AMERICAN ACADEMY OF ACTUARIES

FINANCIAL STATEMENTS

DECEMBER 31, 2017

CALIBRE
CPA GROUP
Bethesda, MD

American Academy of Actuaries

Financial Statements

Years Ended December 31, 2017 and 2016

Contents

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 statement of financial position as of December 31, 2017, and the related statements of activities, expenses by categories, changes in net assets and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the American Academy of Actuaries as of and for the year ended December 31, 2016, were audited by other auditors whose report thereon dated May 2, 2017, expressed an unmodified opinion on those statements.

Calibre CPA Group, PLLC

Bethesda, MD
May 1, 2018

American Academy of Actuaries

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 1,623,868	$ 1,396,782
Certificates of deposit	2,964,000	2,470,000
Accounts receivable	420,596	413,338
Due from Casualty Actuarial Society	16,856	9,787
Due from Conference of Consulting Actuaries	15,000	15,000
Prepaid expenses	235,023	372,378
Total current assets	5,275,343	4,677,285
Long-term investments		
Mutual funds, at fair value	15,223,749	14,929,794
Certificates of deposit	73,100	73,100
Total long-term investments	15,296,849	15,002,894
Furniture, equipment and leasehold improvements, net	421,621	553,138
Total assets	$ 20,993,813	$ 20,233,317
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 439,531	$ 623,383
Accrued expenses	759,335	386,706
Accrued annual leave	112,051	126,336
Deferred revenue		
Membership dues	6,631,025	6,091,910
Other	109,206	57,279
Deferred rent liability, current portion	156,346	129,662
Total current liabilities	8,207,494	7,415,276
Noncurrent liabilities		
Deferred rent liability, net of current portion	13,214	169,559
Liability for pension benefits, defined benefit plan	361,893	281,190
Total liabilities	8,582,601	7,866,025
Unrestricted net assets		
Undesignated	12,267,923	12,225,078
Designated, Actuarial Board of Counseling and Discipline Litigation Fund	143,289	142,214
Total net assets	12,411,212	12,367,292
Total liabilities and net assets	$ 20,993,813	$ 20,233,317

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Activities

Years Ended December 31, 2017 and 2016

	2017	2016
Revenue		
Membership dues	$ 10,213,761	$ 9,875,084
Membership application fees	46,650	42,900
Investment income, net of expenses	1,535,734	562,268
Enrolled Actuaries Meeting distribution	26,442	103,785
Casualty Loss Reserve Seminar distribution	16,856	9,787
Seminars	427,385	445,750
Advertising income	453,077	434,467
Manual sales	209,170	193,270
Webcast income	222,960	190,733
Service fees	288,641	272,162
Administrative services	16,633	32,326
Other	216,531	208,316
Total revenue	13,673,840	12,370,848
Expenses	14,124,614	13,391,282
Change in net assets before other changes	(450,774)	(1,020,434)
Other changes in net assets:		
Net appreciation in fair value of mutual funds	577,039	310,635
Pension-related changes other than net periodic benefit cost	(82,345)	33,951
Insurance settlement from litigation	-	178,000
Change in net assets	$ 43,920	$ (497,848)

