

# Management's Discussion and Analysis

## 2017 SUMMARY

The mission of the Financial Accounting Foundation (FAF) and its standard-setting Boards, the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), is to establish and improve standards of financial accounting and reporting for public and private companies, not-for-profit organizations, and state and local governments. Collectively, these standards are known as Generally Accepted Accounting Principles (GAAP). Financial accounting and reporting standards help foster and protect investor confidence, facilitate the efficient operation of capital markets, and enable citizens to assess the stewardship of public resources by their state and local governments. The FAF, the FASB, and the 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 their respective advisory councils, the Financial Accounting Standards Advisory Council (FASAC), and the Governmental Accounting Standards Advisory Council (GASAC). The FAF obtains its funding from three sources:

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

FAF's net assets increased by \$1.4 million in 2017, driven by a \$2.5 million non-operating increase for pension-related changes largely related to actuarial gains for the FAF's postretirement health coverage plan (Postretirement Plan). This increase related to a combination of factors including an actuarial gain on investment return on plan assets (actual return exceeding the expected return) and offsetting items impacting the benefit obligations (decrease in the discount rate and several changes in actuarial assumptions reflecting recent trends).

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Total program and support expenses exceeded total net operating revenues by \$2.1 million. Program and support expenses are funded by accounting support fees and by voluntary Reserve Fund contributions, as described more fully in the Statements of Financial Position Reserve Fund Investments section. Since a portion of the funding came from the voluntary Reserve Fund contribution (which is not part of operating revenues), it resulted in the difference between net operating revenues and total program and support expenses. This difference was anticipated during preparation of the 2017 budget.

The FAF’s expenses include program expenses, which are those directly related to its sole program of standard setting, and support expenses, which are those related to the general administration and operation of standard-setting activities.

The 2017 program expenses related to the FAF’s primary mission of improving financial accounting and reporting standards. These efforts included fostering improvement and increased comparability of international accounting standards, working with the Private Company Council (PCC) to improve the standard-setting process for private companies, and continuing the development of the GAAP Financial Reporting Taxonomy (Taxonomy) for eXtensible Business Reporting Language (XBRL).

Program and support expenses decreased by less than 1%, from 2016 to 2017. This reflects an overall decrease in headcount year to year, primarily related to temporary fellow positions, and reflects the staffing needed to support the current and future agendas of the Boards, particularly after the completion of several major projects.

The 2017 and 2016 expenses also include \$2.2 million and \$2.1 million, respectively, of costs associated with an ongoing long-term IT Enhancement project to enhance our use of technology and development of new processes and systems to support the standard-setting process. For 2017, these initiatives included the following:

- Development and implementation of a stakeholder relationship management system;
- Enhancement to the recently implemented enterprise content management system;
- IT governance and IT infrastructure upgrades;
- Assessment of the current state of the publishing process. Given the age of the current publishing platform, the dynamic market trends in publishing, and other identified opportunities for improvement, the FAF engaged a third-party consultant to evaluate our publishing platform and related processes.

## FINANCIAL RESULTS

The FAF’s financial statements are presented in accordance with GAAP and reflect the specific reporting requirements of not-for-profit organizations. The following is a discussion of the highlights of the activities and financial position of the FAF as presented in the accompanying audited financial statements.

### Statements of Activities

The following charts display the sources of revenues and the program and support expenses for 2017 and 2016:

#### 2017 Sources of Revenues

■ FASB Accounting Support Fees	55%
■ GASB Accounting Support Fees	17%
■ Net Subscriptions & Publications	28%



#### 2016 Sources of Revenues

■ FASB Accounting Support Fees	53%
■ GASB Accounting Support Fees	18%
■ Net Subscriptions & Publications	29%



#### 2017 Expenses

■ Program—Standard Setting	78%
■ Support	22%



#### 2016 Expenses

■ Program—Standard Setting	78%
■ Support	22%



# Management's Discussion and Analysis

## FASB Accounting Support Fees

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

Equity issuers and investment company issuers are assessed a share of the accounting support fees based upon their relative average monthly market capitalization, subject to minimum capitalization thresholds. The FAF has retained the Public Company Accounting Oversight Board (PCAOB) as its agent for invoicing and collecting FASB accounting support fees. FASB accounting support fees were \$27.8 million in 2017 and \$24.8 million in 2016. As described more fully in the Statements of Financial Position Reserve Fund Investments section, this variance is primarily related to a decrease in the formula-based amount that FAF voluntarily contributes 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 in 2017 and 2016.

