating results

(in millions)	Revenues 2020	Revenues 2019	Margin (expenses) 2020	Margin (expenses) 2019
Membership	**$ 34.3**	$ 35.0	**$ 16.8**	$ 17.0
Publishing, Health Solutions & Insurance				
Publishing	**64.9**	60.2	**9.9**	4.8
Database Products	**59.7**	59.4	**47.6**	45.9
Books and Digital Content	**211.7**	176.8	**186.7**	152.2
Insurance Agency/Affinity Products	**39.8**	40.9	**21.9**	23.5
Other business operations	**-**	-	**(2.6)**	(2.8)
	376.1	337.3	**263.5**	223.6
Investments (AMA-only)	**11.4**	14.5	**10.7**	13.8
Strategic Focus Areas & Core Operations				
Improving Health Outcomes	**0.1**	0.1	**(14.5)**	(13.1)
Medical Education/Accelerating Change in Medical Education	**0.2**	0.5	**(11.9)**	(11.3)
Professional Satisfaction and Practice Sustainability	**-**	0.5	**(12.2)**	(9.5)
Integrated Health Model Initiative	**-**	-	**(5.0)**	(5.6)
Advocacy	**2.1**	0.7	**(25.2)**	(27.5)
Health, Science, & Ethics	**4.1**	4.2	**(3.2)**	(2.9)
Center for Health Equity	**0.2**	-	**(3.9)**	(0.8)
AMA Ed Hub	**0.2**	0.3	**(7.6)**	(7.5)
Enterprise Communications	**-**	-	**(4.2)**	(3.7)
Marketing and Member Experience	**-**	-	**(16.6)**	(15.2)
	6.9	6.3	**(104.3)**	(97.1)
Governance				
Board of Trustees and Officer Services	**-**	-	**(4.9)**	(6.3)
House of Delegates, Sections, Special Constituencies & International	**-**	0.1	**(5.4)**	(9.1)
	-	0.1	**(10.3)**	(15.4)
Administration and operations				
Information Technology	**-**	-	**(32.3)**	(31.0)
Senior Executive Management	**-**	-	**(4.5)**	(5.2)
General Counsel	**-**	-	**(6.5)**	(6.4)
Finance & Risk Management	**-**	-	**(7.0)**	(7.0)
Human Resources	**-**	-	**(6.3)**	(6.3)
Corporate Services	**-**	-	**(5.5)**	(5.5)
Customer Service	**-**	-	**(3.2)**	(3.3)
Strategic Planning and Health Analytics	**-**	-	**(3.7)**	(3.9)
	-	-	**(69.0)**	(68.6)
Affiliated Organizations	**0.1**	0.1	**-**	(0.9)
Unallocated Overhead	**2.3**	0.9	**(32.7)**	(24.7)
Health2047 & Subsidiaries	**2.3**	(1.9)	**(12.7)**	(18.5)
Consolidated revenue and income before tax and noncash pension termination expense	**$ 433.4**	$ 392.3	**62.0**	29.2
Income tax expense (excluding pension termination benefit)			**(6.0)**	(5.8)
Consolidated net operating income – pro forma			**56.0**	23.4
Noncash pension termination expense, net of tax			**-**	(36.2)
Consolidated net operating income (loss)			**$ 56.0**	$ (12.8)

