



AMERICAN ACADEMY OF ACTUARIES

FINANCIAL STATEMENTS

DECEMBER 31, 2021






AMERICAN ACADEMY OF ACTUARIES

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Academy of Actuaries

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy 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 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.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Academy'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy'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.

CaliberCPAGroup, PLLC

Bethesda, MD
May 9, 2022

AMERICAN ACADEMY OF ACTUARIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 5,704,336	\$ 7,522,281
Certificates of deposit	2,917,000	494,000
Accounts receivable	395,879	366,113
Due from Casualty Actuarial Society	31,577	58,357
Due from Conference of Consulting Actuaries	15,000	15,000
Prepaid expenses	<u>342,432</u>	<u>471,041</u>
Total current assets	9,406,224	8,926,792
Long-term investments		
Mutual funds, at fair value	20,614,120	17,240,483
Excess of pension plan assets over projected benefit obligation		
	121,567	-
Property and equipment, net		
	858,744	939,445
Security deposit		
	<u>85,392</u>	<u>85,392</u>
Total assets	<u>\$ 31,086,047</u>	<u>\$ 27,192,112</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 398,483	\$ 308,631
Accrued expenses	720,897	757,969
Accrued annual leave	221,024	314,027
Deferred revenue		
Membership dues	7,985,570	7,798,305
Other	68,575	58,810
Deferred rent liability, current portion	<u>212,727</u>	<u>188,672</u>
Total current liabilities	9,607,276	9,426,414
Noncurrent liabilities		
Deferred rent liability, net of current portion	1,844,257	2,056,984
Excess of projected benefit obligation over pension plan assets	<u>-</u>	<u>510,967</u>
Total liabilities	<u>11,451,533</u>	<u>11,994,365</u>
Net assets without donor restrictions		
Undesignated	19,485,335	15,048,583
Designated, Actuarial Board of Counseling and Discipline		
Litigation Fund	<u>149,179</u>	<u>149,164</u>
Total net assets	<u>19,634,514</u>	<u>15,197,747</u>
Total liabilities and net assets	<u>\$ 31,086,047</u>	<u>\$ 27,192,112</u>

See accompanying notes to financial statements.

AMERICAN ACADEMY OF ACTUARIES

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Membership dues	\$ 11,961,590	\$ 11,515,000
Membership application fees	26,925	20,475
Investment income	1,474,310	788,908
Casualty Loss Reserve Seminar profit share	31,577	58,357
Seminars	381,855	404,950
Advertising income	266,107	255,147
Manual sales	232,500	218,695
Webcast income	332,730	356,140
Service fees	355,300	324,031
Administrative services	3,076	-
Insurance reimbursement	832,771	-
Other	111,098	69,462
Total revenue	<u>16,009,839</u>	<u>14,011,165</u>
Expenses		
Program services		
Professionalism	2,747,232	2,880,115
Public policy	5,624,722	5,860,923
Total program services	<u>8,371,954</u>	<u>8,741,038</u>
Supporting services		
Management and general	3,444,334	3,326,847
Membership and development	824,659	755,560
Total supporting services	<u>4,268,993</u>	<u>4,082,407</u>
Total expenses	<u>12,640,947</u>	<u>12,823,445</u>
Change in net assets before other changes	3,368,892	1,187,720
Other changes in net assets		
Net appreciation in fair value of investments	400,216	1,233,407
Other components of net periodic pension cost	86,934	56,148
Pension-related changes other than net periodic benefit cost	580,725	(138,244)
Change in net assets	4,436,767	2,339,031
Net assets without donor restrictions		
Beginning of year	<u>15,197,747</u>	<u>12,858,716</u>
End of year	<u>\$ 19,634,514</u>	<u>\$ 15,197,747</u>

See accompanying notes to financial statements.

