# THE AMERICAN BOARD OF INTERNAL MEDICINE
# AND AFFILIATED FOUNDATION

## CONSOLIDATED FINANCIAL STATEMENTS

## YEARS ENDED JUNE 30, 2017 AND 2016

CliftonLarsonAllen LLP

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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**AND AFFILIATED FOUNDATION**
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CliftonLarsonAllen LLP
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# INDEPENDENT AUDITORS' REPORT

Audit Committee
The American Board of Internal Medicine
and Affiliated Foundation
Philadelphia, Pennsylvania

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The American Board of Internal Medicine and Affiliated Foundation, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

A member of Nexia International

Audit Committee
The American Board of Internal Medicine
and Affiliated Foundation

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The American Board of Internal Medicine and Affiliated Foundation as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and other supplementary information are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania
October 3, 2017

**THE AMERICAN BOARD OF INTERNAL MEDICINE**
**AND AFFILIATED FOUNDATION**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 39,603,047 | $ 39,851,039 |
| Accounts Receivable, Net | 878,804 | 757,921 |
| Grants Receivable | 1,164,045 | 2,369,378 |
| Investments, at Fair Value | 72,973,221 | 71,790,937 |
| Investments, at Fair Value, Deferred Compensation Plan | 684,150 | 733,757 |
| Prepaid Expenses | 1,227,652 | 1,279,639 |
| Property, Net | 863,669 | 1,196,498 |
| Furniture and Equipment, Net | 4,627,383 | 2,421,404 |
| Total Assets | $ 122,021,971 | $ 120,400,573 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Accounts and Grants Payable and Accrued Expenses | $ 3,919,831 | $ 5,292,337 |
| Accrued Compensation | 3,845,839 | 4,927,787 |
| Deferred Revenue: | | |
| Certifying Examinations | 31,327,118 | 31,729,595 |
| Maintenance of Certification | 54,329,295 | 56,201,867 |
| Deferred Compensation | 1,143,643 | 909,725 |
| Deferred Rents | 8,245,642 | 7,712,867 |
| Total Liabilities | 102,811,368 | 106,774,178 |
| **COMMITMENTS AND CONTINGENCIES** | | |
| **NET ASSETS** | | |
| Unrestricted | 18,046,559 | 11,257,018 |
| Temporarily Restricted | 1,164,044 | 2,369,377 |
| Total Net Assets | 19,210,603 | 13,626,395 |
| Total Liabilities and Net Assets | $ 122,021,971 | $ 120,400,573 |

*See accompanying Notes to Consolidated Financial Statements.*

# THE AMERICAN BOARD OF INTERNAL MEDICINE
# AND AFFILIATED FOUNDATION
# CONSOLIDATED STATEMENTS OF ACTIVITIES
# YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| **CHANGES IN UNRESTRICTED NET ASSETS** | | |
| Revenues and Gains | | |
| Certification Exams | | |
| Internal Medicine | $ 14,051,374 | $ 14,226,066 |
| Subspecialties and Other | 16,670,434 | 16,242,531 |
| Credit Card Fees | (636,093) | (547,793) |
| Total Certification Exams | 30,085,715 | 29,920,804 |
| Maintenance of Certification Program | | |
| Credentialing | - | 85,065 |
| Examination | 4,807,925 | 7,501,230 |
| Program Fee | 20,350,575 | 17,391,027 |
| Credit Card Fees | (520,905) | (449,066) |
| Total Maintenance of Certification Program | 24,637,595 | 24,528,256 |
| Other Revenue | | |
| Investment Income (Loss), Net | 8,177,400 | (1,465,022) |
| Other Income | 632,953 | 555,255 |
| Total Other Revenue | 8,810,353 | (909,767) |
| Total Unrestricted Revenues and Gains | 63,533,663 | 53,539,293 |
| Net Assets Released from Restrictions, Satisfaction of Program Restrictions | 1,266,200 | 1,489,773 |
| Total Unrestricted Revenues, Gains and Other Support | 64,799,863 | 55,029,066 |
| **OPERATING EXPENSES** | | |
| Operating Expenses | 58,016,982 | 66,577,356 |
| (Gain) Loss on Disposal and Abandonment of Furniture and Equipment | (6,660) | 41,855 |
| Total Operating Expenses | 58,010,322 | 66,619,211 |
| Change in Unrestricted Net Assets | 6,789,541 | (11,590,145) |
| **CHANGES IN TEMPORARILY RESTRICTED NET ASSETS** | | |
| Grant Revenue | 60,867 | 94,105 |
| Net Assets Released from Restrictions | (1,266,200) | (1,489,773) |
| Change in Temporarily Restricted Net Assets | (1,205,333) | (1,395,668) |
| Change in Net Assets | 5,584,208 | (12,985,813) |
| Net Assets - Beginning of Fiscal Year | 13,626,395 | 26,612,208 |
| **NET ASSETS - END OF FISCAL YEAR** | $ 19,210,603 | $ 13,626,395 |

