March 2018

International Federation of Accountants®

2017 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.

2017 FINANCIAL STATEMENTS

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Statement of Financial Performance

For the year ended December 31, 2017

Amounts in U.S. Dollars	Note	2017	2016 Restated
Revenue			
From exchange transactions:			
Membership dues, net	6	$20,225,000	$18,872,900
Forum of Firms	15	12,256,930	11,784,379
Foreign exchange gains	13	552,921	115,668
Publications		105,633	110,943
Royalties and licensing		318,287	276,162
Interest income		42,336	24,460
Other revenue		42,253	24,360
From non-exchange transactions:			
DFID grant	3	1,019,927	919,820
Other	3	559,699	478,175
Total revenue		**$35,122,986**	**$32,606,867**
Expenses			
Employee costs	4, 12	$17,824,946	$17,743,688
Consultants	5	3,148,098	2,921,408
Travel and meeting costs		4,878,005	5,070,010
Occupancy and maintenance		1,296,782	1,243,172
Funding provided to the Public Interest Oversight Board	2	1,093,782	1,026,840
Depreciation and amortization	7	533,484	499,565
IT support		642,267	641,184
Legal and other professional fees		212,897	199,965
Recruitment and relocation costs		518,568	371,866
Foreign exchange loss	13	259,182	147,571
Communications and publicity		1,038,442	1,033,378
Telephone		176,616	173,424
Auditor remuneration			
Audit of financial statements		165,952	131,038
Tax and other services		69,108	73,528
Printing, distribution and postage		122,898	61,530
Insurance		154,203	152,057
Bad debt expense		2,378	45,228
Other expenses		386,530	404,902
Total expenses		**$32,524,138**	**$31,940,354**
Surplus for the year		**$2,598,848**	**$666,513**

See accompanying notes to financial statements.

Statement of Changes in Net Assets/Equity

For the year ended December 31, 2017

Amounts in U.S. Dollars	Note	Accumulated Surplus	Re-measurement of Defined Benefit Obligation	Total Net Assets/Equity
Net assets/equity at January 1, 2016, as originally reported		**$9,535,369**	**$-**	**$9,535,369**
Change in accounting policy – adoption of IPSAS 39	18	-	(2,500,196)	(2,500,196)
Balance at January 1, 2016, as restated		9,535,369	(2,500,196)	7,035,173
Surplus for the year ended December 31, 2016 (restated)		666,513	-	666,513
Loss on re-measurement of defined benefit obligation	10,18	-	(124,410)	(124,410)
Balance at December 31, 2016, as restated		10,201,882	(2,624,606)	7,577,276
Surplus for the year ended December 31, 2017		2,598,848	-	2,598,848
Loss on re-measurement of defined benefit obligation	10	-	(344,939)	(344,939)
Net assets/equity at end of year		**$12,800,730**	**$(2,969,545)**	**$9,831,185**

See accompanying notes to financial statements.

Statement of Financial Position

As at December 31, 2017

Amounts in U.S. Dollars	Note	2017	2016 Restated
Current assets			
Cash and cash equivalents	13	$15,817,834	$12,311,647
Receivables from exchange transactions:			
Receivables from IFAC members, net	6	-	16,000
Receivable from the Forum of Firms	15	447,877	203,198
Other receivables		106,019	130,399
Receivables from non-exchange transactions			
Receivables from other sources of funding	3	78,235	541,880
Prepaid expenses		750,623	634,596
Total current assets		**$17,200,588**	**$13,837,720**
Non-current assets			
Property and equipment, net	7	$2,271,818	$2,341,609
Intangible assets, net		-	2,199
Advances and deposits	9,14	624,698	638,598
Total non-current assets		**$2,896,516**	**$2,982,406**
TOTAL ASSETS		**$20,097,104**	**$16,820,126**
Current liabilities			
Accounts payable and accrued expenses		$1,601,296	$1,287,129
Employee entitlements	4	2,476,794	2,272,870
Deferred revenue	8	991,474	713,305
Total current liabilities		**$5,069,564**	**$4,273,304**
Non-current liabilities			
Accrued pension costs	10	$3,100,522	$2,706,389
Deferred rent	9	2,095,833	2,263,157
Total non-current liabilities		**$5,196,355**	**$4,969,546**
TOTAL LIABILITIES		**$10,265,919**	**$9,242,850**
Net assets/equity			
IFAC members		$9,831,185	$7,577,276
Total net assets/equity		**$9,831,185**	**$7,577,276**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**$20,097,104**	**$16,820,126**