2020

CONSOLIDATED FINANCIAL STATEMENTS

American Medical Association and subsidiaries

Consolidated statements of activities

Years ended December 31

(in millions)	2020	2019
Revenues		
Membership dues	$ 34.4	$ 35.1
Advertising	13.6	11.9
Journal print subscription revenues	3.7	4.2
Journal online revenues	29.8	28.7
Other publishing revenue	16.9	14.8
Books, newsletters and online product sales	25.7	27.4
Royalties and credentialing products	245.1	208.4
Insurance commissions	36.7	37.0
Investment income (Note 4)	11.6	15.5
Equity in losses of affiliates (Note 2)	(0.6)	(2.2)
Grants and other income	16.5	11.5
Total revenues	**433.4**	**392.3**
Expenses		
Cost of products sold and selling expenses	29.3	27.8
Contribution to general and administrative expenses	**404.1**	**364.5**
General and administrative expenses		
Compensation and benefits	217.4	204.5
Occupancy	21.1	21.8
Travel and meetings	4.1	18.0
Technology costs	26.0	26.7
Marketing and promotion	17.5	16.2
Professional services and consulting	30.1	24.0
Other operating expenses	25.9	24.1
Pension termination expense (Note 7)	-	38.2
Total general and administrative expenses	**342.1**	**373.5**
Operating results before income taxes	62.0	(9.0)
Income taxes (Note 9)	6.0	3.8
Net operating results	**56.0**	**(12.8)**
Non-operating items		
Net gain on investments (Note 4)	58.4	75.0
Defined benefit postretirement plan non-service periodic expense (Note 8)	(2.5)	(3.9)
Other	0.2	0.2
Total non-operating items	**56.1**	**71.3**
Revenues in excess of expenses	**112.1**	**58.5**
Changes in defined benefit postretirement plans, other than periodic expense, net of tax (Notes 7, 8 and 9)	(2.8)	17.0
Change in association equity	**109.3**	**75.5**
Change in donor restricted association equity		
Restricted contributions	0.3	0.3
Net assets released from restriction	(1.8)	(0.4)
Change in association equity – donor restricted	**(1.5)**	**(0.1)**
Change in total association equity	**107.8**	**75.4**
Total association equity at beginning of year	624.2	548.8
Total association equity at end of year	**$ 732.0**	**$ 624.2**

See accompanying notes to the consolidated financial statements.

American Medical Association and subsidiaries

Consolidated statements of financial position

As of December 31

(in millions)	2020	2019
Assets		
Cash, cash equivalents and donor-restricted cash	$ 35.0	$ 30.9
Fiduciary funds (Note 2)	21.4	21.3
Investments in affiliates (Note 2)	1.0	-
Accounts receivable and other receivables, net of an allowance for doubtful accounts of $0.4 in 2020 and $0.3 in 2019	82.8	67.7
Inventories	2.3	2.7
Prepaid expenses and deposits	10.8	8.9
Deferred income taxes (Note 9)	4.9	4.9
Investments (Note 4)	854.2	750.4
Property and equipment, net (Note 6)	43.3	44.5
Operating lease right-of-use assets (Note 10)	52.0	56.6
Other assets (Note 5)	8.1	8.8
	$1,115.8	**$ 996.7**
Liabilities, deferred revenue and association equity		
Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 17.4	$ 16.6
Accrued payroll and employee benefits (Notes 7 and 8)	169.3	157.1
Insurance premiums and other fiduciary funds payable	21.5	21.2
Income taxes payable (Note 9)	2.1	0.8
Operating lease liability (Note 10)	85.7	93.1
	296.0	288.8
Deferred revenue		
Membership dues	16.4	15.9
Subscriptions, licensing, insurance commissions and royalties	68.4	65.4
Grants and other	3.0	2.4
	87.8	83.7
Association equity	731.9	622.6
Donor-restricted association equity	0.1	1.6
Total association equity	732.0	624.2
	$1,115.8	**$ 996.7**

See accompanying notes to the consolidated financial statements.

American Medical Association and subsidiaries

Consolidated statements of cash flows

Years ended December 31

(in millions)	2020	2019
Cash flows from operating activities		
Change in total association equity	$ 107.8	$ 75.4
Adjustments to reconcile change in association equity to net cash provided by operating activities		
Depreciation and amortization	12.6	12.3
Pension and postretirement health care expense	4.0	8.7
Noncash operating lease expense	10.0	10.1
Net gain on investments	(58.4)	(75.0)
Equity in losses of affiliates	0.6	2.2
Contribution to pension plan	-	(7.0)
Noncash charge for changes in defined benefit plans other than periodic expense (including pension termination expense in 2019) net of tax	2.8	19.2
Bad debt expense	0.1	2.3
Other	(0.1)	(0.2)
Changes in assets and liabilities		
Accounts receivable and other receivables	(15.2)	(13.3)
Inventories	0.4	(0.5)
Prepaid expenses and deposits	(1.9)	(2.7)
Other assets	1.6	-
Accounts payable, accrued liabilities and income taxes payable	(6.4)	(12.1)
Deferred revenue	4.1	3.3
Net cash provided by operating activities	62.0	22.7
Cash flows from investing activities		
Purchase of property and equipment	(11.0)	(10.6)
Investment in affiliates	(1.5)	(2.2)
Purchase of investments	(636.9)	(486.9)
Proceeds from sale of investments	591.5	466.6
Net cash used in investing activities	(57.9)	(33.1)
Net change in cash, cash equivalents and donor restricted cash	4.1	(10.4)
Cash, cash equivalents and donor restricted cash at beginning of year	30.9	41.3
Cash, cash equivalents and donor restricted cash at end of year	**$ 35.0**	**$ 30.9**
Noncash investing activities		
Noncash exchange of convertible debt for investment in affiliate (Note 2)	$ 1.7	$ -
Accounts payable for property and equipment additions	$ 0.9	$ 0.5

