FINANCIAL ACCOUNTING STANDARDS BOARD

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

FINANCIAL ACCOUNTING STANDARDS BOARD

Financial Statements

For the Years Ended December 31, 2012 and 2011

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Financial Accounting Standards Board Statements of Activities

	 2012	 2011
Years Ended December 31 (dollars in thousands)		
Operating revenue: Accounting support fees (Note 2)	\$ 29,769	\$ 29,961
Total operating revenue	 29,769	29,961
Program expenses: Salaries and wages Employee benefits (Note 4) Depreciation and amortization (Note 5) Occupancy and equipment expenses (Note 5) Professional fees Other operating expenses	19,303 5,285 925 870 1,644 2,177	18,350 4,966 1,043 815 1,572 3,006
Total program expenses	 30,204	29,752
Support expenses: Salaries and wages Employee benefits (Note 4) Occupancy and equipment expenses (Note 5) Depreciation and amortization (Note 5) Professional fees Other operating expenses	2,398 1,354 577 134 1,019 693	2,437 983 523 190 1,162 649
Total support expenses	 6,175	5,944
Total program and support expenses	 36,379	 35,696
Operating revenue less than expenses	(6,610)	 (5,735)
Short-term investment income (Note 3)	23	18
Decrease in net assets from operations	(6,587)	(5,717)
Change in net assets allocated by FAF Decrease in net assets	 4,999 (1,588)	4,018 (1,699)
Net assets at beginning of year	5,786	7,485
Net assets at end of year	\$ 4,198	\$ 5,786

See accompanying notes to these financial statements.

Financial Accounting Standards Board Statements of Financial Position

As of December 31 (dollars in thousands)	2012		2011	
Current Assets: Cash and cash equivalents Short-term investments (Note 3) Accounting support fees receivable (net of allowance for doubtful accounts of \$47 and \$23) All other receivables (net of allowance for doubtful accounts of \$15 and \$8)	\$	552 4,517 14	\$	1,842 4,514 57
Prepaid expenses and other current assets		43		126
Total current assets		5,180		6,614
Noncurrent Assets: Furniture and equipment, at cost Leasehold improvements, at cost Less: Accumulated depreciation and amortization (Note 5) Total noncurrent assets		2,701 516 (2,661) 556		2,482 516 (1,969) 1,029
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Total assets	\$	5,736	\$	7,643
Current Liabilities: Accounts payable and accrued expenses Accrued payroll and related benefits Total current liabilities	\$	571 967 1,538	\$	1,072 785 1,857
Net Assets - unrestricted Net assets allocated by FAF Accumulated excess of allocable expenses over accounting support fees		29,348 (25,150)		24,349 (18,563)
Total net assets		4,198		5,786
Total liabilities and net assets See accompanying notes to these financial statements.	\$	5,736	\$	7,643

Financial Accounting Standards Board Statements of Cash Flows

Years Ended December 31 (dollars in thousands)	2012	2011
Cash flows from operating activities:		
Cash received from accounting support fees	\$ 29,833	\$ 29,946
Cash received from interest and dividends on investments	23	18
Cash paid to vendors and employees	(35,923)	(35,548)
Net cash used in operating activities	(6,067)	(5,584)
Cash flows from financing activities:		
Change in net assets allocated by FAF	\$ 4,999	\$ 4,018
Net cash provided by financing activities	4,999	4,018
Cash flows from investing activities:		
Proceeds from sales of short-term investments	\$ 4,500	\$ 7,500
Purchases of short-term investments	(4,503)	(6,005)
Purchases of furniture, equipment and leasehold improvements	(219)	(219)
Net cash (used in) provided by investing activities	(222)	1,276
Net decrease in cash and cash equivalents	\$ (1,290)	\$ (290)
Cash and cash equivalents at beginning of period	1,842	2,132
Cash and cash equivalents at end of period	\$ 552	\$ 1,842
Reconciliation of decrease in net assets to net cash		
used in operating activities:		
Decrease in net assets for the period	(\$1,588)	(\$1,699)
Adjustments required to reconcile decrease in net assets to net cash used in operating activities:		
Change in net assets allocated by FAF classified as financing activities	(4,999)	(4,018)
Depreciation and amortization expenses	692	714
Credit for recoveries on accounts receivable	(62)	(31)
Decrease (increase) in all receivables	126	(30)
Decrease in prepaid expenses and other current assets	83	16
Decrease in accounts payable and employee benefit accruals	(319)	(536)
Total adjustments	(4,479)	(3,885)
Net cash used in operating activities	(\$6,067)	(\$5,584)

See accompanying notes to these financial statements.