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 2017 sequestration, began on October 1, 2016, and ended on September 30, 2017. During 2017, the FAF sequestered approximately \$1.66 million with respect to the FASB accounting support fee. The OMB notified the FAF that the 2017 sequestered funds were available for spending for the 2018 federal fiscal year, which began October 1, 2017. The FAF understands that the FASB accounting support fee for federal fiscal year 2018 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. 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 \$8.3 million in both 2017 and 2016. The FAF paid FINRA \$30,000 per year for collection services in 2017 and 2016.

## Subscriptions and Publications

Subscriptions and publications revenue for FASB and GASB product offerings are presented in the statements of activities on a combined basis, net of direct costs of \$3.8 million and \$3.7 million in 2017 and 2016, respectively. As noted below, gross revenues year to year have been positively impacted by price increases for FASB and GASB products, but offset somewhat by a decreasing number of commercial sublicensees and direct subscribers to online and print subscriptions. Gross revenues for FASB and GASB product offerings are separately displayed in the charts below for 2017 and 2016.

## FASB Subscriptions and Publications

(dollars in thousands)

### 2017

License Fees	85%	\$13,586
Codification Online Subscriptions	11%	\$1,750
Print Sales and Subscriptions	4%	\$611
<b>Total</b>	<b>100%</b>	<b>\$15,947</b>



### 2016

License Fees	85%	\$13,064
Codification Online Subscriptions	11%	\$1,763
Print Sales and Subscriptions	4%	\$568
<b>Total</b>	<b>100%</b>	<b>\$15,395</b>



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. The FASB Codification also is directly accessible through an online platform and can be viewed either through a free Basic View or as an annual paid subscription to the Professional View that provides advanced functionality and navigation. The FAF also sells a bound edition of the FASB Codification and provides the FASB Subscription, an annual paid service that includes the distribution of printed copies of FASB Accounting Standards Updates (ASUs) when issued.

FASB subscriptions and publications revenues totaled \$15.9 million in 2017, up 3% from 2016. This net change reflects the 5% increases in product prices, offset by a decrease in the number of Codification Online subscribers and commercial publishers' sublicensees.

### GASB Subscriptions and Publications

(dollars in thousands)

#### 2017

License Fees	68%	\$1,159
GARS Online Subscriptions	5%	\$93
Print Sales and Subscriptions	27%	\$453
<b>Total</b>	<b>100%</b>	<b>\$1,706</b>



#### 2016

License Fees	67%	\$1,133
GARS Online Subscriptions	5%	\$76
Print Sales and Subscriptions	28%	\$475
<b>Total</b>	<b>100%</b>	<b>\$1,684</b>



The FAF licenses GASB materials to commercial publishers and others for inclusion in their proprietary comprehensive online research systems. GASB materials are also directly accessible online through the Governmental Accounting Research System (GARS). GARS Online can be viewed either through a free Basic View or as an annual paid subscription to the Professional View that provides advanced functionality and navigation. GASB materials also are available through various subscription plans sold directly by the FAF, including the GASB Subscription (consisting of final documents as issued) and the GASB Board Packages. In addition, the FAF sells bound editions of the GASB Codification, GASB Original Pronouncements, and the GASB Comprehensive Implementation Guide, as well as hard copies of individual Pronouncements, User Guides, Research Reports, and other documents.

GASB subscription and publication revenues totaled \$1.70 million in 2017, a 1% increase from the 2016 revenues of \$1.68 million. This net change reflects the 5% increases in product prices, offset by a decrease in the number of commercial publishers' sublicensees and subscribers to print subscriptions.

### Program and Support Expenses

The FAF's program expenses, which comprise the standard-setting activities of the FASB and the GASB, totaled \$40.6 million in 2017, a 1% decrease compared to \$41.1 million in 2016. Professional fees included as program expenses decreased by \$369,000 primarily related to decreases in FASB technical consulting costs and placement fees for Board members and technical staff. Salaries and employee benefits were generally consistent year to year and comprise approximately 82% of the FAF's program expenses in 2017.

Other program expenses include domestic and international travel for the FASB and the GASB Board members and staff, costs for holding advisory group and other meetings, library subscriptions and other reference materials, and other miscellaneous expenses.

The FAF's support expenses totaled \$11.6 million in 2017, an increase of 1% from 2016.

### Pension-Related Changes Not Reflected in Operating Expenses

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 \$2.5 million and \$81,000 for 2017 and 2016, respectively.

The 2017 pension-related changes were positively impacted by actuarial gains resulting from actual investment return being higher than the actuarially expected return, while benefit obligations increased slightly and were positively impacted by updating several actuarial assumptions based on recent demographic trends, offset by the impact of the decrease in the discount rate in 2017.

### Statements of Financial Position

#### Reserve Fund Investments

The FAF established the Reserve Fund to: (1) provide the FAF, the FASB, and the GASB with sufficient reserves to fund expenditures not funded by accounting support fees or subscriptions and publications revenues; (2) fund the operations of the FAF, the FASB, and the GASB during any temporary or permanent funding transition periods; and (3) fund unforeseen contingencies.

