THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Financial Statements and Supplemental Schedules

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

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

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Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Joint Commission on Accreditation of Healthcare Organizations and Affiliates (The Joint Commission), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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 Consolidated 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, 2018 and 2017, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(u) to the consolidated financial statements, in 2018, The Joint Commission adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating schedule of statement of financial position information and the consolidating schedule of statement of activities information – net assets without donor restrictions 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 taken as a whole.

KPMG LLP

Chicago, Illinois
April 25, 2019

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statements of Financial Position

December 31, 2018 and 2017

Assets		**2018**	**2017**
Current assets:			
Cash, cash equivalents, and restricted cash	$	37,489,770	36,674,607
Accounts receivable – net of allowance for doubtful accounts of $336,100 and $440,435 in 2018 and 2017, respectively		21,618,314	18,468,413
Inventory – net		385,976	265,241
Prepaid expenses		4,224,144	4,775,923
Total current assets		63,718,204	60,184,184
Investments		180,482,873	190,212,921
Endowment investments		38,957,515	42,603,462
Property and equipment:			
Land		4,204,400	4,204,400
Building		45,188,378	45,154,328
Leasehold improvements, office systems, furniture, and equipment		48,797,552	54,489,188
Total property and equipment		98,190,330	103,847,916
Less accumulated depreciation and amortization		(55,645,756)	(60,756,650)
Total property and equipment – net		42,544,574	43,091,266
Total assets	$	325,703,166	336,091,833
Liabilities and Net Assets			
Current liabilities:			
Current maturity of notes payable, net	$	1,075,000	4,393,642
Accounts payable		8,750,592	10,151,172
Accrued expenses:			
Compensation and benefits		8,633,025	9,312,744
Other expenses		3,507,786	1,124,069
Deferred revenue:			
Accreditation fees and deposits		3,545,773	4,213,404
Publications, educational programs, and other advances		6,779,055	6,586,922
Current portion of fair value of hedge – interest rate swap		—	48,953
Current portion of accrued pension and postretirement benefits		1,194,000	1,574,000
Other current liabilities		—	5,192
Total current liabilities		33,485,231	37,410,098
Noncurrent liabilities:			
Notes payable – less current maturity and unamortized debt issuance costs of $139,904 and $169,039 in 2018 and 2017, respectively		11,635,096	12,680,961
Accrued pension and postretirement benefits		13,350,832	9,316,086
Total noncurrent liabilities		24,985,928	21,997,047
Total liabilities		58,471,159	59,407,145
Net assets:			
Without donor restrictions:			
Board-designated funds functioning as endowment		29,111,410	30,749,502
Undesignated		228,020,218	235,265,570
With donor restrictions – endowment		10,100,379	10,669,616
Total net assets		267,232,007	276,684,688
Total liabilities and net assets	$	325,703,166	336,091,833

See accompanying notes to consolidated financial statements.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statement of Activities

Year ended December 31, 2018

		2018	
	Without donor restrictions	**With donor restrictions**	**Total**
Revenue and other support:			
Annual accreditation subscription fees	$ 85,107,539	—	85,107,539
On-site survey fees	95,500,218	—	95,500,218
Publications and multimedia	18,605,450	—	18,605,450
Educational programs	7,835,151	—	7,835,151
Consultative technical assistance	14,639,193	—	14,639,193
Continuous service readiness	5,587,222	—	5,587,222
Performance measurement activities	3,981,890	—	3,981,890
Other revenue	5,578,898	1,780,130	7,359,028
Net assets released from restrictions	1,780,130	(1,780,130)	—
Total revenue and other support	238,615,691	—	238,615,691
Expenses:			
Salaries and benefits	153,646,538	—	153,646,538
Travel costs	31,383,340	—	31,383,340
Fees and services	20,418,416	—	20,418,416
Office expense	9,322,282	—	9,322,282
Publishing and printing	2,311,123	—	2,311,123
Depreciation and amortization	6,516,621	—	6,516,621
Other operating expenses	8,576,495	—	8,576,495
Total expenses	232,174,815	—	232,174,815
Excess of revenue and other support over expenses before investment income	6,440,876	—	6,440,876
Investment income	8,711,259	—	8,711,259
Excess of revenue and other support over expenses	15,152,135	—	15,152,135
Other changes in net assets:			
Change in net unrealized investment gains and losses	(19,492,078)	(569,237)	(20,061,315)
Change in fair value of hedge – interest rate swap	48,953	—	48,953
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit expense	(4,592,454)	—	(4,592,454)
Change in net assets	(8,883,444)	(569,237)	(9,452,681)
Net assets – beginning of year	266,015,072	10,669,616	276,684,688
Net assets – end of year	$ 257,131,628	10,100,379	267,232,007

See accompanying notes to consolidated financial statements.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statement of Activities

Year ended December 31, 2017

	2017		
	Without donor restrictions	**With donor restrictions**	**Total**
Revenue and other support:			
Annual accreditation subscription fees	$ 78,667,689	—	78,667,689
On-site survey fees	92,087,298	—	92,087,298
Publications and multimedia	17,756,937	—	17,756,937
Educational programs	7,650,729	—	7,650,729
Consultative technical assistance	15,919,647	—	15,919,647
Continuous service readiness	5,467,187	—	5,467,187
Performance measurement activities	3,411,945	—	3,411,945
Other revenue	6,509,202	1,730,149	8,239,351
Net assets released from restrictions	1,730,149	(1,730,149)	—
Total revenue and other support	229,200,783	—	229,200,783
Expenses:			
Salaries and benefits	147,293,934	—	147,293,934
Travel costs	29,191,199	—	29,191,199
Fees and services	19,048,349	—	19,048,349
Office expense	7,738,261	—	7,738,261
Publishing and printing	2,515,161	—	2,515,161
Depreciation and amortization	6,746,218	—	6,746,218
Other operating expenses	9,760,729	—	9,760,729
Total expenses	222,293,851	—	222,293,851
Excess of revenue and other support over expenses before investment income	6,906,932	—	6,906,932
Investment income	12,872,633	—	12,872,633
Excess of revenue and other support over expenses	19,779,565	—	19,779,565
Other changes in net assets:			
Change in net unrealized investment gains and losses	11,648,420	545,050	12,193,470
Change in fair value of hedge – interest rate swap	146,582	—	146,582
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit expense	2,668,819	—	2,668,819
Change in net assets	34,243,386	545,050	34,788,436
Net assets – beginning of year, as reclassified	231,771,686	10,124,566	241,896,252
Net assets – end of year	$ 266,015,072	10,669,616	276,684,688

