KPMG

THE JOINT COMMISSION ON ACCREDITATION OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Financial Statements and Supplemental Schedules

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

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

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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:

We have audited the accompanying consolidated financial statements of The Joint Commission on Accreditation of Healthcare Organizations and Affiliates (The Joint Commission), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Joint Commission as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedule of statement of financial position information and the accompanying consolidating schedule of statement of activities information – net assets without donor restriction are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

Chicago, Illinois
April 28, 2021

THE JOINT COMMISSION ON ACCREDITATION OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statements of Financial Position

December 31, 2020 and 2019

Assets		**2020**	**2019**
Current assets:			
Cash, cash equivalents, and restricted cash	$	65,923,341	48,447,082
Accounts receivable – net of allowance for doubtful accounts of $395,400 and $256,150 in 2020 and 2019, respectively		9,092,353	15,331,750
Inventory – net		265,972	419,356
Prepaid expenses		4,343,022	4,560,708
Total current assets		79,624,688	68,758,896
Noncurrent assets:			
Investments		211,192,175	210,813,533
Endowment investments		39,026,871	42,217,286
Property and equipment:			
Land		4,204,400	4,204,400
Building		45,778,237	45,238,207
Leasehold improvements, office systems, furniture, and equipment		57,990,021	56,243,271
Total property and equipment		107,972,658	105,685,878
Less accumulated depreciation and amortization		(67,303,136)	(61,175,904)
Total property and equipment – net		40,669,522	44,509,974
Total noncurrent assets		290,888,568	297,540,793
Total assets	$	370,513,256	366,299,689
Liabilities and Net Assets			
Current liabilities:			
Current maturity of notes payable	$	1,070,000	1,075,000
Current installments of obligations under capital leases		823,601	842,653
Accounts payable		6,718,218	9,555,543
Accrued expenses:			
Compensation and benefits		6,536,165	7,900,826
Other expenses		4,126,994	4,428,271
Deferred revenue:			
Accreditation fees and deposits		4,138,431	5,171,596
Publications, educational programs, and other advances		8,683,896	7,941,422
Current portion of accrued pension and postretirement benefits		784,000	2,454,000
Total current liabilities		32,881,305	39,369,311
Noncurrent liabilities:			
Notes payable – less current maturity and unamortized debt issuance costs of $97,408 and $117,693 in 2020 and 2019, respectively		9,532,592	10,582,307
Obligations under capital leases – less current installments		683,864	1,524,956
Accrued pension and postretirement benefits		11,873,378	9,910,161
Total noncurrent liabilities		22,089,834	22,017,424
Total liabilities		54,971,139	61,386,735
Net assets:			
Without donor restrictions:			
Undesignated		278,360,633	263,779,968
Board-designated funds functioning as endowment		26,668,774	30,537,159
With donor restrictions – endowment		10,512,710	10,595,827
Total net assets		315,542,117	304,912,954
Total liabilities and net assets	$	370,513,256	366,299,689

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, 2020

	2020		
	Without donor restrictions	**With donor restrictions**	**Total**
Revenue and other support:			
Annual accreditation subscription fees	$ 92,546,063	—	92,546,063
Survey fees	42,204,358	—	42,204,358
Publications and multimedia	18,574,928	—	18,574,928
Educational programs	2,404,460	—	2,404,460
Consultative technical assistance	5,370,940	—	5,370,940
Continuous service readiness	4,410,637	—	4,410,637
Performance measurement activities	7,216,202	—	7,216,202
Other revenue	3,347,653	615,111	3,962,764
Net assets released from restrictions	615,111	(615,111)	—
Total revenue and other support	176,690,352	—	176,690,352
Expenses:			
Salaries and benefits	135,934,317	—	135,934,317
Travel costs	9,159,955	—	9,159,955
Fees and services	17,137,294	—	17,137,294
Office expense	11,556,965	—	11,556,965
Publishing and printing	2,268,723	—	2,268,723
Depreciation and amortization	7,370,312	—	7,370,312
Other operating expenses	5,832,646	—	5,832,646
Total expenses	189,260,212	—	189,260,212
Deficit of revenue and other support below expenses before investment income	(12,569,860)	—	(12,569,860)
Investment income	20,205,522	—	20,205,522
Excess of revenue and other support over expenses	7,635,662	—	7,635,662
Other changes in net assets:			
Change in net unrealized investment gains (losses)	4,983,322	(83,117)	4,900,205
Net periodic benefit cost other than service cost	(1,462,067)	—	(1,462,067)
Change in unrecognized net defined-benefit plan cost not yet recognized in net periodic benefit expense	(444,637)	—	(444,637)
Change in net assets	10,712,280	(83,117)	10,629,163
Net assets – beginning of year	294,317,127	10,595,827	304,912,954
Net assets – end of year	$ 305,029,407	10,512,710	315,542,117