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Expenses by Categories

Years Ended December 31, 2017 and 2016

	2017				2016			
	Academy Operations	Actuarial Standards Boards	Actuarial Board of Counseling and Discipline	Total	Academy Operations	Actuarial Standards Boards	Actuarial Board of Counseling and Discipline	Total
Salaries	$ 4,735,624	$ 236,367	$ 167,683	$ 5,139,674	$ 4,574,375	$ 225,906	$ 167,184	$ 4,967,465
Employee Insurance	341,147	17,028	12,078	370,253	328,858	16,241	12,021	357,120
Payroll taxes	298,694	14,909	10,575	324,178	285,233	14,086	10,426	309,745
Pension plans	521,730	26,042	18,472	566,244	459,842	22,709	16,808	499,359
Temporary help and personnel fees	64,436	-	-	64,436	68,188	-	-	68,188
Rent	956,383	47,745	33,866	1,037,994	943,970	46,620	34,504	1,025,094
Telephone	47,868	2,389	1,695	51,952	49,783	2,459	1,819	54,061
Postage and freight	14,780	2,387	3,380	20,547	18,120	2,658	3,248	24,026
Travel and related expense	164,209	84,598	59,445	308,252	175,225	72,384	72,540	320,149
Annual meeting	283,859	-	-	283,859	214,607	-	-	214,607
Seminars	404,457	-	-	404,457	408,171	-	-	408,171
Committee meetings	155,990	38,597	26,836	221,423	157,545	40,806	22,715	221,066
Presidential travel	90,747	-	-	90,747	120,984	-	-	120,984
General office supplies and equipment rental	116,324	5,807	4,119	126,250	112,034	5,533	4,095	121,662
Technology and database	171,402	8,557	6,069	186,028	324,712	16,038	11,869	352,619
Printing	21,900	3,703	1,772	27,375	27,288	8,244	1,255	36,787
Personnel development	1,942	109	-	2,051	32,567	199	-	32,766
Professional services	472,972	8,155	-	481,127	212,406	10,489	-	222,895
Audit and accounting	28,325	1,414	1,003	30,742	27,838	1,375	1,017	30,230
Insurance	52,092	2,600	1,845	56,537	46,513	2,298	1,700	50,511
Depreciation and amortization	236,057	11,785	8,359	256,201	241,407	11,922	8,824	262,153
Subscriptions, periodicals and dues	71,779	-	79	71,858	70,304	-	4,621	74,925
Communications	540,476	-	-	540,476	502,022	-	-	502,022
Membership/external relations programs	154,238	-	-	154,238	133,780	-	-	133,780
Affiliation fees	283,089	-	-	283,089	239,789	-	-	239,789
Contingencies	448,865	-	-	448,865	427,707	-	-	427,707
Manuals	175,078	-	-	175,078	144,023	-	-	144,023
Contribution, Actuarial Foundation	109,224	-	-	109,224	105,023	-	-	105,023
Health Practice Council	338,063	-	-	338,063	314,310	-	-	314,310
Pension Practice Council	130,622	-	-	130,622	123,274	-	-	123,274
Life Practice Council	289,740	-	-	289,740	294,415	-	-	294,415
Casualty Practice Council	283,160	-	-	283,160	299,168	-	-	299,168
Public Policy Research	112,003	-	-	112,003	17,350	-	-	17,350
Council on Professionalism	41,108	-	-	41,108	45,481	-	-	45,481
Risk Management and Financial Reporting Practice Council	32,386	-	-	32,386	56,803	-	-	56,803
International Secretary/Representatives travel	103,224	-	-	103,224	206,792	-	-	206,792
Income taxes	31,472	-	-	31,472	26,818	-	-	26,818
Bank and credit card fees	352,863	-	-	352,863	313,743	-	-	313,743
Webcast expenses	66,266	-	-	66,266	62,283	-	-	62,283
Investigative	-	-	24,935	24,935	-	-	24,299	24,299
Strategic initiatives	461,806	-	-	461,806	263,854	-	-	263,854
Other	22,649	587	575	23,811	14,966	130	669	15,765
	$ 13,229,049	$ 512,779	$ 382,786	$ 14,124,614	$ 12,491,571	$ 500,097	$ 399,614	$ 13,391,282

See accompanying notes to financial statements.