See accompanying notes to the consolidated financial statements.

Notes to financial statements

For the Years Ended December 31, 2020 and 2019
(Columnar amounts in millions)

1. Nature of operations

The American Medical Association (AMA) is a national professional association of physicians with approximately 272 thousand members. The AMA serves the medical community and the public through standard setting and implementation in the areas of science, medical education, improving health outcomes, delivery and payment systems, ethics, representation and advocacy, policy development, and image and identity building. The AMA provides information and services to hundreds of thousands of physicians and includes journal and book publishing, physician credentialing, database licensing, insurance and other professional services for physicians.

The AMA classifies all 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 investments, defined benefit postretirement plan non-service expense and other non-recurring income or expense.

Donor-restricted association equity includes contributions for scope of practice, restricted for use to areas involved in scope issues and are not available for general use by AMA. Funds previously restricted for use in a national tort reform campaign were released in 2020.

2. Significant accounting policies

Consolidation policy

The accompanying consolidated financial statements include the accounts of the AMA and its subsidiaries (collectively, the AMA). In 2015, AMA established a for-profit subsidiary, Health2047, Inc. (Health2047) designed to enhance AMA's ability to contribute to improvements in the U.S. health care system and population health. In 2017, Health2047 established a for-profit corporation, Akiri, Inc. (Akiri), designed to improve the securing, sharing and use of trusted health data. In 2018, Health2047 established a second for-profit corporation, First Mile Care, Inc. (FMC), that intends to create a platform, tools and support to combat pre-diabetes in the community. Since December 31, 2018, Health2047 has consolidated the operations of both Akiri and FMC. All intercompany transactions have been eliminated.

AMA, through its wholly owned subsidiary, Health2047 has investments in four affiliates: HXSquare, Inc., formed in January 2019, Zing Health Enterprises LP (previously named Zing Health Holdings Inc.), formed in March 2019, Medcurio, Inc., formed in February 2020, and Health2047 Spinout Corporation, formed August 2020. The equity method of accounting is used to account for investments in affiliates in which the AMA has significant influence but not overall control. The investments were initially recorded at the original amounts paid for common and convertible preferred stock, and subsequently adjusted for the AMA's share of undistributed earnings and losses from the underlying entities from the dates of formation. The investment will be increased or reduced by any future additional contributions and distributions received, respectively.

At December 31, 2020, AMA ownership interest is 35.1% in HXSquare, Inc., 14.1% in Zing Health Enterprises, LP (Zing), 11.8% in Medcurio, Inc. (Medcurio), and 28.9% in Health2047 Spinout Corporation. During 2020, the AMA ceased application of the equity method to account for investments in Zing Health Enterprises, LP and Medcurio, Inc., as additional third-party investment in these entities resulted in AMA no longer exercising significant influence over these entities. In addition, in 2020 Zing Health Enterprises, LP was formed and holdings in convertible debt of Zing Health Holdings, Inc. was converted to Class B shares in Zing Health Enterprises, LP. The investment in Zing and Medcurio will be accounted for using the cost method. At the end of 2020, the book value of the equity method investment in HXSquare, Inc., net of convertible debt, and Health2047 Spinout Corporation was approximately zero.

