FINANCIAL ACCOUNTING FOUNDATION

Financial Statements for the Years Ended

December 31, 2020 and 2019

FINANCIAL ACCOUNTING FOUNDATION

Financial Statements

for the Years Ended December 31, 2020 and 2019

Statements of Activities for the Years Ended December 31, 2020 and 2019

(Dollars in thousands)	2020	2019
Operating:		
Revenues:		
Accounting support fees:		
FASB	$ 31,333	$ 29,294
GASB	10,022	8,936
Total accounting support fees	41,355	38,230
Publishing (Note 2)	18,622	18,678
Contributions—contributed services	180	130
Total revenues	60,157	57,038
Program expenses (Note 4):		
Standard setting:		
FASB	29,932	29,178
GASB	8,990	8,165
Total standard setting	38,922	37,343
Publishing	4,972	6,130
Total program expenses	43,894	43,473
Support expenses (Note 4)	12,464	12,935
Total program and support expenses	56,358	56,408
Operating revenues greater than operating expenses	3,799	630
Nonoperating:		
Net investment income - short term investments (Note 5)	63	155
Net investment income - Reserve Fund (Note 5)	1,670	2,343
Other components of net periodic benefit cost (Note 6)	(64)	(330)
Other pension-related changes not reflected in operating expenses (Note 6)	909	496
Change in net assets without donor restrictions	6,377	3,294
Net assets at beginning of year	73,423	70,129
Net assets at end of year	$ 79,800	$ 73,423

See accompanying notes to these financial statements.

FINANCIAL ACCOUNTING FOUNDATION

Statements of Financial Position as of December 31, 2020 and 2019

(Dollars in thousands)	2020	2019
Current Assets:		
Cash and cash equivalents	**$ 7,097**	$ 4,605
Short-term investments (Note 5)	**9,278**	9,250
Accounting support fees, publishing, and other receivables (net of allowance for doubtful accounts of $101 and $56)	**7,303**	6,273
Prepaid expenses and all other current assets	**1,144**	1,278
Total current assets	**24,822**	21,406
Noncurrent Assets:		
Reserve Fund investments (Note 5)	**62,595**	60,925
Assets held in trust (Note 6)	**3,167**	2,517
Operating lease right-of-use assets (Note 8)	**1,922**	2,994
Furniture, equipment, software, and leasehold improvements, net (Note 7)	**5,862**	3,824
Total noncurrent assets	**73,546**	70,260
Total assets	**$ 98,368**	$ 91,666
Current Liabilities:		
Accounts payable and accrued expenses	**$ 3,005**	$ 1,656
Accrued payroll and related benefits	**1,460**	1,066
Operating lease liabilities—current (Note 8)	**1,648**	1,657
Unearned publication and other deferred revenues (Note 2)	**6,501**	6,766
Total current liabilities	**12,614**	11,145
Noncurrent Liabilities:		
Accrued pension costs (Note 6)	**575**	646
Accrued postretirement health care costs (Note 6)	**1,001**	1,138
Operating lease liabilities—long term (Note 8)	**1,211**	2,797
Other liabilities (Note 6)	**3,167**	2,517
Total noncurrent liabilities	**5,954**	7,098
Total liabilities	**18,568**	18,243
Net Assets—without Donor Restrictions		
Designated by the Board for Reserve (Notes 3 and 5)	**62,595**	60,925
Undesignated	**17,205**	12,498
Total net assets without donor restrictions	**79,800**	73,423
Total liabilities and net assets	**$ 98,368**	$ 91,666

See accompanying notes to these financial statements.