*See accompanying Notes to Consolidated Financial Statements.*

# THE AMERICAN BOARD OF INTERNAL MEDICINE
# AND AFFILIATED FOUNDATION
# CONSOLIDATED STATEMENTS OF CASH FLOWS
# YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 5,584,208 | $ (12,985,813) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities: | | |
| Reinvested Dividends | (3,091,942) | (4,416,317) |
| Unrealized (Gain) Loss on Investments, Net | (4,570,361) | 5,237,008 |
| Realized Loss on Sale of Investments, Net | 56,483 | 16,490 |
| (Gain) Loss on Abandonment and Disposal of Furniture and Equipment | (6,660) | 41,855 |
| Depreciation and Amortization | 1,588,519 | 1,803,081 |
| Deferred Compensation Expense | 283,525 | 73,599 |
| Deferred Rents | 532,775 | 583,495 |
| Change in Operating Assets and Liabilities: | | |
| (Increase) Decrease in: | | |
| Accounts Receivable | (120,883) | 169,682 |
| Grants Receivable | 1,205,333 | 1,395,668 |
| Prepaid Expenses | 51,987 | 89,477 |
| Increase (Decrease) in: | | |
| Accounts and Grants Payable and Accrued Expenses | (1,089,548) | (300,726) |
| Accrued Compensation | (1,081,948) | 308,191 |
| Deferred Revenue | (2,275,049) | 225,192 |
| Net Cash Used by Operating Activities | (2,933,561) | (7,759,118) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from Sale and Maturities of Investments | 6,818,061 | 4,995,677 |
| Purchases of Investments | (394,525) | (95,346) |
| Proceeds from Sale of Property, Furniture and Equipment | - | 1,518,778 |
| Purchases of Property, Furniture and Equipment | (3,737,967) | (973,972) |
| Net Cash Provided by Investing Activities | 2,685,569 | 5,445,137 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (247,992) | (2,313,981) |
| Cash and Cash Equivalents - Beginning of Fiscal Year | 39,851,039 | 42,165,020 |
| **CASH AND CASH EQUIVALENTS - END OF FISCAL YEAR** | $ 39,603,047 | $ 39,851,039 |

*See accompanying Notes to Consolidated Financial Statements.*

## NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

The American Board of Internal Medicine (ABIM) is a nonprofit organization. The primary purpose of ABIM is the establishment and maintenance of standards of training, education, and qualification of physicians practicing internal medicine within the United States. The assets of ABIM are generally available for operating purposes, with no restrictions by external donors, grantors, or agencies.

The ABIM Foundation (the Foundation) is a not-for-profit organization organized exclusively for charitable, educational, and scientific purposes in order to benefit, perform the functions of, and carry out the purposes of ABIM and any other similar organizations operating in the United States. The assets of the Foundation are available for general operating purposes, with no significant restrictions by external donors, grantors, or agencies.

The consolidated entities are collectively referred to as the Organization in these financial statements. A summary of the Organization's significant accounting policies is as follows:

### Principles of Consolidation

The accounts of ABIM and the Foundation are included in the consolidated financial statements based upon ABIM's control and economic interest factors with the Foundation. All material intercompany balances and transactions have been eliminated.

### Basis of Accounting

Revenue and expenses are recognized using the accrual basis of accounting.

### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents equals fair value.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounts Receivable

Accounts receivable are stated at their estimated net realizable values. Accounts receivable do not bear interest. It is the Organization's policy to provide an allowance for doubtful accounts on its accounts receivable. The allowance is based on management's estimate of amounts that may not be collected. Delinquency of accounts receivable is generally not a significant issue because most accounts receivable relate to the Maintenance of Certification (MOC) program. Management is generally able to collect amounts due or restrict a candidate from completing the MOC program in the event of nonpayment. When management determines an account is not collectible it charges such write-off to either the allowance account when required or directly to bad debts expense. At June 30, 2017 and 2016, accounts receivable is recorded net of allowance for doubtful accounts of $20,000.

### Investment Valuation and Investment Income Recognition

Investments are stated at fair value, measured as described in Note 4. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the annual basis. Dividends are recorded on the ex-dividend date.

### Property, Furniture and Equipment, and Depreciation and Amortization

The Organization generally capitalizes eligible expenditures greater than $1,000. Leasehold improvements are stated at cost and are amortized over the shorter of their estimated useful life or the remaining lease term using the straight-line method. Furniture and equipment, including capitalized software, are stated at cost and are depreciated over five to seven years using the straight-line method.

### Impairment of Long Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use and eventual disposition of the assets is less than its carrying amount. Impairment, if any, is assessed using discounted cash flows. No impairments of long-lived assets placed in service have occurred to date.

### Net Assets Classification

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

#### Unrestricted Net Assets

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Net Assets Classification (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets result from grants whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently Restricted Net Assets

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor are otherwise removed by the Organization’s actions. The Organization does not have any permanently restricted contributions.

### Revenue Recognition

The Organization receives revenues from the administration of its certification exams and the MOC program.

*Certification Exams*: Revenues from certification exams for internal medicine, subspecialties, and other disciplines are recognized when the applicable exam is administered. Deferred revenue, certifying examinations represents amounts received in advance of a scheduled certification exam date.

*MOC Program*: Prior to January 1, 2014, the major stages of the MOC process consisted of self-study modules and the related final exam. The MOC program was a ten-year program which required diplomates to complete certain requirements by the end of the ten-year registration period. Diplomates paid an amount which consisted of a credentialing fee, a self-study module (SEP) fee and a secure examination fee. Diplomates who entered the MOC program prior to January 1, 2014 have ten years to complete the program and have access to SEP’s during this period. The Organization recognized credentialing fees as revenue upon a diplomate entering the MOC program. SEP fees for diplomates entering the program prior to January 1, 2014 are recognized as program fee revenue over 120 months on a straight-line basis from the date the diplomate entered the MOC program. Secure examination revenues are recognized upon the diplomates sitting for an exam, regardless of the result. Diplomates are required to pay a fee each time they sit for a secure examination. Secure examination fees paid prior to January 1, 2014 that are not utilized within ten years of entering the MOC program are forfeited. Deferred revenue, maintenance of certification includes amounts received prior to January 1, 2014 in the approximate amount of $18,388,000 and $23,605,000 at June 30, 2017 and 2016, respectively, the components of which will be recognized as examination and program fee revenue in accordance with the preceding policies.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue Recognition (Continued)

*MOC Program (Continued)*: On January 1, 2014, the Organization revised the nature of the MOC program. The MOC program is now a continuous program based on a calendar year. Upon entering the MOC program, a diplomate must actively maintain their certification by completing certain requirements. These requirements are expected to be completed every two, five, and ten years. Diplomates choose to pay annually or to prepay for ten years for access to the program. The single program fee includes access to all MOC program products and one secure examination. The MOC program fee for annual registrations is recognized straight-line through December 31 of the year registered. The MOC program fee for diplomates who have prepaid ten years of access is recognized straight-line through December 31 of the tenth year. Deferred revenue maintenance certification includes amounts received after January 1, 2014 in the approximate amount of $35,941,000 and $32,597,000 at June 30, 2017 and 2016, respectively, which will be recognized as program fee revenue on a straight-line basis over the registered term of one or ten years.