AMERICAN ACADEMY OF ACTUARIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services		Supporting Services		Total Expenses
	Professionalism	Public Policy	Management and General	Membership and Development	
Salaries	\$ 1,340,912	\$ 2,220,026	\$ 1,202,963	\$ 476,321	\$ 5,240,222
Employee insurance	125,632	208,011	112,671	44,634	490,948
Payroll taxes	99,451	164,662	89,190	35,333	388,636
Pension plans	167,314	277,023	150,060	59,441	653,838
Temporary help and personnel fees	316	11,725	202,837	-	214,878
Rent	244,369	404,604	219,158	86,819	954,950
Telephone	15,275	25,290	13,699	5,427	59,691
Postage and freight	128	-	14,676	-	14,804
Travel and related expenses	30,113	17,604	21,653	-	69,370
Annual meeting	8,278	19,314	248,328	-	275,920
Seminars	133,182	185,301	-	-	318,483
Committee meetings	30,119	380	47,524	-	78,023
Presidential travel	3,168	2,591	-	8,281	14,040
General office supplies and equipment rental	23,988	39,717	21,513	8,522	93,740
Technology and database	51,924	85,971	46,567	18,447	202,909
Printing	27,002	-	-	-	27,002
Personnel development	793	495	725	-	2,013
Professional services	1,100	-	590,613	-	591,713
Audit and accounting	8,828	14,617	7,918	3,137	34,500
Insurance	15,005	24,844	13,457	5,331	58,637
Depreciation and amortization	36,151	59,856	32,422	12,844	141,273
Subscriptions, periodicals and dues	3,672	60,980	6,271	-	70,923
Communications	129,109	129,109	-	28,691	286,909
Membership/external relations programs	-	2,369	-	31,220	33,589
Contingencies	176,183	175,883	4,103	-	356,169
Manuals	-	207,221	-	-	207,221
Contribution, Actuarial Foundation	-	125,000	-	-	125,000
Health Practice Council	-	295,310	8	-	295,318
Pension Practice Council	-	261,967	-	-	261,967
Life Practice Council	-	266,262	-	-	266,262
Casualty Practice Council	-	235,846	-	-	235,846
Public Policy Research	-	66,593	-	-	66,593
Council on Professionalism	1,722	-	-	-	1,722
Risk Management and Financial Reporting Practice Council	-	812	-	-	812
International Secretary/Representatives travel	3,028	3,028	-	-	6,056
Income taxes	3,610	3,610	-	-	7,220
Bank and credit card fees	-	-	393,843	-	393,843
Webcast expenses	16,392	27,719	-	-	44,111
Investigative	48,317	-	-	-	48,317
Property tax	593	982	532	211	2,318
Other	1,558	-	3,603	-	5,161
	<u>2,747,232</u>	<u>5,624,722</u>	<u>3,444,334</u>	<u>824,659</u>	<u>12,640,947</u>
Other components of net periodic pension cost	<u>(22,245)</u>	<u>(36,830)</u>	<u>(19,957)</u>	<u>(7,902)</u>	<u>(86,934)</u>
	<u>\$ 2,724,987</u>	<u>\$ 5,587,892</u>	<u>\$ 3,424,377</u>	<u>\$ 816,757</u>	<u>\$ 12,554,013</u>