Statements of Cash Flows for the Years Ended December 31, 2020 and 2019

(Dollars in thousands)	2020	2019
Cash flows from operating activities:		
Cash received from accounting support fees	**$ 41,285**	$ 37,877
Cash received from publishing sales	**17,397**	18,700
Interest and dividend income received	**922**	1,675
Cash paid to vendors, employees, and benefit plans	**(52,836)**	(55,495)
Net cash provided by operating activities	**6,768**	2,757
Cash flows from investing activities:		
Proceeds from sales of Reserve Fund investments	**5,000**	4,000
Purchases of Reserve Fund investments	**(5,859)**	(3,019)
Proceeds from sales of short-term investments	**8,000**	8,000
Purchases of short-term investments	**(8,028)**	(8,136)
Purchases of assets held in trust	**(650)**	(621)
Purchases of furniture, equipment, software, and leasehold improvements, net	**(2,739)**	(2,483)
Net cash used in investing activities	**(4,276)**	**(2,259)**
Net increase in cash and equivalents	**2,492**	498
Cash and equivalents at beginning of year	**4,605**	4,107
Cash and equivalents at end of year	**$ 7,097**	$ 4,605
Supplemental Information		
Noncash items included in the Statements of Activities:		
Pension-related changes not reflected in operating expenses	**$ 909**	$ 496
Component of net periodic benefit costs not reflected in operating expenses	**$ (64)**	$ (330)

See accompanying notes to these financial statements.

FINANCIAL ACCOUNTING FOUNDATION

Notes to Financial Statements
December 31, 2020 and 2019

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 publishing revenues.

Summary of Significant Accounting Policies

Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

These statements include the program activities of standard setting of the FASB and the GASB (Standards Boards) (set forth separately, where appropriate, in recognition of their distinct responsibilities as described in the FAF's Certificate of Incorporation and By-Laws) and publishing. Standard-setting program expenses include salaries, benefits, and other operating expenses for the members and research staffs of the respective Standards Boards and Councils, costs for the ongoing development of the U.S. GAAP Financial Reporting Taxonomy, costs for external relations, government affairs and communications activities, and for the information research and technology related to the standard-setting activities of the FASB and the GASB. Publishing program costs represent the distinct activities of publishing and distributing the FASB and GASB standard-setting materials and include staff salaries and benefits, publishing information technology costs, printing, distribution, and other costs. Additional services for accounting and finance, human resources, facilities management, technology and information systems, legal, and general administrative operating assistance have been reflected as support expenses in the accompanying statements of activities.

All of the net assets of the FAF are classified as without donor restrictions and are segregated into FAF Board of Trustee (FAF Board) designated and undesignated categories (see Note 2).

Use of Estimates

The preparation of financial statements requires management to formulate estimates and assumptions that may affect the reported amounts of assets and liabilities at the dates of those statements and revenues and expenses for the reporting periods. Significant estimates made by management include actuarially determined employee benefit liabilities. Actual results could differ from those estimates.

Revenue Recognition

Publishing

Publishing revenue includes sales of printed content (primarily annual editions of authoritative FASB and GASB GAAP), subscriptions for authoritative print content, subscriptions for digital access to authoritative content, and licensing of content.

The FAF assesses the obligations promised in its contracts with customers and identifies a performance obligation for each promise to transfer goods or services. To identify the performance obligations, the FAF considers all the promises in the contract, whether explicitly stated or implied, based on customary business practices. Revenue is recognized when a performance obligation is satisfied by transferring control of promised goods or services to customers, which can occur over time or at a point in time.

All of the FAF's contracts with customers, including sales- or usage-based royalty agreements, include performance obligations that are short-term in nature.

Sales taxes collected on behalf of third parties are excluded from revenue and recorded as a liability until paid. Shipping fees charged to customers are excluded from revenue and netted against shipping expenses. There are no obligations for warranties, returns, or refunds to customers.

Accounting Support Fees

The Sarbanes-Oxley Act provides for funding of FASB through accounting support fees assessed against and collected from issuers of securities, as 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 through an SEC order instructing the Financial Industry Regulatory Authority (FINRA) to establish, assess, and collect accounting support fees from its members.

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. Accounting support fees are reflected as without donor restrictions because the restrictions have been met in the same reporting period as the revenue is recognized.

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. 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 2020 sequestration began on October 1, 2019 and ended on September 30, 2020. During 2020, $1,850,000 was sequestered with respect to the FASB accounting support fees. The OMB notified the FAF that the 2020 sequestered funds were available for spending for the 2021 federal fiscal year, which began October 1, 2020, and as a result no restrictions existed at December 31, 2020. The FAF understands that the FASB accounting support fees for federal fiscal year 2021 will be subject to sequestration in a similar manner.

