FINANCIAL ACCOUNTING FOUNDATION

2023 Annual Report

STANDARDS THAT WORK

From Main Street to Wall Street

Contents

STANDARDS THAT WORK

From Main Street to Wall Street

The Financial Accounting Foundation (FAF) strives to provide effective, efficient, and appropriate stewardship of the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) and to assist them in their respective missions, focused on establishing and improving high-quality financial accounting and reporting standards that provide useful information to investors, and other users of financial reports, and improving all stakeholders' understanding of these standards and preparers' ability to implement them effectively.

Under the FAF's bylaws, its role within its oversight responsibilities is clear. The FAF takes care not to impair the independence and objectivity of the respective Boards in making their standard-setting decisions. The FAF and the Boards maintain alignment through constant dialogue and the shared commitment to serve the needs of all stakeholders.

MESSAGE FROM THE FAF CHAIR AND FAF EXECUTIVE DIRECTOR

Edward C. Bernard, Chair

John W. Auchincloss, Executive Director

Dear Stakeholders,

In 2023 we honored our past, made important changes in the present, and prepared for our future.

For the Financial Accounting Standards Board (FASB) to reach the age of 50, which it did in 2023, was no small feat. Our longevity is a testament to the careful attention that FASB members and staff pay to stakeholders, especially investors and other allocators of capital. It's also a testament to the vision of the Wheat Committee that designed our unique structure and governance, and the thoughtful oversight provided by the FAF Trustees since the FASB's founding in 1973.

Continued execution of a strategy that serves our hard-earned independence was central to our 2023 activities. We moved forward with projects that cut across all six of our major strategic goals, which we describe in greater detail elsewhere in this report. The FAF Trustees invested significant time and attention during the year to ensuring the entire organization's progress on these goals, and with good results.

A few special highlights come to mind.

- Early in the year, we ended our subscription service and provided fully free access to the FASB's Accounting Standards Codification® and the GASB's Governmental Accounting Research System™. This newly free access incorporates many user-friendly enhancements that were formerly reserved for paying subscribers and represents a major step forward in making our standards more accessible and valuable to our stakeholders.
- In a step forward for transparency, the Standard-Setting Process Oversight Committee of the FAF Board of Trustees began to livestream portions of its oversight conversations with leaders of the FASB and

“We know that the smooth functioning of our market economy relies on accounting standards that emerge from a process that is inclusive, objective, deliberate, independent, and comprehensive.”

GASB, creating public access for the first time into this vital process.

- The FAF Trustees also created a new online system that stakeholders can use to register concerns directly with Trustees about potential issues on the part of the FASB or GASB in following their due process procedures.
- The FAF Trustees kicked off their second review of the effectiveness of the FASB’s Private Company Council, which is the main advisory body to the FASB on matters concerning private company financial reporting. We hope to complete this review project by the fourth quarter of 2024.
- Finally, the organization invested in a major project to modernize the public websites for the FASB, GASB, and FAF. These websites had fallen behind best practices and were becoming a barrier to providing stakeholders with quick, easy, and intuitive access to vital information. The new sites debuted in early 2024 and are performing very well.

It takes talented, trained, and committed professionals to establish and improve financial reporting standards, as well as to provide the support services so important to the smooth functioning of the FASB and GASB. We conducted an organization-wide employee survey during the year that revealed 9 out of 10 employees feel proud to work here and find their work meaningful, while more than 8 out of 10 say they have access to the learning and development they need to do their jobs well. These are enviable results and reflect the passion our employees bring to our mission every day. We also ramped up our investment in training for our staff to broaden the diversity of perspectives we share with each other as well as our stakeholders.

We are honored to be part of an organization with a mission as important as ours. We know that the smooth functioning of our market economy relies on accounting standards that emerge from a process that is inclusive, objective, deliberate, independent, and comprehensive. We proudly serve alongside the people who are the stewards of this mission and who bring it to life every day.

