



**FINANCIAL ACCOUNTING FOUNDATION**

**SUMMARIZED BUDGET INFORMATION**

**FOR THE YEAR ENDING DECEMBER 31, 2021**



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## OVERVIEW

Total 2021 budgeted operating and capital expenses, as approved by the Financial Accounting Foundation's (FAF) Board of Trustees, are up 3 percent compared to the 2020 budget.

- FASB expenses (not including FAF allocations) increased \$763,000, or 3 percent.
- GASB expenses (not including FAF allocations) increased \$768,000, or 10 percent.
- FAF administrative, Trustee, and oversight expenses decreased \$378,000, or 2 percent.
- Capital expenses, comprised primarily of those related to the Content Vision and Enablement (CVE) Initiative, increased \$1.5 million, or 29 percent.

The 2021 budget reflects a 3 percent salary rate increase for non-senior staff (FASB and GASB members and certain FASB/GASB/FAF senior staff have no increase) and a reduction in travel and meeting costs due to the COVID-19 pandemic.

Total headcount is expected to increase by 4 from the 2020 budget and reflects the staffing level needed to support the future agenda of the FASB and the GASB.

The FASB accounting support fees (ASFs) are flat and GASB ASFs increased 7 percent, compared to the 2020 budget. Publishing revenues budgeted for 2021 are down slightly compared to the 2020 budget.

The 2021 and 2020 budgets include operating and capital costs associated with the CVE Initiative, which amount to \$6.6 million and \$6.5 million, respectively. The CVE Initiative has three components: finalizing the organization's revenue strategy, designing and installing a new digital publishing system, and updating the business processes behind our content distribution. The project includes adjacent work to refresh the FAF, FASB, and GASB websites, and to implement a solution for our fulfillment and distribution (F&D) operation and restructure the content. In 2020, the FAF paused the CVE Initiative and realigned the implementation approach and selected a new vendor to assist with managing the initiative. The new implementation plan and roadmap were developed, and the CVE Initiative is expected to be completed in 2022.

### 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 2021 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](http://accountingfoundation.org).

**Provided in the following pages are summarized budget information for 2021 and a comparison to the 2020 budget and 2020 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, 2021  
 (Compared to the Actual and Budget for the Year Ending December 31, 2020)

(Dollars in thousands)		<u>2021 Budget</u>	<u>2020 Actual</u>	<u>2020 Budget</u>
<b>Revenues:</b>				
Accounting support fees - FASB	(page 5)	\$ 31,425	\$ 31,333	\$ 31,420
Accounting support fees - GASB	(page 8)	10,707	10,022	10,022
Contributed services		180	180	110
Publishing	(page 13)	18,658	18,622	18,847
Total revenues		<u>60,970</u>	<u>60,157</u>	<u>60,399</u>
<b>Expenses:</b>				
FASB and advisory groups	(page 5)	42,091	38,504	41,519
GASB and Advisory Council	(page 8)	12,456	10,983	11,653
Publishing	(page 13)	5,067	4,704	5,567
FAF Trustee and oversight	(note 1)	2,009	2,164	2,231
Total operating expenses		<u>61,623</u>	<u>56,355</u>	<u>60,970</u>
Capital	(page 14)	6,525	2,739	5,070
Total operating and capital expenses		<u>68,148</u>	<u>59,094</u>	<u>66,040</u>
Investment income	(note 2)	<u>1,076</u>	<u>1,733</u>	<u>987</u>
Revenues (less than) greater than expenses		<u>\$ (6,102)</u>	<u>\$ 2,796</u>	<u>\$ (4,654)</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, 2021  
(Compared to the Actual and Budget for the Year Ending December 31, 2020)

(Dollars in thousands)	2021 Budget	2020 Actual	2020 Budget
<b>Revenues:</b>			
FASB accounting support fees	\$ 31,425	\$ 31,333	\$ 31,420
Contributed services	40	40	40
Operating fund investment income	56	50	63
<b>Total revenues</b>	<b>31,521</b>	<b>31,423</b>	<b>31,523</b>
<b>Direct expenses:</b>			
<b>Standards Board and research staff:</b>			
Salaries and wages	18,526	17,418	17,951
Employee benefits	4,605	4,042	4,415
	23,131	21,460	22,366
Other operating expenses	793	213	998
<b>Total Standards Board and research staff</b>	<b>23,924</b>	<b>21,673</b>	<b>23,364</b>
<b>XBRL:</b>			
Salaries and wages	2,099	1,990	1,928
Employee benefits	591	552	553
Other operating expenses	607	488	574
<b>Total XBRL</b>	<b>3,297</b>	<b>3,030</b>	<b>3,055</b>
Private Company Council	85	41	100
Advisory groups expenses	102	49	126
<b>Subtotal</b>	<b>27,408</b>	<b>24,793</b>	<b>26,645</b>
FASB expenses distributed to FASB	14,683	13,711	14,874
<b>Total FASB expenses</b>	<b>42,091</b>	<b>38,504</b>	<b>41,519</b>
<b>Operating revenues less than expenses</b>	<b>\$ (10,570)</b>	<b>\$ (7,081)</b>	<b>\$ (9,996)</b>