See accompanying notes to consolidated financial statements.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	(9,452,681)	34,788,436
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Realized investment gains, net		(5,640,420)	(9,858,343)
Change in unrealized investment gains (losses), net		20,061,315	(12,193,470)
Change in fair value of hedge – interest rate swap		(48,953)	(146,582)
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit expense		6,608,685	(2,668,819)
Depreciation and amortization		6,516,621	6,746,218
Changes in assets and liabilities:			
Accounts receivable		(3,149,901)	(1,208,190)
Accounts payable and accrued expenses		(645,802)	301,214
Deferred revenue		(475,498)	(158,750)
Accrued pension and postretirement benefits		(2,953,939)	(427,094)
Other assets and liabilities		425,852	(715,089)
Net cash provided by operating activities		11,245,279	14,459,531
Cash flows from investing activities:			
Purchases of investments		(19,341,232)	(57,100,093)
Sales and maturities of investments		18,296,332	53,462,254
Additions to property and equipment		(4,980,216)	(3,732,392)
Net cash used in investing activities		(6,025,116)	(7,370,231)
Cash flows from financing activities:			
Principal payments of notes payable		(4,405,000)	(4,145,000)
Net cash used in financing activities		(4,405,000)	(4,145,000)
Net increase in cash, cash equivalents, and restricted cash		815,163	2,944,300
Cash, cash equivalents, and restricted cash – beginning of year		36,674,607	33,730,307
Cash, cash equivalents, and restricted cash – end of year	$	37,489,770	36,674,607
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	328,084	502,932
Cash paid during the year for foreign income taxes		55,402	50,116
Fixed asset additions included in accounts payable and accrued expenses		949,220	158,666

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, to improve the safety and quality of their services. JCR accomplishes this objective through the provision of publications and periodicals, educational programs, consultative technical assistance, contracted evaluation services, subscription readiness services, and international accreditation. The Center, a not-for-profit organization, 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 and facilitating their adoption. 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 two classes of net assets – without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- *Without Donor Restrictions* – net assets that are not subject to donor-imposed restrictions and are resources available to support operations. 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.

- *With Donor Restrictions* – net assets subject to donor-imposed restriction for use for a particular purpose. The Joint Commission's unspent contributions are included in this class if the donor limited their use. The Center's donor-restricted endowment funds, which must be maintained in perpetuity with the income from which used in support of the purposes and mission of The Center, are included in net assets with donor restrictions.

  When a donor's restriction is satisfied, either by using the resources in a manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

All revenues and net gains are reported as increases in net assets without donor restrictions in the consolidated statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in the net asses without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

(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, Cash Equivalents, and Restricted Cash

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. Restricted cash represents those amounts required to be to set aside by a contractual agreement or designated by management.

(f) 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 estimated at net asset value (NAV). The NAV reported for each investment is used as the practical expedient to estimate fair value of The Joint Commission's interest therein. 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.

(g) Endowment Investments

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Center's activities.
- Board-designated endowments, which are resources set aside by The Joint Commission's Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted perpetual endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources. Endowment investments are reported at fair value with realized investment changes to fair value reported as investment income, unrealized investment gains (losses) as other changes in net assets, and investment interest as other operating revenue in the consolidated statement of activities. Purchases and sales of investments are reported on the trade date.

The investment and spending policies for the endowment fund are discussed in note 9.

(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 amount of approximately $26,000 and $19,000 at December 31, 2018 and 2017, 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 with a half-year convention in first and last year, as follows:

Building and building improvements	20–40 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

(Continued)

the assets exceeds the fair value of the assets. The Joint Commission did not recognize any impairment charges in either 2018 or 2017.

(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.

(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) Derivative Instruments and Hedging Activities

The Joint Commission had a derivative financial instrument which was an interest rate swap, in which a counterparty agreed to make variable payments based on a market interest rate (index rate), that expired on July 1, 2018. The fair value of the swap is included in current liabilities for 2017 in the accompanying consolidated statement 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 net assets without donor restrictions in the accompanying consolidated statements of activities.

(m) Revenue

All organizations seeking accreditation and certification 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. Management has determined that these ongoing 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, continuous service readiness, and performance measurement activities is recognized when the related services are provided. Revenue from the sale of publications is recognized when the related goods have been shipped and risk of loss has passed to the customer. 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.

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Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performing grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, The Joint Commission's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization.

(n) 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 increases in net assets with donor restrictions. Amounts required to be maintained in perpetuity by the donor are also reported as increases in net assets with donor restrictions.

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, donor-restricted net assets are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

(o) Accrued Vacation

Employees accrue vacation based on tenure and salary base, which results in up to 240 hours of vacation per year. Employees are allowed to accumulate up to 80 hours of their yearly allotment of unused vacation balances as a carry over to future years. As of December 31, 2018 and 2017, accrued vacation obligations were approximately $4,043,000 and $3,609,000, respectively. The Joint Commission's obligation for accrued vacation is included as an accrued liability in the accompanying consolidated statements of financial position and represents the cost of unused employee vacation time payable in the event of employee terminations.

(p) Self-Insurance

The Joint Commission is self-insured for losses and liabilities related primarily to employee health and welfare claims. Provisions for expenses expected under the program are accrued based on the organization's estimate of the aggregate liability for claims incurred. The organization holds a stop-loss policy that limits the maximum liability for benefits payable under such claims. Adjustments to expenses resulting from changes in historical trends have been insignificant for the years ended December 31, 2018 and 2017. Further, The Joint Commission does not anticipate any significant change in trend losses, settlements, or other costs that would cause a significant change in net assets.

(q) Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the consolidated statement of activities and consolidating schedule of statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated to the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and benefits are allocated based on either timecards or activity reports prepared by key personnel.
- Occupancy, depreciation and amortization, bond issuance fees and interest expense are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet charges that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. These management and general activities provide governance, oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment.

(r) Income Taxes

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

The Joint Commission continues to evaluate its tax positions pursuant to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*. As of December 31, 2018 and 2017, The Joint Commission believes it has taken no significant uncertain tax positions.

JCR's Singapore branch is subject to Singapore taxes on its operations. As of December 31, 2018 and 2017, a tax liability of $87,292 and $63,912 have been recorded in other accrued expenses in the accompanying consolidated statements of financial position, respectively.

JCR continuously analyzes its income tax exposure in foreign jurisdictions and is evaluating the potential effect that status changes will have on its financial and business operations, but it does not believe that such future taxes will have a material impact.

The Joint Commission and each of its affiliates have been classified as an organization that is not a private foundation under IRC Section 509(a) and may receive deductible contributions under Section 170(c). Both The Joint Commission and JCR are organizations that normally receive more than 33 1/3% of their support from contributions, membership fees, and gross receipts from activities related

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to its exempt functions and no more than 33 1/3% of its support from gross investment income and unrelated business taxable income under IRC Section 509(a)(2). JCAHO Surveyor and QHR Consultant Corporation is organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purpose of The Joint Commission and JCR under IRC Section 509(a)(3), while The Center is organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purpose of The Joint Commission under IRC Section 509(a)(3).