# Management's Discussion and Analysis

If the projected year-end Reserve Fund balance, which is net of short-term investments, exceeds the year-end target Reserve Fund, the FAF has historically voluntarily contributed this amount to fund the FASB and the GASB recoverable expenses that would otherwise be funded by accounting support fees. Prior to 2014, the FAF's policy was to maintain a target Reserve Fund balance equal to one year of budgeted gross expenses for the entire organization plus a working capital reserve equal to one quarter of net operating expenses for the entire organization. In 2014, the Trustees approved a change to the FAF's cash management policy to cap the targeted year-end Reserve Fund at one year of budgeted operating expenses (eliminating the working capital reserve of one quarter of net operating expenses). This change was phased in over a three-year period beginning in 2014. The change in policy reflects, among other things, improved working capital cash flow resulting from the collection of quarterly GASB accounting support fees beginning in 2012.

Accounting support fee assessments in 2017 and 2016 were offset by voluntary Reserve Fund contributions of \$15.4 million and \$18.6 million, respectively. These amounts are primarily derived from net subscription and publications 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. For 2016, this included the effect of the change in the FAF's cash management policy to reduce the required amount of the targeted Reserve Fund.

Reserve Fund investments are unrestricted assets of the FAF and totaled \$57.4 million and \$58.9 million as of December 31, 2017 and 2016, respectively. The Reserve Fund's assets were invested in approximately equal proportions in a money market mutual fund and a short-term, high-credit quality, fixed income mutual fund.

## Accounting Support Fees, Subscriptions and Publications, and Other Receivables

Receivables as of December 31, 2017 and 2016 included \$2.4 million and \$2.9 million of GASB accounting support fees and \$2.7 million and \$2.9 million of license fees, respectively. The remaining balance primarily related to subscriptions and publications.

## Accrued Postretirement Health Care Costs

The funded status of the Postretirement Plan amounted to a \$752,000 net liability in 2017, compared to a net liability of

\$2.9 million in 2016. This decrease was primarily driven by a \$2.5 million increase in plan assets due to investment gains and employer contributions, while the benefit obligation of \$17.3 million increased slightly resulting from the impact of a decrease in discount rate largely offset by changes in actuarial assumptions based on recent trends.

## Accrued Pension Costs

The funded status of the Employees' Pension plan amounted to a \$1.1 million net liability in 2017, compared to a net liability of \$1.4 million in 2016. The decrease in the net liability of the Employees' Pension Plan was primarily due to an increase in plan assets of \$1.0 million reflecting investment gains and \$250,000 in employer contributions, while the benefit obligation increased approximately \$700,000 primarily due to a decrease in the discount rate.

## OUTLOOK FOR 2018

The FAF will continue to manage resources prudently, while appropriately investing in technology and other initiatives in fulfilling the important mission of the FASB and the GASB. We anticipate 2018 expenses to be consistent with 2017 with a decrease in overall headcount, reflecting the staffing needed to support the future agendas of the Boards, particularly after the completion of several major projects.

In 2017, an independent current-state assessment of FAF publishing technology and business processes was completed. The FAF will address the findings and recommendations of that assessment through a long-term project (18-24 months) to provide for optimal target architecture for future state publishing technology and processes in support of FASB and GASB standard setting, and of external stakeholder consumption of our content.

Congress is debating potential changes to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which includes provisions that authorize the accounting support fees that support the standard-setting activities of the GASB. The House of Representatives has approved several proposals, one of which would eliminate those provisions and thus take away the ability to collect the accounting support fees that support GASB's standard-setting activity. The FAF will continue to monitor closely any potential changes to such provisions and the impact that they may have on the accounting support fees for the GASB.

# Statements of Activities

For the years ended December 31 (dollars in thousands)