At December 31, 2019, AMA ownership interest is 42.9% and 48% in HXSquare, Inc., and Zing Health Holdings, Inc., respectively. The book value of the equity method investments in affiliates, net of convertible debt issued by Zing Health Holdings, Inc., was approximately zero.

Use of estimates

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

Cash equivalents

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

Fiduciary funds

One of the AMA's subsidiaries, the AMA Insurance Agency, Inc. (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 are invested on a short-term basis and are held in a fiduciary capacity. The AMA also collects and holds contributions on behalf of a separate unincorporated entity with $2.7 million held at December 31, 2020 and 2019.

Inventories

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

Property and equipment

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

Revenue recognition

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

Nature of products and services

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

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

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. AMA records a receivable when revenue is recognized. For agreements covering subscription or service periods, AMA generally records a receivable related to revenue recognized for the subscription, license or royalty period. For sales of books and products, AMA records a receivable at the time the product is shipped or made available. These amounts are included in accounts receivable on the consolidated statements of financial position and the balance, net of allowance for doubtful accounts, was $77.7 million and $66 million as of December 31, 2020 and 2019, respectively.

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

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

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

Income taxes

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

Reclassifications

Certain reclassifications have been made in the notes to the consolidated financial statements to conform the 2019 amounts to the 2020 presentation.

3. New accounting standards update

In March 2017, the Financial Accounting Standards Board (FASB) issued ASU No. 2017-07, *Compensation Retirement Benefits (Topic 715): Improving the Presentation of the Net Periodic Cost and Net Periodic Postretirement Benefit Cost*. This requires an employer to report the service cost component of retirement benefits in the same line item or items as the other compensation costs arising from services rendered by the pertinent employees during the period while the other components of net benefit costs will be presented in the consolidated statements of activities separately from the service cost component, as a non-operating expense.

The AMA adopted this guidance effective January 1, 2019, and classified the components of net periodic postretirement benefit cost other than service costs from compensation and benefits expense to non-operating expense within the consolidated statements of activities for all periods presented.

Due to the termination of the pension plan in 2018 and subsequent distributions from the plan in 2019, the AMA did not adopt the new accounting standard for costs related to the pension plan in 2019. See Note 7 for discussion on the pension plan termination.

In October 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The AMA adopted this guidance on a prospective basis effective January 1, 2020. The adoption of this standard did not have a material impact on the AMA's consolidated financial statements.

4. Investments

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

Investments also include investments in a diversified closed end private equity fund with a focus on buyout opportunities in the United States and the European Union, as well as investments in a venture capital fund focused on companies developing promising health care technologies that can be commercialized into revolutionary products and services that improve the practice of medicine and the delivery and management of health care. The investments are not redeemable and distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next four to ten years. The fair value estimates of these investments are based on NAV as provided by the investment manager. Unfunded commitments as of December 31, 2020 totaled $48 million.

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

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

	2020	2019
Level 1 – Quoted prices in active market for identical securities		
Equity securities	$ 415.2	$ 341.2
Fixed-income mutual funds	19.5	15.4
	434.7	356.6
Level 2 – Significant other observable inputs		
Debt securities		
Corporate	105.7	94.9
U.S. government and federal agency	247.5	247.4
Foreign government	26.3	25.9
U.S. state government	0.2	0.2
	379.7	368.4
Level 3 – Significant Unobservable inputs	-	-
Other investments measured at NAV – Private equity and venture capital funds	39.8	25.4
Investments	$ 854.2	$ 750.4

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:

	2020	2019
Investment dividend and interest income	$ 14.3	$ 18.1
Management fees	(2.7)	(2.6)
	$ 11.6	$ 15.5

Non-operating items include:

	2020	2019
Realized (losses) gains on investments, net	$ (1.9)	$ 14.9
Unrealized gains on investments, net	60.3	60.1
	$ 58.4	$ 75.0

5. Other assets

Other assets include investments in mutual funds maintained in separate accounts designated for various nonqualified benefit plans that are not available for operations. Mutual funds are open-ended SEC registered investment funds with a daily NAV. The mutual funds allow investors to sell their interests to the fund at the published daily NAV, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy. The investments totaled $8.1 million and $7.2 million at 2020 and 2019, respectively.

