THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Financial Statements and Supplemental Schedules

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

**THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES**

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Independent Auditors' Report

The Board of Commissioners
The Joint Commission on Accreditation of
Healthcare Organizations:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Joint Commission on Accreditation of Healthcare Organizations and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 auditors' 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 entity'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 entity'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 Joint Commission on Accreditation of Healthcare Organizations and Affiliates as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of statement of financial position information and the consolidating schedule of statement of activities information – unrestricted net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

April 24, 2014

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statements of Financial Position

December 31, 2013 and 2012

Assets		**2013**	**2012**
Current assets:			
Cash and cash equivalents	$	35,485,200	34,624,753
Accounts receivable – net of allowance for doubtful accounts of $732,775 and $554,500 in 2013 and 2012, respectively		19,757,941	17,407,234
Pledges receivable		800,000	1,300,000
Inventory – net		590,708	332,086
Prepaid expenses		3,123,072	3,901,657
Total current assets		59,756,921	57,565,730
Pledges receivable noncurrent		191,653	754,532
Investments		140,026,601	120,809,111
Endowment investments		34,627,114	28,465,031
Property and equipment:			
Land		4,204,400	4,204,400
Building		28,495,133	28,214,927
Leasehold improvements, office systems, furniture, and equipment		41,268,977	42,774,770
Total property and equipment		73,968,510	75,194,097
Less accumulated depreciation and amortization		(45,702,555)	(46,882,855)
Total property and equipment – net		28,265,955	28,311,242
Unamortized debt issuance costs		163,322	219,213
Total assets	$	263,031,566	236,124,859
Liabilities and Net Assets			
Current liabilities:			
Current maturity of note payable	$	2,405,000	2,215,000
Accounts payable		9,038,475	10,415,318
Accrued expenses:			
Compensation and benefits		9,228,739	8,805,225
Other expenses		1,602,825	1,903,725
Deferred revenue:			
Accreditation fees and deposits		2,630,846	1,421,932
Publications, educational programs, and other advances		6,142,959	5,601,422
Current portion of accrued postretirement benefits		293,764	403,764
Total current liabilities		31,342,608	30,766,386
Noncurrent liabilities:			
Note payable – less current maturity		11,840,000	14,245,000
Accrued pension and postretirement benefits		4,224,871	12,911,660
Fair value of hedge – interest rate swap		1,082,559	1,611,550
Other noncurrent liabilities		125,628	176,621
Total noncurrent liabilities		17,273,058	28,944,831
Total liabilities		48,615,666	59,711,217
Commitments and contingencies			
Net assets:			
Unrestricted net assets:			
Board-designated funds functioning as endowment		30,063,357	25,271,500
Unrestricted		174,035,495	140,817,809
Temporarily restricted		—	44,408
Permanently restricted net assets – endowment		10,317,048	10,279,925
Total net assets		214,415,900	176,413,642
Total liabilities and net assets	$	263,031,566	236,124,859

See accompanying notes to consolidated financial statements.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statements of Activities

Years ended December 31, 2013 and 2012

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Revenue and other support:				
Annual accreditation subscription fees	$ 72,252,352	—	—	72,252,352
On-site survey fees	76,895,057	—	—	76,895,057
Publications and multimedia	15,282,707	—	—	15,282,707
Educational programs	5,277,724	—	—	5,277,724
Consultative technical assistance	9,271,798	—	—	9,271,798
Continuous service readiness	6,846,372	—	—	6,846,372
Performance measurement activities	3,183,725	—	—	3,183,725
Contributions	—	—	37,123	37,123
Other revenue	10,330,141	143,145	—	10,473,286
Net assets released from restrictions	117,193	(117,193)	—	—
Total revenue and other support	199,457,069	25,952	37,123	199,520,144
Expenses:				
Salaries and benefits	125,190,573	—	—	125,190,573
Travel costs	25,692,306	—	—	25,692,306
Fees and services	15,799,181	—	—	15,799,181
Office expense	7,635,812	—	—	7,635,812
Publishing and printing	3,192,019	—	—	3,192,019
Depreciation and amortization	4,241,733	—	—	4,241,733
Other operating expenses	7,617,109	—	—	7,617,109
Total expenses	189,368,733	—	—	189,368,733
Excess of revenue and other support over expenses before investment income	10,088,336	25,952	37,123	10,151,411
Investment income	8,116,165	—	—	8,116,165
Excess of revenue and other support over expenses	18,204,501	25,952	37,123	18,267,576
Other changes in net assets:				
Net unrealized investment gains (losses)	11,221,685	(70,360)	—	11,151,325
Change in fair value of hedge – interest rate swap	528,991	—	—	528,991
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit expense	8,054,366	—	—	8,054,366
Change in net assets	38,009,543	(44,408)	37,123	38,002,258
Net assets – beginning of year	166,089,309	44,408	10,279,925	176,413,642
Net assets – end of year	$ 204,098,852	—	10,317,048	214,415,900

See accompanying notes to consolidated financial statements.

2012			
Unrestricted	Temporarily restricted	Permanently restricted	Total
64,487,564	—	—	64,487,564
76,860,537	—	—	76,860,537
13,819,067	—	—	13,819,067
4,990,318	—	—	4,990,318
8,216,084	—	—	8,216,084
6,899,876	—	—	6,899,876
3,382,688	—	—	3,382,688
—	—	89,417	89,417
12,229,658	92,537	—	12,322,195
92,537	(92,537)	—	—
190,978,329	—	89,417	191,067,746
116,965,404	—	—	116,965,404
24,432,011	—	—	24,432,011
14,237,540	—	—	14,237,540
7,165,564	—	—	7,165,564
2,936,679	—	—	2,936,679
3,760,653	—	—	3,760,653
6,875,153	—	—	6,875,153
176,373,004	—	—	176,373,004
14,605,325	—	89,417	14,694,742
4,427,615	—	—	4,427,615
19,032,940	—	89,417	19,122,357
8,829,370	24,025	—	8,853,395
345,125	—	—	345,125
22,753	—	—	22,753
28,230,188	24,025	89,417	28,343,630
137,859,121	20,383	10,190,508	148,070,012
166,089,309	44,408	10,279,925	176,413,642

