THE JOINT COMMISSION ON ACCREDITATION OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Financial Statements and Supplemental Schedules

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

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

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of The Joint Commission on Accreditation of Healthcare Organizations and Affiliates (the Joint Commission), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Joint Commission as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Joint Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Joint Commission's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of statement of financial position information and the consolidating schedule of statement of activities information - net assets without donor restrictions 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
May 9, 2024

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statements of Financial Position

December 31, 2023 and 2022

Assets		2023	2022
Current assets:			
Cash, cash equivalents, and restricted cash	$	50,610,069	60,088,079
Accounts receivale – net of allowance for doubtful accounts of $507,671 and $768,700 in 2023 and 2022, respectively		20,899,247	25,604,588
Inventory – net		298,610	320,651
Prepaid expenses		6,051,619	6,236,193
Total current assets		77,859,545	92,249,511
Noncurrent assets:			
Investments sold receivable		—	384,085
Investments		295,851,833	222,354,153
Endowment investments		33,879,736	31,014,563
Prepaid pension and postretirement assets		1,972,672	—
Other long-term prepaid assets		1,161,918	1,379,778
Operating lease right-of-use assets		14,261,039	1,642,481
Other intangible assets		120,600	—
Property and equipment:			
Land		4,204,400	4,204,400
Building		45,959,118	45,965,672
Leasehold improvements, office systems, furniture, and equipment		43,376,392	58,870,827
Total property and equipment		93,539,910	109,040,899
Less accumulated depreciation and amortization		(58,938,786)	(74,664,412)
Total property and equipment – net		34,601,124	34,376,487
Total noncurrent assets		381,848,922	291,151,547
Total assets	$	459,708,467	383,401,058
Liabilities and Net Assets			
Current liabilities:			
Current maturity of notes payable	$	1,070,000	1,070,000
Current installments of obligations under operating leases		1,662,424	408,767
Current installments of obligations under finance leases		893,871	590,935
Accounts payable		10,634,652	13,043,852
Accrued expenses:			
Compensation and benefits		8,211,191	6,996,466
Other expenses		539,996	533,321
Deferred revenue:			
Accreditation fees and deposits		2,338,004	992,533
Publications, educational programs, and other advances		16,283,295	10,557,104
Current portion of accrued pension and postretirement benefits		713,383	2,044,000
Total current liabilities		42,346,816	36,236,978
Noncurrent liabilities:			
Notes payable – less current maturity and unamortized debt issuance costs of $79,596 and $103,660 in 2023 and 2022, respectively		6,340,404	7,386,340
Obligations under operating leases – less current installments		16,587,970	1,939,020
Obligations under finance leases – less current installments		861,725	1,153,421
Accrued pension and postretirement benefits		2,322,340	4,503,903
Total noncurrent liabilities		26,112,439	14,982,684
Total liabilities		68,459,255	51,219,662
Net assets:			
Without donor restrictions:			
Undesignated		342,508,820	298,829,384
Board-designated reserve funds		12,525,219	—
Board-designated funds functioning as endowment		26,133,404	24,035,834
With donor restrictions – endowment		10,081,769	9,316,178
Total net assets		391,249,212	332,181,396
Total liabilities and net assets	$	459,708,467	383,401,058

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, 2023

	2023		
	Without donor restrictions	**With donor restrictions**	**Total**
Revenue and other support:			
Annual accreditation subscription fees	$ 97,167,808	—	97,167,808
Survey fees	96,866,818	—	96,866,818
Publications and multimedia	22,207,300	—	22,207,300
Educational programs	6,589,981	—	6,589,981
Consultative technical assistance	8,787,855	—	8,787,855
Continuous service readiness	5,750,467	—	5,750,467
Performance measurement activities	7,042,005	—	7,042,005
Other revenue	6,882,525	1,872,618	8,755,143
Net assets released from restrictions	1,872,618	(1,872,618)	—
Total revenue and other support	253,167,377	—	253,167,377
Expenses:			
Salaries and benefits	160,451,770	—	160,451,770
Travel costs	28,661,016	—	28,661,016
Fees and services	25,771,191	—	25,771,191
Office expense	12,095,564	—	12,095,564
Depreciation and amortization	5,861,684	—	5,861,684
Other operating expenses	9,700,049	—	9,700,049
Total expenses	242,541,274	—	242,541,274
Excess of revenue and other support above expenses before investment income	10,626,103	—	10,626,103
Investment income	10,419,574	366,242	10,785,816
Excess of revenue and other support over expenses	21,045,677	366,242	21,411,919
Other changes in net assets:			
Change in net unrealized investment losses	20,071,746	399,349	20,471,095
Net periodic benefit cost other than service cost	(652,173)	—	(652,173)
Change in unrecognized net defined-benefit plan cost not yet recognized in net periodic benefit expense	6,773,843	—	6,773,843
Change in foreign currency revaluation	16,503	—	16,503
Excess of assets acquired over liabilities assumed in donation of National Quality Forum	11,046,629	—	11,046,629
Change in net assets	58,302,225	765,591	59,067,816
Net assets – beginning of year	322,865,218	9,316,178	332,181,396
Net assets – end of year	$ 381,167,443	10,081,769	391,249,212

See accompanying notes to consolidated financial statements.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statement of Activities

Year ended December 31, 2022

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

See accompanying notes to consolidated financial statements.

THE JOINT COMMISSION ON ACCREDITATION OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	59,067,816	(25,333,610)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Realized investment gains – net		(3,837,824)	(5,210,814)
Change in net unrealized investment (gains) losses		(20,471,095)	39,391,744
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit expense		(6,773,843)	3,750,008
Excess of assets acquired over liabilities assumed from National Quality Forum donation		(11,046,629)	—
Depreciation and amortization		5,861,684	7,192,632
Loss on sale of property and equipment		208,714	531,811
Changes in assets and liabilities:			
Accounts receivable – net		4,759,074	(9,330,041)
Accounts payable and accrued expenses		(2,483,679)	255,820
Deferred revenue		758,182	(245,078)
Accrued pension and postretirement benefits		1,288,991	107,000
Operating leases, net		(115,951)	705,306
Other assets and liabilities		758,634	(1,608,737)
Net cash provided by operating activities		27,974,074	10,206,041
Cash flows from investing activities:			
Purchases of investments		(50,279,895)	(63,437,079)
Sales and maturities of investments		11,793,121	62,237,161
Additions to property and equipment		(3,335,294)	(6,280,230)
National Quality Forum cash acquired in donation		5,428,744	—
Net cash used in investing activities		(36,393,324)	(7,480,148)
Cash flows from financing activities:			
Principal payments of notes payable		(1,070,000)	(1,070,000)
Principal payments on finance lease obligations		(827,878)	(740,068)
Payments of debt issuance costs		—	45,253
Issuance of finance lease		839,118	1,839,426
Net cash provided by (used in) financing activities		(1,058,760)	74,611
Net increase (decrease) in cash, cash equivalents, and restricted cash		(9,478,010)	2,800,504
Cash, cash equivalents, and restricted cash – beginning of year		60,088,079	57,287,575
Cash, cash equivalents, and restricted cash – end of year	$	50,610,069	60,088,079
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	270,262	220,191
Cash paid during the year for foreign income taxes		160,831	28,106
Non-cash activity relating to the investments sold receivable		—	384,085
Fixed asset additions included in accounts payable and accrued expenses		378,824	569,081
Operating lease assets and liabilities recognized upon adoption of ASC 842		—	2,056,675

