



FINANCIAL ACCOUNTING FOUNDATION

SUMMARIZED BUDGET INFORMATION

FOR THE YEAR ENDING DECEMBER 31, 2020



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OVERVIEW

Total 2020 budgeted operating expenses, as approved by the Financial Accounting Foundation's (FAF) Board of Trustees, are up 5 percent compared to the 2019 budget.

- FASB expenses (not including FAF allocations) increased \$725,000, or 3 percent.
- GASB expenses (not including FAF allocations) increased \$726,000, or 10 percent.
- FAF expenses increased \$1.8 million, or 10 percent.

The increase in costs are primarily due to an average 3 percent salary rate increase and transitional costs for the FASB Chair and GASB Chair, whose terms expire June 30, 2020. Total headcount is budgeted to be flat from the 2019 budget and reflects the staffing level needed to support the future agenda of the FASB and the GASB.

The FASB and GASB accounting support fees (ASF) for 2020 increased 7 percent and 12 percent, respectively, compared to the 2019 budget. Publishing revenues budgeted for 2020 were flat compared to the 2019 budget.

The 2020 and 2019 budgets include operating and capital costs associated with the Content, Vision and Enablement (CVE) Initiative, which amount to \$6.45 million and \$6.5 million, respectively. The CVE Initiative began with the objective of modernizing the production and distribution of FASB and GASB standards. The project has three components:

- 1) Finalize and operationalize the organization's content strategy,
- 2) Implement a new publishing platform, and
- 3) Redesign the business processes underpinning our content creation, production, and distribution.

The project includes adjacent work to refresh the FAF, FASB, and GASB websites, and to implement a solution for our fulfilment and distribution (F&D) operation and restructure the content. The initial phase of the CVE Initiative was completed during 2019 and resulted in the selection of a new publishing solution. The implementation phase, approved in August 2019, began in late 2019 and completion is targeted for 2021.

How the FAF Budget Is Organized

The FAF is responsible for the oversight, administration, financing, and appointment of the members of the FASB and the GASB and their advisory councils. The FASB establishes and improves financial accounting and reporting standards for public and private companies, not-for-profit organizations, and employee benefit plans. The GASB establishes and improves financial accounting and reporting standards for state and local governments. The FAF presently obtains funding from FASB ASF under Section 109 of the *Sarbanes-Oxley Act of 2002* to fund the annual recoverable expenses of the FASB, GASB ASF under Section 978 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Dodd-Frank) to fund the annual recoverable expenses of the GASB, and publishing revenues.

The 2020 budget is arranged to reflect the FAF's organizational structure and includes the following distinct components:

- *FASB Expenses.* These expenses include salaries, benefits, travel, and other expenses for FASB members, the FASB research and technical staff, the FASB advisory groups, the Private Company Council (PCC), ongoing development and maintenance responsibilities for the GAAP Financial Reporting Taxonomy (XBRL), and FAF-allocated expenses.
- *GASB Expenses.* These expenses include salaries, benefits, travel, and other expenses for GASB members, the GASB research and technical staff, the Governmental Accounting Standards Advisory Council, and FAF-allocated expenses.
- *FAF Expenses.* These expenses include the management and administrative costs (e.g., administrative, human resources, accounting, legal, public affairs, and overhead). The FAF expenses that are incurred specifically for the FASB or the GASB are directly charged to the applicable Board. The FAF expenses that are not directly attributable to either Board (such as accounting, administrative, overhead, and other support costs) are allocated between the FASB and the GASB based on allocation methodologies approved by the FAF Board of Trustees.
- *FAF Board of Trustees and Oversight Expenses.* These expenses relate to the FAF Board of Trustees' (FAF Board) compensation, placement fees, travel, meeting expenses, and other related FAF Board and oversight costs. The FAF Board has determined that as the independent oversight body of the FASB and the GASB, its oversight costs should not be included in ASF, and therefore are not included in recoverable expenses.
- *FAF Net Publishing Revenue.* These expenses include the revenues and related expenses associated with the sales and licensing of FASB and GASB materials. Net publishing revenue is retained by the FAF for use in its activities, including funding the oversight-related expenses of the FAF Board, FAF Reserve Fund, and short-term investments.
- *Reserve funds/ASF.* Sarbanes-Oxley provides that the FAF may collect as FASB ASF the full amount of FASB recoverable expenses, which include the FASB expenses adjusted to exclude noncash expenses and adjusted for other cash requirements (primarily capital expenditures). Similarly, Dodd-Frank allows the FAF to collect the full amount of GASB recoverable expenses calculated in a similar manner. The FAF typically seeks ASF that are less than recoverable expenses because the FAF funds a portion of recoverable expenses with reserve funds forecasted to be in excess of a targeted reserve balance. The targeted year-end balance equals one year of budgeted operating expenses for the entire organization. Further information related to FAF's funding sources can be found at the [How We're Funded](#) page on our website at accountingfoundation.org.

