

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

The next sections provide certain 2024 financial highlights and management's discussion and should be read in conjunction with the FAF's audited financial statements that follow.

2024 Summary

The FAF's net assets increased by \$14.4 million in 2024. Operating revenues totaled \$82.4 million, offset by operating expenses of \$73.2 million. Operating revenues increased by \$3.8 million from 2023 and reflect an increase

in accounting support fees of \$1.8 million and licensing of \$2.0 million. Program and support expenses increased by \$2.8 million, or 4%, from 2023, primarily driven by increases in salaries and employee benefit expense. Investment income totaled \$4.0 million, benefiting from positive market conditions for FAF's investments.

Standard-setting activities in 2024 related to the FASB's and the GASB's primary mission of establishing and improving financial accounting and reporting standards. Significant activities and achievements relating to the FASB's and GASB's standard-setting mission during 2024 are described in greater detail in the FASB's and GASB's respective websites at FASB.org and GASB.org.

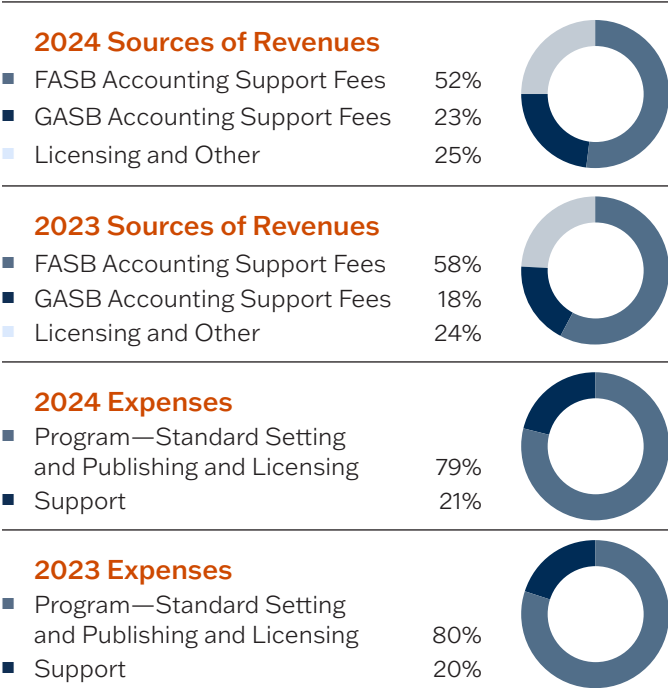
Program expenses also include publishing and licensing and delivering FASB and GASB standard-setting content. In 2024 and 2023, these include depreciation costs associated with the publishing platform implementation and upgrades.

2024 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 2024 and 2023:



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 \$42.9 million in 2024 and \$45.3 million in 2023. As discussed in more detail in the "Reserve Fund Investments", the FAF voluntarily contributes a formula-based amount from the Reserve Fund to offset FASB recoverable expenses that would otherwise be funded by accounting support fees. The FAF paid the PCAOB approximately \$209,000 per year for collection services, which is included as part of operating support expenses, in 2024 and 2023.

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 2024 sequestration, began on October 1, 2023, and ended on September 30, 2024. During 2024, approximately \$2.5 million was sequestered with respect to the FASB accounting support fee. The OMB notified the FAF that the 2024 sequestered funds were available for spending for the 2025 federal fiscal year, which began October 1, 2024. The FAF understands that the FASB accounting support fee for federal fiscal year 2025 will be subject to sequestration in a similar manner.

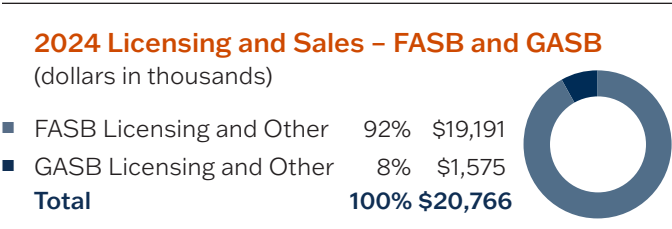
GASB Accounting Support Fees

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

support fees were \$18.6 million in 2024 and \$14.4 million in 2023. The increase was driven by the increase in GASB recoverable expenses and a decrease in the Voluntary Reserve Fund Contribution due to a one-time change in the allocation methodology. The FAF paid FINRA \$30,000 per year for collection services, which is included as part of operating support expenses, in 2024 and 2023.

