

April 2016

International Federation of Accountants[®]

2015 Financial Statements

This document was approved by the Board of the International Federation of Accountants® (IFAC®).

IFAC serves the public interest and strengthens the accountancy profession by:

- Supporting the development of high-quality international standards;
- Promoting the adoption and implementation of these standards;
- Building the capacity of professional accountancy organizations; and
- Speaking out on public interest issues.

Copyright © April 2016 by the International Federation of Accountants® (IFAC®). For copyright, trademark, and permissions information, please see [page 31](#).

2015 FINANCIAL STATEMENTS

CONTENTS

	Page
Statement of Financial Performance.....	4
Statement of Changes in Net Assets/Equity.....	5
Statement of Financial Position.....	6
Statement of Cash Flows.....	7
Statement of Accounting Policies.....	8
Notes to the Financial Statements.....	12
Independent Auditor's Report.....	28

Statement of Financial Performance

For the year ended December 31, 2015

		<u>2015</u>	<u>2014</u>
Amounts in U.S. Dollars	Note		
Revenue			
<i>From exchange transactions:</i>			
Membership dues, net	5	\$17,932,700	\$16,952,500
Forum of Firms	15	11,334,576	10,954,824
Foreign exchange gains	13	412,438	140,877
Publications		66,552	104,343
Royalties and licensing		303,168	310,634
Interest income		3,956	10,744
Other revenue		71,567	471,105
<i>From non-exchange transactions:</i>			
External funding - DFID grant	3	155,347	32,950
External funding - other	3	537,121	666,507
Total revenue		<u>\$30,817,425</u>	<u>\$29,644,484</u>
Expenses			
Employee costs	4, 10	\$17,032,142	\$15,790,928
Travel and meeting costs		4,873,569	4,434,355
Occupancy and maintenance		1,367,201	1,260,542
Funding provided to the Public Interest Oversight Board	2	1,050,244	1,162,678
Depreciation and amortization	6, 7	504,473	539,939
IT support		665,567	505,860
Legal and other professional fees		195,618	458,493
Recruitment and relocation costs		321,150	271,068
Foreign exchange loss	13	1,099,597	505,432
Communications and publicity		831,842	608,676
Consultants		2,084,385	1,537,753
Telephone		167,927	155,763
Auditor remuneration			
Audit of financial statements		100,922	88,028
Tax and other services		4,448	7,132
Printing, distribution and postage		89,515	130,326
Insurance		146,336	165,213
Bad debt expense		70,450	69,750
Loss on disposal of assets	6	4,136	1,751
Other expenses		381,354	349,108
Total expenses		<u>\$30,990,876</u>	<u>\$28,042,795</u>
Surplus (deficit) for the year		<u>\$(173,451)</u>	<u>\$1,601,689</u>

See accompanying notes to financial statements.

Statement of Changes in Net Assets/Equity**For the year ended December 31, 2015**

	<u>2015</u>	<u>2014</u>
Amounts in U.S. Dollars		
Net assets/equity at beginning of year		
Accumulated surpluses	\$9,708,820	\$8,107,131
Surplus (deficit) for the year	(173,451)	1,601,689
Net assets/equity at end of year	<u>\$9,535,369</u>	<u>\$9,708,820</u>

See accompanying notes to financial statements.