2017

2016

<b>Net operating revenue:</b>		
Accounting support fees (Note 2):		
FASB	\$27,763	\$24,782
GASB	8,309	8,310
Total accounting support fees	36,072	33,092
Subscriptions and publications (Note 3)	17,653	17,079
Less: Direct costs of subscriptions and publications (Note 3)	3,761	3,740
Net subscriptions and publications	13,892	13,339
Contributions—FAF contributed services	204	195
<b>Total net operating revenue</b>	<b>50,168</b>	<b>46,626</b>
<b>Program expenses:</b>		
Salaries and wages	26,646	26,982
Employee benefits (Note 5)	6,572	6,303
Occupancy and equipment expenses (Note 7)	1,465	1,488
Depreciation and amortization	396	393
Professional fees	3,286	3,655
Other operating expenses	2,277	2,276
<b>Total program expenses</b>	<b>40,642</b>	<b>41,097</b>
<b>Support expenses:</b>		
Salaries and wages	4,331	4,433
Employee benefits (Note 5)	1,518	1,424
Occupancy and equipment expenses (Note 7)	857	846
Depreciation and amortization	239	218
Professional fees	3,157	3,128
Other operating expenses	1,477	1,423
<b>Total support expenses</b>	<b>11,579</b>	<b>11,472</b>
<b>Total program and support expenses</b>	<b>52,221</b>	<b>52,569</b>
<b>Net operating revenue less than expenses</b>	<b>(2,053)</b>	<b>(5,943)</b>
Short-term investment income (Note 4)	78	40
Reserve Fund investment income (Note 4)	835	963
Pension-related changes not reflected in operating expenses (Note 5)	2,509	81
<b>Change in net assets</b>	<b>1,369</b>	<b>(4,859)</b>
<b>Net assets at beginning of year</b>	<b>64,508</b>	<b>69,367</b>
<b>Net assets at end of year</b>	<b>\$65,877</b>	<b>\$64,508</b>

See accompanying notes to these financial statements.

# Statements of Financial Position

For the years ended December 31 (dollars in thousands)

2017

2016

<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,764	\$ 4,049
Short-term investments (Note 4)	9,261	9,103
Accounting support fee, subscription and publication, and other receivables (net of allowance for doubtful accounts of \$80 and \$82)	5,176	5,821
Prepaid expenses and all other current assets	445	437
<b>Total current assets</b>	<b>19,646</b>	<b>19,410</b>
<b>Noncurrent assets:</b>		
Reserve Fund investments (Note 4)	57,435	58,894
Assets held in trust (Note 5)	1,702	1,404
Furniture, equipment, and leasehold improvements, net (Note 6)	2,118	1,811
<b>Total noncurrent assets</b>	<b>61,255</b>	<b>62,109</b>
<b>Total assets</b>	<b>\$80,901</b>	<b>\$81,519</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,884	\$ 2,128
Accrued payroll and related benefits	1,317	1,304
Unearned publication and other deferred revenues	6,407	6,309
<b>Total current liabilities</b>	<b>9,608</b>	<b>9,741</b>
<b>Noncurrent liabilities:</b>		
Accrued pension costs (Note 5)	1,123	1,406
Accrued postretirement health care costs (Note 5)	752	2,860
Accrued rent expense (Note 7)	1,839	1,600
Other liabilities (Note 5)	1,702	1,404
<b>Total noncurrent liabilities</b>	<b>5,416</b>	<b>7,270</b>
<b>Total liabilities</b>	<b>15,024</b>	<b>17,011</b>
<b>Net assets—unrestricted</b>	<b>65,877</b>	<b>64,508</b>
<b>Total liabilities and net assets</b>	<b>\$80,901</b>	<b>\$81,519</b>

See accompanying notes to these financial statements.

# Statements of Cash Flows

For the years ended December 31 (dollars in thousands)

2017

2016

<b>Cash flows from operating activities:</b>		
Cash received from accounting support fees	\$ 36,523	\$ 32,705
Cash received from subscription and publication sales	17,944	16,412
Interest and dividend income received	900	756
Cash paid to vendors, employees, and benefit plans	(54,726)	(55,480)
<b>Net cash provided by (used in) operating activities</b>	<b>641</b>	<b>(5,607)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of Reserve Fund investments	8,000	67,285
Purchases of Reserve Fund investments	(6,528)	(63,501)
Proceeds from sales of short-term investments	8,000	8,000
Purchases of short-term investments	(8,158)	(8,022)
Purchases of assets held in trust	(298)	(344)
Purchases of furniture, equipment, and leasehold improvements, net	(942)	(500)
<b>Net cash provided by investing activities</b>	<b>74</b>	<b>2,918</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>715</b>	<b>(2,689)</b>
<b>Cash and equivalents at beginning of period</b>	<b>4,049</b>	<b>6,738</b>
<b>Cash and equivalents at end of period</b>	<b>\$ 4,764</b>	<b>\$ 4,049</b>
<b>Reconciliation of change in net assets to net cash provided by (used in) operating activities:</b>		
Change in net assets for the period	\$ 1,369	\$ (4,859)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	635	611
Net realized and unrealized gains on Reserve Fund investments	(13)	(247)
Provision (credit) for write-offs (recoveries) on accounts receivable	22	(12)
Decrease (increase) in accounting support fee, publication and subscription, and other receivables	623	(758)
Increase in all prepaid costs	(8)	(108)
(Decrease) increase in accounts payable, accrued expenses, pension and other benefit accruals	(2,622)	112
Increase in other liabilities	298	315
Increase (decrease) in unearned publication and other deferred revenues	98	(285)
Increase (decrease) in accrued rent expense	239	(376)
Total adjustments	(728)	(748)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 641</b>	<b>\$ (5,607)</b>
<b>Supplemental Information</b>		
Noncash items included in the Statement of Activities:		
Pension-related changes not reflected in operating expenses	\$ 2,509	\$ 81

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)
- 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 subscriptions and publications 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 (U.S. GAAP).