*See accompanying budget notes for FASB on pages 6 and 7.*

## 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 2021 budget are calculated as follows (dollars in thousands):

Total FASB expenses as budgeted for 2021, net of contributions	\$ 42,051
Adjustments for noncash expenses:	
Depreciation and amortization	(620)
Provision for doubtful accounts	(32)
Adjustment to pension cost	(697)
Other cash requirements:	
Capital expenditures	589
Rental payments greater than amortized rent expense	461
Total FASB recoverable expenses	41,751
Amount available from reserve funds to offset FASB recoverable expenses	10,326 <sup>1</sup>
FASB ASF budgeted for 2021	<b>\$31,425<sup>2</sup></b>

### 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 2021 budget includes the effect of a 3 percent salary increase for staff. FASB Board member and FASB technical director salaries do not include an increase for the 2021 budget. The number of budgeted positions for the research staff increased by 1 position from the 2020 budget. The budget reflects the staff necessary to support technical activities including stakeholder outreach, fieldwork, private entity considerations, and fostering improvement and

<sup>1</sup> 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 2021, the FAF has projected that \$11,957,000 of reserve funds are available to offset recoverable expenses. The amount available allocated to the FASB of \$10,326,000 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.

<sup>2</sup> The 2021 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 2021. The FAF calculated that \$1,795,000 of the 2021 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 2020 (\$1,850,000) have been authorized to be released for spending in 2020.



collaboration of international accounting standards. It also includes resources to meet ongoing FASB goals and initiatives including enhanced pre-agenda research, implementation and educational activities for new standards (through transition resource group workshops, webcasts, and other vehicles), 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. The 2021 budget includes an assumption that a portion of meetings may not occur in person due to the uncertainty related to COVID-19. 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 2021 budget includes travel and meeting costs for PCC meetings with an assumption that a portion of these costs may not occur due to the uncertainty related to COVID-19. The 2021 budget assumes the current PCC Chair will continue to waive compensation.

### **Advisory Groups**

The 2021 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 2021 budget includes an assumption that a portion of these costs may not occur due to the uncertainty related to COVID-19. The 2021 budget also includes compensation to the FASAC chair, consistent with 2020.

### **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, 2021  
 (Compared to the Actual and Budget for the Year Ending December 31, 2020)

(Dollars in thousands)	<u>2021 Budget</u>	<u>2020 Actual</u>	<u>2020 Budget</u>
<b>Revenues:</b>			
GASB accounting support fees	\$ 10,707	\$ 10,022	\$ 10,022
Operating fund investment income	20	10	24
<b>Total revenues</b>	<b>10,727</b>	<b>10,032</b>	<b>10,046</b>
<b>Direct expenses:</b>			
<b>Standards Board and research staff:</b>			
Salaries and wages	6,436	5,883	5,850
Employee benefits	1,523	1,244	1,315
	<u>7,959</u>	<u>7,127</u>	<u>7,165</u>
Other operating expenses	821	420	844
<b>Total Standards Board and research staff</b>	<b>8,780</b>	<b>7,547</b>	<b>8,009</b>
Advisory Council	40	4	43
<b>Subtotal</b>	<b>8,820</b>	<b>7,551</b>	<b>8,052</b>
FAF expenses distributed to GASB	3,636	3,432	3,601
<b>Total GASB expenses</b>	<b>12,456</b>	<b>10,983</b>	<b>11,653</b>
<b>Operating revenues less than expenses</b>	<b>\$ (1,729)</b>	<b>\$ (951)</b>	<b>\$ (1,607)</b>

*See accompanying budget notes for GASB on pages 9 and 10.*

## 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 2021	\$ 12,456
Adjustments for noncash expenses:	
Depreciation and amortization	(145)
Provision for doubtful accounts	(2)
Adjustment to pension cost	(133)
Other cash requirements:	
Capital expenditures	86
Rental payments greater than amortized rent expense	75
Total GASB recoverable expenses	<u>12,338</u>
Amount available from reserve funds to offset GASB recoverable expenses	<u>1,631<sup>1</sup></u>
GASB ASF budgeted for 2021	<u><u>\$ 10,707</u></u>

### Board and Research Staff Salaries and Employee Benefits

Salaries and employee benefits expenses for the GASB members and staff comprise approximately 64 percent of the GASB’s total budgeted expenses. The 2021 budget includes the effect of a 3 percent budgeted increase in average salaries for research and administrative non-senior staff. The number of budgeted positions for the research staff increased by 2 positions from the 2020 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. The 2021

<sup>1</sup> 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 2021, the FAF has projected that \$11,957,000 of reserve funds are available to offset recoverable expenses. The amount available allocated to the GASB of \$1,631,000 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.

budget includes an assumption that a portion of meetings may not occur in person due to the uncertainty related to COVID-19.