Statement of Financial Position

As at December 31, 2015

		<u>2015</u>	<u>2014</u>
Amounts in U.S. Dollars	Note		
Current assets			
Cash and cash equivalents	13	\$12,203,071	\$8,038,968
Receivables from exchange transactions			
Receivable from IFAC members, net	5	-	2,823
Receivable from the Forum of Firms	15	158,579	2,755,831
Other receivables		154,859	439,272
Receivables from non-exchange transactions			
Receivables from external funding	3	112,595	237,984
Prepaid expenses		317,319	406,413
Total current assets		\$12,946,423	\$11,881,291
Non-current assets			
Property and equipment, net	6	\$2,542,059	\$2,804,482
Intangible assets, net	7	7,978	109,342
Prepaid pension cost	10	-	3,496
Advances and deposits	9, 14	602,955	602,533
Total non-current assets		\$3,152,992	\$3,519,853
TOTAL ASSETS		\$16,099,415	\$15,401,144
Current liabilities			
Accounts payable and accrued expenses		\$1,172,063	\$1,179,618
Employee entitlements	4	2,383,632	2,085,176
Revenue received in advance	8	552,115	32,997
Total current liabilities		\$4,107,810	\$3,297,791
Non-current liabilities			
Accrued pension costs	10	\$119,364	\$-
Deferred rent	9	2,336,872	2,394,533
Total non-current liabilities		\$2,456,236	\$2,394,533
TOTAL LIABILITIES		\$6,564,046	\$5,692,324
Net assets/equity			
IFAC members		\$9,535,369	\$9,708,820
Total net assets/equity		\$9,535,369	\$9,708,820
TOTAL LIABILITIES AND NET ASSETS/EQUITY		\$16,099,415	\$15,401,144

See accompanying notes to financial statements.



Olivia Kirtley, IFAC President
Nov. 2014 - Nov. 2016



Fayez Choudhury, IFAC CEO

Statement of Cash Flows**For the year ended December 31, 2015**

		<u>2015</u>	<u>2014</u>
Amounts in U.S. Dollars	Note		
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Membership dues		\$18,526,208	\$17,344,527
Forum of Firms		13,931,828	10,877,170
External funding		817,857	569,733
Publications		66,552	105,611
Royalties and licensing		303,860	280,911
Interest received		3,956	10,744
		<u>\$33,650,261</u>	<u>\$29,188,696</u>
<i>Cash was applied to:</i>			
Employee costs		\$(17,790,830)	\$(16,570,450)
Other payments		(10,774,533)	(10,444,711)
		<u>\$(28,565,363)</u>	<u>\$(27,015,161)</u>
Net cash inflow from operating activities	11	<u>\$5,084,898</u>	<u>\$2,173,535</u>
Cash flows from investing activities			
<i>Cash was applied to:</i>			
Purchase of property and equipment		\$(233,637)	\$(237,915)
Purchase of intangible assets		-	(101,985)
Net cash outflow from investing activities		<u>\$(233,637)</u>	<u>\$(339,900)</u>
Net increase in cash and cash equivalents		\$4,851,261	\$1,833,635
Cash and cash equivalents at beginning of year		\$8,038,968	\$6,569,888
Effect of exchange rate change on foreign currency balances		(687,158)	(364,555)
Balance of cash and cash equivalents at end of year		<u>\$12,203,071</u>	<u>\$8,038,968</u>

See accompanying notes to financial statements.

Statement of Accounting Policies

For the year ended December 31, 2015

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.

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 liability, and the allocation of revenues, expenses, assets, and liabilities for the purposes of segment reporting (see Note 18). Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Reclassifications

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

Significant Accounting Policies

A. 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

Payments of annual membership dues are 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 recognized when it is receivable. Revenue from the Forum consists of a contribution (dues) of an amount agreed on an annual basis, and reimbursement of an amount equal to the expenses incurred by the Transnational Auditors Committee activity during the reporting period.

External funding

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

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

External funding is 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. External 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.

B. 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 participates in the multiple employer defined benefit pension plan (the Plan) of the American Institute of Certified Public Accountants (AICPA) (see Note 10). IFAC is one of three sponsoring employers. The Plan is wholly or partly funded. The direct and indirect obligations arise from existing pensions as well as future pension and retirement obligations. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined annually by an independent actuary.

The amount recognized as the defined benefit asset or liability is the net total of the present value of the defined benefit obligation, plus any unrecognized actuarial gains or less any unrecognized actuarial losses, less any unrecognized past service cost, and less the fair value of Plan assets out of which the obligations are to be settled directly.

Actuarial gains and losses are recognized if they exceed the greater of 10% of the present value of the defined benefit obligation or of the fair value of Plan assets. The amounts exceeding 10% are amortized

over the average remaining service lives of the employees beginning in the following year. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested.

C. Property and Equipment

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

D. 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 (E) Impairment below.

E. 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 its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognized as an expense in the statement of financial performance in the period the impairment is incurred.

F. 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

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

Membership dues and other receivables

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.