Licensing and Sales

Licensing and sales for FASB and GASB product offerings are presented in the statements of activities on a combined basis. Gross revenues for FASB and GASB product offerings are separately displayed in the charts below for 2024 and 2023.



The FAF licenses the content of the FASB Accounting Standards Codification® (FASB Codification) and GASB materials to commercial publishers and others for inclusion in their proprietary, comprehensive, online research systems, and additional products.

Through early 2023, the FASB Codification and GASB materials (through the Governmental Accounting Research System (GARS)) were also directly accessible by users online 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 print subscriptions and sales of bound editions of FASB and GASB updates, statements, guides, and other documents.

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 \$57.9 million in 2024; an increase of \$1.3 million from 2023. Program salaries and benefits (comprising 71% of total program expenses) increased \$1.4 million, or by approximately 3.4%, primarily related to the annual salary rate increases.

The FAF’s operating support expenses totaled \$15.3 million in 2024, an increase of 11% from 2023, primarily related to salaries expense 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 \$4.0 million in 2024, compared to net investment income of \$3.2 million in 2023, resulting from continued 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 increase (decrease) in net assets of \$83,000 and (\$302,000) in 2024 and 2023, 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 \$1.1 million and \$1.6 million for 2024 and 2023, 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 and 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 \$92.2 million and \$68.8 million as of December 31, 2024 and 2023, respectively. The increase relates to the FAF Board-approved increase in the discretionary long-term reserve, investment return, and some favorable increases.

Reserve Fund assets were invested approximately 60% in a money market mutual fund and 40% 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 2024 and 2023 were partially offset by voluntary Reserve Fund contributions of \$10.6 million and \$6.2 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, 2024 and 2023, primarily included \$3.9 million and \$7.4 million of license fees, respectively, and \$4.8 million and \$3.8 million of GASB accounting support fees, respectively.

Furniture, Equipment, Software, and Leasehold Improvements, Net

Furniture, equipment, software, and leasehold improvements include \$50.6 million in 2024, offset by accumulated depreciation of \$22.1 million in 2024. Additions of \$1.7 million in 2024 include the third phase of upgrades to the publishing platform, improvements to new office space in Washington D.C, and other information technology additions.

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.

Accrued Payroll and Related Benefits

Accrued Payroll and Related Benefits of \$2.9 million as of December 31, 2024, increased from \$1.8 million as of December 31, 2023, primarily due to the accrual of payroll and related taxes due to change in timing of payroll payments during the year.

Prepaid/Accrued Postretirement Health Care Costs and Accrued Pension Costs

The funded status of the Postretirement Plan amounted to a \$2.4 million net prepaid in 2024, compared to a net prepaid of \$1.4 million in 2023. The funded status of the Employees' Pension Plan amounted to a \$500,000 net liability in 2024 reflected in current liabilities, compared to a net liability of \$785,000 in 2023 reflected in noncurrent liabilities. As described in the footnotes, the Employees' Pension Plan was terminated as of April 30, 2024, and the valuation of the liability is on a termination basis and expected to be paid out in 2025. 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 FINANCIAL POSITION

For the years ended December 31 (dollars in thousands)

2024

2023

Current assets:		
Cash and cash equivalents	\$ 8,436	\$ 7,797
Accounting support fees, licensing, and other receivables (net of allowance for doubtful accounts of \$103 and \$209)	8,758	11,277
Prepaid expenses and all other current assets	1,165	1,106
Total current assets	18,359	20,180
Noncurrent assets:		
Reserve Fund investments (Note 5)	92,217	68,763
Prepaid postretirement health care costs (Note 6)	2,453	1,376
Assets held in trust (Note 6)	4,431	3,686
Operating lease right-of-use assets (Note 8)	15,065	15,013
Furniture, equipment, software, and leasehold improvements, net (Note 7)	28,555	36,650
Total noncurrent assets	142,721	125,488
Total assets	\$ 161,080	\$ 145,668
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,737	\$ 1,577
Accrued payroll and related benefits	2,943	1,779
Accrued pension costs (Note 6)	500	–
Operating lease liabilities—current (Note 8)	1,152	779
Unearned licensing and sales revenues (Note 2)	3,533	4,604
Total current liabilities	9,865	8,739
Noncurrent liabilities:		
Accrued pension costs (Note 6)	–	785
Operating lease liabilities—long term (Note 8)	25,346	25,424
Other liabilities (Note 6)	4,431	3,686
Total noncurrent liabilities	29,777	29,895
Total liabilities	39,642	38,634
Net assets—without donor restrictions		
Designated by the Board for Reserve (Notes 3 and 5)	92,217	68,763
Undesignated	29,221	38,271
Total net assets without donor restrictions	121,438	107,034
Total liabilities and net assets	\$ 161,080	\$ 145,668

See accompanying notes to these financial statements.

