

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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
- ◆ Licensing and sales of copyrighted FASB and GASB content.

Program and support expenses are funded by accounting support fees and by voluntary Reserve Fund contributions which are funded primarily by licensing and sales from FASB and GASB content, which are determined during our annual budgeting process.

The next sections provide certain 2023 financial highlights and management's discussion and should be read in conjunction with the FAF's audited financial statements that follow.



2023 Summary

The FAF's net assets increased by \$12.7 million in 2023. Operating revenues totaled \$78.6 million, offset by operating expenses of \$70.5 million. Operating revenues increased by \$3.7 million from 2022 and reflect an increase in accounting support fees, partially offset by a decrease in licensing and other revenues driven by the elimination of paid digital and print subscription products. Program and support expenses increased by \$6.2 million from 2022 driven by increases in depreciation expense (related to the 2022 office relocation and publishing platform initiative) and salaries expense. Investment income totaled \$3.3 million, compared to a \$1.3 million loss in 2022, benefiting from positive market condition for FAF's investments.

Standard-setting activities in 2023 related to the FASB's and the GASB's primary mission of establishing and improving financial accounting and reporting standards. These efforts included making improvements to GAAP, working with the Private Company Council (PCC), 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 2023 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 licensing and delivering FASB and GASB standard-setting content. In 2023 and 2022, these include depreciation costs associated with the implementation of a new publishing platform completed in 2022.

2023 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 2023 and 2022:

2023 Sources of Revenues

- FASB Accounting Support Fees 58%
- GASB Accounting Support Fees 18%
- Publishing and Other 24%



2022 Sources of Revenues

- FASB Accounting Support Fees 55%
- GASB Accounting Support Fees 17%
- Publishing and Other 28%



2023 Expenses

- Program—Standard Setting and Publishing and Licensing 80%
- Support 20%



2022 Expenses

- Program—Standard Setting and Publishing and Licensing 80%
- Support 20%



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. These are the FASB's recoverable expenses under the Sarbanes-Oxley Act.

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 \$45.3 million in 2023 and \$41.1 million in 2022. As discussed in more detail in the "Reserve Fund Investments", the FAF voluntarily contributes an 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 2023 and 2022.

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 2023 sequestration, began on October 1, 2022, and ended on September 30, 2023. During 2023, approximately \$2.6 million was sequestered with respect to the FASB accounting support fee. The OMB notified the FAF that the 2023 sequestered funds were available for spending for the 2024 federal fiscal year, which began October 1, 2023. The FAF understands that the FASB accounting support fee for federal fiscal year 2024 will be subject to sequestration in a similar manner.

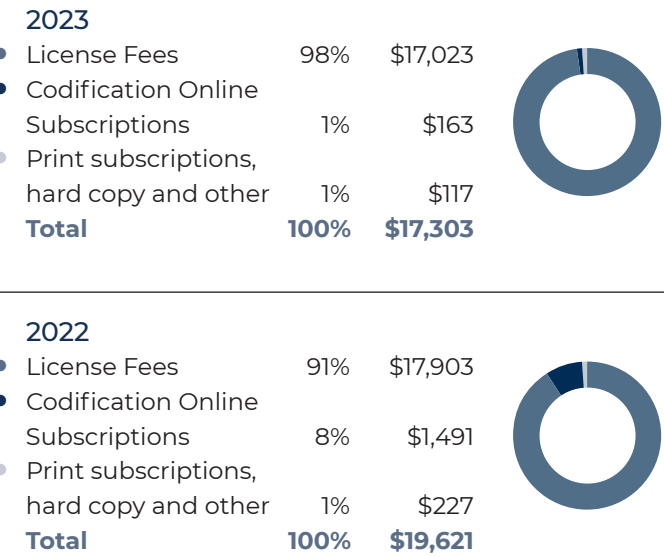
GASB Accounting Support Fees

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 an 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 \$14.4 million in 2023 and \$12.5 million in 2022. The FAF paid FINRA \$30,000 per year for collection services, which is included as part of operating support expenses, in 2023 and 2022.

Licensing and Sales

Licensing and sales for FASB and GASB product offerings are 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 offset by a decreasing number of commercial sublicensees and elimination of online and print subscriptions. Gross revenues for FASB and GASB product offerings are separately displayed in the charts below for 2023 and 2022.