G. Operating Lease

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.

H. 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 is also exempt from Swiss income taxes (see Note 1).

I. 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 at the reporting date, denominated in foreign currencies, are translated at the rates of exchange prevailing at that 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, 2015

Amounts in U.S. Dollars

1. International Federation of Accountants

IFAC is the global organization for the accountancy profession, dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. It is comprised of more than 175 members and associates in 130 countries and jurisdictions, representing approximately 2.8 million accountants in public practice, education, government service, industry, and commerce.

IFAC's vision is that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets, and economies.

IFAC's mission is to serve the public interest by: contributing to the development of high-quality standards and guidance; facilitating the adoption and implementation of high-quality standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and speaking out on public interest issues.

IFAC is registered in Geneva, Switzerland under Articles 60 through 79 of the Swiss Civil Code. 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 IRC.

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 Accounting Education Standards Board (IAESB)
- International Ethics Standards Board for Accountants (IESBA)
- International Public Sector Accounting Standards Board (IPSASB)

The IAASB, IAESB 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 arrangements for the IPSASB by the Public Interest Committee (PIC) have been established in 2015 and will be fully operational in 2016.

Revenues and expenses, and assets and liabilities associated with the independent standard-setting boards are presented in the Information about Activities (Segments) (see Note 18).

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 the international financial regulatory community, in the form of the Monitoring Group, and IFAC. The Monitoring Group works with IFAC to ensure that the standards developed by the independent standard-

setting boards in the areas of auditing and assurance, ethics for professional accountants, accounting education, and IFAC's Member Body Compliance Program are operated in a transparent manner that reflects the public interest.

As part of IFAC's agreement with the Monitoring Group, IFAC provides unconditional guaranteed funding for the operations of the PIOB through March 2018. 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 2015 budget for the PIOB approved by the Monitoring Group amounted to €1,532,907, and the PIOB received funding from sources other than IFAC of €603,000. IFAC funding of the PIOB amounted to €929,907 or \$1,050,244 (2014: \$1,162,678).

3. External Funding

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

	2015	2014
IPSASB	\$489,621	\$636,507
DFID Agreement	155,347	32,950
MOSAIC Website Funding	-	30,000
CRcER	47,500	-
Total external funding	\$692,468	\$699,457

As at December 31, 2015, amounts receivable from external funding sources totaled \$112,595 (2014: \$237,984).

IPSASB

The IPSASB received external funding from the Canadian government, New Zealand government, Asian Development Bank, World Bank, and CPA Canada.

IFAC PAO Capacity Building Program

DFID

During 2014, IFAC entered into an Accountable Grant Agreement (Agreement) with the UK Department for International Development (DFID) to fund the IFAC Capacity Building Program (Program). The Program was created and designed to develop the accountancy profession in emerging economies. Under the Agreement, DFID is providing a British Pound denominated grant (Grant) in an amount not to exceed £4,935,000 over a seven year period. 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 3 months written notice.

Total funding is inclusive of a management fee of £500,000 paid to IFAC to manage the Program, which includes diagnostic preparation and validation, project mobilization, project launch, and administration. The management fee will be paid by DFID and recognized by IFAC in equal quarterly installments over the term of the Agreement. Total management fees recognized under the Agreement for the year ending December 31, 2015 totaled \$109,906 (2014: \$27,950).

The grant period per the Agreement is July 1, 2014 through June 30, 2021. DFID provides quarterly funding in advance based on IFAC's projected expenditure. For the year ending December 31, 2015, IFAC recognized revenue related to Implementation and Program activities of \$30,032 (2014: \$5,000) and \$15,409 (2014: Nil), respectively. As at December 31, 2015, IFAC recognized a liability of \$501,053 (2014: NIL) with respect to funds received in advance of Program services being performed under the Grant. As at December 31, 2014, IFAC recognized a receivable of \$32,950 for expenses incurred in excess of Grant funds received.

Other external funding

In 2015, IFAC received funding from several sources totaling \$47,500 (2014: Nil) in support of the CReCER program. In 2014, IFAC received external funding totaling \$30,000 for the development of the Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration (MOSAIC) website.