### Grant Revenue

Grant revenue consists of unconditional promises to give to the Organization. Grant revenue arising from unconditional promises to give which are expected to be received in approximately one year are recorded at their net realizable value. Grant revenues arising from unconditional promises to give which are expected to be realized in excess of one year are recorded at the present value of the net realizable value using reasonable cost of capital interest rates applicable to the years in which the promises are to be realized.

Grants are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions which are completely met in the same fiscal year are reported as temporarily restricted support with the associated amount reported as net assets released from restrictions.

### Other Income

Other income consists primarily of other exam related service fees like shared exam data, and candidate exam analysis and rescoring. These fees are recorded as other income as the service is performed.

### Advertising

Advertising costs are expensed as incurred. Advertising expense was approximately $8,166 in 2017 and $37,000 in 2016.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Credit and Market Risk

Credit risk arises from the potential for an issuer or the other counterparty to default on its contractual obligation. Market risk is the risk that the market value of an investment will fluctuate as a result of changes in market price. Financial instruments which potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents and investments. The Organization regularly maintains amounts on deposit in excess of insured limits. The Organization believes it limits its credit exposure by placing its cash and cash equivalents with what management believes to be high credit quality financial institutions. Investments include the risk that market value will change. The Organization mitigates this risk by the adoption and execution of what management believes to be prudent investment policies and procedures.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

### Revenue with Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Company has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the consolidated financial statements.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Recently Issued Accounting Pronouncements (Continued)

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606). The amendments in this Update defer the effective date of ASU 2014-09. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Earlier application is permitted only as of an annual reporting period beginning after December 15, 2016, including interim reporting periods within that reporting period, or an annual reporting period beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the annual reporting period in which an entity first applies the guidance in update 2014-09.

### Subsequent Events

The Organization has evaluated its subsequent events through October 3, 2017, which represents the date the consolidated financial statements were available to be issued, and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the consolidated financial statements for the year ended June 30, 2017.

## NOTE 2 INCOME TAXES

The Internal Revenue Service has granted the Organization, which is not a private foundation, exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken any uncertain tax positions that more likely than not would not be sustained upon examination by a tax authority. Management evaluated the Organization’s tax positions and concluded that the Organization had maintained its tax-exempt status and has taken no uncertain tax positions that require adjustments to the consolidated financial statements. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

## NOTE 3 INVESTMENTS

The investment portfolio consists of the following at June 30:

| Description | 2017 Fair Value | 2017 Cost |
|---|---|---|
| Mutual Funds | | |
| Short Term Corporate Bond Fund | $ 1,978,434 | $ 1,980,283 |
| TIFF Multi-Asset Fund | 34,829,997 | 34,638,640 |
| Other | 380,910 | 360,662 |
| Investment Partnerships | | |
| TIFF Keystone Fund, L.P. | 35,783,880 | 35,987,580 |
| | 72,973,221 | 72,967,165 |
| Money Market Funds | 12,830,502 | 12,830,502 |
| | 85,803,723 | 85,797,667 |
| Less Money Market Funds Reported as Cash | 12,830,502 | 12,830,502 |
| | $ 72,973,221 | $ 72,967,165 |

| Description | 2016 Fair Value | 2016 Cost |
|---|---|---|
| Mutual Funds | | |
| Short Term Corporate Bond Fund | $ 1,952,842 | $ 1,940,173 |
| TIFF Multi-Asset Fund | 34,443,100 | 34,828,750 |
| Other | 185,474 | 185,743 |
| Investment Partnerships | | |
| TIFF Keystone Fund, L.P. | 35,209,521 | 35,917,526 |
| | 71,790,937 | 72,872,192 |
| Money Market Funds | 12,425,044 | 12,425,044 |
| | 84,215,981 | 85,297,236 |
| Less Money Market Funds Reported as Cash | 12,425,044 | 12,425,044 |
| | $ 71,790,937 | $ 72,872,192 |

Investment income, net, includes the following:

| | 2017 | 2016 |
|---|---|---|
| Realized Loss on Sale of Investments, Net | $ (56,483) | $ (16,490) |
| Unrealized Gain (Loss) on Investments, Net | 4,570,361 | (5,237,008) |
| Interest and Dividends | 3,663,522 | 3,788,476 |
| | $ 8,177,400 | $ (1,465,022) |

## NOTE 3 INVESTMENTS (CONTINUED)

Investments attributable to deferred compensation invested in various participant directed investments are as follows:

| | 2017 | 2016 |
|---|---|---|
| Balance - Beginning | $ 733,757 | $ 875,260 |
| Employee Deferrals | 52,843 | 55,573 |
| Employee Withdrawals | (214,726) | (196,227) |
| Increase (Decrease) in Fair Value | 112,276 | (849) |
| Balance - Ending | $ 684,150 | $ 733,757 |

## NOTE 4 FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described below:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2017.

## NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

*Mutual Funds*: Valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. Certain mutual funds held are deemed to be actively traded. However, the Organization has an investment in the Investment Fund for Foundation Multi-Asset Fund. Since the Organization holds units in the fund, and because the units are not traded on an open exchange, they are valued at NAV per unit based on quoted market prices of underlying investments. The NAV is used as a practical expedient to estimating fair value.

*Pooled Separate Accounts*: Valued at NAV per unit based on quoted market prices of underlying investments. The NAV is used as a practical expedient to estimating fair value. The NAV is based upon the fair value of the underlying investments comprising the pooled separate accounts less their liabilities. This practical expedient is not used when it is determined to be probable that the Organization will sell the investment for an amount different than the reported NAV.

