March 2017

International Federation of Accountants®

2016 Financial Statements

International Federation of Accountants®

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.

2016 FINANCIAL STATEMENTS

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Statement of Financial Performance

For the year ended December 31, 2016

Amounts in U.S. Dollars	Note	2016	2015
Revenue			
From exchange transactions:			
Membership dues, net	5	$18,872,900	$17,932,700
Forum of Firms	15	11,784,379	11,334,576
Foreign exchange gains	13	115,668	39,027
Publications		110,943	66,552
Royalties and licensing		276,162	303,168
Interest income		24,460	3,956
Other revenue		24,360	71,567
From non-exchange transactions:			
External funding - DFID grant	3	919,820	155,347
External funding - other	3	478,175	537,121
Total revenue		**$32,606,867**	**$30,444,014**
Expenses			
Employee costs	4, 10	$17,910,739	$16,922,104
Travel and meeting costs		5,070,010	4,873,569
Occupancy and maintenance		1,243,172	1,367,201
Funding provided to the Public Interest Oversight Board	2	1,026,840	1,050,244
Depreciation and amortization	6, 7	499,565	504,473
IT support		641,184	665,567
Legal and other professional fees		199,965	195,618
Recruitment and relocation costs		371,866	321,150
Foreign exchange loss	13	147,571	726,186
Communications and publicity		1,033,378	831,842
Consultants		2,921,408	2,128,142
Telephone		173,424	167,927
Auditor remuneration			
Audit of financial statements		131,038	85,000
Tax and other services		73,528	20,370
Printing, distribution and postage		61,530	89,515
Insurance		152,057	146,336
Bad debt expense		45,228	70,450
Loss on disposal of assets	6	-	4,136
Other expenses		404,902	447,635
Total expenses		**$32,107,405**	**$30,617,465**
Surplus (deficit) for the year		**$499,462**	**$(173,451)**

See accompanying notes to financial statements.

Statement of Changes in Net Assets/Equity

For the year ended December 31, 2016

	2016	2015
Amounts in U.S. Dollars		
Net assets/equity at beginning of year		
Accumulated surpluses	**$9,535,369**	**$9,708,820**
Surplus (deficit) for the year	499,462	(173,451)
Net assets/equity at end of year	**$10,034,831**	**$9,535,369**

See accompanying notes to financial statements.

Statement of Financial Position

As at December 31, 2016

Amounts in U.S. Dollars	Note	2016	2015
Current assets			
Cash and cash equivalents	13	$12,311,647	$12,203,071
Receivables from exchange transactions			
Receivables from IFAC members, net	5	16,000	-
Receivable from the Forum of Firms	15	203,198	158,579
Other receivables		130,399	154,859
Receivables from non-exchange transactions			
Receivables from external funding	3	541,880	112,595
Prepaid expenses		634,596	317,319
Total current assets		**$13,837,720**	**$12,946,423**
Non-current assets			
Property and equipment, net	6	$2,341,609	$2,542,059
Intangible assets, net	7	2,199	7,978
Advances and deposits	9, 14	638,598	602,955
Total non-current assets		**$2,982,406**	**$3,152,992**
TOTAL ASSETS		**$16,820,126**	**$16,099,415**
Current liabilities			
Accounts payable and accrued expenses		$1,287,129	$1,172,063
Employee entitlements	4	2,272,870	2,383,632
Revenue received in advance	8	713,305	552,115
Total current liabilities		**$4,273,304**	**$4,107,810**
Non-current liabilities			
Accrued pension costs	10	$248,834	$119,364
Deferred rent	9	2,263,157	2,336,872
Total non-current liabilities		**$2,511,991**	**$2,456,236**
TOTAL LIABILITIES		**$6,785,295**	**$6,564,046**
Net assets/equity			
IFAC members		$10,034,831	$9,535,369
Total net assets/equity		**$10,034,831**	**$9,535,369**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**$16,820,126**	**$16,099,415**

See accompanying notes to financial statements.