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, 2019

		2019		
		Without donor restrictions	**With donor restrictions**	**Total**
Revenue and other support:				
Annual accreditation subscription fees	$	88,456,043	—	88,456,043
Survey fees		94,273,985	—	94,273,985
Publications and multimedia		18,504,160	—	18,504,160
Educational programs		7,918,145	—	7,918,145
Consultative technical assistance		14,054,771	—	14,054,771
Continuous service readiness		6,021,128	—	6,021,128
Performance measurement activities		7,138,684	—	7,138,684
Other revenue		5,202,925	680,359	5,883,284
Net assets released from restrictions		680,359	(680,359)	—
Total revenue and other support		242,250,200	—	242,250,200
Expenses:				
Salaries and benefits		156,131,751	—	156,131,751
Travel costs		30,021,782	—	30,021,782
Fees and services		21,862,906	—	21,862,906
Office expense		12,267,946	—	12,267,946
Publishing and printing		2,721,992	—	2,721,992
Depreciation and amortization		6,685,286	—	6,685,286
Other operating expenses		8,844,554	—	8,844,554
Total expenses		238,536,217	—	238,536,217
Excess of revenue and other support over expenses before investment income		3,713,983	—	3,713,983
Investment income		10,076,233	—	10,076,233
Excess of revenue and other support over expenses		13,790,216	—	13,790,216
Other changes in net assets:				
Change in net unrealized investment gains		22,573,853	495,448	23,069,301
Net periodic benefit cost other than service cost		(450,413)	—	(450,413)
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit expense		1,271,843	—	1,271,843
Change in net assets		37,185,499	495,448	37,680,947
Net assets – beginning of year		257,131,628	10,100,379	267,232,007
Net assets – end of year	$	294,317,127	10,595,827	304,912,954

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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 10,629,163	37,680,947
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized investment gains – net	(17,275,636)	(6,166,175)
Change in net unrealized investment gains	(4,900,205)	(23,069,301)
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit expense	444,637	(1,271,843)
Depreciation and amortization	7,370,312	6,685,286
Changes in assets and liabilities:		
Accounts receivable – net	6,239,397	6,286,564
Accounts payable and accrued expenses	(4,952,814)	270,217
Deferred revenue	(290,691)	2,788,190
Accrued pension and postretirement benefits	(151,420)	(908,828)
Other assets and liabilities	371,070	(369,944)
Net cash (used in) provided by operating activities	(2,516,187)	21,925,113
Cash flows from investing activities:		
Purchases of investments	(25,685,538)	(22,375,630)
Sales and maturities of investments	50,673,152	18,020,675
Additions to property and equipment	(3,060,024)	(5,349,878)
Net cash provided by (used in) investing activities	21,927,590	(9,704,833)
Cash flows from financing activities:		
Principal payments of notes payable	(1,075,000)	(1,075,000)
Principal payments on capital lease obligations	(860,144)	(187,968)
Net cash used in financing activities	(1,935,144)	(1,262,968)
Net increase in cash, cash equivalents, and restricted cash	17,476,259	10,957,312
Cash, cash equivalents, and restricted cash – beginning of year	48,447,082	37,489,770
Cash, cash equivalents, and restricted cash – end of year	$ 65,923,341	48,447,082
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 222,860	243,773
Cash paid during the year for foreign income taxes	13,272	70,838
Fixed asset additions included in accounts payable and accrued expenses	449,551	723,020

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. The Center accomplishes this objective by developing and disseminating solutions to healthcare's most critical quality and safety problems through collaboration with healthcare organizations and facilitating their adoption. An additional controlled not-for-profit affiliate, JCAHO Surveyor and QHR Consultant Corporation (Surveyor Corporation), administers an employment program for The Joint Commission and is also included in the accompanying consolidated financial statements. On December 31, 2020, articles of dissolution were filed on behalf of the Surveyor Corporation. 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 The Joint Commission, the income from which is used in support of the purposes and mission of The Center.

- *With Donor Restrictions* – net assets subject to donor-imposed restriction for use for a particular purpose. The Joint Commission's unspent contributions are included in this class if the donor limited their use. The Center's donor-restricted endowment funds 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 purposes and mission of The Center. 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 purposes of the Center.

  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 asses without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

(d) Use of Estimates

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

(e) Cash, Cash Equivalents, and Restricted Cash

For purposes of reporting, all cash and investments with a maturity at the date of purchase of three months or less are considered cash and cash equivalents. Restricted cash represents those amounts required to be to set aside by a contractual agreement or designated by management.

(f) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based primarily on quoted market prices or observable market inputs in the accompanying consolidated statements of financial position. Investments in common and collective trust funds that invest in publicly traded securities are estimated at net asset value (NAV). The NAV reported for each investment is used as the practical expedient to estimate fair value of The Joint Commission's interest therein. Interest and dividend income and realized gains and losses on sales of investments are reported as investment income or loss, while unrealized gains (losses) are reported separately in the accompanying consolidated statements of activities as a component of other changes in net assets.

(g) Endowment Investments

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Center's activities. 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 purposes of the Center.
- 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 operating 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 industry. 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 and $15,000 at December 31, 2020 and 2019, respectively.

(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.

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 2020 or 2019.

(l) System Development Costs

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

(m) Accrued Vacation

Employees accrue vacation based on tenure and salary base, which results in up to 240 hours of vacation per year. Employees were allowed to accumulate up to 40 hours in 2020 and 80 hours in 2019 of their yearly allotment of unused vacation balances as a carry over to future years. As of December 31, 2020 and 2019, accrued vacation obligations were approximately $1,422,000 and $4,000,000, respectively. The Joint Commission's obligation for accrued vacation is included as an 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 organization holds a stop-loss policy that limits the maximum liability for benefits payable under such claims. Adjustments to expenses resulting from changes in historical trends have been insignificant for the years ended December 31,

(Continued)

2020 and 2019. 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) Revenues and Costs from Products and Services

The Joint Commission generates revenue from the sale of both products and services. Revenue is recognized when control of the services or products 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. Revenues exclude any sales incentives and amounts collected on behalf of third parties, including taxes and pass-thru 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 revenues.

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 revenues 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 based on the number of surveyor days performed.

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. Revenues from on-demand and recorded conferences, referred to as audio conferences, are recognized when access is granted. Revenues from live events, satellite broadcasts, and audio recordings sold as a series, in which several parts are held or provided over time, are earned evenly over the series and recognized in the month each event is held or access to view is granted.