FASB Licensing and Sales (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 additional products. Through early 2023, the FASB Codification was also accessible by users through an online platform viewed either through a free Basic View or as an annual paid subscription to the enhanced Professional View. Beginning in February 2023, the FAF eliminated the paid Professional View and now only provides an enhanced Free View. In addition, during 2023, the FAF also eliminated The FASB Subscription, an annual paid service that includes the distribution of printed copies of FASB Accounting Standards Updates (ASUs) when issued, and sales of bound edition of the FASB Codification.

FASB licensing and sales amounted to \$17.3 million in 2023 and \$19.6 million in 2022. The decrease is primarily related to the elimination of online and print products in 2023 and a decrease in licensees.

GASB Licensing and Sales (dollars in thousands)

| | | | |
|--|-------------|----------------|--|
| 2023 | | | |
| • License Fees | 93% | \$1,302 | |
| • GARS Online Subscriptions | 1% | \$8 | |
| • Print subscriptions, hard copy and other | 6% | \$82 | |
| Total | 100% | \$1,392 | |
| 2022 | | | |
| • License Fees | 80% | \$1,244 | |
| • GARS Online Subscriptions | 5% | \$71 | |
| • Print subscriptions, hard copy and other | 15% | \$231 | |
| Total | 100% | \$1,546 | |

The FAF licenses GASB materials to commercial publishers and others for inclusion in their proprietary comprehensive online research systems and additional products. Through early 2023, GASB materials were also directly accessible by users online through the Governmental Accounting Research System (GARS) viewed either through a free Basic View or as an annual paid subscription to the enhanced Professional View. Beginning in February 2023, the FAF eliminated the paid Professional View and now only provides an enhanced Free View. In addition, the FAF also eliminated the GASB print subscriptions consisting of The GASB Subscription (consisting of final documents as they are issued) and no longer sells any hard copy products including bound editions of the GASB Codification, GASB Original Pronouncements, GASB Comprehensive Implementation Guide, individual Pronouncements, User Guides, Research Reports, and other documents.

GASB licensing and sales totaled \$1.4 million in 2023 and \$1.5 million in 2022. This net change reflects the elimination of online and 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 and licensing activities totaled \$56.6 million in 2023; an increase of \$5.3 million from 2022. Depreciation and amortization expense increased \$4.8 million related to the completion of the publishing platform initiative and

office relocation construction. Program salaries and benefits (comprising 70% of total program expenses) increased \$1.7 million, or by approximately 4%, primarily related to annual salary rate increases and slight headcount increases.

The FAF’s operating support expenses totaled \$13.8 million in 2023, an increase of 6% from 2022, primarily related to salaries expense (salary rate increase and slight headcount increases) and depreciation and amortization expense.

Investment Income

The FAF’s Reserve Fund, held primarily in money market and fixed income mutual funds, experienced net investment income of \$3.1 million in 2023, compared to net investment loss of \$1.4 million in 2022, resulting from positive market conditions for these investments.

Other Components of Net Period Pension Cost

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 (decrease) increase in net assets of (\$302,000) and \$16,000 in 2023 and 2022, respectively.

Other Pension-Related Changes Not Reflected in Operating Expenses

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 a nonoperating increase in net assets of \$1.6 million and \$1.2 million for 2023 and 2022, 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.

Statements of Financial Position

Reserve Fund Investments

The FAF established the Reserve Fund to: (1) build and maintain adequate level of reserves to support FAF’s operations in the event of unforeseen funding shortfalls or significant unanticipated costs, (2) provide temporary reserves for funding of operations resulting from cash flow deficiencies (primarily related to

timing of accounting support fees (ASFs) collections, and on the assumption that the Reserve Fund will be replenished within a reasonably short period of time), and (3) provide flexibility to accumulate additional reserves to reduce future accounting support fees or provide internal financing for unusual or strategic capital outlays or for other appropriate business uses as may be approved by the FAF Board of Trustees. The FAF approved an updated Reserve Policy in 2022 that set the minimum target of 12 months of gross budgeted expenditures (contingency and operating) and also allowed the FAF Trustees to establish a discretionary long-term reserve.

