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June 4, 2021

*International Federation of Accountants*<sup>®</sup>

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# 2020 Financial Statements





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# 2020 FINANCIAL STATEMENTS

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## Statement of Financial Performance

For the year ended December 31, 2020

Amounts in U.S. Dollars	Note	2020	2019
<b>Revenue</b>			
<i>From exchange transactions:</i>			
Membership dues, net		\$19,745,100	\$20,213,700
Forum of Firms	16	12,025,437	12,434,676
Foreign exchange gains	14	329,341	63,690
Publications		18,946	58,913
Royalties and licensing		384,331	309,844
Gain on Pension Settlement	11	185,630	-
Interest income		15,466	34,065
Other revenue		30,615	17,607
<i>From non-exchange transactions:</i>			
DFID grant	3	1,264,198	1,176,899
Other	3	586,173	934,364
<b>Total revenue</b>		<b>\$34,585,237</b>	<b>\$35,243,758</b>
<b>Expenses</b>			
Employee costs	4, 13	\$19,662,568	\$18,928,688
Consultants	5	3,899,295	3,624,374
Travel and meeting costs		775,517	4,742,091
Occupancy and maintenance		1,348,279	1,390,633
Funding provided to the Public Interest Oversight Board	2	1,289,230	1,253,256
Depreciation and amortization	7, 8	390,833	472,463
IT support		766,823	707,914
Legal and other professional fees		359,858	173,574
Recruitment and relocation costs		314,474	441,334
Foreign exchange loss	14	81,164	153,270
Communications and publicity		891,329	1,172,295
Telephone		149,318	181,422
Auditor remuneration			
Audit of financial statements		108,850	105,772
Tax and other services		36,495	33,121
Printing, distribution and postage		61,480	65,122
Insurance		143,637	140,452
Bad debt expense		66,857	74,865
Other		393,464	415,585
<b>Total expenses</b>		<b>\$30,739,471</b>	<b>\$34,076,231</b>
<b>Surplus for the year</b>		<b>\$3,845,766</b>	<b>\$1,167,527</b>

See accompanying notes to financial statements.

**Statement of Changes in Net Assets/Equity****For the year ended December 31, 2020**

Amounts in U.S. Dollars	<b>2020</b>	<b>2019</b>
<b>Net assets/equity at beginning of year</b>		
Accumulated surpluses	<b>\$10,542,491</b>	<b>\$10,339,453</b>
Surplus for the year	3,845,766	1,167,527
Loss on re-measurement of defined benefit obligation	(231,453)	(964,489)
	<b>\$14,156,804</b>	<b>\$10,542,491</b>
<b>Net assets/equity at end of year</b>	<b>\$14,156,804</b>	<b>\$10,542,491</b>

**See accompanying notes to financial statements.**

## Statement of Financial Position

As at December 31, 2020

		<u>2020</u>	<u>2019</u>
Amounts in U.S. Dollars	Note		
<b>Current assets</b>			
Cash and cash equivalents	14	\$18,778,609	\$14,993,933
Receivables from exchange transactions:			
Receivables from IFAC members, net	6	-	-
Receivable from the Forum of Firms	16	160,451	244,207
Other receivables		139,101	83,396
Receivables from non-exchange transactions			
Receivables from other sources of funding	3	-	559,586
Prepaid expenses		438,184	611,516
<b>Total current assets</b>		<b>\$19,516,345</b>	<b>\$16,492,638</b>
<b>Non-current assets</b>			
Property and equipment, net	7	\$1,428,965	\$1,569,287
Intangible assets, net	8	459,551	-
Advances and deposits	10,15	376,646	589,464
<b>Total non-current assets</b>		<b>\$2,265,162</b>	<b>\$2,158,751</b>
<b>TOTAL ASSETS</b>		<b>\$21,781,507</b>	<b>\$18,651,389</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses		\$1,089,408	\$1,448,555
Employee entitlements	4	1,539,523	1,571,427
Deferred revenue	9	277,960	134,788
Pension Note Payable	11	666,503	-
<b>Total current liabilities</b>		<b>\$3,573,394</b>	<b>\$3,154,770</b>
<b>Non-current liabilities</b>			
Accrued pension obligation	11	-	\$3,192,942
Deferred rent	10	1,593,863	1,761,186
Pension Note Payable - net	11	2,457,446	-
<b>Total non-current liabilities</b>		<b>\$4,051,309</b>	<b>\$4,954,128</b>
<b>TOTAL LIABILITIES</b>		<b>\$7,624,703</b>	<b>\$8,108,898</b>
<b>Net assets/equity</b>			
IFAC members		\$14,156,804	\$10,542,491
<b>Total net assets/equity</b>		<b>\$14,156,804</b>	<b>\$10,542,491</b>
<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>		<b>\$21,781,507</b>	<b>\$18,651,389</b>

See accompanying notes to financial statements.

## Statement of Cash Flows

For the year ended December 31, 2020

		<u>2020</u>	<u>2019</u>
Amounts in U.S. Dollars	Note		
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
Membership dues		\$19,774,307	\$20,220,154
Forum of Firms		12,109,193	12,418,103
Other sources of funding		2,554,538	1,177,388
Publications		18,946	58,913
Royalties and licensing		333,464	367,877
Interest received		15,466	34,065
		<u>\$34,805,914</u>	<u>\$34,276,500</u>
<i>Cash was applied to:</i>			
Employee costs		(\$19,994,917)	(\$19,632,758)
Other payments		(10,564,437)	(14,605,810)
		<u>(\$30,559,354)</u>	<u>(\$34,238,568)</u>
<b>Net cash inflow from operating activities</b>	12	<u><b>\$4,246,560</b></u>	<u><b>\$37,932</b></u>
<b>Cash flows from investing activities</b>			
<i>Cash was applied to:</i>			
Purchase of property and equipment	7	(\$242,811)	(\$132,400)
Purchase of intangible assets	8	(467,250)	-
<b>Net cash outflow from investing activities</b>		<u><b>(\$710,061)</b></u>	<u><b>(\$132,400)</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>\$3,536,499</b>	<b>(\$94,468)</b>
Cash and cash equivalents at beginning of year		\$14,993,933	\$15,177,981
Effect of exchange rate change on foreign currency balances		248,177	(\$89,580)
<b>Balance of cash and cash equivalents at end of year</b>		<u><b>\$18,778,609</b></u>	<u><b>\$14,993,933</b></u>

See accompanying notes to financial statements.