**Advisory Council**

The 2021 and 2020 budgets reflect the estimated costs of GASAC meetings, including meeting and travel expenses for the Council members, with an assumption that a portion of these costs may not occur due to COVID-19.

**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, 2021  
(Compared to the Actual and Budget for the Year Ending December 31, 2020)

(Dollars in thousands)	<u>2021 Budget</u>	<u>2020 Actual</u>	<u>2020 Budget</u>
Salaries and wages	\$ 7,184	\$ 6,739	\$ 7,087
Employee benefits	2,055	1,821	2,056
Professional fees	3,941	3,949	4,027
Relocation and placement costs	746	726	833
Software maintenance and license fees	1,544	1,406	1,354
Billing and collection costs	239	239	239
Subscription services and reference books	479	422	440
Travel expenses	47	9	97
Meetings and outreach	33	12	76
Media communications	71	52	77
Professional development and membership fees	152	114	134
Office expenses	358	259	271
Miscellaneous	207	79	203
General overhead	3,401	3,302	3,373
Subtotal	<u>20,457</u>	<u>19,129</u>	<u>20,267</u>
Allocation of costs to Publishing	<u>(2,158)</u>	<u>(1,992)</u>	<u>(1,792)</u>
	18,299	17,137	18,475
IT Initiatives	776	664	1,580
Allocation of IT Initiatives	<u>(756)</u>	<u>(658)</u>	<u>(1,580)</u>
Total FAF expenses	<u>\$ 18,319</u>	<u>\$ 17,143</u>	<u>\$ 18,475</u>
<b>FAF expense distribution:</b>			
FASB - Direct and common costs	14,683	13,711	14,874
GASB - Direct and common costs	<u>3,636</u>	<u>3,432</u>	<u>3,601</u>
Total FAF expenses	<u>\$ 18,319</u>	<u>\$ 17,143</u>	<u>\$ 18,475</u>

*See accompanying budget notes for the FAF on page 12.*

**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 2021 budgeted salaries include the effect of a 3 percent budgeted increase in average salaries, except for the FAF executive director and the executive director’s direct reports, which do not include an increase. The 2021 headcount is consistent with the 2020 budget.

**Professional Fees**

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

**Overhead**

Overhead costs in the 2021 budget primarily include office rental of \$2,225,000 and depreciation and amortization of \$765,000.

**IT Initiatives**

IT initiatives include the noncapitalizable portion of the budgeted CVE Initiative costs. As described in more detail on page 14 (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, 2021  
 (Compared to the Actual and Budget for the Year Ending December 31, 2020)

(Dollars in thousands)	<u>2021 Budget</u>	<u>2020 Actual</u>	<u>2020 Budget</u>
<b>Publishing revenues:</b>			
For FASB publications	\$ 16,906	\$ 16,931	\$ 17,167
For GASB publications	1,752	1,692	1,680
	<u>18,658</u>	<u>18,623</u>	<u>18,847</u>
<b>Publishing expenses:</b>			
For FASB publications	1,689	1,512	1,413
For GASB publications	113	94	138
For FAF publication support	2,509	2,479	2,436
For IT Initiatives - publishing	756	619	1,580
	<u>5,067</u>	<u>4,704</u>	<u>5,567</u>
<b>Total net publishing revenues</b>	<u>\$ 13,591</u>	<u>\$ 13,919</u>	<u>\$ 13,280</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, 2021  
 (Compared to the Actual and Budget for the Year Ending December 31, 2020)

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

	<b>2021 Budget</b>	<b>2020 Actual</b>	<b>2020 Budget</b>
CVE Initiative (1)	\$ 5,850	\$ 2,580	\$ 4,870
Other (2)	628	159	200
	<u>\$ 6,478</u>	<u>\$ 2,739</u>	<u>\$ 5,070</u>

- (1) The 2021 budget includes a total of \$6,605,500 related to the CVE Initiative, of which \$5,850,000 are reflected as capital expenditures and the remaining \$755,500 are reflected as operating expenses (IT Initiatives) based on their nature (primarily software maintenance and hosting fees). The 2020 actual was below the 2020 budget due to a temporary pause and realignment for the implementation phase of the CVE Initiative.
- (2) Includes software, computers, technology infrastructure costs (not associated with CVE Initiative), furniture, equipment, and other leasehold improvements.