

# MANAGEMENT'S DISCUSSION AND ANALYSIS


The Financial Accounting Foundation (FAF), the Financial Accounting Standards Board (FASB), and the Governmental Accounting Standards Board (GASB) are committed to the development of high-quality financial accounting and reporting standards through an independent and open process that results in useful financial information, considers all stakeholder views, and ensures public accountability.

The FAF is responsible for the oversight, administration, financing, and appointment of the FASB and the GASB, and respective advisory councils, the Financial Accounting Standards Advisory Council (FASAC), the Private Company Council (PCC), and the Governmental Accounting Standards Advisory Council (GASAC). The FAF obtains its funding from three sources:

- Accounting support fees that finance FASB operating and capital expenses pursuant to Section 109 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act);
- Accounting support fees that finance GASB operating and capital expenses pursuant to Section 978 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act); and
- Sales and licensing of copyrighted FASB and GASB content.

Program and support expenses are funded by accounting support fees and by voluntary Reserve Fund contributions, which are determined during our annual budgeting process.

The FAF established the Reserve Fund to: (1) provide the FAF with sufficient reserves to fund budgeted current expenditures that are not otherwise funded by operating revenue (principally, accounting support fees or publishing revenues); (2) fund the operations of the FASB, the GASB, and the FAF during any temporary or permanent funding transitions; (3) fund unforeseen contingencies; and (4) provide temporary funding of operations resulting from cash flow deficiencies (primarily related to timing of accounting support fees collections, provided that the Reserve Fund will be replenished within a reasonably short period of time).



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FAF's current policy is to maintain a target Reserve Fund balance equal to one year of budgeted gross expenses for the entire organization. If the projected year-end Reserve Fund balance exceeds the year-end target Reserve Fund, the FAF has historically voluntarily contributed this excess amount to fund the FASB's and GASB's budgeted recoverable expenses that otherwise would have been funded by accounting support fees.

The next sections provide certain 2021 financial highlights and management's discussion and should be read in conjunction with the FAF's audited financial statements that follow.

## 2021 Summary

The FAF's net assets increased by \$3.8 million in 2021 as operating revenues exceeded operating expenses by \$4.3 million. Total 2021 revenues and program and support expenses increased by 2% and 1%, respectively, from 2020. In both 2021 and 2020, the FAF's actual expenses were favorable compared to the 2021 budget, resulting in the excess of revenues over expenses. This favorable variance was largely driven by a reduction in travel, meeting, and other related costs due to the ongoing impact of the COVID-19 pandemic.

Standard-setting activities in 2021 related to the FASB's and the GASB's primary mission of improving financial accounting and reporting standards. These efforts included making improvements to U.S. GAAP while maintaining or increasing comparability with international accounting standards where possible, working with the PCC to improve the standard-setting process for private companies, and continuing the development of the GAAP Financial Reporting Taxonomy (Taxonomy) for eXtensible Business Reporting Language (XBRL) in the private sector. Significant activities and achievements relating to the FASB's and GASB's standard-setting mission during 2021 are described in greater detail in the FASB's and GASB's respective websites at FASB.org and GASB.org.

Program expenses also include publishing and delivering FASB and GASB standard-setting content. In 2021 and 2020, these include costs associated with the Content, Vision, & Enablement (CVE) Initiative. The CVE Initiative began with the objective of modernizing the publication and distribution of FASB and GASB standards. The project, which is expected to be completed in 2022, has three components:

- 1) Finalize and operationalize the organization's content distribution strategy;
- 2) Implement a new publishing platform with related integrations; and

- 3) Enable more streamlined business processes to support our content creation, production, and distribution.

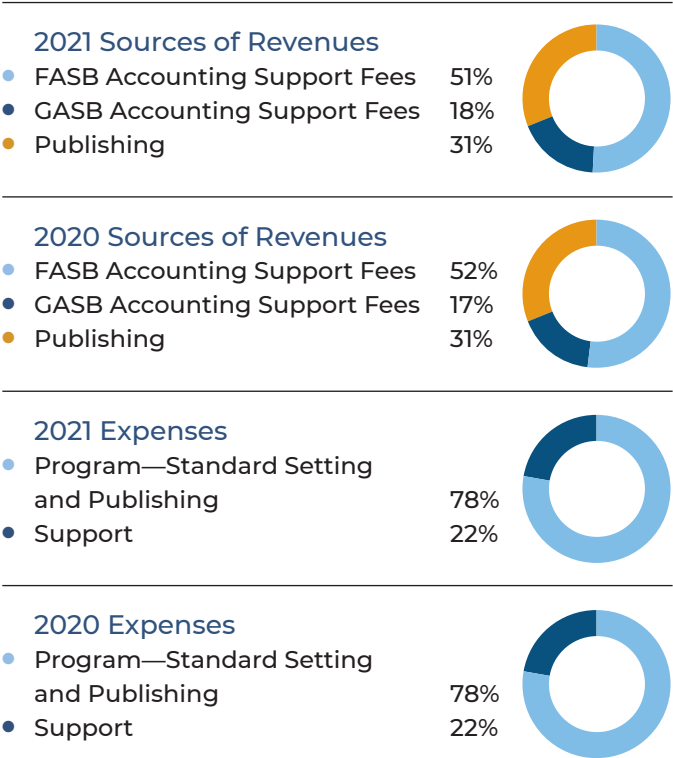
The total CVE Initiative budget spanning 2018–2022 is \$20.2 million, of which approximately \$16.5 million has been expended through December 31, 2021. A total of \$8.9 million and \$3.2 million were expended in 2021 and 2020, respectively, including both operating expenses and capital.

## 2021 Financial Results

The FAF's financial statements are presented in accordance with GAAP and reflect the specific reporting requirements of not-for-profit organizations.

### Statements of Activities

The following charts display the sources of revenues and the program and support expenses for 2021 and 2020:



### FASB Accounting Support Fees

FASB accounting support fees are assessed upon issuers, as defined by the Sarbanes-Oxley Act, to fund the expenses and other cash requirements of the FASB's standard-setting activities, as reflected in the FAF's annual operating and capital budget—the FASB recoverable expenses.