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), The Joint Commission Center for Transforming Healthcare (The Center), and National Quality Forum (NQF). JCR is a not-for-profit organization that was established for the purpose of independently assisting healthcare organizations, in the United States and in the international community, to improve the safety and quality of their services. JCR accomplishes this objective through the provision of publications and periodicals, educational programs, consultative technical assistance, contracted evaluation services, subscription readiness services, and international accreditation. The Center, a not-for-profit organization, was established for the purpose of applying robust process improvement methods to transform healthcare into a high-reliability industry. In June 2022, The Joint Commission Board of Commissioners, at the recommendation of The Joint Commission Center for Transforming HealthCare Board of Directors, determined that it was advisable and in the best interests of both The Joint Commission and The Center to liquidate and dissolve The Center. Articles of dissolution were accepted by the Secretary of State of Illinois on October 3, 2022. The final transfer of The Center's assets and liabilities to The Joint Commission and JCR was completed by December 31, 2022. National Quality Forum (NQF) became a controlled affiliate of The Joint Commission on October 1, 2023 (see note 15). National Quality Forum is a not-for-profit with its own Board of Directors. NQF is a nonpartisan, membership-based organization that works to improve healthcare outcomes, safety, equity, and affordability. As a consensus-based entity, NQF's unique role is to bring all voices to the table to forge multistakeholder consensus on quality measurement and improvement standards and practices that achieve measurable health improvements for all. All intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

(c) Basis of Presentation

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

These consolidated financial statements have been prepared to focus on The Joint Commission as a whole and to present balances and transactions classified according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances into two classes of net assets – without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- *Without Donor Restrictions* – net assets that are not subject to donor-imposed restrictions and are resources available to support operations. This category includes board-designated funds functioning as endowment, which represent funds that have been appropriated by the Board of Commissioners of The Joint Commission, the income from which is used in support of the mission. This category also includes National Quality Forum board-designated reserve funds, which represent funds that have been appropriated by the Board of Directors to ensure the organization has liquidity while preserving capital to fund at least six months of its cash outlay.
- *With Donor Restrictions* – net assets subject to donor-imposed restriction for use for a particular purpose. The Joint Commission's unspent contributions are included in this class if the donor limited their use. Donor-restricted endowment funds are included in net assets with donor restrictions. The endowment funds are intended to be maintained in perpetuity with the income earned being used to support of the original charitable purposes outlined in note 10. 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 original charitable purposes.

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

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

(d) Use of Estimates

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

(e) Cash, Cash Equivalents, and Restricted Cash

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

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(f) Investments

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

(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 original charitable purposes. The donor agreement sets forth that if such permanent status becomes impractical or unwise, the endowments may be more expeditiously utilized in total to further the original charitable purposes.
- Board-designated endowments, which are resources set aside by The Joint Commission's Board for an indeterminate period to operate in a manner similar to a donor-restricted perpetual endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board.

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

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

(h) Goodwill and Other Intangible Assets

In October 2023, The Joint Commission increased its investment in National Quality Forum through a business acquisition, which resulted in the inclusion of a non-amortizable intangible asset for its tradename of $120,600 (note 15).

(i) Allowance for Doubtful Accounts

The Joint Commission evaluates its allowance for doubtful accounts and estimates collectability of accounts receivable based on analysis of historical bad debt experience in conjunction with the assessment of the financial condition of individual companies with which it does business. Past due balances over 120 days are reviewed individually for collectability. All other balances are reviewed on a pooled basis by aging category. The Joint Commission reviews its allowance for doubtful accounts

(Continued)

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.

(j) 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.

(k) Inventory – Net

Publications offered for sale or used in educational programs are stated at the lower of cost (first-in, first-out) or market, net of an allowance for excess and obsolete inventory, in the amount of approximately $25,000 on December 31, 2023 and 2022.

(l) Property and Equipment

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

Building 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 incurred $208,714 losses on assets to move its backup recovery and storage solutions to the cloud and $531,811 of losses on assets that were disposed of related to the dissolution of The Center and relocation of JCR’s office, in 2023 and 2022, respectively.

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 2023 or 2022.

(m) System Development Costs

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

Capitalized software as a service is included in other long-term prepaid assets and amortized using the straight-line method over the term of the hosting arrangement which is not greater than 10 years.

(n) Accrued Vacation

Employees accrue vacation based on tenure and salary base. Unused vacation balances carry over to future years, subject to a cap. As of December 31, 2023 and 2022, accrued vacation obligations were approximately $2,317,611 and $2,057,940, respectively. The Joint Commission's obligation for accrued vacation is included as compensation and benefits accrued expense in the accompanying consolidated statements of financial position and represents the cost of unused employee vacation time payable in the event of employee terminations.

(o) Self-Insurance

The Joint Commission and Joint Commission Resources, Inc. are self-insured for losses and liabilities related primarily to employee health and welfare claims. Provisions for expenses expected under the program are accrued based on the organization's estimate of the aggregate liability for claims incurred. The Joint Commission holds a stop-loss policy that limits the maximum liability for benefits payable under such claims. Adjustments to expenses resulting from changes in historical trends have been insignificant for the years ended December 31, 2023 and 2022. 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.

(p) 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.

(q) Revenue and Costs from Products and Services

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

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

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

Annual accreditation subscription fees – Domestic organizations agree to pay an annual subscription fee for their participation in the ongoing services provided by The Joint Commission. Revenue from annual accreditation subscription fees is recognized ratably over the period to which the subscription fees relate. Management has determined that these ongoing services do not constitute separate units of accounting as they are part of a single contractual arrangement and cannot be sold separately or resold by the customer. Fees are based upon estimated costs to be incurred to provide services. Fees are nonrefundable and accreditation is not guaranteed.

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

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

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

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

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

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

Other Revenue

Grants and other contracts revenue – Grants and other contracts revenue are recognized when the qualifying costs are incurred for cost-reimbursement grants and other contracts or when a unit of service is provided for performing the grants and other contracts. NQF revenue from cost-reimbursable contracts is recognized on the basis of reimbursable contract costs, plus a fixed-rate fee if provided by the terms of the contract. While revenue from time-and-materials contracts is recognized based on

(Continued)

person-hours utilized multiplied by the agreed-upon rates per the contract plus other reimbursable costs. Grants revenue from federal agencies is subject to independent audit under the Office of Management and Budget’s audit requirements for federal awards if The Joint Commission’s federal expenditures exceed $750,000 during the fiscal year and to a review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, The Joint Commission’s management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. Amounts required to be maintained in perpetuity by the donor are also reported as increases in net assets with donor restrictions. Unconditional contributions, including unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expiration, donor-restricted net assets are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

Membership Dues – Membership with NQF is categorized as a reciprocal transaction as there is a commensurate value received for the benefits provided to members. These benefits are provided to and available to be used by members over the course of the membership period. As such, membership dues revenue is recognized ratably over the membership period.

Interest income – Interest income from endowment assets that are required to meet spending of the endowment funds original charitable purposes is recorded as other revenue in the period earned on the endowment assets (note 6 and 10).

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

For the years ended December 31, 2023 and 2022, other revenue consists of the following:

		2023	2022
Grants and other contracts	$	2,152,287	2,486,453
Contributions		1,947,618	219,659
Investment income on endowment assets		2,069,272	703,096
Membership dues		669,490	—
Other miscellaneous revenues		1,916,476	1,283,805
Total other revenue	$	8,755,143	4,693,013

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, 2023, The Joint Commission has not recognized any capitalized assets from contract costs. In applying the practical expedient in ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, The Joint Commission recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that would otherwise have been recognized is one year or less. All commission fees are included in salaries and benefits expense on the accompanying consolidated statement of activities.