STATEMENTS OF ACTIVITIES

For the years ended December 31 (dollars in thousands)

2024

2023

Operating:

Revenues:

Accounting support fees:

FASB

\$ 42,934

\$ 45,290

GASB

18,582

14,404

Total accounting support fees

61,516

59,694

Licensing and sales (Note 2)

20,766

18,695

Contributions—contributed services

122

217

Total revenues

82,404

78,606

Program expenses (Note 4):

Standard setting:

FASB

36,390

34,986

GASB

11,741

10,846

Total standard setting

48,131

45,832

Publishing and licensing

9,798

10,782

Total program expenses

57,929

56,614

Support expenses (Note 4)

15,331

13,856

Total program and support expenses

73,260

70,470

Operating revenues greater than operating expenses

9,144

8,136

Nonoperating:

Net investment income—cash and cash equivalents (Note 5)

96

126

Net investment income—Reserve Fund (Note 5)

3,954

3,129

Other components of net periodic benefit cost (Note 6)

83

(302)

Other pension-related changes not reflected in
operating expenses (Note 6)

1,127

1,625

Increase in net assets without donor restrictions

14,404

12,714

Net assets at beginning of year

107,034

94,320

Net assets at end of year

\$ 121,438

\$107,034

See accompanying notes to these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended December 31 (dollars in thousands)

2024

2023

Cash flows from operating activities:

Cash received from accounting support fees	\$ 60,559	\$ 59,185
Cash received from licensing and sales	23,171	19,238
Interest and dividend income received	3,788	2,577
Cash paid to vendors, employees, and benefit plans	(61,974)	(66,651)
Net cash provided by operating activities	25,544	14,349

Cash flows from investing activities:

Proceeds from sales of Reserve Fund investments	8,000	-
Purchases of Reserve Fund investments	(31,191)	(19,949)
Proceeds from sales of short-term investments	-	2,869
Purchases of short-term investments	-	(47)
Purchases of furniture, equipment, software, and leasehold improvements	(1,714)	(3,578)
Net cash used in investing activities	(24,905)	(20,705)

Net increase (decrease) in cash and equivalents	639	(6,356)
Cash and cash equivalents at beginning of year	7,797	14,153
Cash and cash equivalents at end of year	\$ 8,436	\$ 7,797

Supplemental information

Noncash items included in the Statement of Activities:

Pension-related changes not reflected in operating expenses	\$ (1,127)	\$ (1,625)
Component of net periodic benefit costs not reflected in operating expenses	\$ (83)	\$ 302
Right of use asset obtained in exchange for new operating lease liability	\$ 951	\$ -

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 licensing 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 and licensing. 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, 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 3).

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.

NOTES TO THE FINANCIAL STATEMENTS

Revenue Recognition

Licensing and sales

Licensing revenue includes licensing of FASB and GASB 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. 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 GASB 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 standard-setting activities of the FASB and GASB 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 2024 sequestration began on October 1, 2023 and ended on September 30, 2024. During 2024, \$2,450,000 was sequestered with respect to the FASB ASFs. The OMB notified the FAF that the 2024 sequestered funds were available for spending for the 2025 federal fiscal year, which began October 1, 2024, and as a result no restrictions existed at December 31, 2024. The FAF understands that the FASB ASFs for federal fiscal year 2025 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 financial 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. Amounts on deposits in excess of federally insured limits as of December 31, 2024 and 2023 approximated \$7.9 million and \$7.5 million, respectively. 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 for licensing receivable is 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. There was no allowance for credit losses for licensing receivable as of December 31, 2024 and 2023. The allowance for uncollectible accounting support fee receivables was \$103,000 and \$209,000 for the years ended December 31, 2024 and 2023, respectively.