Equity issuers and investment company issuers are assessed a share of the accounting support fees based upon their relative average monthly market capitalization, subject to minimum capitalization thresholds. The FAF has retained the Public Company Accounting Oversight Board (PCAOB) as its agent for invoicing and collecting FASB accounting support fees, which were \$31.4 million in 2021 and \$31.3 million in 2020. As previously noted, the FAF voluntarily contributes a formula-based amount from the Reserve Fund to offset FASB recoverable expenses that would otherwise be funded by accounting support fees. The FAF paid the PCAOB approximately \$209,000 per year for collection services, which is included as part of operating support expenses, in 2021 and 2020.

The Office of Management and Budget (OMB) has determined that the FASB accounting support fee is subject to sequestration pursuant to the Budget Control Act of 2011 (BCA). Sequestration amounts are based on the federal government's fiscal year, which, for the 2021 sequestration, began on October 1, 2020, and ended on September 30, 2021. During 2021, approximately \$1.8 million was sequestered with respect to the FASB accounting support fee. The OMB notified the FAF that the 2021 sequestered funds were available for spending for the 2022 federal fiscal year, which began October 1, 2021. The FAF understands that the FASB accounting support fee for federal fiscal year 2022 will be subject to sequestration in a similar manner.

### GASB Accounting Support Fees

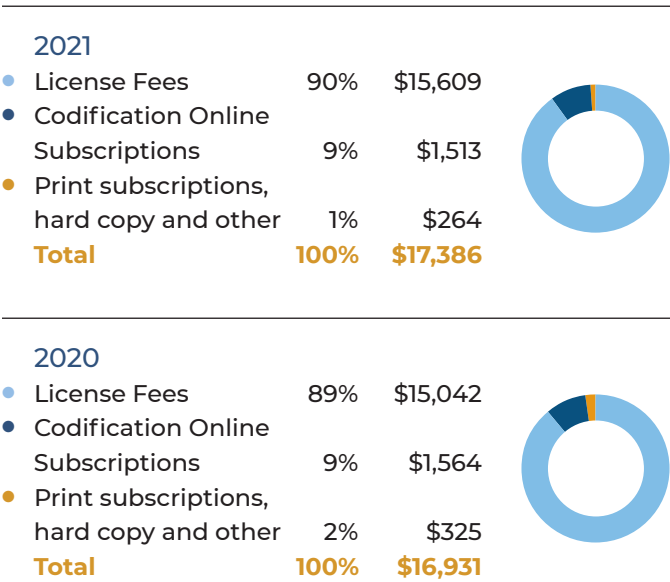
Pursuant to the Dodd-Frank Act, in 2012, the SEC issued an order approving a proposed rule change to the by-laws of the Financial Industry Regulatory Authority (FINRA) to establish an accounting support fee to fund the annual budget of the GASB, including rules and procedures to provide for the equitable allocation, assessment, and collection of the GASB accounting support fee from FINRA members. As previously noted, the FAF voluntarily contributes a formula-based amount from the Reserve Fund to offset GASB recoverable expenses that would otherwise be funded by accounting support fees. FINRA collects the GASB accounting support fee quarterly from member firms that report trades to the Municipal Securities Rulemaking Board (MSRB). Each member firm's assessment is based on the member firm's portion of the total par value of municipal securities transactions reported by FINRA member firms to the MSRB during the previous quarter. GASB accounting support fees were \$10.7 million in 2021 and

\$10.0 million in 2020. The FAF paid FINRA \$30,000 per year for collection services, which is included as part of operating support expenses, in 2021 and 2020.

### Publishing Revenue

Publishing revenue for FASB and GASB product offerings is presented in the statements of activities on a combined basis. As noted below, gross revenues year to year have been positively impacted by price increases for FASB and GASB products but offset by a decreasing number of commercial sublicensees and direct subscribers to online and print subscriptions. Gross revenues for FASB and GASB product offerings are separately displayed in the charts below for 2021 and 2020.

#### FASB Publishing (dollars in thousands)

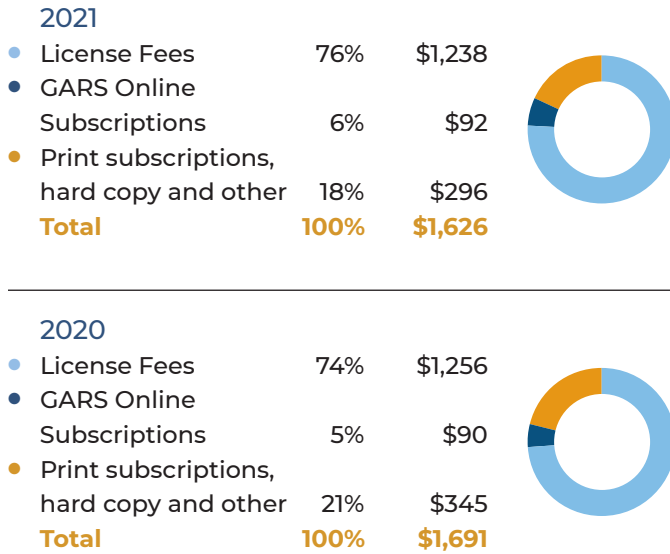


The FAF licenses the content of the *FASB Accounting Standards Codification*® (FASB Codification) to commercial publishers and others for inclusion in their proprietary, comprehensive, online research systems, and in additional products. The FASB Codification also is directly accessible through an online platform and can be viewed either through a free Basic View or as an annual paid subscription to the Professional View that provides advanced functionality and navigation. The FAF also sells a bound edition of the FASB Codification and provides The FASB Subscription, an annual paid service that includes the distribution of printed copies of FASB Accounting Standards Updates (ASUs) when issued.

FASB revenues totaled \$17.4 million in 2021 and \$16.9 million in 2020. This net change reflects increases in

product prices, offset by a decrease in the number of FASB Codification subscribers and demand for print products.

#### GASB Publishing (dollars in thousands)



The FAF licenses GASB materials to commercial publishers and others for inclusion in their proprietary, comprehensive, online research systems, and in additional products. GASB materials are also directly accessible online through the Governmental Accounting Research System (GARS). GARS Online can be viewed either through a free Basic View or as an annual paid subscription to the Professional View that provides advanced functionality and navigation. GASB print subscriptions consist of The GASB Subscription (consisting of final documents as they are issued). In addition, the FAF sells bound editions of the GASB Codification, GASB Original Pronouncements, and the GASB Comprehensive Implementation Guide, as well as hard copies of individual pronouncements, User Guides, Research Reports, and other documents. GASB publishing revenues totaled \$1.6 million in 2021 and \$1.7 million in 2020. This net change reflects increases in product prices, offset by a decrease in the number of commercial publisher sublicensees, subscribers to print subscriptions, and demand for print products.