AMERICAN ACADEMY OF ACTUARIES

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	Unrestricted	Designated	Total
Unrestricted net assets, December 31, 2015	$ 12,723,126	$ 142,014	$ 12,865,140
Change in net assets	(498,048)	200	(497,848)
Unrestricted net assets, December 31, 2016	12,225,078	142,214	12,367,292
Change in net assets	42,845	1,075	43,920
Unrestricted net assets, December 31, 2017	$ 12,267,923	$ 143,289	$ 12,411,212

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 43,920	$ (497,848)
Adjustments to reconcile change in net assets		
to net cash used for operating activities		
Depreciation and amortization	256,201	262,153
Net appreciation in fair value of mutual funds	(1,373,086)	(310,635)
(Increase) decrease in assets		
Accounts receivable	(7,258)	(99,373)
Due from Casualty Actuarial Society	(7,069)	80,181
Prepaid expenses	137,355	(57,975)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	188,777	49,947
Pension-related liabilities	80,703	(11,978)
Accrued annual leave	(14,285)	8,571
Deferred membership dues	539,115	547,505
Other deferred revenue	51,927	26,897
Deferred rent liability	(129,661)	(119,697)
Net cash used for operating activities	(233,361)	(122,252)
Cash flows from investing activities		
Purchases of furniture, equipment, and leasehold improvements	(124,684)	(58,357)
Proceeds from maturities of certificates of deposit	3,458,000	4,199,000
Purchases of certificates of deposit	(3,952,000)	(3,458,000)
Proceeds from sale of mutual funds	3,300,000	-
Purchases of mutual funds and reinvested earnings	(2,220,869)	(548,012)
Net cash provided by investing activities	460,447	134,631
Net change in cash and cash equivalents	227,086	12,379
Cash and cash equivalents		
Beginning of year	1,396,782	1,384,403
End of year	$ 1,623,868	$ 1,396,782
Supplemental disclosure of cash flow information		
Cash paid during the year for income taxes	$ 21,899	$ 60,000

See accompanying notes to financial statements.

NOTE 1. 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.

Net assets: The Academy had no permanently restricted or temporarily restricted net assets at December 31, 2017 and 2016. The Academy's unrestricted net assets as of December 31, 2017 and 2016, consisted of the following:

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2017 and 2016. Changes to the designated net assets consist of transfers and contributions, interest income, and litigation expenses, when incurred.

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.

Investments: Investments in mutual funds and certificates of deposit are stated at fair value, based on publicly quoted market prices or interest rates on the last business day of the year.

Furniture, equipment and leasehold improvements: Furniture, equipment, 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 membership dues is recognized over the applicable membership period. Memberships not yet recognized at December 31 are in 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.

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 2017 and 2016, 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.

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.

NOTE 3. 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.

The following are summaries of the inputs used at December 31, 2017 and 2016, in valuing investments carried at fair value:

	2017			
Description	Fair Value	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 3,037,100	$ -	$ 3,037,100	$ -
Mutual funds:				
Debt focused:				
Bond Fund of America	678,053	678,053	-	-
Prudential Total Return Bond Fund	1,203,468	1,203,468	-	-
Lord Abbett Short Duration Inc.	1,740,695	1,740,695	-	-
JP Morgan Core Bond Fund	617,334	617,334	-	-
Mortgage Fund of America	1,083,057	1,083,057	-	-
Equity focused:				
EuroPacific Growth Fund	988,571	988,571	-	-
Fundamental Investors	666,792	666,792	-	-
Prudential Mid Cap Value	535,361	535,361	-	-
ING Midcap Opportunities Fund	681,017	681,017	-	-
JP Morgan Equity Income	1,111,425	1,111,425	-	-
JP Morgan International Value	513,013	513,013	-	-
JP Morgan Undiscovered Mngrs	546,045	546,045	-	-
Growth Fund of America	459,763	459,763	-	-
New Perspective Fund	1,064,846	1,064,846	-	-
Washington Mutual Investors Fund	733,125	733,125	-	-
Income Fund of America	911,825	911,825	-	-
Capital Income Builder Fund	787,784	787,784	-	-
Small-Cap Growth Fund	901,575	901,575	-	-
	$ 18,260,849	$ 15,223,749	$ 3,037,100	$ -

