American Academy of Actuaries

Financial Statements

December 31, 2019

CALIBRE
CPA GROUP

American Academy of Actuaries

Financial Statements

Years Ended December 31, 2019 and 2018

Contents

CALIBRE
CPA GROUP

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
American Academy of Actuaries

We have audited the accompanying financial statements of the American Academy of Actuaries (the Academy), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Academy of Actuaries as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CalibreCPAGroup,PLLC

Bethesda, MD
April 28, 2020

American Academy of Actuaries

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 2,565,038	$ 2,598,749
Certificates of deposit	3,430,000	2,964,000
Accounts receivable	669,471	466,765
Due from Casualty Actuarial Society	44,721	-
Due from Conference of Consulting Actuaries	15,000	15,000
Prepaid expenses	344,544	312,760
Total current assets	7,068,774	6,357,274
Long-term investments		
Mutual funds, at fair value	15,261,722	13,019,760
Property and equipment, net	1,069,500	224,676
Security deposit	85,392	85,392
Total assets	$ 23,485,388	$ 19,687,102
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 653,925	$ 1,000,904
Accrued expenses	840,614	467,176
Accrued annual leave	130,652	133,563
Deferred revenue		
Membership dues	6,819,025	6,707,865
Other	59,720	147,805
Deferred rent liability, current portion	92,156	13,215
Total current liabilities	8,596,092	8,470,528
Noncurrent liabilities		
Deferred rent liability, net of current portion	1,636,757	-
Liability for pension benefits, defined benefit plan	393,823	252,337
Total liabilities	10,626,672	8,722,865
Net assets without donor restrictions		
Undesignated	12,710,031	10,818,535
Designated, Actuarial Board of Counseling and Discipline Litigation Fund	148,685	145,702
Total net assets	12,858,716	10,964,237
Total liabilities and net assets	$ 23,485,388	$ 19,687,102

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Activities

Years Ended December 31, 2019 and 2018

	2019	2018
Revenue		
Membership dues	$ 11,354,918	$ 10,704,928
Membership application fees	42,000	59,100
Investment income	643,544	1,467,863
Enrolled Actuaries Meeting distribution	70,766	44,714
Casualty Loss Reserve Seminar profit (loss) share	44,721	(18,080)
Seminars	504,035	317,375
Advertising income	396,317	431,923
Manual sales	250,050	235,425
Webcast income	187,350	235,440
Service fees	380,179	344,254
Administrative services	20,450	25,329
Other	112,063	217,694
Total revenue	14,006,393	14,065,965
Expenses		
Program services		
Professionalism	3,304,291	3,365,739
Public policy	6,241,292	6,297,256
Total program services	9,545,583	9,662,995
Supporting services		
Management and general	3,444,524	3,120,207
Membership and development	657,410	725,981
Total supporting services	4,101,934	3,846,188
Total expenses	13,647,517	13,509,183
Change in net assets before other changes	358,876	556,782
Other changes in net assets		
Net appreciation (depreciation) in fair value of investments	1,665,609	(2,134,792)
Other components of net periodic pension cost	25,819	25,472
Pension-related changes other than net periodic benefit cost	(155,825)	105,563
Change in net assets	1,894,479	(1,446,975)
Net assets without donor restrictions		
Beginning of year	10,964,237	12,411,212
End of year	$ 12,858,716	$ 10,964,237

See accompanying notes to financial statements.