Contributions

The FAF reports all contributions as increases in net assets without donor restrictions. Members of the Board of Trustees 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. Other individuals contribute significant amounts of time to the activities of the FAF, the Standards Boards, and their Advisory Councils without compensation; however, these are not included as contributions in the accompanying financial statements because they do not meet the recognition criteria.

Cash and Cash Equivalents

For financial statement purposes, the FAF considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of these investments approximates fair value due to the nature of the investments and the maturity period.

Investments

The FAF's investments are recorded at fair value, all of which are measured using Level 1 inputs, which are defined as quoted market prices in active markets for identical investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes gains and losses on investments bought and sold as well as held during the year.

Concentration of Credit Risk

Financial instruments that potentially are subject to concentrations of credit risk consist principally of cash and cash equivalents, 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, Publishing, 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, 2020 and 2019, is set forth in Note 6.

Furniture, Equipment, Software, and Leasehold Improvements

Furniture, equipment, software, and leasehold improvements are reported in the statements of financial position at cost, less accumulated depreciation and amortization determined using the straight-line method. Furniture, equipment, and software are depreciated over their estimated useful lives, ranging from 3 to 10 years. Leasehold improvements are amortized over periods not extending beyond the termination dates of the leases for office space.

Income Taxes

The FAF is a tax-exempt organization under Section 501(c)(3) of the Code. Management has reviewed tax positions for open tax years and determined that a provision for uncertain tax positions is not required.

Leases

The FAF determines whether an arrangement is a lease at inception of a contract. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities (current and long term) on the statements of financial position. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. As a practical expedient, FAF used a risk-free rate in determining the present value of future payments. The FAF recognizes ROU assets subject to operating leases in an amount equal to the operating lease liabilities, adjusted for the balances of deferred lease expense and incentives. Lease expense is recognized on a straight-line basis over the lease term. The lease and nonlease components in FAF's lease agreements are accounted for separately.

Subsequent Events

The FAF has evaluated subsequent events through March 5, 2021, the date through which the financial statements are 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.

2. Publishing

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

Years Ended December 31	**2020**			2019		
	FASB	**GASB**	**Total**	FASB	GASB	Total
Licensing	**$ 15,042**	**$ 1,256**	**$ 16,298**	$ 14,819	$ 1,221	$ 16,040
Online subscriptions	**1,564**	**90**	**1,654**	1,721	97	1,818
Print subscriptions	**206**	**287**	**493**	220	307	527
Hard copy and other	**119**	**58**	**177**	214	79	293
Total	**$ 16,931**	**$ 1,691**	**$ 18,622**	$ 16,974	$ 1,704	$ 18,678

Licensing—FAF has entered into various licensing agreements that provide certain third-parties limited rights to utilize the FAF's intellectual property (IP), consisting of FASB and GASB content. Certain licenses include quarterly upfront payments based on the number of internal users and annual payments for the number of active sublicenses at the beginning of the contract period. The FAF recognizes revenue rateably over the term of the agreements because the obligation to provide the licensees with access to the most current version of the content is a single performance obligation satisfied over time.

Other license agreements also include quarterly payments based on the number of new or renewal sublicensee agreements entered into by the licensee for that quarter. The FAF recognizes the quarterly revenue on a straight-line basis over a 12-month period because the obligation to provide the licensees with access to the content is a single performance obligation satisfied over time. The FAF also recognizes revenue under these agreements for the amounts due and not yet paid pursuant to the terms of the contracts.

Online subscriptions—The FAF sells annual prepaid subscriptions for access to the *FASB Accounting Standards Codification*® and GASB Governmental Accounting Research System (which includes the GASB Codification, Original Pronouncements, and Comprehensive Implementation Guide) through Professional View online platforms. Access to these platforms is determined to be a single performance obligation that is satisfied over the annual subscription period. Subscription revenues are deferred at the time of sale and are recognized rateably over the terms of the subscriptions.