## **Statement of Accounting Policies**

**For the year ended December 31, 2020**

### **Basis of Preparation**

The International Federation of Accountants' (IFAC) financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) is applied.

**The financial statements have been prepared on the historical cost basis unless otherwise stated in the accounting policies.**

The financial statements are presented in United States dollars, the functional and reporting currency of IFAC.

### **Estimates and Assumptions**

The preparation of financial statements in accordance with IPSAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates and assumptions relate to the measurement of the defined benefit pension plan expense and withdrawal liability, and the allocation of revenues, expenses, assets, and liabilities for the purposes of segment reporting (Note 19). Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may significantly differ from those estimates.

### **Significant Accounting Policies**

#### **A. Accounting Standards Update**

New IPSAS standards issued during 2020 have been considered and are not expected to have a material impact on IFAC's financial statements.

#### **B. Revenue Recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the organization and the amount of the revenue can be measured reliably.

#### **Membership dues**

Revenue from annual membership dues is initially recorded as deferred revenue and recognized on a straight-line basis over the reporting period. Membership dues are reported net of any approved discounts.

#### **Forum of Firms revenue**

Revenue from the Forum of Firms (Forum) is invoiced quarterly and recognized on a straight-line basis over the reporting period. Revenue from the Forum consists of a contribution (dues) of an agreed amount on an annual basis, and reimbursement of an amount equal to the expenses incurred by the Transnational Auditors Committee during the reporting period.



**Other sources of funding**

IFAC receives other sources of funding from governments, donor agencies, and other institutions, as well as from alliances and other organizations. Other sources of funding are generally in the form of restricted and unrestricted grants, contributions, and expense reimbursements.

Revenue from other sources of funding is recognized when IFAC has complied with all the stipulations or conditions (as defined in IPSAS 23, *Revenue from Non-Exchange Transactions – Taxes and Transfers*) implicit in the underlying agreements, and there is reasonable assurance that the funding will be received.

Other sources of funding are recognized in the statement of financial performance on a systematic basis over the periods in which IFAC recognizes as expenses the related costs for which the funding is intended to compensate. Other sources of funding for compensation of expenses or losses already incurred or for giving immediate financial support to IFAC with no future related costs is recognized in the statement of financial performance when it becomes receivable.

**Publications revenue**

Revenue from publications is recognized when the publications are shipped or downloaded from the IFAC website.

**Interest income**

Interest income from a financial asset is recognized when it is probable that the economic benefit will flow to IFAC and the amount can be reasonably measured.

**Services in-kind**

A variety of board and committee services are provided by highly qualified volunteers. IFAC does not recognize these services in the financial statements as their value cannot be reliably measured.

**C. Employee Entitlements**

Employee entitlements to salaries, wages, paid time off, retirement benefits, and other benefits are recognized when they are earned. Annual paid time off is calculated on an actual entitlement basis at current rates of pay.

IFAC provides retirement benefits for employees under defined contribution plans and a defined benefit plan. Payments to the defined contribution plans are recognized as expenses as they become due.

IFAC is one of three sponsoring employers that participate in the multiple employer defined benefit pension plan (Plan) of the American Institute of Certified Public Accountants (AICPA). During the year ended December 31, 2020, IFAC withdrew from the Plan (Note 11). The Plan is partly funded.

The liability or asset recognized in the statement of financial position in respect of the Plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds, and that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net

balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee costs in the statement of financial performance.

Re-measurement of gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly to accumulated surpluses in the statements of net assets/equity. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized in the statement of financial performance as past service costs. There were no plan amendments or curtailments in 2020 or 2019.

#### **D. Property and Equipment**

Property and equipment are carried at cost and are depreciated / amortized on a straight-line basis over their expected useful lives. The useful lives, residual values, and depreciation methods are reviewed annually. Refer to (F) Impairment below.

The estimated useful lives of property and equipment are as follows:

Office equipment	3 to 5 years
Furniture and fittings	5 to 7 years
Leasehold alterations	Shorter of the life of the lease or useful life

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of financial performance. Repairs and maintenance are charged to the statement of financial performance during the period in which they are incurred.

#### **E. Intangible Assets**

Intangible assets consist of software licenses and website development costs.

An intangible asset is recognized when it is identifiable, the organization has control over the asset, it is probable that economic benefits will flow to the organization, and the cost of the asset can be measured reliably. Intangible assets that do not meet these criteria are recognized as an expense in the period in which the expense is incurred.

Intangible assets are carried at cost and are amortized on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 years. Refer to (F) Impairment below.

#### **F. Impairment**

IFAC reviews the carrying amounts of its property and equipment and intangible assets if there is indication that impairment exists. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recognized as an expense in the statement of financial performance in the period the impairment is incurred.

**G. Financial Instruments**

Financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. Financial instruments are recognized in the statement of financial position at cost, which approximates fair value due to their short-term nature.

Cash and cash equivalents include cash on hand and on deposit at banks, and other short-term liquid investments with original maturities of three months or less.

Membership dues and other receivables are carried at original invoice amount less any subsequently approved discount, and less an estimate made for doubtful receivables based on reviews of all outstanding amounts at year-end. Bad debts are provided for when identified.

**H. Operating Leases**

Leases are classified as operating leases when a significant portion of the risks and rewards of ownership are retained by the lessor. Lease agreements may contain provisions for future rent increases, rent-free periods, or other lease incentives. The total amount of rent due over the lease term, reduced for any lease incentives, is recognized in rent expense on a straight-line basis over the term of the respective lease. The difference between rent expense and the amount paid is recognized in deferred rent in the accompanying statement of financial position.

**I. Taxation**

IFAC has received an exemption from the US Internal Revenue Service (IRS) from federal income taxes under Section 501(a), as an entity described in Section 501(c)(6) of the Internal Revenue Code of 1986 (IRC), as amended. IFAC is required to make the appropriate tax payments on any income considered unrelated to its exempt purpose. IFAC also is exempt from Swiss income taxes (Note 1).

**J. Foreign Currencies**

Transactions in foreign currencies are translated to United States dollars at the rates of exchange prevailing at the date of the transactions. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the reporting date. The resulting gains or losses are recognized in the statement of financial performance.

## Notes to the Financial Statements

For the year ended December 31, 2020

Amounts in U.S. Dollars

### 1. International Federation of Accountants

IFAC is the global organization for the accountancy profession. It comprises more than 175 member and associate organizations in 130 countries and jurisdictions, representing nearly 3 million professional accountants.