If the projected year-end Reserve Fund balance exceeds the year-end target set for the Reserve Fund, the FAF has historically voluntarily contributed this additional amount to fund the FASB and GASB's budgeted recoverable expenses that otherwise would have been funded by accounting support fees.

Reserve Fund investments totaled \$68.8 million and \$48.1 million as of December 31, 2023 and 2022, respectively. The increase relates to the replenishment for the temporary funding of a portion of the office relocation expenses in 2022 from the Reserve Fund.

Reserve Fund assets were invested approximately 62% in a money market mutual fund and 38% in 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 2023 and 2022 were partially offset by voluntary Reserve Fund contributions of \$7.4 million and \$24.3 million, respectively. These amounts are primarily derived from licensing and sales 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, Licensing, and Other Receivables

Receivables as of December 31, 2023 and 2022 primarily included \$7.4 million and \$10.2 million of license fees, respectively, and \$3.6 million and \$3.2 million of GASB accounting support fees, respectively.

Furniture, Equipment, Software, and Leasehold Improvements, Net

Furniture, equipment, software, and leasehold improvements include \$49.5 million in 2023, offset by accumulated depreciation of \$12.9 million in 2023. Additions of \$3.6 million in 2023 include a second phase of upgrades to the new publishing platform, redesigned websites, and new general ledger and contract management systems.

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

Operating lease ROU assets and liabilities includes 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. The difference between the ROU assets and liabilities is related to lease incentives.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses decreased from \$10.6 million as of December 31, 2022 to \$1.6 million as of December 31, 2023, primarily related to amounts accrued in 2022 for office relocation capital costs and milestone payments due for the publishing platform initiative.

Prepaid/Accrued Postretirement Health Care Costs and Accrued Pension Costs

The funded status of the Postretirement Plan amounted to a \$1.4 million net prepaid in 2023, compared to a net prepaid of \$218,000 in 2022. The funded status of the Employees' Pension Plan amounted to a \$785,000 net liability in 2023, compared to a net liability of \$2.1 million in 2022, primarily related to a \$1.5 million employer contribution. The change in funded status of each plan is also impacted by a combination of a change in mortality assumptions, changes in discount rate, and investment performance.

STATEMENTS OF ACTIVITIES

For the years ended December 31 (dollars in thousands)

2023

2022

Operating:

Revenues:

Accounting support fees:

FASB

\$ 45,290

\$ 41,054

GASB

14,404

12,509

Total accounting support fees

59,694

53,563

Licensing and sales (Note 2)

18,695

21,167

Contributions—contributed services

217

217

Total revenues

78,606

74,947

Program expenses (Note 4):

Standard setting:

FASB

34,986

32,898

GASB

10,846

9,840

Total standard setting

45,832

42,738

Publishing and licensing

10,782

8,526

Total program expenses

56,614

51,264

Support expenses (Note 4)

13,856

12,996

Total program and support expenses

70,470

64,260

Operating revenues greater than operating expenses

8,136

10,687

Nonoperating:

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

126

91

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

3,129

(1,368)

Other components of net periodic benefit cost (Note 6)

(302)

16

Other pension-related changes not reflected in

operating expenses (Note 6)

1,625

1,249

Increase in net assets without donor restrictions

12,714

10,675

Net assets at beginning of year

94,320

83,645

Net assets at end of year

\$107,034

\$ 94,320

See accompanying notes to these financial statements.

STATEMENTS OF FINANCIAL POSITION

For the years ended December 31 (dollars in thousands)