#### Program and Support Expenses

The FAF's operating program expenses, which comprise the standard-setting activities of the FASB and the GASB and FAF publishing activities totaled \$45.0 million in 2021. This is a 2% increase from 2020

and primarily related to program salaries and benefits (comprising over 80% of total program expenses), which increased 3% primarily related to annual salary rate increases.

The FAF's operating support expenses totaled \$12.3 million in 2021, a decrease of 1% from 2020.

#### Investment Income

The FAF's Reserve Fund, held primarily in money market and fixed income mutual funds, experienced net investment loss of \$93,000 in 2021, compared to net investment income of \$1.7 million in 2020, resulting from poor market conditions for these investments.

#### Other Components of Net Period Pension Cost and Other Pension-Related Changes Not Reflected in Operating Expenses

Other components of net period pension cost include all components of net periodic benefit costs other than service costs, which are included in operating expenses. The FAF recorded nonoperating decreases in net assets of \$41,000 and \$64,000 in 2021 and 2020, respectively.

Other pension-related changes are nonoperating adjustments to record the change in the funded status of the Employees' Pension Plan and the Postretirement Plan. Pension-related changes are determined by comparing the fair value of plan assets against the actuarially determined amount of benefit obligations. The FAF recorded nonoperating (decrease) increase in net assets of (\$353,000) and \$909,000 for 2021 and 2020, respectively. Factors impacting the amount of pension-related changes include actuarial gains or losses resulting from actual investment return compared to actuarially expected return, offset by the impact of changes to the discount rate. In 2021, pension-related changes also reflected a change in mortality assumptions for the plan.

#### Statements of Financial Position

##### Reserve Fund Investments

Reserve Fund investments totaled \$62.5 million and \$62.6 million as of December 31, 2021 and 2020, respectively. The Reserve Fund's assets were invested in approximately equal proportions in a money market mutual fund and a short-term, high-credit quality, fixed income mutual fund. An amount equal to the Reserve Fund balance is reflected as a separate Board-designated component of net assets without donor restrictions.

Accounting support fee assessments in 2021 and 2020 were offset by voluntary Reserve Fund

contributions of \$12.0 million and \$10.9 million, respectively. These amounts are primarily derived from net publishing revenues but also benefited from favorable variances in revenues and expenses between budget and actual that carry over from the prior year and other items that affect the balance of the Reserve Fund.

#### **Accounting Support Fees, Publishing, and Other Receivables**

Receivables as of December 31, 2021 and 2020 primarily included \$5.8 million and \$4.4 million of license fees, respectively, and \$2.8 million of GASB accounting support fees each year. The remaining balance primarily related to other publishing revenues.

#### **Operating Lease Right of Use (ROU) Assets and Operating Lease Liabilities**

Operating lease ROU assets and liabilities include the recognition of operating leases for office space in Norwalk (main office) and Washington, D.C. and for equipment as detailed in Note 8 to the financial statements. As further described in Note 8, the FAF entered into a lease agreement for new office, which will commence in early 2022.

#### **Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses increased from \$3.0 million as of December 31, 2020 to \$7.2 million as of December 31, 2021, primarily related to amounts accrued for work completed against milestone payments due in 2022 for the CVE Initiative.

#### **Accrued Postretirement Health Care Costs and Accrued Pension Costs**

The funded status of the Postretirement Plan amounted to a \$921,000 net liability in 2021, compared to a net liability of \$1.0 million in 2020. The funded status of the Employees' Pension Plan amounted to a \$1.5 million net liability in 2021, compared to a net liability of \$575,000 in 2020. The change in funded status of each plan is impacted by a combination of a change in mortality assumptions, changes in discount rate, and investment performance.

### **2022 Outlook**

After over 30 years at our current headquarters, the FAF has signed a lease for new office space and will be moving in 2022. This will result in a significant capital investment to build out the office space and provide upgrades to technology infrastructure. To alleviate the impact these one-time costs will have on accounting support fees, the FAF will fund a portion of these costs through temporary funding from the FAF's Reserve Fund, which will be repaid through accounting support fees billed in future years.

In addition, as previously noted, the CVE Initiative solution implementation will be completed in 2022. The new platform replaces aging and outdated technology and will help to ensure a reliable and stable platform to support our standard-setting operations.

To celebrate the 50th anniversary of the founding of the FAF in 1972, the organization will undertake a communications campaign to highlight the importance of an independent standard-setting process. The campaign is designed to transition easily to a celebration of the 50th anniversary of the FASB in 2023 and the 40th anniversary of the GASB in 2024.

# STATEMENTS OF ACTIVITIES

For the years ended December 31 (dollars in thousands)

2021

2020

## Operating:

### Revenues:

Accounting support fees:

FASB

\$ 31,439

\$ 31,333

GASB

10,707

10,022

Total accounting support fees

42,146

41,355

Publishing (Note 2)

19,012

18,622

Contributions—contributed services

192

180

### Total revenues

61,350

60,157

### Program expenses (Note 4):

Standard setting:

FASB

30,370

29,932

GASB

9,101

8,990

Total standard setting

39,471

38,922

Publishing

5,225

4,972

### Total program expenses

44,696

43,894

### Support expenses (Note 4)

12,359

12,464

### Total program and support expenses

57,055

56,358

### Operating revenues greater than operating expenses

4,295

3,799

## Nonoperating:

Net investment income — short-term investments (Note 5)

37

63

Net investment (loss) income — Reserve Fund (Note 5)

(93)

1,670

Other components of net periodic benefit cost (Note 6)

(41)

(64)

Other pension-related changes not reflected in

operating expenses (Note 6)

(353)

909

### Change in net assets without donor restrictions

3,845

6,377

### Net assets at beginning of year

79,800

73,423

### Net assets at end of year

\$ 83,645

\$79,800

See accompanying notes to these financial statements.