(s) Federal Excise and Unrelated Business Income Tax

On December 22, 2017, the President signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law includes several provisions that result in substantial changes to the tax treatment of tax-exempt organizations and their donors. The Joint Commission has reviewed these provisions and the potential impact and concluded the enactment of H.R. 1 does not have a material effect on the operations of the organization. As of December 31, 2018, an estimated tax liability under the new law of $307,700 has been recorded in accounts payable in the accompanying consolidated statement of financial position.

(t) 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. Net gains totaling $4,958 and $28,323 were recognized in 2018 and 2017, respectively.

(u) Recently Adopted Accounting Pronouncements

During 2018, The Joint Commission implemented Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and ASU No. 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*, applying the changes retrospectively. The new standards had the following impact on the consolidated financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The consolidated financial statements include a disclosure about liquidity and availability of resources (note 2) and restricted cash and cash equivalents (note 3).
- At December 31, 2018, the classification has changed from unrestricted net assets to net assets with donor restrictions for the $312,979 deficit on an endowment fund that had investments with a fair value of $39,211,790 and an original gift amount of $40,425,395. The organization has disclosed how this underwater situation affects spending from the fund (note 9). There were no underwater investments in 2017.

A recap of the net reclassifications based on the adoption of ASU 2016-14 as of January 1, 2017 follows:

		ASU 2016-14 classifications		
Net assets classifications		**Without donor restrictions**	**With donor restrictions**	**Total net assets**
As previously presented:				
Unrestricted	$	231,470,857	—	231,470,857
Temporarily restricted		—	—	—
Permanently restricted		—	10,425,395	10,425,395
Net assets as previously presented		231,470,857	10,425,395	241,896,252
Reclassifications to implement ASU 2016-14:				
Underwater endowments		300,829	(300,829)	—
Net assets, as reclassified	$	231,771,686	10,124,566	241,896,252

(v) New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard replaces substantially most existing revenue recognition guidance. The core principle is to recognize revenue upon the transfer of goods or services to customers at an amount that reflects the consideration expected to be received. Since its issuance, the FASB has amended several aspects of the new guidance, including provisions that address revenue recognition associated with the licensing of intellectual property and principal versus agent considerations. This guidance, including the amendments, is required to be adopted by not-for-profit organizations for annual periods beginning after December 15, 2018. Early application is permitted beginning with fiscal year 2018. The Joint Commission has evaluated its existing revenue streams in accordance with this standard and determined that the financial effect will be immaterial to its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance establishes the principles that lessees and lessors shall apply to report useful information to users of the financial statements about the amount, timing, and uncertainty of cash flows arising from a lease for more transparency and comparability among organizations. The core principle of the new guidance is that a lessee should recognize the assets and liabilities that arise from leases. Additional guidance was issued in July 2018 under ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU No. 2018-11, *Leases (Topic 842)*. These requirements become effective for The Joint Commission for fiscal years beginning after December 15, 2019, with early adoption permitted. The Joint Commission is evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715)*. This guidance is primarily to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost in the consolidated statement of activities. The amendments require that the employer report the service cost component in the same financial statement line item as other current employee compensating costs. The other components of the net benefit cost are required to be presented separately from the service cost component in other changes in net assets on the consolidated statement of activities. This guidance becomes effective for The Joint Commission for fiscal years beginning after December 15, 2018, with early adoption permitted. The Joint Commission is evaluating the impact that ASU No. 2017-07 will have on its consolidated financial statements and related disclosures.

The following accounting standard changes, which were recently released, are under evaluation by The Joint Commission for any future impact on its consolidated financial statements and related disclosures:

In July 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and also assist in determining whether a contribution is conditional. This guidance becomes effective for The Joint Commission for fiscal years beginning after December 15, 2018, with early adoption permitted.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until their effective date.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined-benefit pension or other postretirement plans. This guidance becomes effective for The Joint Commission for fiscal years beginning after December 15, 2021, with early adoption permitted.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs incurred in a Cloud Computing Arrangement that is a Service Contract*, to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. This guidance is effective for fiscal years beginning after December 15, 2020, with early adoption permitted.

(w) Reclassifications

Certain reclassifications have been made to the 2017 notes to the consolidated financial statements to conform to the 2018 presentations.

(x) Subsequent Events

The Joint Commission has performed an evaluation of subsequent events through April 25, 2019, which is the date the consolidated financial statements were issued.

(2) Liquidity and Availability

The Joint Commission regularly monitors the availability of resources required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The organization manages its liquidity and reserves following these guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be paid. The Joint Commission has a policy to target an appropriate balance of reserves of unrestricted, undesignated assets. For the years ended December 2018 and 2017, the level of reserves fell within policy requirements.

The following table shows the total financial assets held and the amounts of those financial assets that could readily be made available for general expenditures that is, without donor or other restrictions limiting their use within one year of December 31, 2018:

Financial assets at year-end:		
Cash, cash equivalents, and restricted cash	$	37,489,770
Accounts receivable, net		21,618,314
Investments		180,482,873
Endowment investments		38,957,515
Total financial assets	$	278,548,472
Financial assets available to meet general expenditures over next 12 months:		
Cash and cash equivalents	$	35,841,932
Accounts receivable, net		21,618,314
Investments not encumbered by donor or board restrictions		177,197,317
Financial assets readily available within one year	$	234,657,563

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the organization’s intention to invest those resources for the long-term support of The Center. However, in the case of need, the Board of Directors could appropriate resources from either the donor-restricted funds available for general use ($10,428,272, of which $10,425,395 is the original gift) or from its board-designated endowment fund ($30,009,416, of which $30,000,000 is the original gift). Furthermore, The Joint Commission has the ability, but not the intent, to use nonqualified, supplemental defined-benefit retirement plan funds ($3,424,329) for operations, as needed.

(3) Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

		2018	2017
Cash	$	31,992,055	32,691,847
Restricted cash for China operations		28,893	299,467
Cash equivalents in investments		3,901,877	3,427,596
Restricted cash equivalents in endowments		1,428,173	—
Restricted cash equivalents in nonqualified supplemental retirement plans		138,772	255,697
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	$	37,489,770	36,674,607

Amounts included in restricted cash represent those required to be set aside by a contractual agreement or designated by management. Restricted cash included in cash, cash equivalents, and restricted cash on the consolidated statements of financial position represents amounts set aside for the payment of contractual expenses for China operations and designated for the payment of benefits under the Supplemental Plans (note 8).

(4) Notes 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 was 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. 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 at a rate of 0.6% in 2018 and 2017. In August 2015, the letter of credit was extended through the maturity of the Note. The rate on the letter of credit was 0.4% through January 2016 and is 0.6% thereafter. As of December 31, 2018, the letter of credit expired.