Sincerely,

Edward C. Bernard

Edward C. Bernard, Chair

John W. Auchincloss

John W. Auchincloss, Executive Director

FAF BOARD OF TRUSTEES

Officers

Pictured top to bottom:

John W. Auchincloss
FAF Executive Director

Timothy L. Christen
Vice Chair

Mary P. Crotty
FAF Chief Operating Officer

Edward C. Bernard
Chair

Steven Hobbs
Vice President, General Counsel and Assistant Secretary

Manju Ganeriwala
Secretary and Treasurer

Pictured left to right:

Lynnette Kelly [1,2]
Former President and CEO, Municipal Securities Rulemaking Board

Bruce T. Herring [1,2,4]
Retired, President, Strategic Advisers Inc., Fidelity Investments

Michael B. Clement [2]
Clark W. Thompson, Jr. Professor of Accounting at the University of Texas at Austin

Marion M. Gee [5]
Finance Director, Metropolitan St. Louis Sewer District

Timothy F. Ryan [1,5]
U.S. Chairman & Senior Partner, PwC

Edward J. Goldthorpe [3]
Partner, Head of Credit, BC Partners

Robin L. Washington [5]
Former Executive Vice President & Chief Financial Officer, Gilead Sciences Inc.

Sarah E. Smith [4]
Former Chief Accounting Officer and Chief Compliance Officer, Goldman Sachs Group, Inc.

Timothy L. Christen [1,2]
Chairman Emeritus, Baker Tilly International Ltd.

W. Bryan Lewis [4,5]
Vice President and Chief Investment Officer, United States Steel Corporation

Lawrence Salva [1,3]
Retired, Executive Vice President and Chief Accounting Officer, Comcast Corporation

Pictured on stairs left to right:

Edward C. Bernard [1]
Director, LPL Financial Holdings, Inc.
Retired Vice Chairman, T. Rowe Price Group, Inc.

Richard N. Reisig [3,5]
Chairman, National Association of State Board of Accountancy & Principal, Pinion

Elizabeth A. Pearce [4]
Retired, Vermont State Treasurer

Manju Ganeriwala [1,2,5]
Retired, Treasurer, Commonwealth of Virginia

Not pictured:

Diane C. Nordin [2,5]
Former Partner and Director, Fixed Income, Wellington Management Company LLP

Michael T. Rollings [4]
Chief Financial Officer and Managing Director of Finance, The Vanguard Group

Shundrawn A. Thomas [3]
Founder & Managing Partner, The Copia Group

Trustee Committees

[1] Executive Committee, Edward C. Bernard, Chair, Timothy L. Christen, Vice Chair

[2] Appointments Committee, Lynnette Kelly, Chair

[3] Audit and Finance Committee, Lawrence Salva, Chair

[4] Compensation Committee, Bruce T. Herring, Chair

[5] Standard-Setting Process Oversight Committee, Timothy F. Ryan, Co-Chair, Manju Ganeriwala, Co-Chair

AN UPDATE TO STAKEHOLDERS ON THE FAF'S STRATEGIC PLAN

Our organization moved forward on many fronts in 2023 to fulfill our commitments to stakeholders in the first full year of our new strategic plan. These activities notably involved people at many levels of our organization from FAF Trustees through leaders and staff at the FASB, GASB, and FAF. This "all-hands" approach was the foundation for progress we made in addressing our six strategic priorities. We are pleased to share with you some of the highlights of our work during the year.

GOAL #1

In service to the public interest, promote the importance of independent standard setting to capital markets

- FASB and GASB leaders met regularly with Members of Congress and their staff during the year to brief them on Board activities and to answer questions about current and future projects. Topics of interest included FASB's new standard on income tax disclosures and GASB's potential role in implementing the Financial Data Transparency Act. In December, FASB Chair Rich Jones testified and responded to questions at an oversight hearing held by a subcommittee of the House Financial Services Committee.

- The FAF Trustees brought a new level of transparency to their oversight of the FASB and GASB. Beginning in May 2023, quarterly Standard-Setting Process Oversight Committee meetings are now livestreamed to the public from the FAF website. In addition, the Trustees approved and implemented a new due process correspondence procedure to give stakeholders a direct line of communication to the Trustees to express concerns about FASB or GASB following their own due process.