# STATEMENTS OF FINANCIAL POSITION

For the years ended December 31 (dollars in thousands)

2021

2020

<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,441	\$ 7,097
Short-term investments (Note 5)	9,279	9,278
Accounting support fee, publishing, and other receivables (net of allowance for doubtful accounts of \$123 and \$101)	8,848	7,303
Prepaid expenses and all other current assets	931	1,144
<b>Total current assets</b>	<b>25,499</b>	<b>24,822</b>
<b>Noncurrent assets:</b>		
Reserve Fund investments (Note 5)	62,502	62,595
Assets held in trust (Note 6)	3,272	3,167
Operating lease right-of-use assets (Note 8)	810	1,922
Furniture, equipment, software, and leasehold improvements, net (Note 7)	13,883	5,862
<b>Total noncurrent assets</b>	<b>80,467</b>	<b>73,546</b>
<b>Total assets</b>	<b>\$105,966</b>	<b>\$98,368</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 7,214	\$ 3,005
Accrued payroll and related benefits	1,532	1,460
Operating lease liability—current (Note 8)	1,207	1,648
Unearned publication and other deferred revenues (Note 2)	6,652	6,501
<b>Total current liabilities</b>	<b>16,605</b>	<b>12,614</b>
<b>Noncurrent liabilities:</b>		
Accrued pension costs (Note 6)	1,519	575
Accrued postretirement health care costs (Note 6)	921	1,001
Operating lease liabilities—long term (Note 8)	4	1,211
Other liabilities (Note 6)	3,272	3,167
<b>Total noncurrent liabilities</b>	<b>5,716</b>	<b>5,954</b>
<b>Total liabilities</b>	<b>22,321</b>	<b>18,568</b>
<b>Net assets—without donor restrictions</b>		
Designated by the Board for Reserve (Notes 3 and 5)	62,502	62,595
Undesignated	21,143	17,205
<b>Total net assets without donor restrictions</b>	<b>83,645</b>	<b>79,800</b>
<b>Total liabilities and net assets</b>	<b>\$105,966</b>	<b>\$98,368</b>

See accompanying notes to these financial statements.

# STATEMENTS OF CASH FLOWS

For the years ended December 31 (dollars in thousands)

2021

2020

## Cash flows from operating activities:

Cash received from accounting support fees	\$42,066	\$ 41,285
Cash received from publishing sales	17,697	17,397
Interest and dividend income received	697	922
Cash paid to vendors, employees, and benefit plans	(51,582)	(52,836)
Net cash provided by operating activities	8,878	6,768

## Cash flows from investing activities:

Proceeds from sales of Reserve Fund investments	–	5,000
Purchases of Reserve Fund investments	(660)	(5,859)
Proceeds from sales of short-term investments	8,500	8,000
Purchases of short-term investments	(8,501)	(8,028)
Purchases of assets held in trust	(104)	(650)
Purchases of furniture, equipment, software, and leasehold improvements, net	(8,769)	(2,739)
Net cash used in investing activities	(9,534)	(4,276)
Net (decrease) increase in cash and equivalents	(656)	2,492
Cash and equivalents at beginning of year	7,097	4,605
Cash and equivalents at end of year	\$ 6,441	\$ 7,097

## Supplemental information

Noncash items included in the Statement of Activities:

Pension-related changes not reflected in operating expenses	\$ (353)	\$ 909
Component of net periodic benefit costs not reflected in operating expenses	\$ (41)	\$ (64)

See accompanying notes to these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Nature of Activities and Summary of Significant Accounting Policies

### Activities

The Financial Accounting Foundation (FAF), incorporated in 1972, is the independent, private-sector not-for-profit, non-stock corporation with responsibility for establishing and improving financial accounting and reporting standards, through an independent and open process, and educating stakeholders about those standards. The FAF is responsible for the oversight, administration, finances, and appointment of the members of:

- The Financial Accounting Standards Board (FASB), which establishes standards of financial accounting and reporting for nongovernmental entities, and the Financial Accounting Standards Advisory Council (FASAC) and Private Company Council (PCC)
- The Governmental Accounting Standards Board (GASB), which establishes standards of financial accounting and reporting for state and local governmental entities, and the Governmental Accounting Standards Advisory Council (GASAC).

The FAF was incorporated under Delaware General Corporation Law to operate exclusively for charitable, educational, scientific, and literary purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, as amended (Code). The FAF obtains its funding from accounting support fees pursuant to Section 109 of the Sarbanes-Oxley Act of 2002, as amended (Sarbanes-Oxley Act), in support of the FASB; accounting support fees pursuant to Section 978 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) in support of the GASB; and publishing revenues.

### Summary of Significant Accounting Policies Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

These statements include the program activities of standard setting of the FASB and the GASB (Standards Boards) (set forth separately, where appropriate, in recognition of their distinct responsibilities as described in the FAF's Certificate of Incorporation and By-Laws) and publishing. Standard-setting program expenses include salaries, benefits, and other operating expenses for the members and research staffs of the respective Standards Boards and Councils, costs for the ongoing development of the U.S. GAAP Financial Reporting Taxonomy, costs for external relations, government affairs and communications activities, and for the information research and technology related to the standard-setting activities of the FASB and the GASB. Publishing program costs represent the distinct activities of publishing and distributing the FASB and GASB standard-setting materials and include staff salaries and benefits, publishing information technology costs, printing, distribution, and other costs. Additional services for accounting and finance, human resources, facilities management, technology and information systems, legal, and general administrative operating assistance have been reflected as support expenses in the accompanying statements of activities.

All of the net assets of the FAF are classified as without donor restrictions and are segregated into FAF Board of Trustee (FAF Board) designated and undesignated categories (see Note 2).

### Use of Estimates

The preparation of financial statements requires management to formulate estimates and assumptions that may affect the reported amounts of assets and liabilities at the dates of those statements and revenues and expenses for the reporting periods. Significant estimates made by management include actuarially determined employee benefit liabilities and the fair value of investments. Actual results could differ from those estimates.

## Revenue Recognition

### Publishing

Publishing revenue includes sales of printed content (primarily annual editions of authoritative FASB and GASB GAAP), subscriptions for authoritative print content, subscriptions for digital access to authoritative content, and licensing of content.

The FAF assesses the obligations promised in its contracts with customers and identifies a performance obligation for each promise to transfer goods or services. To identify the performance obligations, the FAF considers all the promises in the contract, whether explicitly stated or implied, based on customary business practices. Revenue is recognized when a performance obligation is satisfied by transferring control of promised goods or services to customers, which can occur over time or at a point in time.

All of the FAF's contracts with customers, including sales- or usage-based royalty agreements, include performance obligations that are short term in nature.

Sales taxes collected on behalf of third parties are excluded from revenue and recorded as a liability until paid. Shipping fees charged to customers are excluded from revenue and netted against shipping expenses. There are no obligations for warranties, returns, or refunds to customers.