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, 2024 and 2023, 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, including certain costs to develop, obtain, and implement FAF's internal use software, are depreciated over their estimated useful lives, ranging from 3 to 10 years. Leasehold improvements are amortized over the shorter of useful life of those leasehold improvements and the remaining lease term. FAF reviews the valuation of its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. No indicators of impairment were identified as of December 31, 2024 and 2023, respectively.

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 have 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 not to separate nonlease components (primarily operating and maintenance services associated with the FAF's office leases) from lease components (the right to use the underlying asset) and instead to account for those components as single lease components for all of its leases.

Subsequent Events

The FAF has evaluated subsequent events through March 12, 2025, the date through which the financial statements are available to be issued. There were no events noted that required adjustment or disclosure in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. Licensing and Sales

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

Years ended December 31	2024			2023		
	FASB	GASB	Total	FASB	GASB	Total
Licensing	\$19,191	\$1,575	\$20,766	\$17,023	\$1,302	\$18,325
Subscriptions and other	-	-	-	280	90	370
Total	\$19,191	\$1,575	\$20,766	\$17,303	\$1,392	\$18,695

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 or semiannual payments for the number of active sublicenses at the beginning of the contract period or upfront annual and semiannual payments based on a fixed negotiated fee. The FAF recognizes revenue rateably over the term of the agreements using the output method 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 using the output method 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.

Subscriptions and Other

Prior to the FAF's providing free enhanced versions of the FASB Accounting Standards Codification® (FASB Codification) and GASB Governmental Accounting

Research System™ (GARS) in 2023, the FAF sold subscriptions for access to the FASB Codification and GARS through Professional View online platforms and subscriptions for individual sales of various print versions of various FASB and GASB Statements, updates, and guides. These subscriptions were terminated in February 2023 and pro-rata refunds were made to customers whose term extended beyond the termination date. The FAF recognized revenue over the term of the subscriptions using the output method because the obligation to provide subscribers access to the FASB Codification and GARS is a single performance obligation satisfied over time.

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.

Accounting support fees, licensing, and other receivables in the statements of financial position include \$3,936,000 and \$7,409,000 as of December 31, 2024 and 2023, respectively, related to licensing.

Contract liabilities (unearned licensing and sales revenue), as reflected in the statements of financial position, include licensing revenues which include amounts received or due in excess of revenue recognized.

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 licensing revenues. FASB ASFs are billed annually and GASB ASFs are billed quarterly. Together, these fees accounted for \$61.5 million or 75 percent, and \$59.7 million or 76 percent, of the funding of the FAF in 2024 and 2023, respectively. The following table reflects the financial assets as of December 31, 2024 and 2023, 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	2024	2023
Cash and cash equivalents	\$ 8,436	\$ 7,797
Reserve Fund investments	92,217	68,763
Accounting support fees, publishing, and other receivables	8,758	11,277
Financial assets available before Board designations	109,411	87,837
Less: Board designated Reserve Fund (non-operating portion)	(74,237)	(51,624)
Financial assets available to meet cash needs for general expenditures within one year	\$ 35,174	\$ 36,213

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 \$18.0 million to be used as operating reserves and is included in the financial assets available to meet cash needs within one year. 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.

NOTES TO THE FINANCIAL STATEMENTS

4. Program and Support Expenses

The following table presents expenses by both their nature and function for the years ended December 31, 2024 and 2023, (dollars in thousands):

Year ended December 31, 2024	Program			Publishing and Licensing	Total Program	Support	Total Expenses
	Standard-Setting		Total				
	FASB	GASB	Total				
Salaries and wages	\$ 24,376	\$ 7,759	\$ 32,135	\$ 1,241	\$ 33,376	\$ 6,624	\$40,000
Employee benefits	5,576	1,654	7,230	355	7,585	1,691	9,276
Occupancy and equipment expenses	1,135	397	1,532	-	1,532	852	2,384
Depreciation and amortization	2,217	740	2,957	5,638	8,595	1,214	9,809
Information technology fees	1,167	245	1,412	2,459	3,871	176	4,047
Professional fees—other	826	366	1,192	78	1,270	3,876	5,146
Printing and shipping	-	-	-	9	9	-	9
Other operating expenses	1,093	580	1,673	18	1,691	898	2,589
Total operating program and support expenses	36,390	11,741	48,131	9,798	57,929	15,331	73,260
Net periodic benefit costs other than service cost	(43)	(15)	(58)	-	(58)	(25)	(83)
Total expenses	\$ 36,347	\$ 11,726	\$ 48,073	\$ 9,798	\$ 57,871	\$15,306	\$ 73,177
Year ended December 31, 2023							
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

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.

