THE JOINT COMMISSION ON ACCREDITATION OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Financial Statements and Supplemental Schedules

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

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

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KPMG

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

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

Opinion

We have audited the 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, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Joint Commission as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Joint Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Joint Commission's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Joint Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Joint Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Statement of Financial Position Information and the Consolidating Schedule of Statement of Activities Information - Net Assets Without Donor Restrictions is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
April 27, 2023

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statements of Financial Position

December 31, 2022 and 2021

Assets	**2022**	**2021**
Current assets:		
Cash, cash equivalents, and restricted cash	$ 60,088,079	57,287,575
Accounts receivable – net of allowance for doubtful accounts of $768,700 and $347,500 in 2022 and 2021, respectively	25,604,588	16,274,547
Inventory – net	320,651	320,990
Prepaid expenses	6,236,193	4,372,947
Total current assets	92,249,511	78,256,059
Noncurrent assets:		
Investments sold receivable	384,085	35,460,000
Investments	222,354,153	216,367,660
Endowment investments	31,014,563	34,906,153
Prepaid pension assets	—	3,541,517
Other long-term prepaid assets	1,379,778	1,633,948
Operating lease right-of-use assets	1,642,481	—
Property and equipment:		
Land	4,204,400	4,204,400
Building	45,965,672	45,965,471
Leasehold improvements, office systems, furniture, and equipment	58,870,827	59,535,799
Total property and equipment	109,040,899	109,705,670
Less accumulated depreciation and amortization	(74,664,412)	(74,384,182)
Total property and equipment – net	34,376,487	35,321,488
Total noncurrent assets	291,151,547	327,230,766
Total assets	$ 383,401,058	405,486,825
Liabilities and Net Assets		
Current liabilities:		
Current maturity of notes payable	$ 1,070,000	1,070,000
Current installments of obligations under operating leases	408,767	—
Current installments of obligations under finance leases	590,935	640,550
Accounts payable	13,043,852	8,290,751
Accrued expenses:		
Compensation and benefits	6,996,466	7,530,219
Other expenses	533,321	3,927,768
Deferred revenue:		
Accreditation fees and deposits	992,533	3,677,588
Publications, educational programs, and other advances	10,557,104	8,117,127
Current portion of accrued pension and postretirement benefits	2,044,000	2,694,000
Total current liabilities	36,236,978	35,948,003
Noncurrent liabilities:		
Notes payable – less current maturity and unamortized debt issuance costs of $103,660 and $79,044 in 2022 and 2021, respectively	7,386,340	8,480,956
Obligations under operating leases – less current installments	1,939,020	—
Obligations under finance leases – less current installments	1,153,421	4,448
Accrued pension and postretirement benefits	4,503,903	3,538,412
Total noncurrent liabilities	14,982,684	12,023,816
Total liabilities	51,219,662	47,971,819
Net assets:		
Without donor restrictions:		
Undesignated	298,829,384	319,798,241
Board-designated funds functioning as endowment	24,035,834	26,958,761
With donor restrictions – endowment	9,316,178	10,758,004
Total net assets	332,181,396	357,515,006
Total liabilities and net assets	$ 383,401,058	405,486,825

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, 2022

	2022		
	Without donor restrictions	**With donor restrictions**	**Total**
Revenue and other support:			
Annual accreditation subscription fees	$ 97,289,645	—	97,289,645
Survey fees	102,503,584	—	102,503,584
Publications and multimedia	21,628,666	—	21,628,666
Educational programs	5,609,274	—	5,609,274
Consultative technical assistance	9,455,657	—	9,455,657
Continuous service readiness	6,262,561	—	6,262,561
Performance measurement activities	7,098,402	—	7,098,402
Other revenue	4,202,645	490,368	4,693,013
Net assets released from restrictions	490,368	(490,368)	—
Total revenue and other support	254,540,802	—	254,540,802
Expenses:			
Salaries and benefits	162,710,723	—	162,710,723
Travel costs	28,402,941	—	28,402,941
Fees and services	24,440,709	—	24,440,709
Office expense	10,084,801	—	10,084,801
Depreciation and amortization	7,192,632	—	7,192,632
Other operating expenses	13,502,363	—	13,502,363
Total expenses	246,334,169	—	246,334,169
Excess of revenue and other support above expenses before investment income	8,206,633	—	8,206,633
Investment income	9,237,954	129,004	9,366,958
Excess of revenue and other support over expenses	17,444,587	129,004	17,573,591
Other changes in net assets:			
Change in net unrealized investment losses	(37,820,914)	(1,570,830)	(39,391,744)
Net periodic benefit cost other than service cost	245,697	—	245,697
Change in unrecognized net defined-benefit plan cost not yet recognized in net periodic benefit expense	(3,750,008)	—	(3,750,008)
Change in foreign currency revaluation	(11,146)	—	(11,146)
Change in net assets	(23,891,784)	(1,441,826)	(25,333,610)
Net assets – beginning of year	346,757,002	10,758,004	357,515,006
Net assets – end of year	$ 322,865,218	9,316,178	332,181,396

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, 2021

	2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Revenue and other support:			
Annual accreditation subscription fees	$ 93,911,552	—	93,911,552
Survey fees	86,921,709	—	86,921,709
Publications and multimedia	20,716,959	—	20,716,959
Educational programs	3,789,556	—	3,789,556
Consultative technical assistance	7,961,226	—	7,961,226
Continuous service readiness	6,841,908	—	6,841,908
Performance measurement activities	7,235,382	—	7,235,382
Other revenue	2,717,490	639,418	3,356,908
Net assets released from restrictions	639,418	(639,418)	—
Total revenue and other support	230,735,200	—	230,735,200
Expenses:			
Salaries and benefits	153,461,812	—	153,461,812
Travel costs	17,867,643	—	17,867,643
Fees and services	19,762,212	—	19,762,212
Office expense	11,327,226	—	11,327,226
Depreciation and amortization	7,040,203	—	7,040,203
Other operating expenses	8,580,004	—	8,580,004
Total expenses	218,039,100	—	218,039,100
Excess of revenue and other support above expenses before investment income	12,696,100	—	12,696,100
Investment income	13,855,870	—	13,855,870
Excess of revenue and other support over expenses	26,551,970	—	26,551,970
Other changes in net assets:			
Change in net unrealized investment gains	3,320,747	245,294	3,566,041
Net periodic benefit cost other than service cost	1,126,481	—	1,126,481
Change in unrecognized net defined-benefit plan cost not yet recognized in net periodic benefit expense	10,728,397	—	10,728,397
Change in net assets	41,727,595	245,294	41,972,889
Net assets – beginning of year	305,029,407	10,512,710	315,542,117
Net assets – end of year	$ 346,757,002	10,758,004	357,515,006