4. Employee Costs

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

	<u>2015</u>	<u>2014</u>
Compensation costs	\$12,943,463	\$12,545,420
Payroll taxes and benefits	2,154,305	1,873,677
Retirement benefits (Note 10)	1,023,612	827,822
Temporary staff	553,847	330,342
Other	356,915	213,667
Total Employee Costs	<u>\$17,032,142</u>	<u>\$15,790,928</u>

Included in compensation are the following employee entitlements:

	<u>2015</u>	<u>2014</u>
Performance based remuneration	\$1,782,395	\$1,514,076
Accrued paid time off	601,237	571,100
Total employee entitlements	<u>\$2,383,632</u>	<u>\$2,085,176</u>

5. Receivables from IFAC Members

	2015	2014
Membership dues receivable	\$130,300	\$83,823
Provision for uncollectible dues/assessment	(130,300)	(81,000)
Net dues/assessment receivable	\$ -	\$2,823

In 2015, adjustments and discounts to membership dues amounted to \$75,500 (2014: \$47,500).

6. Property and Equipment

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening net carrying value	\$307,829	\$260,997	\$371,002	\$470,412	\$2,125,651	\$2,320,281	\$2,804,482	\$3,051,690
Additions	178,407	228,331	43,362	-	11,868	9,584	233,637	237,915
Disposals	(4,136)	(1,751)	-	-	-	-	(4,136)	(1,751)
Depreciation	(186,262)	(179,748)	(100,948)	(99,410)	(204,714)	(204,214)	(491,924)	(483,372)
Closing net carrying value	\$295,838	\$307,829	\$313,416	\$371,002	\$1,932,805	\$2,125,651	\$2,542,059	\$2,804,482

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Cost	\$944,147	\$793,446	\$713,318	\$669,956	\$2,734,639	\$2,722,771	\$4,392,104	\$4,186,173
Accumulated depreciation	(648,309)	(485,617)	(399,902)	(298,954)	(801,834)	(597,120)	(1,850,045)	(1,381,691)
Net carrying value	\$295,838	\$307,829	\$313,416	\$371,002	\$1,932,805	\$2,125,651	\$2,542,059	\$2,804,482

7. Intangible Assets

	Software Licenses & Development	
	2015	2014
Opening net carrying value	\$109,342	\$63,924
Additions	-	101,985
Disposals	(88,815)	-
Amortization	(12,549)	(56,567)
Closing net carrying value	\$7,978	\$109,342
Cost	\$310,208	\$399,023
Accumulated amortization	(302,230)	(289,681)
Net carrying value	\$7,978	\$109,342

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

8. Revenue Received in Advance

Revenue received in advance at December 31, 2015 of \$552,115 (2014: \$32,997) represents grant proceeds of \$501,053 (2014: \$Nil), membership dues received in advance of \$43,662 (2014: \$10,497), and membership application fees of \$7,400 (2014: \$22,500).

9. 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:

	2015	2014
Not later than one year	\$1,185,191	\$1,160,577
Later than one year and not later than five years	6,246,738	5,981,480
Later than five years	7,825,588	9,061,206
Total operating lease obligations	\$15,257,517	\$16,203,263

Operating lease payments recognized as expense for the year ended December 31, 2015 totaled \$1,243,209 (2014: \$1,131,331).

The security deposit for office space in New York is in the form of a letter of credit in the amount of \$514,841 (2014: \$514,841), which is collateralized by a certificate of deposit. The security deposit for the office at 277 Wellington St West, Toronto is in the form of cash of \$8,645 (2014: \$8,645). The security deposits are included in advances and deposits in the statement of financial position.

10. 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. This contribution is subject to a vesting schedule, with benefits fully vesting after five years of service. Employees may also 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 \$733,477 (2014: \$637,658).

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 2015, the contributions recognized as an expense totaled \$51,743 (2014: \$73,056).

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

Defined benefit plan

IFAC froze participation in the defined benefit plan of the AICPA effective January 31, 2013. This means that employees hired after that date will not participate in the plan. Current participants' benefits were frozen as of January 31, 2013. However, staff that are currently participating, but who have not vested, will continue to accrue service for vesting purposes only. IFAC makes periodic contributions to the Plan as determined by an actuary. Pension benefits earned are generally based on years of service and compensation during active employment.