### Accounting Support Fees

The Sarbanes-Oxley Act provides for funding of FASB through accounting support fees assessed against and collected from issuers of securities, as defined in the Sarbanes-Oxley Act. The FASB accounting support fees are reviewed by the U.S. Securities and Exchange Commission (SEC) each year. The Dodd-Frank Act provides for funding of GASB through an SEC order instructing the Financial Industry Regulatory Authority (FINRA) to establish, assess, and collect accounting support fees from its members.

Accounting support fees are recognized as revenue in the year for which those accounting support fees have been assessed as prescribed by the Sarbanes-Oxley Act and Dodd-Frank Act. Accounting support fees are reflected as without donor restrictions because the restrictions have been met in the same reporting period as the revenue is recognized.

The accounting support fees provide funding for recoverable expenses associated with the FASB's and the GASB's standard-setting activities as identified in the FAF's operating and capital budget for each calendar year. Recoverable expenses do not include

Trustee and oversight expenses. The FAF's budgeted recoverable expenses for each Standards Board are statutorily eligible for funding by accounting support fees. However, on a voluntary basis, the FAF has applied any Reserve Funds in excess of a formula-based target amount to reduce what the FAF would otherwise be entitled to collect in accounting support fees.

The Office of Management and Budget (OMB) has determined that the FASB is subject to sequestration pursuant to the Budget Control Act of 2011 (BCA). Sequestration amounts are determined on the federal government's fiscal year, which for the 2021 sequestration began on October 1, 2020 and ended on September 30, 2021. During 2021, \$1,795,000 was sequestered with respect to the FASB accounting support fees. The OMB notified the FAF that the 2021 sequestered funds were available for spending for the 2021 federal fiscal year, which began October 1, 2021, and as a result no restrictions existed at December 31, 2021. The FAF understands that the FASB accounting support fees for federal fiscal year 2022 will be subject to sequestration in a similar manner.

### Contributions

The FAF reports all contributions as increases in net assets without donor restrictions. Members of the Board of Trustees are eligible for compensation for their services, with each having the right to waive such compensation. The accompanying financial statements reflect the value of waived Trustee compensation, which meets the criteria for recognition as contributed services. Other individuals contribute significant amounts of time to the activities of the FAF, the Standards Boards, and their Advisory Councils without compensation; however, these are not included as contributions in the accompanying financial statements because they do not meet the recognition criteria.

### Cash and Cash Equivalents

For financial statement purposes, the FAF considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of these investments approximates fair value due to the nature of the investments and the maturity period.

### Investments

The FAF's investments are recorded at fair value, all of which are measured using Level 1 inputs, which are defined as quoted market prices in active

# NOTES TO THE FINANCIAL STATEMENTS

markets for identical investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes gains and losses on investments bought and sold as well as held during the year.

## **Concentration of Credit Risk**

Financial instruments that potentially are subject to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, and Reserve Fund investments. Short-term investments and Reserve Fund investments are held in various money market and fixed income mutual funds with a single high-credit-quality financial institution. The FAF has not experienced, nor does it anticipate, any credit-risk-related losses in such accounts.

## **Accounting Support Fees, Publishing, and Other Receivables**

Receivables are carried at the amount billed or accrued, net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on management's review of historical experience and current economic conditions.

## **Employee Benefit Plans**

The FAF sponsors a postretirement health care plan and a defined benefit pension plan. Information with respect to the funded positions of each of the FAF's pension and other postretirement plans at December 31, 2021 and 2020, is set forth in Note 6.

## **Furniture, Equipment, Software, and Leasehold Improvements**

Furniture, equipment, software, and leasehold improvements are reported in the statements of financial position at cost, less accumulated depreciation and amortization determined using the straight-line method. Furniture, equipment, and software are depreciated over their estimated useful lives, ranging from 3 to 10 years. Leasehold improvements are amortized over periods not extending beyond the termination dates of the leases for office space.

## **Income Taxes**

The FAF is a tax-exempt organization under Section 501(c)(3) of the Code. Management has reviewed tax positions for open tax years and determined that a provision for uncertain tax positions is not required.

## **Leases**

The FAF determines whether an arrangement is a lease at inception of a contract. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities (current and long term) on the statements of financial position. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. As a practical expedient, FAF used a risk-free rate in determining the present value of future payments for all of its leases. The FAF recognizes ROU assets subject to operating leases in an amount equal to the operating lease liabilities, adjusted for deferred lease expense and incentives. Lease expense is recognized on a straight-line basis over the lease term. Total fixed operating lease expenses are recognized on a straight-line basis over the lease term. Variable lease payments are recognized in the period in which the obligation for those payments is incurred. Variable lease payments are determined primarily on the basis of costs incurred by the landlord for taxes, insurance, and operating and maintenance services provided. The FAF has elected the practical expedient to not separate nonlease components (primarily operating and maintenance services associated with the FAF's Norwalk office space) from lease components (the right to use the underlying asset) and instead account for those components as single lease components for all of its leases.

## **Subsequent Events**

The FAF has evaluated subsequent events through March 18, 2022, the date through which the financial statements are available to be issued, and determined that no events subsequent to year-end have occurred that require adjustment to, or disclosure in, the financial statements.

## 2. Publishing

All of the FAF's revenue from contracts with customers is recognized within publishing revenue. The following table presents these revenues disaggregated between FASB and GASB products type and by revenue stream (dollars in thousands):

Years ended December 31	2021			2020		
	FASB	GASB	Total	FASB	GASB	Total
Licensing	\$15,609	\$1,238	\$16,847	\$15,042	\$1,256	\$16,298
Online subscriptions	1,513	92	1,605	1,564	90	1,654
Print subscriptions	165	247	412	206	287	493
Hard copy and other	99	49	148	119	58	177
Total	\$17,386	\$1,626	\$19,012	\$16,931	\$1,691	\$18,622

**Licensing**—FAF has entered into various licensing agreements that provide certain third-parties limited rights to utilize the FAF's intellectual property (IP), consisting of FASB and GASB content. Certain licenses include quarterly upfront payments based on the number of internal users and annual payments for the number of active sublicenses at the beginning of the contract period. The FAF recognizes revenue rateably over the term of the agreements because the obligation to provide the licensees with access to the most current version of the content is a single performance obligation satisfied over time.

Other license agreements also include quarterly payments based on the number of new or renewal sublicensee agreements entered into by the licensee for that quarter. The FAF recognizes the quarterly revenue on a straight-line basis over a 12-month period because the obligation to provide the licensees with access to the content is a single performance obligation satisfied over time. The FAF also recognizes revenue under these agreements for the amounts due and not yet paid pursuant to the terms of the contracts.