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 revenues to each performance obligation based on its relative stand-alone selling price as a percentage to the total contract value. Revenues are 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. Revenues are recognized ratably over the period to which the subscription fee relate. Also, annual vendor supplier contracts are earned evenly over the fiscal year.

Other Revenue

Gifts, grants and other contracts revenue – Gifts are recognized in the period received. 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 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.

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 revenues 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, 2020 and 2019, other revenue consists of the following:

		2020	2019
Gifts, grants and other contracts	$	1,659,079	2,569,955
Contributions		177,282	188,805
Investment income on endowment assets		999,133	1,540,394
Other miscellaneous revenues		1,127,270	1,584,130
Total other revenue	$	3,962,764	5,883,284

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, 2020, 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 costs 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 $899,677 and $713,822 for the years ended December 31, 2020 and 2019, respectively.

(q) Expense Recognition and Allocation

The cost of providing the organization’s programs and other activities is summarized on a functional basis in schedule of functional expenses 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 to the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and benefits are allocated based on either timecards or activity reports prepared by key personnel.
- Occupancy, depreciation and amortization, bond issuance fees and interest expense are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet charges that cannot be directly identified are allocated 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, 2020 and 2019, 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, 2020 and 2019, a tax of $0 and a tax refund $9,752 have been recorded 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, 2020 and 2019, 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). JCAHO Surveyor and QHR Consultant Corporation is organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purpose of The Joint Commission and JCR under IRC

Section 509(a)(3), while The Center is organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purpose of The Joint Commission under IRC Section 509(a)(3).

(s) Foreign Currency

Transaction gains and losses resulting from settlements in foreign currency are recorded in the period in which the transaction occurs and are recorded as other revenue in the accompanying consolidated statements of activities. Net gains totaling $39,090 and losses of $8,960 were recognized in 2020 and 2019, respectively.

(t) Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a coronavirus to be a pandemic. In that same month, the United States of America declared a national public health emergency concerning the COVID-19 outbreak. Consequently, The Joint Commission enterprise suspended all on-site customer engagements. Shortly thereafter, virtual engagement models were created for accreditation, certification, education, consultative technical assistance, and high reliability training activities; these models of service delivery began to roll out in May, increasing in volume over the course of the year. In June, on-site engagements were restarted and continued through year-end on a limited basis. In addition, The Joint Commission aggressively reduced costs to mitigate the impact of lost on-site revenues. Despite these measures, the pandemic resulted in a significant operating deficit in 2020.

Although vaccines for COVID-19 are currently available to the general public in the U.S. and around the world, it will take time for the vaccines to materially affect the spread of the virus and the outbreak could have a continued adverse impact on the organization. Management forecasts suggest it may take several years before the enterprise returns to historical revenue levels. To date, the organization has been able to sustain its operations through operating cash and has kept its reserves intact. Management continues to monitor the situation very carefully and is prepared to take any actions needed to keep the organization financially sound.

(u) Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement.* The ASU modifies the disclosure requirements on fair value measurements (note 7). The Joint Commission's adoption of the ASU on January 1, 2020 did not have a material effect on its consolidated financial statements and related disclosures.

(v) New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance establishes the principles that lessees and lessors shall apply to report useful information to users of the financial statements about the amount, timing, and uncertainty of cash flows arising from a lease for more transparency and comparability among organizations. The core principle of the new guidance is that a lessee should recognize the assets and liabilities that arise from leases. Additional guidance was issued in July 2018 under ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements,* and ASU No. 2019-01, *Leases*

(Topic 842): Codification Improvements. In June 2020, the FASB issued ASU No. 2020-05, *Revenues from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date of ASU No. 2016-02 to fiscal years beginning after December 15, 2021 for not-for-profits.

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.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined-benefit pension or other postretirement plans. This guidance becomes effective for The Joint Commission for fiscal year 2022.

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

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. This guidance is effective for fiscal years beginning after June 15, 2021.

The Joint Commission is currently evaluating the impact of the aforementioned standards on its consolidated financial statements and related disclosures.

(w) Reclassifications

Certain reclassifications have been made to the 2019 notes to the consolidated financial statements to conform to the 2020 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 organization manages its liquidity and reserves following these guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be paid. The Joint Commission has a policy to target an appropriate balance of reserves of unrestricted, undesignated assets. For the years ended December 2020 and 2019, 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, 2020:

		2020	2019
Financial assets at year-end:			
Cash, cash equivalents, and restricted cash	$	65,923,341	48,447,082
Accounts receivable, net		9,092,353	15,331,750
Investments		211,192,175	210,813,533
Endowment investments		39,026,871	42,217,286
Total financial assets	$	325,234,740	316,809,651
Financial assets available to meet general expenditures over next 12 months:			
Cash and cash equivalents	$	65,080,958	48,139,255
Accounts receivable, net		9,092,353	15,331,750
Investments not encumbered by donor or board restrictions		208,601,038	207,220,213
Financial assets readily available within one year	$	282,774,349	270,691,218

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 ($28,099,347, of which $26,350,000 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 ($10,927,524, of which $10,425,395 is the original gift). Furthermore, The Joint Commission has the ability, but not the intent, to use nonqualified, supplemental defined-benefit retirement plan funds ($2,648,042) 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.