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

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

Advertising – Advertising costs are charged to expense in the period incurred and included in program and related activities as publishing and printing expense in the accompanying consolidated statements of activities. Advertising expense was $1,325,892 and $1,054,282 for the years ended December 31, 2023 and 2022, respectively.

(r) Expense Recognition and Allocation

The cost of providing The Joint Commission’s programs and other activities is summarized on a functional basis in note 10. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated consistently, as follows:

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

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

(s) 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, 2023 and 2022, 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, 2023 and 2022, $59,300 and $72,690 taxes have been reported in other accrued expenses in the accompanying consolidated statements of financial position, respectively.

Also, JCR's Joint Commission Arabia Management Company is subject to Saudi Arabia corporate income taxes on its operations. As of December 31, 2023 and 2022, $223,304 and $0 taxes have been reported in accounts payable 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, 2023 and 2022, JCR does not believe that such future changes would have a material impact on the consolidated financial statements.

The Joint Commission and each of its affiliates have been classified as an organization that is not a private foundation under IRC Section 509(a) and may receive deductible contributions under Section 170(c). Both The Joint Commission and JCR are organizations that normally receive more than 33 1/3% of their support from contributions, membership fees, and gross receipts from activities related to its exempt functions and no more than 33 1/3% of its support from gross investment income and unrelated business taxable income under IRC Section 509(a)(2). While The Center was organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purpose of The Joint Commission under IRC Section 509(a)(3). National Quality Forum is an organization that normally receives a substantial part of its support from the general public under section 170(b)(1)(A)(vi).

(t) Foreign Currency

Transaction gains and losses resulting from settlements in foreign currency are recorded in the period in which the transaction occurs and are recorded as other revenue in the accompanying consolidated statements of activities. Net losses totaling $152,561 and $39,403 were recognized in 2023 and 2022, respectively.

(u) Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*, which amends the guidance on impairment of financial instruments. During 2019 and 2020, FASB issued updated guidance on *Credit Losses (Topic 326)*, under ASU Nos. 2018-19, 2019-04, 2019-05, and 2019-11. The new requirements replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The adoption of this standard did not have an impact on The Joint Commission's consolidated financial statements and related disclosures for 2023.

(v) New Accounting Pronouncements

In March 2023, the FASB issued ASU No. 2023-01, *Leases – Common Control Arrangements*, that amends the guidance on *Leases (Topic 842)* which was adopted in 2022. The ASU requires that entities determine whether a related party arrangement between entities under common control is a lease. If the arrangement is a lease, an entity must classify and account for the lease on the same basis as an arrangement with an unrelated party based on legally enforceable terms and conditions. The standard will become effective in fiscal year 2024 for The Joint Commission.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes – Improvements to Income Tax Disclosures (Topic 740)*. The amendments in the standard will improve the transparency, effectiveness, and comparability of income tax disclosures The standard will become effective in fiscal year 2026 for The Joint Commission.

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

(w) Reclassifications

Certain reclassifications have been made to the 2022 notes to the consolidated financial statements to conform to 2023 presentations.

(2) Liquidity and Availability

The Joint Commission regularly monitors the availability of resources required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The Joint Commission manages its liquidity and reserves following these guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be paid. The Joint Commission has a policy to target an appropriate balance of reserves of unrestricted, undesignated assets. For the years ended December 2023 and 2022, 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, 2023:

		2023	2022
Financial assets at year-end:			
Cash, cash equivalents, and restricted cash	$	50,610,069	60,088,079
Accounts receivable, net		20,899,247	25,604,588
Investments sold receivables		—	384,085
Investments		295,851,833	222,354,153
Endowment investments		33,879,736	31,014,563
Total financial assets	$	401,240,885	339,445,468
Financial assets available to meet general expenditures over next 12 months:			
Cash and cash equivalents	$	45,368,379	59,555,211
Accounts receivable, net		20,899,247	25,604,588
Investments sold receivables		—	384,085
Investments not encumbered by donor or board restrictions		287,445,637	221,091,650
Financial assets readily available within one year	$	353,713,263	306,635,534

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is The Joint Commission's intention to invest those resources for the long-term support of the original charitable purposes. However, in the case of need, the Board could appropriate resources from its board-designated endowment fund for general use ($10,163,921, of which $10,425,395 is the original gift). For the donor-restricted funds, if it becomes impractical or unwise to hold in permanent status, the donor agreement sets forth that the endowments may be used to further the original charitable purposes and made available for general use ($23,715,815, of which $23,850,000 is the original gift). Furthermore, The Joint Commission has the ability, but not the intent, to use nonqualified, supplemental defined-benefit retirement plan funds ($1,076,254) for operations, as needed.

The above table reflects board-designated reserve funds of $12,525,219 as unavailable because it is National Quality Forum's intention to hold those resources that have been appropriated by the Board of Directors to ensure the organization has liquidity while preserving capital to fund at least six months of its annual cash burn rate, provides sufficient time to re-engineer its operations in the event of a material reduction in revenue sources, enables the ability to undertake new business opportunities or research and development initiatives, enables the ability to sustain operations through unforeseen delays in payments of funding, and promotes funder and creditor confidence in the long-term sustainability of NQF. As needed, the Board could appropriate resources in excess of the minimum requirement from its board-designated reserve funds for general use.

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(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.

		2023	2022
Cash	$	44,456,265	57,597,688
Restricted cash for China operations		46,412	491,035
Cash equivalents		4,279,628	1,957,525
Restricted cash for letter of credit guarantee		1,800,000	—
Restricted cash equivalents for nonqualified supplemental retirement plans		27,764	41,831
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$	50,610,069	60,088,079

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, collateral in connection with the irrevocable letter of credit provided to landlord (note 13), and designated for the payment of benefits under the Supplemental Plans (note 8).

(4) Notes Payable

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

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

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

Under the terms of the loan, The Joint Commission has agreed to meet various covenants on a consolidated basis, including maintenance of certain financial ratios and a minimum level of cash and investments. The Joint Commission is subject to certain financial and non-financial covenants as stated in the bond agreement, and, as of December 31, 2023, The Joint Commission was in compliance with all financial covenants.

The annual maturities of the Bond are as follows:

2024	$	1,070,000
2025		1,070,000
2026		1,070,000
2027		1,070,000
2028		1,070,000
2029 through 2030		2,140,000
Total	$	7,490,000

Interest expense totaled $270,262 in 2023 and $220,191 in 2022. Interest expense is included in other operating expenses in the accompanying consolidated statements of activities.

Long-term notes payable as of December 31, 2023 and 2022 consisted of the following:

		Principal	Unamortized debt issuance costs	Long-term note payable, net
December 31, 2023:				
Series 2015 note payable, 2.80% fixed note	$	6,420,000	79,596	6,340,404
December 31, 2022:				
Series 2015 note payable, 2.80% fixed note	$	7,490,000	103,660	7,386,340

(5) Leases

The Joint Commission leases mailing equipment and copiers under operating lease arrangements. The copiers have a renewal option of a successive 12-month term, and mailing equipment is a month-to-month basis. All operating leases include a purchase option at fair value of equipment plus costs.

The Joint Commission also leases office space to support certain domestic and international operations with renewal options of an additional 5-year term for domestic leases and year-to-year renewal on international leases. Rent expense is recognized over the life of the lease using the straight-line method.

Lease terms range from one to fourteen 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, 2023. Such obligations are subject to foreign currency exchange risk.