*Fixed Annuity Contracts*: Fixed annuity contracts are valued at fair value by the custodian by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. As transactions occur at contract value, fair value is determined annually for financial statement purposes only. In determining the reasonableness of the methodology, management evaluates a variety of factors including review of existing contracts, economic conditions, industry and market developments, and overall credit ratings. Certain unobservable inputs are assessed through review of contract terms (for example, duration or payout date) which others are substantiated utilizing available market data (for example, swap curve rate).

*Investment Partnerships*: Investment partnerships are not traded on an open exchange and the fair values of these funds are not readily determinable. These investments are valued at net asset value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date, as determined by the Organization. In determining fair value of the underlying funds' net assets, the Organization utilizes valuations provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective alternative investment fund and may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

## NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016:

| | Assets at Fair Value at June 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Mutual Funds | | | | |
| Bond Funds | $ 1,978,434 | $ - | $ - | $ 1,978,434 |
| Equity Funds | 380,910 | - | - | 380,910 |
| | $ 2,359,344 | $ - | $ - | 2,359,344 |
| Investments Measured at NAV (a) | | | | 71,298,027 |
| | | | | $ 73,657,371 |
| Liabilities | | | | |
| 457(b) Plan Liability | $ - | $ 684,150 | $ - | $ 684,150 |

| | Assets at Fair Value at June 30, 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Mutual Funds | | | | |
| Bond Funds | $ 1,952,842 | $ - | $ - | $ 1,952,842 |
| Equity Funds | 185,474 | - | - | 185,474 |
| Fixed Annuity Contracts | | | | |
| TIAA Traditional Annuity | - | - | 43,431 | 43,431 |
| | $ 2,138,316 | $ - | $ 43,431 | 2,181,747 |
| Investments Measured at NAV (a) | | | | 70,342,947 |
| | | | | $ 72,524,694 |
| Liabilities | | | | |
| 457(b) Plan Liability | $ - | $ 690,326 | $ 43,431 | $ 733,757 |

(a) In accordance with ASU 2015-07, Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

The Organization assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Organization's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no significant transfers among levels 1, 2, and 3 during the year.

## NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of ABIM's Level 3 assets for the years ended June 30, 2017 and 2016:

| | Fixed Annuity Contracts |
|---|---|
| Balance, July 1, 2015 | $ 116,885 |
| Purchases and Issuances | (76,717) |
| Unrealized Appreciation | 3,263 |
| Balance June 30, 2016 | 43,431 |
| Sales and Settlements | (44,898) |
| Unrealized Appreciation | 1,467 |
| Balance, June 30, 2017 | $ - |

The total change in unrealized gain (loss) included in the consolidated statements of activities during the years ended June 30, 2017 and 2016, attributable to Level 3 investments held at June 30, 2017 and 2016, approximated the net unrealized gain (loss), by major class, in the preceding rollforward of changes in Level 3 assets.

The following tables set forth a summary of the fair value of investments in certain entities that calculate net asset value per share (or its equivalent):

| | | Assets at Fair Value at June 30, 2017 | | | |
|---|---|---|---|---|---|
| Investments | | Fair Value | Unfunded Commitment | Redemption Frequency | Redemption Notice Period |
| Pooled Separate Accounts | | | | | |
| Equity Funds | (a) | $ 640,388 | $ - | Immediate | None |
| Bond Funds | (b) | 8,567 | - | Immediate | None |
| Real Estate Funds | (c) | 35,195 | - | One per calendar quarter | None |
| Mutual Funds | | | | | |
| TIFF Multi-Asset Fund | (d) | 34,829,997 | - | Immediate | Up to 7 days |
| Investment Partnerships | | | | | |
| TIFF Keystone Fund, L.P. | (e) | 35,783,880 | - | Quarterly | 180 days |
| | | $ 71,298,027 | | | |

| | | Assets at Fair Value at June 30, 2016 | | | |
|---|---|---|---|---|---|
| Investments | | Fair Value | Unfunded Commitment | Redemption Frequency | Redemption Notice Period |
| Pooled Separate Accounts | | | | | |
| Equity Funds | (a) | $ 594,616 | $ - | Immediate | None |
| Bond Funds | (b) | 44,791 | - | Immediate | None |
| Real Estate Funds | (c) | 50,919 | - | One per calendar quarter | None |
| Mutual Funds | | | | | |
| TIFF Multi-Asset Fund | (d) | 34,443,100 | - | Immediate | Up to 7 days |
| Investment Partnerships | | | | | |
| TIFF Keystone Fund, L.P. | (e) | 35,209,521 | - | Quarterly | 180 days |
| | | $ 70,342,947 | | | |

(a) Investments in this category seek a favorable long-term rate of return through capital appreciation and investment income by investing primarily in a broadly diversified portfolio of foreign and domestic common stock.

## NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Investments in this category seek high current income consistent with maintaining liquidity and preserving capital.

(c) Investments in this category seek favorable long-term returns primarily through rental income and appreciation of real estate investments.

(d) The fund seeks to achieve a total return that, over a majority of market cycles, exceeds the Consumer Price Index plus 5% per annum by employing a globally diversified portfolio. The fund rebalances segment weights in a manner designed to exploit capital markets' mean-reverting tendencies to the maximum extent in light of trading costs.

(e) The fund's investment objective is to maximize annualized returns net of all costs over rolling 10-year periods while adhering to the Funds' risk parameters. The Fund expects to invest globally in multiple asset classes and in both publicly traded and privately placed securities, properties, and other assets, either directly or through investment funds, including private equity funds, private realty funds, natural resources funds, and hedge funds.