Rachel Grimes, IFAC President
Nov. 2016 – Nov. 2018

Fayez Choudhury, IFAC CEO

Statement of Cash Flows

For the year ended December 31, 2016

Amounts in U.S. Dollars	Note	2016	2015
Cash flows from operating activities			
Cash was provided from:			
Membership dues		$18,863,791	$18,025,155
Forum of Firms		11,739,760	13,931,828
External funding		1,147,369	1,318,910
Publications		110,943	66,552
Royalties and licensing		306,936	303,860
Interest received		24,460	3,956
		$32,193,259	$33,650,261
Cash was applied to:			
Employee costs		$(17,892,030)	$(16,500,788)
Other payments		(13,867,414)	(12,064,575)
		$(31,759,444)	$(28,565,363)
Net cash inflow from operating activities	11	**$433,815**	**$5,084,898**
Cash flows from investing activities			
Cash was applied to:			
Purchase of property and equipment		$(293,336)	$(233,637)
Net cash outflow from investing activities		**$(293,336)**	**$(233,637)**
Net increase in cash and cash equivalents		**$140,479**	**$4,851,261**
Cash and cash equivalents at beginning of year		$12,203,071	$8,038,968
Effect of exchange rate change on foreign currency balances		(31,903)	(687,158)
Balance of cash and cash equivalents at end of year		**$12,311,647**	**$12,203,071**

See accompanying notes to financial statements.

Statement of Accounting Policies

For the year ended December 31, 2016

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 deficit for the year.

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 invoiced quarterly and recognized on a straight line basis over the reporting period. 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 / amortized 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 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.

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 banks, 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 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.

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.

J. Recent Accounting Pronouncements

In July 2016, the International Public Sector Accounting Standards Board released IPSAS 39, *Employee Benefits*. IPSAS 39 will replace existing guidance in IPSAS 25, *Employee Benefits*, and is intended to bring the standard in line with its private-sector IFRS equivalent, IAS 19, *Employee Benefits*. The primary differences include (i) removing the option that allowed an entity to defer the recognition of changes in the net defined benefit liability (known as the “corridor approach”); (ii) introducing a net interest approach for defined benefit plans; (iii) amending some of the disclosure requirements for defined benefit plans and multi-employer plans, and (iv) removing the requirements for Composite Social Security Programs. IPSAS 39 will replace IPSAS 25 effective 1 January, 2018, with early adoption permitted. IFAC is currently evaluating the effect that the provisions of IPSAS 39 will have on its financial statements.

Notes to the Financial Statements

For the year ended December 31, 2016

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 almost 3 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) were established in 2015 and 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 2019. 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 2016 budget for the PIOB approved by the Monitoring Group amounted to €1,563,565, and the PIOB received funding from sources other than IFAC of €601,000. IFAC funding of the PIOB amounted to €914,758 or $1,026,840 (2015: $1,050,244).

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:

	2016	**2015**
IPSASB	$478,175	$489,621
DFID Agreement	919,820	155,347
CReCER	-	47,500
Total external funding	**$1,397,995**	**$692,468**

As at December 31, 2016, amounts receivable from external funding sources totaled $541,880 (2015: $112,595).

IPSASB

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

IFAC Capacity Building Program

DFID

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). 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, 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 3 months written notice.

DFID provides quarterly funding in advance based on IFAC's projected expenditure. 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 is paid by DFID and recognized by IFAC in equal quarterly installments over the term of the Agreement. Total revenue recognized under the Agreement is as follows:

	2016	2015
Program and Implementation	$824,710	$45,441
Management Fees	95,110	109,906
	$919,820	**$155,347**

As at December 31, 2016, IFAC recognized a liability of $679,713 (2015: $501,053) with respect to funds received in advance of Program services being performed under the Grant. At December 31, 2016, IFAC had a receivable from DFID amounting to $356,465 representing the balance due on the fourth quarter 2016 funding request.

Other external funding

In 2015, IFAC received funding totaling $47,500 from several sources in support of the CReCER program.

4. **Employee Costs**

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

	2016	2015
Compensation costs	$13,817,535	$12,943,463
Payroll taxes and benefits	2,452,398	2,154,305
Retirement benefits (Note 10)	1,232,960	1,023,612
Temporary staff	171,932	443,810
Other	235,914	356,914
Total Employee Costs	**$17,910,739**	**$16,922,104**

Included in compensation are the following employee entitlements:

	2016	2015
Performance based remuneration	$1,566,943	$1,782,395
Accrued paid time off	$705,927	601,237
Total employee entitlements	**$2,272,870**	**$2,383,632**

5. Receivables from IFAC Members

	2016	2015
Membership dues receivable	$160,800	$130,300
Allowance for uncollectible dues	(144,800)	(130,300)
Net dues/assessment receivable	**$16,000**	**$ -**

In 2016, adjustments and discounts to membership dues amounted to $56,700 (2015: $75,500).