AMERICAN ACADEMY OF ACTUARIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services		Supporting Services		Total Expenses
	Professionalism	Public Policy	Management and General	Membership and Development	
Salaries	\$ 1,415,910	\$ 2,367,483	\$ 1,256,179	\$ 442,980	\$ 5,482,552
Employee insurance	106,512	178,094	94,496	33,323	412,425
Payroll taxes	95,714	160,039	84,916	29,945	370,614
Pension plans	164,220	274,585	145,694	51,378	635,877
Temporary help and personnel fees	199	46,307	3,711	-	50,217
Rent	240,151	401,547	213,059	75,133	929,890
Telephone	13,589	22,722	12,056	4,251	52,618
Postage and freight	667	-	15,045	-	15,712
Travel and related expenses	36,424	14,096	20,616	-	71,136
Annual meeting	4,816	11,238	144,485	-	160,539
Seminars	126,861	127,964	-	-	254,825
Committee meetings	35,442	3,497	34,283	-	73,222
Presidential travel	3,092	2,207	-	4,337	9,636
General office supplies and equipment rental	24,214	40,487	21,482	7,576	93,759
Technology and database	50,367	84,217	44,685	15,758	195,027
Printing	31,493	-	-	-	31,493
Personnel development	1,220	1,201	93	-	2,514
Professional services	4,667	-	761,220	-	765,887
Audit and accounting	8,652	14,466	7,676	2,707	33,501
Insurance	14,410	24,094	12,784	4,508	55,796
Depreciation and amortization	41,774	69,848	37,063	13,069	161,754
Subscriptions, periodicals and dues	5,849	56,031	5,601	-	67,481
Communications	121,368	121,368	-	26,971	269,707
Membership/external relations programs	2,100	2,486	-	43,557	48,143
Contingencies	180,020	180,020	-	-	360,040
Manuals	-	216,198	-	-	216,198
Contribution, Actuarial Foundation	-	138,000	-	-	138,000
Health Practice Council	-	304,345	-	-	304,345
Pension Practice Council	-	272,197	-	-	272,197
Life Practice Council	-	268,310	-	-	268,310
Casualty Practice Council	-	233,807	-	-	233,807
Public Policy Research	-	99,940	-	-	99,940
Council on Professionalism	7,859	-	-	-	7,859
Risk Management and Financial Reporting Practice Council	-	4,417	-	-	4,417
International Secretary/Representatives travel	2,016	2,016	-	-	4,032
Income taxes	2,801	2,801	-	-	5,602
Bank and credit card fees	-	-	407,206	-	407,206
Webcast expenses	12,743	27,899	-	-	40,642
Investigative	35,930	-	-	-	35,930
Strategic initiatives	86,639	86,639	-	-	173,278
Property tax	213	357	189	67	826
Other	2,183	-	4,308	-	6,491
	<u>2,880,115</u>	<u>5,860,923</u>	<u>3,326,847</u>	<u>755,560</u>	<u>12,823,445</u>
Other components of net periodic pension cost	<u>(14,501)</u>	<u>(24,246)</u>	<u>(12,865)</u>	<u>(4,536)</u>	<u>(56,148)</u>
	<u>\$ 2,865,614</u>	<u>\$ 5,836,677</u>	<u>\$ 3,313,982</u>	<u>\$ 751,024</u>	<u>\$ 12,767,297</u>

See accompanying notes to financial statements.



AMERICAN ACADEMY OF ACTUARIES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Membership dues and application fees received	\$ 12,175,780	\$ 12,514,755
Interest and dividends received	1,474,310	788,914
Other operating receipts	2,553,793	1,987,805
Unrelated business income taxes paid	(7,220)	(12,211)
Payments to vendors, suppliers, and employees	<u>(12,557,615)</u>	<u>(12,480,961)</u>
Net cash provided by operating activities	<u>3,639,048</u>	<u>2,798,302</u>
Cash flows from investing activities		
Purchases of property and equipment	(60,572)	(31,699)
Changes in certificates of deposit and investments		
Proceeds from sales and maturities	2,223,000	6,370,000
Purchases	<u>(7,619,421)</u>	<u>(4,179,360)</u>
Net cash provided by (used for) for investing activities	<u>(5,456,993)</u>	<u>2,158,941</u>
Net change in cash and cash equivalents	(1,817,945)	4,957,243
Cash and cash equivalents		
Beginning of year	<u>7,522,281</u>	<u>2,565,038</u>
End of year	<u>\$ 5,704,336</u>	<u>\$ 7,522,281</u>

See accompanying notes to financial statements.