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, 2022 and 2021

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(25,333,610)	41,972,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Realized investment gains – net		(5,210,814)	(11,194,737)
Change in net unrealized investment (gains) losses		39,391,744	(3,566,041)
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit expense		3,750,008	(10,728,397)
Depreciation and amortization		7,192,632	7,040,203
Loss on sale of property and equipment		531,811	—
Changes in assets and liabilities:			
Accounts receivable – net		(9,330,041)	(7,182,194)
Accounts payable and accrued expenses		255,820	1,330,155
Deferred revenue		(245,078)	(1,027,612)
Accrued pension and postretirement benefits		107,000	761,914
Operating leases, net		705,306	—
Other assets and liabilities		(1,608,737)	(1,718,891)
Net cash provided by operating activities		10,206,041	15,687,289
Cash flows from investing activities:			
Purchases of investments		(63,437,079)	(49,161,814)
Sales and maturities of investments		62,237,161	27,407,825
Additions to property and equipment		(6,280,230)	(636,599)
Net cash used in investing activities		(7,480,148)	(22,390,588)
Cash flows from financing activities:			
Principal payments of notes payable		(1,070,000)	(1,070,000)
Principal payments on finance lease obligations		(740,068)	(862,467)
Payments of debt issuance costs		45,253	—
Issuance of finance lease		1,839,426	—
Net cash provided by (used in) financing activities		74,611	(1,932,467)
Net increase in cash, cash equivalents, and restricted cash		2,800,504	(8,635,766)
Cash, cash equivalents, and restricted cash – beginning of year		57,287,575	65,923,341
Cash, cash equivalents, and restricted cash – end of year	$	60,088,079	57,287,575
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	220,191	183,824
Cash paid during the year for foreign income taxes		28,106	—
Non-cash activity relating to the investments sold receivable		384,085	35,460,000
Fixed asset additions included in accounts payable and accrued expenses		569,081	1,037,206
Operating lease assets and liabilities recognized upon adoption of ASC 842		2,056,675	—
Increase in finance lease assets and liabilities from new or modified leases		1,839,426	—

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 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. In June 2022, The Joint Commission Board of Commissioners, at the recommendation of The Joint Commission Center for Transforming HealthCare Board of Directors, determined that it was advisable and in the best interests of both The Joint Commission and The Center to liquidate and dissolve The Center. Articles of dissolution were accepted by the Secretary of State of Illinois on October 3, 2022. The final transfer of The Center's assets and liabilities to The Joint Commission and JCR was completed by December 31, 2022. 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 mission.
- *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. Donor-restricted endowment funds are included in net assets with donor restrictions. The endowment funds are intended to be maintained in perpetuity with the income earned being used to support of The Center’s original mission. If such permanent status becomes impractical or unwise, the donor agreement sets forth that the funds may be more expeditiously utilized in total to further The Center’s original charitable purposes.

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 statements 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 assets 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. Unsettled proceeds from sales of investments are reported as Investments Sold Receivables as a non-current asset in the Statement of Financial Position.

(Continued)

(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 original charitable purposes. The donor agreement sets forth that if such permanent status becomes impractical or unwise, the endowments may be more expeditiously utilized in total to further The Center's original charitable purposes.
- Board-designated endowments, which are resources set aside by The Joint Commission's Board 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.

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 revenue in the consolidated statements 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) Allowance for Doubtful Accounts

The Joint Commission evaluates its allowance for doubtful accounts and estimates collectability of accounts receivable based on analysis of historical bad debt experience in conjunction with the assessment of the financial condition of individual companies with which it does business. Past due balances over 120 days are reviewed individually for collectability. All other balances are reviewed on a pooled basis by aging category. The Joint Commission reviews its allowance for doubtful accounts quarterly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(i) Prepaid Expenses

Prepaid expenses are costs to secure hotel space, maintenance on equipment and software licenses, insurance contracts, education hours purchased in bulk, and other products and services purchased under a subscription to use or access over time.

(j) Inventory – Net

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 $25,000 on December 31, 2022 and 2021.

(k) 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. During 2022, The Joint Commission incurred $531,811 of losses on assets that were disposed of related to the dissolution of The Center and relocation of JCR's office.

The Joint Commission reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Joint Commission did not recognize any impairment charges in either 2022 or 2021.

(l) System Development Costs

The Joint Commission capitalizes certain costs of business systems developed or obtained for internal use and included in property and equipment. 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. Capitalized software as a service is included in other long-term prepaid assets and amortized using the straight-line method over the term of the hosting arrangement which is not greater than 10 years.

(m) Accrued Vacation

Employees accrue vacation based on tenure and salary base. Unused vacation balances carry over to future years, subject to a cap. As of December 31, 2022 and 2021, accrued vacation obligations were approximately $2,057,940 and $2,060,625, respectively. The Joint Commission's obligation for accrued vacation is included as compensation and benefits accrued expense in the accompanying consolidated statements of financial position and represents the cost of unused employee vacation time payable in the event of employee terminations.

(n) 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 Joint Commission 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, 2022 and 2021. 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.

(o) 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 and are presented as a reduction of the note payable liability on the consolidated statements of financial position.

(p) Revenue and Costs from Products and Services

The Joint Commission generates revenue from the sale of both products and services. Revenue is recognized when the performance obligation is performed for services or control of the product is transferred to the customer. The amount of revenue recognized reflects the consideration The Joint Commission expects to receive in exchange for the services or products. Revenue excludes any sales incentives and amounts collected on behalf of third parties, including taxes and pass-through administrative fees assessed by a state or governmental authority. Shipping and handling charges assessed by third-party fulfillment vendors to customers are included in gross revenue.

Advance collections and deposits are recorded as deferred revenue in the accompanying consolidated statements of financial position.

Detailed information about the revenue recognition policies for key revenue is as follows:

Annual accreditation subscription fees – 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.

Survey fees – All organizations seeking accreditation and certification agree to pay a fee in those years in which surveys are conducted. Domestic survey fees are recognized in the period when the surveys are concluded. International survey fees are recognized as a percentage of completion on a pro-rata basis.

Publications and multimedia – Revenue from the sale of publications of hard copy books, manuals, and other resources is recognized when the related goods have been shipped and risk of loss has passed to the customer. E-books and mobile apps revenues are recorded when access is provided. Revenue from the sale of multimedia, which include digital subscriptions, online site licenses, and software-as-a-service products, is recognized over the period to which the customer is granted access to the product.