During 2022, The Joint Commission entered into a renewal finance lease covering laptops and tablets that expire at various dates over a three-year period ending in early 2026. The lease includes a renewal provision of an additional three-month term. At December 31, 2023, the gross amount of equipment and related accumulated amortization recorded under the finance leases were as follows:

Equipment	$	2,678,544
Less accumulated amortization		(939,863)
	$	1,738,681

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

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

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

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

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

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

Leased assets and liabilities consisted of the following as of December 31, 2023 and 2022

		2023	2022
Assets:			
Operating lease ROU assets	$	14,261,039	1,642,481
Finance lease ROU assets		2,678,544	2,605,871
Total ROU Assets	$	16,939,583	4,248,352
Liabilities:			
Current operating lease liabilities	$	1,662,424	408,767
Current finance lease liabilities		893,871	590,935
Long-term operating lease liabilities		16,587,970	1,939,020
Long-term finance lease liabilities		861,725	1,153,421
Total lease liabilities	$	20,005,990	4,092,143

During 2022, JCR determined that it no longer required independent office space and exercised an option to terminate the office lease that would have expired in February 2030. The space lease termination option resulted in additional $3,934,948 of lease costs recognized in 2022.

The following table summarizes the components of lease costs for the years ended December 31, 2023 and 2022:

		2023	2022
Lease costs:			
Finance lease cost:			
Amortization of ROU assets	$	863,594	752,088
Interest on lease liabilities		40,735	6,978
Finance lease cost		361,384	355,090
Operating lease cost		823,339	3,664,374
Short-term lease cost		118,913	127,273
Variable lease cost		242,654	446,626
Total	$	2,450,619	5,352,429
Reported as:			
Office expense	$	543,082	602,970
Depreciation and amortization		863,594	752,088
Other operating expenses		1,043,943	3,997,371
Total	$	2,450,619	5,352,429

The following table represents supplemental information related to leases:

	December 31, 2023	December 31, 2022
Weighted average remaining lease term (in years):		
Finance leases	2.0	2.9
Operating leases	8.7	6.5
Weighted average discount rate:		
Finance leases	1.8 %	1.2 %
Operating leases	4.3	1.7

Lease obligations under ASC 842 having initial terms in excess of one year are as follows as of December 31, 2023:

	Finance leases	Operating leases
2024	$ 1,135,521	2,401,353
2025	1,047,514	2,467,061
2026	27,521	2,530,530
2027	—	2,586,722
2028	—	2,626,007
Thereafter	—	9,407,092
Total undiscounted lease obligations	2,210,556	22,018,765
Less estimated executory costs	(421,825)	—
Total future lease obligations	1,788,731	22,018,765
Less impact of present value discount	(33,135)	(3,768,371)
Present value of lease obligations	1,755,596	18,250,394
Less current installments of lease obligations	(893,871)	(1,662,424)
Obligations under leases, excluding current installments	$ 861,725	16,587,970

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

		2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$	(115,951)	705,306
Operating cash flows from financing leases		40,735	6,978
Financing cash flows from financing leases		11,239	1,099,358
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	$	13,226,684	2,056,675
Finance leases		839,118	1,839,426

(6) Investments

The following table summarizes the types of investments and total return on investments as of and for the years ended December 31, 2023 and 2022:

		2023	2022
Type of investments:			
Fixed income securities	$	450,581	—
Common and collective trust funds		51,387,178	44,575,102
Corporate bonds and bond funds		126,263,865	97,277,336
Common stock and stock funds		151,629,945	111,516,278
Total investments	$	329,731,569	253,368,716
Reported as:			
Investments	$	295,851,833	222,354,153
Endowment investments		33,879,736	31,014,563
Total investments	$	329,731,569	253,368,716
Return on investments:			
Interest income and dividends	$	6,947,992	4,156,144
Interest on endowment investments, net		—	495,036
Realized gains on sale of investments, net		3,837,824	5,210,814
Unrealized gains (losses), net		20,471,095	(39,391,744)
Total return on investments	$	31,256,911	(29,529,750)

(Continued)

		2023	2022
Reported as:			
Other revenue	$	—	495,036
Investment income		10,785,816	9,366,958
Change in net unrealized investment gains (losses)		20,471,095	(39,391,744)
Total return on investments	$	31,256,911	(29,529,750)

(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.

Fixed income securities are bank certificates of deposits. Fixed income securities are accounted for as held-to-maturity and recorded at amortized cost, which approximates the 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 and from investment or brokerage firms (Level 1).

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

- 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.

The Joint Commission's cash equivalents and investments are accounted for at December 31, 2023 and 2022 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, 2023			Total December 31, 2023
		Level 1	Level 2	Level 3	
Description:					
Cash equivalents	$	—	4,307,392	—	4,307,392
Other receivables		—	42,967	—	42,967
Investments:					
Securities:					
Fixed income	$	450,581	—	—	450,581
Common and collective trust funds:					
Hedge funds		47,127	—	—	47,127
Small-cap value fund		10,869,001	—	—	10,869,001
Corporate bonds and bond funds:					
Fixed income bond funds		125,861,408	402,457	—	126,263,865
Common stock and stock funds:					
U.S. small-mid cap equity fund		10,521,522	—	—	10,521,522
U.S. large-cap equity fund		61,610,844	—	—	61,610,844
Global equity funds		36,872,615	—	—	36,872,615
International equity funds		42,624,964	—	—	42,624,964
Investments in the fair value hierarchy		288,858,062	402,457	—	289,260,519
Investments measured at NAV		—	—	—	40,471,050
Total investments	$	288,858,062	402,457	—	329,731,569

(Continued)

		Fair value measurements at the end of December 31, 2022			Total December 31, 2022
		Level 1	Level 2	Level 3	
Description:					
Cash equivalents	$	—	1,999,356	—	1,999,356
Other receivables		—	392,132	—	392,132
Investments:					
Common and collective trust funds:					
Hedge funds	$	63,184	—	—	63,184
Small-cap value fund		8,720,598	—	—	8,720,598
Corporate bonds and bond funds:					
Fixed income bond funds		96,819,586	457,750	—	97,277,336
Common stock and stock funds:					
U.S. small-mid cap equity fund		7,661,392	—	—	7,661,392
U.S. large-cap equity fund		44,226,680	—	—	44,226,680
Global equity funds		27,144,073	—	—	27,144,073
International equity funds		32,484,133	—	—	32,484,133
Investments in the fair value hierarchy		217,119,646	457,750	—	217,577,396
Investments measured at NAV		—	—	—	35,791,320
Total investments	$	217,119,646	457,750	—	253,368,716

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, 2023 and 2022. The Joint Commission has no open commitments related to the below investments.

	2023	2022	Redemption frequency (if currently eligible)	Redemption notice period
Long/short equity fund	$ 40,471,050	35,791,320	Monthly	90 days
Total	$ 40,471,050	35,791,320		

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.

(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 Joint Commission and JCR 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. After the Board of Commissioners approval was obtained, The Joint Commission provided notice to its employees that the Pension Plan was frozen as of December 31, 2023.