American Academy of Actuaries

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services		Supporting Services		
	Professionalism	Public Policy	Management and General	Membership and Development	Total Expenses
Salaries	$ 1,339,049	$ 2,171,791	$ 1,293,142	$ 357,615	$ 5,161,597
Employee insurance	95,425	154,769	92,153	25,483	367,830
Payroll taxes	91,769	148,840	88,623	24,508	353,740
Pension plans	145,851	241,020	146,655	40,569	574,095
Temporary help and personnel fees	1,166	93,421	28,597	11,181	134,365
Rent	235,886	382,583	227,800	62,999	909,268
Telephone	12,808	20,773	12,368	3,420	49,369
Postage and freight	3,462	1,517	15,733	-	20,712
Travel and related expenses	156,424	56,945	94,255	-	307,624
Annual meeting	7,039	16,425	211,182	-	234,646
Seminars	156,059	273,241	-	-	429,300
Committee meetings	96,045	2,870	97,882	-	196,797
Presidential travel	15,871	11,222	27,801	-	54,894
General office supplies and equipment rental	32,330	52,437	31,222	8,636	124,625
Technology and database	52,679	85,440	50,873	14,069	203,061
Printing	29,027	2,361	-	-	31,388
Personnel development	3,569	3,725	325	-	7,619
Professional services	7,989	-	584,166	-	592,155
Audit and accounting	8,470	13,739	8,180	2,261	32,650
Insurance	14,151	22,952	13,666	3,778	54,547
Depreciation and amortization	44,916	72,849	43,376	11,994	173,135
Subscriptions, periodicals and dues	7,749	56,564	7,624	-	71,937
Communications	180,973	180,973	-	40,216	402,162
Membership/external relations programs	-	57,076	-	50,634	107,710
Affiliation fees	156,979	156,979	-	-	313,958
Contingencies	196,547	196,548	-	-	393,095
Manuals	-	228,341	-	-	228,341
Contribution, Actuarial Foundation	-	118,000	-	-	118,000
Health Practice Council	-	323,349	-	-	323,349
Pension Practice Council	-	285,937	-	-	285,937
Life Practice Council	-	328,294	-	-	328,294
Casualty Practice Council	-	280,587	-	-	280,587
Public Policy Research	-	67,076	-	-	67,076
Council on Professionalism	47,468	-	-	-	47,468
Risk Management and Financial Reporting Practice Council	-	22,497	-	-	22,497
International Secretary/Representatives travel	24,695	24,696	-	-	49,391
Income taxes	23,670	23,670	-	-	47,340
Bank and credit card fees	-	-	363,026	-	363,026
Webcast expenses	27,316	22,869	-	-	50,185
Investigative	48,734	-	-	-	48,734
Strategic initiatives	38,635	38,635	-	-	77,270
Other	1,540	281	5,875	47	7,743
	3,304,291	6,241,292	3,444,524	657,410	13,647,517
Other components of net periodic pension cost	(3,614)	(10,327)	(9,295)	(2,583)	(25,819)
	$ 3,300,677	$ 6,230,965	$ 3,435,229	$ 654,827	$ 13,621,698

See accompanying notes to financial statements.

American Academy of Actuaries

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services		Supporting Services		
	Professionalism	Public Policy	Management and General	Membership and Development	Total Expenses
Salaries	$ 1,320,820	$ 2,381,843	$ 1,188,541	$ 372,153	$ 5,263,357
Employee insurance	98,007	176,736	88,190	27,614	390,547
Payroll taxes	82,821	149,356	74,529	23,336	330,042
Pension plans	152,854	275,624	137,420	43,311	609,209
Temporary help and personnel fees	4,160	139,017	1,468	-	144,645
Rent	260,267	469,341	234,200	73,333	1,037,141
Telephone	12,088	21,799	10,878	3,406	48,171
Postage and freight	4,691	-	18,583	-	23,274
Travel and related expenses	204,672	79,354	66,780	1,852	352,658
Annual meeting	4,979	14,597	188,771	-	208,347
Seminars	142,561	111,085	-	-	253,646
Committee meetings	87,818	624	156,546	-	244,988
Presidential travel	33,343	38,106	23,817	-	95,266
General office supplies and equipment rental	29,196	52,650	26,273	8,226	116,345
Technology and database	49,636	89,509	44,666	13,985	197,796
Printing	21,644	14,624	-	-	36,268
Personnel development	1,795	1,285	1,618	-	4,698
Professional services	8,590	-	404,174	-	412,764
Audit and accounting	8,030	14,481	7,226	2,263	32,000
Insurance	13,679	24,668	12,309	3,854	54,510
Depreciation and amortization	60,695	109,452	54,618	17,101	241,866
Subscriptions, periodicals and dues	7,174	59,545	7,428	-	74,147
Communications	227,695	227,695	-	50,598	505,988
Membership/external relations programs	-	46,737	-	84,949	131,686
Affiliation fees	149,091	149,090	-	-	298,181
Contingencies	204,109	204,109	-	-	408,218
Manuals	-	196,031	-	-	196,031
Contribution, Actuarial Foundation	-	113,598	-	-	113,598
Health Practice Council	-	319,218	-	-	319,218
Pension Practice Council	-	140,731	-	-	140,731
Life Practice Council	-	313,634	-	-	313,634
Casualty Practice Council	-	194,551	-	-	194,551
Public Policy Research	-	21,412	-	-	21,412
Council on Professionalism	42,459	-	-	-	42,459
Risk Management and Financial Reporting Practice Council	-	31,580	-	-	31,580
International Secretary/Representatives travel	57,853	57,853	-	-	115,706
Income taxes	21,137	21,138	-	-	42,275
Bank and credit card fees	-	-	355,723	-	355,723
Webcast expenses	27,396	36,183	-	-	63,579
Investigative	24,900	-	-	-	24,900
Other	1,579	-	16,449	-	18,028
	3,365,739	6,297,256	3,120,207	725,981	13,509,183
Other components of net periodic pension cost	(6,368)	(11,462)	(5,604)	(2,038)	(25,472)
	$ 3,359,371	$ 6,285,794	$ 3,114,603	$ 723,943	$ 13,483,711