Educational programs – Live seminars and conferences conducted at a location are earned on the first day the event is held. Revenue from on-demand and recorded conferences, referred to as audio conferences, are recognized when access is granted. Revenue from satellite broadcasts, and audio recordings sold as a series, in which several parts are held or provided over time, are recognized evenly over the series period. Annual subscription to the digital online learning center is recognized over the period to which the customer is granted access.

Consultative technical assistance – Revenue from consultative technical assistance is recognized as performance obligations are satisfied over time using the percentage of completion method. The inputs are the number of consultative hours delivered in relation to the total consultative hours sold.

Continuous service readiness (CSR) – Contracts with continuous service readiness customers contain technical assistance and educational workshops. The Joint Commission allocates CSR revenue to each performance obligation based on its relative stand-alone selling price as a percentage to the total contract value. Revenue is recognized as described above under *Consultative technical assistance* and *Educational programs* for live conferences.

Performance measurement activities – The Joint Commission has developed nationally recognized standardized performance measures for internal quality improvement, accreditation, and certification for hospitals. Under this program, similar to *annual accreditation subscription fees*, domestic organizations who submit performance measurement data sets agree to pay an annual subscription fee for their participation in the ongoing services provided by The Joint Commission. Revenue is recognized ratably over the period to which the subscription fee relates.

Other Revenue

Grants and other contracts revenue – Grants and other contracts revenue are recognized when the qualifying costs are incurred for cost-reimbursement grants and other contracts or when a unit of service is provided for performing the grants and other contracts. Grants revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards if The Joint Commission's federal expenditures exceed $750,000 during the fiscal year and to a 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.

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. Unconditional 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.

(Continued)

Investment income – Investment income from endowment assets that are required to meet spending of The Center's activities is recorded as other revenue in the period earned on the endowment assets (note 9).

Miscellaneous revenue – Honoraria, certificate sales, permission to reprint, quality check data, and education exhibit booth rental sales are recognized as revenue in the period the services and products are provided. Royalties and other incentives are recognized in the period the revenue share for the incentive are met and or known.

For the years ended December 31, 2022 and 2021, other revenue consists of the following:

		2022	2021
Grants and other contracts	$	2,486,453	1,482,045
Contributions		219,659	196,761
Investment income on endowment assets		703,096	592,693
Other miscellaneous revenues		1,283,805	1,085,409
Total other revenue	$	4,693,013	3,356,908

More detailed information about the related costs policies under revenue recognition is as follows:

Contract Costs – Commission fees paid to qualified staff as a result of obtaining a contract are recoverable costs and capitalizable as contract costs. If material, capitalized commission fees are amortized based on the transfer of goods or services to which the assets relate that range one year or more. As of December 31, 2022, The Joint Commission has not recognized any capitalized assets from contract costs. In applying the practical expedient in ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, The Joint Commission recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that would otherwise have been recognized is one year or less. All commission fees are included in salaries and benefits expense on the accompanying consolidated statement of activities.

Sales returns – Rights of returns are honored for sales of hard copy publications. The Joint Commission records an allowance for sales returns (contra-revenue) and a separate refund liability for returns. The Joint Commission evaluates quarterly its allowance for sales returns based on estimates considering historical returns experience.

Shipping and handling costs – Shipping and handling costs associated with outbound freight before control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in office expense on the accompanying consolidated statements of activities.

Advertising – Advertising costs are charged to expense in the period incurred and included in program and related activities as publishing and printing expense in the accompanying consolidated statements of activities. Advertising expense was $1,054,282 and $1,354,373 for the years ended December 31, 2022 and 2021, respectively.

(Continued)

(q) Expense Recognition and Allocation

The cost of providing The Joint Commission's programs and other activities is summarized on a functional basis in note 10. 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 consistently, 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 headcount basis dependent on the programs and supporting activities usage of the space.
- Telephone and internet charges that cannot be directly identified are allocated based on 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 (UBTI), which is taxed at the corporate income tax rate.

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, 2022 and 2021, 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, 2022 and 2021, $72,690 and $0 taxes have been reported in other accrued expenses in the accompanying consolidated statements of financial position, respectively.

JCR actively analyzes its income tax exposure in foreign jurisdictions and evaluates the potential effect that status changes will have on its financial and business operations. As of December 31, 2022 and 2021, JCR does not believe that such future changes would have a material impact on the consolidated financial statements.

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 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). While The Center was 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) 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 losses totaling $39,403 and net gains totaling $16,794 were recognized in 2022 and 2021, respectively.

(t) Risks and Uncertainties

In March 2020, the World Health Organization recognized Covid-19 as a global pandemic, prompting many national, regional, and local governments to implement preventive or protective measures, such as travel and business restrictions and wide-sweeping quarantines and stay-at-home orders.

The Joint Commission enterprise operations continued to be materially affected by the pandemic through March 2021. Management forecasts suggest it may take several years for revenue streams to return to historical levels. Management continues to monitor the situation carefully and is prepared to take the actions needed to maintain the financial health of the enterprise.

(u) Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance establishes the principles that lessees 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*, ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements,* ASU No. 2019-01, *Leases (Topic 842): Codification Improvements,* and ASU No. 2021-09, *Discount Rate for Lessees That Are Not Public Business Entities.* The Joint Commission adopted ASU 2016-02 an its related amendments as of January 1, 2022, which resulted in the recognition of operating right-of-use assets totaling $2,056,702 and operating liabilities totaling $2,835,445. The Joint Commission elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of the adoption as of January 1, 2022, without restating any prior year amounts or disclosures. There was no cumulative effect adjustment to the opening balance of net assets. In addition, The Joint Commission elected the package of practical expedients permitted under the transition guidance within ASU 2016-02, which allows the carry forward of historical lease determination, lease classification, and assessment of initial direct costs. The Joint Commission elected to not use hindsight for leases existing at adoption date. Additional lease disclosures can be found in note 5.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. FASB issued the update to improve transparency in reporting nonprofit gifts-in-kind. The adoption of this standard did not have an impact on The Joint Commission's consolidated financial statements and related disclosures for 2022.

(v) New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses,* which amends the guidance on impairment of financial instruments. During 2019 and 2020, FASB issued updated guidance on *Credit Losses (Topic 326)*, under ASU Nos. 2018-19, 2019-04, 2019-05, and 2019-11. The new requirements replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standards will become effective in fiscal year 2023 for The Joint Commission. While The Joint Commission is currently evaluating the impact of the standard on its consolidated financial statements and related disclosures, it is not expected that the standard will have a material impact.

(w) Reclassifications

Certain reclassifications have been made to the 2021 notes to the consolidated financial statements to conform to 2022 presentations.