The following presents Plan information for the twelve-month periods ending December 31, 2015 and 2014.

Change in the present value of the defined benefit obligation:

For the twelve-month periods ending

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligation		
Opening balance	\$6,304,645	\$4,706,612
Interest cost	259,495	235,973
Current service cost	–	–
Benefits paid	(254,304)	(240,868)
Actuarial (gain) or loss on obligation	(415,546)	1,602,928
Change in plan provisions	–	–
Curtailment	–	–
Closing balance	<u>\$5,894,290</u>	<u>\$6,304,645</u>

Change in the fair value of the defined benefit plan assets:

For the twelve-month periods ending

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Fair value of defined benefit plan assets		
Opening balance	\$3,545,301	\$3,285,986
Expected return on plan assets	210,311	203,908
Contributions by employer	115,532	86,989
Benefits paid	(254,304)	(240,868)
Actuarial (gain) loss on plan assets	(342,110)	209,286
Closing balance	\$3,274,730	\$3,545,301

IFAC anticipates making a contribution of approximately \$158,065 to the plan during 2016. The actual rate of return for the period January 1, 2015 to December 31, 2015 was (3.8%) (2014: 12.9%).

Asset (liability) recognized in the statement of financial position:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligation	\$5,894,290	\$6,304,645
Fair value of benefit plan assets	3,274,730	3,545,301
Funded status	(2,619,560)	(2,759,344)
Unrecognized net actuarial losses	2,500,196	2,762,840
Prepaid pension costs	\$(119,364)	\$3,496

Expense recognized in the statement of financial performance:

For the twelve-month periods ending

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current service cost	\$ –	\$ –
Interest cost	259,495	235,973
Expected return on plan assets	(210,311)	(203,908)
Amortization of actuarial loss	189,208	85,043
Amortization of prior service cost	–	–
Settlement	–	–
Curtailement	–	–
Net periodic pension expense	\$238,392	\$117,108

Categories of plan assets:

For the twelve-month periods ending

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
U.S. Government obligations	\$196,484	\$212,718
Corporate bonds	491,210	567,248
Common stocks	229,231	248,171
Mutual funds	2,063,080	2,198,087
Foreign bonds & stocks	163,736	141,812
Investment in partnership	130,989	177,265
Fair value of plan assets	<u>\$3,274,730</u>	<u>\$3,545,301</u>

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

Principal actuarial assumptions:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Discount rates	4.60%	4.20%
Expected rates of return on plan assets	6.15%	6.45%
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

The actuarial computation of the defined benefit obligation is based on interest rates that reflect the time value of money, as well as projected salary/wage and pension increases, and staff turnover trends. For purposes of determining the time value of money, the rate on high-quality United States 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 expected return on plan assets reflects the target asset allocation, and was derived from historical asset performance and projected long-term returns.

For 2015, the mortality assumption used was the adjusted RP-2014 mortality table for white collar employees and healthy annuitants projected with mortality improvement scale MP-2015 on a fully generational basis. For 2014, the mortality assumption used was the RP-2014 mortality table with white collar adjustment projected with mortality improvement scale MP-2014 on a fully generational basis. This table reflects recent research of the Retirement Plans Experience Committee ("RPEC") of the Society of Actuaries. The white collar table was chosen to best reflect the nature and geographic location of the plan participants.

Plan trend rates:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Present value of defined benefit obligation	\$5,894,290	\$6,304,645	\$4,706,612	\$5,241,148	\$4,510,059
Fair value of plan assets	3,274,730	3,545,301	3,285,986	2,946,016	2,340,391
Deficit in plan	\$(2,619,560)	\$(2,759,344)	\$(1,420,626)	\$(2,295,132)	\$(2,169,668)
Experience adjustments arising on					
Plan liabilities	\$(415,456)	\$1,602,928	\$(536,522)	\$615,686	\$746,685
Plan assets	\$342,110	\$(209,286)	\$91,032	96,082	\$346