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Membership dues and application fees received	$ 11,508,078	$ 10,840,868
Interest and dividends received	722,620	904,239
Other operating receipts	1,625,379	1,815,914
Unrelated business income taxes paid	(32,877)	(5,406)
Payments to vendors, suppliers and employees	(12,639,080)	(13,241,734)
Net cash provided by operating activities	1,184,120	313,881
Cash flows from investing activities		
Purchases of property and equipment	(96,402)	(44,921)
Proceeds from sales/maturities of certificates of deposit and investments	5,533,847	6,017,816
Purchases of certificates of deposit and investments	(6,655,276)	(5,311,895)
Net cash provided by (used for) investing activities	(1,217,831)	661,000
Net change in cash and cash equivalents	(33,711)	974,881
Cash and cash equivalents		
Beginning of year	2,598,749	1,623,868
End of year	$ 2,565,038	$ 2,598,749

Supplemental disclosure of noncash financing and investing activities

During 2019, the Academy acquired leasehold improvements, furniture and equipment in the amount of $921,557 that was paid for by its landlord as an incentive to extend its office lease agreement.

See accompanying notes to financial statements.

NOTE 1. THE ORGANIZATION

As the organization representing the entire United States actuarial profession, the American Academy of Actuaries (the Academy), founded in 1965, serves the public and the actuarial profession both nationally and internationally.

To accomplish this:

- As the public voice for the United States actuarial profession, the Academy provides independent and objective actuarial information, analysis, and education for the formation of sound public policy;
- The Academy provides for the establishment, maintenance, and enforcement of high professional standards of actuarial qualification, practice, and conduct;
- The Academy advances actuarial practice by informing and educating its members on public policy and professionalism issues and current and emerging practices;
- The Academy identifies and addresses issues on behalf of the public interest on matters in which actuarial science provides a unique understanding;
- The Academy increases the public's understanding and recognition of the value of the actuarial profession;
- The Academy provides opportunities for professional development of its members through volunteerism and service to the profession;
- The Academy facilitates and coordinates response to issues of common interest among the U.S.-based actuarial associations; and
- The Academy coordinates the representation of the U.S. profession globally.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements have been prepared using the accrual method of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Academy is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions, and net assets with donor restrictions.

Net Assets - Net assets are reported in two distinct classes as follows:

Net assets without donor restrictions - These net assets are available to finance the general operations of the Academy. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Academy, the environment in which it operates, and the purposes specified in its organizing documents.