NOTE 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2016			
Description	Fair Value	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 2,543,100	$ -	$ 2,543,100	$ -
Mutual funds:				
Debt focused:				
Bond Fund of America	656,600	656,600	-	-
Prudential Total Return Bond Fund	1,131,784	1,131,784	-	-
Lord Abbett Short Duration Inc.	1,993,829	1,993,829	-	-
JP Morgan Core Bond Fund	1,088,029	1,088,029	-	-
Mortgage Fund of America	1,062,734	1,062,734	-	-
Equity focused:				
EuroPacific Growth Fund	798,615	798,615	-	-
Fundamental Investors	997,592	997,592	-	-
Prudential Mid Cap Value	182,549	182,549	-	-
ING Midcap Opportunities Fund	862,786	862,786	-	-
JP Morgan Equity Income	705,502	705,502	-	-
JP Morgan International Value	238,288	238,288	-	-
JP Morgan Undiscovered Mngrs	188,873	188,873	-	-
Growth Fund of America	989,121	989,121	-	-
New Perspective Fund	1,149,397	1,149,397	-	-
Washington Mutual Investors Fund	275,544	275,544	-	-
Income Fund of America	804,257	804,257	-	-
Capital Income Builder Fund	689,544	689,544	-	-
Small-Cap Growth Fund	1,114,750	1,114,750	-	-
	$ 17,472,894	$ 14,929,794	$ 2,543,100	$ -

NOTE 4. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements at December 31, 2017 and 2016, consisted of the following:

	2017	2016
Furniture and equipment	$ 1,323,805	$ 1,198,528
Leasehold improvements	1,415,484	1,414,159
	2,739,289	2,612,687
Less: accumulated depreciation and amortization	(2,317,668)	(2,059,549)
Total	$ 421,621	$ 553,138

Depreciation and amortization expense for the years ended December 31, 2017 and 2016, was $256,201 and $262,153, respectively.

NOTE 5. ENROLLED ACTUARIES MEETINGS, DISTRIBUTION OF NET REVENUE

The Academy and CCA share equally the net revenue from the annual Enrolled Actuaries Meeting. The Academy recognized $26,442 and $103,785 for its share of net revenue for the 2017 and 2016 meetings, respectively. In connection with this annual meeting, the Academy has advanced $15,000 to CCA for meeting expenses.

NOTE 6. CASUALTY LOSS RESERVE SEMINAR, DISTRIBUTION OF NET REVENUE

The Academy and CAS share equally the net revenue from the annual Casualty Loss Reserve Seminar. The Academy recognized $16,856 and $9,787 for its share of net revenue for the 2017 and 2016 meetings, respectively.

NOTE 7. 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 $460,333 and $376,640 for 2017 and 2016, respectively.

On January 1, 2001, the Academy adopted a defined benefit pension plan to supplement the money purchase 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, 2017 and 2016:

	2017	2016
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $2,248,667 and $1,904,015	$ (2,490,048)	$ (2,095,849)
Projected benefit obligation for service rendered to date	$ (2,565,777)	$ (2,153,547)
Plan assets at fair value	2,203,884	1,872,357
Funded status at end of year	$ (361,893)	$ (281,190)

NOTE 7. PENSION PLANS (CONTINUED)

Assumptions used in the actuarial calculations above were as follows at December 31, 2017 and 2016:

	2017	2016
Discount rate	3.57%	4.11%
Rate of increase in compensation levels	3.00%	3.00%
Expected long-term rate of return on assets	6.75%	6.75%

Net pension cost includes the following components for the years ended December 31, 2017 and 2016:

	2017	2016
Service cost-benefits earned during the period	$ 94,332	$ 98,218
Interest cost on projected benefit obligation	87,952	84,363
Expected return on plan assets	(127,414)	(113,861)
Amortization of prior service cost	6,232	6,232
Amortization of recognized actuarial loss	22,747	27,381
Net pension cost	$ 83,849	$ 102,333

Prior service costs represent the amortization of amounts previously recognized as changes in unrestricted net assets 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 2018 are $6,232 and $27,023, respectively.