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 38,002,258	28,343,630
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized investment gains, net	(5,065,570)	(1,748,604)
Unrealized investment gains, net	(11,151,325)	(8,853,395)
Change in fair value of hedge – interest rate swap	(528,991)	(345,125)
Change in unrecognized net defined benefit plan costs not yet recognized in net periodic benefit expense	(8,054,366)	(22,753)
Permanently restricted endowment contributions	(37,123)	(89,417)
Depreciation and amortization	4,241,733	3,760,653
Changes in assets and liabilities:		
Accounts receivable	(2,350,707)	19,983
Pledges receivable	1,062,879	1,560,580
Accounts payable and accrued expenses	(1,254,229)	2,355,570
Deferred revenue	1,750,451	894,827
Accrued pension and postretirement benefits	(742,423)	140,231
Other assets and liabilities	468,970	(639,825)
Net cash provided by operating activities	16,341,557	25,376,355
Cash flows from investing activities:		
Purchases of investments	(10,121,972)	(15,673,177)
Sales and maturities of investments	959,294	1,016,795
Additions to property and equipment	(4,140,555)	(5,340,384)
Net cash used in investing activities	(13,303,233)	(19,996,766)
Cash flows from financing activities:		
Permanently restricted endowment contributions	37,123	89,417
Principal payments of note payable	(2,215,000)	(2,040,000)
Net cash used in financing activities	(2,177,877)	(1,950,583)
Net increase in cash and cash equivalents	860,447	3,429,006
Cash and cash equivalents – beginning of year	34,624,753	31,195,747
Cash and cash equivalents – end of year	$ 35,485,200	34,624,753
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 454,027	522,038

See accompanying notes to consolidated financial statements.

(1) Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The Joint Commission on Accreditation of Healthcare Organizations (The Joint Commission) is a not-for-profit organization that seeks to continuously improve healthcare for the public, in collaboration with other stakeholders, by evaluating healthcare organizations and inspiring them to excel in providing safe and effective care of the highest quality and value. Together, annual accreditation subscription fees and on-site survey fees account for the largest portion of The Joint Commission's total revenue.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Joint Commission and its wholly controlled affiliates, Joint Commission Resources, Inc. (JCR) and The Joint Commission Center for Transforming Healthcare (The Center). JCR is a not-for-profit organization that was established for the purpose of independently assisting healthcare organizations, in the United States and in the international community, in improving the safety and quality of their services. JCR accomplishes this objective through the provision of hard copy and electronic publications and periodicals, educational programs, consultative technical assistance, contracted evaluation services, subscription readiness services, and international accreditation. The Center is also a not-for-profit organization. The Center was established for the purpose of applying robust process improvement methods to transform healthcare into a high-reliability industry. The Center accomplishes this objective by developing and disseminating solutions to healthcare's most critical quality and safety problems through collaboration with healthcare organizations. An additional controlled not-for-profit affiliate, JCAHO Surveyor and QHR Consultant Corporation, administers an employment program for The Joint Commission and is also included in the accompanying consolidated financial statements. All intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

(c) Basis of Presentation

The consolidated financial statements of The Joint Commission have been prepared on the accrual basis of accounting. The Joint Commission maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by the donors.

These consolidated financial statements have been prepared to focus on The Joint Commission as a whole and to present balances and transactions classified according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances into three classes of net assets – unrestricted, temporarily restricted, and permanently restricted. Descriptions of the three net asset categories are as follows:

- *Unrestricted* – net assets that are not subject to donor-imposed restrictions. This category includes Board-designated funds functioning as endowment, which represent funds that have been appropriated by the Board of Commissioners of The Joint Commission, the income from which is used in support of the purposes and mission of The Center.

- *Temporarily Restricted* – net assets subject to donor-imposed restrictions that will be met by actions of The Joint Commission or the passage of time.
- *Permanently Restricted* – net assets subject to donor-imposed restriction to be maintained in perpetuity by The Joint Commission. Permanently restricted net assets represent endowment funds received by The Center which must be maintained in perpetuity, the income from which is to be used in support of the purposes and mission of The Center.

Temporarily restricted and permanently restricted net assets consisted of the following at December 31, 2013 and 2012:

		2013		2012	
		Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Detail of net assets:					
Pledges	$	—	991,653	—	2,054,532
Investment return		—	—	44,408	—
Endowment		—	9,325,395	—	8,225,393
Total	$	—	10,317,048	44,408	10,279,925

(d) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

(e) Cash and Cash Equivalents

For purposes of reporting, all cash and investments with a maturity at the date of purchase of three months or less are considered cash and cash equivalents.

(f) Pledges Receivable

The Joint Commission reports unconditional promises to give as contributions. If pledges are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If pledges are to be paid to the organization over a period of years, they are recorded at the present value of their estimated cash flows using a risk-adjusted rate as of the fiscal year-end in the year of donation.

(g) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based primarily on quoted market prices or observable market inputs in the accompanying consolidated statements of financial position. Investments in common and collective trust funds that invest in publicly traded securities are carried at fair value as determined by the fund manager based on The Joint Commission's proportionate interest in the fund at December 31. Interest and dividend income and realized gains and losses on sales of investments are reported as investment income or loss, while unrealized gains (losses) are reported separately in the accompanying consolidated statements of activities as a component of other changes in net assets. Investment return on The Center's endowments is included as other revenue in the accompanying consolidated statements of activities. Long-term investments have maturities of more than one year as of the date of the consolidated statements of financial position.

(h) Publications Inventory

Publications offered for sale or used in educational programs are stated at the lower of cost (first-in, first-out) or market, net of an allowance for excess and obsolete inventory, in the amounts of approximately $7,000 and $44,000 at December 31, 2013 and 2012, respectively.

(i) Property and Equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives using the straight-line method, as follows:

Building	40 years
Office systems, furniture, and equipment	3 – 15 years
Leasehold improvements	Shorter of estimated useful life or lease term

Betterments, improvements, and repairs that extend the useful life of an asset and exceed $1,000 are capitalized. Routine repairs and maintenance are expensed as incurred.

The Joint Commission reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Joint Commission did not recognize any impairment charges in 2013 or 2012.

(j) System Development Costs

The Joint Commission capitalizes certain costs of business systems developed or obtained for internal use. Such system development costs, which include external direct costs of materials and services and payroll costs for employees directly associated with system development projects, are amortized over a three or five-year period using the straight-line method.

(Continued)

(k) Debt Issuance Costs

Financing and other costs incurred in connection with the issuance of long-term debt are amortized over the life of the debt using the effective-interest method.