> ***Undesignated net assets***: Reflects transactions related to the general operations of the Academy, the Actuarial Standards Board (ASB) and the Actuarial Board for Counseling and Discipline (ABCD). The ASB was established in 1988 within the Academy to develop and promulgate actuarial standards of practice. The ABCD was established in 1992 within the Academy to work with the profession to maintain the quality and integrity of the actuary's work. It is the ABCD's duty to uphold the actuarial profession's standards of conduct, practice, and qualification. The organizations participating in the funding of the ASB and ABCD include: American Society of Pension Professionals and Actuaries (ASPPA), Casualty Actuarial Society (CAS), Conference of Consulting Actuaries (CCA), Society of Actuaries (SOA), and the Academy.
>
> ***Designated net assets***: Reflects transactions related to the ABCD Litigation Fund. The ABCD Litigation Fund was established in 1993 in anticipation of potential suits filed by actuaries disciplined based on recommendations of the ABCD. The initial funding was obtained through a transfer from the Academy and contributions from other organizations who participate in the support of the ABCD. There were no contributions made to ABCD during 2019 and 2018. Changes to the designated net assets consist of transfers and contributions, interest income, and litigation expenses, when incurred.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Academy is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual. As of December 31, 2019 and 2018, the Academy did not have any net assets with donor restrictions.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Academy considers cash in checking, savings and money market mutual fund accounts to be cash and cash equivalents.

Accounts Receivable - Accounts receivable consists of amounts due from members and customers for which the Academy has an unconditional right to receive payment. Accounts receivable are stated at the amount management expects to be collected. As of December 31, 2019 and 2018, management has determined that all amounts are fully collectible and that no allowance for doubtful accounts is necessary.

Investments - Investments consist of amounts held in bank certificates of deposit and amounts invested in mutual funds, all of which are reported at fair value. The fair value of amounts held in certificates of deposit is based on cost because the certificates are all short-term in nature with maturities of less than one year. The fair value of amounts held in mutual funds is based on quoted market prices.

Income earned is derived from interest, dividends and changes in fair value. Interest and dividends are recognized when earned. Realized gains (losses) arising from sales of securities are included with "investment income" in the statements of activities. Unrealized gains (losses) resulting from increases (decreases) in fair value of securities held are reported as net appreciation (depreciation) in fair value of investments. Investment earnings are reported in the statements of activities net of all external and direct internal investment expenses.

Property and Equipment - Furniture, equipment, computers, software, and leasehold improvements are stated at cost less accumulated depreciation and amortization. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or terms of the leases, which range from three to ten years.

Revenue Recognition -Revenue from contracts with customers consists primarily of publication and product sales, advertising, event registrations and related fees, webcast income, and service fees. Revenue from our members consists of membership dues and application fees. Revenue is recognized when control of the promised goods or services is transferred to our members and customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The revenue is recognized net of discounts, waivers, and refunds. Revenue is recognized using the five-step approach required by ASC Topic 606, as follows:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied

Performance Obligations and Significant Judgments

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service and recognized as revenue when, or as, the performance obligation is satisfied. If a distinct good or service does not have an observable standalone selling price, then the primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate a price that a customer would be willing to pay for the goods and services we provide.

Membership dues entitle members to a bundle of goods and services that are considered a single performance obligation provided ratably over the membership period. Membership dues payments are required in advance of the membership period. Memberships not yet recognized at December 31 are reported as deferred revenue - membership dues. Meeting registration fees, subscriptions, and other fees and services are recognized as revenue as services are provided. Advertising income is recognized as revenue at the time of publication.

Service fees are assessed to other actuarial organizations (ASPPA, CAS, CCA, and SOA) to provide partial financial support to the ASB and the ABCD. Fees are based on the percentage of members in each organization who are not members of the Academy.

Contract Balances

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities reported in the statements of financial position. Contract assets consist entirely of trade accounts receivable, which are recognized only to the extent that it is probable that the Academy will collect substantially all of the consideration to which it is entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist entirely of deferred revenue that results when the Academy receives advance payments from our members and customers before revenue is recognized.

Costs to Obtain a Contract

The Academy has elected the practical expedient available in ASC Subtopic 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

Practical Expedients and Optional Exemptions

The Academy has made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities which are both imposed and concurrent with the specific revenue-producing transactions and collected by the Academy from our customers, e.g., sales and use taxes.

Functional Allocation of Expenses - The costs of providing the various programs and supporting activities of the Academy have been summarized on a functional basis in the statements of activities and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and related fringe benefits are allocated based on employee time and effort studies. Other common costs such as occupancy, depreciation and related infrastructure costs are also allocated based on employee time and effort studies.