11. Reconciliation of Net Surplus (Deficit) with Net Cash Inflow from Operating Activities

	<u>2015</u>	<u>2014</u>
Net surplus (deficit) for the period	\$(173,451)	\$1,601,689
<i>Add/(less) non-cash items:</i>		
Depreciation and amortization	504,473	539,939
Deferred rent	(57,661)	(66,819)
Loss on disposal of property and equipment	4,136	1,751
Bad debt expense	70,450	69,750
Write off of intangible assets	88,815	-
<i>Add/(less) movements in working capital:</i>		
Membership dues receivable	(67,627)	(59,073)
Other receivables from non-exchange transactions	125,389	(129,724)
Receivable from Forum of Firms	2,597,252	(77,654)
Other receivables	284,413	(279,353)
Other current assets	89,094	(44,705)
Non-current receivables	(422)	(14,224)
Accounts payable and accrued expenses	679,603	646,130
Employee entitlements	298,456	45,462
Revenue received in advance	519,118	(89,753)
Accrued pension costs	122,860	30,119
Net cash inflow from operating activities	<u>\$5,084,898</u>	<u>\$2,173,535</u>

12. Employee Disclosure

As at December 31, 2015, IFAC had 77 full-time employees (2014: 70 full-time employees), and two part-time employees (2014: two part-time employees). In addition to these employees, IFAC had three contracted staff member (2014: three contracted staff member), and one secondee (2014: one secondee).

13. 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 its bank (see Note 17). IFAC has no borrowings outstanding under the line of credit or any other outstanding debt.

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, 2015, a total of \$10,375,036 (2014: \$7,281,691) was held with JP Morgan Chase Bank; representing 80 percent (2014: 62 percent) of the total amount of cash and cash equivalents, receivables and other current assets. The amount held by JP Morgan Chase excludes a deposit of \$514,841 (2014: \$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.

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, 2015 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, 2015, one IFAC member accounted for 10 percent of total revenue (2014: 11 percent). There were no amounts due from this member as at December 31, 2015 (2014: \$Nil).

Currency risk

IFAC operates separate bank accounts in Australian dollars, Canadian dollars and Euros. IFAC incurs currency risk as a result of the conversion 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:

	<u>2015</u>	<u>2014</u>
Realized gain	\$39,027	\$9,958
Unrealized gain	373,411	130,919
Total foreign exchange gain	<u>\$412,438</u>	<u>\$140,877</u>
Realized loss	\$417,806	\$82,395
Unrealized loss	681,791	423,037
Total foreign exchange loss	<u>\$1,099,597</u>	<u>\$505,432</u>

Fair values

As at December 31, 2015 (and 2014), the carrying amounts for all financial instruments held by IFAC approximate their fair values.

Restrictions on the use of cash and cash equivalents

A certificate of deposit for \$514,841 (2014: \$514,841) collateralizes the letter of credit IFAC's landlord holds as a security deposit. There are no other restrictions on the use of cash or cash equivalents.

14. 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 is responsible for deciding constitutional and 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 around the globe 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 twenty other individuals nominated by IFAC members. Board members are elected for up to two three-year terms and are responsible for setting policy and overseeing IFAC operations, the implementation of initiatives, and the allocation of resources to and overseeing the activities of the various boards and committees. During 2015, the Board held four physical meetings (2014: four), no webinars (2014: one), two electronic consultations (2014 nil), and one teleconference (2014 nil). Positions on the Board are voluntary and there is no honorarium paid for any position held.

Senior management

As at December 31, 2015, senior management (key management personnel) includes the Chief Executive Officer, two Executive Directors, one Managing Director, one Senior Director, and eight Directors (2014: Chief Executive Officer, two Executive Directors, one Managing Director, one Senior Director and six Directors) who are responsible for operating the various activities of the organization.

These positions are remunerated by the organization. The aggregate remuneration of key management personnel was \$5,512,119 (2014: \$5,071,308).

There were no loans to key management personnel or their close family members that were not available to other categories of staff. Loans comprise guarantees or deposits to secure rented residences (refer to IFAC employees below), and are repaid upon termination of employment.

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 15).