		2020	2019
Cash	$	41,573,419	47,352,164
Restricted cash for China operations		785,478	212,954
Cash equivalents		23,507,540	787,090
Restricted cash equivalents for nonqualified supplemental retirement plans		56,904	94,874
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$	65,923,341	48,447,082

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

The loan is a seven-year loan through July 31, 2022; however, the principal is paid annually based on a 15-year straight-line amortization schedule. At the end of seven years, The Joint Commission may retain the loan with the purchaser at a new interest rate and term, cause the Bond to be sold to a new purchaser, or purchase the loan itself. Under the terms of the loan, The Joint Commission has agreed to meet various covenants on a consolidated basis, including maintenance of certain financial ratios and a minimum level of cash and investments. The Joint Commission is subject to certain financial and non-financial covenants as stated in the bond agreement, and, as of December 31, 2020, The Joint Commission was in compliance with all financial covenants.

The annual maturities of the Bond are as follows:

2021	$	1,070,000
2022		1,070,000
2023		1,070,000
2024		1,070,000
2025		1,070,000
2026 through 2030		5,350,000
Total	$	10,700,000

Interest expense totaled $222,860 in 2020 and $244,466 in 2019. Interest expense is included in other operating expenses in the accompanying consolidated statements of activities.

Long-term notes payable as of December 31, 2020 and 2019 consisted of the following:

		Principal	Unamortized debt issuance costs	Long-term note payable, net
December 31, 2020:				
Series 2015 note payable, 1.94% fixed note	$	9,630,000	97,408	9,532,592
December 31, 2019:				
Series 2015 note payable, 1.94% fixed note	$	10,700,000	117,693	10,582,307

(5) Leases

During 2019, The Joint Commission entered into a capital lease covering laptops and tablets that expire at various dates during the next three years. The lease includes a renewal provision of an additional three-month term. At December 31, 2020, the gross amount of equipment and related accumulated amortization recorded under the capital lease were as follows:

		2020
Equipment	$	2,584,177
Less accumulated amortization		(1,046,967)
	$	1,537,210

(Continued)

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 market 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 twelve 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, 2020. Such obligations are subject to foreign currency exchange risk.

Rent expense related to operating lease agreements was $1,828,281 in 2020 and $1,779,600 in 2019, and is recorded as other operating expenses in the accompanying consolidated statements of activities.

Obligations under leases having initial terms in excess of one year at current rates are as follows as of December 31, 2020:

	Capital leases	Operating leases
2021	$ 1,035,320	1,771,755
2022	832,721	1,707,080
2023	5,525	1,631,796
2024	—	1,574,154
2025	—	1,597,437
Thereafter	—	6,719,735
Total minimum lease payments	1,873,566	$ 15,001,957
Less estimated executory costs	(345,503)	
Net minimum lease payments	1,528,063	
Less amount representing interest at 1.2%	(20,598)	
Present value of net minimum capital lease payments	1,507,465	
Less current installments of obligations under capital leases	(823,601)	
Obligations under capital leases, excluding current installments	$ 683,864	

(6) Investments

The following table summarizes the types of investments and total return on investments as of and for the years ended December 31, 2020 and 2019:

		2020	2019
Type of investments:			
Common and collective trust funds	$	49,978,448	44,143,924
Corporate bonds and bond funds		111,926,080	94,514,515
Common stock and stock funds		88,314,518	114,372,380
Total investments	$	250,219,046	253,030,819
Reported as:			
Investments	$	211,192,175	210,813,533
Endowment investments		39,026,871	42,217,286
Total investments	$	250,219,046	253,030,819
Return on investments:			
Interest income and dividends	$	2,929,886	3,910,058
Interest on endowment investments, net		819,439	1,070,869
Realized gains on sale of investments, net		17,275,636	6,166,175
Unrealized gains, net		4,900,205	23,069,301
Total return on investments	$	25,925,166	34,216,403
Reported as:			
Other revenue	$	819,439	1,070,869
Investment income		20,205,522	10,076,233
Change in net unrealized investment gains		4,900,205	23,069,301
Total return on investments	$	25,925,166	34,216,403

(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, 2020 and 2019 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, 2020			Total December 31,
		Level 1	**Level 2**	**Level 3**	**2020**
Description:					
Cash equivalents	$	—	23,564,444	—	23,564,444
Other receivables		—	1,700	—	1,700
Investments:					
Common and collective trust funds:					
Hedge funds	$	126,402	—	—	126,402
Corporate bonds and bond funds:					
Fixed income bond funds		110,958,322	967,758	—	111,926,080
Common stock and stock funds:					
U.S. small-mid cap equity fund		4,745,488	—	—	4,745,488
U.S. large-cap equity fund		35,935,355	—	—	35,935,355
Global equity funds		25,553,322	—	—	25,553,322
International equity funds		22,080,353	—	—	22,080,353
Investments in the fair value hierarchy		199,399,242	967,758	—	200,367,000
Investments measured at NAV		—	—	—	49,852,046
Total investments	$	199,399,242	967,758	—	250,219,046

	Fair value measurements at the end of December 31, 2019			Total December 31,
	Level 1	Level 2	Level 3	2019
Description:				
Cash equivalents	$ —	881,964	—	881,964
Other receivables	—	4,245	—	4,245
Investments:				
Common and collective trust funds:				
Hedge funds	$ 164,514	—	—	164,514
Corporate bonds and bond funds:				
Fixed income bond funds	93,198,363	1,316,152	—	94,514,515
Common stock and stock funds:				
U.S. small-mid cap equity fund	7,777,125	—	—	7,777,125
U.S. large-cap equity fund	44,937,651	—	—	44,937,651
Global equity funds	29,189,533	—	—	29,189,533
International equity funds	32,468,071	—	—	32,468,071
Investments in the fair value hierarchy	207,735,257	1,316,152	—	209,051,409
Investments measured at NAV	—	—	—	43,979,410
Total investments	$ 207,735,257	1,316,152	—	253,030,819

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, 2020 and 2019. The Joint Commission has no open commitments related to the below investments.

