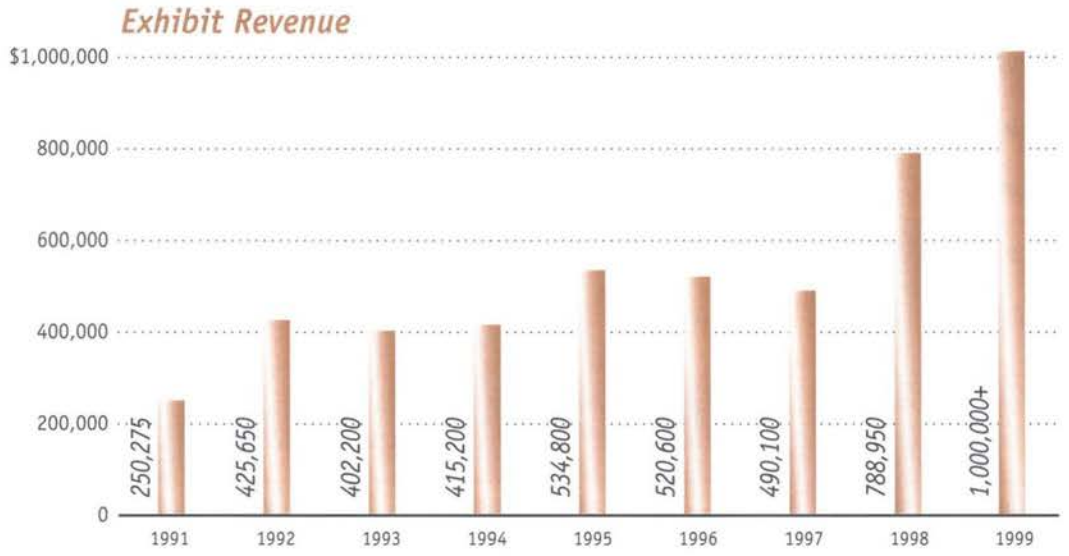
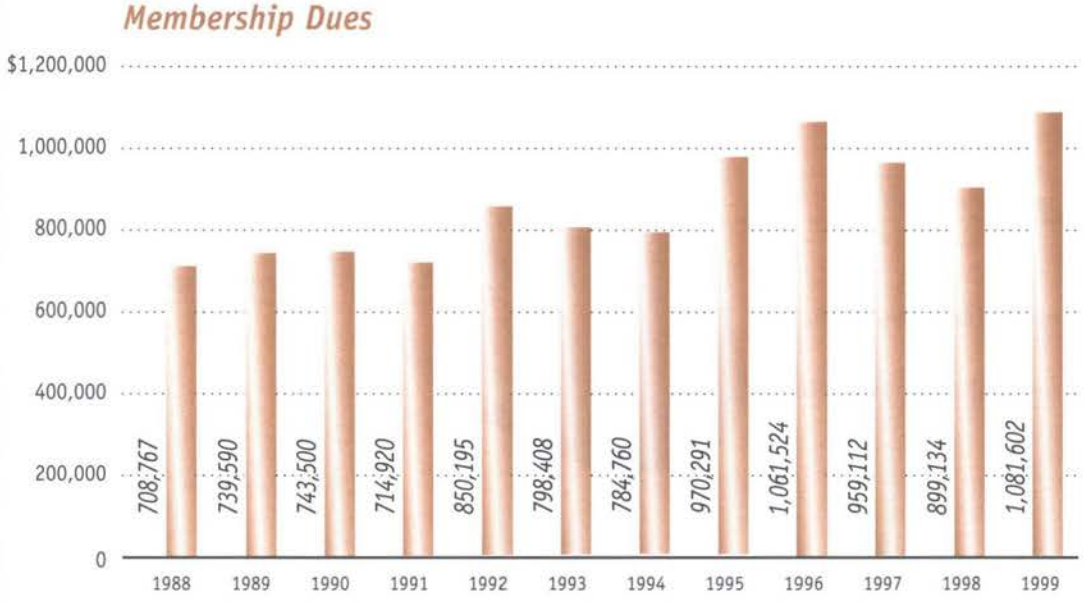
FIGURE 4



More than 50 percent of the budgeted convention revenue is generated from exhibits. For most of the decade, the exhibit revenue had reached a plateau of about half a million dollars or less. After restructuring the fee schedule in 1997, NMA began realizing a sharp increase and reached the $1 million mark in exhibit revenue for the first time in 1999 (Figure 4).