2023

2022

| | | |
|---|------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 7,797 | \$ 14,153 |
| Short-term investments (Note 5) | – | 2,822 |
| Accounting support fees, licensing, and other receivables (net of allowance for doubtful accounts of \$209 and \$148) | 11,277 | 13,623 |
| Prepaid expenses and all other current assets | 1,106 | 963 |
| Total current assets | 20,180 | 31,561 |
| Noncurrent assets: | | |
| Reserve Fund investments (Note 5) | 68,763 | 48,134 |
| Prepaid postretirement health care costs (Note 6) | 1,376 | 218 |
| Assets held in trust (Note 6) | 3,686 | 2,787 |
| Operating lease right-of-use assets (Note 8) | 15,013 | 15,870 |
| Furniture, equipment, software, and leasehold improvements, net (Note 7) | 36,650 | 42,001 |
| Total noncurrent assets | 125,488 | 109,010 |
| Total assets | \$145,668 | \$ 140,571 |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,577 | \$ 10,617 |
| Accrued payroll and related benefits | 1,779 | 1,595 |
| Operating lease liabilities—current (Note 8) | 779 | 60 |
| Unearned publication and other deferred revenues (Note 2) | 4,604 | 6,916 |
| Total current liabilities | 8,739 | 19,188 |
| Noncurrent liabilities: | | |
| Accrued pension costs (Note 6) | 785 | 2,067 |
| Operating lease liabilities—long term (Note 8) | 25,424 | 22,209 |
| Other liabilities (Note 6) | 3,686 | 2,787 |
| Total noncurrent liabilities | 29,895 | 27,063 |
| Total liabilities | 38,634 | 46,251 |
| Net assets—without donor restrictions | | |
| Designated by the Board for Reserve (Notes 3 and 5) | 68,763 | 48,134 |
| Undesignated | 38,271 | 46,186 |
| Total net assets without donor restrictions | 107,034 | 94,320 |
| Total liabilities and net assets | \$145,668 | \$ 140,571 |

See accompanying notes to these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended December 31 (dollars in thousands)

2023

2022

Cash flows from operating activities:

| | | |
|--|---------------|---------------|
| Cash received from accounting support fees | \$ 59,185 | \$53,099 |
| Cash received from licensing and sales | 19,238 | 17,121 |
| Interest and dividend income received | 2,577 | 1,015 |
| Cash paid to vendors, employees, and benefit plans | (66,651) | (49,800) |
| Net cash provided by operating activities | 14,349 | 21,435 |

Cash flows from investing activities:

| | | |
|---|-----------------|-----------------|
| Proceeds from sales of Reserve Fund investments | – | 13,000 |
| Purchases of Reserve Fund investments | (19,949) | (923) |
| Proceeds from sales of short-term investments | 2,869 | 6,500 |
| Purchases of short-term investments | (47) | (43) |
| Purchases of furniture, equipment, software, and leasehold improvements | (3,578) | (32,257) |
| Net cash used in investing activities | (20,705) | (13,723) |

Net (decrease) increase in cash and equivalents

(6,356) 7,712

Cash and cash equivalents at beginning of year

14,153 6,441

Cash and cash equivalents at end of year

\$ 7,797 \$ 14,153

Supplemental information

Noncash items included in the Statement of Activities:

| | | |
|---|------------|------------|
| Pension-related changes not reflected in operating expenses | \$ (1,625) | \$ (1,249) |
| Component of net periodic benefit costs not reflected in operating expenses | \$ 302 | \$ (16) |

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); and
- ◆ 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 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 and licensing program expenses represent the distinct activities of publishing, licensing 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 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

Licensing and other

Licensing and other revenue include licensing of content, sales of printed content (primarily annual editions of authoritative FASB and GASB GAAP), subscriptions for authoritative print content, and subscriptions for digital access to authoritative 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 (ASFs) assessed against and collected from issuers of securities, as defined in the Sarbanes-Oxley Act. The FASB ASFs 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 ASFs from its members.

ASFs 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. ASFs are reflected as without donor restrictions because the restrictions have been met in the same reporting period as the revenue is recognized.

The ASFs provide funding for recoverable expenses associated with the FASB and the GASB's standard-setting activities as identified in the FAF's operating and capital budget for each calendar year. The FAF's budgeted recoverable expenses for each Standards Board are statutorily eligible for funding by ASFs. However, on a voluntary basis, the FAF has applied Reserve Funds in excess of a formula-based target amount to reduce what the FAF would otherwise be entitled to collect in ASFs.

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 2023 sequestration began on October 1, 2022 and ended on September 30, 2023. During 2023, \$2,580,000 was sequestered with respect to the FASB ASFs. The OMB notified the FAF that the 2023 sequestered funds were available for spending for the 2024 federal fiscal year, which began October 1, 2023, and as a result no restrictions existed at December 31, 2023. The FAF understands that the FASB ASFs for federal fiscal year 2024 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 and chairs of the FASAC, PCC, and GASAC 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, valued based on FAF Board approved stipend amounts, 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 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 and Reserve Fund investments. 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, Licensing, 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 expected credit losses over the life of the financial assets and considers historical information, as well as current and future economic conditions and events.