	2020	2019	Redemption frequency (if currently eligible)	Redemption notice period
Common and collective trust funds:				
Long/short equity fund	$ 34,775,857	28,295,078	Monthly	90 days
Opportunistic fixed income fund	7,012,520	7,244,300	Quarterly	45 days
U.S. small-cap equity fund	8,063,669	8,440,032	Monthly	40 days
Total	$ 49,852,046	43,979,410		

(Continued)

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 $2,648,042 and $3,688,194 at December 31, 2020 and 2019, 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, 2020 and 2019:

		Pension Plan		Other benefits	
		2020	**2019**	**2020**	**2019**
Change in projected benefit obligation:					
Projected benefit obligation at beginning of year	$	103,302,897	86,968,654	6,558,919	6,336,623
Service cost		2,296,998	3,933,871	1,082,169	1,081,788
Interest cost		3,050,180	3,426,595	173,117	245,327
Actuarial gain		13,722,627	13,453,098	219,816	270,081
Benefits paid		(7,408,025)	(4,479,321)	(2,592,654)	(1,374,900)
Projected benefit obligation at end of year	$	114,964,677	103,302,897	5,441,367	6,558,919

		Pension Plan		Other benefits	
		2020	**2019**	**2020**	**2019**
Change in fair value of plan assets:					
Fair value of plan assets at beginning of year	$	97,497,655	78,760,445	—	—
Actual gain on plan assets		15,259,036	18,216,531	—	—
Employer contributions		2,400,000	5,000,000	—	—
Benefits paid		(7,408,025)	(4,479,321)	—	—
Fair value of plan assets at end of year	$	107,748,666	97,497,655	—	—
Funded status	$	(7,216,011)	(5,805,242)	—	—

(Continued)

		Pension Plan		Other benefits	
		2020	**2019**	**2020**	**2019**
Amounts recognized in the consolidated statements of financial position consist of:					
Current liabilities	$	—	—	(784,000)	(2,454,000)
Noncurrent liabilities		(7,216,011)	(5,805,242)	(4,657,367)	(4,104,919)
Accumulated charge to net assets without donor restrictions		25,694,588	24,868,020	757,787	1,139,718
	$	18,478,577	19,062,778	(4,683,580)	(5,419,201)

The accumulated charge to net assets without donor restrictions as of December 31, 2020 and 2019 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, 2020 of $26,452,375 represents unrecognized net actuarial losses of $26,765,366 and prior service costs credits of $312,991. During 2021, approximately $1,598,000 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, 2019 of $26,007,738 represents unrecognized net actuarial losses of $26,387,751 and prior service costs credits of $380,013. During 2020, approximately $1,749,000 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 $112,134,177 and $100,796,464 at December 31, 2020 and 2019, respectively.

Net periodic benefit cost, which is calculated using the projected unit credit method, for the years ended December 31, 2020 and 2019 included the following components:

		Pension Plan		Other benefits	
		2020	2019	2020	2019
Components of net periodic benefit cost:					
Service cost	$	2,296,998	3,933,871	1,082,169	1,081,788
Interest cost		3,050,180	3,426,595	173,117	245,327
Expected return on plan assets		(5,654,807)	(5,407,274)	—	—
Net amortization of actuarial losses and prior service cost		1,728,563	2,056,485	20,417	64,133
Settlements		1,563,267	—	581,330	65,147
Net periodic benefit benefit	$	2,984,201	4,009,677	1,857,033	1,456,395
Other changes in plan assets and benefit obligations recognized in other changes in net assets:					
Net loss	$	4,118,398	643,841	219,816	270,081
Amortization of net loss		(1,795,585)	(2,123,507)	(20,417)	(64,133)
Amortization of prior service service		67,022	67,022	—	—
Adjustment for settlement		(1,563,267)	—	(581,330)	(65,147)
Total recognized in other changes in net assets		826,568	(1,412,644)	(381,931)	140,801
Total recognized in net periodic benefit cost and other changes in net assets	$	3,810,769	2,597,033	1,475,102	1,597,196

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 estimated net loss and prior service cost credit for the defined-benefit plans that will be amortized from accumulated charge into net periodic benefit cost over the next fiscal year are $1,589,388 and $67,022, respectively. The estimated net loss for the Supplemental Plans that will be amortized from the accumulated charge into net periodic benefit cost over the next fiscal year is $60,064.

(Continued)

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

	Pension Plan		Other benefits	
	2020	2019	2020	2019
Weighted average assumptions:				
Discount rate used to determine obligations at year-end	2.20 %	3.00 %	2.20 %	3.00 %
Discount rate used to determine net periodic benefit cost	3.00	4.00	3.00	4.00
Rate of compensation increase	3.75	3.75	3.75	4.00
Expected return on plan assets	6.50	7.00	—	—

The assumed healthcare trend rates for the postretirement medical benefits were not applicable in 2020 and 2019 as a result of a capped cost structure. A one-percentage point change in the healthcare cost trend rate assumptions would have no effect on either the projected benefit obligations as of January 1, 2019 or on cost for fiscal year 2020. 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 2020	2019
Equity securities	40%–70%	54 %	53 %
Long-duration fixed income	30–55	39	41
Real estate	0–7	6	6
Other		1	—
Total		100 %	100 %

The expected return on plan assets, using a rate assumption of 6.5%, is based upon the average income that management anticipates a portfolio allocated according to The Joint Commission's target asset allocation will earn. Management monitors this assumption on an ongoing basis.