(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 Joint Commission 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 2022 and 2021, the level of reserves fell within policy guidelines.

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, 2022:

		2022	2021
Financial assets at year-end:			
Cash, cash equivalents, and restricted cash	$	60,088,079	57,287,575
Accounts receivable, net		25,604,588	16,274,547
Investments sold receivables		384,085	35,460,000
Investments		222,354,153	216,367,660
Endowment investments		31,014,563	34,906,153
Total financial assets	$	339,445,468	360,295,935

		2022	2021
Financial assets available to meet general expenditures over next 12 months:			
Cash and cash equivalents	$	59,555,211	56,015,623
Accounts receivable, net		25,604,588	16,274,547
Investments sold receivables		384,085	35,460,000
Investments not encumbered by donor or board restrictions		221,091,650	213,393,325
Financial assets readily available within one year	$	306,635,534	321,143,495

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 could appropriate resources from its board-designated endowment fund for general use ($9,304,369, of which $10,425,395 is the original gift). For the donor-restricted funds, if it becomes impractical or unwise to hold in permanent status, the donor agreement sets forth that the endowments may be used to further the purposes of The Center and made available for general use ($21,710,194, of which $23,850,000 is the original gift). Furthermore, The Joint Commission has the ability, but not the intent, to use nonqualified, supplemental defined-benefit retirement plan funds ($1,304,333) 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.

		2022	2021
Cash	$	57,597,688	54,911,890
Restricted cash for China operations		491,035	1,102,441
Cash equivalents		1,957,525	1,103,733
Restricted cash equivalents for nonqualified supplemental retirement plans		41,831	169,511
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$	60,088,079	57,287,575

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

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 was effective for the period August 25, 2015 through and including July 31, 2022.

The loan was a seven-year loan through July 31, 2022; however, the principal was paid annually based on a 15-year straight-line amortization schedule. At the end of seven years, The Joint Commission had the option to 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. On August 1, 2022, The Joint Commission executed the First Amendment to the Bond and Load Agreement referred to as the Interest Rate Reset and Amendments, which renewed the loan with the current purchaser through August 2030 at a fixed rate of 2.8%.

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 Joint Commission is subject to certain financial and non-financial covenants as stated in the bond agreement, and, as of December 31, 2022, The Joint Commission was in compliance with all financial covenants.

The annual maturities of the Bond are as follows:

2023	$	1,070,000
2024		1,070,000
2025		1,070,000
2026		1,070,000
2027		1,070,000
2028 through 2031		3,210,000
Total	$	8,560,000

Interest expense totaled $220,191 in 2022 and $201,641 in 2021. Interest expense is included in other operating expenses in the accompanying consolidated statements of activities.

Long-term notes payable as of December 31, 2022 and 2021 consisted of the following:

		Principal	Unamortized debt issuance costs	Long-term note payable, net
December 31, 2022:				
Series 2015 note payable, 2.80% fixed note	$	7,490,000	103,660	7,386,340
December 31, 2021:				
Series 2015 note payable, 1.94% fixed note	$	8,560,000	79,044	8,480,956

(5) Leases

The Joint Commission leases mailing equipment and copiers under operating lease arrangements. The copiers have a renewal option of a successive 12-month term, and mailing equipment is a month-to-month basis. All operating leases include a purchase option at fair value of equipment plus costs. The Joint Commission also leases office space to support certain domestic and international operations with renewal options of an additional 5-year term for domestic leases and year-to-year renewal on international leases. Rent expense is recognized over the life of the lease using the straight-line method. Lease terms range from one to eleven years. 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, 2022. Such obligations are subject to foreign currency exchange risk.

During 2022, The Joint Commission entered into a renewal finance lease covering laptops and tablets that expire at various dates over a three-year period as the original 2019 lease expires. The lease includes a renewal provision of an additional three-month term. At December 31, 2022, the gross amount of equipment and related accumulated amortization recorded under the finance leases were as follows:

		2022
Equipment	$	2,605,871
Less accumulated amortization		(842,714)
	$	1,763,157

On January 1, 2022, The Joint Commission adopted ASC 842 using the optional transition method under which financial results reported in periods prior were not adjusted and continue to be reported in accordance with historic accounting under ASC 840 – Leases. The Joint Commission has elected the following accounting policies under the lease standard:

(1) The Joint Commission has elected to not record leases with an initial term of 12 months or less on the consolidated statements of financial position but continues to expense them on a straight-line basis over the lease term.

(2) The Joint Commission has elected to separate out the lease and non-lease components for its equipment and office space leases. The non-lease components consist of maintenance services, real estate taxes, and operating charges which are expensed as incurred.

(3) The Joint Commission has adopted an accounting policy to use the risk-free rate as the discount rate if the rate implicit in the lease is not readily determinable.

(4) The Joint Commission has adopted an accounting policy for the capitalization threshold for a right-of-use (ROU) asset, in which the ROU asset and corresponding liability will not be recognized on the consolidated statements of financial position if its present value is equal to or below $1,000.

The Joint Commission records operating leases on the consolidated statements of financial position as operating lease right-of-use assets, and separately records current and long-term operating lease liabilities. While finance leases are recorded as property and equipment, with separately recorded current and long-term finance lease liabilities.

Leased assets and liabilities consisted of the following as of December 31, 2022:

		2022
Assets:		
Operating lease ROU assets	$	1,642,481
Finance lease ROU assets		2,605,871
Total ROU Assets	$	4,248,352
Liabilities:		
Current operating lease liabilities	$	408,767
Current finance lease liabilities		590,935
Long-term operating lease liabilities		1,939,020
Long-term finance lease liabilities		1,153,421
Total lease liabilities	$	4,092,143

Rent expense related to operating lease agreements was $1,753,966 in 2021 and is recorded as other operating expenses in the accompanying consolidated statements of activities. During 2022, JCR determined that it no longer required independent office space and exercised an option to terminate the office lease that would have expired in February 2030. The space lease termination option resulted in additional $3,934,948 of lease costs.