(Continued)

Note redemption commenced on July 1, 1994 and continued pursuant to the terms of the Agreement through maturity on July 1, 2018. Interest on the Note was variable and subject to weekly adjustments that parallel fluctuations in the municipal bond market. The effective interest rate on the Note was 1.36% in 2018 and 0.85% in 2017.

The Joint Commission utilized 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 involved a declining notional amount that reflected two-thirds of the remaining principal balance of the Note. The following table summarizes the swap agreement terms in place and fair value during 2018 and 2017:

Notional amount	Expiration	Fixed rate	Fair value as of December 31 2018	Fair value as of December 31 2017
(In millions)				
$4.3 to $2.2	2018	4.88 %	$ —	(48,953)

The Joint Commission made monthly payments to a counterparty at a fixed rate of 4.88%, and in return, received monthly payments based on 67% of a LIBOR index.

The fair value of the swap agreement was the estimated amount that The Joint Commission would have to pay to terminate the agreement as of the consolidated statements 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 current liability for 2017 in the accompanying consolidated statement of financial position.

In August 2015, The Joint Commission entered into a Bond and Loan Agreement (the Bond Agreement) with the Illinois Finance Authority (the Authority) to finance a portion of the costs to renovate, remodel, and purchase new equipment for The Joint Commission headquarters building, as well as pay costs of issuance of the bonds. Pursuant to the Bond Agreement, the Authority issued a $16,000,000 tax-exempt Revenue Bond, Series 2015 (Joint Commission on Accreditation of Healthcare Organizations) (the Bond). The Bond was sold to one purchaser and the proceeds from this sale were loaned by the Authority to The Joint Commission.

Under the terms of the Bond Agreement, The Joint Commission is required to pay principal and interest. Principal payments are payable on August 1 of each year and are subject to any optional redemption, mandatory redemption, mandatory tender, or other prepayment of the Bond. The Bond matures on August 1, 2030. The Bond shall bear interest at the Bank Purchase Rate from the closing date to and including the earlier of the day preceding its redemption date, its prepayment date, and the maturity date. The initial Bank Purchase Rate is the fixed rate of 1.94% and shall be effective for the period August 25, 2015 through and including July 31, 2022.

The loan is a seven-year loan through July 31, 2022; however, the principal is paid annually based on a 15-year straight-line amortization schedule. At the end of seven years, The Joint Commission may retain the loan with the purchaser at a new interest rate and term, cause the Bond to be sold to a new purchaser, or purchase the loan itself. Under the terms of the loan, The Joint Commission has agreed to meet various covenants on a consolidated basis, including maintenance of certain financial ratios and a minimum level of cash and investments.

The annual maturities of the Bond are as follows:

2019	$	1,075,000
2020		1,075,000
2021		1,070,000
2022		1,070,000
2023		1,070,000
2024 through 2031		7,490,000
Total	$	12,850,000

Interest expense totaled $325,892 in 2018 and $451,390 in 2017, inclusive of interest rate swap monthly settlement payments of $35,652 and $119,176 in 2018 and 2017, respectively. Interest expense is included in other operating expenses in the accompanying consolidated statements of activities. The fair value of the interest rate swap decreased by $48,953 in 2018 and $146,582 in 2017. The change in the fair value of the interest rate swap is included in other changes in net assets in the accompanying consolidated statements of activities.

Long-term notes payable as of December 31, 2018 and 2017 consisted of the following:

		Principal	Unamortized debt issuance costs	Long-term note payable, net
December 31, 2018:				
Series 2015 note payable, 1.94% fixed note	$	11,775,000	139,904	11,635,096
Total	$	11,775,000	139,904	11,635,096
December 31, 2017:				
Series 2015 note payable, 1.94% fixed note	$	12,850,000	169,039	12,680,961
Total	$	12,850,000	169,039	12,680,961

(5) Leases

The Joint Commission primarily leases office space, printers, and copiers under operating lease arrangements. Lease terms range from one to twelve years and may contain renewal or purchase options. The Joint Commission also leases office space to support certain domestic and international operations. 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. Obligations in foreign currency are reflected in U.S. dollars as of December 31, 2018. Such obligations are subject to foreign currency exchange risk.

Rent expense related to operating lease agreements was $1,456,868 in 2018 and $1,727,578 in 2017, and is recorded as other operating expenses in the accompanying consolidated statements of activities.

During 2018, The Joint Commission entered into new lease agreements for copiers, office space in Washington, DC, and office space in Oakbrook, IL for JCR. The obligations under these leases are reflected in the following table.

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

2019	$	1,694,945
2020		1,606,209
2021		1,592,140
2022		1,609,875
2023		1,718,716
Thereafter		9,173,985
Total	$	17,395,870

(6) Investments

The following table summarizes the types of investments and total return on investments as of and for the years ended December 31, 2018 and 2017:

		2018	2017
Type of investments:			
Common and collective trust funds	$	38,322,420	39,912,503
Corporate bonds and bond funds		89,645,348	88,125,768
Common stock and stock funds		91,472,620	104,778,112
Total investments	$	219,440,388	232,816,383
Reported as:			
Investments	$	180,482,873	190,212,921
Endowment investments		38,957,515	42,603,462
Total investments	$	219,440,388	232,816,383
Return on investments:			
Interest income and dividends	$	3,070,839	3,014,290
Interest on endowment investments		1,195,981	1,068,913
Realized gains on sale of investments, net		5,640,420	9,858,343
Unrealized gains (losses), net		(20,061,315)	12,193,470
Total return on investments	$	(10,154,075)	26,135,016

(Continued)

		2018	2017
Reported as:			
Other revenue	$	1,195,981	1,068,913
Investment income		8,711,259	12,872,633
Change in net unrealized investment gains and losses		(20,061,315)	12,193,470
Total return on investments	$	(10,154,075)	26,135,016

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

Cash equivalents are money market funds carried at cost as an approximation of fair value.

Corporate bond and bond funds and common stock and stock funds are carried at fair value, based upon quoted market prices on nationally recognized securities exchanges (Level 1 inputs) or on quoted market prices of similar securities by relying on these securities' relationship to other benchmark quoted prices (Level 2 inputs). These techniques make use of assumptions that market participants would use in pricing the respective asset and may require some degree of judgment.

Common and collective trust funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1).

Interest rate swap liability 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.

Net asset value (NAV) investments consist of the following:

- Common and collective trust funds – The funds consists of investments that are not readily marketable. The NAV reported for each investment is used as the practical expedient to estimate fair value of The Joint Commission's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. The values assigned to these investments are based upon available information including, but not limited to, original and subsequent transaction prices and third-party transactions. Under this approach, certain attributes for the investment, such as restrictions on redemption and transaction prices from principal-to-principal or brokered transactions, are not considered in measuring the fair value of an investment.