NOTES TO THE FINANCIAL STATEMENTS

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, 2023 and 2022, 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. In addition, we have determined that the FAF is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Leases

All of the FAF's leases are classified as operating leases and 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 liabilities are recognized based on the present value of the future minimum lease payments. 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. As a practical expedient, the FAF used a risk-free rate in determining the present value of future payments for all of its leases. 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. 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 21, 2024, the date through which the financial statements are available to be issued. The FAF has approved the termination of the FAF Employees' Pension Plan effective April 30, 2024.

2. Licensing and Sales

All of the FAF's revenue from contracts with customers is recognized within licensing and other 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 | 2023 | | | 2022 | | |
|-------------------------|----------|---------|----------|----------|---------|----------|
| | FASB | GASB | Total | FASB | GASB | Total |
| Licensing | \$17,023 | \$1,302 | \$18,325 | \$17,903 | \$1,244 | \$19,147 |
| Online subscriptions | 163 | 8 | 171 | 1,491 | 71 | 1,562 |
| Print subscriptions | 58 | 64 | 122 | 144 | 200 | 344 |
| Hard copy and other | 59 | 18 | 77 | 83 | 31 | 114 |
| Total | \$17,303 | \$1,392 | \$18,695 | \$19,621 | \$1,546 | \$21,167 |

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. 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 or upfront annual and semi-annual payments based on a fixed negotiated fee. 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—Prior to the FAF providing free enhanced versions of the *FASB Accounting Standards Codification*® (FASB Codification) and GASB Governmental Accounting Research System™ (GARS) in 2023, the FAF sold annual prepaid subscriptions for access to the FASB Codification and GARS (which includes the GASB Codification, Original Pronouncements, and Comprehensive Implementation Guide) through Professional View online platforms. Access to these platforms was determined to be a single performance obligation that was satisfied over the annual subscription period. Subscription revenues were deferred at the time of sale and were recognized rateably over the terms of the subscriptions. The FAF provided pro-rata refunds to customers whose term extended beyond the termination date of February 27, 2023.

Print subscriptions—Prior to the FAF eliminating print subscriptions on June 30, 2023, the FAF sold 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 were determined to be a single performance obligation that was satisfied over the annual subscription period. Subscription revenues were deferred at the time of sale and were recognized rateably over the terms of the subscriptions. The FAF provided pro-rata refunds to customers whose term extended beyond the termination date.

Revenue from sales of individual hard copy publications was 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):

| | 2023 | 2022 |
|----------------------|---------|----------|
| Licensing | \$4,604 | \$6,049 |
| Online subscriptions | – | 698 |
| Print subscriptions | – | 169 |
| | \$4,604 | \$ 6,916 |

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 ASFs and publishing revenues. FASB ASFs are billed annually and GASB ASFs are billed quarterly. Together, these fees accounted for \$59.7 million or 76 percent, and \$53.6 million or 71 percent, of the funding of the FAF in 2023 and 2022, respectively. The following table reflects the financial assets as of December 31, 2023 and 2022, 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 | 2023 | 2022 |
|--|-----------|-----------|
| Cash and cash equivalents | \$ 7,797 | \$ 14,153 |
| Investments (short-term and Reserve Fund) | 68,763 | 50,956 |
| Accounting support fees, publishing, and other receivables | 11,277 | 13,623 |
| Financial assets available before Board designations | 87,837 | 78,732 |
| Less: Board designated Reserve Fund (nonoperating portion) | 51,624 | 48,134 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 36,213 | \$ 30,598 |