(Continued)

The following table summarizes the components of lease costs for the year ended December 31, 2022:

		2022
Lease costs:		
Finance lease cost:		
Amortization of ROU assets	$	752,088
Interest on lease liabilities		6,978
Finance lease cost		355,090
Operating lease cost		3,664,374
Short-term lease cost		127,273
Variable lease cost		446,626
Total	$	5,352,429
Reported as:		
Office expense	$	602,970
Depreciation and amortization		752,088
Other operating expenses		3,997,371
Total	$	5,352,429

The following table represents supplemental information related to leases:

	December 31, 2022
Weighted average remaining lease term (in years):	
Finance leases	2.9
Operating leases	6.5
Weighted average discount rate:	
Finance leases	1.2 %
Operating leases	1.7

Lease obligations under ASC 842 having initial terms in excess of one year are as follows as of December 31, 2022:

	Finance leases	Operating leases
2023	$ 759,904	412,732
2024	774,604	319,302
2025	672,838	327,306
2026	—	335,465
2027	—	343,828
Thereafter	—	623,405
Total undiscounted lease obligations	2,207,346	2,362,038
Less estimated executory costs	(431,346)	—
Total future lease obligations	1,776,000	2,362,038
Less impact of present value discount	(31,644)	(14,251)
Present value of lease obligations	1,744,356	2,347,787
Less current installments of lease obligations	(590,935)	(408,767)
Obligations under leases, excluding current installments	$ 1,153,421	1,939,020

The following table includes supplemental cash flow and non-cash information related to The Joint Commission's leases:

	2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 705,306
Operating cash flows from financing leases	6,978
Financing cash flows from financing leases	1,099,358
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 2,056,675
Finance leases	1,839,426

(6) Investments

The following table summarizes the types of investments and total return on investments as of and for the years ended December 31, 2022 and 2021:

		2022	2021
Type of investments:			
Common and collective trust funds	$	44,575,102	43,885,171
Corporate bonds and bond funds		97,277,336	111,982,252
Common stock and stock funds		111,516,278	95,406,390
Total investments	$	253,368,716	251,273,813
Reported as:			
Investments	$	222,354,153	216,367,660
Endowment investments		31,014,563	34,906,153
Total investments	$	253,368,716	251,273,813
Return on investments:			
Interest income and dividends	$	4,156,144	2,661,133
Interest on endowment investments, net		495,036	583,255
Realized gains on sale of investments, net		5,210,814	11,194,737
Unrealized gains (losses), net		(39,391,744)	3,566,041
Total return on investments	$	(29,529,750)	18,005,166
Reported as:			
Other revenue	$	495,036	583,255
Investment income		9,366,958	13,855,870
Change in net unrealized investment gains (losses)		(39,391,744)	3,566,041
Total return on investments	$	(29,529,750)	18,005,166

(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).

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

- Common and collective trust funds – The funds consist 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 and investments are accounted for at December 31, 2022 and 2021 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, 2022			Total December 31,
		Level 1	**Level 2**	**Level 3**	**2022**
Description:					
Cash equivalents	$	—	1,999,356	—	1,999,356
Other receivables		—	392,132	—	392,132
Investments:					
Common and collective trust funds:					
Hedge funds	$	63,184	—	—	63,184
Corporate bonds and bond funds:					
Fixed income bond funds		96,819,586	457,750	—	97,277,336
Common stock and stock funds:					
U.S. small-mid cap equity fund		7,661,392	—	—	7,661,392
U.S. large-cap equity fund		44,226,680	—	—	44,226,680
Global equity funds		27,144,073	—	—	27,144,073
International equity funds		32,484,133	—	—	32,484,133
Investments in the fair value hierarchy		208,399,048	457,750	—	208,856,798
Investments measured at NAV		—	—	—	44,511,918
Total investments	$	208,399,048	457,750	—	253,368,716

	Fair value measurements at the end of December 31, 2021			Total December 31,
	Level 1	**Level 2**	**Level 3**	**2021**
Description:				
Cash equivalents	$ —	1,273,244	—	1,273,244
Other receivables	—	1,486	—	1,486
Investments:				
Common and collective trust funds:				
Hedge funds	$ 153,779	—	—	153,779
Corporate bonds and bond funds:				
Fixed income bond funds	110,988,072	994,180	—	111,982,252
Common stock and stock funds:				
U.S. small-mid cap equity fund	4,847,414	—	—	4,847,414
U.S. large-cap equity fund	41,028,702	—	—	41,028,702
Global equity funds	26,578,792	—	—	26,578,792
International equity funds	22,951,482	—	—	22,951,482
Investments in the fair value hierarchy	206,548,241	994,180	—	207,542,421
Investments measured at NAV	—	—	—	43,731,392
Total investments	$ 206,548,241	994,180	—	251,273,813

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, 2022 and 2021. The Joint Commission has no open commitments related to the below investments.

		2022	2021	Redemption frequency (if currently eligible)	Redemption notice period
Common and collective trust funds:					
Long/short equity fund	$	35,791,320	30,192,078	Monthly	90 days
Opportunistic fixed income fund		—	7,698,514	Quarterly	45 days
U.S. small-cap equity fund		8,720,598	5,840,800	Daily	1 day
Total	$	44,511,918	43,731,392		

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 $1,304,333 and $3,143,846 at December 31, 2022 and 2021, 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 former 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, 2022 and 2021:

		Pension Plan		**Other benefits**	
		2022	**2021**	**2022**	**2021**
Change in projected benefit obligation:					
Projected benefit obligation at beginning of year	$	110,359,089	114,964,677	6,232,412	5,441,367
Service cost		4,476,955	4,796,560	954,453	1,092,558
Interest cost		2,837,668	2,473,926	100,689	117,820
Actuarial gain (loss)		(23,878,500)	(3,512,320)	204,647	381,390
Benefits paid		(8,408,745)	(8,363,754)	(2,678,715)	(800,723)
Projected benefit obligation at end of year	$	85,386,467	110,359,089	4,813,486	6,232,412

	Pension Plan		Other benefits	
	2022	2021	2022	2021
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	$ 113,900,606	107,748,666	—	—
Actual gain (loss) on plan assets	(24,239,811)	11,315,694	—	—
Employer contributions	2,400,000	3,200,000	—	—
Benefits paid	(8,408,745)	(8,363,754)	—	—
Fair value of plan assets at end of year	$ 83,652,050	113,900,606	—	—
Funded status	$ (1,734,417)	3,541,517	—	—

	Pension Plan		Other benefits	
	2022	2021	2022	2021
Amounts recognized in the consolidated statements of financial position consist of:				
Noncurrent assets	$ —	3,541,517	—	—
Current liabilities	—	—	(2,044,000)	(2,694,000)
Noncurrent liabilities	(1,734,417)	—	(2,769,486)	(3,538,412)
Accumulated charge to net assets without donor restrictions	18,748,919	14,648,837	725,067	1,075,141
	$ 17,014,502	18,190,354	(4,088,419)	(5,157,271)

The accumulated charge to net assets without donor restrictions as of December 31, 2022 and 2021 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, 2022 of $19,473,986 represents unrecognized net actuarial losses of $19,652,933 and prior service costs credits of $178,947. During 2022, approximately $1,302,000 is expected to be reclassified from the accumulated charge to net assets without donor restrictions for defined benefit plans to net periodic benefit cost other than service cost.