1. Nature of Activities and Summary of Significant Accounting Policies Nature of Activities

The Financial Accounting Standards Board ("FASB," or the "Board"), organized in 1973, is an independent standard-setting body created by the Financial Accounting Foundation ("FAF," or the "Foundation"), a non-stock corporation which operates exclusively for charitable, educational, scientific and literary purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, as amended. The Foundation is responsible for the oversight, administration and finances of the FASB and the Financial Accounting Standards Advisory Council ("FASAC"), a group comprised of stakeholders that works closely with the FASB in an advisory role in addition to the Governmental Accounting Standards Board ("GASB"), the body which establishes standards of financial accounting and reporting for state and local governmental entities, and the Governmental Accounting Standards Advisory Council. The Foundation also selects the members of the FASB and FASAC. FASB is the designated body in the private sector responsible for establishing standards of financial accounting and reporting in the United States for non-governmental entities. Those standards govern the preparation of financial reports and are provided for the guidance and education of the public, including issuers, auditors and users of financial information.

The Foundation presently obtains funding for the FASB from accounting support fees provided for by Section 109 of the Sarbanes-Oxley Act of 2002 (the "Act").

Summary of Significant Accounting Policies

Purpose of Financial Statements

The accompanying financial statements are furnished to comply with Section 108 of the Act, requiring reporting of financial results of the FASB's standard-setting activities, and have been prepared in accordance with accounting principles generally accepted in the United States of America. For purposes of these statements only, the Foundation has presented certain revenues, expenses, assets and liabilities that are directly attributable to the FASB which represent

allocations from the Foundation. As such, certain assets, liabilities and activities of the FAF that are not solely related to the operations of the FASB are excluded from these financial statements.

Basis of Presentation

The net assets attributable to FASB are not subject to any donor-imposed restrictions, and therefore have been classified as unrestricted. The net assets attributable to FASB are delineated as follows:

Net assets allocated by FAF – Represents the amount of net assets the FAF has allocated to the FASB to fund its accumulated excess of allocable expenses over accounting support fees in addition to the net effect of other transactions and allocated assets and liabilities from the FAF to the FASB since the date separate FASB financial statements have been prepared to comply with the Act. FASB recoverable expenses not funded through FASB accounting support fees are subsidized by the Foundation's excess Reserve Funds.

Accumulated excess of allocable expenses over accounting support fees – Represents the cumulative amount of allocable expenses in excess of accounting support fees that have been incurred carrying out the activities of the FASB since financial statements have been prepared to comply with the Act.

The Act provides funding for the expenses and other cash requirements of the FASB's standard-setting activities that are included in the Foundation's operating and capital budget for each year (the "recoverable expenses"). Funding for the recoverable expenses is provided through fees assessed against and collected from certain issuers of securities ("accounting support fees") pursuant to the Act. In addition, to the extent excess reserve funds are available, the Foundation may make a portion of these funds available to fund FASB recoverable expenses that otherwise would be funded by accounting support fees as prescribed under the Act. See Note 2 for further information on accounting support fees and recoverable expenses.

Program expenses include salaries, benefits and other direct operating expenses for the members and staff of the FASB and FASAC, as well as costs for the ongoing development of the U.S. GAAP financial reporting taxonomy and process for conducting post-implementation reviews of

FASB standards. Program expenses also include costs for external relations and communications activities and for the library services provided by the Foundation related to the standard-setting activities of the FASB. Foundation services are provided for the common benefit of the FASB and the GASB. The FASB's allocable share of Foundation services for accounting and finance, human resources, facilities management, technology and information systems, legal, development, and general administrative operating assistance have been reflected as support expenses in the accompanying statements of activities. Foundation expenses are allocated between the FASB and the GASB pursuant to an allocation method which examines common Foundation administrative expenses by activity using several different measurement criteria.

For further information with respect to the responsibilities of the management of the Foundation, the Board of Trustees of the Foundation and the Foundation's outside auditors, please refer to Management's Report on Financial Responsibility and Internal Controls included within the 2012 Annual Report of the Foundation, which can be accessed at the Foundation's website located at www.accountingfoundation.org.

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 such statements and revenues and expenses for the reporting periods. Significant estimates made by management include actuarially determined employee benefit liabilities and the fair value of investments. Actual results could differ from those estimates.

Accounting Support Fees

The Foundation recognizes FASB accounting support fee revenue in the year for which those accounting support fees have been assessed to issuers as prescribed by the Act. See Note 2 for further information regarding accounting support fees.

Contributions

Many individuals contribute significant amounts of time to the activities of the FASB, FASAC, the Private Company Council, the FASB's Emerging Issues Task Force and various other FASB councils, committees, task forces and working groups on technical projects without compensation. Many others participate by sending comment letters, appearing at public hearings and roundtable meetings, and taking part in field visits. These services do not meet the criteria to be recognized as contributed services.

Subscription and Publication Activities

Net subscription and publication revenue for FASB publications has been retained by the Foundation through its ownership of the copyrights of those materials. Accordingly, such net revenue is not reflected in the accompanying statements of activities. Additional information about FAF subscription and publication revenues and costs can be found in the Foundation's 2012 Annual Report.

Cash and Cash Equivalents

For financial statement purposes, the Foundation 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 investment and the maturity period.

Investments

Investments are recorded at fair value and are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and short term investments. The short term investments are held in a money market fund with a single high credit quality financial institution. The Foundation has not experienced, nor does it anticipate, any credit risk related losses in such accounts.

