American Academy of Actuaries

Financial Statements

December 31, 2018

CALIBRE
CPA GROUP

American Academy of Actuaries

Financial Statements

Years Ended December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Calibre CPA Group, PLLC

Bethesda, MD
May 2, 2019

American Academy of Actuaries

Statements of Financial Position

December 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 2,598,749	$ 1,623,868
Certificates of deposit	2,964,000	2,964,000
Accounts receivable	466,765	420,596
Due from Casualty Actuarial Society	-	16,856
Due from Conference of Consulting Actuaries	15,000	15,000
Prepaid expenses	312,760	235,023
Total current assets	6,357,274	5,275,343
Long-term investments		
Mutual funds, at fair value	13,019,760	15,223,749
Certificates of deposit	-	73,100
Total long-term investments	13,019,760	15,296,849
Property and equipment, net	224,676	421,621
Security deposit	85,392	-
Total assets	$ 19,687,102	$ 20,993,813
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 1,000,904	$ 439,531
Accrued expenses	467,176	759,335
Accrued annual leave	133,563	112,051
Deferred revenue		
Membership dues	6,707,865	6,631,025
Other	147,805	109,206
Deferred rent liability, current portion	13,215	156,346
Total current liabilities	8,470,528	8,207,494
Noncurrent liabilities		
Deferred rent liability, net of current portion	-	13,214
Liability for pension benefits, defined benefit plan	252,337	361,893
Total liabilities	8,722,865	8,582,601
Net assets without donor restrictions		
Undesignated	10,818,535	12,267,923
Designated, Actuarial Board of Counseling and Discipline Litigation Fund	145,702	143,289
Total net assets	10,964,237	12,411,212
Total liabilities and net assets	$ 19,687,102	$ 20,993,813

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Activities

Years Ended December 31, 2018 and 2017

	2018	2017
Revenue		
Membership dues	$ 10,704,928	$ 10,213,761
Membership application fees	59,100	46,650
Investment income	1,467,863	1,535,734
Enrolled Actuaries Meeting distribution	44,714	26,442
Casualty Loss Reserve Seminar profit (loss) share	(18,080)	16,856
Seminars	317,375	427,385
Advertising income	431,923	453,077
Manual sales	235,425	209,170
Webcast income	235,440	222,960
Service fees	344,254	288,641
Administrative services	25,329	16,633
Other	217,694	216,531
Total revenue	14,065,965	13,673,840
Expenses		
Program services		
Professionalism	3,359,371	3,765,180
Public policy	6,285,793	6,557,297
Total program services	9,645,164	10,322,477
Supporting services		
Management and general	3,114,603	3,104,898
Membership and development	723,944	697,239
Total supporting services	3,838,547	3,802,137
Total expenses	13,483,711	14,124,614
Change in net assets before other changes	582,254	(450,774)
Other changes in net assets		
Net appreciation (depreciation) in fair value of investments	(2,134,792)	577,039
Pension-related changes other than net periodic benefit cost	105,563	(82,345)
Change in net assets	(1,446,975)	43,920
Net assets without donor restrictions		
Beginning of year	12,411,212	12,367,292
End of year	$ 10,964,237	$ 12,411,212

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	146,486	264,161	131,816	41,274	583,737
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
	$ 3,359,371	$ 6,285,793	$ 3,114,603	$ 723,944	$ 13,483,711

See accompanying notes to financial statements.