IFAC's vision is that the entire accountancy profession be recognized as essential to strong, sustainable organizations, financial markets, and economies.

IFAC's purpose, with its member organizations, is to serve the public interest by enhancing the relevance, reputation, and value of the global accountancy profession. The IFAC Purpose recognizes and acknowledges that to be successful IFAC must work with and leverage the work of its member organizations.

IFAC's purpose and public interest focus are achieved through three Strategic Objectives:

- Speaking out and engaging as the voice for the global profession;
- Leading and developing a future-ready profession; and
- Contributing to and promoting the development, adoption, and implementation of high-quality international standards.

IFAC is registered in Geneva, Switzerland under Articles 60 through 79 of the Swiss Civil Code and is exempt from Swiss taxes. IFAC's primary base of operation is New York, New York, United States of America. IFAC operates as a tax-exempt organization under Section 501(c)(6) of the United States Internal Revenue Code.

### 2. International Standard-Setting Boards

IFAC facilitates the structures and processes that support the operations of the following independent standard-setting boards:

- International Auditing and Assurance Standards Board (IAASB)
- International Ethics Standards Board for Accountants (IESBA)
- International Public Sector Accounting Standards Board (IPSASB)

The IAASB and IESBA develop international standards under a shared standard-setting process involving the Public Interest Oversight Board (PIOB). The PIOB oversees the activities of these boards and their consultative advisory groups. The consultative advisory groups provide public interest input into the development of the standards. Public interest oversight for the IPSASB and its consultative advisory group are provided by the Public Interest Committee (PIC).

Revenues and expenses associated with the independent standard-setting boards are presented in the Information about Activities (Segments) (Note 19).

### Public Interest Oversight Board

The PIOB was formally established in February 2005 and is based in Madrid, Spain. It is legally constituted as a Spanish Foundation. The establishment of the PIOB is the result of a collaborative effort by IFAC and the international financial regulatory community, in the form of the Monitoring Group (MG), comprised of the Basel Committee on Banking Supervision, European Commission, Financial Stability Board, International Association of Insurance Supervisors, International Forum of Independent Audit Regulators, International Organisation of Securities Commissions, and the World Bank. The PIOB works with IFAC to ensure that the IAASB and IESBA develop standards in a transparent manner that reflects the public interest. The MG initiated a regular review of the standard setting model during 2017 and in July 2020 published its recommendations “Strengthening the International Audit and Ethics Standard-Setting System”. The implementation of these recommendations is currently in progress in collaboration with the MG and PIOB.

IFAC will provide unconditional guaranteed funding for the operations of the PIOB through March 2022. The funding is denominated in Euros, and is the Euro equivalent of \$1.5 million annually, after adjustment for inflation and exchange rate changes, and reduced by funding received from other sources. IFAC accepts the currency risk associated with the guaranteed funding being denominated in Euros and understands that, on this basis, the PIOB will accept the currency risk associated with any operations or expenses of the PIOB incurred in currencies other than Euros. The guaranteed funding is paid on a quarterly basis in advance to the PIOB Foundation, whose trustees allocate the funds to the PIOB.

The PIOB received funding from sources other than IFAC of €555,707 (2019: €478,000). IFAC funding of the PIOB was €1,146,702 or \$1,289,230 (2019: €1,122,718 or \$1,253,256).

### 3. Other Sources of Funding

IFAC receives other sources of funding from governments, donor agencies, firms, and other institutions. Other sources of funding are generally in the form of restricted and unrestricted grants, voluntary contributions, and expense reimbursements. Other sources of funding have been recognized as revenue in support of the activities of the following boards, committees, or programs as follows:

	<u>2020</u>	<u>2019</u>
Capacity Building Program	\$1,264,198	\$1,176,899
IPSASB	459,428	533,555
IAASB	126,745	255,649
CReCER	-	120,000
PAODAAG (previously PAODC)	-	25,160
<b>Total other funding</b>	<b><u>\$1,850,371</u></b>	<b><u>\$2,111,263</u></b>

As at December 31, 2020, there are no receivables from other sources of funding (2019: \$559,586).

#### *IFAC Capacity Building Program – DFID Agreement*

IFAC is party to an Accountable Grant Agreement (Agreement) with the UK Department for International Development (DFID) to fund the IFAC Capacity Building Program (Program). As of September 2020, DFID was replaced by the Foreign, Commonwealth and Development Office (FCDO) after a merger between two UK government entities, DFID and the Foreign Commonwealth Office. The Program was created and

designed to develop the accountancy profession in emerging economies. Under the Agreement, DFID provided a British Pound denominated grant (Grant) in an amount not to exceed £4,935,000 over a seven-year period, ranging from July 1, 2014 through June 30, 2021. The Grant contains conditions that restrict spending of Grant funds to costs directly associated with the Program. DFID, at its sole discretion, can modify or terminate the Agreement with three months written notice. In August 2020, IFAC received written notice that the Grant would terminate early, as of November 20, 2020.

DFID provided quarterly funding based on IFAC's actual spend for program and implementation fees. Total funding was inclusive of a management fee originally agreed at £500,000 paid to IFAC to manage the Program, which included diagnostic preparation and validation, project mobilization, project launch, and administration. The management fee was paid by DFID and recognized by IFAC in quarterly installments over the term of the Agreement. As part of the early termination of the Grant, the management fee was eliminated and IFAC did not receive management fees from July 1, 2020 through November 20, 2020.

Total revenue recognized under the Agreement is as follows:

	<u>2020</u>	<u>2019</u>
Program and Implementation	\$1,218,748	\$1,085,589
Management Fees	45,450	91,310
	<u><b>\$1,264,198</b></u>	<u><b>\$1,176,899</b></u>

As at December 31, 2020 (and 2019) IFAC recognized no liability with respect to deferred revenue of Program services performed under the Agreement (Note 9).

#### *IPSASB*

The IPSASB received other sources of funding from the Canadian government, New Zealand government, Asian Development Bank and CPA Canada.