- Global long/short equity hedge fund – The hedge fund portfolio assets are valued based on observable data such as ongoing redemption and subscription activity in which the investment manager used published NAV to estimate fair value. The fund's 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.
- High income plus hedge (Master) fund – The fund records its investments at fair value and based on NAV per share of the Master fund. Credit default and interest rate swaps are valued using a vendor pricing and/or broker quoted prices. The fund values foreign currency options using vendor pricing. The fund values investments in securities for which there is no ready market at fair value as determined by the fund's investment manager. 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 and involves significant estimates.

The Joint Commission's cash equivalents, investments, and interest rate swap liability are accounted for at December 31, 2018 and 2017 using the fair value hierarchy as shown in the following tables. The tables reflect the adoption of ASU No. 2015-07 – *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. In accordance with the ASC subtopic 820-10, certain investments that are measured at fair value using NAV per share, or its equivalent, practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amount of investments presented in the consolidated statements of financial position.

		Fair value measurements at the end of December 31, 2018			Total December 31, 2018
		Level 1	Level 2	Level 3	
Description:					
Cash equivalents	$	—	5,468,822	—	5,468,822
Other receivables		—	5,078	—	5,078
Investments:					
Common and collective trust funds:					
Hedge funds	$	169,995	—	—	169,995
Corporate bonds and bond funds:					
Fixed income bond funds		88,456,527	1,188,821	—	89,645,348
Common stock and stock funds:					
U.S. small-mid cap equity fund		6,180,793	—	—	6,180,793
U.S. large-cap equity fund		34,828,763	—	—	34,828,763

(Continued)

		Fair value measurements at the end of December 31, 2018			Total December 31,
		Level 1	Level 2	Level 3	2018
Global equity funds	$	24,116,060	—	—	24,116,060
International equity funds		26,347,004	—	—	26,347,004
Investments in the fair value hierarchy		180,099,142	1,188,821	—	181,287,963
Investments measured at NAV					38,152,425
Total investments	$	180,099,142	1,188,821	—	219,440,388

		Fair value measurements at the end of December 31, 2017			Total December 31,
		Level 1	Level 2	Level 3	2017
Description:					
Cash equivalents	$	—	3,683,293	—	3,683,293
Other receivables		—	5,039	—	5,039
Investments:					
Common and collective trust funds:					
Hedge funds	$	418,809	—	—	418,809
Corporate bonds and bond funds:					
Fixed income bond funds		86,934,599	1,191,169	—	88,125,768
Common stock and stock funds:					
U.S. small-mid cap equity fund		7,362,631	—	—	7,362,631
U.S. large-cap equity fund		39,697,823	—	—	39,697,823
Global equity funds		28,337,894	—	—	28,337,894
International equity funds		29,379,764	—	—	29,379,764
Investments in the fair value hierarchy		192,131,520	1,191,169	—	193,322,689
Investments measured at NAV					39,493,694
Total investments	$	192,131,520	1,191,169	—	232,816,383
Interest rate swap liability	$	—	48,953	—	48,953

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 2018 and 2017, there were no transfers between levels of the fair value hierarchy.

In accordance with the fair value measurements and disclosures guidance, the following table presents the category, fair value, redemption frequency, and redemption notice period for The Joint Commission investments, the fair values of which are estimated using the NAV per share as of December 31, 2018 and 2017. The Joint Commission has no open commitments related to the below investments.

		2018	2017	Redemption frequency (if currently eligible)	Redemption notice period
Common and collective trust funds:					
Long/short equity fund	$	24,900,924	25,603,915	Monthly	90 days
Opportunistic fixed income fund		6,616,603	6,356,579	Quarterly	45 days
U.S. small-cap equity fund		6,634,898	7,533,200	Monthly	40 days
Total	$	38,152,425	39,493,694		

The Long/short equity fund investment philosophy is to preserve capital, while achieving the risk and return targets in a manner that is independent of broad, traditional market moves. The portfolio has constraints on manager maximums, at 15%, and strategy maximums, at 25%. A factor analysis process is used to model the exposures an individual manager might have to a certain factor (e.g., interest rates). The goal is to combine managers in such a way that minimizes the aggregate portfolio factor exposures, or at least contain them within a “risk budget”, while maximizing returns.

The Opportunistic fixed income fund is a multistrategy fixed income fund focused on exploiting structural and technical inefficiencies in the market, especially in the short-end of yield curves around the world. The Fund pursues a value-oriented total return strategy, examining investment opportunities in mortgage-backed securities, asset-backed securities, corporate bonds, convertible bonds, preferred stocks, bank debt, currencies, secured debt, government bonds, and emerging market debt. The Fund also seeks to identify situations of extreme volatility and/or price discounting, and will shift its investments between these markets based on perceived relative investment merits.

The U.S. small-cap equity fund invests in high-quality, small-cap companies that are conservatively valued in an attempt to produce long-term returns in excess of the Russell 2000 Value Index. Securities are selected through bottom-up research that utilizes fund manager’s proprietary, fundamental research to find securities that are trading at a deep discount, and have the potential for outsized longer term returns.

(8) 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 $3,424,329 and $4,445,290 at December 31, 2018 and 2017, respectively, were designated for the payment of benefits under the Supplemental Plans when due. These amounts are included in Investments in the accompanying consolidated statements of financial position. 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, 2018 and 2017:

		Pension Plan		**Other benefits**	
		2018	**2017**	**2018**	**2017**
Change in projected benefit obligation:					
Projected benefit obligation at beginning of year	$	92,085,121	84,220,969	6,686,639	5,138,701
Service cost		3,554,384	2,748,561	1,211,855	1,140,667
Interest cost		3,088,313	3,290,610	190,460	198,915
Actuarial gain (loss)		(4,757,218)	6,886,384	(74,298)	579,579
Benefits paid		(7,001,946)	(5,061,403)	(1,678,033)	(371,223)
Projected benefit obligation at end of year	$	86,968,654	92,085,121	6,336,623	6,686,639

		Pension Plan		**Other benefits**	
		2018	**2017**	**2018**	**2017**
Change in fair value of plan assets:					
Fair value of plan assets at beginning of year	$	87,881,674	75,373,671	—	—
Actual gain (loss) on plan assets		(5,519,283)	13,319,406	—	—
Employer contributions		3,400,000	4,250,000	—	—
Benefits paid		(7,001,946)	(5,061,403)	—	—
Fair value of plan assets at end of year	$	78,760,445	87,881,674	—	—
Funded status	$	(8,208,209)	(4,203,447)	—	—

	Pension Plan		Other benefits	
	2018	2017	2018	2017
Amounts recognized in the consolidated statements of financial position consist of:				
Current liabilities	$ —	—	(1,194,000)	(1,574,000)
Noncurrent liabilities	(8,208,209)	(4,203,447)	(5,142,623)	(5,112,639)
Accumulated charge to unrestricted net assets	26,280,664	21,030,176	998,917	1,656,951
	$ 18,072,455	16,826,729	(5,337,706)	(5,029,688)

The accumulated charge to net assets without donor restrictions as of December 31, 2018 and 2017 represents charges arising from the defined-benefit plans, but not yet recognized as components of net periodic benefit expense. The accumulated charge to net assets without donor restrictions at December 31, 2018 of $27,279,581 represents unrecognized net actuarial losses of $27,726,616 and prior service costs credits of $447,035. During 2019, approximately $1,919,000 is expected to be reclassified from the accumulated charge to net assets without donor restrictions for defined-benefit plans to pension benefit expense.