Expenses related to the development of custom applications pursuant to a customer contract had been deferred until completion of development and recognition of the revenue under the contract. Deferred costs of $1.6 million as of December 31, 2019 were recognized during 2020.

6. Property and equipment

Property and equipment at December 31 consists of:

	2020	2019
Leasehold improvements	$ 38.7	$ 38.4
Furniture and office equipment	19.5	19.1
Information technology		
Hardware	12.6	12.1
Software	96.4	87.2
	167.2	156.8
Accumulated depreciation and amortization	(123.9)	(112.3)
	$ 43.3	$ 44.5

7. Retirement pension and savings plans

Until 2019, the AMA had a defined benefit pension plan covering eligible salaried and hourly employees. The plan was designed to pay a monthly retirement benefit that, together with social security benefits, provided retirement income based on employees' earnings, age, and years of service. Other employers participated in this plan and assets and liabilities were allocated between the AMA and other employers.

In June 2018, the AMA adopted plan amendments that terminated the pension plan effective October 31, 2018. Plan participants were given the option to accept either a lump-sum payment, immediate annuity or annuity contract purchased from an insurance company selected by AMA.

All pension distributions to participants and the purchase of a group annuity contract for participants electing to remain in the plan were finalized in 2019.

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

	2020	2019
Change in benefit obligation		
Benefit obligation at beginning of year	$ -	$ 117.5
Interest cost	-	4.2
Benefits paid	-	(6.0)
Termination benefit payments	-	(117.7)
Actuarial loss	-	2.0
Benefit obligation at end of year	$ -	$ -
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ 113.5
Return on plan assets	-	2.4
Employer contributions	-	7.0
Benefits paid	-	(6.0)
Termination benefit payments	-	(117.7)
Plan combination	-	0.8
Fair value of plan assets at end of year	$ -	$ -

There were no pension plan accumulated losses and prior service costs not yet recognized as a component of periodic pension expense but included in accumulated other comprehensive loss at December 31, 2020 or 2019.

As discussed in Note 3, AMA did not adopt the new accounting standard for costs related to the pension plan due to the plan termination in 2019.

The AMA recognized pension expense in its consolidated statements of activities. The provisions of ASC Topic 958-715 required the AMA to recognize settlement charges based on the lump-sum benefit payments in 2019. The components of pension expense were:

	2020	2019
Interest cost	$ -	$ 4.2
Expected return on plan assets	-	(4.9)
Lump-sum settlement charges	-	1.2
Recognition of prior service cost	-	0.2
Recognition of actuarial losses	-	2.4
Pension expense	$ -	$ 3.1

Previously unrecognized actuarial losses and prior service cost recognized as a result of the pension termination are included on a separate line in the statements of activities titled pension termination expense:

	2020	2019
Actuarial losses	$ -	$ 37.6
Prior service cost	-	1.4
Plan combination	-	(0.8)
	$ -	$ 38.2

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

	2020	2019
Actuarial losses arising during period	$ -	$ (4.5)
Reclassification adjustment for losses reflected in periodic pension expense	-	3.8
Actuarial losses reclassified to expense related to plan termination	-	37.6
Prior service cost reclassified to expense related to plan termination	-	1.4
Change in unrestricted equity	$ -	$ 38.3

Actuarial assumptions used in determining pension expense were:

	2020	2019
Discount rate	NA	4.1%
Expected long-term return on plan assets	NA	4.8%

During 2018 and early 2019, plan assets were liquidated and transferred to short-term investments in anticipation of distributing plan assets. All plan assets were distributed to participants or paid to the group annuity provider in 2019. The AMA has no additional obligation to the pension plan.

The AMA also has a 401(k) retirement and savings plan, which allows eligible employees to contribute up to 75 percent of their compensation annually, subject to Internal Revenue Service (IRS) limits. The AMA matches 100 percent of the first three percent and 50 percent of the next two percent of employee contributions. The AMA may, at its discretion, make additional contributions for any year in an amount up to two percent of the compensation for each eligible employee. Compensation is subject to IRS limits and excludes bonuses and severance pay. AMA matching and discretionary contribution expense totaled $7.4 million and $6.7 million in 2020 and 2019, respectively.