Provided in the following pages are summarized budget information for 2020 and a comparison to the 2019 budget and 2019 actual results for the entire organization. Also provided are the separate components of FASB, GASB, and FAF expenses; FAF net publishing revenue; capital; and budget notes for selected key line items to assist in understanding the key drivers of the budget.

TOTAL BUDGET SUMMARY

For the Year Ending December 31, 2020
(Compared to the Actual and Budget for the Year Ending December 31, 2019)

(Dollars in thousands)		<u>2020 Budget</u>	<u>2019 Actual</u>	<u>2019 Budget</u>
Revenues:				
Accounting support fees - FASB	(page 4)	\$ 31,420	\$ 29,294	\$ 29,351
Accounting support fees - GASB	(page 7)	10,022	8,936	8,936
Contributed services		110	130	40
Publishing	(page 12)	18,847	18,678	18,826
Total revenues		<u>60,399</u>	<u>57,038</u>	<u>57,153</u>
Expenses:				
FASB and Advisory groups	(page 4)	41,519	38,446	39,579
GASB and Advisory Council	(page 7)	11,653	9,657	10,580
Publishing	(page 12)	5,567	5,855	10,327
FAF Trustee and oversight	(note 1)	2,231	2,438	1,937
Total operating expenses		<u>60,970</u>	<u>56,396</u>	<u>62,423</u>
Capital	(page 13)	5,070	2,483	305
Total operating and capital expenses		<u>66,040</u>	<u>58,879</u>	<u>62,728</u>
Investment income	(note 2)	987	2,499	559
Revenues less than expenses		<u>\$ (4,654)</u>	<u>\$ 658</u>	<u>\$ (5,016)</u>

Note 1 – Consists primarily of FAF Board compensation, travel expenses, and Trustee search and placement fees. These expenses are excluded from recoverable expenses of the FASB and the GASB.

Note 2 – Consists primarily of income on Reserve Fund investments, which are currently invested in a money market fund and a short-term fixed income fund.

FINANCIAL ACCOUNTING STANDARDS BOARD
STATEMENT OF BUDGETED REVENUE AND EXPENSES

For the Year Ending December 31, 2020
(Compared to the Actual and Budget for the Year Ending December 31, 2019)

(Dollars in thousands)	<u>2020 Budget</u>	<u>2019 Actual</u>	<u>2019 Budget</u>
Revenues:			
FASB accounting support fees	\$ 31,420	\$ 29,294	\$ 29,351
Contributed services	40	40	40
Operating fund investment income	63	106	66
Total revenues	31,523	29,440	29,457
Direct expenses:			
Standards Board and research staff:			
Salaries and wages	17,951	16,276	17,343
Employee benefits	4,415	4,020	4,474
	22,366	20,296	21,817
Other operating expenses	998	632	812
Total Standards Board and research staff	23,364	20,928	22,629
XBRL:			
Salaries and wages	1,928	1,791	1,863
Employee benefits	553	514	543
Other operating expenses	574	515	624
Total XBRL	3,055	2,820	3,030
Private Company Council	100	87	98
Advisory Groups expenses	126	103	113
Subtotal	26,645	23,938	25,870
FASB expenses distributed to FASB	14,874	14,508	13,709
Total FASB expenses	41,519	38,446	39,579
Operating revenues less than expenses	\$ (9,996)	\$ (9,006)	\$ (10,122)

See accompanying budget notes for FASB on pages 5 and 6.