#### *IAASB*

During 2017, IFAC entered into a grant agreement in the amount of \$466,120 with the World Business Council for Sustainable Development (WBCSD Agreement). In March 2019, IFAC signed a phase 2 agreement in the amount of \$470,000. The grant contains conditions that restrict spending of grant funds to costs directly associated with the underlying grant activities. The statement of work, as stipulated in the WBCSD Agreement, commenced in December 2017 and is expected to continue through 2021. IFAC recognized revenue from this grant in the amount of \$126,745 (2019: \$255,649) for the year ended December 31, 2020. As at December 31, 2020, IFAC also recognized a liability of \$236,635 (2019: \$128,380) with respect to deferred revenue for services being performed under the WBCSD Agreement (Note 9).

#### *CReCER*

In 2020, IFAC received no funding (2019: \$120,000) from the Global Public Policy Committee in support of the CReCER program.

#### *PAODAAG (previously PAODC)*

In 2020, IFAC received no funding (2019: \$25,160) from the Asian Development Bank in support of Developing Accountancy Capacity in Fragile and Conflicted States.

#### 4. Employee Costs

Employee costs include compensation, related payroll taxes, employee benefits, and other employee related expenses as follows:

	<u>2020</u>	<u>2019</u>
Compensation costs	\$14,919,325	\$14,307,782
Payroll taxes and benefits	3,204,460	2,964,933
Retirement benefits (Note 11)	1,169,971	1,151,073
Temporary staff	69,508	175,812
Other	299,304	329,088
<b>Total Employee Costs</b>	<b>\$19,662,568</b>	<b>\$18,928,688</b>

Included in compensation costs are the following employee entitlements:

	<u>2020</u>	<u>2019</u>
Performance based remuneration	\$1,489,641	\$ 1,450,658
Accrued paid time off	-	20,769
Accrued salary and benefit cost	49,882	100,000
<b>Total employee entitlements</b>	<b>\$1,539,523</b>	<b>\$1,571,427</b>

#### 5. Consultants

	<u>2020</u>	<u>2019</u>
Consultants – standards development	\$2,104,703	\$2,085,820
Partner organizations / consultants – DFID (see Note 3)	1,320,445	1,130,083
Consultants - other	474,147	408,471
<b>Total Consultants</b>	<b>\$3,899,295</b>	<b>\$3,624,374</b>

#### 6. Receivables from IFAC Members

	<u>2020</u>	<u>2019</u>
Membership dues receivable	\$99,800	\$35,800
Allowance for uncollectible dues	(99,800)	(35,800)
<b>Net dues/assessment receivable</b>	<b>\$ -</b>	<b>\$ -</b>

In 2020, adjustments and discounts to membership dues amounted to \$91,600 (2019: \$118,900).

## 7. Property and Equipment

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Opening net carrying value	\$209,693	\$308,150	\$14,073	\$31,492	\$1,345,521	\$1,569,707	\$1,569,287	\$1,909,349
Additions	168,100	125,464	15,882	6,937	58,880	-	242,862	132,401
Disposals	(50)	-	-	-	-	-	(50)	-
Depreciation	(159,438)	(223,921)	(10,847)	(24,356)	(212,849)	(224,186)	(383,134)	(472,463)
Closing net carrying value	\$218,305	\$209,693	\$19,108	\$14,073	\$1,191,552	\$1,345,521	\$1,428,965	\$1,569,287

  

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Cost	\$1,210,815	\$1,722,211	\$771,220	\$755,337	\$3,047,985	\$2,989,106	\$5,030,020	\$5,466,654
Accumulated depreciation	(992,511)	(1,512,518)	(752,112)	(741,264)	(1,856,433)	(1,643,585)	(3,601,056)	(3,897,367)
Net carrying value	\$218,304	\$209,693	\$19,108	\$14,073	\$1,191,552	\$1,345,521	\$1,428,964	\$1,569,287

## 8. Intangible Assets

	Software Licenses & Development	
	2020	2019
Opening net carrying value	\$-	\$-
Additions	\$467,250	-
Amortization	(7,699)	-
<b>Closing net carrying value</b>	<b>\$459,551</b>	<b>\$-</b>
Cost	\$777,458	\$310,208
Accumulated amortization	(317,907)	(310,208)
<b>Net carrying value</b>	<b>\$459,551</b>	<b>\$-</b>



Software licenses and development include the license to operate the database software program that supports IFAC's Member Compliance Program, an association database, and the IFAC website ([www.ifac.org](http://www.ifac.org)).

## 9. Deferred Revenue

Deferred revenue consists primarily of grant proceeds received in advance of work performed. The following table summarizes deferred revenue:

	<u>2020</u>	<u>2019</u>
WBCSD grant	\$236,635	128,380
Treasury Board Secretariat	36,325	-
Member dues	5,000	6,408
<b>Total Deferred Revenue</b>	<b><u>\$277,960</u></b>	<b><u>\$134,788</u></b>

## 10. Operating Lease Obligations

IFAC leases office space in New York and Toronto under long-term non-cancelable operating lease agreements, expiring through October 2027. The lease arrangements have varying terms, which may include increases in future minimum annual rent payments based on inflation or other criteria as defined in the agreements. In addition, IFAC leases certain office equipment under contractual arrangements.

Future minimum lease obligations on non-cancelable operating leases are payable as follows:

	<u>2020</u>	<u>2019</u>
Not later than one year	\$1,235,619	\$1,235,619
Later than one year and not later than five years	6,692,936	6,569,375
Later than five years	1,132,651	2,491,831
<b>Total operating lease obligations</b>	<b><u>\$9,061,206</u></b>	<b><u>\$10,296,825</u></b>

Operating lease payments recognized as expense for the year ended December 31, 2020 totaled \$1,191,745 (2019: \$1,222,205).

Deferred rent as at December 31, 2020 totaled \$1,593,863 (2019: \$1,761,186). See Statement of Accounting Policies (H) Operating Leases for further detail.

The security deposit for office space in New York is in the form of a letter of credit in the amount of \$280,805 (2019: \$514,841), which is collateralized by a certificate of deposit. The security deposit for the office at 277 Wellington Street West, Toronto is in the form of cash of \$8,646 (2019: \$8,646). The security deposits are included in advances and deposits in the statement of financial position.

## 11. Retirement Benefit Plans

### Defined contribution plan

IFAC operates a defined contribution plan for all employees based in the United States.

IFAC makes a discretionary contribution to the defined contribution plan of 6% of each employee's base salary, up to a maximum base salary amount. A portion of this contribution is subject to a vesting schedule, with benefits fully vesting after three years of service. Employees also may elect to contribute an additional amount from their salary up to the maximum prescribed under the United States Internal Revenue Code. These contributions attract a discretionary 35% employer match, and both the employee and employer contributions vest immediately. The Plan is administered by Fidelity Management Trust Company. Matching contributions recognized as an expense totaled \$950,815 (2019: \$948,639).