**Online subscriptions**—The FAF sells annual prepaid subscriptions for access to the *FASB Accounting Standards Codification*® and GASB Governmental Accounting Research System (which includes the GASB Codification, Original Pronouncements, and Comprehensive Implementation Guide) through Professional View online platforms. Access to these platforms is determined to be a single performance obligation that is satisfied over the annual subscription period. Subscription revenues are deferred at the time of sale and are recognized rateably over the terms of the subscriptions.

**Print subscriptions**—The FAF sells annual prepaid subscriptions for a monthly distribution of printed copies of all FASB Accounting Standards Updates released during the previous month (FASB Subscription) and periodic distribution of printed copies of newly issued GASB Statements, Concepts Statements, Implementation Guides, and Technical Bulletins (GASB Subscription). These subscription services are determined to be a single performance obligation that is satisfied over the annual subscription period. Subscription revenues are deferred at the time of sale and are recognized rateably over the terms of the subscriptions.

Revenue from sales of individual hard copy publications is generally recognized upon shipment.

**Significant judgments**—Determining the number of promised services in a contract requires significant judgment. Licensing agreements provide customers with access to the latest, most current version of the accounting guidance. Revenue is recognized rateably over the contract term.

The following table presents contract liabilities (deferred revenues) by revenue stream, as reflected in the statements of financial position, which include amounts received or due in excess of revenue recognized (dollars in thousands):

	2021	2020
Licensing	\$ 5,531	\$ 5,382
Online subscriptions	861	829
Print subscriptions	260	290
	\$ 6,652	\$ 6,501

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Liquidity and Availability of Financial Assets

The primary sources of funding for the FAF, FASB, and GASB general expenditures are FASB and GASB accounting support fees and publishing revenues. FASB accounting support fees are billed annually and GASB accounting support fees are billed quarterly. Together, these fees accounted for \$42.1 million or 69 percent, and \$41.4 million or 69 percent, of the funding of the FAF in 2021 and 2020, respectively. The following table reflects the financial assets as of December 31, 2021 and 2020, reduced by the amounts that are not available to meet general expenditures within one year of the statements of financial position because of FAF Board designations (dollars in thousands):

At December 31	2021	2020
Cash and cash equivalents	\$ 6,441	\$ 7,097
Investments (short-term and Reserve Fund)	71,781	71,873
Accounting support fees, publishing, and other receivables	8,848	7,303
Financial assets available before Board designations	87,070	86,273
Less: Board-designated Reserve Fund	62,502	62,595
Financial assets available to meet cash needs for general expenditures within one year	\$24,568	\$ 23,678

As part of liquidity management, the FAF maintains both cash and short-term investments. There is also the FAF Board-designated Reserve Fund to: (1) provide the FAF with sufficient reserves to fund budgeted current expenditures that are not otherwise funded by operating revenue (principally, accounting support fees and publishing revenues); (2) fund the operations of the FASB, the GASB, and the FAF during any temporary or permanent funding transitions; (3) fund unforeseen contingencies; and (4) provide temporary funding of operations resulting from cash flow deficiencies (primarily related to timing of accounting support fees collections, provided that the Reserve Fund will be replenished within a reasonable short period of time). Reserve Fund assets are maintained within the investment policies and guidelines for the Reserve Fund established by the Audit and Finance Committee of the Board of Trustees.

## 4. Program and Support Expenses

The following table presents expenses by both their nature and functions for the years ended December 31, 2021 and 2020 (dollars in thousands):

	Program						
	Standard-Setting				Total		Total
Year ended December 31, 2021	FASB	GASB	Total	Publishing	Program	Support	Expenses
Salaries and wages	\$21,201	\$6,346	\$27,547	\$1,762	\$29,309	\$5,062	\$34,371
Employee benefits	5,117	1,317	6,434	467	6,901	1,466	8,367
Occupancy and equipment expenses	1,094	306	1,400	145	1,545	732	2,277
Depreciation and amortization	476	4	480	51	531	217	748
Information technology fees	1,001	228	1,229	2,527	3,756	438	4,194
Professional fees—other	774	510	1,284	–	1,284	3,220	4,504
Printing and shipping	–	–	–	204	204	–	204
Other operating expenses	707	390	1,097	69	1,166	1,224	2,390
<b>Total operating program and support expenses</b>	<b>30,370</b>	<b>9,101</b>	<b>39,471</b>	<b>5,225</b>	<b>44,696</b>	<b>12,359</b>	<b>57,055</b>
Net periodic benefit costs other than service cost	45	17	62	–	62	(21)	41
<b>Total expenses</b>	<b>\$30,415</b>	<b>\$9,118</b>	<b>\$39,533</b>	<b>\$5,225</b>	<b>\$44,758</b>	<b>\$12,338</b>	<b>\$57,096</b>
Year ended December 31, 2020							
Salaries and wages	\$20,572	\$6,173	\$26,745	\$1,684	\$28,429	\$4,697	\$33,126
Employee benefits	4,902	1,318	6,220	448	6,668	1,440	8,108
Occupancy and equipment expenses	1,108	311	1,419	147	1,566	795	2,361
Depreciation and amortization	426	6	432	51	483	218	701
Information technology fees	1,222	271	1,493	2,334	3,827	472	4,299
Professional fees—other	1,010	618	1,628	3	1,631	3,635	5,266
Printing and shipping	–	–	–	235	235	–	235
Other operating expenses	692	293	985	70	1,055	1,207	2,262
<b>Total operating program and support expenses</b>	<b>29,932</b>	<b>8,990</b>	<b>38,922</b>	<b>4,972</b>	<b>43,894</b>	<b>12,464</b>	<b>56,358</b>
Net periodic benefit costs other than service cost	46	17	63	–	63	1	64
<b>Total expenses</b>	<b>\$29,978</b>	<b>\$9,007</b>	<b>\$38,985</b>	<b>\$4,972</b>	<b>\$43,957</b>	<b>\$12,465</b>	<b>\$56,422</b>

The financial statements report certain categories of expenses that are attributable to the various expense functions. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, occupancy and equipment expenses, and information technology, which are allocated based on percentage of headcount or square footage basis, while certain salaries and benefit costs are allocated based on estimated level of effort.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Investments and Investment Income and Losses

### Investments

The following table presents investments measured at fair value, all of which are measured using Level 1 inputs (dollars in thousands):