Print subscriptions—The FAF sells annual prepaid subscriptions for a monthly distribution of printed copies of all FASB Accounting Standards Updates released during the previous month (FASB Subscription) and periodic distribution of printed copies of newly issued GASB Statements, Concepts Statements, Implementation Guides, and Technical Bulletins (GASB Subscription). These subscription services are determined to be a single performance obligation that is satisfied over the annual subscription period. Subscription revenues are deferred at the time of sale and are recognized rateably over the terms of the subscriptions.

Revenue from sales of individual hard copy publications are generally recognized upon shipment.

Significant judgments—Determining the number of promised services in a contract requires significant judgment. Licensing agreements provide customers with access to the latest, most current version of the accounting guidance. Revenue is recognized rateably over the contract term.

The following table presents contract liabilities (deferred revenues) by revenue stream, as reflected in the statement of financial position, which include amounts received or due in excess of revenue recognized (dollars in thousands):

	2020	2019
Licensing	**$ 5,382**	$ 5,509
Online sunscriptions	**829**	893
Print subscriptions	**290**	364
	$ 6,501	$ 6,766

3. Liquidity and Availability of Financial Assets

The primary sources of funding for the FAF, FASB, and GASB general expenditures are FASB and GASB accounting support fees and publishing revenues. FASB accounting support fees are billed annually and GASB accounting support fees are billed quarterly. Together, these fees accounted for $41.4 million or 69 percent, and $38.2 million or 67 percent, of the funding of the FAF in 2020 and 2019, respectively. The following table reflects the financial assets as of December 31, 2020 and 2019, reduced by the amounts that are not available to meet general expenditures within one year of the statements of financial position because of FAF Board designations (dollars in thousands):

At December 31	**2020**	2019
Cash and cash equivalents	**$ 7,097**	$ 4,605
Investments (short-term and Reserve Fund)	**71,873**	70,175
Accounting support fees, publishing, and other receivables	**7,303**	6,273
Financial assets available before Board designations	**86,273**	81,053
Less: Board designated Reserve Fund	**62,595**	60,925
Financial assets available to meet cash needs for general expenditures within one year	**$ 23,678**	$ 20,128

As part of liquidity management, the FAF maintains both cash and short-term investments. There is also the FAF Board-designated Reserve Fund to: (1) provide the FAF with sufficient reserves to fund budgeted current expenditures that are not otherwise funded by operating revenue (principally, accounting support fees and publishing revenues); (2) fund the operations of the FASB, the GASB, and the FAF during any temporary or permanent funding transitions; (3) fund unforeseen contingencies; and (4) provide temporary funding of operations resulting from cash flow deficiencies (primarily related to timing of accounting support fees collections, provided that the Reserve Fund will be replenished within a reasonable short period of time). Reserve Fund assets are maintained within the investment policies and guidelines for the Reserve Fund established by the Audit and Finance Committee of the Board of Trustees.

4. Program and Support Expenses

The following table presents expenses by both their nature and functions for the years ended December 31, 2020 and 2019 (dollars in thousands):