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, 2017

Amounts in U.S. Dollars	Note	2017	2016 Restated
Cash flows from operating activities			
Cash was provided from:			
Membership dues		$20,274,150	$18,863,791
Forum of Firms		12,012,251	11,739,760
Other sources of funding		2,330,543	1,147,369
Publications		105,633	110,943
Royalties and licensing		277,619	306,936
Interest received		42,337	24,460
		$35,042,533	$32,193,259
Cash was applied to:			
Employee costs		$(17,571,827)	$(17,892,030)
Other payments		(13,796,763)	(13,867,414)
		$(31,368,590)	$(31,759,444)
Net cash inflow from operating activities	11	**$3,673,943**	**$433,815**
Cash flows from investing activities			
Cash was applied to:			
Purchase of property and equipment		$(461,495)	$(293,336)
Net cash outflow from investing activities		**$(461,495)**	**$(293,336)**
Net increase in cash and cash equivalents		**$3,212,448**	**$140,479**
Cash and cash equivalents at beginning of year		$12,311,647	$12,203,071
Effect of exchange rate change on foreign currency balances		293,739	(31,903)
Balance of cash and cash equivalents at end of year		**$15,817,834**	**$12,311,647**

See accompanying notes to financial statements.

Statement of Accounting Policies

For the year ended December 31, 2017

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.

As discussed below in Policy A, Accounting Standards Update, and in further detail in Note 18, IFAC elected to early adopt the provisions of IPSAS 39 effective January 1, 2017, on a retrospective basis, which impacted the prior period financial statements.

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 significantly differ from those estimates.

Significant Accounting Policies

A. Accounting Standards Update

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*. IPSAS 39 should be applied effective January 1, 2018, with early adoption permitted. On January 1, 2017, IFAC elected to early adopt the provisions of IPSAS 39 on a retrospective basis, which impacted the prior period financial statements. See note 18 for further detail on the impact of the adoption of IPSAS 39. 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.

B. Revenue Recognition

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

Membership dues

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.

Other sources of funding

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

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

Other sources of funding 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. Other sources of funding for compensation of expenses or losses already incurred or for giving immediate financial support to IFAC with no future related costs is recognized in the statement of financial performance when it becomes receivable.

Publications revenue

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

Interest income

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

Services in-kind

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

C. Employee Entitlements

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

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

IFAC is one of three sponsoring employers that participate in the multiple employer defined benefit pension plan (Plan) of the American Institute of Certified Public Accountants (AICPA) (Note 10). The Plan is wholly or partly funded.

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

Re-measurement of gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly to accumulated surpluses in the statements of net assets/equity. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized in the statement of financial performance as past service costs.

D. Property and Equipment

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

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.

Notes to the Financial Statements

For the year ended December 31, 2017

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 over 175 members and associates in more than130 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 and strengthen 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.

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 for the IPSASB and its consultative advisory group are provided by the Public Interest Committee (PIC).

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

Public Interest Oversight Board

The PIOB was formally established in February 2005 and is based in Madrid, Spain. It is legally constituted as a Spanish Foundation. The establishment of the PIOB is the result of a collaborative effort by the international financial regulatory community, in the form of the Monitoring Group, and IFAC. The Monitoring

Group (MG) 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. The MG initiated a regular review of the standard setting model during 2017 and issued a Consultation Paper titled "Strengthening the Governance and Oversight of the International Audit-Related Standard Setting Boards in the Public Interest" on November 9, 2017. The review is expected to continue during 2018.