The general purpose of the FAF's Board-designated Reserve Fund is to: (1) build and maintain adequate level of contingency reserves to support FAF's operations in the event of unforeseen funding shortfalls or significant unanticipated costs, (2) provide temporary operating reserves for funding of operations resulting from cash flow deficiencies (primarily related to timing of ASFs collections, and on the assumption that the Reserve Fund will be replenished within a reasonable short period of time), and (3) provide flexibility to accumulate additional reserves to reduce future ASFs or provide internal financing for unusual or strategic capital outlays or for other appropriate business uses as may be approved by the FAF Board of Trustees. The Board-designated Reserve Fund includes \$17.1 million to be used as operating reserves and is included in the financial assets available to meet cash needs within one year. Consistent with a change in the Reserve Policy for 2023, the FAF no longer maintains a separate short-term investment balance. 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, 2023 and 2022 (dollars in thousands):

| Year ended December 31, 2023 | Program | | | | | | |
|---|------------------|----------|----------|--------------------------|---------------|----------|----------------|
| | Standard-Setting | | | Publishing and Licensing | Total Program | Support | Total Expenses |
| | FASB | GASB | Total | | | | |
| Salaries and wages | \$ 23,701 | \$ 7,264 | \$30,965 | \$ 1,389 | \$32,354 | \$ 6,086 | \$38,440 |
| Employee benefits | 5,325 | 1,528 | 6,853 | 399 | 7,252 | 1,614 | 8,866 |
| Occupancy and equipment expenses | 1,034 | 382 | 1,416 | – | 1,416 | 753 | 2,169 |
| Depreciation and amortization | 1,878 | 644 | 2,522 | 5,430 | 7,952 | 976 | 8,928 |
| Information technology fees | 1,037 | 229 | 1,266 | 3,212 | 4,478 | 37 | 4,515 |
| Professional fees—other | 786 | 228 | 1,014 | 174 | 1,188 | 3,193 | 4,381 |
| Printing and shipping | – | – | – | 163 | 163 | – | 163 |
| Other operating expenses | 1,225 | 571 | 1,796 | 15 | 1,811 | 1,197 | 3,008 |
| Total operating program and support expenses | 34,986 | 10,846 | 45,832 | 10,782 | 56,614 | 13,856 | 70,470 |
| Net periodic benefit costs other than service cost | 168 | 57 | 225 | – | 225 | 77 | 302 |
| Total expenses | \$ 35,154 | \$10,903 | \$46,057 | \$10,782 | \$56,839 | \$13,933 | \$ 70,772 |

| | | | | | | | |
|---|-----------|----------|-----------|----------|-----------|----------|-----------|
| Year ended December 31, 2022 | | | | | | | |
| Salaries and wages | \$22,034 | \$ 6,604 | \$28,638 | \$ 1,961 | \$30,599 | \$ 5,191 | \$ 35,790 |
| Employee benefits | 5,349 | 1,498 | 6,847 | 491 | 7,338 | 1,598 | 8,936 |
| Occupancy and equipment expenses | 1,552 | 503 | 2,055 | 186 | 2,241 | 773 | 3,014 |
| Depreciation and amortization | 819 | 216 | 1,035 | 2,727 | 3,762 | 258 | 4,020 |
| Information technology fees | 1,042 | 235 | 1,277 | 2,914 | 4,191 | 439 | 4,630 |
| Professional fees—other | 1,087 | 305 | 1,392 | 29 | 1,421 | 3,062 | 4,483 |
| Printing and shipping | – | – | – | 148 | 148 | – | 148 |
| Other operating expenses | 1,015 | 479 | 1,494 | 70 | 1,564 | 1,675 | 3,239 |
| Total operating program and support expenses | 32,898 | 9,840 | 42,738 | 8,526 | 51,264 | 12,996 | 64,260 |
| Net periodic benefit costs other than service cost | 16 | 7 | 23 | – | 23 | (39) | (16) |
| Total expenses | \$ 32,914 | \$ 9,847 | \$ 42,761 | \$ 8,526 | \$ 51,287 | \$12,957 | \$64,244 |

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. FASB and GASB standard-setting program expenses include an allocation of salaries, benefits and other costs for government relations and external affairs, communications activities, and information and technology services based on a percentage of headcount. Other expenses that are allocated among program and support functions include depreciation and amortization, and occupancy and equipment expenses, which likewise are allocated based on a percentage of headcount.

