Association of International Certified Professional Accountants™

AICPA® CIMA®

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2019 Association integrated report

Association of International Certified Professional Accountants™

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aicpa.org

aicpa-cima.com

cgma.org

cimaglobal.com

As an organization dedicated to driving a dynamic accounting profession worldwide, we are focused on leading continuous growth and innovation. We are proud to present the 2019 Association of International Certified Professional Accountants® (Association) integrated annual report, a transparent and comprehensive record of the bold steps we've taken toward transforming the accounting profession.

The framework for integrated reporting was developed by the International Integrated Reporting Council (IIRC) and represents a way for an organization to explain how it creates value over time in the context of its external environment. For us, that means responsible capital allocation, recognizing the full range of factors that affect value, and supporting integrated thinking and planning.

This report is a cooperation between many areas of our organization. It outlines how each layer of our business is creating a future-ready profession and is working tirelessly to power trust, opportunity and prosperity for those we serve — today, tomorrow and beyond.

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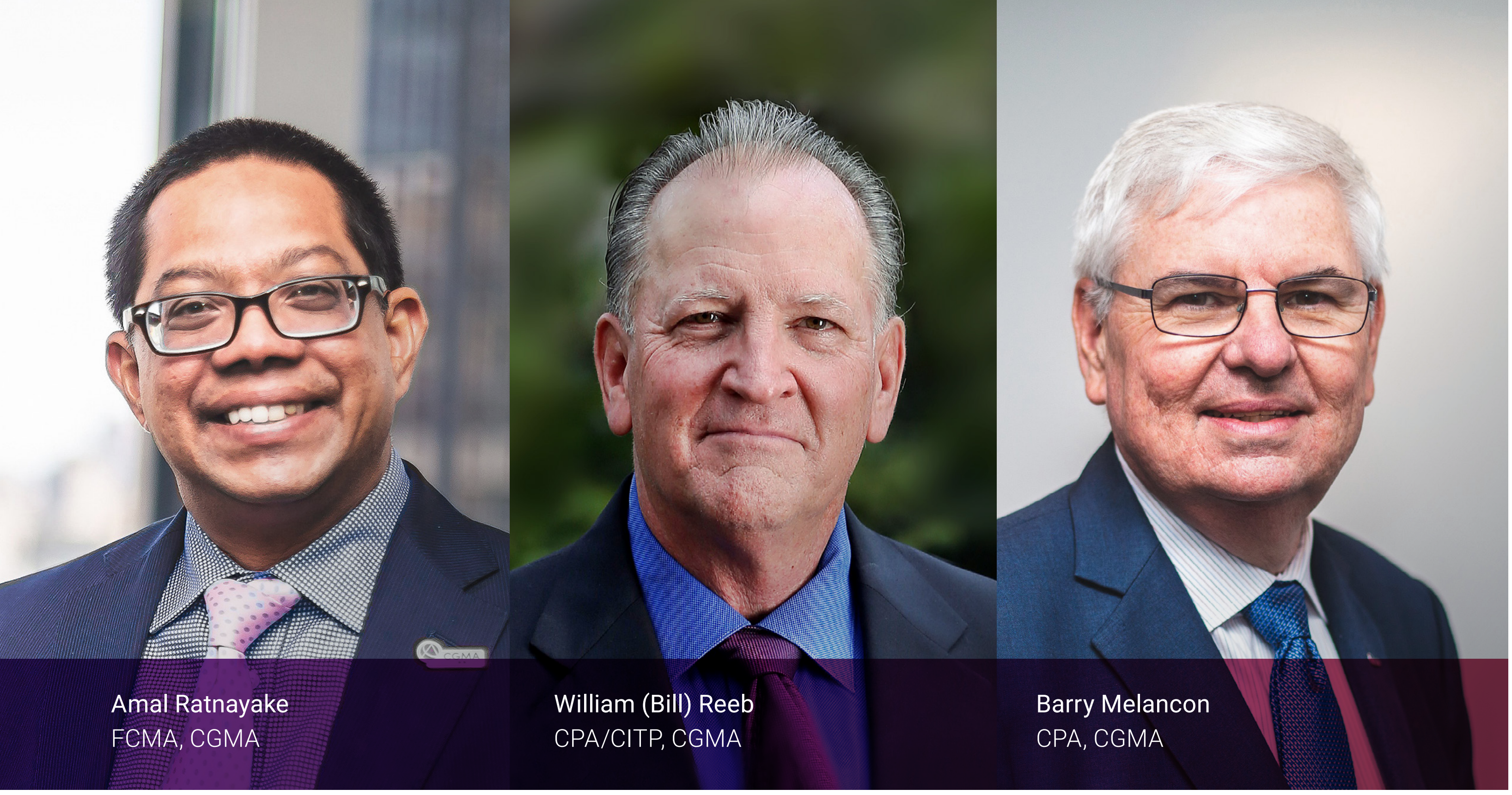

Amal Ratnayake
FCMA, CGMA

William (Bill) Reeb
CPA/CITP, CGMA

Barry Melancon
CPA, CGMA

Letter from leadership

As the Association was developing its 2019 Integrated Report, the devastating and long-lasting effects of COVID-19 were becoming increasingly clear.