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 2017 budget for the PIOB approved by the Monitoring Group amounted to €1,594,836, and the PIOB received funding from sources other than IFAC of €609,000. IFAC funding of the PIOB amounted to €985,836 or $1,093,782 (2016: $1,026,840).

3. **Other Sources of Funding**

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

	2017	**2016**
Capacity Building Program	$1,019,927	$919,820
IPSASB	487,585	478,175
CReCER	50,000	-
IAASB	22,114	-
Total external funding	**$1,579,626**	**$1,397,995**

As at December 31, 2017, amounts receivable from other sources of funding sources totaled $78,235 (2016: $541,880).

IFAC Capacity Building Program – DFID Agreement

IFAC is party to an Accountable Grant Agreement (Agreement) with the UK Department for International Development (DFID) to fund the IFAC Capacity Building Program (Program). 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:

	2017	**2016**
Program and Implementation	$926,704	$824,710
Management Fees	93,223	95,110
	$1,019,927	**$919,820**

As at December 31, 2017, IFAC recognized a liability of $775,980 (2016: $679,713) with respect to deferred revenue of Program services being performed under the Agreement (Note 8).

IPSASB

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

IAASB

During 2017, IFAC entered into a grant agreement in the amount of $466,120 with the World Business Council for Sustainable Development (WBCSD Agreement). The grant contains conditions that restrict spending of grant funds to costs directly associated with the underlying grant activities. The statement of work as stipulated in the WBCSD Agreement commenced in December 2017, and is expected to continue through the beginning of 2019. IFAC recognized revenue from this grant in the amount of $22,114 (2016: $0) for the year ended December 31, 2017. As at December 31, 2017, IFAC also recognized a liability of $151,004 (2016:$0) with respect to deferred revenue of services being performed under the WBCSD Agreement (Note 8).

CReCER

In 2017, IFAC received funding totaling $50,000 from several sources in support of the CReCER program.

4. **Employee Costs**

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

	2017	**2016**
Compensation costs	$13,717,611	$13,817,535
Payroll taxes and benefits	2,616,404	2,452,398
Retirement benefits (Note 9)	1,029,729	1,065,911
Temporary staff	92,202	171,932
Other	369,000	235,912
Total Employee Costs	**$17,824,946**	**$17,743,688**

Included in compensation costs are the following employee entitlements:

	2017	2016
Performance based remuneration	$1,760,100	$1,566,943
Accrued paid time off	716,694	705,927
Total employee entitlements	**$2,476,794**	**$2,272,870**

5. Consultants

	2017	2016
Consultants – standards development	$1,887,446	$1,777,016
Partner organizations / consultants – DFID (see note 3)	1,006,805	864,280
Consultants - other	253,847	280,112
Total Consultants	**$3,148,098**	**$2,921,408**

6. Receivables from IFAC Members

	2017	2016
Membership dues receivable	$55,200	$160,800
Allowance for uncollectible dues	(55,200)	(144,800)
Net dues/assessment receivable	**$ -**	**$16,000**

In 2017, adjustments and discounts to membership dues amounted to $151,900 (2016: $56,700).

7. Property and Equipment

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening net carrying value	$210,732	$295,838	$219,062	$313,416	$1,911,815	$1,932,805	**$2,341,609**	**$2,542,059**
Additions	420,158	106,413	3,852	12,469	37,485	174,453	**461,495**	**293,335**
Disposals	-	-	-	-	-	-	**-**	**-**
Depreciation	(226,901)	(191,520)	(102,906)	(106,823)	(201,479)	(195,443)	**(531,286)**	**(493,786)**
Closing net carrying value	$403,989	$210,732	$120,008	$219,062	$1,747,821	$1,911,815	**$2,271,818**	**$2,341,609**

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Cost	$1,457,942	$1,037,785	$729,638	$725,786	$2,946,578	$2,909,093	**$5,134,159**	**$4,672,664**
Accumulated depreciation	(1,053,953)	(827,054)	(609,630)	(506,724)	(1,198,757)	(997,278)	**(2,862,341)**	**(2,331,055)**
Net carrying value	$403,989	$210,732	$120,008	$219,062	$1,747,821	$1,911,815	**$2,271,818**	**$2,341,609**

