

FINANCIAL ACCOUNTING FOUNDATION
Summarized Budget Information

FOR THE YEAR ENDED
DECEMBER 31, 2012

FINANCIAL ACCOUNTING FOUNDATION
2012 Budget
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FINANCIAL ACCOUNTING FOUNDATION
Budget for the Year Ending December 31, 2012
Overview

The Financial Accounting Foundation (“FAF”) is responsible for the oversight, administration, finances and selection of the members of the Financial Accounting Standards Board (“FASB”) and the Governmental Accounting Standards Board (“GASB”) and their advisory groups. FASB establishes standards of financial accounting and reporting for nongovernmental entities, including business and not-for-profit organizations. The GASB establishes standards of financial accounting and reporting for state and local governmental entities. The FAF presently obtains funding from subscription and publication revenues, cash contributions in support of GASB, and accounting support fees pursuant to Section 109 of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) to fund the annual recoverable expenses of FASB. The 2012 budget includes an assumption that GASB accounting support fees will begin being collected during the second quarter of 2012 pursuant to rules expected to be promulgated under Section 978 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (“Dodd-Frank”). Subsequent to the finalization of the 2012 budget, the SEC in February 2012 approved a rule establishing the accounting support fee to fund the annual budget of the GASB. As a result, we expect the full amount of GASB’s recoverable expenses budgeted for 2012 to be billed as accounting support fees.

The 2012 budget is arranged to reflect FAF’s organizational structure and includes the following distinct components:

- *FAF Expenses* – these expenses include the management and administrative costs (e.g., executive, human resources, accounting, legal, communications, and post-implementation review) of the FAF. FAF expenses are 100 percent allocated to the FASB and GASB. Costs incurred by the FAF that are directly attributable to the FASB or GASB are directly charged to the applicable Board. FAF expenses not directly attributable to either Board (common costs) are allocated between FASB and GASB based on allocation methodologies approved by the FAF Board of Trustees.
- *FAF Trustee and Oversight Expenses* – these expenses include FAF Board of Trustees compensation, travel and other related oversight costs. The FAF Board of Trustees believes that as the independent oversight body of the FASB and GASB, its oversight costs should not be included in accounting support fees, and therefore are not included in recoverable expenses.
- *FAF Net Subscription and Publication Revenue* – net revenues include the revenues and related expenses of the sales and licensing of FASB and GASB materials. Net subscription and publication revenue is retained by the FAF for use in its activities, including funding the oversight related expenses of the FAF Board, GASB’s expenses that are not covered by contributions and anticipated GASB accounting support fees, and the FAF Reserve Fund.
- *FASB Expenses* – these expenses include salaries, benefits, travel and other expenses for FASB Members, FASB research and technical staff, FASB advisory groups, ongoing development and maintenance responsibilities for the US GAAP Financial Reporting Taxonomy (XBRL), and FAF allocated expenses.

FINANCIAL ACCOUNTING FOUNDATION
Budget for the Year Ending December 31, 2012
Overview

- *GASB Expenses* – these expenses include salaries, benefits, travel and other expenses for GASB Members, GASB research and technical staff, the GASB advisory council, and FAF allocated expenses.
- *Accounting Support Fees* – Sarbanes-Oxley provides that the FAF may collect as accounting support fees the full amount of FASB’s recoverable expenses, which include FASB expenses adjusted to exclude non-cash expenses and adjusted for other cash requirements (primarily capital expenditures). The FAF historically requests FASB accounting support fees that are less than FASB’s recoverable expenses because the FAF funds a portion of FASB’s recoverable expenses with reserve funds forecasted to be in excess of the FAF target reserve (one year of budgeted expenses plus a working capital reserve equal to one quarter of net operating expenses). Similarly, we anticipate that in 2013, the FAF will fund a portion of GASB recoverable expenses with excess reserve funds.

We have provided in the following pages summarized budget information for 2012, and a comparison to the 2011 Budget and 2011 actual results for the entire organization, as well as for the separate components of FASB, GASB, FAF expenses, and FAF net subscription publication revenue. In addition, we have provided budget notes for selected key line items to assist in understanding the key drivers of our budget.