In the case of full-time employees based in Canada, IFAC contributes an amount equal to 7% of their annual base salary or the maximum annual amount established under relevant Canadian legislation, whichever is less, to a Registered Retirement Savings Plan in the name of each individual employee. For 2020, the contributions recognized as an expense totaled \$115,181 (2019: \$109,939).

These expenses are included in employee costs in the statement of financial performance (Note 4).

### Defined benefit plan

#### *Plan Description*

IFAC is one of three sponsoring employers that participate in the multiple employer defined benefit pension plan of the AICPA. The Plan is a noncontributory defined benefit pension plan that was available to eligible employees through January 30, 2013. Effective January 31, 2013, IFAC froze participation in the Plan, and benefits for participants were frozen as of the effective date. Participants in the Plan at the effective date who had not yet fully vested continue to accrue service for vesting purposes only. Employees hired after the effective date do not participate in the Plan. IFAC makes periodic contributions to the Plan as determined by an actuary. Pension benefits earned are generally based on years of service and final compensation during active employment.

The complete discretionary authority to control and manage the operation, administration and interpretation of the Plan rests with the Pension Committee. The members of the Pension Committee are designated by the Board of Directors of the AICPA.

#### *Risks Associated with Defined Benefit Plans*

The Plan is exposed to a number of risks as follows:

- I. *Asset Volatility*: Unfavorable developments in capital markets, especially of equity prices and fixed-interest securities, could reduce the fair value. In addition, the Plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Pension Committee adopted an asset allocation strategy, which is intended to reduce volatility with the Plan's funded status as the funded status improves over time. As the Plan's funded status improves, the Pension Committee will increase the target allocation of the Plan's assets in fixed income investments and decrease the overall target allocation of the Plan's assets in equity and other types of investments. The diversification of fund assets, the engagement of asset managers using quantitative and qualitative analyses, and the continual monitoring of performance and risk help to reduce risk associated with asset volatility.

- II. *Bond Yields*: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
- III. *Life expectancy*: The majority of the Plans' obligations are to provide benefits for the life of the participant, so increases in life expectancy will result in an increase in the plans' liabilities. A primary objective of the Plan's investment policy is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. See the *Composition of Assets* section below for additional information on the Plan's investment strategy.

Because the Plan is frozen, expected long-term wage and salary increases do not have an impact on the amount of the obligation.

*Reconciliation of the Net Obligation of the Defined Benefit Plan*

The following tables present the change in present value of the defined benefit pension obligation and change in the fair value of plan assets for the twelve-month periods ending December 31, 2020 and 2019.

<b>Present Value of Defined Benefit Obligation:</b>	<b>2020</b>	<b>2019</b>
Opening balance	\$7,129,835	\$6,173,446
Interest cost	238,282	266,098
Benefits paid	(245,101)	(245,115)
Actuarial loss / (gain) on obligation	777,952	935,406
Settlement	(7,900,968)	-
<b>Closing balance</b>	<b>\$-</b>	<b>\$7,129,835</b>

<b>Fair Value of Defined Benefit Plan Assets:</b>	<b>2020</b>	<b>2019</b>
Opening balance	\$3,936,893	\$3,890,828
Expected return on plan assets	134,306	168,955
Contributions by employer	3,342,741	151,308
Benefits paid	(245,101)	(245,115)
Settlement	(7,715,338)	-
Actuarial (loss) gain on plan assets	546,499	(29,083)
<b>Closing balance</b>	<b>\$-</b>	<b>\$3,936,893</b>

The following tables present the funded status of the plan as at December 31, 2020 and 2019, which is recognized as an asset (liability) in the statement of financial position, and the change in actuarial (gains) losses for the periods ending December 31, 2020 and 2019, which is recognized directly in the statement of Net Assets/Equity:

<b>Funded Status:</b>	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$-	\$(7,129,835)
Fair value of plan assets	-	3,936,893
<b>Accrued pension obligation</b>	<b>\$-</b>	<b>\$(3,192,942)</b>
<b>Change in Actuarial Loss (Gain):</b>	<b>2020</b>	<b>2019</b>
Net loss (gain) for the period - Obligation	\$777,952	\$935,406
Net loss (gain) for the period - Asset	(546,499)	29,083
<b>Change in Net Assets/Equity</b>	<b>\$(231,453)</b>	<b>\$964,489</b>

#### *Pension Cost and Gain on Pension Settlement*

The components of pension cost and gain on pension settlement included in the statement of financial performance for the twelve-month periods ending December 31, 2020 and 2019 are as follows:

<b>Pension Cost:</b>	<b>2020</b>	<b>2019</b>
Interest cost	\$238,282	\$266,098
Expected return on plan assets	(134,306)	(168,955)
<b>Net periodic pension expense</b>	<b>\$103,976</b>	<b>\$97,143</b>
<b>Gain on Pension Settlement</b>	<b>\$185,630</b>	<b>\$-</b>

#### *Composition of Plan Assets*

The composition of the Plan assets is depicted below, and is presented in 2019, separately for assets recognized at fair value based on quoted market prices in active markets for identical investments ("Quoted Market Prices") and those where fair value is based on significant other observable inputs ("Un-Quoted Market Prices"):

	<b>2020</b>			<b>2019</b>		
	Quoted Market Prices	Un-Quoted Market Prices	Total	Quoted Market Prices	Un-Quoted Market Prices	Total
<i>Equity Securities:</i>						
U.S. Government securities	\$ -	\$ -	\$ -	\$1,653,495	\$ -	\$1,653,495
Corporate bonds	-	-	-	2,283,398	-	2,283,398
<b>Fair value of plan assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$3,936,893</b>	<b>\$ -</b>	<b>\$3,936,893</b>

Plan assets and income derived from Plan assets are used solely to pay pension benefits and to administer the Plan. The Plan's investment strategy is to provide for growth of capital with a moderate level of volatility. The expected long-term rate of return for the Plan's assets is based on the expected return of each of the asset categories, weighted based on the median of the target allocation for the class. All investments are chosen with skill, prudence and due diligence with the assistance of an investment consultant.

Performance of each investment manager is reviewed quarterly and interviews of each investment manager are generally conducted within a two-year cycle by an investments committee comprised of AICPA members with investment industry experience. Investment risk is managed in several ways, including, but not limited to, the use of fixed income investments.