GOAL #2

Ensure financial accounting and reporting standards advance as needed

- In early 2023, the FAF took an important step in increasing stakeholder access to the tools they need and dropped all subscription fees for access to *FASB's Accounting Standards Codification®* and to GASB's Governmental Accounting Research System™. The free versions also include numerous technology features previously reserved for paid subscribers. This decision was widely praised across the industry.

- Hard behind-the-scenes work took place throughout 2023 to prepare completely redesigned websites for FASB, GASB, and FAF. The new sites, which debuted in the first quarter of 2024, make it much easier for users to navigate quickly to important information and facilitate a closer connection between FASB and GASB and their stakeholders.

GOAL #3

Incorporate new and further embrace existing technologies to make the standard-setting process more effective and productive, from initial stakeholder input through the delivery and consumption of standards

- FAF continued to invest in core technology upgrades to support FASB and GASB's work. After launching our new publishing platform in late 2022, a cross-organization team oversaw important system updates and improvements in 2023 to make our work even more efficient. This is in line with our strategic commitment to invest continually in our most important technologies, breaking with our past model of "big bang" projects every decade or so.

GOAL #4

Build on our commitment to greater diversity, equity, and inclusion

- In a first, FASB and GASB sent leaders to North Carolina A&T (a historically Black college/university) for workshops with students and faculty. This is the beginning of a longer-term effort to raise awareness of the accounting profession in general, and our standard-setting mission in particular, to a more diverse audience of students who may not otherwise be exposed to this information.

- Our leadership and staff participated in workshops focused on these initiatives during the year. The sessions were dedicated to driving diversity, equity, and inclusion actions further into our operations and to understanding and correcting implicit bias. We now also offer all new employees the opportunity to complete an online course on unconscious bias.

GOAL #5

Exhibit Leadership in Global Financial Reporting

- The Standard-Setting Process Oversight Committee of the FAF Trustees benefited from insights provided by our standard-setting Boards as they engaged with international counterparts during the year. GASB Chair Joel Black held periodic conversations with members of the International Public Sector Accounting Standards Board (IPSASB). FASB Board members attended 15 different multilateral conferences with global standard setters and held 7 bilateral meetings with standard-setting boards in various countries. These FASB contacts are in addition to regular meetings with the International Accounting Standards Board and its staff.

GOAL #6

Engage with stakeholders, regulators, and Congress to determine the appropriate way, if any, for the organization to contribute to future sustainability reporting

- FAF and FASB leaders frequently conferred during the year with elected and appointed officials in Washington, DC to stay on top of developments in sustainability reporting and assess potential implications for our organization.

- Emmanuel Faber, chair of the International Sustainability Standards Board (ISSB), met virtually with the FAF Trustees in November to update them on key ISSB activities and accomplishments since the ISSB's creation in 2021. The Trustees had a robust and wide-ranging discussion with Mr. Faber about the future direction of international sustainability standards.

MESSAGE FROM THE FASB CHAIR

The FASB was pleased to celebrate its 50th anniversary in 2023. This longevity is a testament to the benefits of the independent standard-setting process. It's a great asset that allows the FASB to solicit and incorporate diverse views to develop standards that provide our stakeholders with relevant, unbiased information in the most cost-effective way possible. It's also a great privilege because we must continually earn the right to set standards.

In 2023, the FASB continued to earn that privilege by completing or making substantial progress on our agenda, including three priority areas raised during our agenda consultation: segment reporting, crypto assets, and income tax disclosures. The completion of these three projects—some of which have been on our agenda in one form or another for years—are a major accomplishment made possible by our stakeholders. Their input during the agenda consultation provided critical direction and achievable paths forward on these and other projects that we expect to reach due process milestones in 2024, including software costs, environmental credit programs, and government grants.

Additionally, in 2023, we continued to perform extensive outreach on our proposed standard on Disaggregation of Income Statement Expenses, including hosting a December 13 public roundtable where stakeholders shared feedback on the benefits and costs of providing investors with more detailed information about certain types of expenses, including employee compensation, inventory, depreciation, and amortization.