For the year ended December 31, 2020, there is no minimum funding requirement for the Pension Plan; however, management has committed to contribute at least $3,200,000 to the Pension Plan during 2021. Estimated future benefit payments from the Pension Plan are as follows:

2021	$	6,200,000
2022		6,500,000
2023		6,700,000
2024		7,000,000
2025		7,400,000
2026 through 2030		39,500,000
Total	$	73,300,000

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.

(Continued)

The following tables summarize the Pension Plan's investments accounted for at fair value at December 31, 2020 and 2019 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, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 1,493,465	—	—	1,493,465
Investments:				
Mutual funds:				
U.S. small-mid cap fund	4,184,971	—	—	4,184,971
U.S. large-cap equity fund	15,958,189	—	—	15,958,189
Global equity fund	16,498,659	—	—	16,498,659
Emerging markets fund	4,777,356	—	—	4,777,356
International equity fund	13,105,924	—	—	13,105,924
Equity real estate investment securities:				
Corporate debt – fixed income	395,836	—	—	395,836
Common stock – equity	3,992,530	—	—	3,992,530
Common stock – preferred	1,432,115	—	—	1,432,115
Common and collective trust funds:				
Small-cap value fund	3,991,605	—	—	3,991,605
Long-duration fixed income fund	41,918,016	—	—	41,918,016
Total investments	106,255,201	—	—	106,255,201
Total plan assets	$ 107,748,666	—	—	107,748,666

	Assets at fair value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 336,515	—	—	336,515
Investments:				
Mutual funds:				
U.S. small-mid cap fund	2,958,258	—	—	2,958,258
U.S. large-cap equity fund	13,802,217	—	—	13,802,217
Global equity fund	14,701,670	—	—	14,701,670
Emerging markets fund	4,062,046	—	—	4,062,046
International equity fund	11,934,339	—	—	11,934,339
Equity real estate investment securities:				
Corporate debt – fixed income	1,216,166	—	—	1,216,166
Common stock – equity	3,215,028	—	—	3,215,028
Common stock – preferred	1,161,252	—	—	1,161,252
Common and collective trust funds:				
Small-cap value fund	4,170,054	—	—	4,170,054
Long-duration fixed income fund	39,940,110	—	—	39,940,110
Total investments	97,161,140	—	—	97,161,140
Total plan assets	$ 97,497,655	—	—	97,497,655

Certain investments that were previously disclosed as mutual funds must be reclassified to corporate stock and corporate debt instruments as the Plan’s unit of accounting for these investments is not at a fund level.

The Joint Commission expects to contribute an additional $784,000 during 2021 to the Supplemental Plans’ investments designated for payment of benefits. Estimated annual future benefit payments from the Supplemental Plans are anticipated to range from $401,000 to $1,963,300 during the period from 2022 through 2025 and are expected to total $1,864,000 during the period from 2026 through 2030. The benefit payments during 2021 are expected to total $784,000 and are classified as current liabilities in the accompanying 2020 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 $1,138,700 in 2020 and $2,601,914 in 2019. The Joint Commission funds this plan on a current basis.

(Continued)

(9) Donor-Restricted Endowment Funds

Endowment fund agreements are between The Center and various donors. The Center and its endowment funds are managed by The Joint Commission. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by The Joint Commission's Board 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. However, if such permanent status becomes impractical or unwise, the donor agreement sets forth that the fund may be more expeditiously used in total to further the purposes of The Center. Any expenditure of permanent endowment must be approved by The Center's Board. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

(2) The duration and preservation of the fund

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

(4) General economic conditions

(5) The possible effect of inflation and deflation

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

(7) Other resources of the organization

(8) The investment policies of the organization.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that UPMIFA requires The Center to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. Any deficiencies of this nature are reported in net assets with donor restrictions and there were no such deficiencies as of December 31, 2020 and 2019, respectively. Gains and losses generated by the endowment assets are also classified as net assets with donor restrictions until they are

(Continued)

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

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

The Center has established the objective of using the realized appreciation and investment income on endowment assets to fund The Center's activities. Any return that is not required to meet spending shall be retained in the endowment funds and invested in accordance with the investment guidelines, until its expenditure is needed. However, the level of assets as of December 31, 2020 coupled with the current return objectives are insufficient to generate the level of income needed to fully fund the planned activities. The Center has begun to offer education and training on a fee for service basis in furtherance of its mission to transform healthcare into a high reliability industry and to expand its funding base. The Center may also receive funds from The Joint Commission.

As a supporting organization, The Center no longer actively pursues nor received donor-restricted endowment pledges in 2020 and 2019.

The Joint Commission has provided equity capital of $26,350,000 to The Center through December 31, 2020, which is reported as board-designated funds functioning as endowment in the accompanying consolidated statements of financial position. In 2019, The Joint Commission committed an additional $3,650,000 of funding to The Center to be paid in 2020. This commitment was rescinded in 2020 and was reflected as a reduction to the equity capital reported as board-designated funds functioning as endowment. Furthermore, through December 31, 2020, The Joint Commission has provided $24,475,000 of unrestricted funding to The Center used to support its operating deficit and future operations.