FIGURE 5



Board of Zoning Adjustment
District of Columbia
CASE NO.16775
EXHIBIT NO.33A2

The second largest source of NMA revenue is membership dues. For most of the decade, revenue from membership dues remained under $800,000. In the last five years, membership dues revenue has neared $1 million dollars, with a peak above the million-dollar mark in 1996. In 1999, as the result of vigorous membership recruitment activities, membership dues revenue reached a record high, exceeding the million-dollar mark for the second time in NMA history (Figure 5).

The third largest area of revenue is generated by scientific section program activity. These funds are generated and expended exclusively for the 24 concurrent scientific section programs conducted at the NMA annual convention and scientific assembly, and do not support any other programming or operations of the Association.

NMA's fourth largest area of revenue is federal and corporate sponsored programs. Throughout the past decade, there has been variable growth in support from sponsored activities. In the past three years, there has been a more aggressive effort to increase NMA's corporate relations to build capacity and infrastructure within the association. This corporate strategy, coupled with federal and philanthropic grant support, has resulted in an all time high in revenue from new grants in 1997, 1998 and 1999 — with over $3 million in 1997 and close to $2.5 million in 1999 (Figures 6 and 7).

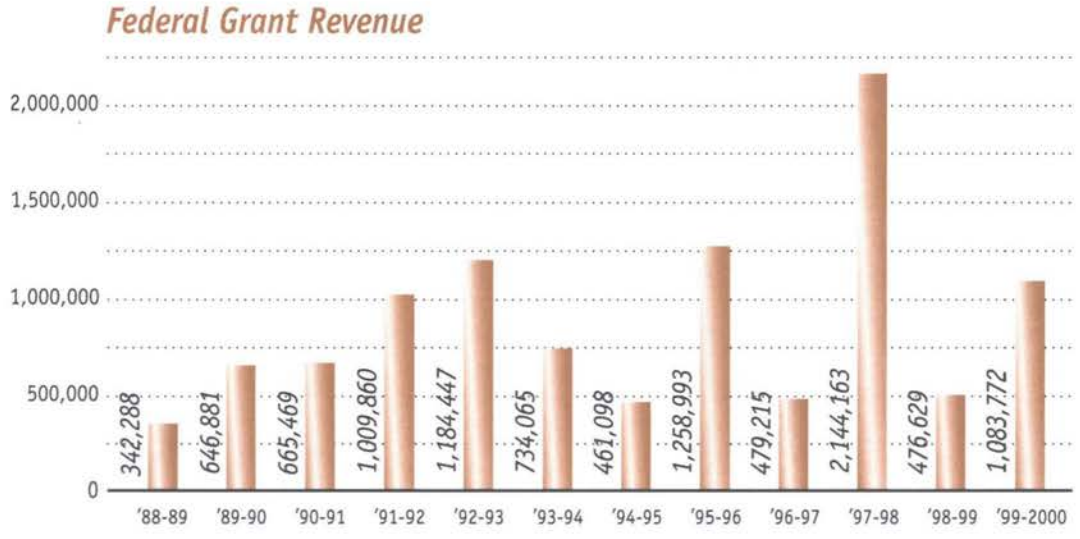
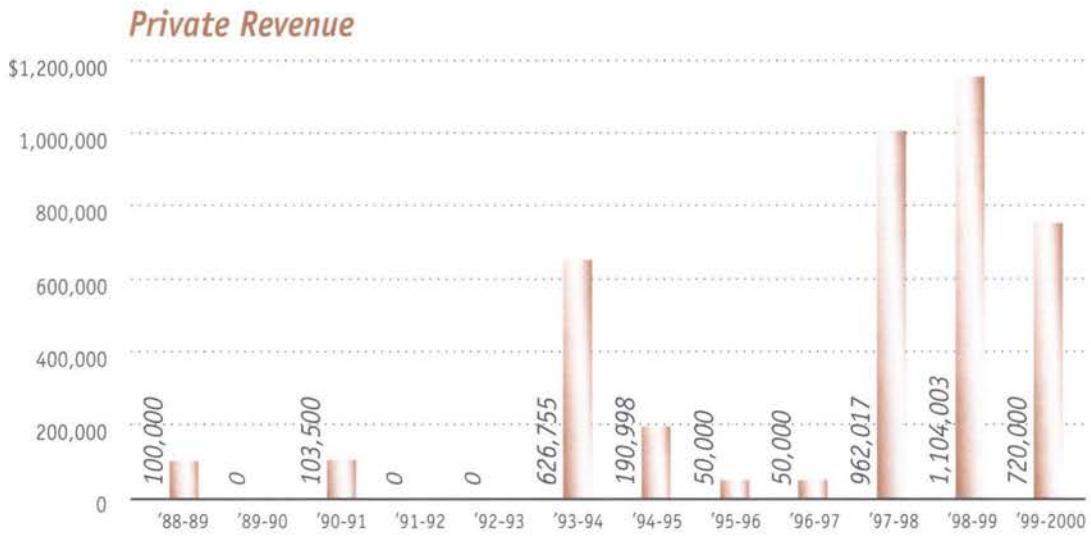