(l) Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted. Amounts required to be maintained in perpetuity by the donor are reported as permanently restricted net assets.

Contributions, including unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restrictions.

(m) Derivative Instruments and Hedging Activities

The Joint Commission has a derivative financial instrument which is an interest rate swap, in which a counterparty agrees to make variable payments based on a market interest rate (index rate). The fair value of the swap is included in noncurrent liabilities in the accompanying consolidated statements of financial position. The Joint Commission entered into the interest rate swap to hedge its exposure to fluctuations of the variable rate interest payments that relate to The Joint Commission's outstanding variable rate debt. Management reports the change in the fair value of the swap as an other change in unrestricted net assets in the accompanying consolidated statements of activities.

(n) Revenue

Organizations agree to pay a fee in those years in which on-site surveys are conducted. On-site survey fees are recognized in the period when the on-site surveys are conducted. In addition, domestic organizations agree to pay an annual subscription fee for their participation in the ongoing services provided by The Joint Commission. Revenue from annual accreditation subscription fees is recognized ratably over the period to which the subscription fees relate. These services do not constitute separate units of accounting as they are part of a single contractual arrangement and cannot be sold separately or resold by the customer. Fees are based upon estimated costs to be incurred to provide services. Fees are nonrefundable and accreditation is not guaranteed.

Revenue from consultative technical assistance, educational programs, and continuous service readiness is recognized when the related services are provided. Revenue from the sale of publications is recognized when the related goods have been delivered and risk of loss has passed to the customer, persuasive evidence of an arrangement exists, the sales price is determinable, and collection of the related receivable is reasonably assured. Revenue from the sale of multimedia is recognized over the period to which the customer is granted access to the product. Advance collections and deposits are recorded as deferred revenue in the accompanying consolidated statements of financial position.

(o) Income Taxes

The Internal Revenue Service has determined that The Joint Commission and its affiliates are exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Joint Commission and its affiliates are subject to income taxes on income determined to be unrelated business taxable income.

The Joint Commission accounts for income tax uncertainties in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10 (formerly known as FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), which prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Joint Commission has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Joint Commission believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on The Joint Commission's financial condition, results of operations or cash flows. Accordingly, The Joint Commission has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2013 for its United States operations.

The Singapore branch received an initial 5-year exemption from Singapore income taxes. This exemption was granted by Singapore's Economic Development Board (EDB) under the Pioneer Service Incentive Plan (Pioneer). However, in September 2011, JCR's tax exemption in Singapore expired. Since JCR's Pioneer status expired an estimated accrued tax liability has been recorded on a quarterly basis. As of December 31, 2013 and 2012, a tax liability of $36,400 and $71,300 has been recorded in the accompanying consolidated statement of financial position 2013 and 2012 taxes, respectively.

(p) Foreign Currency

Transaction gains and losses resulting from settlements in foreign currency are recorded in the period in which the transaction occurs and are recorded as other revenue in the accompanying consolidated statements of activities. Losses totaling $48,606 and $90,142 were recognized in 2013 and 2012, respectively.

(q) Subsequent Events

The Joint Commission has performed an evaluation of subsequent events through April 24, 2014, which is the date the financial statements were issued.

(Continued)

(2) Note Payable and Interest Rate Swap

In October 1988, The Joint Commission entered into a Financing Agreement (the Agreement) with the City of Elmhurst, Illinois (the City) to finance the acquisition of land and the construction and furnishing of a new office building, as well as costs The Joint Commission might incur in exiting existing long-term lease agreements and in moving its operations to the new facility. Pursuant to the Agreement, the City issued $37,000,000 of its tax-exempt Adjustable Demand Revenue Bonds and used the proceeds to purchase The Joint Commission's Adjustable Demand Note (the Note). The Joint Commission has occupied the office building since April 1990.

Under the terms of the Note, The Joint Commission is required to pay principal and interest in amounts sufficient to cover principal and interest on the bonds issued by the City. As security for the Note and to ensure the City's ability to meet the terms of its related bonds, The Joint Commission provided the City a direct pay letter of credit of $14,521,314. In so doing, The Joint Commission agreed to pay the bank issuance fees as well as an annual fee on the unused portion of the letter of credit, based on a rate schedule that resulted in a rate of 0.19%. In December 2012, the letter of credit was extended and now expires in early 2016 and carries a current rate of 0.4%.

The Joint Commission and JCR are jointly and severally liable for amounts due to the issuing letter-of-credit bank. As security for the letter of credit, The Joint Commission has granted the issuing bank a first mortgage and security interest in virtually all of The Joint Commission's assets. Further, under the terms of the letter-of-credit agreement, The Joint Commission and JCR have agreed to meet various covenants on a consolidated basis, including maintenance of certain financial ratios and a minimum level of cash and investments.

The Note matures on July 1, 2018. Note redemption commenced on July 1, 1994, and will continue pursuant to the terms of the Agreement through maturity. Holders of the bonds have the right to put the bonds prior to maturity. The Joint Commission has an agreement with an underwriter to remarket any put bonds. In the event the agent is unable to remarket the bonds, the bonds become a demand note under the letter of credit with the same principal repayment terms as the Note. The Note is also subject to mandatory redemption upon expiration of the letter of credit unless a suitable alternative letter of credit is in place.

The annual maturities of the Note are as follows:

2014	$	2,405,000
2015		2,610,000
2016		2,830,000
2017		3,070,000
2018		3,330,000
Thereafter		—
Total	$	14,245,000

Interest on the Note is variable and subject to weekly adjustments that parallel fluctuations in the municipal bond market. The effective interest rate on the Note was 0.10% in 2013 and 0.17% in 2012. The interest rate for nonpayment of principal or interest is the prime rate plus 2.00%. Under certain conditions described in the Agreement, The Joint Commission may convert its interest rate on the Note to a fixed interest rate or a floating rate that changes less frequently than weekly.

The Joint Commission utilizes an interest rate swap agreement to reduce the risk associated with the weekly adjustment to the Note's interest rate. The interest rate swap agreement involves a declining notional amount that reflects two-thirds of the remaining principal balance of the Note. The following table summarizes the swap agreement terms in place and fair value during 2013 and 2012:

			Fair value as of December 31	
Notional amount	**Expiration**	**Fixed rate**	**2013**	**2012**
(In millions)				
$12.3 to $9.5	2018	4.88%	$ (1,082,559)	(1,611,550)

The Joint Commission makes monthly payments to a counterparty at a fixed rate of 4.88%, and in return, receives monthly payments based on 67% of a LIBOR index. Management continually monitors the credit rating of the counterparty, which is a large financial institution. Should nonperformance of the counterparty occur, interest costs would fluctuate with the weekly adjustable interest rate under the Note.