Income Taxes - The Academy is generally exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, as well as the D.C. franchise tax, except for taxes on net income from unrelated business activities. For 2019 and 2018, the Academy has provided information to its members on the portion of dues that is allocable to nondeductible lobbying expenditures, and the Academy is not subject to the proxy tax for lobbying and political expenditures.

Although the Academy is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code, the Academy receives unrelated business income from advertising revenue in its periodical, *Contingencies*. Total federal and state taxes on net unrelated business income for 2019 and 2018 were $47,340 and $42,275, respectively.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Academy adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of more likely than not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The Academy performed an evaluation of uncertain tax positions for the years ended December 31, 2019 and 2018, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. It is the Academy's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in unrelated business income tax expense. As of December 31, 2019, the statute of limitations for fiscal years 2016 through 2018 remain open with the U.S. and District of Columbia jurisdictions.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

New Accounting Pronouncements Adopted - During the year ended December 31, 2019, the Academy adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized, including performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. It also requires expanded disclosures about the nature, amount, and timing of revenues and cash flows. The adoption of Topic 606 did not have a material impact on the Academy's financial statements.

During the year ended December 31, 2019, the Academy also adopted the provisions of Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (the Update). The Update requires that only the service cost component of net periodic pension cost be reported with other compensation costs in the statements of activities and functional expenses. The other components of net benefit cost (interest cost, actual return on plan assets, amortization of prior service cost/credit, gain/loss, amortization of net transition asset/obligation) are required to be reported in the statement of activities as a change in net assets without donor restrictions separate from expenses. The effects of this change have been applied retrospectively. Accordingly, certain amounts previously reported for the year ended December 31, 2018 have been restated to conform with the 2019 presentation.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Academy's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Academy invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

The following table represents the Academy's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019 and 2018.

	2019	2018
Total assets at end of year	$ 23,485,388	$ 19,687,102
Less nonfinancial assets		
Prepaid expenses	(344,544)	(312,760)
Property and equipment, net	(1,069,500)	(224,676)
Security deposit	(85,392)	(85,392)
Total financial assets at end of year	21,985,952	19,064,274
Less amounts not available to meet general expenditures coming due within one year		
Amounts designated for ABCD Litigation Fund	(148,685)	(145,702)
Financial assets available to meet general expenditures within one year	$ 21,837,267	$ 18,918,572

NOTE 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Academy follows U.S. generally accepted accounting principles governing fair value measurement. For assets and liabilities measured at fair value on a recurring basis, this requires quantitative disclosures about fair value measurements separately for each major category of assets and liabilities. These standards clarify the definition of fair value for financial reporting, establish a hierarchal disclosure framework for measuring fair value, and require additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy and their applicability to the Academy's portfolio investments are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 - Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

NOTE 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of the inputs used at December 31, 2019, in valuing investments carried at fair value:

Description	Fair Value	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 3,430,000	$ -	$ 3,430,000	$ -
Mutual funds				
Debt focused				
Lord Abbett Short Duration Inc.	1,858,143	1,858,143	-	-
Prudential Total Return Bond Fund	1,319,192	1,319,192	-	-
American Funds Mortgage	1,133,240	1,133,240	-	-
Bond Fund of America	721,580	721,580	-	-
JP Morgan Core Bond Fund	666,733	666,733	-	-
Equity focused				
EuroPacific Growth Fund	1,346,210	1,346,210	-	-
Fundamental Investors	625,161	625,161	-	-
Voya Midcap Opportunities Fund	610,224	610,224	-	-
JP Morgan Equity Income	915,190	915,190	-	-
JP Morgan Mid Cap Value	503,837	503,837	-	-
JP Morgan Undiscovered Mngrs	565,434	565,434	-	-
Growth Fund of America	406,161	406,161	-	-
New Perspective Fund	952,702	952,702	-	-
Washington Mutual Investors Fund	893,533	893,533	-	-
Income Fund of America	1,028,967	1,028,967	-	-
Capital Income Builder Fund	859,670	859,670	-	-
Eagle Small-Cap Growth Fund	855,745	855,745	-	-
	$ 18,691,722	$ 15,261,722	$ 3,430,000	$ -

NOTE 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of the inputs used at December 31, 2018, in valuing investments carried at fair value:

Description	Fair Value	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 2,964,000	$ -	$ 2,964,000	$ -
Mutual funds				
Debt focused				
Lord Abbett Short Duration Inc.	1,761,610	1,761,610	-	-
Prudential Total Return Bond Fund	1,191,108	1,191,108	-	-
American Funds Mortgage	1,089,834	1,089,834	-	-
Bond Fund of America	676,524	676,524	-	-
JP Morgan Core Bond Fund	616,986	616,986	-	-
Equity focused				
EuroPacific Growth Fund	667,332	667,332	-	-
Fundamental Investors	489,930	489,930	-	-
Prudential Mid Cap Value	407,775	407,775	-	-
Voya Midcap Opportunities Fund	474,281	474,281	-	-
JP Morgan Equity Income	726,034	726,034	-	-
JP Morgan International Value	416,300	416,300	-	-
JP Morgan Undiscovered Mngrs	460,730	460,730	-	-
Growth Fund of America	317,006	317,006	-	-
New Perspective Fund	732,372	732,372	-	-
Washington Mutual Investors Fund	711,737	711,737	-	-
Income Fund of America	865,196	865,196	-	-
Capital Income Builder Fund	732,381	732,381	-	-
Eagle Small-Cap Growth Fund	682,624	682,624	-	-
	$ 15,983,760	$ 13,019,760	$ 2,964,000	$ -

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018, consisted of the following:

	2019	2018
Office furniture and equipment	$ 317,736	$ 318,731
Computers	408,674	322,439
Software	534,558	548,005
Leasehold improvements	2,252,125	1,419,884
	3,513,093	2,609,059
Less: accumulated depreciation and amortization	(2,443,593)	(2,384,383)
Total	$ 1,069,500	$ 224,676

Depreciation and amortization expense for the years ended December 31, 2019 and 2018, was $173,135 and $241,866, respectively.

NOTE 6. NET ASSETS

Changes in net assets without donor restrictions for the year ended December 31, 2019 and 2018 were as follows:

	Undesignated	Designated	Total
December 31, 2017	$ 12,267,923	$ 143,289	$ 12,411,212
Interest earned - ABCD Litigation Fund	-	2,413	2,413
Other changes in net assets	(1,449,388)	-	(1,449,388)
December 31, 2018	10,818,535	145,702	10,964,237
Interest earned - ABCD Litigation Fund	-	2,983	2,983
Other changes in net assets	1,891,496	-	1,891,496
December 31, 2019	$ 12,710,031	$ 148,685	$ 12,858,716

NOTE 7. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Academy's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2019 and 2018.

	2019	2018
Performance obligations satisfied over time		
Membership dues	$ 11,354,918	$ 10,704,928
Performance obligations satisfied at a point in time		
Membership application fees	42,000	59,100
Enrolled Actuaries Meeting distribution	70,766	44,714
Casualty Loss Reserve Seminar profit (loss) share	44,721	(18,080)
Seminars	504,035	317,375
Advertising income	396,317	431,923
Manual sales	250,050	235,425
Webcast income	187,350	235,440
Service fees	380,179	344,254
Administrative services	20,450	25,329
Other	112,063	217,694
Other revenue*		
Investment income, including net appreciation (depreciation)	2,309,153	(666,929)
	$ 15,672,002	$ 11,931,173

* Due to the nature of these revenue streams, these items are excluded from required disaggregation under ASC Topic 606. They are included here to provide a reconciliation to total revenues reported in the statements of activities.

NOTE 7. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Contract Balances

All of the Academy's contract assets are included with accounts receivable in the statements of financial position, and all of its contract liabilities are included with deferred revenues. Balances in these accounts as of the beginning and end of the years ended December 31, 2019 and 2018 are as follows:

	2019	2018	2017
Accounts receivable			
Contracts			
Advertising	$ 79,801	$ 71,607	$ 44,156
Service fees	390,441	350,689	296,859
Administrative services	20,450	25,329	16,633
Other	5,292	9,982	4,210
	495,984	457,607	361,858
Lease allowances due from landlord	170,184	-	-
Other receivables	3,303	9,158	58,738
	$ 669,471	$ 466,765	$ 420,596
Deferred revenue			
Membership dues	$ 6,819,025	$ 6,707,865	$ 6,631,025
Seminars	6,000	17,650	-
Advertising	-	8,400	21,056
Manual sales	50,850	116,425	77,520
Webcasts	-	-	6,230
Other	2,870	5,330	4,400
	$ 6,878,745	$ 6,855,670	$ 6,740,231