The Joint Commission also sponsors nonqualified supplemental defined-benefit retirement plans for certain key executives (the Supplemental Plans). Benefit cost under the Supplemental Plans is accrued based on actuarial estimates over the expected service period of key executives. The Supplemental Plans are not funded; however, marketable securities totaling $1,076,254 and $1,304,333 at December 31, 2023 and 2022, 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, 2023 and 2022:

		Pension Plan		Other benefits	
		2023	**2022**	**2023**	**2022**
Change in projected benefit obligation:					
Projected benefit obligation at beginning of year	$	85,386,467	110,359,089	4,813,486	6,232,412
Service cost		3,736,341	4,476,955	800,084	954,453
Interest cost		4,131,886	2,837,668	153,126	100,689
Actuarial gain (loss)		3,308,107	(23,878,500)	(572,655)	204,647
Benefits paid		(7,247,658)	(8,408,745)	(2,299,607)	(2,678,715)
Curtailments		(2,246,454)	—	—	—
Projected benefit obligation at end of year	$	87,068,689	85,386,467	2,894,434	4,813,486

		Pension Plan		Other benefits	
		2023	**2022**	**2023**	**2022**
Change in fair value of plan assets:					
Fair value of plan assets at beginning of year	$	83,652,050	113,900,606	—	—
Actual gain (loss) on plan assets		10,895,680	(24,239,811)	—	—
Employer contributions		1,600,000	2,400,000	—	—
Benefits paid		(7,247,658)	(8,408,745)	—	—
Fair value of plan assets at end of year	$	88,900,072	83,652,050	—	—
Funded status	$	1,831,383	(1,734,417)	—	—

	Pension Plan		Other benefits	
	2023	**2022**	**2023**	**2022**
Amounts recognized in the consolidated statements of financial position consist of:				
Noncurrent assets	$ 1,831,383	—	—	—
Current liabilities	—	—	(713,383)	(2,044,000)
Noncurrent liabilities	—	(1,734,417)	(2,181,051)	(2,769,486)
Accumulated charge to net assets without donor restrictions	12,796,150	18,748,919	(96,007)	725,067
	$ 14,627,533	17,014,502	(2,990,441)	(4,088,419)

The accumulated charge to net assets without donor restrictions as of December 31, 2023 and 2022 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, 2023 of $12,700,143 represents unrecognized net actuarial losses of $12,700,143 and prior service costs credits of $0. During 2023, approximately $348,900 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, 2022 of $19,473,986 represents unrecognized net actuarial losses of $19,652,933 and prior service costs credits of $178,947. During 2023, approximately $1,547,300 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 $87,068,689 and $83,295,404 at December 31, 2023 and 2022, respectively.

The strong asset returns and plan freeze used for measurement of the Pension Plan benefit obligation resulted in a significant decrease in the liability as of December 31, 2023.

Net periodic benefit cost, which is calculated using the projected unit credit method, for the years ended December 31, 2023 and 2022 included the following components:

		Pension Plan		Other benefits	
		2023	2022	2023	2022
Components of net periodic benefit cost:					
Service cost	$	3,736,341	4,476,955	800,084	954,453
Interest cost		4,131,886	2,837,668	153,126	100,689
Expected return on plan assets		(5,310,186)	(5,933,912)	—	—
Net amortization of actuarial losses and prior service cost		1,540,854	549,240	33,459	35,239
Curtailments		(111,926)	—	—	—
Settlements		—	1,645,901	214,960	519,482
Net periodic benefit benefit	$	3,986,969	3,575,852	1,201,629	1,609,863
Other changes in plan assets and benefit obligations recognized in other changes in net assets:					
Net gain (loss)	$	(2,277,387)	6,295,223	(572,655)	204,647
Amortization of net loss		(1,607,875)	(616,262)	(33,459)	(35,239)
Amortization of prior service service		67,021	67,022	—	—
Adjustment for curtailment		(2,134,528)	—	—	—
Adjustment for settlement		—	(1,645,901)	(214,960)	(519,482)
Total recognized in other changes in net assets		(5,952,769)	4,100,082	(821,074)	(350,074)
Total recognized in net periodic benefit cost and other changes in net assets	$	(1,965,800)	7,675,934	380,555	1,259,789

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

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

	Pension Plan		Other benefits	
	2023	2022	2023	2022
Weighted average assumptions:				
Discount rate used to determine obligations at year-end	4.75 %	4.90 %	4.75 %	4.90 %
Discount rate used to determine net periodic benefit cost	4.90	2.60	4.90	2.60
Rate of compensation increase	3.75	3.75	4.00	4.00
Expected return on plan assets	7.20	5.80	—	—
Weighted average interest crediting rate	5.00	5.00	—	—

Actuarial gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, are amortized over the expected future service period. Prior service cost is amortized over the expected future service period.

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

		Percentage of plan assets at December 31	
Asset category	Target allocation	2023	2022
Equity securities	40%–70%	58 %	59 %
Long-duration fixed income	30–55	36	36
Real estate	0–7	6	5
Total		100 %	100 %

The expected return on plan assets, using a rate assumption of 7.2%, 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, 2023, there is no minimum funding requirement for the Pension Plan, and management has not committed to contribute to the Pension Plan during 2024. Estimated future benefit payments from the Pension Plan are as follows:

2024	$	6,800,000
2025		7,000,000
2026		6,800,000
2027		6,600,000
2028		6,600,000
2029 through 2033		29,400,000
Total	$	63,200,000

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 and from investment or brokerage firms (Level 1).

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

The following tables summarize the Pension Plan's investments accounted for at fair value at December 31, 2023 and 2022 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, 2023			
		Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$	691,789	—	—	691,789
Investments:					
Mutual funds:					
U.S. small-mid cap fund		4,205,117	—	—	4,205,117
U.S. large-cap equity fund		15,145,521	—	—	15,145,521
Global equity fund		10,221,757	—	—	10,221,757
Emerging markets fund		4,711,218	—	—	4,711,218
International equity fund		12,073,146	—	—	12,073,146

(Continued)

	Assets at fair value as of December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity real estate investment securities:				
Corporate debt – fixed income	$ 762,624	—	—	762,624
Common stock – equity	3,015,125	—	—	3,015,125
Common stock – preferred	637,355	—	—	637,355
Common and collective trust funds:				
Small-cap value fund	5,303,085	—	—	5,303,085
Long-duration fixed income fund	32,133,335	—	—	32,133,335
Total investments	88,208,283	—	—	88,208,283
Total plan assets	$ 88,900,072	—	—	88,900,072

	Assets at fair value as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 283,602	—	—	283,602
Investments:				
Mutual funds:				
U.S. small-mid cap fund	3,565,069	—	—	3,565,069
U.S. large-cap equity fund	12,478,061	—	—	12,478,061
Global equity fund	13,131,977	—	—	13,131,977
Emerging markets fund	4,487,056	—	—	4,487,056
International equity fund	11,191,221	—	—	11,191,221
Equity real estate investment securities:				
Corporate debt – fixed income	668,711	—	—	668,711
Common stock – equity	2,763,229	—	—	2,763,229
Common stock – preferred	576,265	—	—	576,265

(Continued)

	Assets at fair value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Common and collective trust funds:				
Small-cap value fund	$ 4,609,010	—	—	4,609,010
Long-duration fixed income fund	29,897,849	—	—	29,897,849
Total investments	83,368,448	—	—	83,368,448
Total plan assets	$ 83,652,050	—	—	83,652,050

The Joint Commission expects to contribute an additional $832,000 during 2024 to the Supplemental Plans' investments designated for payment of benefits. Estimated annual future benefit payments from the Supplemental Plans are anticipated to range from $141,400 to $1,651,800 during the period from 2024 through 2028 and are expected to total $211,500 during the period from 2029 through 2033. The benefit payments during 2024 are expected to total $713,383 and are classified as current liabilities in the accompanying 2023 consolidated statements of financial position.

The Joint Commission also sponsors a 401(k) Smart Saver Plan whereby Joint Commission and JCR employees may contribute a portion of current earnings, up to certain limits established by the Internal Revenue Service, to the plan and The Joint Commission makes a matching contribution equal to 50% of the first 6% of annual salary contributed by the employee. The Joint Commission's expense under this plan includes its contributions and administrative fees, which were $2,465,206 in 2023 and $2,567,473 in 2022. The Joint Commission funds this plan on a current basis.