The accumulated charge to net assets without donor restrictions at December 31, 2017 of $22,687,127 represents unrecognized net actuarial losses of $23,201,184 and prior service costs credits of $514,057. During 2018, approximately $1,368,000 was expected to be reclassified from the accumulated charge to net assets without donor restrictions for defined-benefit plans to pension benefit expense.

The accumulated benefit obligation for the Pension Plan was $84,815,533 and $90,011,427 at December 31, 2018 and 2017, respectively.

Net periodic benefit cost, which is calculated using the projected unit credit method, for the years ended December 31, 2018 and 2017 included the following components:

	Pension Plan		Other benefits	
	2018	2017	2018	2017
Components of net periodic benefit cost:				
Service cost	$ 3,554,384	2,748,561	1,211,855	1,140,667
Interest cost	3,088,313	3,290,610	190,460	198,915
Expected return on plan assets	(5,951,881)	(5,184,732)	—	—
Net amortization of actuarial losses and prior service cost	1,463,458	1,896,412	95,593	103,696
Settlements	—	—	488,143	—
Net periodic benefit cost	$ 2,154,274	2,750,851	1,986,051	1,443,278

	Pension Plan		Other benefits	
	2018	2017	2018	2017
Weighted average assumptions:				
Discount rate used to determine obligations at year-end	4.00 %	3.40 %	4.00 %	3.40 %
Discount rate used to determine net periodic benefit cost	3.40	3.90	3.40	3.90
Rate of compensation increase	3.75	4.00	4.00	4.00
Expected return on plan assets	7.00	7.00	—	—

The assumed healthcare trend rates for the postretirement medical benefits were not applicable in 2018 and 2017 as a result of a capped cost structure. A one-percentage point change in the healthcare cost trend rate assumptions would have no effect on either the projected benefit obligations as of January 1, 2018 or on cost for fiscal year 2018. 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	
		2018	2017
Equity securities	40%–70%	52 %	58 %
Long-duration fixed income	30–55	42	36
Real estate	0–7	6	5
Cash equivalents	—	—	1
Total		100 %	100 %

The expected return on plan assets, using a rate assumption of 7.0%, 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 ended December 31, 2018, there is no minimum funding requirement for the Pension Plan; however, management has committed to contribute at least $2,400,000 to the Pension Plan during 2019. Estimated future benefit payments from the Pension Plan are as follows:

2019	$	5,500,000
2020		5,700,000
2021		5,900,000
2022		6,200,000
2023		6,500,000
2024 through 2028		36,000,000
Total	$	65,800,000

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

Mutual and common stock funds and equity real estate investment trusts are carried at fair value, based upon quoted market prices on nationally recognized securities exchanges (Level 1 inputs) or on quoted market prices of similar securities by relying on these securities' relationship to other benchmark quoted prices (Level 2 inputs). These techniques make use of assumptions that market participants would use in pricing the respective asset and may require some degree of judgment.

Common and collective trust funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1). For common and collective trust funds that are not readily marketable, the NAV reported for each investment is used as the practical expedient to estimate fair value of The Joint Commission's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. The values assigned to these investments are based upon available information including, but not limited to, original and subsequent transaction prices and third-party transactions. Under this approach, certain attributes for the investment, such as restrictions on redemption and transaction prices from principal-to-principal or brokered transactions, are not considered in measuring the fair value of an investment. Classification in Level 2 or 3 is based on The Joint Commission's ability to redeem its interest at or near the date of the balance sheets, and if the interest can be redeemed in the near term, the investment is classified as Level 2.

The following tables summarize the Pension Plan's investments accounted for at fair value at December 31, 2018 and 2017 using the fair value hierarchy as described in note 7. In accordance with the ASC subtopic 820-10, certain investments that are measured at fair value using NAV per share, or its equivalent, have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amount of investments in the Pension Plan.

	Assets at fair value as of December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ —	162,108	—	162,108
Investments:				
Mutual funds:				
U.S. small-mid cap fund	2,422,398	—	—	2,422,398
U.S. large-cap equity fund	10,549,653	—	—	10,549,653
Global equity fund	11,146,779	—	—	11,146,779
International equity funds	13,195,446	—	—	13,195,446
Real estate fund:				
Equity real estate investment securities	4,747,811	—	—	4,747,811
Common and collective trust funds:				
Long-duration fixed income fund	33,262,512	—	—	33,262,512
Investments in the fair value hierarchy	75,324,599	—	—	75,324,599
Investments measured at NAV				3,273,738
Total investments	75,324,599	—	—	78,598,337
Total plan assets	$ 75,324,599	162,108	—	78,760,445

		Assets at fair value as of December 31, 2017			
		Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$	—	1,095,025	—	1,095,025
Investments:					
Mutual funds:					
U.S. small-mid cap fund		3,495,253	—	—	3,495,253
U.S. large-cap equity fund		14,131,998	—	—	14,131,998
Global equity fund		13,487,017	—	—	13,487,017
International equity funds		16,275,918	—	—	16,275,918
Real estate fund:					
Equity real estate investment trusts		4,249,183	—	—	4,249,183
Common and collective trust funds:					
Long-duration fixed income fund		31,424,322	—	—	31,424,322
Investments in the fair value hierarchy		83,063,691	—	—	83,063,691
Investments measured at NAV					3,722,958
Total investments		83,063,691	—	—	86,786,649
Total plan assets	$	83,063,691	1,095,025	—	87,881,674

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 2018 and 2017, there were no transfers between levels of the fair value hierarchy.

In accordance with the fair value measurements and disclosures guidance, the following table presents the category, fair value, redemption frequency, and redemption notice period for the Pension Plan investments, the fair values of which are estimated using the NAV per share as of December 31, 2018 and 2017. The Joint Commission has no open commitments related to the below investments.