The accumulated charge to net assets without donor restrictions at December 31, 2021 of $15,723,978 represents unrecognized net actuarial losses of $15,969,947 and prior service costs credits of $245,969. During 2022, approximately $584,000 was reclassified from the accumulated charge to net assets without donor restrictions for defined benefit plans to net periodic benefit cost other than service cost.

The accumulated benefit obligation for the Pension Plan was $83,295,404 and $107,361,671 at December 31, 2022 and 2021, respectively.

The increase in the discount rate used for measurement of the Pension Plan benefit obligation resulted in a significant decrease in the liability as of December 31, 2022.

Net periodic benefit cost, which is calculated using the projected unit credit method, for the years ended December 31, 2022 and 2021 included the following components:

	Pension Plan		Other benefits	
	2022	2021	2022	2021
Components of net periodic benefit cost:				
Service cost	$ 4,476,955	4,796,560	954,453	1,092,558
Interest cost	2,837,668	2,473,926	100,689	117,820
Expected return on plan assets	(5,933,912)	(6,345,264)	—	—
Net amortization of actuarial losses and prior service cost	549,240	1,559,839	35,239	64,036
Settlements	1,645,901	1,003,162	519,482	—
Net periodic benefit benefit	$ 3,575,852	3,488,223	1,609,863	1,274,414
Other changes in plan assets and benefit obligations recognized in other changes in net assets:				
Net gain (loss)	$ 6,295,223	(8,482,750)	204,647	381,390
Amortization of net loss	(616,262)	(1,626,861)	(35,239)	(64,036)
Amortization of prior service service	67,022	67,022	—	—
Adjustment for settlement	(1,645,901)	(1,003,162)	(519,482)	—
Total recognized in other changes in net assets	4,100,082	(11,045,751)	(350,074)	317,354
Total recognized in net periodic benefit cost and other changes in net assets	$ 7,675,934	(7,557,528)	1,259,789	1,591,768

The components of net periodic benefit cost other than the service cost component are included in the line item “net periodic benefit cost other than service cost” in the consolidated statements of activities.

The following table reflects the weighted average assumptions of the plans.

	Pension Plan		Other benefits	
	2022	2021	2022	2021
Weighted average assumptions:				
Discount rate used to determine obligations at year-end	4.90 %	2.60 %	4.90 %	2.60 %
Discount rate used to determine net periodic benefit cost	2.60	2.20	2.60	2.20
Rate of compensation increase	3.75	3.75	4.00	4.00
Expected return on plan assets	5.80	6.50	—	—
Weighted-average interest crediting rate	5.00	5.00	—	—

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	
		2022	2021
Equity securities	40%–70%	59 %	57 %
Long-duration fixed income	30–55	36	36
Real estate	0–7	5	7
Total		100 %	100 %

The expected return on plan assets, using a rate assumption of 5.8%, 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, 2022, 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 2023. Estimated future benefit payments from the Pension Plan are as follows:

2023	$	6,900,000
2024		7,300,000
2025		7,500,000
2026		7,700,000
2027		7,800,000
2028 through 2032		38,300,000
Total	$	75,500,000

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).

Money market funds are valued at one dollar and are actively traded.

The following tables summarize the Pension Plan's investments accounted for at fair value at December 31, 2022 and 2021 using the fair value hierarchy as described in note 7. 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, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 283,602	—	—	283,602
Investments:				
Mutual funds:				
U.S. small-mid cap fund	3,565,069	—	—	3,565,069
U.S. large-cap equity fund	12,478,061	—	—	12,478,061
Global equity fund	13,131,977	—	—	13,131,977
Emerging markets fund	4,487,056	—	—	4,487,056
International equity fund	11,191,221	—	—	11,191,221
Equity real estate investment securities:				
Corporate debt – fixed income	668,711	—	—	668,711
Common stock – equity	2,763,229	—	—	2,763,229
Common stock – preferred	576,265	—	—	576,265
Common and collective trust funds:				
Small-cap value fund	4,609,010	—	—	4,609,010
Long-duration fixed income fund	29,897,849	—	—	29,897,849
Total investments	83,368,448	—	—	83,368,448
Total plan assets	$ 83,652,050	—	—	83,652,050

(Continued)

		Assets at fair value as of December 31, 2021			
		Level 1	Level 2	Level 3	Total
Money market funds	$	569,019	—	—	569,019
Investments:					
Mutual funds:					
U.S. small-mid cap fund		4,620,607	—	—	4,620,607
U.S. large-cap equity fund		17,833,507	—	—	17,833,507
Global equity fund		16,887,760	—	—	16,887,760
Emerging markets fund		5,729,078	—	—	5,729,078
International equity fund		14,791,719	—	—	14,791,719
Equity real estate investment securities:					
Corporate debt – fixed income		1,194,881	—	—	1,194,881
Common stock – equity		5,093,624	—	—	5,093,624
Common stock – preferred		1,104,701	—	—	1,104,701
Common and collective trust funds:					
Small-cap value fund		5,093,360	—	—	5,093,360
Long-duration fixed income fund		40,982,350	—	—	40,982,350
Total investments		113,331,587	—	—	113,331,587
Total plan assets	$	113,900,606	—	—	113,900,606

The Joint Commission expects to contribute an additional $2,044,000 during 2023 to the Supplemental Plans' investments designated for payment of benefits. Estimated annual future benefit payments from the Supplemental Plans are anticipated to range from $150,700 to $1,512,400 during the period from 2024 through 2027 and are expected to total $399,600 during the period from 2028 through 2032. The benefit payments during 2023 are expected to total $2,044,000 and are classified as current liabilities in the accompanying 2022 consolidated statements 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 $2,567,473 in 2022 and $2,575,785 in 2021. The Joint Commission funds this plan on a current basis.

(9) Donor-Restricted Endowment Funds

Endowment fund agreements were between The Center and various donors. If required in the donor agreement, donors were notified of The Center's Board resolution to dissolve The Center and transfer the endowment to 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 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 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 donor-restricted net assets the original value of gifts donated to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment, and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The endowment fund was established with the intent of maintaining the fund permanently to fund the activities of The Center. As required by the Fund Transfer Agreement, The Joint Commission will continue to use the endowment funds in accordance with The Center's original charitable purposes. However, if such permanent status becomes impractical or unwise, the donor agreement sets forth that the fund may be more expeditiously used, in alignment with the original charitable purposes of The Center, to further such activities. Any expenditure of permanent endowment must be approved by The Joint Commission's Board. Prior to October 2022, any expenditures were approved by The Center's Board. 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 Joint Commission 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 no such deficiencies as of December 31, 2022 and 2021, respectively. Gains and losses generated by the endowment assets are also classified as net assets with donor restrictions

(Continued)

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 statements of activities.