American Academy of Actuaries

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services		Supporting Services		
	Professionalism	Public Policy	Management and General	Membership and Development	Total Expenses
Salaries	$ 1,271,516	$ 2,395,350	$ 1,126,275	$ 346,533	$ 5,139,674
Employee insurance	91,598	172,558	81,133	24,964	370,253
Payroll taxes	80,199	151,085	71,037	21,857	324,178
Pension plans	140,085	263,900	124,081	38,178	566,244
Temporary help and personnel fees	17,000	14,040	33,396	-	64,436
Rent	256,792	483,758	227,459	69,985	1,037,994
Telephone	12,853	24,212	11,384	3,503	51,952
Postage and freight	5,994	74	14,479	-	20,547
Travel and related expenses	169,046	63,018	70,676	5,512	308,252
Annual meeting	4,927	47,806	231,126	-	283,859
Seminars	129,241	275,216	-	-	404,457
Committee meetings	67,517	766	153,140	-	221,423
Presidential travel	31,761	36,299	22,687	-	90,747
General office supplies and equipment rental	31,233	58,839	27,666	8,512	126,250
Technology and database	46,022	86,699	40,764	12,543	186,028
Printing	16,425	10,950	-	-	27,375
Personnel development	109	-	1,942	-	2,051
Professional services	72,443	-	408,684	-	481,127
Audit and accounting	7,605	14,327	6,737	2,073	30,742
Insurance	13,987	26,349	12,389	3,812	56,537
Depreciation and amortization	63,382	119,403	56,142	17,274	256,201
Subscriptions, periodicals and dues	4,205	59,464	8,189	-	71,858
Communications	243,214	243,214	-	54,048	540,476
Membership/external relations programs	-	65,793	-	88,445	154,238
Affiliation fees	141,545	141,544	-	-	283,089
Contingencies	224,433	224,432	-	-	448,865
Manuals	-	175,078	-	-	175,078
Contribution, Actuarial Foundation	-	109,224	-	-	109,224
Health Practice Council	-	338,063	-	-	338,063
Pension Practice Council	-	130,622	-	-	130,622
Life Practice Council	-	289,740	-	-	289,740
Casualty Practice Council	-	283,160	-	-	283,160
Public Policy Research	-	112,003	-	-	112,003
Council on Professionalism	41,108	-	-	-	41,108
Risk Management and Financial Reporting Practice Counci	-	32,386	-	-	32,386
International Secretary/Representatives travel	51,612	51,612	-	-	103,224
Income taxes	15,736	15,736	-	-	31,472
Bank and credit card fees	-	-	352,863	-	352,863
Webcast expenses	25,689	40,577	-	-	66,266
Investigative	24,935	-	-	-	24,935
Strategic Initiatives	461,806	-	-	-	461,806
Other	1,162	-	22,649	-	23,811
	$ 3,765,180	$ 6,557,297	$ 3,104,898	$ 697,239	$ 14,124,614

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Membership dues and application fees received	$ 10,840,868	$ 10,799,526
Interest and dividends received	904,239	740,435
Other operating receipts	1,815,914	1,905,849
Unrelated business income taxes paid	(5,406)	(22,026)
Payments to vendors, suppliers and employees	(13,241,734)	(13,656,397)
Net cash provided by (used for) operating activities	313,881	(232,613)
Cash flows from investing activities		
Purchases of property and equipment	(44,921)	(124,684)
Proceeds from sales/maturities of certificates of deposit and investments	6,017,816	6,758,000
Purchases of certificates of deposit and investments	(5,311,895)	(6,173,617)
Net cash provided by investing activities	661,000	459,699
Net change in cash and cash equivalents	974,881	227,086
Cash and cash equivalents		
Beginning of year	1,623,868	1,396,782
End of year	$ 2,598,749	$ 1,623,868

See accompanying notes to financial statements.

American Academy of Actuaries

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

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.

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. 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 2018 and 2017. 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 permanent. As of December 31, 2018 and 2017, 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.

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, generally as determined by published market prices.

Income earned is derived from interest, dividends and changes in fair value. 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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 2018 and 2017, 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 2018 and 2017 were $42,275 and $31,472, 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, 2018 and 2017, 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 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Pronouncement Adopted - During the year ended December 31, 2018, the Academy adopted the provisions of Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include: requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources; requiring the presentation of investment return net of all external and direct internal expenses; modifying the presentation of underwater endowment funds and related disclosures. Accordingly, certain amounts previously reported for the year ended December 31, 2017 were reclassified to conform to the 2018 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. The following table represents the Academy's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018 and 2017.

	2018	2017
Total assets at end of year	$ 19,687,102	$ 20,993,813
Less nonfinancial assets		
Prepaid expenses	(312,760)	(235,023)
Property and equipment, net	(224,676)	(421,621)
Security deposit	(85,392)	-
Total financial assets at end of year	19,064,274	20,337,169
Less amounts not available to meet general expenditures coming due within one year		
Amounts designated for ABCD Litigation Fund	(145,702)	(143,289)
Financial assets available to meet general expenditures within one year	$ 18,918,572	$ 20,193,880

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.

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 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of the inputs used at December 31, 2017, 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	$ 3,037,100	$ -	$ 3,037,100	$ -
Mutual funds				
Debt focused				
Lord Abbett Short Duration Inc.	1,740,695	1,740,695	-	-
Prudential Total Return Bond Fund	1,203,468	1,203,468	-	-
American Funds Mortgage	1,083,057	1,083,057	-	-
Bond Fund of America	678,053	678,053	-	-
JP Morgan Core Bond Fund	617,334	617,334	-	-
Equity focused				
EuroPacific Growth Fund	988,571	988,571	-	-
Fundamental Investors	666,792	666,792	-	-
Prudential Mid Cap Value	535,361	535,361	-	-
Voya 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	-	-
Eagle Small-Cap Growth Fund	901,575	901,575	-	-
	$ 18,260,849	$ 15,223,749	$ 3,037,100	$ -

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017, consisted of the following:

	2018	2017
Office furniture and equipment	$ 318,731	$ 321,761
Computers	322,439	397,371
Software	548,005	604,673
Leasehold improvements	1,419,884	1,415,484
	2,609,059	2,739,289
Less: accumulated depreciation and amortization	(2,384,383)	(2,317,668)
Total	$ 224,676	$ 421,621

Depreciation and amortization expense for the years ended December 31, 2018 and 2017, was $241,866 and $256,201, respectively.