The statements of activities are based on the concept that standard setting is the sole program of the FAF. These statements set forth separately, where appropriate, revenues, costs of sales, and certain program expenses of the FASB and the GASB (Standards Boards), in recognition of their distinct responsibilities as described in the FAF's Certificate of Incorporation and By-Laws. Program expenses include salaries, benefits, and other direct operating expenses for the members and research staffs of the respective Standards Boards and Councils, as well as costs for the ongoing

development of the U.S. GAAP Financial Reporting Taxonomy. Program expenses also include 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. Additional services for accounting and finance, human resources, facilities management, technology and information systems, legal, and general administrative operating assistance have been reflected as support expenses in the accompanying statements of activities.

All of the net assets of the FAF are classified as unrestricted because none are subject to donor-imposed restrictions.

### 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. Actual results could differ from those estimates.

### Accounting Support Fees

Accounting support fees are recognized as revenue in the year for which those accounting support fees have been assessed as prescribed by the Sarbanes-Oxley Act and Dodd-Frank Act. See Note 2 for further information regarding accounting support fees.

### Contributions

The FAF reports all contributions as increases in unrestricted net assets. Many individuals contribute significant amounts of time to the activities of the FAF, the Standards Boards, and their Advisory Councils without compensation. These individuals include certain members of the FAF's Board of Trustees and participants of the following groups: the FASAC and the GASAC, the Private Company Council, the FASB's Emerging Issues Task Force, and various other FASB and GASB councils, committees, task forces, and working groups on technical projects. Many others participate in the Standards Boards' processes by submitting comment letters, participating in public hearings and roundtable meetings, and taking part in field visits and field tests. Members of the Board of Trustees are eligible for compensation for their services, with each having the right to waive such compensation. The accompanying financial statements reflect the value of waived Trustee compensation, which meets the criteria for recognition as contributed services. The other services described above are not included as contributions in the accompanying financial statements because they do not meet the recognition criteria.

### Subscription Plans and Electronic License Agreements

Revenues from publication sources are recognized over the life of the applicable subscription service or license period, typically one year. Costs for the production of updates and for fulfilment are charged to expense as incurred.

### 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, short-term investments, and Reserve Fund investments. Short-term investments and Reserve Fund investments are held in various money market and fixed income mutual funds with a single high-credit-quality financial institution. The FAF has not experienced, nor does it anticipate, any credit-risk-related losses in such accounts.

### Accounting Support Fees, Subscriptions and Publications, and Other Receivables

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

### Employee Benefit Plans

The FAF sponsors a postretirement health care plan and a defined benefit pension plan. Information with respect to the funded positions of each of the FAF's pension and other postretirement plans at December 31, 2017 and 2016 is set forth in Note 5.

### Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, 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 and equipment 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.

### Subsequent Events

The FAF has evaluated subsequent events through March 12, 2018, the date through which the financial statements were available to be issued, and determined that no events subsequent to year-end have occurred that require adjustment to, or disclosure in, the financial statements.

### Recent Accounting Pronouncements

In May 2014, the FASB issued new authoritative guidance on revenue from contracts with customers. The guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The FAF is still in the process of completing its analysis on the impact this guidance will have on the financial statements and related disclosures. This accounting standard will be applicable to the FAF for calendar year 2019.

In February 2016, the FASB issued new authoritative guidance on leasing transactions. The guidance will require organizations that lease assets—referred to as “lessees”—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. This accounting standard will be applicable to the FAF for calendar year 2020. The FAF anticipates recording a related right-to-use asset and an offsetting liability related primarily to office space leases.

In August 2016, the FASB issued new authoritative guidance related to the not-for-profit financial reporting model. Under the new guidance, among other changes, net asset reporting will be streamlined and clarified. The accounting standard will be applicable to the FAF for calendar year 2018. The FAF does not anticipate there will be a material impact on the statement of financial position and is evaluating the impact on the statement of activities and enhanced disclosures related to expenses, liquidity, and financial flexibility.

In March 2017, the FASB issued new guidance related to the presentation of net benefit costs. Presently, net benefit cost is reported as a component of employee benefit cost in both program and support costs. The new guidance will require only service costs be presented with employee benefit costs and the other components will be reported separately as other changes in net assets. The ASU is effective for calendar year 2020 for the FAF. The adoption of this ASU is not expected to have a material impact on the financial statements.