FINANCIAL ACCOUNTING FOUNDATION
Total Budget Summary
for the Year Ending December 31, 2012
(Compared to the Actual and Budget for the Year Ending December 31, 2011)

		<u>2012 Budget</u>	<u>2011 Actual</u>	<u>2011 Budget</u>
Revenues:				
Accounting Support Fees - FASB	(page 4)	\$ 29,783,500	\$ 29,960,700	\$ 29,970,400
Accounting Support Fees - GASB	(page 7)	6,338,500	-	3,872,800
Contributions	(note 1)	110,000	1,265,100	685,000
Subscriptions and Publications	(page 13)	17,809,400	18,146,500	18,769,100
Other	(page 7)	9,000	44,500	22,500
		<u>54,050,400</u>	<u>49,416,800</u>	<u>53,319,800</u>
Expenses:				
Subscriptions and Publications	(page 13)	4,426,400	4,167,500	4,941,300
FASB and Advisory Groups	(page 4)	39,080,000	35,596,600	38,897,900
GASB and Advisory Council	(page 7)	8,354,200	7,118,300	7,689,000
FAF Trustee and Oversight	(note 2)	1,508,500	1,250,000	1,306,500
		<u>53,369,100</u>	<u>48,132,400</u>	<u>52,834,700</u>
Investment Income		1,218,000	698,800	1,321,000
Revenues greater than expenses		<u>\$ 1,899,300</u>	<u>\$ 1,983,200</u>	<u>\$ 1,806,100</u>
Capital Expenditures		<u>\$ 1,457,600</u>	<u>\$ 433,900</u>	<u>1,223,300</u>

note 1- Includes GASB contributions as shown on page 7 and \$110,000, \$90,000, and \$135,000 of contributed services for the 2012 Budget, 2011 Actual, and 2011 Budget, respectively.

note 2 - Consists primarily of Board of Trustee compensation and travel expenses. These are excluded from recoverable expenses of the FASB and the GASB.

FINANCIAL ACCOUNTING STANDARDS BOARD
Statement of Budgeted Revenue and Expenses
for the Year Ending December 31, 2012
(Compared to the Actual and Budget for the Year Ending December 31, 2011)

	2012 Budget	2011 Actual	2011 Budget
Revenues:			
Accounting support fees	\$ 29,783,500	\$ 29,960,700	\$ 29,970,400
Operating fund investment income	11,300	18,400	13,700
Total revenue	29,794,800	29,979,100	29,984,100
Direct Expenses:			
Standards Board and Research Staff:			
Salaries and wages	16,744,300	15,517,400	16,538,200
Employee benefits	4,488,600	4,341,800	4,939,500
	21,232,900	19,859,200	21,477,700
Other operating expenses	1,862,700	1,591,100	2,003,700
Total Standards Board and Research Staff	23,095,600	21,450,300	23,481,400
XBRL:			
Salaries and wages	1,168,700	818,100	1,014,500
Employee benefits	307,600	202,100	243,900
Other operating expenses	179,300	491,300	456,600
Total XBRL	1,655,600	1,511,500	1,715,000
Advisory Groups:			
Salaries and wages	420,400	404,800	526,100
Employee benefits	116,700	101,400	123,100
Other operating expenses	165,400	69,500	196,400
Total Advisory Groups	702,500	575,700	845,600
FAF expenses:			
Direct Charges	4,908,100	4,557,200	4,797,600
Allocation of FAF common costs	8,718,200	7,501,900	8,058,300
Total FAF Expenses	13,626,300	12,059,100	12,855,900
Total FASB expenses	39,080,000	35,596,600	38,897,900
Operating Revenues (Less) Greater Than Expenses	\$ (9,285,200)	\$ (5,617,500)	\$ (8,913,800)

See accompanying budget notes for FASB on pages 5 & 6

FINANCIAL ACCOUNTING STANDARDS BOARD
Budget Notes for the Year Ending December 31, 2012

Accounting Support Fees - FASB

Sarbanes-Oxley provides for federally mandated funding for the FASB through annual accounting support fees assessed against issuers (as defined in Sarbanes-Oxley). The accounting support fees are not to exceed the recoverable expenses of the FASB as provided for in the Board's annual budget.