Prior to 2020, the AMA also maintained a non-qualified, unfunded supplemental pension plan for certain long-term employees. Participation in the plan was closed in 1994. The AMA recognized the liability in its consolidated statements of financial position. The accumulated benefit obligation and liability was eliminated in 2019 due to the pension plan termination. The supplemental pension plan termination was triggered by the termination of the AMA defined benefit pension plan and all distributions were finalized in 2019.

8. Postretirement health care benefits

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

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

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

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

	2020	2019
Benefit obligation at beginning of year	$ 115.4	$ 92.3
Service cost	1.5	1.6
Interest cost	3.2	4.2
Benefits paid	(2.9)	(4.1)
Participant contributions	1.3	1.2
Federal subsidy	0.1	0.1
Actuarial loss	1.9	20.1
Accrued postretirement benefit costs	$ 120.5	$ 115.4

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:

	2020	2019
Actuarial losses	$ 27.8	$ 25.9
Prior service credits	(0.3)	(1.0)
	$ 27.5	$ 24.9

An estimated $0.4 million in prior service credits and $2 million of actuarial losses will be included as components of non-operating expense in 2021.

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

	2020	2019
Discount rate	2.5%	3.3%
Initial health care cost trend	5.64%	5.84%
Ultimate health care cost trend	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2038	2038

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

	2020	2019
Service cost	$ 1.5	$ 1.6
Interest cost	3.2	4.2
Amortization of prior service credit	(0.7)	(0.8)
Amortization of actuarial loss	-	0.5
	$ 4.0	$ 5.5

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

	2020	2019
Actuarial losses arising during period	$ (1.9)	$ (20.1)
Reclassification adjustment for recognition of actuarial losses	-	0.5
Reclassification adjustment for recognition of prior service credit	(0.7)	(0.8)
Change in unrestricted equity	$ (2.6)	$ (20.4)

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:

	2020	2019
Discount rate	3.3%	4.3%
Initial health care cost trend	5.84%	6.03%

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	$ 1.1	$ (0.8)
Effect on postretirement benefit obligation	$ 24.9	$ (19.5)

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

2021	$ 3.0
2022	3.2
2023	3.5
2024	3.6
2025	3.9
2026 – 2030	22.3

9. Income taxes

The provision for income taxes includes:

	2020	2019
Operating		
Current	$ 6.2	$ 6.2
Deferred	-	(2.1)
Valuation allowance	(0.2)	(0.3)
	6.0	3.8
Tax expense related to credits or charges to equity		
Deferred	0.2	0.9
	$ 6.2	$ 4.7

In 2019, AMA made final distributions from the pension plan, as discussed in Note 7, resulting in a $2 million credit to income taxes reported in operating results and $2.1 million in tax expense included as a charge to equity.

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

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

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

	2020	2019
Benefit plans and compensation	$ 7.7	$ 7.8
Other	(0.1)	-
	7.6	7.8
Valuation allowance	(2.7)	(2.9)
	$ 4.9	$ 4.9

Cash payments for income taxes were $4.9 million and $6.5 million in 2020 and 2019, respectively, net of refunds.

10. Leases

AMA leases office space at a number of locations and the initial terms of the office leases range from five years to 15 years. Most leases have options to renew at then prevailing market rates. As any extension or renewal is at the sole discretion of AMA and at this date, is not certain, the renewal options are not included in the calculation of the right-of-use (ROU) asset or lease liability. AMA also leases copiers and printers in several locations. All office and equipment leases are classified as operating leases.

During 2020, AMA entered into new office space operating leases which resulted in establishing an additional $0.9 million in ROU assets and liability for the present value of future lease payments. The ROU assets will be amortized over the lives of the leases and the present value of the liability will be increased by interest cost and reduced by cash payments.

Operating lease costs totaled $10 million in both 2020 and 2019. Cash paid for amounts included in the measurement of lease liabilities totaled $12.8 million and $12.3 million in 2020 and 2019, respectively.

The weighted-average remaining lease term for operating leases is 8 years. The weighted-average discount rate used for operating leases is 5%.