During the year, the Board also issued final standards on joint venture formations, providing investors and other allocators of capital with more decision-useful information in a joint venture's separate financial statements. We finalized a consensus of the Emerging Issues Task Force (EITF) with a standard that improves the accounting and disclosures for investments in tax credit structures. Based on another EITF consensus, we issued a proposed standard that would clarify requirements for determining whether certain settlements of convertible debt instruments, including convertible debt instruments with cash conversion features, should be accounted for as induced conversions. We'll discuss feedback on that proposal later this year.

“Every standard has a story. A big part of that story is stakeholder input. Your engagement in our work drives our ability to develop and improve standards that provide investors and other capital allocators with information they will use in their decision-making process.”

We continued our post-implementation reviews of the leases, credit losses, and revenue recognition standards to ensure their operability and effectiveness. Based on what we heard from private company stakeholders, we finalized accounting guidance on lease arrangements between entities under common control, providing private companies and certain not-for-profit organizations with a practical expedient.

On November 10, we hosted a public roundtable with stakeholders who have experience adopting the revenue recognition standard. That event elicited new insights from investors, practitioners, and preparers across various industries, who shared their views on the standard’s benefits and costs, issues identified during the implementation process, and other topics. The FASB plans to discuss that input at a meeting in 2024.

This year also provided us with an opportunity to improve our interpretative process. Stakeholders who participated in our agenda consultation provided valuable feedback on how we could better leverage the expertise of the EITF. After completing an extensive review, we have announced changes to the EITF to allow it to be more effective and efficient in addressing technical accounting issues as they arise. We look forward to the first meeting of this new EITF in the summer of 2024.

We continued to encourage academic research and the sharing of those perspectives this past year, engaging with academics at the annual Financial Reporting Issues Conference and various American Accounting Association events.

Finally, in 2023, we set the stage to complete the FASB Conceptual Framework, a project 50 years in the making. In August, we published a new chapter related to the recognition and derecognition of an item in financial statements. By the end of the year, we’d issued a proposed new chapter of our Conceptual Framework related to the measurement of items recognized in financial statements. If finalized by the Board, the proposed chapter would represent the completion of the FASB’s Conceptual Framework.

Every standard has a story. A big part of that story is stakeholder input. Your engagement in our work drives our ability to develop and improve standards that provide investors and other capital allocators with information they will use in their decision-making process. Please continue to share your views on our projects and activities so that we can develop the best standards possible.

Sincerely,

Richard R. Jones, Chair

MEMBERS OF THE FASB

Pictured top to bottom:

Hillary H. Salo
Technical Director

Joyce T. Joseph
Board Member

Christine Ann Botosan
Board Member

Frederick L. Cannon
Board Member

James L. Kroeker
Vice Chairman

Richard R. Jones
Chair

Marsha L. Hunt
Board Member

Susan M. Cosper
Board Member

2023 FASB HIGHLIGHTS

Key Standards Issued in 2023

- Income Taxes (Topic 740): Improvements to Income Tax Disclosures
- Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets
- Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures
- Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative
- Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement
- Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)
- Leases (Topic 842): Common Control Arrangements

Other Key Documents Issued in 2023

- Proposed Accounting Standards Update—*Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*
- Proposed Accounting Standards Update—*Financial Instruments—Credit Losses (Topic 326): Purchased Financial Assets*
- Proposed Accounting Standards Update—*Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments* (a consensus of the Emerging Issues Task Force)
- Proposed Accounting Standards Update—*Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest Awards*
- Proposed Statement of Financial Accounting Concepts No. 8—*Conceptual Framework for Financial Reporting—Chapter 6: Measurement*
- Numerous proposed ASUs that resulted in the issuance of final ASUs

Advisory Groups

Advisory and other groups provide important input to the FASB on projects, standards, and implementation efforts. More information about each group—including complete membership rosters—is available by clicking the icons below.