NOTE 6. NET ASSETS

Changes in net assets without donor restrictions for the year ended December 31, 2018 and 2017 were as follows:

	Undesignated	Designated	Total
December 31, 2016	$ 12,225,078	$ 142,214	$ 12,367,292
Interest earned - ABCD Litigation Fund	-	1,075	1,075
Other changes in net assets	42,845	-	42,845
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

NOTE 7. 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 $44,714 and $26,442 for its share of net revenue for the 2018 and 2017 meetings, respectively. In connection with this annual meeting, the Academy has advanced $15,000 to CCA for meeting expenses.

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 loss of ($18,080) and a net gain of $16,856 for its share of net (loss)/revenue from the 2018 and 2017 meetings, respectively.

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.

NOTE 9. PENSION PLANS (CONTINUED)

Total pension expense for the 401(k) plan, including administration costs and net of forfeitures, was $464,316 and $460,333 for 2018 and 2017, 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, 2018 and 2017:

	2018	2017
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $2,298,405 and $2,248,667	$ (2,337,460)	$ (2,490,048)
Projected benefit obligation for service rendered to date	$ (2,454,953)	$ (2,565,777)
Plan assets at fair value	2,202,616	2,203,884
Funded status at end of year	$ (252,337)	$ (361,893)

Assumptions used in the actuarial calculations above were as follows at December 31, 2018 and 2017:

	2018	2017
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%

Net periodic pension cost for 2018 and 2017 consists of the following:

	2018	2017
Service cost-benefits earned during the period	$ 122,030	$ 94,332
Interest cost on projected benefit obligation	90,771	87,952
Expected return on plan assets	(149,498)	(127,414)
Amortization of prior service cost	6,232	6,232
Amortization of recognized actuarial loss	27,023	22,747
Net pension cost	$ 96,558	$ 83,849

NOTE 9. PENSION PLANS (CONTINUED)

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 2019 are $6,232 and $15,674, 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, 2018 and 2017, are as follows:

	2018	2017
Net actuarial gain (loss)	$ 99,331	$ (88,577)
Amortization of prior service cost	6,232	6,232
	$ 105,563	$ (82,345)

Amounts that have reduced net assets yet have not yet been recognized as components of net periodic pension cost as of December 31, 2018 and 2017, consist of the following:

	2018	2017
Net actuarial loss	$ 396,999	$ 496,330
Net prior service cost	29,963	36,195
	$ 426,962	$ 532,525

Assumptions used in the actuarial calculations above were as follows at December 31, 2018 and 2017:

	2018	2017
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%

Total pension expense for the defined benefit pension plan, including administration costs, was $119,421 and $105,911 for 2018 and 2017, respectively. Actual employer contributions were $100,551 and $85,491 in 2018 and 2017, respectively. There were benefit payments of $30,535 and $27,013 made in 2018 and 2017, respectively. Employer contributions for 2019 are expected to be $110,000.

NOTE 9. PENSION PLANS (CONTINUED)

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

Years ending December 31:	
2019	$ 48,472
2020	50,202
2021	50,096
2022	62,730
2023	89,172
2024- 2028	665,714

The expected long-term rate of return on plan assets for 2018 and 2017 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, 2018 and 2017, are as follows:

	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	

	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	

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

NOTE 10. 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.

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.

NOTE 10. COMMITMENTS (CONTINUED)

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:		
2019	$	154,654
2020		374,906
2021		1,132,775
2022		1,156,827
2023		1,124,378
Thereafter		6,084,069
	$	10,027,609

Rental expense for office space and equipment leases for 2018 and 2017, was $1,109,972 and $1,115,695, 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, 2018 and 2017, the balances in the Academy's cash and money market accounts exceeded the amount insured by the FDIC by approximately $1,620,000 and $1,150,000, respectively. The Academy does not believe these funds are exposed to any significant credit risk.

The Academy had approximately $787,000 and $198,000 in money market mutual funds as of December 31, 2018 and 2017. 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, 2018 and 2017, 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 2, 2019, 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.