Total amounts recognized as changes in unrestricted net assets separate from expenses and reported in the statements of activities as pension-related changes other than net periodic pension cost for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016
Net actuarial gain (loss)	$ (88,577)	$ 27,719
Amortization of prior service cost	6,232	6,232
	$ (82,345)	$ 33,951

NOTE 7. PENSION PLANS (CONTINUED)

Amounts that have reduced net assets yet have not yet been recognized as components of net periodic pension cost as of December 31, 2017 and 2016, consist of the following:

	2017	2016
Net actuarial loss	$ 496,330	$ 407,753
Net prior service cost	36,195	42,427
	$ 532,525	$ 450,180

Assumptions used in the actuarial calculations above were as follows at December 31, 2017 and 2016:

	2017	2016
Discount rate	4.11%	4.32%
Rate of increase in compensation levels	3.00%	3.00%
Expected long-term rate of return on assets	6.75%	6.75%

Total pension expense for the defined benefit pension plan, including administration costs, was $105,911 and $122,719 for 2017 and 2016, respectively. Actual employer contributions were $85,491 and $80,360 in 2017 and 2016, respectively. There were benefit payments of $27,013 and $25,180 made in 2017 and 2016, respectively. Employer contributions for 2018 are expected to be $100,000.

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

Years ending December 31:	
2018	$ 46,727
2019	61,495
2020	63,154
2021	62,591
2022	84,968
2023 - 2027	587,458

The expected long-term rate of return on plan assets for 2017 and 2016 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, 2017 and 2016, are as follows:

	2017	Percentage
Equity index fund	$1,399,868	64%
Bond index fund	754,664	34%
Cash and money market funds	49,352	2%
	$2,203,884	

NOTE 7. PENSION PLANS (CONTINUED)

	2016	Percentage
Equity index fund	$1,179,958	63%
Bond index fund	666,767	36%
Cash and money market funds	25,632	1%
	$1,872,357	

The fair values of all plan assets are based on Level 1 inputs as described in Note 3.

NOTE 8. COMMITMENTS

The Academy leases office space under a ten-year lease ending in 2019, with annual rent increases of 2.5% concurrent with the commencement date. The lease calls for a security deposit of $73,100 for which the Academy has issued a letter of credit that is secured by a certificate of deposit in the same amount.

In addition, the Academy also has a non-cancelable operating lease for office equipment ending in 2023. Total future minimum lease payments are as follows:

Years ending December 31:	
2018	$ 1,151,980
2019	154,654
2020	63,351
2021	63,351
2022	63,351
2023	6,280
	$ 1,502,967

Rental expense for office space and equipment leases for 2017 and 2016, was $1,115,695 and $1,100,877, respectively.

NOTE 9. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses by functional reporting area are as follows:

	Years Ended December 31, 2017	Years Ended December 31, 2016
Programs:		
Actuarial Board for Counseling and Discipline	$ 382,786	$ 399,614
Actuarial Standards Board	512,779	500,097
Contingencies	696,272	695,108
Communications	1,042,745	1,012,503
Interorganizational liaison	1,019,545	1,044,361
Lobbying	140,126	151,035
Member communications	1,310,230	1,242,478
Organizational services	1,106,602	1,155,554
Public policy	3,852,074	3,648,620
Professionalism	600,617	567,537
Strategic initiatives	461,806	263,854
Executive/administrative	2,999,032	2,710,521
Total expenses	$ 14,124,614	$ 13,391,282

NOTE 10. 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. The Academy does not believe these funds are exposed to any significant credit risk.

The Academy had approximately $198,000 and $173,000 in money market mutual funds as of December 31, 2017 and 2016. 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, 2017 and 2016, 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 11. INCOME TAXES

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 2017 and 2016 were $31,472 and $26,818, respectively.

The Academy adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification (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, 2017 and 2016, 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.

NOTE 12. SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through May 1, 2018, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.