		2018	2017	Redemption frequency (if currently eligible)	Redemption notice period
Common and collective trust funds:					
U.S. small cap equity fund	$	3,273,738	3,722,958	Monthly	40 days
Total	$	3,273,738	3,722,958		

U.S. small-cap equity fund invests in high-quality, small-cap companies that are conservatively valued in an attempt to produce long-term returns in excess of the Russell 2000 Value Index. Securities are selected through bottom-up research that utilizes fund manager's proprietary, fundamental research to find securities that are trading at a deep discount, and have the potential for outsized longer term returns.

The Joint Commission expects to designate an additional $1,194,000 in marketable securities during 2019 for the Supplemental Plans. Estimated annual future benefit payments from the Supplemental Plans are anticipated to range from $192,800 to $2,123,500 during the period from 2019 through 2023 and are expected to total $3,417,500 during the period from 2024 through 2028. The benefit payments during 2019 are expected to total $1,194,000 and are classified as current liabilities in the accompanying 2018 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 includes its contributions and administrative fees, which were $2,446,540 in 2018 and $2,284,035 in 2017. The Joint Commission funds this plan on a current basis.

(9) 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 net assets with donor restrictions and there were $312,979 and $0 of such deficiencies as of December 31, 2018 and 2017, respectively. Gains and losses generated by the endowment assets are also classified as net assets with donor restrictions until they are appropriated for expenditure. If the fair value of the assets of the donor-restricted endowment fund is less than the amount required to be maintained permanently, the deficit or unrealized loss is classified as net assets with donor restrictions in the consolidated statement of activities.

(Continued)

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 ACWI 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 realized 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, 2018 coupled with the current return objectives are insufficient to generate the level of income needed to fully fund the planned activities. The Center has begun to offer education and training on a fee for service basis in furtherance of its mission to transform healthcare into a high reliability industry and to expand its funding base. The Center may also receive funds from The Joint Commission.

As a supporting organization, The Center no longer accepts nor received donor-restricted endowment pledges in 2018 and 2017.

The Joint Commission has provided equity capital of $30,000,000 to The Center through December 31, 2018, which is reported as board-designated funds functioning as endowment in the accompanying consolidated statements of financial position. Furthermore, The Joint Commission has provided $21,925,000 of unrestricted funding to The Center used to support its operating deficit and future operations. The Joint Commission has committed an additional unrestricted funding of $3,900,000 to be paid in 2019.

(Continued)

Changes in the fair value of The Center's endowment investments and net assets by type of fund were as follows for the year ended December 31, 2018:

	2018		
	Without donor restrictions	With donor restrictions	Total
Investment return:			
Endowment yield (interest and dividends)	$ 957,474	332,723	1,290,197
Unrealized losses on investments	(1,638,092)	(569,237)	(2,207,329)
Total investment activity	(680,618)	(236,514)	(917,132)
Net assets released from restrictions	332,723	(332,723)	—
Investment interest transfer to operating cash	(889,000)	—	(889,000)
Net investment return	(1,236,895)	(569,237)	(1,806,132)
Other changes in endowment investments:			
Transfers to create funds functioning as endowment and other changes	(1,839,815)	—	(1,839,815)
Total other changes in endowment investments	(1,839,815)	—	(1,839,815)
Net change in endowment investments	(3,076,710)	(569,237)	(3,645,947)
Endowment investments at:			
Beginning of year	31,934,241	10,669,221	42,603,462
End of year	$ 28,857,531	10,099,984	38,957,515
Net assets by type of fund:			
Donor-restricted endowment	$ —	10,425,000	10,425,000
Investment return	337,704	(325,016)	12,688
Board-designated funds functioning as endowment	28,519,827	—	28,519,827
Total – as above	28,857,531	10,099,984	38,957,515
Other donor-designated gifts	—	395	395
Classification as cash equivalents	1,480,172	—	1,480,172
Transfer to unrestricted operating fund	(1,226,293)	—	(1,226,293)
Total net assets	$ 29,111,410	10,100,379	39,211,789

(Continued)

Changes in the fair value of The Center's endowment investments and net assets by type of fund were as follows for the year ended December 31, 2017:

		2017		
		Without donor restrictions	With donor restrictions	Total
Investment return:				
Endowment yield (interest and dividends)	$	1,057,312	367,416	1,424,728
Unrealized losses on investments		1,568,491	545,050	2,113,541
Total investment activity		2,625,803	912,466	3,538,269
Net assets released from restrictions		668,245	(668,245)	—
Investment interest transfer to operating cash		(1,441,000)	—	(1,441,000)
Net investment return		1,853,048	244,221	2,097,269
Other changes in endowment investments:				
Transfers to create funds functioning as endowment and other changes		437,280	—	437,280
Total other changes in endowment investments		437,280	—	437,280
Net change in endowment investments		2,290,328	244,221	2,534,549
Endowment investments at:				
Beginning of year		29,643,913	10,425,000	40,068,913
End of year	$	31,934,241	10,669,221	42,603,462
Net assets by type of fund:				
Donor-restricted endowment	$	—	10,425,000	10,425,000
Investment return		1,574,598	244,221	1,818,819
Board-designated funds functioning as endowment		30,359,643	—	30,359,643
Total – as above		31,934,241	10,669,221	42,603,462
Other donor-designated gifts		—	395	395
Classification as cash equivalents		(359,643)	—	(359,643)
Transfer to unrestricted operating fund		(825,096)	—	(825,096)
Total net assets	$	30,749,502	10,669,616	41,419,118

(Continued)

(10) Functional Expenses

The Joint Commission provides services and products that promote patient safety and quality in the delivery of healthcare services. Expenses related to providing these services and products approximated 81% of total expenses in 2018 and 2017. Expenses by function are as follows:

	Program activities				Supporting		
	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Total program activities	Management and general	2018 Total consolidated expense	2017 Total consolidated expense
Salaries and benefits	$ 92,837,948	30,864,843	1,929,870	125,632,661	28,013,877	153,646,538	147,293,934
Travel costs	27,371,423	3,477,220	107,547	30,956,190	427,150	31,383,340	29,191,199
Fees and services (a)	5,551,250	12,788,505	565,004	14,954,163	5,464,253	20,418,416	19,048,349
Office expense	3,078,906	1,421,996	26,790	4,527,692	4,794,590	9,322,282	7,738,261
Publishing and printing	541,264	1,456,721	93,698	2,091,683	219,440	2,311,123	2,515,161
Depreciation and amortization	2,722,893	636,129	299,243	3,658,265	2,858,356	6,516,621	6,746,218
Other operating expenses	2,810,274	2,524,198	9,654	5,344,126	3,232,369	8,576,495	9,760,729
Total expenses	$ 134,913,958	53,169,612	3,031,806	187,164,780	45,010,035	232,174,815	222,293,851

(a) Net of intercompany eliminations

(11) Net Assets with Donor Restrictions

As of December 31, 2018, net assets with donor restrictions of $10,100,379 (original gift $10,425,395) are endowment funds which must be appropriated by the Board of Directors before use. Donors specified the endowments funds to be maintained in perpetuity with the investment income and appreciation to support The Center’s activities. The funds are time restricted until appropriated.