The fair value of the swap agreement is the estimated amount that The Joint Commission would have to pay to terminate the agreement as of the consolidated statement of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The fair value of the swap is presented as a noncurrent liability in the accompanying consolidated statements of financial position.

Interest expense totaled $455,900 in 2013 and $526,379 in 2012, inclusive of interest rate swap monthly settlement payments of $434,494 and $493,142 in 2013 and 2012, respectively. Interest expense is included in other operating expenses in the accompanying consolidated statements of activities. The change in the fair value of the interest rate swap was decrease of $528,991 in 2013 and $345,125 in 2012. The change in interest rate swap is included in other changes in net assets in the accompanying consolidated statements of activities.

The estimated fair value of debt obligations, as determined by The Joint Commission's bond remarketing agent, approximates the carrying value at December 31, 2013 and 2012.

(3) Leases

The Joint Commission primarily leases office space, printers, and copiers under operating lease arrangements. Lease terms generally range from three to six years and contain renewal or purchase options. The Joint Commission also leases office space in Washington, DC. During 2004, in connection with the relocation of its headquarters, JCR entered into a ten and one-half year operating lease for office space that includes a renewal option and scheduled rent increases. In late 2007, the agreement was expanded to include additional office space and extended the current lease through early 2019. Rent expense is recognized over the life of the lease using the straight-line method. There are no leases that contain restrictions on The Joint Commission's ability to incur additional debt or engage in further leasing activities. JCR also leases office space in Dubai and Singapore. Obligations in foreign currency are reflected in U.S. dollars as of December 31, 2013. Such obligations are subject to foreign currency exchange risk.

Rent expense related to operating lease agreements was $1,710,494 in 2013 and $1,651,064 in 2012.

Obligations under operating leases having initial terms in excess of one year at current rates are as follows:

2014	$	1,516,238
2015		1,566,236
2016		1,297,482
2017		1,304,380
2018		1,311,462
Thereafter		147,506
Total	$	7,143,304

(4) Investments

The following table summarizes the types of investments and total return on investments as of and for the years ended December 31, 2013 and 2012:

		2013	2012
Type of investments:			
Common and collective trust funds	$	29,308,025	64,907,984
Corporate bonds and bond funds		69,828,304	29,429,510
Common stock and stock funds		75,517,386	54,936,648
Total investments – at fair value	$	174,653,715	149,274,142
Return on investments:			
Interest income and dividends	$	3,467,791	2,964,588
Realized gains on sale of investments, net		5,065,570	1,748,604
Unrealized gains (losses), net		11,151,325	8,853,395
Total return on investments	$	19,684,686	13,566,587
Reported as:			
Other revenue	$	417,196	285,577
Investment income		8,116,165	4,427,615
Net unrealized investment gains (losses)		11,151,325	8,853,395
Total return on investments	$	19,684,686	13,566,587

(5) Fair Value of Financial Instruments

The Joint Commission accounts for its financial instruments in accordance with the fair value disclosure requirements of U.S. generally accepted accounting principles, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: quoted market prices in active markets for identical assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for an asset or liability (Level 3).

The Joint Commission's financial instruments, including cash equivalents, accounts receivable, accounts payable, accrued expenses, and deferred revenues, are carried at historical cost, which approximates their fair values because of the short-term nature of these instruments. The carrying value of the note payable approximates its fair value based on the variable interest rate for the note.

The following methods and assumptions are used to estimate the fair value of The Joint Commission's financial instruments:

Money market funds are carried at cost as an approximation of fair value.

Fixed maturity investments and equity securities are carried at fair value, based upon quoted market prices or on estimated values if they are not actively traded. In some cases where a market price is not available, The Joint Commission will make use of acceptable expedients (such as matrix pricing) to estimate fair value.

Corporate bonds and alternative investment funds are carried at estimated fair value, based upon the reporting entity's own assumptions concerning the assumptions that the market participants would use in pricing the asset, such as matrix pricing and investment manager pricing.

Interest rate swap is carried at the estimated fair value, based upon the good faith estimate of the mid-market value of the position which is based on estimated or actual bids and offers for the position.

Level 3 investments consist of a global long/short equity hedge fund which carries approximately 88% of its investments in the Master Segregated Portfolio, 8% in Healthcare Segregated Portfolio, and 4% in other investments. Both the Master Segregated and Healthcare Portfolios are valued based on observable data such as ongoing redemption and subscription activity in which the investment manager used published net asset value (NAV) to estimate fair value. The other investments include limited liquidity investments, external third-party investment funds, and investment funds managed by the investment manager through segregated portfolio companies which hold restricted securities and where less observable data are visible. The investment manager used published NAV or evaluated features and restrictions that applied to each specific investment in order to estimate fair value.

The Joint Commission's cash equivalents, investments, and interest rate swap liability are accounted for at fair value using the fair value hierarchy as follows:

		December 31, 2013		
		Level 1	**Level 2**	**Level 3**
Cash equivalents	$	—	4,611,945	—
Investments:				
Common and collective trust funds:				
U.S. small cap equity fund	$	—	8,919,903	—
Long/short equity hedge fund		—	—	11,973,054
U.S. small and mid cap equity fund		7,797,890	—	—
Hedge funds		470,908	—	—
Hard assets fund		146,270	—	—
Corporate bonds and bond funds:				
Fixed income bond funds		68,955,648	872,656	—
Common stock and stock funds:				
U.S. large cap equity fund		35,522,013	7,270	—
U.S. mid cap equity fund		230,728	—	—
International equity fund		39,757,375	—	—
Total investments – at fair value	$	152,880,832	9,799,829	11,973,054
Interest rate swap liability	$	—	1,082,559	—