	Program						
	Standard Setting				Total		Total
	FASB	GASB	Total	Publishing	Program	Support	Expenses
Year Ended December 31, 2020							
Salaries and wages	**$ 20,572**	**$ 6,173**	**$ 26,745**	**$ 1,684**	**$ 28,429**	**$ 4,697**	**$ 33,126**
Employee benefits	**4,902**	**1,318**	**6,220**	**448**	**6,668**	**1,440**	**8,108**
Occupancy and equipment expenses	**1,108**	**311**	**1,419**	**147**	**1,566**	**795**	**2,361**
Depreciation and amortization	**426**	**6**	**432**	**51**	**483**	**218**	**701**
Information technology fees	**1,222**	**271**	**1,493**	**2,334**	**3,827**	**472**	**4,299**
Professional fees—other	**1,010**	**618**	**1,628**	**3**	**1,631**	**3,635**	**5,266**
Printing and shipping	**-**	**-**	**-**	**235**	**235**	**-**	**235**
Other operating expenses	**692**	**293**	**985**	**70**	**1,055**	**1,207**	**2,262**
Total operating program and support expenses	**29,932**	**8,990**	**38,922**	**4,972**	**43,894**	**12,464**	**56,358**
Net periodic benefit costs other than service cost	**46**	**17**	**63**	**-**	**63**	**1**	**64**
Total expenses	**$ 29,978**	**$ 9,007**	**$ 38,985**	**$ 4,972**	**$ 43,957**	**$ 12,465**	**$ 56,422**
Year Ended December 31, 2019							
Salaries and wages	$ 19,347	$ 5,471	$ 24,818	$ 1,617	$ 26,435	$ 4,658	$ 31,093
Employee benefits	4,882	1,241	6,123	448	6,571	1,338	7,909
Occupancy and equipment expenses	1,085	304	1,389	144	1,533	754	2,287
Depreciation and amortization	421	9	430	50	480	211	691
Information technology fees	956	165	1,121	3,536	4,657	322	4,979
Professional fees—other	1,246	539	1,785	3	1,788	3,952	5,740
Printing and shipping	-	-	-	245	245	-	245
Other operating expenses	1,241	436	1,677	87	1,764	1,700	3,464
Total operating program and support expenses	29,178	8,165	37,343	6,130	43,473	12,935	56,408
Net periodic benefit costs other than service cost	170	58	228	-	228	102	330
Total expenses	$ 29,348	$ 8,223	$ 37,571	$ 6,130	$ 43,701	$ 13,037	$ 56,738

The financial statements report certain categories of expenses that are attributable to the various expense functions. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, occupancy and equipment expenses, and information technology, which are allocated based on percentage of headcount or square footage basis, while certain salaries and benefit costs are allocated based on estimated level of effort.

5. Investments and Investment Income and Losses

Investments

The following table presents investments measured at fair value, all of which are measured using Level 1 inputs (dollars in thousands):

At December 31	**2020**	2019
Short-term:		
Money market mutual fund	**$ 9,278**	$ 9,250
Reserve Fund:		
Fixed income mutual fund	**$ 30,973**	$ 30,430
Money market mutual fund	**31,622**	30,495
	$ 62,595	$ 60,925

Net investment income

(Dollars in thousands)

Years Ended December 31	**2020**	2019
Short-term:		
Interest and dividends	**$ 63**	$ 155
Reserve Fund:		
Interest and dividends	**$ 859**	$ 1,519
Net realized and unrealized gains	**811**	824
Total Reserve Fund net investment income	**$ 1,670**	$ 2,343

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

Years Ended December 31	**2020**	2019
Fund balance, beginning of year	**$ 60,925**	$ 61,082
Transfers (to) from operations, net	**-**	(2,500)
Net investment income	**1,670**	2,343
Fund balance, end of year	**$ 62,595**	$ 60,925

6. Employee Benefits

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

Pension Plans

The FAF sponsors a contributory defined contribution plan (the Employees' Tax Sheltered Annuity Plan) and a defined benefit pension plan (the Employees' Pension Plan). Effective January 1, 2008, the Employees' Pension Plan was closed to all new hires, and benefit accruals for participating employees ended as of December 31, 2013.

The FAF maintains a 457(b) deferred compensation plan (457(b) Plan) to provide the ability to make tax-deferred contributions to employees whose annual base compensation exceeds the maximum compensation limit for qualified plan contributions under Code §401(a)(17). Contributions are made into a rabbi trust maintained by the FAF for each participating employee and remain assets of the FAF until distributed to the participant upon termination of their employment. The 457(b) Plan assets and related liabilities of $3,167,000 and $2,517,000 as of December 31, 2020 and 2019, respectively, are included as assets held in trust and other liabilities in the statements of financial position.

Employee benefits expense arising from the defined contribution plans was $3,052,000 and $2,971,000 for 2020 and 2019, respectively. Employer contributions to the plan are based on the employee's earnings level, with incremental increases based on the employee's age, and vest after 1.5 years of service.