AMERICAN ACADEMY OF ACTUARIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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. SUMMARY OF 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.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021 and 2020. 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, 2021 and 2020, 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, 2021 and 2020, management has determined that all amounts are fully collectible and that no allowance for doubtful accounts is necessary.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is derived from exchange transactions. Revenue from exchange transactions is recognized when control of 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. Except for goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time. Payments are generally required in advance and are reported as deferred revenue until the related revenue is recognized.

Membership Dues - Membership dues entitle members to a bundle of goods and services that are considered a single performance obligation and the related revenue is recognized ratably over the membership period. Membership dues payments are required in advance and amounts not yet recognized as revenue are deferred to the applicable membership period.

Revenue from Other Exchange Transactions - Revenue from event registrations, exhibitor fees, and other event revenues are recognized when the event takes place. Revenue from periodical subscriptions and related advertising are recognized as each periodical is circulated. Revenue from service fees is recognized as services are provided. 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.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 estimates. Other common costs such as occupancy, depreciation, and related infrastructure costs are also allocated based on employee time and effort estimates.

Income Taxes - The Academy is generally exempt from federal income tax 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 2021 and 2020, 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 tax 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 2021 and 2020 were \$7,220 and \$5,602, respectively.

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, 2021 and 2020, 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, 2021, the statute of limitations for fiscal years 2018 through 2020 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.

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.

The following table represents the Academy's financial assets available to meet cash needs for general expenditures within one year of December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Total assets at end of year	\$ 31,086,047	\$ 27,192,112
Less nonfinancial assets		
Prepaid expenses	(342,432)	(471,041)
Excess of pension plan assets over projected benefit obligation	(121,567)	-
Property and equipment, net	(858,744)	(939,445)
Security deposit	<u>(85,392)</u>	<u>(85,392)</u>
Total financial assets at end of year	29,677,912	25,696,234
Less amounts not available to meet general expenditures coming due within one year		
Amounts designated for ABCD Litigation Fund	<u>(149,179)</u>	<u>(149,164)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 29,528,733</u>	<u>\$ 25,547,070</u>

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 hierarchical 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.

NOTE 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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 is a summary of the inputs used at December 31, 2021, in valuing investments carried at fair value:

Description	2021 Fair Value	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 2,917,000	\$ -	\$ 2,917,000	\$ -
Mutual funds				
Debt focused				
Lord Abbett Short Duration Inc.	2,416,168	2,416,168	-	-
Prudential Total Return Bond Fund	1,805,946	1,805,946	-	-
American Funds Mortgage Bond Fund of America	1,211,916	1,211,916	-	-
JP Morgan Core Bond Fund	1,060,505	1,060,505	-	-
JP Morgan Core Bond Fund	1,071,564	1,071,564	-	-
Equity focused				
EuroPacific Growth Fund	1,722,090	1,722,090	-	-
Fundamental Investors	880,220	880,220	-	-
Voya Midcap Opportunities Fund	953,569	953,569	-	-
JP Morgan Equity Income	1,180,163	1,180,163	-	-
JP Morgan Mid Cap Value	651,924	651,924	-	-
JP Morgan Undiscovered Mngrs	780,094	780,094	-	-
Growth Fund of America	667,958	667,958	-	-
New Perspective Fund	1,495,832	1,495,832	-	-
Washington Mutual Investors Fund	1,237,012	1,237,012	-	-
Income Fund of America	1,267,702	1,267,702	-	-
Capital Income Builder Fund	1,020,917	1,020,917	-	-
Eagle Small-Cap Growth Fund	1,190,540	1,190,540	-	-
	<u>\$ 23,531,120</u>	<u>\$ 20,614,120</u>	<u>\$ 2,917,000</u>	<u>\$ -</u>

NOTE 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of the inputs used at December 31, 2020, in valuing investments carried at fair value:

Description	2020 Fair Value	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 494,000	\$ -	\$ 494,000	\$ -
Mutual funds				
Debt focused				
Lord Abbett Short Duration Inc.	1,914,027	1,914,027	-	-
Prudential Total Return Bond Fund	1,421,830	1,421,830	-	-
American Funds Mortgage Bond Fund of America	1,179,640	1,179,640	-	-
JP Morgan Core Bond Fund	785,411	785,411	-	-
JP Morgan Core Bond Fund	719,063	719,063	-	-
Equity focused				
EuroPacific Growth Fund	1,680,018	1,680,018	-	-
Fundamental Investors	718,628	718,628	-	-
Voya Midcap Opportunities Fund	855,146	855,146	-	-
JP Morgan Equity Income	945,487	945,487	-	-
JP Morgan International Value	503,464	503,464	-	-
JP Morgan Undiscovered Mngrs Growth Fund of America	582,947	582,947	-	-
New Perspective Fund	559,726	559,726	-	-
Washington Mutual Investors Fund	1,270,510	1,270,510	-	-
Income Fund of America	962,672	962,672	-	-
Capital Income Builder Fund	1,080,015	1,080,015	-	-
Eagle Small-Cap Growth Fund	887,802	887,802	-	-
	<u>1,174,097</u>	<u>1,174,097</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,734,483</u>	<u>\$ 17,240,483</u>	<u>\$ 494,000</u>	<u>\$ -</u>

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Office furniture and equipment	\$ 316,674	\$ 316,674
Computers	467,945	440,373
Software	567,558	534,558
Leasehold improvements	<u>2,252,125</u>	<u>2,252,125</u>
	3,604,302	3,543,730
Less: accumulated depreciation and amortization	<u>(2,745,558)</u>	<u>(2,604,285)</u>
Total	<u>\$ 858,744</u>	<u>\$ 939,445</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020, was \$141,273 and \$161,754, respectively.

NOTE 6. NET ASSETS

Changes in net assets without donor restrictions for the years ended December 31, 2021 and 2020 were as follows:

	<u>Undesignated</u>	<u>Designated</u>	<u>Total</u>
December 31, 2019	\$ 12,710,031	\$ 148,685	\$ 12,858,716
Interest earned - ABCD Litigation Fund	-	479	479
Other changes in net assets	<u>2,338,552</u>	<u>-</u>	<u>2,338,552</u>
December 31, 2020	15,048,583	149,164	15,197,747
Interest earned - ABCD Litigation Fund	-	15	15
Other changes in net assets	<u>4,436,752</u>	<u>-</u>	<u>4,436,752</u>
December 31, 2021	<u>\$ 19,485,335</u>	<u>\$ 149,179</u>	<u>\$ 19,634,514</u>

NOTE 7. CONTRACT ASSETS AND LIABILITIES

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities associated with revenue from exchange transactions. Contract assets consist entirely of trade accounts receivable, which are recognized only to the extent it is probable that we will collect substantially all of the consideration to which we are 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 we receive advance payments from our members and customers before revenue is recognized. Balances in these accounts as of the beginning and end of the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable			
Contracts			
Advertising	\$ 28,150	\$ 26,991	\$ 79,801
Service fees	350,609	323,594	390,441
Administrative services	3,076	-	20,450
Other	<u>13,677</u>	<u>3,146</u>	<u>5,292</u>
	395,512	353,731	495,984
Lease allowances due from landlord	-	-	170,184
Other receivables	<u>367</u>	<u>12,382</u>	<u>3,303</u>
	<u>\$ 395,879</u>	<u>\$ 366,113</u>	<u>\$ 669,471</u>



NOTE 7. CONTRACT ASSETS AND LIABILITIES (CONTINUED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred revenue			
Membership dues	\$ 7,985,570	\$ 7,798,305	\$ 6,819,025
Seminars	6,200	1,800	6,000
Advertising	725	-	-
Manual sales	61,650	56,000	50,850
Webcasts	-	1,010	-
Other	-	-	2,870
	<u>\$ 8,054,145</u>	<u>\$ 7,857,115</u>	<u>\$ 6,878,745</u>

NOTE 8. 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 \$31,577 and \$58,357 in 2021 and 2020, respectively, for its share of net revenue from the meetings.