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 | 2023 | 2022 |
|--------------------------|------------------|------------------|
| Short-term: | | |
| Money market mutual fund | \$ – | \$ 2,822 |
| Reserve Fund: | | |
| Fixed income mutual fund | \$ 25,917 | \$ 24,677 |
| Money market mutual fund | 42,846 | 23,457 |
| | \$ 68,763 | \$ 48,134 |

Net investment income (dollars in thousands):

| Years ended December 31 | 2023 | 2022 |
|---|-----------------|-------------------|
| Short-term: | | |
| Interest and dividends | \$ 126 | \$ 91 |
| Reserve Fund: | | |
| Interest and dividends | \$ 2,450 | \$ 924 |
| Net realized and unrealized income (loss) | 679 | (2,292) |
| Total Reserve Fund net investment loss | \$ 3,129 | \$ (1,368) |

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

| Years ended December 31 | 2023 | 2022 |
|---|------------------|------------------|
| Fund balance, beginning of year | \$ 48,134 | \$ 62,502 |
| Transfers from (to) operations and short-term investments | 17,500 | (13,000) |
| Net investment income (loss) | 3,129 | (1,368) |
| Fund balance, end of year | \$ 68,763 | \$ 48,134 |

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. The FAF has approved the termination of the Employee's Pension Plan to be effective April 30, 2024.

In 2022, the Employees' Pension Plan paid out \$749,000 in lump sums, which triggered settlement accounting. This resulted in recognition of \$297,000 of periodic benefit expense in 2022, 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 \$3,686,000 and \$2,787,000 as of December

31, 2023 and 2022, 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 \$3,841,000 and \$3,494,000 for 2023 and 2022, 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 | |
|--------------------------------|-------------------------|-------|---------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Net periodic cost assumptions: | | | | |
| Discount rate | 4.90% | 2.55% | 5.00% | 2.75% |
| Expected return on plan assets | 5.00% | 2.90% | 6.85% | 5.80% |
| Benefit obligation assumption: | | | | |
| Discount rate | 4.70% | 4.90% | 4.80% | 5.00% |

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 for both December 31, 2023 and 2022.

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 | |
|---|-------------------------|------------|---------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Change in benefit obligations: | | | | |
| Benefit obligation, beginning of year | \$ 19,597 | \$25,786 | \$16,429 | \$22,207 |
| Service cost | – | – | 401 | 675 |
| Interest cost | 893 | 622 | 807 | 604 |
| Actuarial (gains) losses | 594 | (4,868) | (144) | (6,496) |
| Benefits paid | (1,237) | (1,194) | (680) | (640) |
| Settlements | – | (749) | – | – |
| Retiree contributions | – | – | 79 | 79 |
| Benefit obligation, end of year | \$19,847 | \$ 19,597 | \$16,892 | \$16,429 |
| Change in plan assets: | | | | |
| Fair value of plan assets, beginning of year | \$ 17,530 | \$24,267 | \$16,647 | \$21,286 |
| Employer contributions | 1,519 | – | – | – |
| Retiree contributions | – | – | 79 | 79 |
| Actual investment income (loss) on plan assets | 1,250 | (4,794) | 2,222 | (4,078) |
| Benefits paid | (1,237) | (1,194) | (680) | (640) |
| Settlements | – | (749) | – | – |
| Fair value of plan assets, end of year | 19,062 | 17,530 | 18,268 | 16,647 |
| Funded status at end of year | \$ (785) | \$ (2,067) | \$ 1,376 | \$ 218 |
| Amounts recognized in financial statements: | | | | |
| Noncurrent assets (liabilities) | (785) | (2,067) | 1,376 | 218 |
| | \$ (785) | \$ (2,067) | \$ 1,376 | \$ 218 |
| Amounts recognized as pension-related changes not reflected as operating expenses: | | | | |
| Net actuarial losses (gains) | \$ 151 | \$ 590 | \$ (1,246) | \$ (1,198) |
| Amortization of net actuarial losses | (547) | (509) | (78) | (227) |
| Amortization of net prior service costs | – | – | 95 | 95 |
| | \$ (396) | \$ 81 | \$ (1,229) | \$ (1,330) |
| Amounts not yet recognized as components of net periodic benefit costs: | | | | |
| Net actuarial losses (gains) | \$ 7,367 | \$ 7,763 | \$ (632) | \$ 692 |
| Net prior service credits | – | – | (33) | (128) |
| | \$ 7,367 | \$ 7,763 | \$ (665) | \$ 564 |
| Amounts expected to be recognized during the years ended December 31, 2024 and 2023: | | | | |
| Amortization of net actuarial (gains) losses | \$ 535 | \$ 547 | \$ (72) | \$ 78 |
| Amortization of net prior service credits | – | – | (34) | (95) |
| | \$ 535 | \$ 547 | \$ (106) | \$ (17) |