- **FASAC** Financial Accounting Standards Advisory Council
- **IAC** Investor Advisory Committee
- **NAC** Not-for-Profit Advisory Committee
- **SBAC** Small Business Advisory Committee
- **EITF** Emerging Issues Task Force
- **PCC** Private Company Council

MESSAGE FROM THE GASB CHAIR

Joel Black, Chair

This year, the Governmental Accounting Standards Board (GASB) marks 40 years since holding its first meeting on June 14, 1984. Since those early days, our Board and staff have worked with a deep sense of purpose to develop and maintain high-quality accounting and financial reporting standards for state and local governments across the United States.

The standards the GASB has issued and improved over the past four decades have given financial statement users access to information they need to make decisions about governments' financial information and to assess their accountability. We are very proud of this work, which is the legacy of everyone who has served on our Board and staff over our history.

We look forward to commemorating this milestone over the course of 2024 with celebrations and other activities. We will keep you updated on what is coming up through our website (www.gasb.org) and social media channels.

Key Developments and Accomplishments of 2023

The GASB worked to improve Generally Accepted Accounting Principles (GAAP) for U.S. state and local governments in a number of ways in 2023. The Board issued new guidance on certain governmental risks and proposed standards on disclosure and classification of certain capital assets.

The new and proposed guidance both improve note disclosures to provide users of government financial statements with important information. The new standard on certain risks requires disclosure of risks a government may face related to concentrations or constraints. The proposed guidance on capital assets would provide users with more detail on capital assets which have different attributes.

The Board also made some significant decisions in two ongoing comprehensive GASB projects.

The Board made progress in one of the most challenging areas of the revenue and expense recognition project—accounting for grants and related transactions. The Board is on a path to retain key aspects of the current guidance in this area while incorporating certain improvements, simplifying the accounting, and making it more understandable.

In the financial reporting model project, the Board decided to remove proposed changes regarding governmental funds. The Board then decided to remove a conceptual framework project that dealt with related issues from its agenda as it was no longer needed. A final standard that includes targeted improvements to several areas of the financial reporting model is expected mid-year.

These developments represent major project inflection points that will significantly impact governmental accounting and financial reporting—and provide stakeholders with simplified guidance and users with better information—once they are in practice.

The GASB's accomplishments in 2023 also included activities outside of technical accounting standard setting, which are important to achieving our mission and serving stakeholders.

Early in the year, we replaced our publishing system organization-wide with a more modern platform and interface. This allowed us to make significant improvements to the Governmental Accounting Research System™ or "GARS," which is available at no charge to all stakeholders. The enhancements make it easier for stakeholders to access our literature electronically and conduct their research and other work more efficiently.

We also launched the Bridging the GAAP podcast. The series takes a less technical look at key issues the Board is working on and governmental accounting topics more broadly. Episodes have covered the Financial Data Transparency Act (FDTA) and our proposed guidance on Certain Capital Assets while a more recent episode walked listeners through the new version of GARS. We have several episodes planned for 2024, so please listen to them and let us know what you think.

Working Toward the Future

We continued to closely monitor electronic financial reporting, how it is evolving, and how technology is changing the way users consume governmental financial information. Our focus in this area was influenced by the passage of the FDTA in December 2022.

While the FDTA is currently in the rule-making phase and its implementation will rest with the U.S. Securities and Exchange Commission, the GASB is prepared to play a constructive role in this process.

As part of this commitment, we have begun work on a financial statement taxonomy, which once complete, governments and others may voluntarily use to prepare machine-readable annual financial statements.

We also continued to focus on improving the efficiency and effectiveness of GASB research. Leveraging technology is allowing us to begin to automate parts of the research process thus making it more efficient. These kinds of advances will ultimately give staff additional time to collect and analyze data on a more comprehensive basis. For example, our use of a new survey tool coupled with improved collection methods is resulting in increased response rates and improved structure of survey response data. I look forward to keeping stakeholders apprised of how these efforts are progressing.