IFAC employees

As part of employee relocation packages included in individual employment contracts, IFAC offers to provide employees guarantees or deposits to secure rented residences. As at December 31, 2015, the balance outstanding of employee receivables relating to residential security deposits was \$76,111 (2014: \$79,046). This amount is included in advances and deposits in the accompanying statement of financial position.

15. 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 is currently 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.

For 2015, IFAC recognized revenues from the Forum of Firms for amounts invoiced for the annually agreed contribution (dues) of \$10,781,000 (2014: \$10,391,077), and for expenses incurred by the

Transnational Auditors Committee totaling \$553,576 (2014: \$563,747). These amounts are due to IFAC on a quarterly in arrears basis.

As at December 31, 2015, an amount of \$158,579 (2014: \$158,061) is receivable from the Forum of Firms for expenses incurred by the Transnational Auditors Committee activity during the reporting period and for dues of \$Nil (2014: \$2,597,770).

16. Commitments and Contingencies

As at December 31, 2015, IFAC had no outstanding commitments other than those lease obligations identified in Note 9.

17. Line of Credit

As at December 31, 2015, IFAC had an available line of credit from its bank, JP Morgan Chase of \$2,250,000 (2014: \$2,250,000). The line carries an interest rate of LIBOR +2.20% (2.20% at December 31, 2015) and expires on June 5, 2016. IFAC did not access its line of credit during 2015 and 2014. Borrowings under the line of credit are collateralized by substantially all of IFAC's assets.

18. Information about Activities (Segments)

To achieve its mission, IFAC seeks to influence various economic and social outcomes through the delivery of services to external parties. 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.

Revenue

For purposes of this note, revenues directly attributable to an activity, such as external funding, sales of publications, and membership application fees, were allocated to the related activity. Membership dues were prorated based on each activity's expenses as a percentage of the total activities expenses. The prorated amount was reduced by any revenue directly attributable to the activity. The contribution from the Forum of Firms was prorated based on each activity's expenses, excluding the funding of the PIOB.

REVENUE	Dues - Members		Dues - FoF		External Funding		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Standards Development	\$ 10,401,123	\$ 10,362,503	\$ 6,253,074	\$ 6,351,721	\$ 489,621	\$ 636,507	\$ 512,364	\$ 637,335	\$ 17,656,182	\$ 17,988,066
Global Representation & Advocacy	1,187,127	1,001,660	713,692	613,970	-	-	50,882	51,603	1,951,701	1,667,233
Global Accountancy Profession Support	2,415,415	2,309,366	1,452,129	1,415,532	-	-	103,529	119,839	3,971,073	3,844,737
Global Accountancy Profession Development	2,110,120	1,569,666	1,268,588	962,131	202,847	62,950	90,444	80,866	3,671,999	2,675,613
Quality & Membership	1,818,915	1,709,305	1,647,093	1,611,470	-	-	100,462	148,060	3,566,470	3,468,835
Total revenue	\$ 17,932,700	\$ 16,952,500	\$ 11,334,576	\$ 10,954,824	\$ 692,468	\$ 699,457	\$ 857,681	\$ 1,037,703	\$ 30,817,425	\$ 29,644,484

IFAC 2015 FINANCIAL STATEMENTS

Expenses

Expenses are recorded by activity area, except for funding of the PIOB. For purposes of this note, funding of the PIOB was prorated based on each Public Interest Activity Committee's (PIAC) expenses as a percentage of the total PIACs expenses.