# Notes to the Financial Statements

## 2 ACCOUNTING SUPPORT FEES

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

The accounting support fees 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 and reflect adjustments for noncash expenses and certain cash requirements not reflected in the statements of activities. Recoverable expenses do not include Trustee and oversight expenses. The FAF's budgeted recoverable expenses for

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

The Office of Management and Budget (OMB) has determined that the FASB is subject to sequestration pursuant to the Budget Control Act of 2011 (BCA). Sequestration amounts are determined on the federal government's fiscal year, which, for the 2017 sequestration, began on October 1, 2016, and ended on September 30, 2017. During 2017, the FAF sequestered \$1,656,000 with respect to the FASB accounting support fee. The OMB notified the FAF that the 2017 sequestered funds were available for spending for the 2018 federal fiscal year, which began October 1, 2017. The FAF understands that the FASB accounting support fee for federal fiscal year 2018 will be subject to sequestration in a similar manner.

The FASB accounting support fees recognized and related expenses included in the statements of activities for the past two years are as follows (dollars in thousands):

Years ended December 31	2017	2016
FASB accounting support fees	\$ 27,763	\$ 24,782
FASB program expenses:		
Salaries and wages	21,013	21,363
Employee benefits	5,163	4,936
Occupancy and equipment expenses	1,148	1,160
Depreciation and amortization	350	325
Professional fees	2,629	3,029
Other operating expenses	1,764	1,760
Total FASB program expenses	32,067	32,573
FASB support expenses:		
Salaries and wages	3,519	3,614
Employee benefits	1,227	1,155
Occupancy and equipment expenses	682	675
Depreciation and amortization	191	174
Professional fees	1,332	1,348
Other operating expenses	973	937
Total FASB support expenses	7,924	7,903
Total FASB program and support expenses	39,991	40,476
FASB accounting support fees less than FASB program and support expenses	\$(12,228)	\$(15,694)

The GASB accounting support fees recognized and related expenses included in the statements of activities for the past two years are as follows (dollars in thousands):

Years ended December 31	2017	2016
<b>GASB accounting support fees</b>	<b>\$ 8,309</b>	<b>\$ 8,310</b>
<b>GASB program expenses:</b>		
Salaries and wages	5,633	5,619
Employee benefits	1,409	1,367
Occupancy and equipment expenses	317	328
Depreciation and amortization	46	68
Professional fees	657	626
Other operating expenses	513	516
<b>Total GASB program expenses</b>	<b>8,575</b>	<b>8,524</b>
<b>GASB support expenses:</b>		
Salaries and wages	812	819
Employee benefits	291	269
Occupancy and equipment expenses	175	171
Depreciation and amortization	48	44
Professional fees	350	342
Other operating expenses	267	236
<b>Total GASB support expenses</b>	<b>1,943</b>	<b>1,881</b>
<b>Total GASB program and support expenses</b>	<b>10,518</b>	<b>10,405</b>
<b>GASB accounting support fees less than GASB program and support expenses</b>	<b>\$ (2,209)</b>	<b>\$ (2,095)</b>

The FASB and the GASB expenses include their allocable share of FAF program and support expenses. The FAF expenses are incurred for the common benefits of the FASB and the GASB.

Any differences (deficit or excess) between the accounting support fees recognized as revenues and the amount of program and support expenses (adjusted for noncash expenses and certain cash requirements), recognized for an applicable calendar year (to the extent that the deficit was not financed from Reserve Fund balances), would be applied to the calculation of accounting support fees in subsequent years.

### 3 SUBSCRIPTIONS AND PUBLICATIONS REVENUES AND COSTS

Subscriptions and publications revenues and costs consist of the following (dollars in thousands):

Years ended December 31	2017	2016
<b>Subscriptions and publications revenues:</b>		
FASB publications	\$15,947	\$15,395
GASB publications	1,706	1,684
	<b>\$17,653</b>	<b>\$17,079</b>
<b>Direct costs:</b>		
FASB publications	\$ 1,499	\$ 1,520
GASB publications	129	219
FAF publication support	2,133	2,001
	<b>\$ 3,761</b>	<b>\$ 3,740</b>
<b>Net subscriptions and publications revenues:</b>		
FASB publications	\$14,448	\$13,875
GASB publications	1,577	1,465
FAF publication support	(2,133)	(2,001)
	<b>\$13,892</b>	<b>\$13,339</b>

# Notes to the Financial Statements

## 4 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	2017	2016
<b>Short-term:</b>		
Money market mutual fund	\$ 9,261	\$ 9,103
<b>Reserve Fund:</b>		
Fixed income mutual fund	\$ 28,732	\$ 29,644
Money market mutual fund	28,703	29,250
	\$ 57,435	\$ 58,894