Postretirement Health Coverage Plan

The FAF sponsors a postretirement health coverage plan (Postretirement Plan) for all eligible retirees of the FAF with benefits varying based on retirement age and years of service. Effective January 1, 2014, the Postretirement Plan was amended to limit the level of benefits that will be paid to current employees and new hires. Retiree benefits are limited for new hires after December 31, 2013, to the lesser of (1) the year-end 2013 calculated benefit amounts or (2) the calculated benefits offered during the year of retirement. Employees hired before January 1, 2014, are eligible for retiree benefits limited to the lesser of (1) health plan costs at 2013 calculated benefit amounts subject to a cap on potential annual increases not to exceed five percent per year or (2) calculated benefits offered during the year of retirement. Benefits for participants who were retired as of December 31, 2013, are not affected by these amendments. Effective January 1, 2020, the Postretirement Plan was closed to all new hires. The FAF funds retiree health care benefits through a Grantor Trust.

Assumptions

The principal actuarial assumptions used to determine periodic benefit costs and year-end benefit obligations for the Employees' Pension Plan and Postretirement Plan are as follows:

	Employees' Pension Plan		Postretirement Plan	
	2020	2019	**2020**	2019
Net periodic cost assumptions:				
Discount rate	**2.95%**	4.00%	**3.10%**	4.15%
Expected return on plan assets	**3.65%**	4.40%	**6.20%**	6.55%
Benefit obligation assumption:				
Discount rate	**2.10%**	2.95%	**2.35%**	3.10%

According to the provisions in the Postretirement Plan, benefit amounts for active participants as of December 31, 2013, have been assumed to increase 5.0 percent per year after 2013. No increases are assumed for active participants hired after 2013.

The expected long-term rates of return on plan assets assumptions were based upon a review of historical returns, and expectations and capabilities of future market performance.

In addition to assumptions in the above table, assumed mortality is also a key assumption in determining benefit obligations. The assumed mortality rates reflect the Society of Actuaries (SOA) published mortality table (Pri-2012) and MP-2020 projection scale and MP-2019 projection scale for December 31, 2020 and 2019, respectively.

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	
	2020	2019	**2020**	2019
Change in benefit obligations:				
Benefit obligation, beginning of year	**$ 25,522**	$ 23,819	**$ 18,913**	$ 16,012
Service cost	**-**	-	**638**	533
Interest cost	**713**	901	**579**	655
Actuarial losses	**2,507**	2,623	**1,459**	2,188
Benefits paid	**(1,177)**	(1,821)	**(452)**	(567)
Retiree contributions	**-**	-	**69**	86
Medicare Part D reimbursement	**-**	-	**-**	6
Benefit obligation, end of year	**$ 27,565**	$ 25,522	**$ 21,206**	$ 18,913
Change in plan assets:				
Fair value of plan assets, beginning of year	**$ 24,876**	$ 23,167	**$ 17,775**	$ 15,254
Retiree contributions		-	**70**	86
Actual investment income on plan assets	**3,291**	3,530	**2,812**	3,002
Benefits paid	**(1,177)**	(1,821)	**(452)**	(567)
Fair value of plan assets, end of year	**26,990**	24,876	**20,205**	17,775
Funded status at end of year	**$ (575)**	$ (646)	**$ (1,001)**	$ (1,138)
Amounts recognized in financial statements:				
Noncurrent liabilities	**(575)**	(646)	**(1,001)**	(1,138)
	$ (575)	$ (646)	**$ (1,001)**	$ (1,138)
Amounts recognized as pension-related changes not reflected as operating expenses:				
Net actuarial losses (gains)	**$ 73**	$ 55	**$ (266)**	$ 170
Amortization of net actuarial losses	**(492)**	(493)	**(319)**	(322)
Amortization of net prior service costs	**-**	-	**95**	94
	$ (419)	$ (438)	**$ (490)**	$ (58)
Amounts not yet recognized as components of net periodic benefit costs:				
Net actuarial losses	**$ 7,567**	$ 7,984	**$ 2,495**	$ 3,080
Net prior service credits	**-**	-	**(317)**	(411)
	$ 7,567	$ 7,984	**$ 2,178**	$ 2,669
Amounts expected to be recognized during the years ended December 31, 2021 and 2020:				
Amortization of net actuarial losses	**$ 487**	$ 493	**$ 269**	$ 319
Amortization of net prior service credits	**-**	-	**(95)**	(95)
	$ 487	$ 493	**$ 174**	$ 224