8. Deferred Revenue

Deferred revenue consists primarily of grant proceeds received in advance of work performed. The following table summarizes deferred revenue as at December 31, 2017 and 2016:

	2017	2016
DFID grant	$775,980	$679,713
WBCSD grant	151,004	-
World Congress - 2022	40,000	-
Member dues	21,990	19,642
Membership application fees	2,500	13,950
Total Deferred Revenue	**$991,474**	**$713,305**

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:

	2017	2016
Not later than one year	$1,315,269	$1,216,244
Later than one year and not later than five years	6,342,163	6,291,479
Later than five years	5,210,194	6,569,374
Total operating lease obligations	**$12,867,626**	**$14,077,097**

Operating lease payments recognized as expense for the year ended December 31, 2017 totaled $1,153,167 (2016: $1,103,016).

Deferred rent as at December 31, 2017 totaled $2,095,833 (2016: $2,263,157). See Statement of Accounting Policies (G) Operating Leases for further detail.

The security deposit for office space in New York is in the form of a letter of credit in the amount of $514,841 (2016: $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 $8,646 (2016: $8,646). 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 $822,896 (2016: $891,593).

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 2017, the contributions recognized as an expense totaled $88,005 (2016: $53,834).

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

Defined benefit plan

Plan Description

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

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

Risks Associated with Defined Benefit Plans

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

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

II. *Bond Yields*: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

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

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

Reconciliation of the Net Obligation of the Defined Benefit Plan

Effective January 1, 2017, IFAC adopted the provisions of IPSAS 39, *Employee Benefits*, on a retrospective basis (Note 18). As such, information for the twelve months ended December 31, 2016 has been restated to reflect the adoption of IPSAS 39. The following tables present the change in present value of the defined benefit pension obligation and change in the fair value of plan assets for the twelve-month periods ending December 31, 2017 and 2016.

Present Value of Defined Benefit Obligation:	**2017**	**2016**
Opening balance	$6,086,853	$5,894,290
Interest cost	262,303	265,370
Benefits paid	(254,304)	(254,304)
Actuarial loss on obligation	699,826	181,497
Change in plan provisions	–	–
Closing balance	**$6,794,678**	**$6,086,853**

Fair Value of Defined Benefit Plan Assets:	**2017**	**2016**
Opening balance	$3,380,464	$3,274,730
Expected return on plan assets	143,721	144,886
Contributions by employer	69,387	158,065
Benefits paid	(254,304)	(254,304)
Actuarial gain on plan assets	354,888	57,087
Closing balance	**$3,694,156**	**$3,380,464**

The following tables present the funded status of the plan as at December 31, 2017 and 2016, which is recognized as an asset (liability) in the statement of financial position, and the change in actuarial (gains) losses for the periods ending December 31, 2017 and 2016, which is recognized directly in the statement of Net Assets/Equity:

Funded Status:	**2017**	**2016**
Present value of defined benefit obligation	$(6,794,678)	$(6,086,853)
Fair value of plan assets	3,694,156	3,380,464
Accrued pension cost	**$(3,100,522)**	**$(2,706,389)**

Change in Actuarial (Gain) Loss:	**2017**	**2016**
Net (Gain) loss for the period - Obligation	$699,826	$181,497
Net (Gain) loss for the period - Asset	(354,888)	(57,087)
Change in Net Assets/Equity	**$344,938**	**$124,410**

Pension Cost

The components of pension cost included in the statement of financial performance for the twelve month periods ending December 31, 2017 and 2016 are as follows:

Pension Cost:	**2017**	**2016**
Interest cost	$262,303	$265,370
Expected return on plan assets	(143,721)	(144,886)
Net periodic pension expense	**$118,582**	**$120,484**