Fixed income investments include securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises, as well as corporate bonds from diversified industries and mortgage backed and asset-backed securities.

IFAC does not issue debt securities or net assets/equity securities, nor does it occupy property, or use assets owned by the plan.

#### *Measurement Assumptions*

The measurement date is December 31 for the Plan's defined benefit pension obligation and plan assets, and January 1 for the Plan's net periodic pension cost. The principle actuarial assumptions used to calculate the defined benefit obligation are as follows:

	<u>2020</u>	<u>2019</u>
Discount rates	2.80%	3.40%
Expected rates of return on plan assets	3.40%	4.40%
Expected increase in social security wage base	N/A	N/A
Expected increase in compensation and benefit limits	N/A	N/A
Expected rates of salary increases	N/A	N/A

IFAC uses a yield curve methodology to determine the discount rate. This methodology uses a weighted average yield to determine the Plan's discount rate by forecasting the Plan's expected benefit payments by year. The actuarial computation of the defined benefit obligation is based on interest rates that reflect the time value of money. For purposes of determining the time value of money, the rate on high quality corporate bonds is used. The future stream of benefit payments that corresponds to the defined benefit obligation is first determined; then the present value of this payout stream is calculated using both the Aon Hewitt AA Above Median yield curve and the Citigroup Above Median yield curve. A single rate of interest that is equivalent to each yield curve is determined, and these two rates are averaged to determine the discount rate, with the average rounded to the nearest multiple of five basis points.

The mortality assumption at December 31, 2020 and 2019 is the adjusted PRI-2012 mortality table for white collar employees and healthy annuitants projected with mortality improvement scale MP-2020 and MP-2019 on a fully generational basis.

The expected return on plan assets reflects the target asset allocation and was derived from historical asset performance and projected long-term returns.

## 12. Reconciliation of Surplus with Net Cash Inflow from Operating Activities

	<u>2020</u>	<u>2019</u>
Surplus for the year	\$3,845,766	\$1,167,527
<i>Add/(less) non-cash items:</i>		
Depreciation and amortization	390,833	472,463
Deferred rent	(167,323)	(167,323)
Non-cash pension gain	(300,446)	(54,166)
Bad debt expense	66,857	74,865
<i>Add/(less) movements in working capital:</i>		
Membership dues receivable	(66,857)	(74,865)
Receivables from non-exchange transactions	559,586	(445,856)
Receivable from Forum of Firms	83,756	(16,573)
Other receivables	(55,705)	98,841
Prepaid expenses	173,332	53,654
Advances and deposits	212,817	(1,100)
Accounts payable and accrued expenses	(607,324)	79,542
Employee entitlements	(31,904)	(649,905)
Deferred revenue	143,172	(499,172)
<b>Net cash inflow from operating activities</b>	<b><u>\$4,246,560</u></b>	<b><u>\$37,932</u></b>

## 13. Employee and Volunteer Disclosure

As at December 31, 2020, IFAC had 79 full-time employees (2019: 82 full-time employees), and 1 part-time employee (2019: no part-time employees). In addition to these employees, IFAC had 8 contractors (2019: 8 contractors), and 3 secondees (2019: 2 secondees).

The number of contractors does not include the partner organizations and independent consultants procured under the IFAC Professional Accountancy Organization Development Program and funded by the Department for International Development in the UK.

During 2020, IFAC had approximately 284 volunteers (2019: 291 volunteers) contributing to the work of IFAC and the independent standard setting boards. These volunteers each contributed between 90 and 800 hours to these activities during 2020 and 2019.

## 14. Financial Risk Factors

IFAC is exposed to various financial risks, including market risks (such as foreign currency exchange rate risk and interest rate risk), credit risk, and liquidity risk.

### Liquidity risk

Liquidity risk results from the potential inability to meet financial obligations, such as payments to suppliers or employees. IFAC manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities. IFAC has an available line of credit with a bank (see Note 18). As at December 31, 2020 and 2019, IFAC had no borrowings outstanding under the line of credit.

### Credit risk

In the normal course of business, IFAC incurs credit risk from trade accounts receivable and transactions with banking institutions. IFAC manages its exposure to credit risk by:

- holding bank balances and short-term liquid investments with original maturities of three months or less with high-quality credit institutions; and
- maintaining credit control procedures over accounts receivable.

As at December 31, 2020, a total of \$11,235,546 (2019: \$8,201,253) was held with JP Morgan Chase Bank, representing 61 percent (2019: 56 percent) of the total amount of cash. The amount held by JP Morgan Chase excludes a deposit of \$280,805 (2019: \$514,841) held as collateral for the security deposit in the form of letters of credit for the office in New York City. The deposit is included in advances and deposits in the accompanying statement of financial position. As at December 31, 2020, a total of \$5,992,093 (2019: \$5,278,806) was held with Citizens Bank; representing 33 percent (2019: 37 percent) of the total amount of cash. As at December 31, 2020, a total of \$799,187 (2019: \$839,578) was held with Scotia Bank; representing 6 percent (2019: 7 percent) of the total amount of cash.

IFAC does not require any other collateral or security to support financial instruments and other receivables it holds due to the low risk associated with the realization of these instruments.

The maximum exposure at December 31, 2020 is equal to the total amount of cash and cash equivalents, and receivables disclosed in the statement of financial position. Receivables considered uncollectible have been adequately provided for.

For the year ended December 31, 2020, one IFAC member accounted for 10.95 percent of total revenue (2019: 8.4 percent). There were no amounts due from this member as at December 31, 2020 and 2019.

### Currency risk

IFAC holds separate bank accounts in Canadian dollars, British Pounds, and Euros. IFAC incurs currency risk as a result of the translation of foreign currency balances held in these bank accounts to United States dollars at the reporting date. IFAC actively monitors its foreign currency requirements and related exposures to minimize risks associated with holding currencies in these accounts. Foreign currency transactions are translated to United States currency at exchange rates at the date of the transactions. Foreign exchange gains and losses included in the accompanying statement of financial performance consist of both realized and unrealized gains and losses as follows:

	<b>2020</b>	<b>2019</b>
Realized gain	\$62,115	\$42,991
Unrealized gain	267,226	20,699
<b>Total foreign exchange gain</b>	<b>\$329,341</b>	<b>\$63,690</b>

	<u>2020</u>	<u>2019</u>
Realized loss	\$81,164	\$153,270
Unrealized loss	-	-
<b>Total foreign exchange gain (loss)</b>	<b><u>\$248,177</u></b>	<b><u>\$(89,580)</u></b>

### **Fair values**

As at December 31, 2020 and 2019, the carrying amounts for all financial instruments held by IFAC approximate their fair values.