6. Property and Equipment

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Opening net carrying value	$295,838	$307,829	$313,416	$371,002	$1,932,805	$2,125,651	**$2,542,059**	**$2,804,482**
Additions	106,413	178,407	12,469	43,362	174,453	11,868	**293,335**	**233,637**
Disposals	-	(4,136)	-	-	-	-	**-**	**(4,136)**
Depreciation	(191,520)	(186,262)	(106,823)	(100,948)	(195,443)	(204,714)	**(493,786)**	**(491,924)**
Closing net carrying value	$210,732	$295,838	$219,062	$313,416	$1,911,815	$1,932,805	**$2,341,609**	**$2,542,059**

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Cost	$1,037,785	$944,147	$725,786	$713,318	$2,909,093	$2,734,639	**$4,672,664**	**$4,392,104**
Accumulated depreciation	(827,053)	(648,309)	(506,724)	(399,902)	(997,278)	(801,834)	**(2,331,055)**	**(1,850,045)**
Net carrying value	$210,732	$295,838	$219,062	$313,416	$1,911,815	$1,932,805	**$2,341,609**	**$2,542,059**

7. Intangible Assets

	Software Licenses & Development	
	2016	**2015**
Opening net carrying value	$7,978	$109,342
Disposals	-	(88,815)
Amortization	(5,779)	(12,549)
Closing net carrying value	**$2,199**	**$7,978**
Cost	$310,208	$310,208
Accumulated amortization	(308,009)	(302,230)
Net carrying value	**$2,199**	**$7,978**

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, 2016 of $713,305 (2015: $552,115) represents grant proceeds of $679,713 (2015: $501,053), membership dues received in advance of $19,642 (2015: $43,662), and membership application fees of $13,950 (2015: $7,400).

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:

	2016	**2015**
Not later than one year	$1,216,244	$1,185,191
Later than one year and not later than five years	6,291,479	6,246,738
Later than five years	6,569,374	7,825,588
Total operating lease obligations	**$14,077,097**	**$15,257,517**

Operating lease payments recognized as expense for the year ended December 31, 2016 totaled $1,103,016 (2015: $1,243,209).

The security deposit for office space in New York is in the form of a letter of credit in the amount of $514,841 (2015: $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 (2015: $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 $891,591 (2015: $733,477).

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 2016, the contributions recognized as an expense totaled $53,834 (2015: $51,743).

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, 2016 and 2015.

Change in the present value of the defined benefit obligation:

For the twelve-month periods ending

	December 31, 2016	**December 31, 2015**
Present value of defined benefit obligation		
Opening balance	$5,894,290	$6,304,645
Interest cost	265,370	259,495
Current service cost	–	–
Benefits paid	(254,304)	(254,304)
Actuarial (gain) or loss on obligation	181,497	(415,546)
Change in plan provisions	–	–
Curtailment	–	–
Closing balance	**$6,086,853**	**$5,894,290**

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

For the twelve-month periods ending

	December 31, 2016	December 31, 2015
Fair value of defined benefit plan assets		
Opening balance	$3,274,730	$3,545,301
Expected return on plan assets	181,108	210,311
Contributions by employer	158,065	115,532
Benefits paid	(254,304)	(254,304)
Actuarial (gain) loss on plan assets	20,865	(342,110)
Closing balance	**$3,380,464**	**$3,274,730**

IFAC anticipates making a contribution of approximately $216,335 to the plan during 2017. The actual rate of return for the period January 1, 2016 to December 31, 2016 was 6.3% (2015: -3.8%).

Liability recognized in the statement of financial position:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligation	$6,086,853	$5,894,290
Fair value of benefit plan assets	3,380,464	3,274,730
Funded status	(2,706,389)	(2,619,560)
Unrecognized net actuarial losses	2,457,555	2,500,196
Accrued pension costs	**$(248,834)**	**$(119,364)**

Expense recognized in the statement of financial performance:

For the twelve-month periods ending

	December 31, 2016	December 31, 2015
Current service cost	$ –	$ –
Interest cost	265,370	259,495
Expected return on plan assets	(181,108)	(210,311)
Amortization of actuarial loss	203,273	189,208
Amortization of prior service cost	–	–
Settlement	–	–
Curtailment	–	–
Net periodic pension expense	**$287,535**	**$238,392**

Categories of plan assets:

For the twelve-month periods ending

	December 31, 2016	December 31, 2015
U.S. Government obligations	$946,530	$196,484
Corporate bonds	878,921	491,210
Common stocks	–	229,231
Mutual funds	1,352,185	2,063,080
Foreign bonds & stocks	202,828	163,736
Investment in partnership	–	130,989
Fair value of plan assets	**$3,380,464**	**$3,274,730**

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:

	December 31, 2016	December 31, 2015
Discount rates	4.40%	4.60%
Expected rates of return on plan assets	5.75%	6.15%
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 2016, the mortality assumption used was the adjusted RP-2014 mortality table for white collar employees and healthy annuitants projected with mortality improvement scale MP-2016 on a fully generational basis. For 2015, the mortality assumption used was the RP-2014 mortality table with white collar adjustment projected with mortality improvement scale MP-2015 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:

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Present value of defined benefit obligation	$6,086,853	$5,894,290	$6,304,645	$4,706,612	$5,241,148
Fair value of plan assets	3,380,464	3,274,730	3,545,301	3,285,986	2,946,016
Deficit in plan	$(2,706,389)	$(2,619,560)	$(2,759,344)	$(1,420,626)	$(2,295,132)
Experience adjustments arising on					
Plan liabilities	$181,497	$(415,456)	$1,602,928	$(536,522)	$615,686
Plan assets	$(20,865)	$342,110	$(209,286)	$91,032	96,082

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

	2016	2015
Surplus (deficit) for the year	$499,462	$(173,451)
Add/(less) non-cash items:		
Depreciation and amortization	499,565	504,473
Deferred rent	(73,715)	(57,661)
Loss on disposal of property and equipment	–	4,136
Bad debt expense	45,228	70,450
Write off of intangible assets	–	88,815
Add/(less) movements in working capital:		
Membership dues receivable	(61,228)	(67,627)
Receivables from non-exchange transactions	(429,285)	125,389
Receivable from Forum of Firms	(44,619)	2,597,252
Other receivables	24,461	284,413
Prepaid expenses	(317,277)	89,094
Advances and deposits	(35,644)	(422)
Accounts payable and accrued expenses	146,969	679,603
Employee entitlements	(110,762)	298,456
Revenue received in advance	161,190	519,118
Accrued pension costs	129,470	122,860
Net cash inflow from operating activities	**$433,815**	**$5,084,898**

12. Employee Disclosure

As at December 31, 2016, IFAC had 76 full-time employees (2015: 77 full-time employees), and 3 part-time employees (2015: 2 part-time employees). In addition to these employees, IFAC had 6 contracted staff member (2015: 3 contracted staff members), and 0 secondees (2015: 1 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 a bank (see Note 17). As at December 31, 2016 and 2015, 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, 2016, a total of $5,353,000 (2015: $10,375,036) was held with JP Morgan Chase Bank, representing 39 percent (2015: 80 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 (2015: $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, 2016, a total of $4,272,161 (2015: $925,998) was held with Citizens Bank; representing 37 percent (2015: 7 percent) of the total amount of cash and cash equivalents, receivables, and other current assets.

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, 2016 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, 2016, one IFAC member accounted for 9 percent of total revenue (2015: 10 percent). There were no amounts due from this member as at December 31, 2016 (2015: $Nil).

Currency risk

IFAC holds separate bank accounts in Australian dollars, 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:

	2016	2015
Realized gain	$115,668	$39,027
Total foreign exchange gain	$115,668	$39,027
Realized loss	$117,153	$417,806
Unrealized loss	30,418	308,380
Total foreign exchange loss	$147,571	$726,186

Fair values

As at December 31, 2016 (and 2015), 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.

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-one 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 2016, the Board held four physical meetings (2015: four), one webinar (2015: None), one electronic consultation (2015: two), and no teleconferences (2015: one). Positions on the Board are voluntary and there is no honorarium paid for any position held.

Senior management

As at December 31, 2016, senior management (key management personnel) includes the Chief Executive Officer, three Executive Directors, one Managing Director, and four Directors (2015: Chief Executive Officer, two Executive Directors, one Managing Director, one Senior Director, and eight 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 $5,804,640 (2014: $5,512,119).

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).

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 upon termination or relocation of the respective employees. As at December 31, 2016, the balance outstanding of employee advances and deposits was $115,112 (2015: $76,111).

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 2016, IFAC recognized revenues from the Forum of Firms for amounts invoiced for the annually agreed contribution (dues) of $11,185,300 (2015: $10,781,000), and for expenses incurred by the Transnational Auditors Committee totaling $599,079 (2015: $553,576). These amounts are due to IFAC on a quarterly in arrears basis.

As at December 31, 2016, an amount of $203,198 (2015: $158,579) is receivable from the Forum of Firms for expenses incurred by the Transnational Auditors Committee activity during the reporting period.

16. Commitments and Contingencies

As at December 31, 2016, IFAC had no outstanding commitments other than those lease obligations identified in Note 9.