		December 31, 2012		
		Level 1	Level 2	Level 3
Cash equivalents	$	—	4,165,219	—
Investments:				
Common and collective trust funds:				
U.S. small cap equity fund	$	—	9,613,519	—
Long/short equity hedge fund		—	—	9,912,939
Real estate fund		36,414	—	—
Hedge funds		305,134	—	—
Hard assets fund		159,812	—	—
Fixed income fund		—	—	44,880,166
Corporate bonds and bond funds:				
Fixed income bond funds		28,465,032	964,478	—
Common stock and stock funds:				
U.S. large cap equity fund		24,395,804	—	—
U.S. mid cap equity fund		200,357	—	—
International equity fund		24,118,934	—	—
U.S. small and mid cap common stock		6,221,553	—	—
Total investments – at fair value	$	83,903,040	10,577,997	54,793,105
Interest rate swap liability	$	—	1,611,550	—

Changes in Level 3 assets and liabilities measured at fair value for the years ended December 31, 2013 and 2012 are as follows:

		Balance as of December 31, 2012	Net transfers in (out)	Purchases and sales, net	Realized and unrealized gains and (losses)	Balance as of December 31, 2013
Long/short equity hedge fund	$	9,912,939	—	—	2,060,115	11,973,054
Fixed income fund		44,880,166	(43,100,922)	—	(1,779,244)	—

		Balance as of December 31, 2011	Net transfers in (out)	Purchases and sales, net	Realized and unrealized gains and (losses)	Balance as of December 31, 2012
Long/short equity hedge fund	$	—	—	9,800,000	112,939	9,912,939
Fixed income fund		53,452,725	—	(9,454,703)	882,144	44,880,166

Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or change in circumstance that caused the transfer. During 2013 and 2012, there were no transfers between levels of the fair value hierarchy.

Common and collective trust funds include funds totaling $8,919,903 and $9,613,519 at December 31, 2013 and 2012, respectively, of investments that provide for monthly liquidity. All other funds provide for daily liquidity.

(6) Retirement Plans and Other Postretirement Benefits

The Joint Commission has a noncontributory account-based defined benefit pension plan (the Pension Plan) that covers substantially all of its employees. The Joint Commission's funding policy is to contribute to the Pension Plan an annual amount necessary to meet or exceed the minimum funding standards under the Employee Retirement Income Security Act.

The Joint Commission also sponsors nonqualified supplemental defined benefit retirement plans for certain key executives (the Supplemental Plans). Benefit cost under the Supplemental Plans is accrued based on actuarial estimates over the expected service period of key executives. The Supplemental Plans are not funded; however, marketable securities totaling $3,813,391 and $3,394,568 at December 31, 2013 and 2012, respectively, were designated for the payment of benefits under the Supplemental Plans when due. Management expects to contribute amounts sufficient to pay benefits when due under the Supplemental Plans. The Joint Commission also provides certain executives with defined benefit postretirement healthcare benefits on an unfunded basis. The amounts included in "Other benefits" in the following tables include the Supplemental Plans and the defined benefit postretirement healthcare benefits.

The following tables set forth information on the funded status, amounts recognized in the accompanying consolidated financial statements, and weighted average assumptions related to The Joint Commission's Pension Plan and other postretirement defined benefit plans for the years ended December 31, 2013 and 2012:

	Pension Plan		Other benefits	
	2013	2012	2013	2012
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$ 67,841,839	58,620,080	3,034,084	3,582,561
Service cost	3,848,214	3,508,756	606,059	652,756
Interest cost	2,311,114	2,363,562	92,387	103,886
Actuarial loss (gain)	(3,030,315)	5,598,250	156,798	(157,227)
Benefits paid	(3,765,399)	(2,248,809)	(479,327)	(1,147,892)
Projected benefit obligation at end of year	$ 67,205,453	67,841,839	3,410,001	3,034,084

	Pension Plan		Other benefits	
	2013	**2012**	**2013**	**2012**
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	$ 57,560,500	49,004,695		
Actual gain on plan assets	7,501,718	7,064,715		
Employer contributions	4,800,000	3,739,899		
Benefits paid	(3,765,399)	(2,248,809)		
Fair value of plan assets at end of year	$ 66,096,819	57,560,500		
Funded status	$ (1,108,634)	(10,281,339)		
Amounts recognized in the consolidated statements of financial position consist of:				
Current liabilities	$ —	—	(293,764)	(403,764)
Noncurrent liabilities	(1,108,634)	(10,281,339)	(3,116,237)	(2,630,321)
Accumulated charge to unrestricted net assets	14,393,044	22,593,179	340,250	194,481
	$ 13,284,410	12,311,840	(3,069,751)	(2,839,604)

The accumulated charge to unrestricted net assets as of December 31, 2013 and 2012 represents charges arising from the defined benefit plans, but not yet recognized as components of net periodic benefit expense. The accumulated charge to unrestricted net assets at December 31, 2013 of $14,733,294 represents unrecognized net actuarial losses. During 2014, approximately $851,000 is expected to be reclassified from the accumulated charge to unrestricted net assets for defined benefit plans to pension benefit expense.

The accumulated charge to unrestricted net assets at December 31, 2012 of $22,787,660 represents $22,787,660 of unrecognized net actuarial losses. During 2013, approximately $1,669,000 was expected to be reclassified from the accumulated charge to unrestricted net assets for defined benefit plans to pension benefit expense.

The accumulated benefit obligation for the Pension Plan was $65,192,245 and $64,817,735 at December 31, 2013 and 2012, respectively.

Net periodic benefit cost, which is calculated using the projected unit credit method, for the years ended December 31, 2013 and 2012 included the following components:

	Pension Plan		Other benefits	
	2013	**2012**	**2013**	**2012**
Components of net periodic benefit cost:				
Service cost	$ 3,848,214	3,508,756	606,059	652,756
Interest cost	2,311,114	2,363,562	92,387	103,886
Expected return on plan assets	(4,180,028)	(3,665,574)	—	—
Net amortization of actuarial losses and prior service cost	1,848,130	1,935,347	11,028	(3,700)
Settlement	—	—	—	132,989
Net periodic benefit cost	$ 3,827,430	4,142,091	709,474	885,931

	Pension Plan		Other benefits	
	2013	**2012**	**2013**	**2012**
Weighted average assumptions:				
Discount rate used to determine obligations at year-end	4.50%	3.50%	4.50%	3.50%
Discount rate used to determine net periodic benefit cost	3.50	4.00	3.50	4.00
Rate of compensation increase	4.00	4.00	4.00	4.00
Expected return on plan assets	7.50	7.50	—	—

The assumed healthcare trend rates for the postretirement medical benefits were 9% grading to 5% for 2013 and 2012. A one-percentage point change in the healthcare cost trend rate assumptions would have had an effect on the projected benefit obligations as of January 1, 2013 ranging from an increase of $250 to a decrease of $250 and on cost for fiscal 2013 ranging from an increase of $9 to a decrease of $9. Actuarial gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, are amortized over the expected future service period. Prior service cost is amortized over the expected future service period.