The maturity of lease liabilities as of December 31, 2020:

2021	$ 13.1
2022	13.1
2023	12.8
2024	12.4
2025	12.5
2026 and beyond	41.0
Total lease payments	104.9
Less imputed interest	(19.2)
Present value of lease obligations	$ 85.7

11. Financial asset availability and liquidity

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

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

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

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

	2020
Financial assets	$ 889.2
Less assets unavailable for general expenditures:	
Restricted by donor with purpose restrictions	(0.1)
Restricted by governing body primarily for long-term investing or for governing body approved outlays	(748.7)
Financial assets available to meet cash needs for general expenditures within one year	$ 140.4

	2019
Financial assets	$ 781.3
Less assets unavailable for general expenditures:	
Restricted by donor with purpose restrictions	(1.6)
Restricted by governing body primarily for long-term investing or for governing body approved outlays	(662.7)
Financial assets available to meet cash needs for general expenditures within one year	$ 117.0

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

12. Contingencies

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

13. Subsequent events

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

For the year ended December 31, 2020, the AMA has evaluated all subsequent events through February 12, 2021, which is the date the consolidated financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition or disclosure in these consolidated financial statements that have not already been accounted for.

14. Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the Strategic Arcs and Core Activities, Publishing, Health Solutions and Insurance, Membership and other supporting services. Such allocations are determined by management on an equitable basis.

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

	Membership	Publishing, Health Solutions and Insurance	Investments (AMA only)	Strategic Arcs and Core Activities	Governance, Administration and Operations	Health2047 and Subsidiaries	Total
Cost of goods sold and selling expense	$ -	$ 27.7	$ -	$ -	$ -	$ 1.6	$ 29.3
Compensation and benefits	5.5	58.1	-	63.5	84.2	6.1	217.4
Occupancy	0.5	5.7	-	6.7	6.7	1.5	21.1
Travel and meetings	0.1	0.8	-	1.8	1.3	0.1	4.1
Technology costs	1.8	9.6	-	4.4	10.1	0.1	26.0
Marketing and promotion	8.4	0.5	-	7.8	0.2	0.6	17.5
Professional services and consulting	0.4	4.9	0.2	16.1	4.3	4.2	30.1
Other operating expense	0.8	5.3	0.5	10.9	7.6	0.8	25.9
2020 total expense	**$ 17.5**	**$ 112.6**	**$ 0.7**	**$ 111.2**	**$ 114.4**	**$ 15.0**	**$ 371.4**
Cost of goods sold and selling expense	$ -	$ 27.8	$ -	$ -	$ -	$ -	$ 27.8
Compensation and benefits	5.3	55.0	-	59.0	78.1	7.1	204.5
Occupancy	0.5	5.7	-	6.7	7.4	1.5	21.8
Travel and meetings	0.2	3.4	-	7.3	6.6	0.5	18.0
Technology costs	1.4	10.5	-	4.7	10.0	0.1	26.7
Marketing and promotion	9.5	0.9	-	5.1	-	0.7	16.2
Professional services and consulting	0.1	3.7	0.2	12.5	4.0	3.5	24.0
Other operating expense	1.0	6.7	0.5	8.1	4.6	3.2	24.1
Pension termination expense	-	-	-	-	38.2	-	38.2
2019 total expense	**$ 18.0**	**$ 113.7**	**$ 0.7**	**$ 103.4**	**$ 148.9**	**$ 16.6**	**$ 401.3**

Independent auditors' report

The Board of Trustees of American Medical Association

We have audited the accompanying consolidated financial statements of the American Medical Association (the "AMA") and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the AMA's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AMA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Medical Association and subsidiaries as of December 31, 2020 and 2019, and the results of its activities and changes in its equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Chicago, Illinois
February 12, 2021

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, 2020 and 2019 fairly present, in all material respects, the financial condition and the results of operations of the American Medical Association.

James L. Madara, MD
Executive Vice President and Chief Executive Officer

Denise M. Hagerty
Senior Vice President and Chief Financial Officer

February 12, 2021

2020

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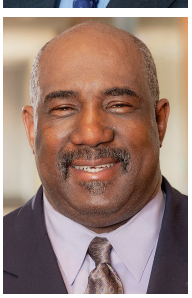


Willie Underwood III, MD, MSc, MPH
James L. Madara, MD

AMA
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