## NOTE 5 PROPERTY

Property, net, consists of the following at June 30:

| | 2017 | 2016 |
|---|---|---|
| Leasehold Improvements | $ 4,964,146 | $ 4,964,146 |
| Less Accumulated Amortization | (4,100,477) | (3,767,648) |
| Total | $ 863,669 | $ 1,196,498 |

## NOTE 6 FURNITURE AND EQUIPMENT

Furniture and equipment, net, consists of the following at June 30:

| | 2017 | 2016 |
|---|---|---|
| Computer Equipment | $ 2,318,548 | $ 2,919,387 |
| Computer Software | 5,368,589 | 2,463,785 |
| Office Furniture | 2,592,999 | 2,579,267 |
| Office Equipment | 865,249 | 865,249 |
| Telephone Equipment | 31,865 | 37,082 |
| Total | 11,177,250 | 8,864,770 |
| Less Accumulated Depreciation | (6,549,867) | (6,443,366) |
| Total Furniture and Equipment | $ 4,627,383 | $ 2,421,404 |

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was $1,588,519 and $1,803,081, respectively. Furniture and equipment includes computer software of approximately $2,313,000 at June 30, 2017 which had not yet been placed in service.

## NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $1,265,893 and $2,369,377 at June 30, 2017 and 2016, respectively, are available for specific program and project expenses.

## NOTE 8 COMMITMENTS AND CONTINGENCIES

**Building Lease**

The Organization is party to a lease for office space in Philadelphia, Pennsylvania. The lease expires in October 2025 and contains options to extend the lease for three consecutive five-year renewal terms ending in October 2040. Approximate future minimum rental payments are as follows:

| Years Ending June 30 | Amount |
|---|---|
| 2018 | $ 2,603,890 |
| 2019 | 2,654,610 |
| 2020 | 2,705,331 |
| 2021 | 2,756,050 |
| 2022 | 2,806,771 |
| Thereafter | 66,724,364 |
| Total | $ 80,251,016 |

The lease contains scheduled rent increases. Deferred rent includes the accumulated straight-line rent expense calculated in accordance with accounting principles generally accepted in the United States of America in excess of actual cash payments. Rent expense for this lease was approximately $3,186,000 in 2017 and $3,178,000 in 2016.

**Equipment Leases**

The Organization leases copy center and other office equipment under various operating lease agreements. The leases expire at various times through November 2022. Approximate future minimum annual rental payments required under these leases are $154,000.

Rent expense for these leases was approximately $479,000 and $476,000 in 2017 and 2016.

**Deferred Compensation and Employment Contract**

The Organization entered into an employment agreement with a new key employee effective June 7, 2013. The agreement expires June 30, 2018. The terms of the agreement require the Organization to pay a base salary of at least $568,000 per year. The key employee is also eligible for an annual incentive bonus based on performance as determined and approved by the board of directors. In accordance with the employee's agreement, the Organization established an unfunded deferred compensation account on behalf of the employee and is required to credit the account based upon prescribed calculations. The deferred compensation liability includes approximately $381,000 and $290,000 at June 30, 2017 and 2016 attributable to the employment contract with the employee.

## NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

**Deferred Compensation and Employment Contract (Continued)**

The Organization has an unfunded deferred compensation plan for certain employees. The plan allows the group of employees to defer compensation on a tax-free basis up to statutory maximum limits. The Organization purchased participant directed investments related to the plan in the approximate amount of $53,000 and $56,000 during the years ended June 30, 2017 and 2016, respectively, and distributed approximately $215,000 and $196,000 to certain employees during the years ended June 30, 2017 and 2016, respectively. Deferred compensation liability includes approximately $684,000 and $734,000 at June 30, 2017 and 2016, respectively, attributable to the plan.

**Pension Plan**

The Organization makes contributions, on behalf of all employees who meet certain eligibility requirements, to employees' pension retirement accounts established under Section 403(b) of the Internal Revenue Code. The Organization contributes amounts equal to a percentage of participants' eligible salaries. Pension expense, including administrative fees, was approximately $2,659,000 in 2017 and $2,682,000 in 2016.

**Litigation**

The Organization is involved in various litigation matters deemed to be incidental to the conduct of its operations. In addition, from time to time the Organization determines that certain physicians may not be qualified for certification. The Organization has an internal appeal process through which such physicians may seek review of such determinations. In certain instances, physicians pursuing internal appeals of adverse certification determinations have threatened to bring legal action against the Organization. Although the ultimate outcome of these matters is often unknown, management is of the opinion that any liability that might ensue would not materially affect the Organization's financial position or the results of its activities.

## NOTE 9 FUNCTIONAL EXPENSES

The cost of providing program and supporting services are summarized on a functional basis as follows:

| | 2017 | 2016 |
|---|---|---|
| Program Services | $ 47,417,548 | $ 51,380,441 |
| Supporting Services | 10,592,774 | 15,238,770 |
| | $ 58,010,322 | $ 66,619,211 |

# AMERICAN BOARD OF INTERNAL MEDICINE
# AND AFFILIATED FOUNDATION
# CONSOLIDATING STATEMENT OF FINANCIAL POSITION
# JUNE 30, 2017
### (SEE INDEPENDENT AUDITORS' REPORT)