Thank You

The contributions of thousands of GASB stakeholders over our history have been central to what we have accomplished so far—and to what we hope to achieve in the future. Thank you to everyone who has shared their time and expertise serving on our advisory council and task forces, responding to our proposals, sharing your insights in research interviews and surveys, and by offering your support in many other ways. We could not have done it without you and are grateful for your engagement.

I also want to acknowledge the tremendous support we receive from the Financial Accounting Foundation's Board Trustees and staff. Their contributions to the GASB's work over our history should not be underestimated.

One of the great pleasures of my time with the GASB so far has been working every day with the talented and dedicated members of our Board and staff. I know this is something I share in common with everyone who has been a part of our GASB family over the past 40 years. Thank you to all of you who have helped make what we have achieved together possible.

Sincerely,

Joel Black

Joel Black, Chair

MEMBERS OF THE GASB

Pictured left top to bottom:

Jacqueline L. Reck
Board Member

Carolyn Smith
Board Member

Jeffrey J. Previdi
Vice Chairman

Kristopher E. Knight
Board Member

Pictured right top to bottom:

Alan Skelton
Director of Research
and Technical Activities

Brian W. Caputo
Board Member

Joel Black
Chair

Dianne E. Ray
Board Member

2023 GASB HIGHLIGHTS

Final Pronouncements

- *Certain Risk Disclosures*
- *Implementation Guidance Update—2023*

Exposure Drafts

- *Disclosure and Classification of Certain Capital Assets*
- *Additional Proposal for Implementation Guidance Update—2023*

Advisory Groups

Advisory groups, consultative groups, and task forces provide additional issue-specific input and feedback to the GASB. More information about the GASAC, GASB consultative groups, and GASB task forces is available by clicking the icons below.

GASB
Consultative
Groups

are assembled at the discretion of the GASB chair for pre-agenda research that is expected to be extensive and to address a broad or fundamental portion of the accounting and financial reporting standards and certain practice issue projects.

GASAC
The Governmental
Accounting Standards
Advisory Council

is responsible for consulting with the GASB on technical issues on the Board's agenda, project priorities, selection/organization of task forces, and other matters.

GASB
Task
Forces

are assembled for most major projects and serve as a sounding board as a project progresses.

GASB MARKS 40 YEARS

GOVERNMENTAL ACCOUNTING STANDARDS BOARD 40TH ANNIVERSARY 1984-2024

2023 Accomplishments and Looking Ahead
In 2023, the GASB saw important progress in both standard-setting areas and other operational improvements that are important to furthering the Board's mission. Looking toward our 40th anniversary and beyond, we are focused on how technology is impacting the evolution of financial reporting, how we do our work, and how we can leverage it to serve our stakeholders better.

Progress in Setting Standards
The GASB made progress in key areas of governmental accounting and financial reporting, issuing new guidance on certain risk disclosures and proposed standards on disclosure and classification of certain capital assets. The Board also reached critical decisions in its long-term comprehensive projects on the financial reporting model and revenue and expense recognition.

New Version of the Governmental Accounting Research System
In early 2023, the GASB made significant improvements to its Governmental Accounting Research System™ or "GARS." The updated version offers a more modern interface and other enhancements that make it easier for stakeholders to access GASB literature and conduct research more efficiently. GARS is available to all of our stakeholders at no charge.

Governmental Financial Statement Taxonomy Underway
The GASB is closely monitoring the evolution of electronic financial reporting. With the Financial Data Transparency Act (FDTA) in the rule-making phase, we are prepared to play a positive role in the process. Our work is underway on a governmental financial statement taxonomy that, once complete, could voluntarily be used to prepare machine-readable annual financial statements.

Bridging the GAAP Podcast
GASB launched a new podcast series in 2023 that offers episodes focused on critical standard-setting issues and other governmental accounting topics that stakeholders may find informative. Our first several episodes looked at proposed new guidance, the FDTA, and the latest version of GARS. Take a listen and subscribe today.