NOTE 8. ENROLLED ACTUARIES MEETING, DISTRIBUTION OF NET REVENUE

The Academy and CCA share equally the net revenue from the annual Enrolled Actuaries Meeting. The Academy recognized $70,766 and $44,714 for its share of net revenue for the 2019 and 2018 meetings, respectively. In connection with this annual meeting, the Academy has advanced $15,000 to CCA for meeting expenses.

NOTE 9. CASUALTY LOSS RESERVE SEMINAR, DISTRIBUTION OF NET REVENUE

The Academy and CAS share equally the net revenue and expense from the annual Casualty Loss Reserve Seminar. The Academy recognized a net gain of $44,721 in 2019 and a net loss of $(18,080) in 2018 for its share of net (loss)/revenue from the meetings.

NOTE 10. PENSION PLANS

Through June 30, 2012, the Academy provided retirement benefits for substantially all of its employees meeting certain age and minimum service requirements through a defined contribution money purchase pension plan. Annual employer contributions under the plan were made based on a percentage of eligible employees' annual compensation.

Effective June 30, 2012, the money purchase pension plan was merged into the 401(k) retirement plan. All employees meeting certain age and minimum service requirements are eligible to participate. Employee contributions are limited to a percentage of compensation as defined by the 401(k) plan with no employer matching contribution.

Total pension expense for the 401(k) plan, including administration costs and net of forfeitures, was $428,496 and $464,316 for 2019 and 2018, respectively.

On January 1, 2001, the Academy adopted a defined benefit pension plan. Effective September 30, 2010, the Academy updated the Retirement Benefit to the greater of: (1) $360 per year of Credited Service up to a maximum of 35 years, or (2) 0.25% of "Average Annual Compensation" per year of Credited Service up to a maximum of 35 years. The following table sets forth the plan's funded status and amounts recognized in the financial statements at December 31, 2019 and 2018:

	2019	2018
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $2,852,779 and $2,298,405	$ (2,983,175)	$ (2,337,460)
Projected benefit obligation for service rendered to date	$ (3,155,519)	$ (2,454,953)
Plan assets at fair value	2,761,696	2,202,616
Funded status at end of year	$ (393,823)	$ (252,337)

Assumptions used in the actuarial calculations above were as follows at December 31, 2019 and 2018:

	2019	2018
Discount rate	3.18%	4.19%
Rate of increase in compensation levels	3.00%	3.00%
Expected long-term rate of return on assets	6.75%	6.75%

NOTE 10. PENSION PLANS (CONTINUED)

Net periodic pension cost for 2019 and 2018 consists of the following:

	2019	2018
Service cost-benefits earned during the period	$ 121,527	$ 122,030
Interest cost on projected benefit obligation	101,858	90,771
Expected return on plan assets	(149,583)	(149,498)
Amortization of prior service cost	6,232	6,232
Amortization of recognized actuarial loss	15,674	27,023
Net pension cost	$ 95,708	$ 96,558

Prior service costs represent the amortization of amounts previously recognized as changes in net assets without donor restrictions but not included in net periodic pension cost when they arose. The amount of prior service cost and net actuarial losses expected to be amortized into net periodic pension cost for 2020 are $6,232.

Total amounts recognized as changes in net assets without donor restrictions separate from net periodic pension cost and reported in the statements of activities as pension-related changes other than net periodic pension cost for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Net actuarial gain (loss)	$ (162,057)	$ 99,331
Amortization of prior service cost	6,232	6,232
	$ (155,825)	$ 105,563

Amounts that have reduced net assets and have not yet been recognized as components of net periodic pension cost as of December 31, 2019 and 2018, consist of the following:

	2019	2018
Net actuarial loss	$ 559,056	$ 396,999
Net prior service cost	23,731	29,963
	$ 582,787	$ 426,962

Assumptions used in the actuarial calculations above were as follows at December 31, 2019 and 2018:

	2019	2018
Discount rate	4.19%	3.57%
Rate of increase in compensation levels	3.00%	3.00%
Expected long-term rate of return on assets	6.75%	6.75%

NOTE 10. PENSION PLANS (CONTINUED)

Total pension expense for the defined benefit pension plan, including administration costs, was $119,780 and $119,421 for 2019 and 2018, respectively. Actual employer contributions were $110,047 and $100,551 in 2019 and 2018, respectively. There were benefit payments of $35,681 and $30,535 made in 2019 and 2018, respectively. Employer contributions for 2020 are expected to be $110,500.