5. Investments and Net Investment Income

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	2024	2023
Reserve Fund:		
Fixed income mutual fund	\$ 36,731	\$ 25,917
Money market mutual fund	55,486	42,846
	<u>\$ 92,217</u>	<u>\$ 68,763</u>

Net investment income (dollars in thousands):

Years ended December 31	2024	2023
Cash and cash equivalents:		
Interest and dividends	\$ 96	\$ 126
Reserve Fund:		
Interest and dividends	\$ 3,692	\$ 2,450
Net realized and unrealized income	262	679
	<u>\$ 3,954</u>	<u>\$ 3,129</u>

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

Years ended December 31	2024	2023
Fund balance, beginning of year	\$ 68,763	\$ 48,134
Transfers from operations, net	19,500	17,500
Net investment income	3,954	3,129
Fund balance, end of year	<u>\$ 92,217</u>	<u>\$ 68,763</u>

NOTES TO THE FINANCIAL STATEMENTS

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 or FAF 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 Board of Trustees approved the termination of the FAF Plan effective April 30, 2024. The FAF Plan's participants were notified of the termination in March 2024, and an application for determination for terminating the FAF Plan was submitted to the IRS in March 2024. In addition, participants were sent a Notice of Plan Benefits in October 2024, which is a statement of a participant's estimated accrued benefit under the Plan, including an estimate of the amount of a single cash payment to which the participant would be entitled following the receipt of plan termination approval. All participants in the FAF Plan will receive a distribution of their vested benefits as soon as administratively practicable after the effective date and expiration of the regulatory waiting period. The Tax-Sheltered Annuity Plan covers all employees of the FAF. All employees of the FAF are eligible to participate in the Plan for the purpose of making salary reduction contribution. FAF contributes amounts to eligible employees based on employees' compensation and ages.

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 \$4,431,000 and \$3,686,000 as of December 31, 2024 and 2023, 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 \$4,034,000 and \$3,861,000 for 2024 and 2023, 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	
	2024	2023	2024	2023
Net periodic cost assumptions:				
Discount rate	4.70%	4.90%	4.80%	5.00%
Expected return on plan assets	5.25%	5.00%	6.90%	6.85%
Benefit obligation assumption:				
Discount rate	5.35%	4.70%	5.50%	4.80%

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, 2024 and 2023.

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	
	2024	2023	2024	2023
Change in benefit obligations:				
Benefit obligation, beginning of year	\$ 19,847	\$ 19,597	\$16,892	\$16,429
Service cost	-	-	348	401
Interest cost	860	893	797	807
Actuarial (gains) losses	(841)	594	(1,045)	(144)
Benefits paid	(1,419)	(1,237)	(712)	(680)
Retiree contributions	-	-	55	79
Benefit obligation, end of year	\$ 18,447	\$ 19,847	\$16,335	\$16,892
Change in plan assets:				
Fair value of plan assets, beginning of year	\$ 19,062	\$ 17,530	\$18,268	\$ 16,647
Employer contributions	500	1,519	-	-
Retiree contributions	-	-	55	79
Actual investment income (loss) on plan assets	(196)	1,250	1,177	2,222
Benefits paid	(1,419)	(1,237)	(712)	(680)
Fair value of plan assets, end of year	17,947	19,062	18,788	18,268
Funded status at end of year	\$ (500)	\$ (785)	\$ 2,453	\$ 1,376
Amounts recognized in financial statements:				
Current liabilities	\$ (500)	\$ -	\$ -	\$ -
Noncurrent assets (liabilities)	-	(785)	(2,453)	1,376
	\$ (500)	\$ (785)	\$ (2,453)	\$ 1,376
Amounts recognized as pension-related changes not reflected as operating expenses:				
Net actuarial losses (gains)	\$ 283	\$ 151	\$ (981)	\$ (1,246)
Amortization of net actuarial gain (losses)	(535)	(547)	72	(78)
Amortization of net prior service costs	-	-	34	95
	\$ (252)	\$ (396)	\$ (875)	\$ (1,229)
Amounts not yet recognized as components of net periodic benefit costs:				
Net actuarial losses (gains)	\$ 7,115	\$ 7,367	\$ (1,540)	\$ (632)
Net prior service credits	-	-	-	(33)
	\$ 7,115	\$ 7,367	\$ (1,540)	\$ (665)
Amounts expected to be recognized during the years ended December 31, 2025 and 2024:				
Amortization of net actuarial (gains) losses	\$ 607	\$ 535	\$ (182)	\$ (72)
Amortization of net prior service credits	-	-	-	(34)
	\$ 607	\$ 535	\$ (182)	\$ (106)