(12) 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.

(13) Joint Venture

In March 2014, Joint Commission Resources, Inc. (JCR), in furtherance of its mission, entered into a joint venture agreement with a corporation in Hong Kong (joint venture partner) whereby JCR acquired a 49% ownership interest in a newly formed entity. The partnership set up a wholly foreign owned enterprise (WFOE) for the purposes of establishing an education and training institute for improving patient quality and safety in hospitals, and educating the hospital management in the People’s Republic of China (PRC). During 2018, JCR and its joint venture partner agreed to expand the scope of services to include consultative technical assistance. In accordance with the agreement, the joint venture partner provided the initial capital and operational support for the newly formed entity, and JCR granted the limited use of its trademark and other intellectual property. JCR accounts 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, 2018

Assets	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Intercompany eliminations	Consolidated
Current assets:					
Cash, cash equivalents, and restricted cash	$ 15,938,170	18,617,224	2,934,376	—	37,489,770
Accounts receivable – net of allowance for doubtful accounts of $336,100	18,595,435	9,888,916	4,034,635	(10,900,672)	21,618,314
Inventory – net	11,609	374,367	—	—	385,976
Prepaid expenses	3,003,043	1,637,483	15,632	(432,014)	4,224,144
Total current assets	37,548,257	30,517,990	6,984,643	(11,332,686)	63,718,204
Investments	156,728,304	23,754,569	—	—	180,482,873
Endowment investments	—	—	38,957,515	—	38,957,515
Property and equipment:					
Land	4,204,400	—	—	—	4,204,400
Building	45,188,378	—	—	—	45,188,378
Leasehold improvements, office systems, furniture, and equipment	39,139,419	7,210,077	2,448,056	—	48,797,552
Total property and equipment	88,532,197	7,210,077	2,448,056	—	98,190,330
Less accumulated depreciation and amortization	(48,587,284)	(5,235,540)	(1,822,932)	—	(55,645,756)
Total property and equipment – net	39,944,913	1,974,537	625,124	—	42,544,574
Total assets	$ 234,221,474	56,247,096	46,567,282	(11,332,686)	325,703,166
Liabilities and Net Assets					
Current liabilities:					
Current maturity of notes payable	$ 1,075,000	—	—	—	1,075,000
Accounts payable	9,732,166	9,705,100	213,998	(10,900,672)	8,750,592
Accrued expenses:					
Compensation and benefits	6,584,868	1,901,926	146,231	—	8,633,025
Other expenses	1,401,828	2,089,407	16,551	—	3,507,786
Deferred revenue:					
Accreditation fees and deposits	2,564,253	981,520	—	—	3,545,773
Publications, educational programs, and other advances	471,394	6,573,865	165,810	(432,014)	6,779,055
Current portion of accrued postretirement benefits	322,000	872,000	—	—	1,194,000
Total current liabilities	22,151,509	22,123,818	542,590	(11,332,686)	33,485,231
Noncurrent liabilities:					
Notes payable – less current maturity and unamortized debt issuance costs	11,635,096	—	—	—	11,635,096
Accrued pension and postretirement benefits	11,633,648	1,717,184	—	—	13,350,832
Total noncurrent liabilities	23,268,744	1,717,184	—	—	24,985,928
Total liabilities	45,420,253	23,841,002	542,590	(11,332,686)	58,471,159
Net assets:					
Without donor restrictions:					
Board-designated funds functioning as endowment	22,298,507	—	6,812,903	—	29,111,410
Undesignated	166,502,714	32,406,094	29,111,410	—	228,020,218
With donor restrictions – endowment	—	—	10,100,379	—	10,100,379
Total net assets	188,801,221	32,406,094	46,024,692	—	267,232,007
Total liabilities and net assets	$ 234,221,474	56,247,096	46,567,282	(11,332,686)	325,703,166

See accompanying independent auditors' report.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidating Schedule of Statement of Activities Information – Net Assets Without Donor Restrictions

Year ended December 31, 2018

	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Intercompany eliminations	Consolidated
Revenue:					
Annual accreditation subscription fees	$ 85,107,539	—	—	—	85,107,539
On-site survey fees	77,926,320	17,573,898	—	—	95,500,218
Publications and multimedia	—	18,605,450	—	—	18,605,450
Educational programs	—	7,823,516	11,635	—	7,835,151
Consultative technical assistance	—	14,739,668	—	(100,475)	14,639,193
Continuous service readiness	—	5,587,222	—	—	5,587,222
Performance measurement activities	3,981,890	—	—	—	3,981,890
Other revenue	10,861,729	3,037,103	2,647,138	(9,186,942)	7,359,028
Total revenue	177,877,478	67,366,857	2,658,773	(9,287,417)	238,615,691
Expenses:					
Salaries and benefits	117,337,645	33,764,108	2,544,785	—	153,646,538
Travel costs	27,548,831	3,710,877	123,632	—	31,383,340
Fees and services	10,129,959	18,190,508	1,385,366	(9,287,417)	20,418,416
Office expense	7,021,013	2,254,272	46,997	—	9,322,282
Publishing and printing	714,419	1,503,006	93,698	—	2,311,123
Depreciation and amortization	5,216,788	940,928	358,905	—	6,516,621
Other operating expenses	5,519,042	2,981,018	76,435	—	8,576,495
Total expenses	173,487,697	63,344,717	4,629,818	(9,287,417)	232,174,815
Excess (deficiency) of revenue over expenses before investment income	4,389,781	4,022,140	(1,971,045)	—	6,440,876
Investment income	7,486,910	1,176,415	47,934	—	8,711,259
Excess (deficiency) of revenue over expenses	11,876,691	5,198,555	(1,923,111)	—	15,152,135
Other changes in net assets without donor restrictions:					
Change in net unrealized investment gains and losses	(15,473,880)	(2,380,106)	(1,638,092)	—	(19,492,078)
Change in fair value of hedge – interest rate swap	48,953	—	—	—	48,953
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit cost	(4,828,592)	236,138	—	—	(4,592,454)
Transfer of net assets to parent company	4,023,163	(4,023,163)	—	—	—
Operating pledge from parent company designated as unrestricted	(3,900,000)	—	3,900,000	—	—
Change in net assets without donor restrictions	(8,253,665)	(968,576)	338,797	—	(8,883,444)
Net assets without donor restrictions – beginning of year	197,054,886	33,374,670	35,585,516	—	266,015,072
Net assets without donor restrictions – end of year	$ 188,801,221	32,406,094	35,924,313	—	257,131,628

See accompanying independent auditors' report.