### Investment Income and Losses

(dollars in thousands):

Years ended December 31	2017	2016
<b>Short-term:</b>		
Interest and dividends	\$ 78	\$ 40
<b>Reserve Fund:</b>		
Interest and dividends	\$ 822	\$ 716
Net realized and unrealized gains	13	247
<b>Total Reserve Fund investment income</b>	\$ 835	\$ 963

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

Years ended December 31	2017	2016
Fund balance, beginning of year	\$ 58,894	\$ 62,431
Transfers to operations, net	(2,294)	(4,500)
Investment income	835	963
Fund balance, end of year	\$ 57,435	\$ 58,894

Reserve Fund assets are unrestricted and are maintained within the investment policies and guidelines for the Fund established by the Audit and Finance Committee of the Board of Trustees.

## 5 EMPLOYEE BENEFITS

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

### 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 maintains a 457(b) deferred compensation 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 plan assets and related liabilities of \$1,701,900 and \$1,403,900 as of December 31, 2017 and 2016, respectively, are included as assets held in trust and other liabilities in the statements of financial position.

### 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	
	2017	2016	2017	2016
Net periodic expense assumptions:				
Discount rate	3.85%	4.05%	4.00%	4.20%
Expected return on plan assets	4.60%	4.60%	6.20%	6.20%
Benefit obligation assumptions:				
Discount rate	3.40%	3.85%	3.50%	4.00%

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% 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

Employee benefits expense arising from the defined contribution plan was \$2,952,000 and \$3,052,000 for 2017 and 2016, 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 (5%) per year or (2) calculated benefits offered during the year of retirement. Benefits for participants who were retired as of December 31, 2013, will not be affected by these amendments. The FAF funds retiree health care benefits through a Grantor Trust.

Actuaries (SOA) published mortality table. At December 31, 2017 and 2016, the assumed mortality rates were updated to reflect the updated MP-2017 and MP-2016 projection scales released by the SOA.

Finally, the assumption regarding the percentage of eligible participants assumed to be married at retirement age changed from 80% to 60% from 2016 to 2017 based on recent FAF marital experience trends and relevant U.S. Census Bureau data. The change primarily impacted the Postretirement Plan obligation and was included as part of the actuarial gain for 2017.

# 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	
	2017	2016	2017	2016
<b>Change in benefit obligations:</b>				
Benefit obligation, beginning of year	\$26,654	\$26,802	\$16,934	\$15,174
Service cost	–	–	638	581
Interest cost	986	1,032	669	629
Actuarial losses (gains)	1,189	57	(571)	889
Benefits paid	(1,528)	(1,237)	(506)	(414)
Retiree contributions	–	–	91	65
Medicare Part D reimbursement	–	–	8	10
Benefit obligation, end of year	\$27,301	\$26,654	\$17,263	\$16,934
<b>Change in plan assets:</b>				
Fair value of plan assets, beginning of year	\$25,248	\$24,041	\$14,074	\$13,651
Employer contributions, net of Medicare Part D reimbursements of \$8 and \$10 in 2017 and 2016	250	1,000	750	–
Retiree contributions	–	–	91	65
Actual investment income on plan assets	2,208	1,444	2,102	772
Benefits paid	(1,528)	(1,237)	(506)	(414)
Fair value of plan assets, end of year	26,178	25,248	16,511	14,074
<b>Funded status at end of year</b>	<b>\$ (1,123)</b>	<b>\$ (1,406)</b>	<b>\$ (752)</b>	<b>\$ (2,860)</b>
<b>Amounts recognized in financial statements:</b>				
Noncurrent liabilities	\$ (1,123)	\$ (1,406)	\$ (752)	\$ (2,860)
	\$ (1,123)	\$ (1,406)	\$ (752)	\$ (2,860)
<b>Amounts recognized as pension-related changes not reflected as operating expenses:</b>				
Net actuarial losses (gains)	\$ 102	\$ (324)	\$ (1,783)	\$ 952
Amortization of net actuarial losses	(477)	(420)	(580)	(519)
Amortization of net prior service costs	135	135	94	95
	\$ (240)	\$ (609)	\$ (2,269)	\$ 528
<b>Amounts not yet recognized as components of net periodic benefit costs:</b>				
Net actuarial losses	\$ 9,078	\$ 9,453	\$ 3,626	\$ 5,989
Net prior service credits	(45)	(180)	(601)	(695)
	\$ 9,033	\$ 9,273	\$ 3,025	\$ 5,294
<b>Amounts expected to be recognized during the year ended December 31, 2018 and 2017:</b>				
Amortization of net actuarial losses	\$ 459	\$ 477	\$ 359	\$ 579
Amortization of net prior service credits	(45)	(135)	(95)	(95)
	\$ 414	\$ 342	\$ 264	\$ 484