| | Foundation | ABIM | Eliminations | Consolidated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $ 2,577,075 | $ 37,025,972 | $ - | $ 39,603,047 |
| Accounts Receivable, Net | 62,150 | 816,654 | - | 878,804 |
| Grants Receivable | 1,164,045 | 232,992 | (232,992) | 1,164,045 |
| Due (To) From Affiliate | (470,233) | 470,233 | - | - |
| Investments, at Fair Value | 70,613,877 | 2,359,344 | - | 72,973,221 |
| Investments, at Fair Value, Deferred Compensation Plan | - | 684,150 | - | 684,150 |
| Prepaid Expenses | 220,320 | 1,007,332 | - | 1,227,652 |
| Property, Net | - | 863,669 | - | 863,669 |
| Furniture and Equipment, Net | - | 4,627,383 | - | 4,627,383 |
| Total Assets | $ 74,167,234 | $ 48,087,729 | $ (232,992) | $ 122,021,971 |
| **LIABILITIES AND NET ASSETS (DEFICIT)** | | | | |
| **LIABILITIES** | | | | |
| Accounts and Grants Payable and Accrued Expenses | $ 1,731,090 | $ 2,421,733 | $ (232,992) | $ 3,919,831 |
| Accrued Compensation | 286,547 | 3,559,292 | - | 3,845,839 |
| Deferred Revenue | | | | |
| Certifying Examinations | - | 31,327,118 | - | 31,327,118 |
| Maintenance of Certification | - | 54,329,295 | - | 54,329,295 |
| Deferred Compensation | - | 1,143,643 | - | 1,143,643 |
| Deferred Rents | - | 8,245,642 | - | 8,245,642 |
| Total Liabilities | 2,017,637 | 101,026,723 | (232,992) | 102,811,368 |
| **NET ASSETS (DEFICIT)** | | | | |
| Unrestricted | 70,985,553 | (53,171,985) | 232,991 | 18,046,559 |
| Temporarily Restricted | 1,164,044 | 232,991 | (232,991) | 1,164,044 |
| Total Net Assets (Deficit) | 72,149,597 | (52,938,994) | - | 19,210,603 |
| Total Liabilities and Net Assets (Deficit) | $ 74,167,234 | $ 48,087,729 | $ (232,992) | $ 122,021,971 |

**THE AMERICAN BOARD OF INTERNAL MEDICINE**
**AND AFFILIATED FOUNDATION**
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**
**JUNE 30, 2016**
**(SEE INDEPENDENT AUDITORS' REPORT)**

| | Foundation | ABIM | Eliminations | Consolidated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $ 3,349,304 | $ 36,501,735 | $ - | $ 39,851,039 |
| Accounts Receivable, Net | 58,067 | 699,854 | - | 757,921 |
| Grants Receivable | 2,369,378 | 493,174 | (493,174) | 2,369,378 |
| Due (To) From Affiliate | (657,343) | 657,343 | - | - |
| Investments, at Fair Value | 69,652,621 | 2,138,316 | - | 71,790,937 |
| Investments, at Fair Value, Deferred Compensation Plan | - | 733,757 | - | 733,757 |
| Prepaid Expenses | 91,946 | 1,187,693 | - | 1,279,639 |
| Property, Net | - | 1,196,498 | - | 1,196,498 |
| Furniture and Equipment, Net | - | 2,421,404 | - | 2,421,404 |
| Total Assets | $ 74,863,973 | $ 46,029,774 | $ (493,174) | $ 120,400,573 |
| **LIABILITIES AND NET ASSETS (DEFICIT)** | | | | |
| **LIABILITIES** | | | | |
| Accounts and Grants Payable and Accrued Expenses | $ 3,373,666 | $ 2,411,845 | $ (493,174) | $ 5,292,337 |
| Accrued Compensation | 295,437 | 4,632,350 | - | 4,927,787 |
| Deferred Revenue | | | | |
| Certifying Examinations | - | 31,729,595 | - | 31,729,595 |
| Maintenance of Certification | - | 56,201,867 | - | 56,201,867 |
| Deferred Compensation | - | 909,725 | - | 909,725 |
| Deferred Rents | - | 7,712,867 | - | 7,712,867 |
| Total Liabilities | 3,669,103 | 103,598,249 | (493,174) | 106,774,178 |
| **NET ASSETS (DEFICIT)** | | | | |
| Unrestricted | 68,825,493 | (58,061,648) | 493,173 | 11,257,018 |
| Temporarily Restricted | 2,369,377 | 493,173 | (493,173) | 2,369,377 |
| Total Net Assets (Deficit) | 71,194,870 | (57,568,475) | - | 13,626,395 |
| Total Liabilities and Net Assets (Deficit) | $ 74,863,973 | $ 46,029,774 | $ (493,174) | $ 120,400,573 |

**THE AMERICAN BOARD OF INTERNAL MEDICINE**
**AND AFFILIATED FOUNDATION**
**CONSOLIDATING STATEMENT OF ACTIVITIES**
**YEAR ENDED JUNE 30, 2017**
**(SEE INDEPENDENT AUDITORS' REPORT)**

| | Foundation | ABIM | Eliminations | Consolidated |
|---|---|---|---|---|
| **CHANGES IN UNRESTRICTED NET ASSETS** | | | | |
| Revenues and Gains | | | | |
| Certification Exams | | | | |
| Internal Medicine | $ - | $ 14,051,374 | $ - | $ 14,051,374 |
| Subspecialties and Other | - | 16,670,434 | - | 16,670,434 |
| Credit Card Fees | - | (636,093) | - | (636,093) |
| | - | 30,085,715 | - | 30,085,715 |
| Maintenance of Certification Program | | | | |
| Examination | - | 4,807,925 | - | 4,807,925 |
| Program Fee | - | 20,350,575 | - | 20,350,575 |
| Credit Card Fees | - | (520,905) | - | (520,905) |
| | - | 24,637,595 | - | 24,637,595 |
| Other Revenue | | | | |
| Investment Income, Net | 8,027,901 | 149,499 | - | 8,177,400 |
| Other Income | 4,677 | 4,487,575 | (3,859,299) | 632,953 |
| | 8,032,578 | 4,637,074 | (3,859,299) | 8,810,353 |
| Total Unrestricted Revenues and Gains | 8,032,578 | 59,360,384 | (3,859,299) | 63,533,663 |
| Net Assets Released from Restrictions, Satisfaction of Program Restrictions | 1,220,814 | 311,106 | (265,720) | 1,266,200 |
| Total Unrestricted Revenues, Gains and Other Support | 9,253,392 | 59,671,490 | (4,125,019) | 64,799,863 |
| **OPERATING EXPENSES** | | | | |
| Operating Expenses | 7,093,332 | 54,788,487 | (3,864,837) | 58,016,982 |
| Gain on Disposal of Furniture and Equipment | - | (6,660) | - | (6,660) |
| | 7,093,332 | 54,781,827 | (3,864,837) | 58,010,322 |
| Change in Unrestricted Net Assets (Deficit) | 2,160,060 | 4,889,663 | (260,182) | 6,789,541 |
| **CHANGES IN TEMPORARILY RESTRICTED NET ASSETS** | | | | |
| Grant Revenue | 15,481 | 50,924 | (5,538) | 60,867 |
| Net Assets Released from Restrictions | (1,220,814) | (311,106) | 265,720 | (1,266,200) |
| Change in Temporarily Restricted Net Assets (Deficit) | (1,205,333) | (260,182) | 260,182 | (1,205,333) |
| Change in Net Assets (Deficit) | 954,727 | 4,629,481 | - | 5,584,208 |
| Net Assets (Deficit) - Beginning of Year | 71,194,870 | (57,568,475) | - | 13,626,395 |
| **NET ASSETS (DEFICIT) - END OF YEAR** | $ 72,149,597 | $ (52,938,994) | $ - | $ 19,210,603 |