The Joint Commission 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 Joint Commission has the intent to hold in perpetuity as long as it is practical and for a term-specified period. However, if holding in perpetuity becomes impractical or unwise, the donor agreement sets forth that the fund may be more expeditiously used, in alignment with the original charitable purposes of The Center, to further such activities. The Joint Commission'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 Joint Commission 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 Joint Commission relies on a strategy in which investment returns are achieved primarily through interest income and modest capital appreciation through investment in equity securities.

The Joint Commission has established the objective of using the realized appreciation and investment income on endowment assets in alignment with The Center's original charitable purposes. 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.

The Joint Commission provided equity capital of $23,850,000 to The Center through December 31, 2021, which is reported as board-designated funds functioning as endowment in the accompanying consolidated statements of financial position. Furthermore, through December 31, 2021, The Joint Commission provided $26,975,000 of unrestricted funding to The Center used to support its operating deficit and operations.

Changes in the fair value of the endowment investments and net assets by type of fund were as follows for the year ended December 31, 2022:

	2022		
	Without donor restrictions	**With donor restrictions**	**Total**
Investment return:			
Endowment yield (interest, dividends, and realized gains)	$ 2,230,768	129,004	2,359,772
Unrealized losses on investments	(3,593,698)	(1,570,830)	(5,164,528)
Total investment activity	(1,362,930)	(1,441,826)	(2,804,756)
Net assets released from restrictions	—	—	—
Investment interest transfer to operating cash	(1,559,997)	—	(1,559,997)
Net investment return	(2,922,927)	(1,441,826)	(4,364,753)
Other changes in endowment investments:			
Transfers to use funds functioning as endowment and other changes	473,162	—	473,162
Total other changes in endowment investments	473,162	—	473,162
Net change in endowment investments	(2,449,765)	(1,441,826)	(3,891,591)
Endowment investments at:			
Beginning of year	24,148,544	10,757,609	34,906,153
End of year	$ 21,698,779	9,315,783	31,014,562
Net assets by type of fund:			
Donor-restricted endowment	$ —	10,425,000	10,425,000
Investment return	185,834	(1,109,217)	(923,383)
Board-designated funds functioning as endowment	21,512,945	—	21,512,945
Total – as above	21,698,779	9,315,783	31,014,562
Other donor-designated gifts	—	395	395
Classification as cash equivalents	1,949,255	—	1,949,255
Classification as other receivables	387,800	—	387,800
Total net assets	$ 24,035,834	9,316,178	33,352,012

Changes in the fair value of the endowment investments and net assets by type of fund were as follows for the year ended December 31, 2021:

	2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Investment return:			
Endowment yield (interest, dividends, and realized gains)	$ 1,076,683	443,253	1,519,936
Unrealized gains on investments	622,102	245,294	867,396
Total investment activity	1,698,785	688,547	2,387,332
Net assets released from restrictions	443,253	(443,253)	—
Investment interest transfer to operating cash	(1,697,865)	—	(1,697,865)
Net investment return	444,173	245,294	689,467
Other changes in endowment investments:			
Transfers to use funds functioning as endowment and other changes	(4,810,185)	—	(4,810,185)
Total other changes in endowment investments	(4,810,185)	—	(4,810,185)
Net change in endowment investments	(4,366,012)	245,294	(4,120,718)
Endowment investments at:			
Beginning of year	28,514,556	10,512,315	39,026,871
End of year	$ 24,148,544	10,757,609	34,906,153
Net assets by type of fund:			
Donor-restricted endowment	$ —	10,425,000	10,425,000
Investment return	3,108,761	332,609	3,441,370
Board-designated funds functioning as endowment	21,039,783	—	21,039,783
Total – as above	24,148,544	10,757,609	34,906,153
Other donor-designated gifts	—	395	395
Classification as cash equivalents	2,810,217	—	2,810,217
Total net assets	$ 26,958,761	10,758,004	37,716,765

(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 79% of total expenses in 2022 and 2021, respectively. Expenses by function are as follows for the years ended December 31, 2022 and 2021:

	Program activities				Supporting	
	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Total program activities	Management and general	2022 Total consolidated expense
Salaries and benefits	$ 103,850,677	28,594,741	875,242	133,320,660	29,390,063	162,710,723
Travel costs	25,901,599	2,238,122	15,011	28,154,732	248,209	28,402,941
Fees and services (a)	7,964,837	8,532,442	4,230	16,501,509	7,939,200	24,440,709
Office expense	3,223,780	1,028,310	46,962	4,299,052	5,785,749	10,084,801
Depreciation and amortization	3,434,888	541,673	143,889	4,120,450	3,072,182	7,192,632
Other operating expenses	4,628,047	2,550,831	360,989	7,539,867	5,962,496	13,502,363
Total expenses	$ 149,003,828	43,486,119	1,446,323	193,936,270	52,397,899	246,334,169

	Program activities				Supporting	
	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Total program activities	Management and general	2021 Total consolidated expense
Salaries and benefits	$ 95,503,521	26,717,177	2,109,463	124,330,161	29,131,651	153,461,812
Travel costs	17,579,868	383,987	16,017	17,979,872	(112,229)	17,867,643
Fees and services (a)	7,463,232	7,105,840	850,413	15,419,485	4,342,727	19,762,212
Office expense	4,618,964	1,165,312	56,530	5,840,806	5,486,420	11,327,226
Depreciation and amortization	3,568,341	617,925	267,953	4,454,219	2,585,984	7,040,203
Other operating expenses	3,111,477	1,928,366	194,595	5,234,438	3,345,566	8,580,004
Total expenses	$ 131,845,403	37,918,607	3,494,971	173,258,981	44,780,119	218,039,100

(a) Net of intercompany eliminations

(11) Net Assets with Donor Restrictions

As of December 31, 2022, net assets with donor restrictions of $9,316,178 (original gift $10,425,395) are endowment funds which must be appropriated by The Joint Commission’s Board before use. Donors specified the endowments funds to be maintained in perpetuity with the investment income and appreciation to support the mission. The funds are time restricted until appropriated.

(Continued)

(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.

In December 2022, JCR’s joint venture partner announced its desire to terminate the joint venture. The partner does not have legal standing to terminate the joint venture as none of the conditions allowing for termination have been met. JCR is currently working with legal counsel to negotiate terms of the joint venture dissolution.