Furniture, Equipment and Leasehold Improvements

The Foundation holds the title to all furniture, equipment and leasehold improvements used in FASB's operations. As such, these expenditures have not been reported as assets in the accompanying statements of financial position, with the exception of assets purchased since 2004 known to be used exclusively for the benefit of FASB's operations. Accordingly, such FASB capital assets have been reported at cost, with depreciation and amortization computed 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 date of the Foundation's current office lease on September 30, 2022.

Subsequent Events

The Foundation has evaluated subsequent events through April 30, 2013, the date through which the financial statements are available to be issued, and determined that no subsequent events have occurred that require adjustment or disclosure in the financial statements.

2. Accounting Support Fees

The Act provides for funding of FASB's recoverable expenses through accounting support fees assessed against issuers of securities, as those issuers are defined in the Act. The accounting support fees provide funding for expenses associated with FASB's standard-setting activities as identified in the Foundation's operating and capital budget for each calendar year.

During 2012 and 2011, \$29,833,000 and \$29,946,000, respectively, of accounting support fees were collected and approximately \$61,000 and \$80,000 of fees remained in receivables at December 31, 2012 and 2011, respectively. In 2012 and 2011, the Foundation paid a fee of approximately \$209,000 to the Public Company Accounting Oversight Board for services as the FASB's agent under an agreement to invoice and collect the accounting support fees.

Any differences between FASB's recoverable expenses and the amount of accounting support fees recognized as revenues for an applicable calendar year (to the extent that the differences are

not financed from Foundation support) would be incorporated into the calculation of accounting support fees in subsequent years. The accounting support fee calculations also reflect adjustments for non-cash expenses and certain cash requirements not reflected in the statements of activities. The Foundation's budgeted recoverable expenses for the FASB are statutorily eligible for funding by accounting support fees. However, on a voluntary basis, the Foundation provides any Reserve Funds in excess of a formula base target amount to reduce what the Foundation would otherwise seek to collect in accounting support fees. The accounting support fees are also subject to review by the Securities and Exchange Commission each year.

3. Short-Term Investments and Investment Income and Losses

Short-term investments, consisting of Level 1 money market mutual funds which are measured at fair value, amounted to \$4,517,000 and \$4,514,000 as of December 31, 2012 and 2011, respectively. Short-term investment income consists entirely of interest and dividends for the years ended December 31, 2012 and 2011.

4. Employee Benefits

Employee benefits expense consists principally of employer payroll taxes, health care benefits for active and retired employees, and pension costs. FASB members and staff are participants in the pension and other postretirement benefit plans applicable to all Foundation employees. The 2012 Annual Report of the Foundation includes further information about these benefit plans and about the following aspects of related employee benefit matters:

- The Foundation-sponsored defined contribution and two defined benefit pension plans, and postretirement health coverage plan, including eligibility requirements and vesting provisions applicable to those plans
- The principal actuarial assumptions used to determine costs and benefit obligations for the plans
- The components of net periodic benefit expense under the defined benefit pension plans and the postretirement health coverage plan

- The changes in plan assets and benefit obligations, funded status and applicable reconciliations to amounts recognized in the Foundation's financial statements for the defined benefit pension plans and the postretirement health coverage plan
- The accumulated and projected benefit obligations for the Foundation's defined benefit pension plans and the accumulated postretirement benefit obligation for its postretirement health coverage plan

The accompanying statements of activities include defined benefit pension expense and postretirement health coverage expense of approximately \$1,069,000 and \$535,000, respectively, for 2012 and \$1,222,000 and \$429,000, respectively, for 2011.

5. Facilities

FASB conducts substantially all of its business in offices for which the Foundation is the lessee pursuant to an operating lease. FASB is allocated a share of the total rental expense for that office space and certain equipment based upon several allocation factors, including office square footage utilization. Occupancy and equipment expenses presented in the accompanying statements of activities consist principally of rental expense for office space and equipment attributable to FASB of approximately \$1,317,000 and \$1,226,000 for the years ended December 31, 2012 and 2011, respectively. Depreciation and amortization expense presented in the accompanying statements of activities includes costs for assets purchased exclusively for the benefit of FASB's operations of approximately \$692,000 and \$714,000 for the years ended December 31, 2012 and 2011, respectively. The balance of depreciation and amortization expense in each period consists of an allocation of costs for assets purchased for the Foundation's operations.



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees Financial Accounting Foundation Norwalk, Connecticut

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Financial Accounting Standards Board, an independent standard setting body of the Financial Accounting Foundation, as of December 31, 2012 and 2011, and 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 Statement

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 of 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 Standards Board as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1 to the financial statements, the financial statements have been prepared pursuant to Section 108 of the Sarbanes-Oxley Act of 2002 and present certain revenues, expenses, assets and liabilities of the Financial Accounting Foundation that are directly attributable to the Financial Accounting Standards Board of the Financial Accounting Foundation, and do not include all of the assets, liabilities, net assets, activities or cash flows of the Financial Accounting Foundation. Our opinion is not modified with respect to this matter.

New Haven, Connecticut

McGladry LCP

April 30, 2013