Changes in the fair value of The Center's endowment investments and net assets by type of fund were as follows for the year ended December 31, 2020:

	2020		
	Without donor restrictions	With donor restrictions	Total
Investment return:			
Endowment yield (interest, dividends, and realized gains)	$ 1,256,592	437,830	1,694,422
Unrealized losses on investments	(218,385)	(83,117)	(301,502)
Total investment activity	1,038,207	354,713	1,392,920
Net assets released from restrictions	437,830	(437,830)	—
Investment interest transfer to operating cash	(1,215,000)	—	(1,215,000)
Net investment return	261,037	(83,117)	177,920
Other changes in endowment investments:			
Transfers to use funds functioning as endowment and other changes	(3,368,335)	—	(3,368,335)
Total other changes in endowment investments	(3,368,335)	—	(3,368,335)
Net change in endowment investments	(3,107,298)	(83,117)	(3,190,415)
Endowment investments at:			
Beginning of year	31,621,854	10,595,432	42,217,286
End of year	$ 28,514,556	10,512,315	39,026,871
Net assets by type of fund:			
Donor-restricted endowment	$ —	10,425,000	10,425,000
Investment return	2,664,588	87,315	2,751,903
Board-designated funds functioning as endowment	25,849,968	—	25,849,968
Total – as above	28,514,556	10,512,315	39,026,871
Other donor-designated gifts	—	395	395
Classification as cash equivalents	500,032	—	500,032
Net assets appropriated for spending yet to be withdrawn	(2,345,814)	—	(2,345,814)
Total net assets	$ 26,668,774	10,512,710	37,181,484

(Continued)

Changes in the fair value of The Center's endowment investments and net assets by type of fund were as follows for the year ended December 31, 2019:

		2019		
		Without donor restrictions	**With donor restrictions**	**Total**
Investment return:				
Endowment yield (interest, dividends, and realized gains)	$	1,414,545	491,554	1,906,099
Unrealized losses on investments		1,425,749	495,448	1,921,197
Total investment activity		2,840,294	987,002	3,827,296
Net assets released from restrictions		491,554	(491,554)	—
Investment interest transfer to operating cash		(1,266,000)	—	(1,266,000)
Net investment return		2,065,848	495,448	2,561,296
Other changes in endowment investments:				
Transfers to create funds functioning as endowment and other changes		698,475	—	698,475
Total other changes in endowment investments		698,475	—	698,475
Net change in endowment investments		2,764,323	495,448	3,259,771
Endowment investments at:				
Beginning of year		28,857,531	10,099,984	38,957,515
End of year	$	31,621,854	10,595,432	42,217,286
Net assets by type of fund:				
Donor-restricted endowment	$	—	10,425,000	10,425,000
Investment return		2,403,551	170,432	2,573,983
Board-designated funds functioning as endowment		29,218,303	—	29,218,303
Total – as above		31,621,854	10,595,432	42,217,286
Other donor-designated gifts		—	395	395
Classification as cash equivalents		781,697	—	781,697
Net assets appropriated for spending yet to be withdrawn		(1,866,392)	—	(1,866,392)
Total net assets	$	30,537,159	10,595,827	41,132,986

(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% and 81% of total expenses in 2020 and 2019, respectively. Expenses by function are as follows for the years ended December 31, 2020 and 2019:

	Program activities				Supporting	
	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Total program activities	Management and general	2020 Total consolidated expense
Salaries and benefits	$ 78,929,488	27,863,683	2,631,821	109,424,992	26,509,325	135,934,317
Travel costs	8,548,701	702,111	17,517	9,268,329	(108,374)	9,159,955
Fees and services (a)	6,773,699	6,513,887	637,655	13,925,241	3,212,053	17,137,294
Office expense	5,376,661	1,109,838	56,484	6,542,983	5,013,982	11,556,965
Publishing and printing	571,791	1,109,923	247,575	1,929,289	339,434	2,268,723
Depreciation and amortization	3,788,317	566,243	299,712	4,654,272	2,716,040	7,370,312
Other operating expenses	2,202,482	1,358,954	65,873	3,627,309	2,205,337	5,832,646
Total expenses	$ 106,191,139	39,224,639	3,956,637	149,372,415	39,887,797	189,260,212

	Program activities				Supporting	
	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Total program activities	Management and general	2019 Total consolidated expense
Salaries and benefits	$ 93,377,238	31,464,439	2,220,359	127,062,036	29,069,715	156,131,751
Travel costs	26,277,805	3,257,781	106,699	29,642,285	379,497	30,021,782
Fees and services (a)	6,552,180	9,075,791	1,052,114	16,680,085	5,182,821	21,862,906
Office expense	5,072,454	1,629,989	41,445	6,743,888	5,524,058	12,267,946
Publishing and printing	1,144,906	1,325,856	18,323	2,489,085	232,907	2,721,992
Depreciation and amortization	2,950,517	474,747	241,245	3,666,509	3,018,777	6,685,286
Other operating expenses	3,459,629	2,629,950	65,696	6,155,275	2,689,279	8,844,554
Total expenses	$ 138,834,729	49,858,553	3,745,881	192,439,163	46,097,054	238,536,217

(a) Net of intercompany eliminations

(11) Net Assets with Donor Restrictions

As of December 31, 2020, net assets with donor restrictions of $10,512,710 (original gift $10,425,395) are endowment funds which must be appropriated by the Center’s Board before use. Donors specified the endowments funds to be maintained in perpetuity with the investment income and appreciation to support The Center’s activities. The funds are time restricted until appropriated.

(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 2020, 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.