The Pension Plan's assets are invested according to target allocations, as outlined in the table below. Management seeks to maximize return with a minimal amount of risk by diversifying the risks of the portfolio over different industries and sectors. Management reviews this investment policy on an ongoing basis.

Asset category	Target allocation	Percentage of plan assets at December 31 2013	Percentage of plan assets at December 31 2012
Equity securities	40% – 70%	66%	61%
Debt securities	30 – 55	29	34
Real estate	0 – 7	5	5
Total		100%	100%

The expected return on plan assets, using a rate assumption of 7.5%, is based upon the average income that management anticipates a portfolio allocated according to The Joint Commission's target asset allocation will earn. Management monitors this assumption on an ongoing basis.

For the year ending December 31, 2013, there is no minimum funding requirement for the Pension Plan; however, management expects to contribute $3,200,000 to the Pension Plan. Estimated future benefit payments from the Pension Plan are as follows:

2014	$	4,400,000
2015		4,200,000
2016		4,400,000
2017		4,700,000
2018		5,200,000
2019 through 2023		28,800,000
Total	$	51,700,000

The following methods and assumptions are used to estimate the fair value of the Pension Plan's investments:

Fixed maturity investments and equity securities are carried at fair value, based upon quoted market prices or on estimated values if they are not actively traded. In some cases where a market price is not available, The Joint Commission will make use of acceptable expedients (such as matrix pricing) to estimate fair value.

Corporate bonds and alternative investment funds are carried at estimated fair value, based upon the reporting entity's own assumptions concerning the assumptions that the market participants would use in pricing the asset, such as matrix pricing and investment manager pricing.

Level 1 real estate fund investments are securities carried at fair value, based upon quoted market prices.

(Continued)

The following tables summarizes the Pension Plan's investments accounted for at fair value at December 31, 2013 and 2012 using the fair value hierarchy as described in note 5:

	December 31, 2013		
	Level 1	Level 2	Level 3
Investments:			
Mutual funds:			
U.S. large cap equity fund	$ 12,377,067	—	—
International equity fund	21,763,768	—	—
Common and collective trust funds:			
U.S. small cap equity fund	—	4,870,395	—
Long-duration fixed income fund	—	19,145,186	—
Short-term equity fund	—	111,460	—
Real estate fund	3,499,872	—	—
U.S. small-med cap common stock	4,329,071	—	—
Total investments at fair value	$ 41,969,778	24,127,041	—

	December 31, 2012		
	Level 1	Level 2	Level 3
Investments:			
Mutual funds:			
U.S. large cap equity fund	$ 9,481,364	—	—
International equity fund	18,657,382	—	—
Common and collective trust funds:			
U.S. small cap equity fund	—	3,618,930	—
Long-duration fixed income fund	—	19,444,566	—
Short-term equity fund	—	162,692	—
Real estate fund	3,123,917	—	—
U.S. small-med cap common stock	3,071,649	—	—
Total investments at fair value	$ 34,334,312	23,226,188	—

The Joint Commission expects to designate an additional $280,000 in marketable securities during 2014 for the Supplemental Plans. Estimated annual future benefit payments from the Supplemental Plans are anticipated to range from $23,000 to $1,041,000 during the period from 2015 through 2018 and are expected to total $1,754,000 during the period from 2019 through 2023. The benefit payments during 2014 are expected to total $293,764 and are classified as current liabilities in the accompanying 2013 consolidated statement of financial position.

The Joint Commission also sponsors a 401(k) Smart Saver Plan whereby employees may contribute a portion of current earnings, up to certain limits established by the Internal Revenue Service, to the plan and The Joint Commission makes a matching contribution equal to 50% of the first 6% of annual salary contributed by the employee. The Joint Commission's expense under this plan was limited to its contributions, which was $2,080,440 in 2013 and $1,949,219 in 2012. The Joint Commission funds this plan on a current basis.

(7) Permanent Endowment Funds

Endowment fund agreements are between The Center and various donors. The Center and its endowment funds are managed by The Joint Commission. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by The Joint Commission's Board of Commissioners to function as endowment funds, are classified and reported based on the existence of donor-imposed restrictions.

In the investment and handling of funds, The Joint Commission is subject to the law of Illinois, *The Uniform Prudent Management of Institutional Funds Act* (UPMIFA), which became effective June 30, 2009. The Board of Commissioners of The Joint Commission has interpreted UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted endowment contributions absent explicit donor stipulations to the contrary. As a result of this interpretation, The Joint Commission classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The endowment fund was established with the intent of maintaining the fund permanently to fund the activities of The Center. However, if such permanent status becomes impractical or unwise, the fund may be more expeditiously used in total to further the purposes of The Center. Any expenditure of permanent endowment must be approved by The Center's Board of Directors. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The uses, benefits, purposes, and duration for which the endowment fund was established

(2) The duration and preservation of the fund

(3) The purposes of the organization and the donor-restricted endowment fund

(4) General economic conditions

(5) The possible effect of inflation and deflation

(6) The expected total return from income and the appreciation of investments

(7) Other resources of the organization

(8) The investment policies of the organization.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that UPMIFA requires The Center to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. Any deficiencies of this nature are reported in unrestricted net assets. There were $25,951 of such deficiencies as of December 31, 2013 and none as of December 31, 2012.

The Center has adopted an investment policy for endowment assets that attempts to provide a reasonably predictable stream of funding to support its activities while seeking to preserve capital. Endowment assets include those assets of donor-restricted funds that The Center must hold in perpetuity and for a term-specified period. The Center's policy requires assets to be invested in a manner that strives to produce results that exceed a passively invested benchmark composed of 70% Barclays Global Aggregate Index and 30% MSCI ACNI over a complete market cycle. The Center expects that its endowment assets, under the current strategy, will produce an average rate of return of 3% – 4% annually. Actual returns in any given year may vary from this amount.

To satisfy its current rate of return objective, The Center relies on a strategy in which investment returns are achieved primarily through interest income and modest capital appreciation through investment in equity securities.