FASB BUDGET NOTES

Accounting Support Fees—FASB

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

The ASF included in the 2020 budget are calculated as follows (dollars in thousands):

Total FASB expenses as budgeted for 2020	\$ 41,478
Adjustments for noncash expenses:	
Depreciation and amortization	(575)
Provision for doubtful accounts	(33)
Adjustment to pension cost	(680)
Other cash requirements:	
Capital expenditures	160
Rental payments greater than amortized rent expense	449
Total FASB recoverable expenses	40,799
Amount available from FAF reserve funds to offset FASB recoverable expenses	9,379 ¹
FASB ASF budgeted for 2020	\$31,420²

Board and Research Staff Salaries and Employee Benefits

Salaries and employee benefits expenses for the FASB members and staff comprise approximately 60 percent of the FASB’s total budgeted expenses. The 2020 budget includes the effect of a 3 percent budgeted increase in average salaries. The number of budgeted positions for the research staff decreased by 3 positions from the 2019 budget. The budget reflects the staff necessary to support the Board’s future agenda following the completion of several major projects. It also includes resources to meet several ongoing FASB goals and initiatives including enhanced pre-agenda research,

¹ If projected year-end reserve funds exceed the FAF’s calculated Target reserve funds, the FAF voluntarily uses a portion of that amount to fund FASB and GASB recoverable expenses for the budget year that otherwise would be funded by ASF. For 2020, the FAF has projected that \$10,848,000 of reserve funds are available to offset recoverable expenses. The amount available allocated to the FASB of \$9,379,000 is based upon a two-part formula that reflects the average of the percentage of (1) the budgeted share of net publishing revenues associated with FASB and GASB products and (2) the budgeted share of total recoverable budget expenses for each Board.

² The 2020 FASB ASF are listed as subject to sequestration (under the title Standard Setting Body) on The Office of Management and Budget Report to the Congress on the Joint Committee Reductions for Fiscal Year 2020. The FAF calculated that \$1,850,000 of the 2020 FASB ASF would be subject to sequestration. Accordingly, the amount made available to offset FASB’s recoverable expenses has been reduced by this amount. Upon release, the sequestered funds will be made available to offset FASB recoverable expenses in future periods. The FASB ASF that were subject to sequester in 2019 (\$1,820,000) have been authorized to be released for spending in 2019.

implementation and educational activities for new standards (either through a transition resource group or through technical inquiries), and strengthening relationships with other national standard setters.

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 and with other standard setters and regulatory bodies; to attend various roundtables, working group meetings, and conferences; to engage in stakeholder outreach; and to partake in speaking engagements. Other operating expenses include the costs of technical accounting consultants, private company initiatives, memberships, dues, meeting expenses, educational outreach, and other miscellaneous expenses.

GAAP Taxonomy (XBRL)

The FAF and the FASB are responsible for the development and maintenance of the GAAP Financial Reporting Taxonomy (Taxonomy). The FAF/FASB activities are focused on updating the Taxonomy for changes in GAAP, identifying best practices in filer Taxonomy extensions, and other technical enhancements.

Private Company Council

The Private Company Council (PCC), which consists of 11 members, is the primary advisory body to the FASB on private company matters. The 2020 budget includes travel and meeting costs for PCC meetings. The 2020 budget assumes the current PCC Chair will continue to waive compensation.

Advisory Groups

The 2020 budget includes meeting and related costs for FASB’s advisory groups including the Financial Accounting Standards Advisory Council (FASAC), Investors Advisory Committee, Not-for-Profit Advisory Committee, and Small Business Advisory Committee. The 2020 budget also includes compensation to the FASAC Chair, consistent with 2019.

FAF Expenses Distributed to FASB

These include an allocation of 1) FASB’s direct share of occupancy costs, relocation and placement costs, and other office-related expenditures and 2) 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 REVENUE AND EXPENSES

For the Year Ending December 31, 2020
(Compared to the Actual and Budget for the Year Ending December 31, 2019)

(Dollars in thousands)	<u>2020 Budget</u>	<u>2019 Actual</u>	<u>2019 Budget</u>
Revenues:			
GASB accounting support fees	\$ 10,022	\$ 8,936	\$ 8,936
Operating fund investment income	24	35	13
Total revenues	10,046	8,971	8,949
Direct expenses:			
Standards Board and research staff:			
Salaries and wages	5,850	5,149	5,354
Employee benefits	1,315	1,154	1,262
	<u>7,165</u>	<u>6,303</u>	<u>6,616</u>
Other operating expenses	844	583	663
Total Standards Board and research staff	8,009	6,886	7,279
Advisory Council	<u>43</u>	<u>51</u>	<u>47</u>
Subtotal	8,052	6,937	7,326
FAF expenses distributed to GASB	<u>3,601</u>	<u>2,720</u>	<u>3,254</u>
Total GASB expenses	11,653	9,657	10,580
Operating revenues less than expenses	<u>\$ (1,607)</u>	<u>\$ (686)</u>	<u>\$ (1,631)</u>

See accompanying budget notes for GASB on pages 8 and 9.