Composition of Plan Assets

The composition of the Plan assets as at December 31, 2017 and 2016 is depicted below, and is presented separately for assets recognized at fair value based on quoted market prices in active markets for identical investments (“Quoted Market Prices”) and those where fair value is based on significant other observable inputs (“Un-Quoted Market Prices”):

	2017			**2016**		
Equity Securities:	Quoted Market Prices	Un-Quoted Market Prices	Total	Quoted Market Prices	Un-Quoted Market Prices	Total
U.S. Government securities	$63,980	$ -	$63,980	$58,547	$ -	$58,547
U.S. Government bonds	280,956	-	280,956	257,098	-	257,098
Corporate bonds	1,227,061	-	1,227,061	1,122,864	-	1,122,864
Mutual funds – U.S.	822,270	-	822,270	752,447	-	752,447
Mutual funds – non U.S.	-	369,401	369,401	-	338,033	338,033
Foreign bonds	-	236,093	236,093	-	216,045	216,045
Municipal bonds	-	5,832	5,832	-	5,337	5,337
Comingled pool		688,563	688,563	-	630,093	630,093
Fair value of plan assets	**$2,394,267**	**$1,299,889**	**$3,694,156**	**$2,190,956**	**$1,189,508**	**$3,380,464**

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

Performance of each investment manager is reviewed quarterly and interviews of each investment manager are generally conducted within a two-year cycle by an investments committee comprised of AICPA members with investment industry experience. Investment risk is managed in several ways, including, but not limited to, the creation of a diversified portfolio across multiple asset classes and geographic regions.

Fixed income investments include securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises, mutual funds, as well as corporate bonds from diversified industries and mortgage backed and asset-backed securities. Equity investments include investments of large-cap, mid-cap and small-cap companies located in the United States as well as investments of non-United States based companies. Other types of investments include an investment in a limited partnership that holds positions in non-United States based companies.

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

Measurement Assumptions

The measurement date is December 31 for the Plan's defined benefit pension obligation and plan assets, and January 1 for the Plan's net periodic pension cost. The principle actuarial assumptions used to calculate the defined benefit obligation as at December 31, 2017 and 2016 are as follows:

	2017	**2016**
Discount rates	3.75%	4.40%
Expected rates of return on plan assets	4.40%	5.75%
Expected increase in social security wage base	N/A	N/A
Expected increase in compensation and benefit limits	N/A	N/A
Expected rates of salary increases	N/A	N/A

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

The mortality assumption at December 31, 2017 is the adjusted RP-2014 mortality table for white collar employees and healthy annuitants projected with mortality improvement scale MP-2017 on a fully generational basis. At December 31, 2016, the MP-2016 mortality improvement scale was used.

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

Sensitivity Analysis

As at December 31, 2017 and 2016, an increase or decrease in the discount rate would affect the present value of the defined benefit pension obligations as follows:

Sensitivity for:	**2017**	**2016**
Discount Rates +0.25%	$(279,000)	$(241,000)
Discount Rates - 0.25%	$299,000	$257,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognized in the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis were applied consistently for both years presented.

Effect on Future Cash Flow

The Plan's Funding policy is to contribute an amount sufficient to meet the minimum funding requirements under the current pension law. The minimum required contribution for both 2016 and 2017 was $0. IFAC anticipates making a contribution of approximately $146,948 to the Plan during 2018. The weighted average duration of the defined benefit obligation as at December 31, 2017 was 16.4 years (2016:16.3 years).

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

	2017	**2016**
Surplus for the year	$2,598,848	$666,513
Add/(less) non-cash items:		
Depreciation and amortization	533,484	499,565
Deferred rent	(73,717)	(57,230)
Non-cash pension (gain) loss	49,196	(37,580)
Bad debt expense	2,378	45,228
Add/(less) movements in working capital:		
Membership dues receivable	13,622	(61,228)
Receivables from non-exchange transactions	463,645	(429,285)
Receivable from Forum of Firms	(244,679)	(44,619)
Other receivables	24,380	24,461
Prepaid expenses	(116,027)	(317,277)
Advances and deposits	13,902	(35,644)
Accounts payable and accrued expenses	(73,181)	130,483
Employee entitlements	203,924	(110,762)

	2017	2016
Deferred revenue	278,168	161,190
Net cash inflow from operating activities	**$3,673,943**	**$433,815**

12. Employee Disclosure

As at December 31, 2017, IFAC had 78 full-time employees (2016: 76 full-time employees), and 2 part-time employees (2016: 3 part-time employees). In addition to these employees, IFAC had 10 contractors (2016: 6 contractors), and 2 secondees (2016: 0 secondees).