EXPENSES	Employee costs		Travel & meeting costs		Consultants		Other		Funding of PIOB		Total		(DEFICIT) / SURPLUS	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Standards Development	\$ 8,533,826	\$ 8,515,225	\$ 3,306,547	\$ 3,078,960	\$ 1,496,113	\$ 1,114,925	\$ 3,445,713	\$ 3,122,902	\$ 871,703	\$ 965,023	\$ 17,653,902	\$ 16,797,035	\$ 2,280	\$ 1,191,031
Global Representation & Advocacy	1,321,332	1,049,488	242,626	212,152	52,147	36,542	398,814	325,452	-	-	2,014,919	1,623,634	(63,218)	43,599
Global Accountancy Profession Support	2,836,858	2,668,555	420,683	379,120	59,043	16,366	783,118	679,311	-	-	4,099,702	3,743,352	(128,629)	101,385
Global Accountancy Profession Development	1,932,372	1,412,559	548,640	339,936	365,908	292,245	734,600	499,601	-	-	3,581,520	2,544,341	90,479	131,272
Quality & Membership	2,407,754	2,145,101	355,073	424,187	111,174	77,675	588,291	489,815	178,541	197,655	3,640,833	3,334,433	(74,363)	134,402
Total expenses	\$ 17,032,142	\$ 15,790,928	\$ 4,873,569	\$ 4,434,355	\$ 2,084,385	\$ 1,537,753	\$ 5,950,536	\$ 5,117,081	\$ 1,050,244	\$ 1,162,678	\$ 30,990,876	\$ 28,042,795	\$ (173,451)	\$ 1,601,689

IFAC 2015 FINANCIAL STATEMENTS

Other Information

For purposes of this note, assets and liabilities directly attributable to an activity were allocated to the related activity. The Forum of Firms receivable was allocated to an activity in the same proportion as the Forum of Firms revenue. All other assets and liabilities are presented as unallocated assets and liabilities.

OTHER INFORMATION	Current assets		Non-current assets		Total assets		Current liabilities		Non-current liabilities		Total liabilities	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Standards Development	\$ 7,477,159	\$ 7,197,384	\$ 1,824,163	\$ 2,150,147	\$ 9,301,322	\$ 9,347,531	\$ 2,245,702	\$ 1,925,076	\$ 1,424,639	\$ 1,463,698	\$ 3,670,341	\$ 3,388,774
Global Representation & Advocacy	828,390	672,754	204,880	203,784	1,033,270	876,538	305,885	240,802	162,600	141,484	468,485	382,286
Global Accountancy Profession Support	1,740,573	1,671,481	427,713	480,682	2,168,286	2,152,163	597,357	425,471	330,839	326,197	928,196	751,668
Global Accountancy Profession Development	1,472,464	1,054,011	366,674	321,843	1,839,138	1,375,854	501,676	341,817	289,022	221,715	790,698	563,532
Quality & Membership	1,427,837	1,285,661	329,562	363,397	1,757,399	1,649,058	457,190	364,625	249,136	241,439	706,326	606,064
Total	\$ 12,946,423	\$ 11,881,291	\$ 3,152,992	\$ 3,519,853	\$ 16,099,415	\$ 15,401,144	\$ 4,107,810	\$ 3,297,791	\$ 2,456,236	\$ 2,394,533	\$ 6,564,046	\$ 5,692,324



CITRIN COOPERMAN

Attest & Assurance | Tax Compliance & Research | Specialty & Consulting

INDEPENDENT AUDITOR'S REPORT

To the Board of the International Federation of Accountants

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the International Federation of Accountants ("IFAC"), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of financial performance, changes in net assets/equity and cash flows for the years then ended, and a statement of accounting policies and other explanatory notes. As described in the statement of accounting policies, the accompanying financial statements have been prepared in accordance with International Public Sector Accounting Standards.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, 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.

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 International Standards on Auditing and Auditing Standards Generally Accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 controls 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 controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IFAC as of December 31, 2015 and 2014, and of its financial performance, changes in its net assets/equity, and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards.

New York, New York

April 21, 2016

CITRIN COOPERMAN & COMPANY, LLP

529 FIFTH AVENUE NEW YORK, NY 10017 | TEL 212.697.1000 | FAX 212.697.1004

AN INDEPENDENT FIRM ASSOCIATED WITH MOORE STEPHENS


CERTIFIED PUBLIC ACCOUNTANTS

CITRINCOOPERMAN.COM

Exposure Drafts, Consultation Papers, and other IFAC[®] publications are published by, and copyright of, IFAC.

IFAC does not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The IFAC logo, 'International Federation of Accountants[®]', and 'IFAC' are registered trademarks and service marks of IFAC.

Copyright © April 2016 by the International Federation of Accountants (IFAC). All rights reserved. Written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document, except as permitted by law. Contact permissions@ifac.org.

Published by:





529 Fifth Avenue, 6th Floor, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.ifac.org