GASB BUDGET NOTES

Accounting Support Fees—GASB

Pursuant to the provisions of Section 978(a) of the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Dodd-Frank Act), the U.S. 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 ASF) 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 ASF from FINRA’s members. The table below calculates total GASB recoverable expenses under Dodd-Frank Section 978(a), reduced by the expected use of amounts made available from reserve funds in determining the GASB ASF (dollars in thousands):

Total GASB expenses as budgeted for 2020	\$ 11,653
Adjustments for noncash expenses:	
Depreciation and amortization	(144)
Provision for doubtful accounts	(2)
Adjustment to pension cost	(130)
Other cash requirements:	
Capital expenditures	40
Rental payments greater than amortized rent expense	73
Total GASB recoverable expenses	<u>11,491</u>
Amount available from FAF reserve funds to offset GASB recoverable expenses	<u>1,469¹</u>
GASB ASF budgeted for 2020	<u><u>\$ 10,022</u></u>

Board and Research Staff Salaries and Employee Benefits

Salaries and employee benefits expenses for the GASB members and staff comprise approximately 61 percent of the GASB’s total budgeted expenses. The 2020 budget includes the effect of a 3 percent budgeted increase in average salaries for research and administrative staff. The number of budgeted positions for the research staff is consistent with the 2019 budget.

Board and Research Staff Other Operating Expenses

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

¹ If projected year-end reserve funds exceed the FAF’s calculated Target reserve funds, the FAF voluntarily uses a portion of that amount to fund FASB and GASB recoverable expenses for the budget year that otherwise would be funded by GASB ASF. For 2020, the FAF has projected that \$10,848,000 of reserve funds are available to offset recoverable expenses. The amount available allocated to the GASB of \$1,469,000 is based upon a two-part formula that reflects the average of the percentage of (1) the budgeted share of net publication revenues associated with FASB and GASB products and (2) the budgeted share of total recoverable budget expenses for each Board.

Advisory Council

The 2020 and 2019 budgets reflect the estimated costs of three GASAC meetings, including meeting and travel expenses for the Council members.

FAF Expenses Distributed to GASB

These include an allocation of: 1) GASB's direct share of occupancy costs, relocation and placement costs, and other office-related expenditures and 2) 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, 2020
(Compared to the Actual and Budget for the Year Ending December 31, 2019)

(Dollars in thousands)	<u>2020 Budget</u>	<u>2019 Actual</u>	<u>2019 Budget</u>
Salaries and wages	\$ 7,087	\$ 6,641	\$ 6,947
Employee benefits	2,056	1,774	2,012
Professional fees	4,027	3,792	2,895
Relocation and placement costs	833	930	743
Software maintenance and license fees	1,354	1,278	1,218
Billing and collection costs	239	239	239
Subscription services and reference books	440	399	402
Travel expenses	97	77	84
Meetings and outreach	76	37	45
Media communications	77	106	99
Professional development and membership fees	134	95	121
Office expenses	271	226	302
Miscellaneous	203	189	198
General overhead	3,373	3,209	3,292
Subtotal	<u>20,267</u>	<u>18,992</u>	<u>18,597</u>
Allocation of costs to Publishing	<u>(1,792)</u>	<u>(1,764)</u>	<u>(1,764)</u>
	<u>18,475</u>	<u>17,228</u>	<u>16,833</u>
IT Initiatives	1,580	2,239	6,780
Allocation of IT Initiatives	<u>(1,580)</u>	<u>(2,239)</u>	<u>(6,650)</u>
Total FAF expenses	<u>\$ 18,475</u>	<u>\$ 17,228</u>	<u>\$ 16,963</u>
FAF expense distribution:			
FASB - Direct and common costs	14,874	14,508	13,709
GASB - Direct and common costs	<u>3,601</u>	<u>2,720</u>	<u>3,254</u>
Total FAF expenses	<u>\$ 18,475</u>	<u>\$ 17,228</u>	<u>\$ 16,963</u>

See accompanying budget notes for the FAF on page 11.