National Quality Forum sponsors a 401(k) defined contribution plan for all employees who have completed three months of service. NQF provides a 100% matching contribution on employee contributions up to 5% of their salary. NQF may also make an additional discretionary contribution. Employer contributions to the Plan vest 100% to the participants after a two-year period. NQF's expense under this plan includes it contributions, which were $23,667 from October through December of 2023.

NQF also sponsors a 457(b) deferred compensation retirement plan for a select group of management and highly compensated employees as determined by NQF. All employer contributions are discretionary, and all contributions are immediately vested. There were no employer contributions into the plan nor any benefit distributions paid from the plan in the last quarter of 2023. Contributions to the plan are unfunded as of year-end. The employer assets are reflected as noncurrent prepaid pension and postretirement assets, and the related liabilities are reflected as noncurrent accrued pension and postretirement benefits in the consolidated statement of financial position.

(9) Board-Designated Reserve Funds

A reserve policy has been established for National Quality Forum which states the organization shall maintain a minimum total reserves amount equaling six months of its cash burn rate. Therefore, NQF has board-designated net assets without donor restrictions for reserves that are comprised of the following as of December 31, 2023:

Operating cash reserve	$	5,167,513
Investment reserve		7,357,706
	$	12,525,219

(10) Donor-Restricted Endowment Funds

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

In the investment and handling of funds, The Joint Commission is subject to the law of Illinois, *The Uniform Prudent Management of Institutional Funds Act* (UPMIFA), which became effective June 30, 2009. The Board of The Joint Commission has interpreted UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted endowment contributions absent explicit donor stipulations to the contrary. As a result of this interpretation, The Joint Commission classifies as donor-restricted net assets the original value of gifts donated to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment, and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The endowment fund was established with the intent of maintaining the fund permanently to fund the original charitable purposes as outlined below:

(1) To improve the quality and safety of health care organizations through application of robust process improvement methods

(2) To develop teams for patient care improvement initiatives in hospitals and other health care organizations

(3) To conduct programs of education and evaluation and publish the results thereof, which further the other purposes of The Joint Commission

(4) To assume such other responsibilities and conduct other such activities as are compatible with the operation of such patient care improvement initiative programs.

As required by the Fund Transfer Agreement, The Joint Commission will continue to use the endowment funds in accordance with these charitable purposes. However, if such permanent status becomes impractical or unwise, the donor agreement sets forth that the fund may be more expeditiously used, in alignment with the original charitable purposes, to further such activities. Any expenditure of permanent endowment must be approved by The Joint Commission's Board. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

(2) The duration and preservation of the fund

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

(4) General economic conditions

(5) The possible effect of inflation and deflation

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

(7) Other resources of the organization

(8) The investment policies of the organization.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that UPMIFA requires The Joint Commission to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. Any deficiencies of this nature are reported in net assets with donor restrictions and there were no such deficiencies as of December 31, 2023 and 2022, respectively. Gains and losses generated by the endowment assets are also classified as net assets with donor restrictions until they are appropriated for expenditure. If the fair value of the assets of the donor-restricted endowment fund is less than the amount required to be maintained permanently, the deficit or unrealized loss is classified as net assets with donor restrictions in the consolidated statements of activities.

The Joint Commission has adopted an investment policy for endowment assets that attempts to provide a reasonably predictable stream of funding to support its activities while seeking to preserve capital. Endowment assets include those assets of donor-restricted funds that The Joint Commission has the intent to hold in perpetuity as long as it is practical and for a term-specified period. However, if holding in perpetuity becomes impractical or unwise, the donor agreement sets forth that the fund may be more expeditiously used, in alignment with the original charitable purposes, to further such activities. The Joint Commission's policy requires assets to be invested in a manner that strives to produce results that exceed a passively invested benchmark composed of 70% Barclays Global Aggregate Index and 30% MSCI ACWI over a complete market cycle. The Joint Commission expects that its endowment assets, under the current strategy, will produce an average rate of return of 3%–4% annually. Actual returns in any given year may vary from this amount.

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

The Joint Commission has established the objective of using the realized appreciation and investment income on endowment assets in alignment with the endowment funds original charitable purposes. Any return that is not required to meet spending shall be retained in the endowment funds and invested in accordance with the investment guidelines, until its expenditure is needed.

Changes in the fair value of the endowment investments and net assets by type of fund were as follows for the year ended December 31, 2023:

	2023		
	Without donor restrictions	**With donor restrictions**	**Total**
Investment return:			
Endowment yield (interest, dividends, and realized gains)	$ 1,183,952	366,242	1,550,194
Unrealized losses on investments	913,618	399,349	1,312,967
Total investment activity	2,097,570	765,591	2,863,161
Net assets released from restrictions	—	—	—
Investment interest transfer to operating cash	—	—	—
Net investment return	2,097,570	765,591	2,863,161
Other changes in endowment investments:			
Transfers to use funds functioning as endowment and other changes	2,013	—	2,013
Total other changes in endowment investments	2,013	—	2,013
Net change in endowment investments	2,099,583	765,591	2,865,174
Endowment investments at:			
Beginning of year	21,698,779	9,315,783	31,014,562
End of year	$ 23,798,362	10,081,374	33,879,736

		2023		
		Without donor restrictions	**With donor restrictions**	**Total**
Net assets by type of fund:				
Donor-restricted endowment	$	—	10,425,000	10,425,000
Investment return		2,283,404	(343,626)	1,939,778
Board-designated funds functioning as endowment		21,514,958	—	21,514,958
Total – as above		23,798,362	10,081,374	33,879,736
Other donor-designated gifts		—	395	395
Classification as cash equivalents		2,324,600	—	2,324,600
Classification as other receivables		10,442	—	10,442
Total net assets	$	26,133,404	10,081,769	36,215,173

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

		2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Investment return:				
Endowment yield (interest, dividends, and realized gains)	$	2,230,768	129,004	2,359,772
Unrealized losses on investments		(3,593,698)	(1,570,830)	(5,164,528)
Total investment activity		(1,362,930)	(1,441,826)	(2,804,756)
Net assets released from restrictions		—	—	—
Investment interest transfer to operating cash		(1,559,997)	—	(1,559,997)
Net investment return		(2,922,927)	(1,441,826)	(4,364,753)
Other changes in endowment investments:				
Transfers to use funds functioning as endowment and other changes		473,162	—	473,162
Total other changes in endowment investments		473,162	—	473,162
Net change in endowment investments		(2,449,765)	(1,441,826)	(3,891,591)

(Continued)

	2022		
	Without donor restrictions	**With donor restrictions**	**Total**
Endowment investments at:			
Beginning of year	$ 24,148,544	10,757,609	34,906,153
End of year	$ 21,698,779	9,315,783	31,014,562
Net assets by type of fund:			
Donor-restricted endowment	$ —	10,425,000	10,425,000
Investment return	185,834	(1,109,217)	(923,383)
Board-designated funds functioning as endowment	21,512,945	—	21,512,945
Total – as above	21,698,779	9,315,783	31,014,562
Other donor-designated gifts	—	395	395
Classification as cash equivalents	1,949,255	—	1,949,255
Classification as other receivables	387,800	—	387,800
Total net assets	$ 24,035,834	9,316,178	33,352,012

(11) Functional Expenses

The Joint Commission provides services and products that promote patient safety and quality in the delivery of healthcare services. Expenses related to providing these services and products approximated 79% of total expenses in 2023 and 2022, respectively. Expenses by function are as follows for the years ended December 31, 2023 and 2022:

	Program activities				Supporting	
	The Joint Commission	**Joint Commission Resources, Inc.**	**National Quality Forum**	**Total program activities**	**Management and general**	**2023 Total consolidated expense**
Salaries and benefits	$ 97,934,897	30,792,129	709,848	129,436,874	31,014,896	160,451,770
Travel costs	26,230,512	2,206,736	27,382	28,464,630	196,386	28,661,016
Fees and services (a)	7,248,195	9,005,581	75,908	16,329,684	9,441,507	25,771,191
Office expense	4,420,121	1,398,443	28,877	5,847,441	6,248,123	12,095,564
Depreciation and amortization	3,626,141	466,069	64,593	4,156,803	1,704,881	5,861,684
Other operating expenses	4,164,245	1,856,754	320,533	6,341,532	3,358,517	9,700,049
Total expenses	$ 143,624,111	45,725,712	1,227,141	190,576,964	51,964,310	242,541,274

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

(a) Net of intercompany eliminations

(12) Net Assets with Donor Restrictions

As of December 31, 2023, net assets with donor restrictions of $10,081,769 (original gift $10,425,395) are endowment funds which must be appropriated by The Joint Commission’s Board before use. Donors specified the endowments funds to be maintained in perpetuity with the investment income and appreciation to support the mission. The funds are time restricted until appropriated.

(13) 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.

National Quality Forum’s office lease agreement for its current space requires an irrevocable letter of credit of $1,800,000 in lieu of a security deposit, which has been provided to the landlord. The previous letter of credit was cancelled on December 15, 2023. A new letter of credit was entered into on December 6, 2023, and expires on October 31, 2032.

(14) Joint Venture

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

In December 2022, JCR's joint venture partner announced its desire to terminate the joint venture. The partner does not have legal standing to terminate the joint venture as none of the conditions allowing for termination have been met. The joint venture has ceased conducting any business in China as of early 2023. JCR continues to work with work with legal counsel to negotiate terms of the joint venture dissolution.

(15) Business Combination

On October 1, 2023, The Joint Commission acquired, pursuant to an affiliation agreement, National Quality Forum, a not-for-profit, nonpartisan, membership-based organization that works to improve healthcare outcomes, safety, equity, and affordability. NQF promotes and ensures patient protections and healthcare quality through measurement and public reporting. The Joint Commission and National Quality Forum's strategic affiliation will accelerate improvements in health for all people. As part of governing affiliate organizations, The Joint Commission holds reserve powers that are consistent across the enterprise affiliates, including JCR and NQF. National Quality Forum maintains its independence in convening and developing consensus-based measures, implementation guidance, and practices that benefit all stakeholders; as well as maintaining its own Board of Directors. This affiliation allows both organizations to build upon their shared expertise in measuring quality and rationalizing the measurement landscape so the focus shifts from competing measures to advancing key outcomes. The business combination was a non-cash exchange where assets and liabilities were transferred at fair value. The fourth quarter of 2023 financial results of NQF's were not material to The Joint Commission's results of operations.

The business combination was accounted for in accordance with Accounting Standards Codification Topic 958-805 – *Non-For-Profit Entities – Business Combinations*. The following table summarizes the estimated fair values of assets acquired and liabilities assumed as of the acquisition date and the fair value accounting adjustments under ASC 905-805:

		NQF closing balances September 30, 2023	ASC 958-805 fair value adjustment		Acquisition balances October 1, 2023
Cash, cash equivalents and restricted cash	$	5,428,744	—		5,428,744
Accounts receivable		53,733	—		53,733
Prepaid expenses		334,159	—		334,159
Investments		13,183,075	—		13,183,075
Property and equipment, net		2,556,853	—		2,556,853
Prepaid pension and postretirement asset		129,550			129,550
Operating lease right-of-use asset		15,868,192	(3,026,489)	[1]	12,841,703
Intangible assets		—	120,600	[2]	120,600
Accounts payable		(330,551)	—		(330,551)
Accrued expenses		(586,504)	—		(586,504)
Deferred revenues		(6,313,480)	—		(6,313,480)
Accrued Pension and postretirement benefits		(129,550)	—		(129,550)
Obligations under operating leases		(18,596,702)	2,354,999	[3]	(16,241,703)
Total acquisition costs	$	11,597,519	(550,890)		11,046,629

The following table summarizes the acquired net assets and their classification as of the acquisition date:

	NQF closing balances September 30, 2023	ASC 958-805 fair value adjustment		Acquisition balances October 1, 2023
Net assets without donor restrictions – undesignated	$ (238,192)	238,192	[4]	—
Net assets without donor restrictions – board-designated	(11,359,327)	11,359,327	[5]	—
Inherent Contribution – undesignated	—	312,698	[1,2,3,4]	312,698
Inherent Contribution – board-designated	—	(11,359,327)	[5]	(11,359,327)
	$ (11,597,519)	550,890		(11,046,629)

The carrying value of cash, accounts receivable, prepaids, investments, accounts payable, accrued expenses, deferred revenues, and pension asset and liabilities approximates fair value. The other assets and liabilities were adjusted to fair value as follows:

[1] Represents the adjustments for the unfavorable lease of ($3,400,000) and right-of-use lease asset to fair value of $373,511

[2] Represents the adjustment to recognize the estimated fair value of the trade name of $120,600

[3] Represents the adjustment of the ROU lease liability to fair value of $2,354,999

[4] Represents the close out of the net assets undesignated balance to inherent contribution of $238,192

[5] Represents the close out of the net assets board-designated balance to inherent contribution of $11,359,327

Acquisition related costs were not material and were expensed as incurred within the accompanying consolidated statements of activities. Costs included employee severance and related benefit costs, professional fees for onboarding employees, and licensing fees related to system and data integrations. System development costs of approximately $295,000 were contracted for the building of cloud-based financial system models to accommodate NQF. In 2023, $153,000 was capitalized and included as property and equipment in the consolidated statements of financial position. The remaining system development costs will be capitalized in early 2024.

(16) Subsequent Events

The Joint Commission has performed an evaluation of subsequent events through May 9, 2024, which is the date the consolidated financial statements were available to be issued and noted the following subsequent event disclosure.

Due to increasing regulatory restrictions in China which limits future growth, JCR decided to close its operations and discontinue any business in China effective April 2023. JCR is currently working to officially close its office and cash accounts held in China.

On February 28, 2024, The Joint Commission provided a written statement to employees announcing the notice of intent to terminate its noncontributory account based defined benefit pension plan (the Pension Plan) effective April 30, 2024. Benefit payments and distributions will occur in late 2024 or early 2025. While final termination and settlement of the Pension Plan will take approximately a year to complete. In connection with the termination of the plan, The Joint Commission will make future contributions to the plan as needed to fully fund the liabilities of the plan at termination.