At December 31	2021	2020
<b>Short-term:</b>		
Money market mutual fund	\$ 9,279	\$ 9,278
<b>Reserve Fund:</b>		
Fixed income mutual fund	\$30,976	\$30,973
Money market mutual fund	31,526	31,622
	\$ 62,502	\$ 62,595

### Net investment income (dollars in thousands):

Years ended December 31	2021	2020
<b>Short-term:</b>		
Interest and dividends	\$ 37	\$ 63
<b>Reserve Fund:</b>		
Interest and dividends	\$ 545	\$ 859
Net realized and unrealized (loss) gains	(638)	811
<b>Total Reserve Fund net investment (loss) income</b>	\$ (93)	\$ 1,670

Changes in the Reserve Fund balance for the past two years are as follows (dollars in thousands):

Years ended December 31	2021	2020
Fund balance, beginning of year	\$ 62,595	\$60,925
Net investment (loss) income	(93)	1,670
Fund balance, end of year	\$ 62,502	\$ 62,595

## 6. Employee Benefits

Employee benefits expense consists principally of health care benefits for active and retired employees, pension benefits, and employer payroll taxes.

### Pension Plans

The FAF sponsors a contributory defined contribution plan (the Employees' Tax-Sheltered Annuity Plan) and a defined benefit pension plan (the Employees' Pension Plan). Effective January 1, 2008, the Employees' Pension Plan was closed to all new hires, and benefit accruals for participating employees ended as of December 31, 2013.

In 2021, the Employees' Pension Plan paid out \$725,000 in lump sums, which triggered settlement accounting. This resulted in recognition of \$224,000 of periodic benefit expense in 2021 for amounts previously deferred and recognized as pension-related changes not reflected in operating expenses.

The FAF maintains a 457(b) deferred compensation plan (457(b) Plan) to provide the ability to make tax-deferred contributions to employees whose annual base compensation exceeds the maximum compensation limit for qualified plan contributions under Code §401(a)(17). Contributions are made into a rabbi trust maintained by the FAF for each participating employee and remain assets of the FAF until distributed to the participant upon termination of their employment. The 457(b) Plan assets and related liabilities of \$3,273,000 and \$3,167,000 as of December 31, 2021 and 2020, respectively, are included as assets

held in trust and other liabilities in the statements of financial position.

Employee benefits expense arising from the defined contribution plans was \$3,038,000 and \$3,052,000 for 2021 and 2020, respectively. Employer contributions to the plan are based on the employee's earnings level, with incremental increases based on the employee's age, and vest after 1.5 years of service.

### Postretirement Health Coverage Plan

The FAF sponsors a postretirement health coverage plan (Postretirement Plan) for all eligible retirees of the FAF with benefits varying based on retirement age and years of service. Effective January 1, 2014, the Postretirement Plan was amended to limit the level of benefits that will be paid to current employees and new hires. Retiree benefits are limited for new hires after December 31, 2013, to the lesser of (1) the year-end 2013 calculated benefit amounts or (2) the calculated benefits offered during the year of retirement. Employees hired before January 1, 2014, are eligible for retiree benefits limited to the lesser of (1) health plan costs at 2013 calculated benefit amounts subject to a cap on potential annual increases not to exceed five percent per year or (2) calculated benefits offered during the year of retirement. Benefits for participants who were retired as of December 31, 2013, are not affected by these amendments. Effective January 1, 2020, the Postretirement Plan was closed to all new hires. The FAF funds retiree health care benefits through a Grantor Trust.

### Assumptions

The principal actuarial assumptions used to determine periodic benefit costs and year-end benefit obligations for the Employees' Pension Plan and Postretirement Plan are as follows:

	Employees' Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
Net periodic cost assumptions:				
Discount rate	2.10%	2.95%	2.35%	3.10%
Expected return on plan assets	2.85%	3.65%	5.80%	6.20%
Benefit obligation assumption:				
Discount rate	2.55%	2.10%	2.75%	2.35%

According to the provisions in the Postretirement Plan, benefit amounts for active participants as of December 31, 2013, have been assumed to increase 5.0 percent per year after 2013. No increases are assumed for active participants hired after 2013.

The expected long-term rates of return on plan assets assumptions were based upon a review of historical returns, and expectations and capabilities of future market performance.

In addition to assumptions in the above table, assumed mortality is also a key assumption in determining benefit obligations. The assumed mortality rates reflect the Society of Actuaries (SOA) published mortality table (Pri-2012) and MP-2021 projection scale and MP-2020 projection scale for December 31, 2021 and 2020, respectively.

# NOTES TO THE FINANCIAL STATEMENTS

The following table sets forth the amounts recognized in the statements of financial position, the change in benefit obligations, the change in plan assets, funded status, and other information for the Employees' Pension Plan and Postretirement Plan (dollars in thousands):

	Employees' Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
<b>Change in benefit obligations:</b>				
Benefit obligation, beginning of year	\$27,565	\$25,522	\$21,206	\$ 18,913
Service cost	–	–	694	638
Interest cost	548	713	493	579
Actuarial losses	411	2,507	282	1,459
Benefits paid	(1,191)	(1,177)	(531)	(452)
Settlements	(725)	–	–	–
Retiree contributions	–	–	63	69
Benefit obligation, end of year	\$25,786	\$27,565	\$22,207	\$21,206
<b>Change in plan assets:</b>				
Fair value of plan assets, beginning of year	\$26,990	\$24,876	\$20,205	\$17,775
Retiree contributions	–	–	63	70
Actual investment (loss) income on plan assets	(807)	3,291	1,549	2,812
Benefits paid	(1,191)	(1,177)	(531)	(452)
Settlements	(725)	–	–	–
Fair value of plan assets, end of year	24,267	26,990	21,286	20,205
<b>Funded status at end of year</b>	<b>\$ (1,519)</b>	<b>\$ (575)</b>	<b>\$ (921)</b>	<b>\$ (1,001)</b>
<b>Amounts recognized in financial statements:</b>				
Noncurrent liabilities	(1,519)	(575)	(921)	(1,001)
	<b>\$ (1,519)</b>	<b>\$ (575)</b>	<b>\$ (921)</b>	<b>\$ (1,001)</b>
<b>Amounts recognized as pension-related changes not reflected as operating expenses:</b>				
Net actuarial losses (gains)	\$ 1,123	\$ 73	\$ (109)	\$ (266)
Amortization of net actuarial losses	(487)	(492)	(269)	(319)
Amortization of net prior service costs	–	–	95	95
	<b>\$ 636</b>	<b>\$ (419)</b>	<b>\$ (283)</b>	<b>\$ (490)</b>
<b>Amounts not yet recognized as components of net periodic benefit costs:</b>				
Net actuarial losses	\$ 7,978	\$ 7,567	\$ 2,117	\$ 2,495
Net prior service credits	–	–	(223)	(317)
	<b>\$ 7,978</b>	<b>\$ 7,567</b>	<b>\$ 1,894</b>	<b>\$ 2,178</b>
<b>Amounts expected to be recognized during the years ended December 31, 2022 and 2021:</b>				
Amortization of net actuarial losses	\$ 509	\$ 487	\$ 227	\$ 269
Amortization of net prior service credits	–	–	(95)	(95)
	<b>\$ 509</b>	<b>\$ 487</b>	<b>\$ 132</b>	<b>\$ 174</b>