NOTE 9. 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 \$454,424 and \$453,873 for 2021 and 2020, 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.

NOTE 9. PENSION PLANS (CONTINUED)

The following table sets forth the plan's funded status and amounts recognized in the financial statements at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of \$3,202,572 and \$3,468,713	\$ (3,262,824)	\$ (3,563,034)
Projected benefit obligation for service rendered to date	\$ (3,504,039)	\$ (3,772,888)
Plan assets at fair value	<u>3,625,606</u>	<u>3,261,921</u>
Funded status at end of year	<u>\$ 121,567</u>	<u>\$ (510,967)</u>

Assumptions used in the actuarial calculations above were as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Discount rate	2.77%	2.44%
Rate of increase in compensation levels	3.00%	3.00%
Expected long-term rate of return on assets	6.75%	6.75%

Net periodic pension cost for 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Service cost-benefits earned during the period	\$ 170,766	\$ 152,630
Interest cost on projected benefit obligation	91,443	99,542
Expected return on plan assets	(221,581)	(187,247)
Amortization of prior service cost	6,232	6,232
Amortization of recognized actuarial loss	<u>36,972</u>	<u>25,325</u>
Net pension cost	<u>\$ 83,832</u>	<u>\$ 96,482</u>

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 2021 are \$6,232.

NOTE 9. PENSION PLANS (CONTINUED)

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, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Net actuarial gain (loss)	\$ 574,493	\$ (144,476)
Amortization of prior service cost	<u>6,232</u>	<u>6,232</u>
	<u>\$ 580,725</u>	<u>\$ (138,244)</u>

Amounts that have reduced net assets and have not yet been recognized as components of net periodic pension cost as of December 31, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Net actuarial loss	\$ 129,039	\$ 703,532
Net prior service cost	<u>11,267</u>	<u>17,499</u>
	<u>\$ 140,306</u>	<u>\$ 721,031</u>

Assumptions used in the actuarial calculations above were as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Discount rate	2.44%	3.18%
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 \$112,481 and \$125,855 for 2021 and 2020, respectively. Actual employer contributions were \$135,641 and \$117,582 in 2021 and 2020, respectively. There were benefit payments of \$286,373 and \$64,636 made in 2021 and 2020, respectively. Employer contributions for 2022 are expected to be \$148,500.

NOTE 9. PENSION PLANS (CONTINUED)

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

Years Ending December 31:

2022	\$ 59,532
2023	86,057
2024	100,040
2025	111,365
2026	134,657
2027-2031	863,816

The expected long-term rate of return on plan assets for 2021 and 2020 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, 2021 and 2020, are as follows:

	<u>2021</u>	<u>Percentage</u>	<u>2020</u>	<u>Percentage</u>
Equity index fund	\$ 2,492,558	68.7%	\$ 2,140,536	66.0%
Bond index fund	1,130,980	31.2%	1,085,412	33.0%
Cash and money market funds	<u>2,068</u>	0.1%	<u>35,973</u>	1.0%
	<u>\$ 3,625,606</u>		<u>\$ 3,261,921</u>	

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

NOTE 10. COMMITMENTS

In June 2018, the Academy's existing ten-year lease for office space 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. 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 due as follows:

Years Ending December 31:

2021	\$ 1,156,827
2022	1,124,378
2023	1,143,288
2024	1,169,048
2025	1,195,377
Thereafter	<u>2,576,356</u>
	<u>\$ 8,365,274</u>

Rental expense for office space and equipment leases for 2021 and 2020, was \$1,026,713 and \$1,001,162, respectively.



NOTE 11. 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, 2021 and 2020, the balances in the Academy's cash and money market accounts exceeded the amount insured by the FDIC by approximately \$3,938,000 and \$2,755,000, respectively. The Academy does not believe these funds are exposed to any significant credit risk.

The Academy had approximately \$1,394,000 and \$4,316,000 in money market mutual funds as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 12. SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through May 9, 2022, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.