The Center has established the objective of using the appreciation and investment income on endowment assets to fund The Center's activities. Any return that is not required to meet spending shall be retained in the endowment funds and invested in accordance with the investment guidelines, until its expenditure is needed. However, the level of assets as of December 31, 2013 coupled with the current return objectives are insufficient to generate the level of income needed to fully fund the planned activities. As a consequence, The Center will need to obtain funds from The Joint Commission until endowment assets reach a level that will permit greater emphasis on equity-based investments with prudent risk constraints.

The Center received no donor-restricted endowment pledges in 2013. The Center received installment payments on total pledges in the amount of $1,100,000 in 2013 and $1,650,000 in 2012. The remaining installments are expected in 2014 through 2015. Pledge amounts due in excess of one year after December 31, 2013 have been discounted to net realizable value at a discount rate of 3.25%.

Permanently restricted pledge installments are scheduled to be received as follows:

2014	$	800,000
2015		200,000
Less discount on pledges		(8,347)
Total	$	991,653

The Joint Commission has provided equity capital of $25,000,000 to The Center; $8,900,000 of which was paid in 2009, $1,100,000 paid in January 2010, $10,000,000 paid in September 2012, and $5,000,000 paid in January 2013. Additionally, The Joint Commission has committed to providing additional equity capital of $5,000,000 to The Center payable in March 2014. The Joint Commission equity capital is reported as board-designated funds functioning as endowment in the accompanying consolidated statements of financial position. Furthermore, The Joint Commission has provided $9,775,000 of unrestricted funding to The Center used to support its operating deficit and future operations of which $5,000,000 in 2011, $1,575,000 in 2012, and $3,200,000 in 2013 was paid. The Joint Commission has committed an additional unrestricted funding of $3,400,000 which was paid in March 2014.

Changes in the fair value of The Center's endowment cash and investments and net assets by type of fund were as follows for the year ended December 31, 2013:

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Investment return:				
Endowment yield (interest and dividends)	$ 468,340	165,244	—	633,584
Unrealized losses on investments	(234,094)	(44,408)	—	(278,502)
Total investment return	234,246	120,836	—	355,082
Endowment (payout) transfer in	(151,415)	(165,244)	—	(316,659)
Net investment return	82,831	(44,408)	—	38,423
Other changes in endowment investments:				
Gifts and pledge payments received in cash	5,000,000	—	1,100,000	6,100,000
Transfers to create funds functioning as endowment and other changes	—	—	—	—
Total other changes in endowment investments	5,000,000	—	1,100,000	6,100,000
Net change in endowment investments	5,082,831	(44,408)	1,100,000	6,138,423
Endowment investments at:				
Beginning of year	20,891,292	44,408	8,225,000	29,160,700
End of year	$ 25,974,123	—	9,325,000	35,299,123

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets by type of fund:				
Donor-restricted endowment	$ —	—	9,325,000	9,325,000
Investment return	974,123	—	—	974,123
Board-designated funds functioning as endowment	25,000,000	—	—	25,000,000
Total – as above	25,974,123	—	9,325,000	35,299,123
Transfer to unrestricted operating fund	(910,766)	—	—	(910,766)
Total net assets	$ 25,063,357	—	9,325,000	34,388,357

Changes in the fair value of The Center's endowment cash and investments and net assets by type of fund were as follows for the year ended December 31, 2012:

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Investment return:				
Endowment yield (interest and dividends)	$ 199,962	111,537	—	311,499
Unrealized gains on investments	9,427	24,025	—	33,452
Total investment return	209,389	135,562	—	344,951
Endowment (payout) transfer in	99,563	(111,537)	—	(11,974)
Net investment return	308,952	24,025	—	332,977
Other changes in endowment investments:				
Gifts and pledge payments received in cash	10,000,000	—	1,650,000	11,650,000
Transfers to create funds functioning as endowment and other changes	—	—	—	—
Total other changes in endowment investments	10,000,000	—	1,650,000	11,650,000
Net change in endowment investments	10,308,952	24,025	1,650,000	11,982,977
Endowment investments at:				
Beginning of year	10,582,340	20,383	6,575,000	17,177,723
End of year	$ 20,891,292	44,408	8,225,000	29,160,700

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets by type of fund:				
Donor-restricted endowment	$ —	—	8,225,000	8,225,000
Investment return	891,292	44,408	—	935,700
Board-designated funds functioning as endowment	20,000,000	—	—	20,000,000
Total – as above	20,891,292	44,408	8,225,000	29,160,700
Transfer to unrestricted operating fund	(619,792)	—	—	(619,792)
Total net assets	$ 20,271,500	44,408	8,225,000	28,540,908

(8) Functional Expenses

The Joint Commission provides services and products which promote patient safety and quality in the delivery of healthcare services. Expenses related to providing these services and products approximated 80% of total expenses in 2013 and 78% of total expenses in 2012. Expenses incurred were for:

	Program services		Management and general		Total	
	2013	2012	2013	2012	2013	2012
Salaries and benefits	$ 101,465,252	95,024,705	23,725,321	21,940,699	125,190,573	116,965,404
Travel costs	25,043,077	23,782,286	649,229	649,725	25,692,306	24,432,011
Fees and services	11,483,044	7,733,080	4,316,137	6,504,460	15,799,181	14,237,540
Office expenses	3,992,997	3,792,711	3,642,815	3,372,853	7,635,812	7,165,564
Publishing and printing	2,884,813	2,599,659	307,206	337,020	3,192,019	2,936,679
Depreciation and amortization	1,518,663	1,034,737	2,723,070	2,725,916	4,241,733	3,760,653
Other operating expenses	4,623,044	3,764,084	2,994,065	3,111,069	7,617,109	6,875,153
Total expenses	$ 151,010,890	137,731,262	38,357,843	38,641,742	189,368,733	176,373,004

(9) Commitments and Contingencies

The Joint Commission is subject to legal proceedings and regulatory investigations arising in the course of its normal business activities. In the opinion of management, any such matters will be resolved without material adverse effect on The Joint Commission's financial position or results of operations.