# THE AMERICAN BOARD OF INTERNAL MEDICINE
# AND AFFILIATED FOUNDATION
# CONSOLIDATING STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2016
### (SEE INDEPENDENT AUDITORS' REPORT)

| | Foundation | ABIM | Eliminations | Consolidated |
|---|---|---|---|---|
| **CHANGES IN UNRESTRICTED NET ASSETS** | | | | |
| Revenues and Gains | | | | |
| Certification Exams | | | | |
| Internal Medicine | $ - | $ 14,226,066 | $ - | $ 14,226,066 |
| Subspecialties and Other | - | 16,242,531 | - | 16,242,531 |
| Credit Card Fees | - | (547,793) | - | (547,793) |
| | - | 29,920,804 | - | 29,920,804 |
| Maintenance of Certification Program | | | | |
| Credentialing | - | 85,065 | - | 85,065 |
| Examination | - | 7,501,230 | - | 7,501,230 |
| Program Fee | - | 17,391,027 | - | 17,391,027 |
| Credit Card Fees | - | (449,066) | - | (449,066) |
| | - | 24,528,256 | - | 24,528,256 |
| Other Revenue | | | | |
| Investment Income, Net | (1,577,871) | 112,849 | - | (1,465,022) |
| Other Income | 10,346 | 544,909 | - | 555,255 |
| | (1,567,525) | 657,758 | - | (909,767) |
| Total Unrestricted Revenues and Gains | (1,567,525) | 55,106,818 | - | 53,539,293 |
| Net Assets Released from Restrictions, Satisfaction of Program Restrictions | 1,464,118 | 368,121 | (342,466) | 1,489,773 |
| Total Unrestricted Revenues, Gains and Other Support | (103,407) | 55,474,939 | (342,466) | 55,029,066 |
| **OPERATING EXPENSES** | | | | |
| Operating Expenses | 4,519,388 | 62,512,167 | (454,199) | 66,577,356 |
| Loss on Disposal of Furniture and Equipment | 41,855 | - | - | 41,855 |
| | 4,561,243 | 62,512,167 | (454,199) | 66,619,211 |
| Change in Unrestricted Net Assets (Deficit) | (4,664,650) | (7,037,228) | 111,733 | (11,590,145) |
| **CHANGES IN TEMPORARILY RESTRICTED NET ASSETS** | | | | |
| Grant Revenue | 68,450 | 479,854 | (454,199) | 94,105 |
| Net Assets Released from Restrictions | (1,464,118) | (368,121) | 342,466 | (1,489,773) |
| Change in Temporarily Restricted Net Assets (Deficit) | (1,395,668) | 111,733 | (111,733) | (1,395,668) |
| Change in Net Assets (Deficit) | (6,060,318) | (6,925,495) | - | (12,985,813) |
| Net Assets (Deficit) - Beginning of Year | 77,255,188 | (50,642,980) | - | 26,612,208 |
| **NET ASSETS (DEFICIT) - END OF YEAR** | $ 71,194,870 | $ (57,568,475) | $ - | $ 13,626,395 |

# THE AMERICAN BOARD OF INTERNAL MEDICINE
# AND AFFILIATED FOUNDATION
# SCHEDULE OF ABIM CHANGES IN UNRESTRICTED NET ASSETS (DEFICIT) FROM OPERATIONS
# YEAR ENDED JUNE 30, 2017
## (SEE INDEPENDENT AUDITORS' REPORT)

| | Total ABIM | Certification | Maintenance of Certification | Other |
|---|---|---|---|---|
| **CHANGES IN UNRESTRICTED NET ASSETS** | | | | |
| Revenues and Gains | | | | |
| Certification Exams | | | | |
| Internal Medicine | $ 14,051,374 | $ 14,051,374 | $ - | $ - |
| Subspecialties and Other | 16,670,434 | 16,670,434 | - | - |
| Credit Card Fees | (636,093) | (636,093) | - | - |
| | 30,085,715 | 30,085,715 | - | - |
| Maintenance of Certification Program | | | | |
| Examination | 4,807,925 | - | 4,807,925 | - |
| Program Fee | 20,350,575 | - | 20,350,575 | - |
| Credit Card Fees | (520,905) | - | (520,905) | - |
| | 24,637,595 | - | 24,637,595 | - |
| Other Revenue | | | | |
| Investment Income, Net | 149,499 | - | - | 149,499 |
| Other Income | 4,487,575 | - | - | 4,487,575 |
| | 4,637,074 | - | - | 4,637,074 |
| Total Unrestricted Revenues and Gains | 59,360,384 | 30,085,715 | 24,637,595 | 4,637,074 |
| Net Assets Released from Restrictions, Satisfaction of Program Restrictions | 311,106 | - | - | 311,106 |
| Total Unrestricted Revenues, Gains and Other Support | 59,671,490 | 30,085,715 | 24,637,595 | 4,948,180 |
| **OPERATING EXPENSES** | | | | |
| Staff Expenses | 29,862,055 | - | - | 29,862,055 |
| Non Staff Expenses | 24,919,772 | 7,535,162 | 4,307,951 | 13,076,659 |
| | 54,781,827 | 7,535,162 | 4,307,951 | 42,938,714 |
| Allocation to Program Services | - | 17,803,853 | 14,579,814 | (32,383,667) |
| | 54,781,827 | 25,339,015 | 18,887,765 | 10,555,047 |
| Changes in Unrestricted Net Assets (Deficit) from Operations | $ 4,889,663 | $ 4,746,700 | $ 5,749,830 | $ (5,606,867) |