The accounting support fees included in the 2012 budget are calculated as follows:

Total FASB expenses as budgeted for 2012	\$39,080,000
Adjustments for non-cash expenses:	
Depreciation and amortization	\$ (1,226,100)
Provision for doubtful accounts	(30,000)
Pension cost for Supplemental Executive Retirement Plan	(42,200)
Other cash requirements:	
Capital expenditures	942,300
Rental payments in excess of amortized rent expense	375,500
2011 overbillings	(23,400)
Total FASB recoverable expenses	<u>\$39,076,100</u>
Amount available to fund FASB recoverable expenses from Reserve Fund	9,292,600
FASB Accounting Support Fees budgeted for 2012	<u>\$29,783,500</u>

The \$9,292,600 reduction to arrive at the 2012 Accounting Support Fees reflects the excess of the projected balance of the FAF Reserve Fund at the end of 2012 over the one year targeted level of total expenses (FAF, FASB and GASB) and the amount needed to fund working capital requirements. It also reflects an additional reserve of \$1,000,000 to provide for potential capital and lease related costs associated with the FAF's consideration of office space and various lease options, as the current lease expires in September 2012.

Standards Board and Research Staff Salaries and Employee Benefits

Salaries and employee benefits expenses comprise approximately 54 percent of the FASB's total budgeted expenses. The budget reflects the staff necessary to support technical activities (including research, stakeholder outreach, private entity considerations, communications, and international convergence) and ongoing efforts to improve the efficiency and effectiveness of the standard-setting process. The increase in salaries from 2011 reflects the full year effect of the increase in the size of the FASB board from five to seven members effective February 28, 2011 and the filling of two vacant project manager positions.

FINANCIAL ACCOUNTING STANDARDS BOARD
Budget Notes for the Year Ending December 31, 2012

Standards Board and Research Staff Other Operating Expenses

Other operating expenses include both international and domestic travel expenses for Board members and staff to participate in meetings with the International Accounting Standards Board, liaison meetings with other standard setters and regulatory bodies, and attend various roundtables, working group meetings, conferences, stakeholder outreach, and speaking engagements. Other operating expenses also include technical accounting consultants, costs of private company initiatives, memberships, dues, meeting expenses, educational outreach and other miscellaneous expenses.

US GAAP Taxonomy (XBRL)

In 2009, the FAF and FASB assumed ongoing development and maintenance responsibilities for the US GAAP Financial Reporting Taxonomy (UGT). The FAF/FASB activities are focused on updating the taxonomy for changes in US GAAP, identifying best practices in filer taxonomy extensions, and other technical enhancements.

Advisory Groups

The 2012 budget includes staffing, meeting and related costs for FASB's advisory groups including the Financial Accounting Standard Advisory Council, Valuation Resource Group, Investors Technical Advisory Committee, Not-For-Profit Advisory Committee, and Small Business Advisory Committee.

Direct Charges

The allocation of FAF direct expenses include FASB's direct share of occupancy costs, relocation and placement costs, and other office related expenditures. In addition, direct charges include an allocation of staffing and resources for FAF's development, implementation, and management of the post-implementation review (PIR) of standards and other authoritative pronouncements issued by the FASB. The allocation of these costs amounted to \$1,389,500, \$889,200 and \$1,048,900 for the 2012 Budget, 2011 actual results, and 2011 Budget, respectively. Finally, direct charges also include an allocation of FAF costs associated with UGT activities, primarily related to the technological aspects of the project, which amounted to \$1,503,300, \$1,387,000 and \$1,049,700 for the 2012 Budget, 2011 actual results, and 2011 Budget, respectively.

Allocation of FAF Common Costs

The allocation of administrative expenses is the FASB's share of support services that are provided by the FAF staff to both the FASB and the GASB.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
Statement of Budgeted Revenues and Expenses
for the Year Ending December 31, 2012
(Compared to the Actual and Budget for the Year Ending December 31, 2011)

	2012 Budget	2011 Actual	2011 Budget
Revenues:			
GASB Accounting Support Fees	6,338,500	-	3,872,800
Contributions	-	1,175,100	550,000
Operating fund investment income	2,500	600	2,500
Honorariums	9,000	44,500	22,500
Total revenues	6,350,000	1,220,200	4,447,800
Direct Expenses			
Standards Board and Research Staff:			
Salaries and wages	4,012,300	3,673,400	3,944,600
Employee benefits	1,205,600	1,082,000	1,205,800
	5,217,900	4,755,400	5,150,400
Other operating expenses	241,200	232,900	248,800
Total Standards Board and Research Staff	5,459,100	4,988,300	5,399,200
Advisory Council	17,700	20,700	22,600
FAF Expenses:			
Direct charges	947,600	484,700	561,700
Allocation of FAF common costs	1,929,800	1,624,600	1,705,500
Total FAF Expenses	2,877,400	2,109,300	2,267,200
Total GASB Expenses	8,354,200	7,118,300	7,689,000
Revenues under Expenses	(\$2,004,200)	(\$5,898,100)	(\$3,241,200)