NOTES ON FAF MANAGEMENT AND ADMINISTRATIVE EXPENSES

FAF management and administrative expenses include costs for the following departments and groups:

- Executive Office
- Public Affairs
- Human Resources
- Legal and Standard-Setting Oversight
- General Overhead
- Chief Operating Office:
 - Administration
 - Information Technology
 - Information Research
 - Accounting and Finance

FAF expenses directly attributable to either the FASB or the GASB are charged entirely to the applicable Board. Common costs not fully associated with either Board are allocated on a departmental basis.

Salaries and Employee Benefits

The 2020 budgeted salaries include the effect of a 3 percent budgeted increase in average salaries. The 2020 headcount is consistent with the 2019 budget.

Professional Fees

Professional fees include costs for compensation and benefits consulting, audit, tax, legal, government affairs/external relations, communications, information technology, and outsourced administrative services.

Overhead

Overhead costs in the 2020 budget primarily include office rental of \$2,148,000 and depreciation and amortization of \$719,000.

IT Initiatives

IT initiatives include the noncapitalizable portion of the budgeted CVE Initiative costs. As described in more detail on page 13 (Capital budget), CVE Initiative costs are reflected as either operating costs or capital costs, depending on their nature.

BUDGETED PUBLISHING REVENUE AND EXPENSES

For the Year Ending December 31, 2020
 (Compared to the Actual and Budget for the Year Ending December 31, 2019)

(Dollars in thousands)	<u>2020 Budget</u>	<u>2019 Actual</u>	<u>2019 Budget</u>
Publishing revenues:			
For FASB publications	\$ 17,167	\$ 16,974	\$ 17,037
For GASB publications	<u>1,680</u>	<u>1,704</u>	<u>1,789</u>
	<u>18,847</u>	<u>18,678</u>	<u>18,826</u>
Publishing expenses:			
For FASB publications	1,413	1,349	1,377
For GASB publications	138	99	91
For FAF publication support	2,436	2,329	2,359
For IT Initiatives - publishing	<u>1,580</u>	<u>2,078</u>	<u>6,500</u>
	<u>5,567</u>	<u>5,855</u>	<u>10,327</u>
Total net publishing revenues	<u>\$ 13,280</u>	<u>\$ 12,823</u>	<u>\$ 8,499</u>

Net publishing revenue is retained by the FAF for use in its activities, including funding the oversight-related expenses of the FAF Board and the FAF Reserve Fund.

CAPITAL BUDGET

For the Year Ending December 31, 2020
 (Compared to the Actual and Budget for the Year Ending December 31, 2019)

The FAF’s budgeted capital expenditures include the following (dollars in thousands):

	2020 Budget	2019 Actual	2019 Budget
CVE Initiative (1)	\$ 4,870	\$ 2,170	\$ -
Other (2)	200	313	305
	<u>\$ 5,070</u>	<u>\$ 2,483</u>	<u>\$ 305</u>

- 1) The FAF completed the initial phase of the CVE Initiative and these costs are reflected as operating expenses in IT Initiatives for 2019. In the 4th quarter of 2019, the FAF began the development stage of the project, which is expected to be completed by 2021. The 2020 budget includes a total of \$6,450,000 related to the CVE Initiative, of which \$4,870,000 are reflected as capital expenditures and the remaining \$1,580,000 are reflected as operating expenses (IT Initiatives) based on their nature. The 2019 actual included \$4,250,900 in CVE Initiative costs, including \$2,170,000 as capital costs and \$2,239,000 as IT Initiatives. The 2019 budget includes all CVE Initiative costs for 2019 as part of IT Initiatives as a placeholder due to the uncertainty at that time as to how costs would be allocated to capital and expense. Overall, the 2019 actual was below the 2019 budget for the CVE Initiative due to the delayed start date of development phase.
- 2) Includes software, computers, technology infrastructure costs (not associated with CVE Initiative), furniture, equipment, and other leasehold improvements.