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, 2020, 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, 2020 and 2019, the majority of which were indexed. The following table presents the fair value of major categories of plan assets, all of which are measured using Level 1 inputs, as defined (dollars in thousands):

	Employees' Pension Plan		Postretirement Plan	
Fair Value of Plan Assets at December 31	**2020**	2019	**2020**	2019
Mutual funds (all Level 1):				
U.S. equity funds (a)	**$ -**	$ -	**$ 5,325**	$ 4,634
International equity index fund (b)	**-**	-	**5,330**	4,329
Fixed income funds (c)	**26,895**	24,781	**9,550**	8,808
Cash held by investment manager	**95**	95	**-**	4
Total	**$ 26,990**	$ 24,876	**$ 20,205**	$ 17,775

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 Cost

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

	Employees' Pension Plan		Postretirement Plan	
	2020	2019	**2020**	2019
Service cost	**$ -**	$ -	**$ 638**	$ 533
Interest cost	**713**	901	**579**	655
Expected return on plan assets	**(858)**	(962)	**(1,086)**	(984)
Amortization of prior period actuarial losses	**492**	493	**319**	322
Amortization of prior service credits	**-**	-	**(95)**	(94)
Net periodic benefit cost	**$ 347**	$ 432	**$ 355**	$ 432

The components of net periodic benefit cost other than the service costs component are reflected separately in the statements of activities.

The following benefit payments, which reflect expected future service, are projected to be paid under the FAF's benefit plans, including the amounts of Medicare Part D subsidies for the Postretirement Plan (dollars in thousands):

Year Ended December 31	Employees' Pension Plan	Postretirement Plan
2021	$ 2,917	$ 482
2022	2,401	562
2023	1,977	631
2024	1,999	688
2025	2,068	731
2026–2030	7,297	4,392

The FAF does not expect to contribute to the Employees' Pension Plan or Postretirement Plan during 2021.

7. Furniture, Equipment, and Leasehold Improvements

(Dollars in thousands)

Years Ended December 31	**2020**	2019
Furniture and equipment	**$ 9,272**	$ 9,115
Leasehold improvements	**5,654**	5,652
Software - work in process	**4,650**	2,070
	19,576	16,837
Accumulated depreciation and amortization	**(13,714)**	(13,013)
	$ 5,862	$ 3,824

Software - work in process includes costs associated with developing a new publishing platform.

8. Leases

The FAF has operating leases for office space in Norwalk (main office) and Washington, D.C. and for equipment. The leases have remaining lease terms of one year to less than four years. The Norwalk office space lease includes nonlease components for operating expenses and are accounted for separately and expensed as incurred. Operating right-of-use assets are adjusted for the balance of deferred lease expense and incentives in the amount of $937,000 and $1,460,000 at December 31, 2020 and 2019, respectively. Total rent expense for operating leases amounted to $1,260,000 and $1,250,000 in 2020 and 2019, respectively. The total lease cost for each operating lease is being amortized over the lease term of the applicable operating lease. Cash paid for amounts of operating leases included in operating cash flows amounted to $1,772,000 and $1,770,000 in 2020 and 2019, respectively.

The weighted average remaining lease term is 1.8 years and 2.8 years in 2020 and 2019, respectively, and the weighted-average discount rate is 2.4 percent in both 2020 and 2019.

Operating lease maturities (dollars in thousands):

Year Ended December 31	Undiscounted	Discounted
2021	$ 1,793	$ 1,648
2022	1,348	1,207
2023	4	4
Total operating lease maturities	$ 3,145	$ 2,859