See accompanying budget notes for GASB on pages 8-10

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Budget Notes for the Year Ending December 31, 2012

GASB Accounting Support Fees

Pursuant to the provisions of Dodd-Frank, the Securities and Exchange Commission (SEC) issued an order instructing the Financial Industry Regulatory Authority (FINRA) to establish (a) a reasonable annual accounting support fee (GASB Accounting Support Fee) to adequately fund the annual budget of the GASB, and (b) rules and procedures to provide for the equitable allocation, assessment and collection of the GASB Accounting Support Fee from FINRA's members.

At the time the 2012 budget was prepared, FINRA had yet to submit its proposed rule to the SEC for its approval (which would be an amendment to Schedule A of its by-laws to implement the GASB Accounting Support Fee). Therefore, the 2012 budget reflects a forecasted April 1, 2012 commencement date for quarterly billing of the GASB Accounting Support Fee.

2012 UPDATE: In February 2012, the SEC approved a rule establishing the accounting support fee to fund the annual budget of the GASB. As a result, the FAF expects the full amount of GASB's recoverable expenses budgeted for 2012 to be billed as accounting support fees.

The calculation of \$6,338,500 of budgeted expenses to be funded by the GASB Accounting Support Fee for 2012 reflects three quarters, or 75% percent of GASB's total recoverable expenses for the year of \$8,451,300 for 2012, net of non-cash items. The table below calculates GASB total recoverable expenses for 2012 under Dodd-Frank Section 978(a), assuming an effective date for assessment and collection of the GASB Accounting Support Fee of April 1, 2012.

Recoverable Expenses:	
Board and Research Staff	\$ 5,459,100
Advisory Council	17,700
FAF Administrative	2,877,400
	<hr/>
	8,354,200
Adjustment for non-cash items:	
Depreciation and amortization	(101,900)
Capital Expenditures	139,300
Rental payments in excess of amortized rent expense	59,700
	<hr/>
GASB Recoverable Expenses-Full Year	<u>\$ 8,451,300</u>
GASB Accounting Support Fee (Calculated at 75% of full year)	<u>\$ 6,338,500</u>

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Budget Notes for the Year Ending December 31, 2012

Contributions

The 2012 budget assumes that the FAF/GASB will no longer actively solicit contributions as of January 1, 2012 in anticipation of the collection of GASB accounting support fees pursuant to WSRA Section 978(a).

Honorariums

The 2012 budget also includes honorariums for the first quarter of 2012 only. It is anticipated that the GASB will no longer accept honorariums once GASB accounting support fees are collected.

Salaries and Employee Benefits

Salaries and employee benefits expenses comprise approximately 62 percent of the GASB's total budgeted expenses. The number of budgeted positions did not change from the 2011 budget. The increase in salaries and benefits in 2012 from the 2011 actual results consists of general salary increases and the full year effect of staff replacements that included a project manager position and a fellow position, both of which were expected to be filled in the fourth quarter of 2011.

Other Operating Expenses

Other operating expenses consist primarily of travel and meeting expense related to GASB Board meetings, public hearings, liaison meetings, user forums, and certain other meetings and conferences.

Advisory Council

The 2012 and 2011 budgets reflect the estimated costs of holding three GASAC meetings, including meeting and travel expenses for the Council members.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Budget Notes for the Year Ending December 31, 2012

Direct Charges -FAF

The allocation of FAF direct expenses includes GASB's direct share of occupancy costs, relocation and placement costs, and other office related expenditures. Relocation and placement fees in 2012 include costs for a new Board member, a fellow, and five continuing postgraduate technical assistant positions. Direct charges also include an allocation of staffing and resources for FAF's development, implementation, and management of the post-implementation review (PIR) of standards and other authoritative pronouncements issued by the GASB and amounted to \$491,200, \$163,600 and \$173,900 for the 2012 Budget, 2011 actual results, and 2011 Budget, respectively.

Allocation of FAF Common Costs

The allocation of administrative expenses is the GASB's share of support services that are provided by the FAF staff to both the FASB and the GASB.