### **Restrictions on the use of cash and cash equivalents**

There are no restrictions on the use of cash or cash equivalents.

## **15. Related Parties**

### **Council**

Ultimate governance of IFAC rests with the IFAC Council, which comprises one representative from each IFAC member. The Council meets at least once per year and has the exclusive right, power, and authority to approve various matters, including but not limited to changes to the IFAC Constitution, strategic matters, and electing the Board. Positions on the Council are voluntary and there is no honorarium paid for any position held.

### **Board**

The IFAC Board is comprised of members from various countries who, as representatives of the worldwide accountancy profession, have signed a declaration to act with integrity and in the public interest. The Board is comprised of the President, Deputy President, and approximately twenty-one other individuals nominated by IFAC members. Board members are elected for a term of up to three years, with continuous service limited to six years. The Board governs and oversees the operations of IFAC, which includes oversight of the implementation of initiatives and allocation of resources. During 2020, the number of meetings held by the Board was in excess of the required amount under IFAC's Bylaws. In response to the global pandemic, the Board met virtually multiple times and conducted numerous electronic consultations. Positions on the Board are voluntary and there is no honorarium paid for any position held.

### **Senior management**

During the year ended December 31, 2020, senior management (key management personnel) included the Chief Executive Officer, three Executive Directors, one Managing Director, and thirteen Directors (2019: Chief Executive Officer, two Executive Directors, one Managing Director, and eight Directors) who were responsible for operating the various activities of the organization. These positions were remunerated by the organization. The aggregate remuneration of key management personnel was \$6,500,136 (2019: \$5,966,487).



**IFAC representatives**

IFAC reimburses the travel and other incidental expenses incurred by the IFAC President while representing IFAC. On occasion, other volunteers, including other board members, are required to represent IFAC in a variety of capacities. When this is the case, IFAC may reimburse these individuals for travel and other incidental expenses on an actual basis as per IFAC policies. The nominating organization of a Board member may receive a subsidy for travel and other incidental expenses incurred by its nominee if the organization qualifies for the IFAC Travel Support Program. These payments are not remuneration payments and occur in the normal course of business.

**IFAC member organizations**

The transactions between IFAC and its member organizations occur in the normal course of business. Member organizations provide annual financial contributions (dues) to IFAC as determined by the IFAC Board in accordance with the basis of assessment approved by the IFAC Council. In addition, IFAC has agreements with some of its member organizations for the reproduction or translation and reproduction of the IFAC publications.

**Forum of Firms**

The Forum of Firms provides an annual financial contribution (dues) to IFAC for an agreed amount and full reimbursement for Transnational Auditors Committee related expenses (see Note 16).

**Employee Advances and Deposits**

As part of employee relocation packages, IFAC may offer to provide employees guarantees or deposits to secure rented residences. These amounts are included in advances and deposits in the accompanying statement of financial position. Advances and security deposits are repaid voluntarily or upon termination or relocation of the respective employees. As at December 31, 2020, the balance outstanding of employee advances and deposits was \$56,190 (2019: \$62,620).

**16. Forum of Firms**

The objective of the Forum of Firms and its relationship with IFAC are established by the Forum's Constitution. The Forum is legally registered in Geneva, Switzerland under the Swiss Civil Code.

The executive committee of the Forum of Firms is the Transnational Auditors Committee, which by way of the Constitution is also a committee of IFAC. The Transnational Auditors Committee is the operational body of the Forum and has executive authority over the activities of the Forum. The Transnational Auditors Committee currently is staffed by two IFAC employees, each of whom spends part of their time on Transnational Auditors Committee business. The members of the Transnational Auditors Committee are selected by the Forum and are approved by the IFAC Nominating Committee and the IFAC Board.

In 2020, IFAC recognized revenues from the Forum of Firms for amounts invoiced for the annually agreed contribution (dues) of \$ \$11,604,749 (2019: \$11,604,749), and for expenses incurred by the Transnational Auditors Committee totaling \$420,688 (2019: \$829,927). These amounts are due to IFAC in arrears on a quarterly basis.

As at December 31, 2020, an amount of \$160,451 (2019: \$244,207) is receivable from the Forum of Firms for expenses incurred by the Transnational Auditors Committee activity during the reporting periods.

## 17. Commitments and Contingencies

As at December 31, 2020, IFAC had no outstanding commitments other than those lease obligations and note payable identified in Note 10 and 11, respectively.

## 18. Line of Credit

As at December 31, 2020, IFAC had an available line of credit from a bank in the amount of \$5,500,000 (2019: \$2,625,000). The line carried an interest rate of LIBOR plus 3.0% (LIBOR plus 2.56% at December 31, 2019) on used balances and expired on June 2, 2021. IFAC did not access its line of credit during 2020 or 2019. Borrowings under the line of credit, when used, are collateralized by substantially all IFAC assets.

The line of credit was renewed on June 3, 2021, will expire on June 2, 2022, and carries an interest rate of 1-month LIBOR plus 0.9%.

## 19. Subsequent Events

On May 3, 2021, IFAC (Borrower), was granted a loan (Loan) from Emigrant Bancorp in the aggregate amount of \$2,062,767, pursuant to the Paycheck Protection Program (PPP) under the American Rescue Plan (ARP), which was enacted on March 11, 2021.

The Loan, which was in the form of a Note dated April 6, 2021 issued to the Borrower, matures on April 6, 2026 and bears interest at a rate of 1% per annum, payable monthly commencing on August 18, 2022. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and other covered expenditures incurred during the 24-week covered period subsequent to the loan disbursement. IFAC intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the ARP.

## 20. Information about Activities (Segments)

To achieve its mission, IFAC seeks to influence various economic and social outcomes through the delivery of services to stakeholders. IFAC delivers its services through several activity areas. Information about the activity areas is used by the IFAC Board and management as a basis for evaluating the Organization's past performance in achieving its objectives and for making decisions about the future allocation of resources. Financial information by activity areas is presented below.

### *Allocated Revenue*

For purposes of this note, external funding directly attributable to an activity is allocated to the related activity. Revenue is then allocated to each activity area to cover its respective expenses.