FIGURE 6

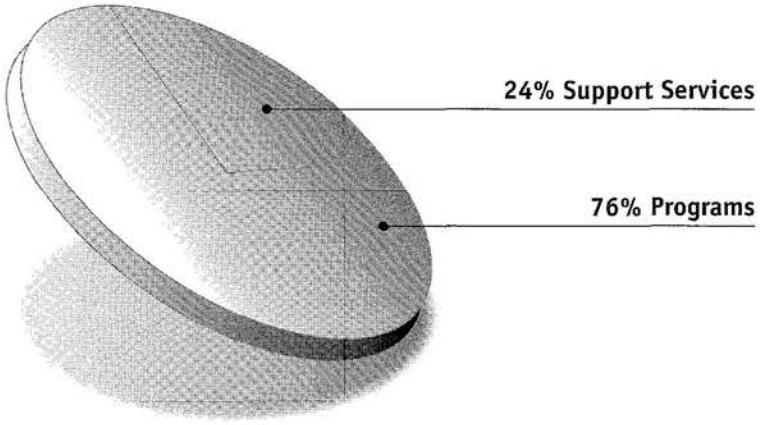
FIGURE 7



But, money is not everything. It is how NMA's revenue is used that is important. NMA puts its money where its mission is. The largest proportion of NMA's expenses, 76 percent, directly support NMA's programmatic agenda (Figure 8). This includes the convention, the continuing medical education program, the scientific sections, health policy, research, publications, public relations, scholarships and various special projects (Figure 9). Less than a quarter of NMA expenses, 24 percent, are for administrative support such as personnel, membership services and fundraising (Figures 8 & 9).