THE JOINT COMMISSION ON ACCREDITATION
OF HEALTHCARE ORGANIZATIONS AND AFFILIATES

Consolidating Schedule of Statement of Financial Position Information

December 31, 2023

Assets	The Joint Commission	Joint Commission Resources, Inc.	National Quality Forum	Intercompany eliminations	Consolidated
Current assets:					
Cash, cash equivalents, and restricted cash	$ 34,307,995	8,918,313	7,383,761	—	50,610,069
Accounts receivable – net of allowance for doubtful accounts of $507,671	17,639,083	15,686,630	226,532	(12,652,998)	20,899,247
Inventory – net	—	298,610	—	—	298,610
Prepaid expenses	4,003,587	2,212,207	438,740	(602,915)	6,051,619
Total current assets	55,950,665	27,115,760	8,049,033	(13,255,913)	77,859,545
Noncurrent assets:					
Investments	253,729,956	31,729,758	10,392,119	—	295,851,833
Endowment investments	33,879,736	—	—	—	33,879,736
Prepaid pension and postretirement assets	1,831,383	—	141,289	—	1,972,672
Other long-term prepaid assets	1,161,918	—	—	—	1,161,918
Operating lease right-of-use assets	1,683,215	—	12,577,824	—	14,261,039
Other intangible assets	—	—	120,600	—	120,600
Property and equipment:					
Land	4,204,400	—	—	—	4,204,400
Building	45,959,118	—	—	—	45,959,118
Leasehold improvements, office systems, furniture, and equipment	34,024,352	6,832,994	2,519,046	—	43,376,392
Total property and equipment	84,187,870	6,832,994	2,519,046	—	93,539,910
Less accumulated depreciation and amortization	(52,854,504)	(6,013,645)	(70,637)	—	(58,938,786)
Total property and equipment – net	31,333,366	819,349	2,448,409	—	34,601,124
Total noncurrent assets	323,619,574	32,549,107	25,680,241	—	381,848,922
Total assets	$ 379,570,239	59,664,867	33,729,274	(13,255,913)	459,708,467
Liabilities and Net Assets					
Current liabilities:					
Current maturity of notes payable	$ 1,070,000	—	—	—	1,070,000
Current installments of obligations under operating leases	378,851	—	1,283,573	—	1,662,424
Current installments of obligations under finance leases	893,871	—	—	—	893,871
Accounts payable	10,384,885	12,671,775	230,990	(12,652,998)	10,634,652
Accrued expenses:					
Compensation and benefits	6,056,160	1,751,769	403,262	—	8,211,191
Other expenses	520,422	19,574	—	—	539,996
Deferred revenue:					
Accreditation fees and deposits	—	2,338,004	—	—	2,338,004
Publications, educational programs, and other advances	726,777	10,233,068	5,926,365	(602,915)	16,283,295
Current portion of accrued postretirement benefits	227,383	486,000	—	—	713,383
Total current liabilities	20,258,349	27,500,190	7,844,190	(13,255,913)	42,346,816
Noncurrent liabilities:					
Notes payable – less current maturity and unamortized debt issuance costs	6,340,404	—	—	—	6,340,404
Obligations under operating leases – less current installments	1,920,616	—	14,667,354	—	16,587,970
Obligations under finance leases – less current installments	861,725	—	—	—	861,725
Accrued pension and postretirement benefits	62,488	2,118,563	141,289	—	2,322,340
Total noncurrent liabilities	9,185,233	2,118,563	14,808,643	—	26,112,439
Total liabilities	29,443,582	29,618,753	22,652,833	(13,255,913)	68,459,255
Net assets:					
Without donor restrictions:					
Undesignated	313,911,484	30,046,114	(1,448,778)	—	342,508,820
Board-designated reserve funds	—	—	12,525,219	—	12,525,219
Board-designated funds functioning as endowment	26,133,404	—	—	—	26,133,404
With donor restrictions – endowment	10,081,769	—	—	—	10,081,769
Total net assets	350,126,657	30,046,114	11,076,441	—	391,249,212
Total liabilities and net assets	$ 379,570,239	59,664,867	33,729,274	(13,255,913)	459,708,467

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, 2023

	The Joint Commission	Joint Commission Resources, Inc.	National Quality Forum	Intercompany eliminations	Consolidated
Revenue:					
Annual accreditation subscription fees	$ 97,167,808	—	—	—	97,167,808
Survey fees	80,110,493	16,756,325	—	—	96,866,818
Publications and multimedia	—	22,207,300	—	—	22,207,300
Educational programs	—	6,589,981	—	—	6,589,981
Consultative technical assistance	—	8,815,455	—	(27,600)	8,787,855
Continuous service readiness	—	5,750,467	—	—	5,750,467
Performance measurement activities	7,042,005	—	—	—	7,042,005
Other revenue and net assets released from restrictions	13,313,451	2,286,023	2,488,021	(9,332,352)	8,755,143
Total revenue	197,633,757	62,405,551	2,488,021	(9,359,952)	253,167,377
Expenses:					
Salaries and benefits	125,842,536	32,921,238	1,687,996	—	160,451,770
Travel costs	26,293,640	2,316,785	50,591	—	28,661,016
Fees and services	15,086,627	19,714,028	330,488	(9,359,952)	25,771,191
Office expense	9,552,596	2,421,794	121,174	—	12,095,564
Depreciation and amortization	5,200,537	552,704	108,443	—	5,861,684
Other operating expenses	7,037,732	2,165,663	496,654	—	9,700,049
Total expenses	189,013,668	60,092,212	2,795,346	(9,359,952)	242,541,274
Excess (deficiency) of revenue over expenses before investment income	8,620,089	2,313,339	(307,325)	—	10,626,103
Investment income	9,250,099	1,019,088	150,387	—	10,419,574
Excess (deficiency) of revenue over expenses	17,870,188	3,332,427	(156,938)	—	21,045,677
Other changes in net assets without donor restrictions:					
Change in net unrealized investment losses	17,662,070	2,222,926	186,750	—	20,071,746
Change in net periodic pension costs other	(491,341)	(160,832)	—	—	(652,173)
Change in unrecognized net defined-benefit plan costs not yet recognized in net periodic benefit cost	6,630,954	142,889	—	—	6,773,843
Change in foreign currency revaluation	—	16,503	—	—	16,503
Excess of assets acquired over liabilities assumed in donation	—	—	11,046,629	—	11,046,629
Transfer of undesignated net assets to parent company	6,948,919	(6,948,919)	—	—	—
Change in net assets without donor restrictions	48,620,790	(1,395,006)	11,076,441	—	58,302,225
Net assets without donor restrictions – beginning of year	291,424,098	31,441,120	—	—	322,865,218
Net assets without donor restrictions – end of year	$ 340,044,888	30,046,114	11,076,441	—	381,167,443

See accompanying independent auditors' report.

NATIONAL QUALITY FORUM

Schedule of Statement of Activities Information (Unaudited)

Year ended December 31, 2023

	2023		
	Without donor restrictions	With donor restrictions	Total
Revenue and other support:			
Other revenue:			
Membership revenue	$ 2,694,147	—	2,694,147
Contracts, grants and sponsorships	3,451,063	2,190,000	5,641,063
Educational programs	392,698	—	392,698
Miscellaneous revenue	370,120	—	370,120
Net assets released from restrictions	2,190,000	(2,190,000)	—
Total revenue and other support	9,098,028	—	9,098,028
Expenses:			
Salaries and benefits	9,441,799	—	9,441,799
Travel costs	217,800	—	217,800
Fees and services	1,796,818	—	1,796,818
Office expense	664,077	—	664,077
Depreciation and amortization	1,298,989	—	1,298,989
Other operating expenses	2,441,334	—	2,441,334
Total expenses	15,860,817	—	15,860,817
Deficiency of revenue and other support below expenses before investment income	(6,762,789)	—	(6,762,789)
Investment income	257,867	—	257,867
Deficiency of revenue and other support below expenses	(6,504,922)	—	(6,504,922)
Other changes in net assets:			
Change in net unrealized investment losses	335,244	—	335,244
ASC 958-805 business combinations fair value impact	(550,890)	—	(550,890)
Change in net assets	(6,720,568)	—	(6,720,568)
Net assets – beginning of year	17,797,009	—	17,797,009
Net assets – end of year	$ 11,076,441	—	11,076,441