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

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 is in the process of renewing an available line of credit with a bank (see Note 17). As at December 31, 2017 and 2016, 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, 2017, a total of $7,748,751 (2016: $5,353,000) was held with JP Morgan Chase Bank, representing 45 percent (2016: 39 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 (2016: $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, 2017, a total of $5,877,252 (2016: $5,111,422) was held with Citizens Bank; representing 34 percent (2016: 37 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, 2017 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, 2017, one IFAC member accounted for 8.7 percent of total revenue (2016: 9.4 percent). There were no amounts due from this member as at December 31, 2017 (2016: $0).

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:

	2017	2016
Realized gain	$19,034	$115,668
Unrealized gain	533,887	-
Total foreign exchange gain	**$552,921**	**$115,668**
Realized loss	$259,182	$117,153
Unrealized loss	-	30,418
Total foreign exchange loss	**$259,182**	**$147,571**

Fair values

As at December 31, 2017 (and 2016), 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 2017, the Board held four physical meetings (2016: four), two electronic consultations (2016: one), and no webinars (2016: one). Positions on the Board are voluntary and there is no honorarium paid for any position held.

Senior management

As at December 31, 2017, senior management (key management personnel) includes the Chief Executive Officer, three Executive Directors, one Managing Director, and seven Directors (2016: Chief Executive Officer, three Executive Directors, one Managing 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 $5,286,051 (2016: $5,804,640).

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 voluntarily or upon termination or relocation of the respective employees. As at December 31, 2017, the balance outstanding of employee advances and deposits was $97,854 (2016: $115,112).

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 2017, IFAC recognized revenues from the Forum of Firms for amounts invoiced for the annually agreed contribution (dues) of $11,604,750 (2016: $11,185,300), and for expenses incurred by the Transnational Auditors Committee totaling $652,180 (2016: $599,079). These amounts are due to IFAC on a quarterly in arrears basis.

As at December 31, 2017, an amount of $447,877 (2016: $203,198) is receivable from the Forum of Firms for expenses incurred by the Transnational Auditors Committee activity during the reporting periods.

16. Commitments and Contingencies

As at December 31, 2017, IFAC had no outstanding commitments other than those lease obligations identified in Note 9.

17. Line of Credit

As at December 31, 2017, IFAC was in the process of renewing an available line of credit from a bank in the amount of $2,625,000 in 2017 and 2016. The line will carry an interest rate of LIBOR plus 2.56% (2.56% at December 31, 2016) on outstanding balances and will expire on June 2, 2018. IFAC did not access its line of credit during 2017 or 2016. Borrowings under the line of credit are collateralized by substantially all of IFAC's assets.

18. Prior Period Financial Statements

On January 1, 2017, IFAC adopted IPSAS 39, *Employee Benefits*, using the retrospective method. This standard removes the option that allowed an entity to defer the recognition of changes in the net defined benefit liability (known as the "corridor approach"). The effect of this change was to decrease the surplus for the year ended December 31, 2017 by $164,342. The 2016 financial statements have been retroactively restated for the change, which resulted in an increase to surplus for the year of $42,641. Additionally, net assets at January 1, 2016 were reduced by $2,500,196 for the effect of the retroactive application of the new standard. The effect of the change on the 2016 financial statements and the retroactive adjustment prior to 2016 is tabulated below.