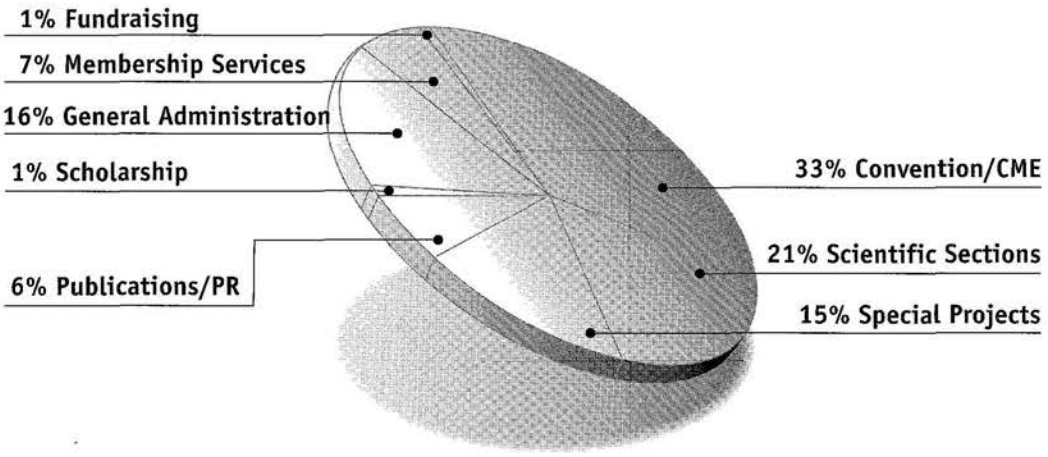
Program vs. Support Expenses

FIGURE 8



Expense Categories

FIGURE 9



NATIONAL MEDICAL ASSOCIATION

FINANCIAL STATEMENTS & INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 1999 AND 1998

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Financial Statements

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- Statements of Activities and Changes in Net Assets . . page 71
- Statements of Cash Flows . . . . . page 72
- Notes to Financial Statements . . . . . page 73

Independent Auditors' Report

To the Board of Directors
National Medical Association

We have audited the accompanying statement of financial position of National Medical Association (a nonprofit organization), as of December 31, 1999, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of National Medical Association as of December 31, 1998 were audited by other auditors whose report dated April 23, 1999 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Medical Association as of December 31, 1999, and the changes in its net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

Abrams, Foster, Nole + Williams, P.A.

Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants

June 5, 2000

National Medical Association
Statements of Financial Position
Years Ended December 31, 1999 and 1998

	1999	1998
Assets		
Current Assets		
Cash and cash equivalents	$ 1,461,836	$ 1,284,748
Accounts receivable	447,679	413,026
Investments	2,894,641	2,468,223
Prepaid expenses and other current assets	20,614	16,902
Total Current Assets	4,824,770	4,182,899
Property and Equipment		
Land	376,039	376,039
Building	1,092,122	1,092,122
Furniture and fixtures	222,533	220,186
Office equipment	325,680	309,998
Leasehold improvements	15,242	0
Total Property and Equipment	2,031,616	1,998,345
Less: accumulated depreciation and amortization	(786,091)	(768,301)
Net property and equipment	1,245,525	1,230,044
Total Assets	**$ 6,070,295**	**$ 5,412,943**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 205,503	$ 96,203
Accrued expenses	68,291	86,157
Accrued salaries and vacation	72,707	58,980
Deferred revenue	21,210	236,160
Total Current Liabilities	367,711	477,500
Net Assets		
Unrestricted net assets	4,988,738	4,289,802
Temporarily restricted net assets	713,846	645,641
Total Net Assets	5,702,584	4,935,443
Total Liabilities and Net Assets	**$ 6,070,295**	**$ 5,412,943**

See Accompanying Notes and Independent Auditors' Report

National Medical Association
Statements of Activities and Changes in Net Assets
Years Ended December 31, 1999 and 1998