17. Line of Credit

As at December 31, 2016, IFAC had an available line of credit from a bank in the amount of $2,625,000 (2015: $2,250,000). The line carries an interest rate of LIBOR plus 2.56% (2.20% at December 31, 2015) on outstanding balances and expires on June 2, 2017. IFAC did not access its line of credit during 2016 and 2015. 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.

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	
	2016	2015	2016	2015	2016	2015
Standards Development	$ 478,175	$ 537,121	$ 17,954,177	$ 16,894,894	$ 18,432,352	$ 17,432,015
Global Representation & Advocacy	-	-	1,888,324	1,990,199	1,888,324	1,990,199
Global Accountancy Profession Support	-	-	4,076,043	4,049,406	4,076,043	4,049,406
Global Accountancy Profession Development	919,820	155,347	3,473,521	3,382,236	4,393,341	3,537,583
Quality & Membership	-	-	3,317,345	3,608,262	3,317,345	3,608,262
Total allocated revenue	**$ 1,397,995**	**$ 692,468**	**$ 30,709,410**	**$ 29,924,997**	**$ 32,107,405**	**$ 30,617,465**

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)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
IFAC Corporate - Unallocated	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 499,462	$ (173,451)
Standards Development	9,067,121	8,468,971	3,718,899	3,306,383	1,777,016	1,552,556	2,997,947	3,235,580	871,369	868,525	18,432,352	17,432,015	18,432,352	17,432,015	-	-
Global Representation & Advocacy	1,362,661	1,314,048	168,145	242,626	44,653	58,975	312,865	374,550	-	-	1,888,324	1,990,199	1,888,324	1,990,199	-	-
Global Accountancy Profession Support	2,833,010	2,822,036	406,554	420,683	124,883	53,529	711,596	753,158	-	-	4,076,043	4,049,406	4,076,043	4,049,406	-	-
Global Accountancy Profession Development	2,317,523	1,919,425	459,000	548,639	916,253	375,312	700,565	694,207	-	-	4,393,341	3,537,583	4,393,341	3,537,583	-	-
Quality & Membership	2,330,424	2,397,624	317,412	355,238	58,603	87,770	455,435	585,911	155,471	181,719	3,317,345	3,608,262	3,317,345	3,608,262	-	-
Total expenses	**$ 17,910,739**	**$ 16,922,104**	**$ 5,070,010**	**$ 4,873,569**	**$ 2,921,408**	**$ 2,128,142**	**$ 5,178,408**	**$ 5,643,406**	**$ 1,026,840**	**$ 1,050,244**	**$ 32,107,405**	**$ 30,617,465**	**$ 32,107,405**	**$ 30,617,465**	**$ 499,462**	**$ (173,451)**

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
IFAC Corporate - Unallocated	$ 13,837,720	$ 12,946,423	$ 2,982,406	$ 3,152,992	$ 16,820,126	$ 16,099,415	$ 4,273,304	$ 4,107,810	$ 2,511,991	$ 2,456,236	$ 6,785,295	$ 6,564,046
Standards Development	-	-	-	-	-	-	-	-	-	-	-	-
Global Representation & Advocacy	-	-	-	-	-	-	-	-	-	-	-	-
Global Accountancy Profession Support	-	-	-	-	-	-	-	-	-	-	-	-
Global Accountancy Profession Development	-	-	-	-	-	-	-	-	-	-	-	-
Quality & Membership	-	-	-	-	-	-	-	-	-	-	-	-
Total	**$ 13,837,720**	**$ 12,946,423**	**$ 2,982,406**	**$ 3,152,992**	**$ 16,820,126**	**$ 16,099,415**	**$ 4,273,304**	**$ 4,107,810**	**$ 2,511,991**	**$ 2,456,236**	**$ 6,785,295**	**$ 6,564,046**

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INDEPENDENT AUDITOR'S REPORT

To the Board of the International Federation of Accountants

We have audited the accompanying financial statements of the International Federation of Accountants ("Organization"), which comprise the statements of financial position as at December 31, 2016 and 2015, and the related 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.

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audits of the financial statements in the United States of America, together with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively.

Responsibilities of Management and Those Charged with Governance 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. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 no realistic alternative but to do so.

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit 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.

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. We design 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 because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

CITRIN COOPERMAN & COMPANY, LLP
709 WESTCHESTER AVENUE WHITE PLAINS, NY 10604 | TEL 914.949.2990 | FAX 914.949.2910 CITRINCOOPERMAN.COM

In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation, structure, and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of an audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization's to cease to continue as a going concern.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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 or material weaknesses in internal control that we identify during our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Federation of Accountants as at December 31, 2016 and 2015, 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

White Plains, New York
March 21, 2017

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