## Plan Assets

Investment objectives and policies for the plan assets are established by the Audit and Finance Committee (Committee) of the FAF Board of Trustees. The overall long-term investment strategy for the Employees' Pension Plan and Postretirement Plan is to generate returns sufficient to meet obligations of plan participants and their beneficiaries at acceptable levels of risk by maintaining a high standard of portfolio quality and achieving proper diversification. The Committee has retained a professional investment manager for the assets of the employee benefit plans that maintains discretion over investment decisions,

within asset allocation ranges recommended by the Committee.

The asset allocation for the Employees' Pension Plan, which is consistent with the target allocation established by the Committee, was 100 percent in fixed income investments as of December 31, 2021, and is based upon the funded status of the plan, valuation of the liability, and the returns and risks relative to the liability. The asset allocation policy for the Postretirement Plan reflects the target allocation of 50 percent in equity investments (which includes 50 percent of the equity holdings for international stocks) and 50 percent in fixed income investments.

The plan assets of the Employees' Pension Plan and Postretirement Plan were invested in mutual funds at December 31, 2021 and 2020, the majority of which were indexed. The following table presents the fair value of major categories of plan assets, all of which are measured using Level 1 inputs, as defined (dollars in thousands):

Fair Value of Plan Assets at December 31	Employees' Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
Mutual funds (all Level 1):				
U.S. equity funds <sup>(a)</sup>	\$ –	\$ –	\$ 5,630	\$ 5,325
International equity index fund <sup>(b)</sup>	–	–	5,099	5,330
Fixed income funds <sup>(c)</sup>	24,164	26,895	10,557	9,550
Cash held by investment manager	103	95	–	–
Total	\$ 24,267	\$ 26,990	\$ 21,286	\$ 20,205

### Descriptions of Funds:

- (a) These funds invest in small-, mid-, and large-cap companies from diversified industries using a blend of growth and value strategies, and index sampling.
- (b) This fund is passively managed and seeks to track the performance of international composite indexes. It has broad exposure across developed and emerging non-U.S. equity markets. Approximately 50% is invested in European companies.
- (c) These funds are passively managed using index sampling and consist of intermediate-term and long-term mutual funds.

# NOTES TO THE FINANCIAL STATEMENTS

## Net Periodic Benefit Cost

The components of net periodic benefit cost for the past two years are as follows (dollars in thousands):

	Employees' Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
Service cost	\$ –	\$ –	\$ 694	\$ 638
Interest cost	548	713	493	579
Expected return on plan assets	(728)	(858)	(1,157)	(1,086)
Amortization of prior period actuarial losses	487	492	269	319
Amortization of prior service credits	–	–	(95)	(95)
Net periodic benefit expense	307	347	204	355
Settlements	224	–	–	–
	\$ 531	\$ 347	\$ 204	\$ 355

The components of net periodic benefit cost other than the service costs component are reflected separately in the statements of activities.

The following benefit payments, which reflect expected future service, are projected to be paid under the FAF's benefit plans, including the amounts of Medicare Part D subsidies for the Postretirement Plan (dollars in thousands):

Years ended December 31	Employees' Pension Plan	Postretirement Plan
2022	\$ 2,774	\$ 505
2023	1,964	591
2024	2,039	662
2025	2,078	718
2026	1,625	786
2027–2031	7,332	4,751

The FAF does not expect to contribute to the Employees' Pension Plan or Postretirement Plan during 2022.

## 7. Furniture, Equipment, and Leasehold Improvements

Years ended December 31 (dollars in thousands)	2021	2020
Furniture and equipment	\$ 9,682	\$ 9,272
Leasehold improvements	5,655	5,654
Work in process—software and leasehold improvements	13,008	4,650
	28,345	19,576
Accumulated depreciation and amortization	(14,462)	(13,714)
	\$ 13,883	\$ 5,862

Work in process includes costs associated with developing a new publishing platform and initial upfront capital costs associated with new office space lease.

## 8. Leases

The FAF has operating leases for office space in Norwalk (main office) and Washington, D.C. and for equipment. Those leases have remaining lease terms of one year to less than two years.

Total fixed operating lease expense was \$1,262,000 and \$1,260,000 in 2021 and 2020, respectively. Total variable lease expense was \$922,000 and \$951,000 in 2021 and 2020, respectively. Cash paid for amounts included in the measurement of operating lease liabilities amounted to \$1,784,000 and \$1,772,000 in 2021 and 2020, respectively.

The weighted average remaining lease term is 0.8 years and 1.8 years in 2021 and 2020, respectively, and the weighted-average discount rate is 2.4 percent in both 2021 and 2020.

Operating lease maturities (dollars in thousands):

Years ended December 31	Undiscounted	Discounted
2022	\$ 1,348	\$ 1,207
2023	4	4
Total operating lease maturities	\$ 1,352	\$ 1,211

In December 2021, the FAF entered into a lease agreement for new office space in Norwalk. The lease commences in February 2022 with a term ending in July 2038. The contract requires both fixed and variable payments. The fixed payments, net of lease incentives to be paid in the future by the landlord, approximate \$23 million. Variable payments will be based primarily on expenses incurred by the landlord associated with operating the office space and premises on which that space is located.

# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees Financial Accounting Foundation,

## Opinion

We have audited the financial statements of the Financial Accounting Foundation (FAF), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the FAF as of December 31, 2021 and 2020, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FAF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FAF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FAF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*RSM US LLP*

Hartford, Connecticut  
March 18, 2022