ALLOCATED REVENUE	External Funding		Allocated Revenue		Total Allocated Revenue	
	2020	2019	2020	2019	2020	2019
IAASB	\$ 126,745	\$ 255,649	\$ 8,387,309	\$ 10,182,728	\$ 8,514,054	\$ 10,438,377
IAESB		-	-	656,593	-	656,593
IESBA		-	5,331,963	5,712,660	5,331,963	5,712,660
IPSASB	459,428	535,555	3,446,297	4,010,751	3,905,725	4,546,306
Standards Development	586,173	791,204	17,165,569	20,562,732	17,751,742	21,353,936
Global Representation & Advocacy	-	-	2,966,199	1,766,456	2,966,199	1,766,456
Global Accountancy Profession Support	-	-	3,148,531	4,046,421	3,148,531	4,046,421
Global Accountancy Profession Development	1,264,198	1,202,059	2,892,902	2,507,842	4,157,100	3,709,901
Quality & Membership		120,000	2,715,899	3,079,517	2,715,899	3,199,517
<b>Total allocated revenue</b>	<b>\$ 1,850,371</b>	<b>\$ 2,113,263</b>	<b>\$ 28,889,100</b>	<b>\$ 31,962,968</b>	<b>\$ 30,739,471</b>	<b>\$ 34,076,231</b>

## Expenses

Expenses are recorded by activity area. For purposes of this note, the cost of the PIOB is allocated to each Public Interest Activity Committee's (PIAC) expenses based on a pro rata share of the total PIACs expenses.

EXPENSES	Employee costs		Travel & meeting costs		Consultants		Other		Funding of PIOB		Total expenses		Total Allocated Revenue		SURPLUS / (DEFICIT)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
IFAC Corporate - Unallocated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,845,766	\$ 1,167,527
IAASB	4,856,998	5,088,285	288,484	1,750,066	1,171,624	1,147,148	1,404,187	1,770,717	792,761	682,161	8,514,054	10,438,377	8,514,054	10,438,377	-	-
IAESB	-	368,284	-	128,126	-	8,571	-	108,703	-	42,909	-	656,593	-	656,593	-	-
IESBA	3,140,190	2,840,753	155,395	1,014,050	634,126	589,048	905,783	895,479	496,469	373,330	5,331,963	5,712,660	5,331,963	5,712,660	-	-
IPSASB	2,641,929	2,621,571	144,783	673,134	447,019	510,883	671,994	740,718	-	-	3,905,725	4,546,306	3,905,725	4,546,306	-	-
Standards Development	10,639,117	10,918,893	588,662	3,565,376	2,252,769	2,255,650	2,981,964	3,515,617	1,289,230	1,098,400	17,751,742	21,353,936	17,751,742	21,353,936	-	-
Global Representation & Advocacy	2,391,688	1,235,178	43,610	148,003	42,464	66,534	488,437	316,741	-	-	2,966,199	1,766,456	2,966,199	1,766,456	-	-
Global Accountancy Profession Support	2,433,722	2,966,422	50,115	277,990	105,249	107,364	559,445	694,645	-	-	3,148,531	4,046,421	3,148,531	4,046,421	-	-
Global Accountancy Profession Development	2,066,371	1,722,266	58,571	248,673	1,358,119	1,167,730	674,039	571,232	-	-	4,157,100	3,709,901	4,157,100	3,709,901	-	-
Quality & Membership	2,131,670	2,085,929	34,559	502,049	140,694	27,096	408,976	429,587	-	154,856	2,715,899	3,199,517	2,715,899	3,199,517	-	-
<b>Total expenses</b>	<b>\$ 19,662,568</b>	<b>\$ 18,928,688</b>	<b>\$ 775,517</b>	<b>\$ 4,742,091</b>	<b>\$ 3,899,295</b>	<b>\$ 3,624,374</b>	<b>\$ 5,112,861</b>	<b>\$ 5,527,822</b>	<b>\$ 1,289,230</b>	<b>\$ 1,253,256</b>	<b>\$ 30,739,471</b>	<b>\$ 34,076,231</b>	<b>\$ 30,739,471</b>	<b>\$ 34,076,231</b>	<b>\$ 3,845,766</b>	<b>\$ 1,167,527</b>

## Other Information

For purposes of this note, all assets and liabilities are attributed to IFAC - Corporate and are therefore not allocated to the activity areas.

OTHER INFORMATION	Current assets		Non-current assets		Total assets		Current liabilities		Non-current liabilities		Total liabilities	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
IFAC Corporate - Unallocated	\$ 19,905,232	\$ 16,492,638	\$ 1,876,275	\$ 2,158,751	\$ 21,781,507	\$ 18,651,389	\$ 3,573,394	\$ 3,154,770	\$ 4,051,309	\$ 4,954,128	\$ 7,624,703	\$ 8,108,898
Standards Development	-	-	-	-	-	-	-	-	-	-	-	-
Global Representation & Advocacy	-	-	-	-	-	-	-	-	-	-	-	-
Global Accountancy Profession Support	-	-	-	-	-	-	-	-	-	-	-	-
Global Accountancy Profession Development	-	-	-	-	-	-	-	-	-	-	-	-
Quality & Membership	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 19,905,232</b>	<b>\$ 16,492,638</b>	<b>\$ 1,876,275</b>	<b>\$ 2,158,751</b>	<b>\$ 21,781,507</b>	<b>\$ 18,651,389</b>	<b>\$ 3,573,394</b>	<b>\$ 3,154,770</b>	<b>\$ 4,051,309</b>	<b>\$ 4,954,128</b>	<b>\$ 7,624,703</b>	<b>\$ 8,108,898</b>



## INDEPENDENT AUDITOR'S REPORT

To the Board of

**International Federation of Accountants, Geneva**

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### Opinion

We have audited the financial statements of International Federation of Accountants (the Organization), which comprise the statement of financial position as at December 31, 2020, and the statements of financial performance, changes in net assets/ equity and cash flows for the year then ended, and a statement of accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and of its financial performance, changes in net assets/ equity and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Switzerland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Geneva, June 4, 2021

ECHO SA

Clémentine Largeteau  
Licensed audit expert  
Auditor in charge

Vladan Vladuljevic  
Licensed audit expert

Enclosure :

- Financial statements (statement of financial position, statements of financial performance, changes in net assets/ equity and cash flows for the year then ended, and a statement of accounting policies and other explanatory notes)

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