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, 2023, 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, 2023 and 2022, 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 | |
|--|-------------------------|-----------|---------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Mutual funds (all Level 1): | | | | |
| U.S. equity funds ^(a) | \$ – | \$ – | \$ 4,895 | \$ 4,235 |
| International equity index fund ^(b) | – | – | 4,713 | 4,241 |
| Fixed income funds ^(c) | 18,956 | 17,426 | 8,660 | 8,171 |
| Cash held by investment manager | 106 | 104 | – | – |
| Total | \$ 19,062 | \$ 17,530 | \$ 18,268 | \$ 16,647 |

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 | |
|---|-------------------------|--------|---------------------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| Service cost | \$ – | \$ – | \$ 401 | \$ 675 |
| Interest cost | 894 | 622 | 807 | 604 |
| Expected return on plan assets | (808) | (664) | (1,121) | (1,220) |
| Amortization of prior period actuarial losses | 547 | 509 | 78 | 227 |
| Amortization of prior service credits | – | – | (95) | (95) |
| Net periodic benefit cost | 633 | 467 | 70 | 191 |
| Settlements | – | 297 | – | – |
| | \$ 633 | \$ 764 | \$ 70 | \$ 191 |

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 |
|-------------------------|-------------------------|---------------------|
| 2024 | 3,093 | 588 |
| 2025 | 2,021 | 654 |
| 2026 | 1,665 | 728 |
| 2027 | 1,692 | 788 |
| 2028 | 1,580 | 841 |
| 2029–2033 | 6,804 | 4,962 |

The FAF expects to contribute \$500,000 to the Employees' Pension Plan during 2024 and does not expect to contribute to the Postretirement Plan during 2024.

7. Furniture, Equipment, Software, and Leasehold Improvements

| Years ended December 31 (dollars in thousands) | 2023 | 2022 |
|--|-----------|----------|
| Furniture, equipment, and software | \$ 27,739 | \$24,836 |
| Leasehold improvements | 21,767 | 21,397 |
| | 49,506 | 46,233 |
| Accumulated depreciation and amortization | (12,856) | (4,232) |
| | \$ 36,650 | \$42,001 |

8. Leases

The FAF entered into a lease contract for new office space in Norwalk commencing in March 2022 and ending in July 2038. The contract is an operating lease and requires both fixed and variable payments and includes lease incentives. Variable payments are based on expenses incurred by the landlord associated with operating the office space and premises on which that space is located. The FAF has an option to extend the lease for two five-year terms and concluded that it is not reasonably certain at this time either of these will be exercised. The FAF also has operating leases for office space in Washington, D.C. and for equipment. The leases have remaining lease terms of six months to 14.5 years.

Total fixed operating lease expense was \$1,378,000 and \$2,062,000 in 2023 and 2022, respectively. Total variable lease expense was \$538,000 and \$722,000 in 2023 and 2022, respectively. Cash paid for amounts included in the measurement of operating lease liabilities amounted to \$1,378,000 and \$1,365,000 in 2023 and 2022, respectively. Cash received from landlord representing lease incentives amounted to \$4,252,000 and \$5,298,000 in 2023 and 2022, respectively.

The weighted average remaining lease term is 14.5 years and 15.4 years in 2023 and 2022, respectively, and the weighted-average discount rate is 2.0 percent in 2023 and 2022.

Lease maturities (dollars in thousands):

| Years ended December 31 | |
|-------------------------|-----------|
| 2024 | 1,281 |
| 2025 | 1,566 |
| 2026 | 1,879 |
| 2027 | 1,961 |
| 2028 | 2,075 |
| Thereafter | 21,729 |
| Total lease payments | 30,491 |
| Present value discount | (4,288) |
| Total lease liability | \$ 26,203 |

INDEPENDENT AUDITOR'S REPORT

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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 21, 2024