## 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, 2017, 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, 2017 and 2016, 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	
	2017	2016	2017	2016
Mutual funds (all Level 1):				
U.S. equity funds <sup>(a)</sup>	\$ –	\$ –	\$ 4,167	\$ 3,868
International equity index fund <sup>(b)</sup>	–	–	4,254	3,285
Fixed income funds <sup>(c)</sup>	26,085	25,162	8,090	6,921
Cash held by investment manager	93	86	–	–
<b>Total</b>	<b>\$ 26,178</b>	<b>\$ 25,248</b>	<b>\$ 16,511</b>	<b>\$ 14,074</b>

### 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.

## Net Periodic Benefit Expense

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

	Employees' Pension Plan		Postretirement Plan	
	2017	2016	2017	2016
Service cost	\$ –	\$ –	\$ 638	\$ 581
Interest cost	986	1,032	669	629
Expected return on plan assets	(1,121)	(1,063)	(891)	(834)
Amortization of prior period actuarial losses	477	420	580	519
Amortization of prior service credits	(135)	(135)	(94)	(95)
<b>Net periodic benefit expense</b>	<b>\$ 207</b>	<b>\$ 254</b>	<b>\$ 902</b>	<b>\$ 800</b>



# Notes to the Financial Statements

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		
		Gross	Medicare Part D	Net
2018	\$ 2,017	473	\$ 9	\$ 464
2019	1,857	533	10	523
2020	1,579	569	12	557
2021	1,968	633	13	620
2022	1,689	699	15	684
2023–2027	8,989	4,280	98	4,182

The FAF expects to contribute \$250,000 to the Employees' Pension Plan and \$750,000 to the Postretirement Plan during 2018.

## 6 FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

(dollars in thousands)

Years ended December 31	2017	2016
Furniture and equipment	\$ 8,949	\$ 8,216
Leasehold improvements	5,548	5,346
	14,497	13,562
Accumulated depreciation and amortization	(12,379)	(11,751)
	\$ 2,118	\$ 1,811

## 7 LEASE COMMITMENTS

The FAF has an operating lease on the Norwalk office space until September 30, 2022. Total rental expense for office space and equipment amounted to \$2,118,800 and \$2,154,000 in 2017 and 2016, respectively. Accrued rent expense is attributable to escalating minimum lease payments, initial rent abatement, and leasehold improvement allowances. The rent expense liability is being amortized over the remaining term of the applicable operating lease.

Future minimum payments under the operating lease for office space, including the FAF's current share of real estate taxes and other operating costs, are as follows (dollars in thousands):

Years ended December 31	
2018	\$ 1,851
2019	2,464
2020	2,468
2021	2,480
2022	1,860
Total minimum lease payments	\$11,123

# Management's Report on Financial Responsibility and Internal Controls

Management of the Financial Accounting Foundation is responsible for the preparation of the accompanying financial statements, and for the fairness and accuracy of the financial information included in this annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for establishing and maintaining an adequate internal control structure and adequate procedures for financial reporting. The FAF maintains a system of internal controls designed to ensure the integrity, objectivity, and overall effectiveness of the accounting and financial reporting process, and to provide reasonable assurance as to the reliability of the entity's financial statements for external purposes.

Internal control over financial reporting does have inherent limitations and may not prevent or detect all misstatements. Therefore, even those systems determined to be effective can provide only reasonable, and not absolute, assurance with respect to financial statement preparation and presentation. Also, due to changing conditions, the effectiveness of internal control over financial reporting may vary over time, and certain controls may prove to be inadequate.

Management of the FAF has assessed the effectiveness of the FAF's internal control over financial reporting as of December 31, 2017. In conducting that assessment, which included limited procedures performed at management's request by a third-party firm, consideration was given to criteria deemed appropriate in light of the size of the organization and scope of its activities, including relevant criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on this assessment, we have concluded that internal control over financial reporting was effective as of December 31, 2017.



Teresa S. Polley  
*President and Chief Executive Officer*  
Financial Accounting Foundation



Mary P. Crotty  
*Chief Operating Officer*  
Financial Accounting Foundation



Peter C. Spencer  
*Director of Finance and Accounting*  
Financial Accounting Foundation

# Independent Auditor's Report

## TO THE BOARD OF TRUSTEES FINANCIAL ACCOUNTING FOUNDATION NORWALK, CONNECTICUT

### Report on the Financial Statements

We have audited the accompanying financial statements of the Financial Accounting Foundation, which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Financial Accounting Foundation as of December 31, 2017 and 2016, 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.

*RSM US LLP*

New Haven, Connecticut

March 12, 2018