	1999	1998
Changes in Unrestricted Net Assets		
Public Support and Revenue		
Convention and contributions	$ 2,048,292	$ 1,513,424
Grants and special programs	1,033,024	682,719
Membership dues	1,081,602	899,134
Scientific sections	1,198,879	1,142,143
Publications and public relations	321,624	356,013
Contributions	222,494	246,401
Scholarship contribution	86,730	36,994
Unrealized and realized gain	266,939	181,695
Interest and dividends	135,534	125,868
Miscellaneous	89,130	128,079
Total public support and revenue	6,484,248	5,312,470
Net Assets Released from Restrictions		
Satisfaction of program restrictions	47,720	63,187
Total unrestricted public support and revenue	**6,531,968**	**5,375,657**
Expenses		
Program		
Grants and special programs	855,863	716,963
Scientific sections	1,203,388	1,188,224
Convention and continuing medical education	1,943,652	1,322,776
Publications and public relations	367,210	167,860
Scholarship contribution	33,500	18,500
Total program	4,403,613	3,414,323
Supporting services		
General and administrative	926,716	902,346
Membership development	425,875	300,313
Fundraising	76,828	17,349
Total supporting services	1,429,419	1,220,008
Total Expenses	**5,833,032**	**4,634,331**
Increase in unrestricted net assets	698,936	741,326
Changes in Temporarily Restricted Net Assets		
Revenue	$ 115,925	$ 437,554
Net assets released from restrictions	(47,720)	(63,187)
Increase in temporarily restricted net assets	**68,205**	**374,367**
Increase in Net Assets	767,141	1,115,693
Net Assets at Beginning of Year	4,935,441	3,819,748
Net Assets at End of Year	**$ 5,702,582**	**$ 4,935,441**

See Accompanying Notes and Independent Auditors' Report

National Medical Association
Statements of Cash Flows
Years Ended December 31, 1999 and 1998

	1999	1998
Cash Flow from Operating Activities		
Increase in net assets	$ 767,141	$ 1,115,755
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,790	101,835
Unrealized gain on investments	(266,938)	(181,694)
Loss (gain) on disposal of property	(705)	4,993
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assets		
Accounts receivable	(34,653)	(265,358)
Prepaid expenses	(3,712)	10,353
Increase (Decrease) in Liabilities		
Accounts payable	109,300	26,411
Accrued liabilities	(4,139)	36,263
Deferred revenue	(214,950)	123,948
Total adjustments	(398,007)	(143,249)
Net Cash Provided (Used) by Operating Activities	**369,134**	**972,506**
Cash Flow from Investing Activities		
Cash payments for the purchase of property	(32,566)	(103,049)
Change in investments	(159,480)	(38,526)
Net Cash Provided (Used) by Investing Activities	**(192,046)**	**(141,575)**
Cash Flow from Financing Activities		
Net payments on line of credit	0	(326,198)
Principal payments on capital lease obligations	0	(5,444)
Net Cash Provided (Used) by Financing Activities	**0**	**(331,642)**
Net increase (decrease) in cash and equivalents	**177,088**	**499,289**
Cash and equivalents, beginning of year	**1,284,748**	**785,469**
Cash and equivalents, end of year	**$ 1,461,836**	**$ 1,284,758**
Interest paid during the year	**$ 673**	**$ 12,198**

See Accompanying Notes and Independent Auditors' Report

1. ORGANIZATION

The National Medical Association (Organization) is a nonprofit membership organization established for the purpose of promoting the science and art of medicine and the betterment of public health through the growth and diffusion of medical laws and elimination of religious and racial discrimination and segregation from medical institutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

1) Unrestricted net assets — Net assets are not subject to donor-imposed stipulations.

2) Temporarily restricted net assets — Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or passage of time. As of December 31, 1999 and 1998, temporarily restricted net assets amounting to $363,908 and $225,267, respectively, were restricted for scholarships for minority medical students. The remaining temporarily restricted net assets were principally restricted for other special programs.

3) Permanently restricted net assets — Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

B. Cash and Cash Equivalents

All cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents with the exception of cash in money market funds, which are classified as investments. At December 31, 1999 and 1998, the Organization had no cash equivalents.

C. Income Taxes

The Organization is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. At December 31, 1999 and 1998, no provision had been made for taxes on unrelated business activities since there was no income from unrelated business activities. However, the Organization is required to file an information tax return, Form 990, annually.

D. Investments

Investments are carried at fair value. Gains and losses on investments, including changes in fair value, are reported in the statements of activities as increases or decreases in unrestricted net assets.