(14) Subsequent Event

The Joint Commission has performed an evaluation of subsequent events through April 28, 2021, which is the date the consolidated financial statements were available to be issued, and noted no material subsequent events that require disclosure.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidating Schedule of Statement of Financial Position Information

December 31, 2020

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	$	50,549,887	13,330,603	2,042,851	—	65,923,341
Accounts receivable – net of allowance for doubtful accounts of $395,400		7,958,608	5,087,986	84,332	(4,038,573)	9,092,353
Inventory – net		6,159	259,813	—	—	265,972
Prepaid expenses		3,049,591	1,733,343	27,694	(467,606)	4,343,022
Total current assets		61,564,245	20,411,745	2,154,877	(4,506,179)	79,624,688
Noncurrent assets:						
Investments		181,412,743	29,779,432	—	—	211,192,175
Endowment investments		—	—	39,026,871	—	39,026,871
Property and equipment:						
Land		4,204,400	—	—	—	4,204,400
Building		45,744,775	—	33,462	—	45,778,237
Leasehold improvements, office systems, furniture, and equipment		46,467,114	8,485,975	3,036,932	—	57,990,021
Total property and equipment		96,416,289	8,485,975	3,070,394	—	107,972,658
Less accumulated depreciation and amortization		(59,327,401)	(5,719,662)	(2,256,073)	—	(67,303,136)
Total property and equipment – net		37,088,888	2,766,313	814,321	—	40,669,522
Total noncurrent assets		218,501,631	32,545,745	39,841,192	—	290,888,568
Total assets	$	280,065,876	52,957,490	41,996,069	(4,506,179)	370,513,256
Liabilities and Net Assets						
Current liabilities:						
Current maturity of notes payable	$	1,070,000	—	—	—	1,070,000
Current installments of obligations under capital leases		823,601	—	—	—	823,601
Accounts payable		4,120,394	6,471,872	164,525	(4,038,573)	6,718,218
Accrued expenses:						
Compensation and benefits		5,078,471	1,286,876	170,818	—	6,536,165
Other expenses		1,641,616	2,458,430	26,948	—	4,126,994
Deferred revenue:						
Accreditation fees and deposits		3,448,396	690,035	—	—	4,138,431
Publications, educational programs, and other advances		486,373	8,299,727	365,402	(467,606)	8,683,896
Current portion of accrued postretirement benefits		562,000	222,000	—	—	784,000
Total current liabilities		17,230,851	19,428,940	727,693	(4,506,179)	32,881,305
Noncurrent liabilities:						
Notes payable – less current maturity and unamortized debt issuance costs		9,532,592	—	—	—	9,532,592
Obligations under capital leases – less current installments		683,864	—	—	—	683,864
Accrued pension and postretirement benefits		10,120,056	1,753,322	—	—	11,873,378
Total noncurrent liabilities		20,336,512	1,753,322	—	—	22,089,834
Total liabilities		37,567,363	21,182,262	727,693	(4,506,179)	54,971,139
Net assets:						
Without donor restrictions:						
Undesignated		242,498,513	31,775,228	4,086,892	—	278,360,633
Board-designated funds functioning as endowment		—	—	26,668,774	—	26,668,774
With donor restrictions – endowment		—	—	10,512,710	—	10,512,710
Total net assets		242,498,513	31,775,228	41,268,376	—	315,542,117
Total liabilities and net assets	$	280,065,876	52,957,490	41,996,069	(4,506,179)	370,513,256

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, 2020

	The Joint Commission	Joint Commission Resources, Inc.	The Joint Commission Center for Transforming Healthcare	Intercompany eliminations	Consolidated
Revenue:					
Annual accreditation subscription fees	$ 92,546,063	—	—	—	92,546,063
Survey fees	31,167,917	11,036,441	—	—	42,204,358
Publications and multimedia	—	18,574,928	—	—	18,574,928
Educational programs	—	2,399,200	5,260	—	2,404,460
Consultative technical assistance	—	5,370,940	—	—	5,370,940
Continuous service readiness	—	4,410,637	—	—	4,410,637
Performance measurement activities	7,216,202	—	—	—	7,216,202
Other revenue and net assets released from restrictions	10,634,234	1,019,930	1,563,521	(9,254,921)	3,962,764
Total revenue	141,564,416	42,812,076	1,568,781	(9,254,921)	176,690,352
Expenses:					
Salaries and benefits	102,278,886	30,370,783	3,284,648	—	135,934,317
Travel costs	8,424,610	716,578	18,767	—	9,159,955
Fees and services	9,680,936	15,057,539	1,653,740	(9,254,921)	17,137,294
Office expense	9,434,452	2,046,699	75,814	—	11,556,965
Publishing and printing	910,977	1,110,171	247,575	—	2,268,723
Depreciation and amortization	6,234,973	795,649	339,690	—	7,370,312
Other operating expenses	4,166,531	1,582,004	84,111	—	5,832,646
Total expenses	141,131,365	51,679,423	5,704,345	(9,254,921)	189,260,212
Excess (deficiency) of revenue over expenses before investment income	433,051	(8,867,347)	(4,135,564)	—	(12,569,860)
Investment income	16,713,189	2,668,333	824,000	—	20,205,522
Excess (deficiency) of revenue over expenses	17,146,240	(6,199,014)	(3,311,564)	—	7,635,662
Other changes in net assets without donor restrictions:					
Change in net unrealized investment gains (losses)	4,954,061	247,646	(218,385)	—	4,983,322
Change in net periodic pension costs other	(1,383,281)	(78,786)	—	—	(1,462,067)
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit cost	(576,006)	131,369	—	—	(444,637)
Transfer of net assets from parent company	(3,360,216)	3,360,216	—	—	—
Quasi transfer to parent company designated as unrestricted	3,650,000	—	(3,650,000)	—	—
Change in net assets without donor restrictions	20,430,798	(2,538,569)	(7,179,949)	—	10,712,280
Net assets without donor restrictions – beginning of year	222,067,715	34,313,797	37,935,615	—	294,317,127
Net assets without donor restrictions – end of year	$ 242,498,513	31,775,228	30,755,666	—	305,029,407

See accompanying independent auditors' report.