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, 2024, 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, 2024 and 2023, the majority of which were indexed. The following table presents the fair value of major categories of plan assets, all of which are measured using Level 1 inputs, as defined (dollars in thousands):

Fair Value of Plan Assets at December 31	Employees' Pension Plan		Postretirement Plan	
	2024	2023	2024	2023
Mutual funds (all Level 1):				
U.S. equity funds ^(a)	\$ -	\$ -	\$ 4,651	\$ 4,895
International equity index fund ^(b)	-	-	4,687	4,713
Fixed income funds ^(c)	17,771	18,956	9,450	8,660
Cash held by investment manager	176	106	-	-
Total	\$ 17,947	\$ 19,062	\$ 18,788	\$ 18,268

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):

Years ended December 31	Employees' Pension Plan		Postretirement Plan	
	2024	2023	2024	2023
Service cost	\$ -	\$ -	\$ 348	\$ 401
Interest cost	860	893	797	807
Expected return on plan assets	(928)	(808)	(1,241)	(1,121)
Amortization of prior period actuarial (gains) losses	535	547	(72)	78
Amortization of prior service credits	-	-	(34)	(95)
Net periodic benefit cost	\$ 467	\$ 632	\$ (202)	\$ 70

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
2025	\$18,447	\$ 697
2026	-	782
2027	-	850
2028	-	896
2029	-	947
2030-2034	-	5,365

The FAF does not expect to contribute to the Postretirement Plan during 2025. The FAF expects to contribute \$500,000 to the Pension Plan in 2025 in connection with the plan termination.

7. Furniture, Equipment, Software, and Leasehold Improvements

Years ended December 31 (dollars in thousands)	2024	2023
Furniture, equipment, and software	\$ 28,422	\$ 27,739
Leasehold improvements	22,223	21,767
	50,645	49,506
Accumulated depreciation and amortization	(22,090)	(12,856)
	\$ 28,555	\$36,650

8. Leases

The FAF entered into a lease contract for office space in Norwalk commencing in March 2022 and ending in July 2038. The FAF also entered into a lease contract for office space in Washington, D.C. commencing in July 2024 and ending March 2032. Both contracts are operating leases and require both fixed and variable payments and include 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 options to extend the leases (two five-year terms for the Norwalk lease and one three-year renewal term for the DC lease) and concluded that it is not reasonably certain at this time either of these options will be exercised. The leases have remaining lease terms of 13.5 to 7.25 years.

Total fixed operating lease expense was \$1,425,000 and \$1,378,000 in 2024 and 2023, respectively. Total variable lease expense was \$657,000 and \$538,000 in 2024 and 2023, respectively. Cash paid for amounts included in the measurement of operating lease liabilities amounted to \$1,282,000 and \$1,378,000 in 2024 and 2023, respectively. Cash received from landlords representing lease incentives amounted to \$99,000 and \$4,252,000 in 2024 and 2023, respectively.

The weighted average remaining lease term is 13.25 years and 14.5 years in 2024 and 2023, respectively, and the weighted-average discount rate is 2.1 and 2.0 percent in 2024 and 2023, respectively.

Lease maturities (dollars in thousands):

Years ended December 31	
2025	\$ 1,691
2026	2,050
2027	2,136
2028	2,254
2029	2,259
Thereafter	20,083
Total lease payments	30,473
Present value discount	(3,975)
Total lease liability	\$ 26,498

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, 2024, and 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, 2024, and the results of its operations 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 audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The 2023 financial statements of the FAF were audited by other auditors, whose report dated March 21, 2024, expressed an unmodified opinion on those statements.

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 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.

BDO USA, P.C.

McLean, Virginia
March 12, 2025