FINANCIAL ACCOUNTING FOUNDATION
Management and Administrative Expense Summary
For the Year Ending December 31, 2012
(Compared to the Actual and Budget for the Year Ending December 31, 2011)

	<u>2012 Budget</u>	<u>2011 Actual</u>	<u>2011 Budget</u>
Salaries and Wages	\$ 5,258,300	\$4,805,800	4,599,200
Employee Benefits	2,331,700	1,571,500	1,827,700
Professional Fees	2,983,100	2,085,700	2,622,100
Relocation and Placement Costs	487,400	\$411,600	883,900
Software Maintenance and License Fees	345,100	\$332,300	308,300
Fundraising, Billing and Collection Assistance	264,100	\$219,600	218,700
Subscription Services and Reference Books	232,000	208,000	213,800
Travel & Meeting Expenses	157,800	103,100	144,600
Professional Development and Membership Fees	154,600	68,200	83,800
Office Expenses	337,500	313,700	366,800
Other Miscellaneous	460,200	932,400	524,900
General Overhead	3,491,900	3,116,500	3,329,300
Total FAF Expenses	\$ 16,503,700	\$ 14,168,400	\$ 15,123,100
FAF Expense Distribution:			
FASB - Direct and Common Costs	13,626,300	12,059,100	12,855,900
GASB - Direct and Common Costs	2,877,400	2,109,300	2,267,200
Total FAF Expenses	\$ 16,503,700	\$ 14,168,400	\$ 15,123,100

See accompanying budget notes for the FAF on page 12

FINANCIAL ACCOUNTING FOUNDATION
Budget for the Year Ending December 31, 2012
Notes on Foundation Expenses

Foundation expenses include costs for the following departments and groups:

- Executive Office
- Government Affairs and External Relations
- Communications
- Human Resources
- Legal and Oversight
- Accounting and Finance
- Administration
- Information Systems
- Library
- General Overhead
- US GAAP Taxonomy (XBRL)

Foundation expenses directly attributable to either the FASB or the GASB are charged entirely to that Board. Costs associated with the Post Implementation Review (PIR) initiative, which are included in Legal and Oversight, are allocated as a separate direct charge to FASB and GASB based on work performed and standards reviewed. In addition, technology support costs for XBRL are separately allocated as a direct charge to FASB. Common costs not fully associated with either Board are allocated on a departmental basis.

Salaries and Employee Benefits

The 2012 budget reflects general salary increases and additional staffing for PIR and an increase in the Communications department in connection with the initiative to improve FAF, FASB and GASB's communications and outreach.

Professional Fees

Professional fees include costs for compensation and benefits consulting, audit, tax, legal, external relations, communications, and outsourced administrative services. In addition, driving the increase in the 2012 budget are software consulting costs for XBRL and the costs of constituent information surveys, academic research, and other consulting work that will be conducted as part of the PIR project.

Overhead

The 2012 Budget primarily includes office rental of \$1,735,000 and depreciation and amortization of \$1,328,000.

FINANCIAL ACCOUNTING FOUNDATION
Budgeted Net Subscription and Publication Revenue
For the Year Ending December 31, 2012
(Compared to the Actual and Budget for the Year Ending December 31, 2011)

	2012	2011	2011
	Budget	Actual	Budget
Subscription and Publication Revenue:			
For FASB Publications	\$ 15,874,100	\$ 15,977,500	\$ 16,481,800
For GASB Publications	1,935,300	2,169,000	2,287,300
	17,809,400	18,146,500	18,769,100
Direct Costs of Revenues:			
For FASB Publications	1,909,700	1,861,800	2,122,500
For GASB Publications	211,400	173,600	228,400
For FAF Publication Support	2,305,300	2,132,100	2,590,400
	4,426,400	4,167,500	4,941,300
Net Subscription and Publication Revenues:			
For FASB Publications	13,964,400	14,115,700	14,359,300
For GASB Publications	1,723,900	1,995,400	2,058,900
For FAF Publication Support	(2,305,300)	(2,132,100)	(2,590,400)
	\$ 13,383,000	\$ 13,979,000	\$ 13,827,800

Net subscription and publication revenue is retained by the FAF for use in its activities, including funding the oversight related expenses of the FAF Board, GASB's expenses that are not covered by contributions and anticipated GASB accounting support fees, and the FAF Reserve Fund.