(14) Subsequent Event

The Joint Commission has performed an evaluation of subsequent events through April 27, 2023, which is the date the consolidated financial statements were available to be issued, and noted the following subsequent event disclosure.

Due to increasing regulatory restrictions in China which limits future growth, JCR has decided to close its operations in China effective April 2023. JCR is currently working to determine the activities that will be needed to support an orderly conclusion of its business in the country.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidating Schedule of Statement of Financial Position Information

December 31, 2022

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	$ 49,439,521	10,648,558	—	—	60,088,079
Accounts receivable – net of allowance for doubtful accounts of $768,700	18,424,484	14,072,674	—	(6,892,570)	25,604,588
Inventory – net	—	320,651	—	—	320,651
Prepaid expenses	4,811,066	1,985,253	—	(560,126)	6,236,193
Total current assets	72,675,071	27,027,136	—	(7,452,696)	92,249,511
Noncurrent assets:					
Investments sold receivable	384,085	—	—	—	384,085
Investments	194,056,658	28,297,495	—	—	222,354,153
Endowment investments	31,014,563	—	—	—	31,014,563
Prepaid pension assets	—	—	—	—	—
Other long-term prepaid assets	1,379,778	—	—	—	1,379,778
Operating lease right-of-use assets	1,642,481	—	—	—	1,642,481
Property and equipment:					
Land	4,204,400	—	—	—	4,204,400
Building	45,965,672	—	—	—	45,965,672
Leasehold improvements, office systems, furniture, and equipment	52,273,016	6,597,811	—	—	58,870,827
Total property and equipment	102,443,088	6,597,811	—	—	109,040,899
Less accumulated depreciation and amortization	(68,987,476)	(5,676,936)	—	—	(74,664,412)
Total property and equipment – net	33,455,612	920,875	—	—	34,376,487
Total noncurrent assets	261,933,177	29,218,370	—	—	291,151,547
Total assets	$ 334,608,248	56,245,506	—	(7,452,696)	383,401,058
Liabilities and Net Assets					
Current liabilities:					
Current maturity of notes payable	$ 1,070,000	—	—	—	1,070,000
Current installments of obligations under operating leases	408,767	—	—	—	408,767
Current installments of obligations under finance leases	590,935	—	—	—	590,935
Accounts payable	10,652,897	9,283,525	—	(6,892,570)	13,043,852
Accrued expenses:					
Compensation and benefits	5,603,234	1,393,232	—	—	6,996,466
Other expenses	503,322	29,999	—	—	533,321
Deferred revenue:					
Accreditation fees and deposits	74,311	918,222	—	—	992,533
Publications, educational programs, and other advances	610,931	10,506,299	—	(560,126)	10,557,104
Current portion of accrued postretirement benefits	1,682,000	362,000	—	—	2,044,000
Total current liabilities	21,196,397	22,493,277	—	(7,452,696)	36,236,978
Noncurrent liabilities:					
Notes payable – less current maturity and unamortized debt issuance costs	7,386,340	—	—	—	7,386,340
Obligations under operating leases – less current installments	1,939,020	—	—	—	1,939,020
Obligations under finance leases – less current installments	1,153,421	—	—	—	1,153,421
Accrued pension and postretirement benefits	2,192,794	2,311,109	—	—	4,503,903
Total noncurrent liabilities	12,671,575	2,311,109	—	—	14,982,684
Total liabilities	33,867,972	24,804,386	—	(7,452,696)	51,219,662
Net assets:					
Without donor restrictions:					
Undesignated	267,388,264	31,441,120	—	—	298,829,384
Board-designated funds functioning as endowment	24,035,834	—	—	—	24,035,834
With donor restrictions – endowment	9,316,178	—	—	—	9,316,178
Total net assets	300,740,276	31,441,120	—	—	332,181,396
Total liabilities and net assets	$ 334,608,248	56,245,506	—	(7,452,696)	383,401,058

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, 2022

	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Intercompany eliminations	Consolidated
Revenue:					
Annual accreditation subscription fees	$ 97,289,645	—	—	—	97,289,645
Survey fees	86,299,774	16,203,810	—	—	102,503,584
Publications and multimedia	—	21,628,666	—	—	21,628,666
Educational programs	—	5,572,733	36,541	—	5,609,274
Consultative technical assistance	—	9,471,882	—	(16,225)	9,455,657
Continuous service readiness	—	6,262,561	—	—	6,262,561
Performance measurement activities	7,098,402	—	—	—	7,098,402
Other revenue and net assets released from restrictions	10,471,716	2,507,279	782,654	(9,068,636)	4,693,013
Total revenue	201,159,537	61,646,931	819,195	(9,084,861)	254,540,802
Expenses:					
Salaries and benefits	130,340,676	30,718,327	1,651,720	—	162,710,723
Travel costs	26,007,811	2,380,119	15,011	—	28,402,941
Fees and services	14,597,449	18,186,711	741,410	(9,084,861)	24,440,709
Office expense	7,996,069	2,029,044	59,688	—	10,084,801
Depreciation and amortization	5,093,962	1,940,965	157,705	—	7,192,632
Other operating expenses	7,204,446	5,926,046	371,871	—	13,502,363
Total expenses	191,240,413	61,181,212	2,997,405	(9,084,861)	246,334,169
Excess (deficiency) of revenue over expenses before investment income	9,919,124	465,719	(2,178,210)	—	8,206,633
Investment income	7,424,606	951,966	861,382	—	9,237,954
Excess (deficiency) of revenue over expenses	17,343,730	1,417,685	(1,316,828)	—	17,444,587
Other changes in net assets without donor restrictions:					
Change in net unrealized investment losses	(29,543,005)	(4,576,235)	(3,701,674)	—	(37,820,914)
Change in net periodic pension costs other	240,770	4,927	—	—	245,697
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit cost	(2,819,871)	(930,137)	—	—	(3,750,008)
Change in foreign currency revaluation	—	(11,146)	—	—	(11,146)
Transfer of undesignated net assets to parent company	6,432,169	(3,807,616)	(2,624,553)	—	—
Transfer of board-designated funds functioning as endowment to parent company	21,089,202	—	(21,089,202)	—	—
Change in net assets without donor restrictions	12,742,995	(7,902,522)	(28,732,257)	—	(23,891,784)
Net assets without donor restrictions – beginning of year	278,681,103	39,343,642	28,732,257	—	346,757,002
Net assets without donor restrictions – end of year	$ 291,424,098	31,441,120	—	—	322,865,218

See accompanying independent auditors' report.