E. Property and Equipment

Property and equipment are carried at original cost or estimated fair value at date of donation, if donated. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or lease term, as follows:

Building	45 years
Building improvements	7-31 years
Furniture and fixtures	5-7 years
Equipment and computer software	5 years

F. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly certain costs have been allocated among the programs and supporting services benefited. Salaries are charged directly to the functions. Fringe benefits are allocated based on the percentage of salaries charged to each function.

G. Revenue Recognition

Revenue on government grants is recognized when the related direct and allocated indirect expenses are incurred. Scientific section revenue is recorded when it is received. Membership dues are recognized ratably over the membership period. Unearned membership dues are recorded as deferred revenue. Convention fees received in advance are

Continued on page 74

G. Revenue Recognition, continued from page 73

deferred and recognized when the related convention is held. Revenue for special programs is treated as a contribution.

H. Contributions

Contributions are recorded when unconditional promises to give are received. Conditional contributions are recorded when the conditions have been met. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support by the Organization. Donor-restricted contributions whose restrictions are not met in the same reporting period are reported as temporarily or permanently restricted net assets, until the restrictions are met and then they are reported as net assets released from restrictions.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at year end, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

J. Concentrations of Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization has not experienced any losses in such accounts.

In 1999 and 1998, convention fees and related contributions accounted for 31 percent and 26 percent, respectively, of the Organization's revenue.

K. Reclassifications

Certain 1998 amounts have been reclassified to conform to the 1999 presentation. Prior-year accumulated depreciation was restated to properly show the correct amount.

3. INVESTMENTS

Investments at fair value as of December 31, 1999 and 1998 consist of the following:

	1999	*1998*	*Increase (Decrease)*
Cost			
Equity mutual funds	$ 1,572,031	$ 1,397,065	$ 174,966
Fixed income mutual funds	780,483	623,814	156,669
Treasury note	180,000	180,000	0
Money markets	20,614	21,065	(451)
	$ 2,553,128	$ 2,221,944	$ 331,184
Market			
Equity mutual funds	$ 1,966,740	$ 1,654,067	312,673
Fixed income mutual funds	727,288	613,091	114,197
Treasury note	180,000	180,000	0
Money markets	20,614	21,065	(451)
	$ 2,894,642	$ 2,468,223	$ 416,419
Unrealized gain on investments			$ 95,235

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 1999 and 1998 are as follows:

	1999	*1998*
Land	$ 376,039	$ 376,039
Building and building improvements	1,107,364	1,092,122
Furniture and fixtures	222,533	220,186
Equipment and computer software	325,680	309,998
	2,031,616	1,998,345
Less: accumulated depreciation and amortization	(786,091)	(768,301)
Net property and equipment	$ 1,245,525	$ 1,230,044

Depreciation and amortization expense for the years ended December 31, 1999 and 1998 was $85,329 and $101,835, respectively.

5. LINE OF CREDIT

The Organization entered into a line of credit agreement with a bank to borrow up to $500,000. Amounts borrowed under the agreement bear interest at 1.125 percent above the one year LIBOR rate. The line was secured by $500,000 in equity mutual funds held by the Organization. The Organization had a balance of $0 as of December 31, 1999.

6. PENSION PLAN

The Organization has a defined contribution pension plan that covers substantially all full-time salaried employees. The plan is funded through a variable annuity contract with a life insurance company. The Organization contributed 7 percent of regular earnings of each participant employee in 1999 and 1998 (the contribution percentage is determined by the Board of Trustees). Pension expense for the years ended December 31, 1999 and 1998 was $59,432 and $51,513, respectively.

7. CONTINGENCIES

A. Government Grants

The Organization received grants that are subject to audit by the federal government. Until such audits have been completed and final settlement reached, there exists a contingency to refund amounts received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

B. Litigation

The Organization has been named as a party in a lawsuit arising in the ordinary course of business. Subsequent to year ending December 1999, the lawsuit had been resolved.

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1995–2000

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