Effect on 2016:	**DR (CR)**
Decrease in employee costs	$(167,051)
Decrease in current year surplus – re-measurement of pension obligation	124,410
Increase in accrued pension costs and current year surplus	(42,641)
Effect on periods prior to 2016	
Decrease in surplus	2,500,196
Increase in accrued pension costs and decrease in accumulated surplus	$2,457,555

19. 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**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Standards Development	$ 509,699	$ 478,175	$ 18,300,694	$ 17,856,452	$ 18,810,393	$ 18,334,627
Global Representation & Advocacy	-	-	2,005,976	1,878,312	2,005,976	1,878,312
Global Accountancy Profession Support	-	-	3,288,923	4,054,432	3,288,923	4,054,432
Global Accountancy Profession Development	1,019,927	919,820	3,674,209	3,450,228	4,694,136	4,370,049
Quality & Membership	50,000	-	3,674,712	3,302,934	3,724,712	3,302,934
Total allocated revenue	**$ 1,579,626**	**$ 1,397,995**	**$ 30,944,513**	**$ 30,542,358**	**$ 32,524,138**	**$ 31,940,354**

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)**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
IFAC Corporate - Unallocated	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$2,598,847	$ 666,513
Standards Development	9,259,369	8,969,398	3,485,589	3,718,899	1,887,446	1,777,016	3,268,605	2,997,946	909,384	871,369	18,810,393	18,334,627	18,810,393	18,334,627	-	-
Global Representation & Advocacy	1,389,306	1,352,649	220,149	168,145	48,469	44,653	348,052	312,865	-	-	2,005,976	1,878,312	2,005,976	1,878,312	-	-
Global Accountancy Profession Support	2,168,988	2,811,400	353,824	406,554	155,864	124,883	610,247	711,596	-	-	3,288,923	4,054,432	3,288,923	4,054,432	-	-
Global Accountancy Profession Development	2,532,605	2,294,231	305,379	459,000	1,049,748	916,253	806,403	700,565	-	-	4,694,136	4,370,049	4,694,136	4,370,049	-	-
Quality & Membership	2,474,679	2,316,012	513,065	317,412	6,571	58,603	545,999	455,436	184,398	155,471	3,724,712	3,302,934	3,724,712	3,302,934	-	-
Total expenses	**$ 17,824,946**	**$ 17,743,690**	**$ 4,878,005**	**$ 5,070,010**	**$ 3,148,098**	**$ 2,921,408**	**$ 5,579,307**	**$5,178,407**	**$1,093,782**	**$1,026,840**	**$32,524,138**	**$ 31,940,354**	**$ 32,524,138**	**$ 31,940,354**	**$2,598,848**	**$ 666,513**

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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
IFAC Corporate - Unallocated	$ 17,200,588	$ 13,837,720	$ 2,896,516	$ 2,982,406	$ 20,097,104	$ 16,820,126	$ 5,069,564	$4,273,304	$5,196,355	$4,969,546	$10,265,919	$ 9,242,850
Standards Development	-	-	-	-	-	-	-	-	-	-	-	-
Global Representation & Advocacy	-	-	-	-	-	-	-	-	-	-	-	-
Global Accountancy Profession Support	-	-	-	-	-	-	-	-	-	-	-	-
Global Accountancy Profession Development	-	-	-	-	-	-	-	-	-	-	-	-
Quality & Membership	-	-	-	-	-	-	-	-	-	-	-	-
Total	**$ 17,200,588**	**$ 13,837,720**	**$ 2,896,516**	**$ 2,982,406**	**$ 20,097,104**	**$ 16,820,126**	**$ 5,069,564**	**$4,273,304**	**$5,196,355**	**$4,969,546**	**$10,265,919**	**$ 9,242,850**

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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, 2017 and 2016, 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.

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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, 2017 and 2016, 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.

Emphasis of Matter

As discussed in Notes 1, 10 and 18 to the financial statements, effective January 1, 2017, IFAC elected to early adopt the provisions of IPSAS 39, *Employee Benefits*, on a retrospective basis, which impacted the prior period financial statements. IPSAS 39 replaces existing guidance in IPSAS 25, *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. Our opinion is not modified with respect to this matter.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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