Total expected benefit payments for the next ten fiscal years are as follows:

Years ending December 31:	
2020	$ 50,991
2021	50,679
2022	62,097
2023	86,092
2024	100,773
2025-2029	734,789

The expected long-term rate of return on plan assets for 2019 and 2018 is based on a long-term inflation rate of 3.00% and an expected true rate of return of 3.75%. The composition of the plan assets at December 31, 2019 and 2018, are as follows:

	2019	Percentage
Equity index fund	$ 1,752,273	63%
Bond index fund	980,382	36%
Cash and money market funds	29,041	1%
	$ 2,761,696	

	2018	Percentage
Equity index fund	$ 1,319,921	60%
Bond index fund	849,192	39%
Cash and money market funds	33,503	1%
	$ 2,202,616	

The fair values of all plan assets are based on Level 1 inputs as described in Note 4.

NOTE 11. COMMITMENTS

In 2008, the Academy entered into a ten-year lease for office space with annual rent increases of 2.5% concurrent with the commencement date. Under the terms of the lease agreement, a security deposit of $73,100 was required for which the Academy issued a letter of credit that was secured by a certificate of deposit in the same amount.

NOTE 11. COMMITMENTS (CONTINUED)

In June 2018, the lease was amended extending the term of the lease for an additional ten years with annual rent increases of 2.25% concurrent with the commencement date of February 1, 2019. Additionally, the terms of the amended lease agreement provided for a period of rent abatement, a tenant improvement allowance, and a cash security deposit of $85,392. In August 2018, the $73,100 letter of credit previously held by the landlord as a security deposit was closed and the certificate of deposit that secured the letter of credit was redeemed.

The Academy also has a non-cancelable operating lease for office equipment ending in 2023. Total future minimum lease payments due under all operating lease agreements are expected to be as follows:

Years ending December 31:		
2020	$	427,361
2021		1,132,775
2122		1,156,827
2123		1,124,378
2024		1,143,288
Thereafter		4,940,781
	$	9,925,410

Rental expense for office space and equipment leases for 2019 and 2018, was $1,064,453 and $1,109,972, respectively.

NOTE 12. CONCENTRATION OF CREDIT RISK

The Academy possesses financial instruments that potentially subject the organization to concentrations of credit risk. The Academy maintains cash in a number of deposit accounts at one financial institution. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. At December 31, 2019 and 2018, the balances in the Academy's cash and money market accounts exceeded the amount insured by the FDIC by approximately $1,916,000 and $1,620,000, respectively. The Academy does not believe these funds are exposed to any significant credit risk.

The Academy had approximately $343,000 and $787,000 in money market mutual funds as of December 31, 2019 and 2018, respectively. The funds invest primarily in a portfolio of short-term U.S. Treasury securities which include repurchase agreements collateralized fully by U.S. Treasury securities. These funds are not insured by the FDIC. Because of the nature of U.S. Treasury securities, the Academy does not believe these funds are exposed to any significant credit risk.

The Academy maintains certificate of deposit (CD) accounts with different banks. Total CD balances are insured by the FDIC up to $250,000 per bank. As of December 31, 2019 and 2018, all of the Academy's CD holdings were with different banks, and the total balance of CDs held at each individual bank did not exceed the balance insured by the FDIC and the CDs are therefore not exposed to any significant credit risk.

NOTE 13. SUBSEQUENT EVENTS REVIEW

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. While potential impacts on the Academy's financial condition and activities cannot be determined at this time, management believes that there will be minimal disruption to both operations and the number of dues paying members. All subsequent events have been evaluated through April 28, 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.