**THE AMERICAN BOARD OF INTERNAL MEDICINE**
**AND AFFILIATED FOUNDATION**
**CONSOLIDATING SCHEDULE OF ADMINISTRATIVE, PROGRAM, AND PROJECT EXPENSES**
**YEAR ENDED JUNE 30, 2017**
**(SEE INDEPENDENT AUDITORS' REPORT)**

| | ABIM | Foundation | Consolidated |
|---|---|---|---|
| **ADMINISTRATIVE EXPENSES** | | | |
| Board of Directors, Including all Committee Activities | $ 660,207 | $ 587,406 | $ 1,247,613 |
| Insurance | 416,291 | 15,736 | 432,027 |
| Legal Services, General | 788,779 | 26,059 | 814,838 |
| Accounting Services | 46,659 | 11,130 | 57,789 |
| Payroll Services | 37,919 | - | 37,919 |
| Marketing | 42,914 | - | 42,914 |
| Consulting, Other | 2,507,200 | 28,316 | 2,535,516 |
| Publications and Subscriptions | 159,677 | 952 | 160,629 |
| Professional Activities | 44,682 | - | 44,682 |
| Educational Activities | 360 | - | 360 |
| Postage | 20,596 | - | 20,596 |
| Printing | 4,129 | - | 4,129 |
| Foundation Activities | 250,355 | - | 250,355 |
| Computer Services | 752,836 | 773 | 753,609 |
| Other | 8,483 | - | 8,483 |
| Total Administrative Expenses | 5,741,087 | 670,372 | 6,411,459 |
| **PROGRAM AND PROJECT EXPENSES** | 1,257,158 | 4,496,460 | 5,753,618 |
| Total | $ 6,998,245 | $ 5,166,832 | $ 12,165,077 |

**THE AMERICAN BOARD OF INTERNAL MEDICINE**
**AND AFFILIATED FOUNDATION**
**CONSOLIDATING SCHEDULE OF STAFF EXPENSES**
**YEAR ENDED JUNE 30, 2017**
**(SEE INDEPENDENT AUDITORS' REPORT)**

| | ABIM | Foundation | Consolidated |
|---|---|---|---|
| **SALARIES** | | | |
| Regular | $ 21,745,312 | $ 1,382,559 | $ 23,127,871 |
| Overtime | 93,683 | 8 | 93,691 |
| Voluntary Retirement Program Payment | 55,032 | - | 55,032 |
| Total Salaries | 21,894,027 | 1,382,567 | 23,276,594 |
| **BENEFITS** | | | |
| Payroll Taxes | 1,523,089 | 80,842 | 1,603,931 |
| Insurance | 3,184,849 | 170,180 | 3,355,029 |
| Pension | 2,674,656 | 140,181 | 2,814,837 |
| Tuition Reimbursement | 54,964 | - | 54,964 |
| Public Transportation Costs | 186,688 | 10,080 | 196,768 |
| Parking | 51,440 | 240 | 51,680 |
| Benefit Allocation | (412,672) | - | (412,672) |
| Total Benefits | 7,263,014 | 401,523 | 7,664,537 |
| **OTHER STAFF EXPENSES** | | | |
| Recruiting and Employment Agency Fees | 158,346 | - | 158,346 |
| Temporary Help | 105,583 | - | 105,583 |
| Meals and Lodging | 166,864 | 993 | 167,857 |
| Education | 283,703 | - | 283,703 |
| Other | (9,482) | 12,463 | 2,981 |
| Total Other Staff Expenses | 705,014 | 13,456 | 718,470 |
| Total | $ 29,862,055 | $ 1,797,546 | $ 31,659,601 |

## THE AMERICAN BOARD OF INTERNAL MEDICINE
## AND AFFILIATED FOUNDATION
## CONSOLIDATING SCHEDULE OF OFFICE EXPENSES
## YEAR ENDED JUNE 30, 2017
**(SEE INDEPENDENT AUDITORS' REPORT)**

| | ABIM | Foundation | Consolidated |
|---|---|---|---|
| **OFFICE EXPENSES** | | | |
| Rent | $ 3,085,945 | $ 100,440 | $ 3,186,385 |
| Office Maintenance | 36,734 | - | 36,734 |
| Office Equipment | 216,721 | 580 | 217,301 |
| Office Supplies | 138,521 | 1,288 | 139,809 |
| Duplicating | 202,222 | - | 202,222 |
| Telephone | 128,919 | - | 128,919 |
| Intranet/On-Line Services | 153,761 | - | 153,761 |
| Stationery and Printing | 293,386 | 3 | 293,389 |
| Courier/Mailings | 23,285 | 695 | 23,980 |
| Cleaning | 92,027 | - | 92,027 |
| Depreciation and Amortization | 1,588,519 | - | 1,588,519 |
| Miscellaneous Services | 12,458 | - | 12,458 |
| Payroll Services | 51,744 | - | 51,744 |
| Electricity | 46,006 | 6,373 | 52,379 |
| Other Expenses | 14,824 | 19,820 | 34,644 |
| Total | $ 6,085,072 | $ 129,199 | $ 6,214,271 |