(10) Subsequent Event

On March 17, 2014, JCR entered into a joint venture agreement with a corporation in Hong Kong (joint venture partner) whereby JCR will acquire a 49% ownership interest in a newly formed entity, which will be created to further JCR's mission in China. In accordance with the agreement, the joint venture partner will provide the initial capital and operational support for the newly formed entity, and JCR will grant the limited use of its trademark and other intellectual property. JCR expects to account for its share of the joint venture under the equity method of accounting.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidating Schedule of Statement of Financial Position Information

December 31, 2013

	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Intercompany eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 24,390,914	10,065,569	1,028,717	—	35,485,200
Accounts receivable – net of allowance for doubtful accounts of $732,775	14,073,029	11,004,298	3,489,918	(8,809,304)	19,757,941
Pledges receivable	—	—	5,800,000	(5,000,000)	800,000
Inventory – net	11,028	579,680	—	—	590,708
Prepaid expenses	1,839,697	1,505,665	2,765	(225,055)	3,123,072
Total current assets	40,314,668	23,155,212	10,321,400	(14,034,359)	59,756,921
Pledges receivable noncurrent	—	—	191,653	—	191,653
Investments	120,232,712	19,793,889	—	—	140,026,601
Endowment investments	—	—	34,627,114	—	34,627,114
Property and equipment:					
Land	4,204,400	—	—	—	4,204,400
Building	28,495,133	—	—	—	28,495,133
Leasehold improvements, office systems, furniture, and equipment	32,449,988	8,041,606	777,383	—	41,268,977
Total property and equipment	65,149,521	8,041,606	777,383	—	73,968,510
Less accumulated depreciation and amortization	(40,686,306)	(4,809,581)	(206,668)	—	(45,702,555)
Total property and equipment – net	24,463,215	3,232,025	570,715	—	28,265,955
Unamortized debt issuance costs	163,322	—	—	—	163,322
Total assets	$ 185,173,917	46,181,126	45,710,882	(14,034,359)	263,031,566
Liabilities and Net Assets					
Current liabilities:					
Current maturity of note payable	$ 2,405,000	—	—	—	2,405,000
Accounts payable	14,038,018	8,489,034	320,727	(13,809,304)	9,038,475
Accrued expenses:					
Compensation and benefits	7,163,231	1,939,932	125,576	—	9,228,739
Other expenses	966,237	627,312	9,276	—	1,602,825
Deferred revenue:					
Accreditation fees and deposits	1,796,550	834,296	—	—	2,630,846
Publications, educational programs, and other advances	377,178	5,901,406	89,430	(225,055)	6,142,959
Current portion of accrued postretirement benefits	253,764	40,000	—	—	293,764
Total current liabilities	26,999,978	17,831,980	545,009	(14,034,359)	31,342,608
Noncurrent liabilities:					
Note payable – less current maturity	11,840,000	—	—	—	11,840,000
Accrued pension and postretirement benefits	3,236,713	988,158	—	—	4,224,871
Fair value of hedge – interest rate swap	1,082,559	—	—	—	1,082,559
Other noncurrent liabilities	125,628	—	—	—	125,628
Total noncurrent liabilities	16,284,900	988,158	—	—	17,273,058
Total liabilities	43,284,878	18,820,138	545,009	(14,034,359)	48,615,666
Commitments and contingencies					
Net assets:					
Unrestricted net assets:					
Board-designated funds functioning as endowment	—	—	30,063,357	—	30,063,357
Unrestricted	141,889,039	27,360,988	4,785,468	—	174,035,495
Permanently restricted net assets – endowment	—	—	10,317,048	—	10,317,048
Total net assets	141,889,039	27,360,988	45,165,873	—	214,415,900
Total liabilities and net assets	$ 185,173,917	46,181,126	45,710,882	(14,034,359)	263,031,566

See accompanying independent auditors' report.

THE JOINT COMMISSION ON ACCREDITATION OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidating Schedule of Statement of Activities Information – Unrestricted Net Assets

Year ended December 31, 2013

	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Intercompany eliminations	Consolidated
Revenue:					
Annual accreditation subscription fees	$ 72,252,352	—	—	—	72,252,352
On-site survey fees	66,611,549	10,283,508	—	—	76,895,057
Publications and multimedia	—	15,282,707	—	—	15,282,707
Educational programs	—	5,277,724	—	—	5,277,724
Consultative technical assistance	—	9,271,798	—	—	9,271,798
Continuous service readiness	—	6,846,372	—	—	6,846,372
Performance measurement activities	3,183,725	—	—	—	3,183,725
Other revenue	8,283,926	8,131,000	561,851	(6,529,443)	10,447,334
Total revenue	150,331,552	55,093,109	561,851	(6,529,443)	199,457,069
Expenses:					
Salaries and benefits	98,025,012	25,523,408	1,642,153	—	125,190,573
Travel costs	22,426,660	3,140,053	125,593	—	25,692,306
Fees and services	7,885,352	12,932,459	1,510,813	(6,529,443)	15,799,181
Office expense	5,072,511	2,537,316	25,985	—	7,635,812
Publishing and printing	1,242,812	1,860,071	89,136	—	3,192,019
Depreciation and amortization	3,148,526	981,506	111,701	—	4,241,733
Other operating expenses	4,981,326	2,578,081	57,702	—	7,617,109
Total expenses	142,782,199	49,552,894	3,563,083	(6,529,443)	189,368,733
Excess (deficiency) of revenue over expenses before investment income	7,549,353	5,540,215	(3,001,232)	—	10,088,336
Investment income	6,699,249	1,222,627	194,289	—	8,116,165
Excess (deficiency) of revenue over expenses	14,248,602	6,762,842	(2,806,943)	—	18,204,501
Other changes in unrestricted net assets:					
Net unrealized investment gains (losses)	9,718,518	1,781,670	(278,503)	—	11,221,685
Change in fair value of hedge – interest rate swap	528,991	—	—	—	528,991
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit cost	8,025,375	28,991	—	—	8,054,366
Transfer of net assets to parent company	3,058,444	(3,058,444)	—	—	—
Transfer of net assets from parent company	(3,060,927)	3,060,927	—	—	—
Operating pledge from parent company designated as unrestricted	(3,400,000)	—	3,400,000	—	—
Board-designated funds functioning as endowment	(5,000,000)	—	5,000,000	—	—
Change in unrestricted net assets	24,119,003	8,575,986	5,314,554	—	38,009,543
Unrestricted net assets – beginning of year	117,770,036	18,785,002	29,534,271	—	166,089,309
Unrestricted net assets – end of year	$ 141,889,039	27,360,988	34,848,825	—	204,098,852

See accompanying independent auditors' report.