AAA Hosts GASB and GASAC at Annual Meeting
GASB and the Governmental Accounting Standards Advisory Council (GASAC) held their 2023 summer meeting in Denver in conjunction with the American Accounting Association's (AAA) annual conference. The GASB received input on several project areas from the GASAC and interacted with AAA members to discuss ways they can benefit from working together.

GASB Marks 40th Anniversary
This year, we honor the legacy of those who have served on our Board and staff over the past four decades. We are grateful to the thousands of stakeholders who have shared their time and talents with us over our history to help us improve governmental accounting and financial reporting. We look forward to your continued engagement as we work toward the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contents

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

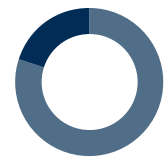
- FASB Accounting Support Fees 58%
- GASB Accounting Support Fees 18%
- Publishing and Other 24%

2022 Sources of Revenues

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

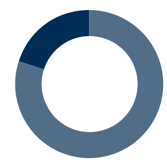
2023 Expenses

- 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.

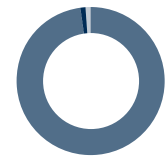
Licensing and Sales

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)

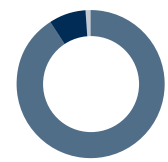
2023

License Fees	98%	$17,023
Codification Online Subscriptions	1%	$163
Print subscriptions, hard copy and other	1%	$117
Total	**100%**	**$17,303**



2022

License Fees	91%	$17,903
Codification Online Subscriptions	8%	$1,491
Print subscriptions, hard copy and other	1%	$227
Total	**100%**	**$19,621**



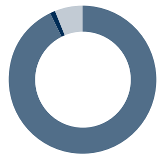
The FAF licenses the content of the *FASB Accounting Standards Codification®* (FASB Codification) to commercial publishers and others for inclusion in their proprietary, comprehensive, online research systems, and additional products. Through early 2023, the FASB Codification was also accessible by users 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)

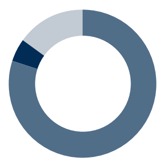
2023

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):

	2023			2022		
Years ended December 31	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):

	Program						
	Standard-Setting						
Year ended December 31, 2023	FASB	GASB	Total	Publishing and Licensing	Total Program	Support	Total Expenses
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):

	Employees' Pension Plan		Postretirement Plan	
Fair Value of Plan Assets at December 31	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

WELCOME

During the past year, the FAF Board of Trustees and the FASB welcomed the following leaders.

FAF
Joined January 2024

Michael B. Clement
Clark W. Thompson, Jr.
Professor of Accounting at the
University of Texas at Austin

FAF
Joined January 2024

Elizabeth A. Pearce
Retired,
Vermont State Treasurer

FASB
Joined July 2023

Joyce T. Joseph
Board Member, FASB

THANK YOU

During the past year, the following FAF Trustees and FASB leader concluded their work with us. On behalf of the entire organization, we thank them for their outstanding service.

FAF
Completed service in December 2023

Mary E. Barth
Joan E. Horngren Professor of
Accounting, Emerita, Stanford University
Graduate School of Business

FAF
Completed service in December 2023

David H. Lillard Jr.
State Treasurer, Tennessee
Department of the Treasury

FASB
Completed service in June 2023

Gary R. Buesser
Board Member, FASB

OUR MISSION

Our mission is, through governance and oversight, to ensure that the Financial Accounting Standards Board and the Governmental Accounting Standards Board fulfill their respective missions that are focused on establishing and improving high-quality financial accounting and reporting standards that provide information useful to investors and other users of financial reports, and improving all stakeholders' understanding of those standards and preparers' ability to implement them effectively.

- The FASB and the GASB (the Boards) set standards through a process that is robust, comprehensive, and inclusive.
- The FAF Board of Trustees provides oversight and promotes an independent and effective standard-setting process.
- The FAF management provides strategic counsel and services that support the work of the standard-setting Boards and Board of Trustees.

FAF FINANCIAL ACCOUNTING FOUNDATION®

The FAF is the independent, private-sector, not-for-profit organization responsible for the oversight, administration, financing, and appointment of the FASB and the GASB.

www.accountingfoundation.org
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