Regardless of the area of practice, our members and students saw a dramatic, overnight shift in their lives. Some members were called to identify solutions for business continuity, others to address clients' tax concerns or to support their small business clients' needs for liquidity and support. Many were dealing with the impact on their small businesses. All were facing the impact on their personal lives.

The Association immediately began responding to their needs.

Throughout the crisis, serving our members, students and staff has been our top priority. We began advocating for quick public policy to infuse liquidity into national economies in support of small businesses and their employees, including for our members. In the U.S., we successfully pushed for an extension on tax filing deadlines and secured financial relief for small businesses. We also made policy recommendations around the U.K. government's economic stimulus package to support small business recovery.

To help our members immediately, we began delivering numerous free resources on how to navigate through unsettling times and designed web pages with curated content and tools specifically for COVID-19. We also took a hard look at our plans for the future of accounting and finance, and we were happy to confirm that our efforts over the last several years to future-proof the profession meant that we were as prepared as possible when the pandemic hit.

Specifically, our work in 2019 focused on reimagining the role of our profession and putting member benefits front and center. We continually asked ourselves: What skills do professional accountants need to succeed today and tomorrow in a world that never stops changing?

And, more importantly, how can we help our members — current and future — be ready for that environment?

Our work in these areas meant we were ready with tools and resources to help members who, beginning in 2020, were facing urgent and immediate changes in ways of working. Thus, as we continue to assess the long-term impacts of COVID-19, one thing remains clear:

We cannot WAVER from our commitment to reimagine the profession.

Now more than ever, our members must be ready to lead the world into a new sense of economic normalcy. We must be ready and right-skilled to meet the demands of the future and remain beacons of trust in uncertain times. In this report, we'll tell you how we are doing just that.

Amal Ratnayake
FCMA, CGMA

Chair, Association of International Certified Professional Accountants

President, Chartered Institute of Management Accountants

William (Bill) Reeb
CPA/CITP, CGMA

Vice Chair, Association of International Certified Professional Accountants

Chair, American Institute of Certified Public Accountants

Barry Melancon
CPA, CGMA

Chief Executive Officer

CEO, Association of International Certified Professional Accountants
President & CEO, American Institute of CPAs

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Top accomplishments

In 2019, we built on the long histories of two world-leading membership bodies — the AICPA® and CIMA — taking bold steps for the future of the profession. Together.

Here is a summary of our biggest achievements of the year.

By the numbers

650,000
members and students

living in
179
countries and territories

employed by
173,000
firms and employers

served by
33
offices

supporting
54
credentials, designations, diplomas and certificates

106,000 CGMA students

83,000 CPA candidates

199,012 Uniform CPA Exams sections taken

97,981 CIMA Professional Qualification and CGMA exams taken

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Engagement snapshot

18.4 million
total global social engagements

2 million
minutes of videos viewed on social media platforms

7 million
views to Association websites

240
podcast episodes published and 435,232 podcast downloads

65
fintech companies attended annual Executive Roundtable event in NYC

20
leading technology companies attended Global Executive Roundtable event in London

500
people attended Digital CPA and Managing Partner Summit

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Embracing services and technological innovation

- Hosted a free CPE/CPD webcast to educate members about cybersecurity best practices and their role in cybersecurity risk management
- Began a global launch of the 2019 CIMA Professional Qualification and the CGMA Future of Finance thought leadership report, "Reinventing Finance for a Digital World," in key markets
- Co-hosted the 2nd Annual AICPA and CPA.com Blockchain Symposium in New York City, where we released an Experts' Insights report with key insights and discussion points
- Collaborated with over 170 academics globally on changes to the new syllabus and testing
- Launched the Digital Assets Working Group, a joint working group focused on developing nonauthoritative guidance for financial statement preparers and auditors on how to account for and audit digital assets
- Expanded our reach to about 33 million worldwide learners through a new partnership with Coursera, a global leader in online education
- Hosted the Digital CPA Conference, which expanded beyond its original core focus of client accounting services to include assurance, tax and advisory services and included a Managing Partner Summit where CEOs/COOs from the Major Firms Group visited Amazon Headquarters and learned from executive briefings on innovation, the future of enterprise IT and security
- Published the successful Go Beyond+ Disruption professional development learning product series
- Hosted annual Executive Roundtable in NYC and Global Executive Roundtable in London to bring leading technology companies together with Association and CPA.com leadership for discussion on innovation, emerging technologies and global trends impacting the profession

200

resources created for academics to incorporate into their teaching assignments

12,500

downloads of "Building a Tax & Financial Planning Practice" podcast

21,000

views to the Association's inaugural LinkedIn Live broadcast on Capital One data breach

- Reached a significant milestone around CPA.com's leadership in educating the profession on the transformative capabilities of cloud technology and the reemergence of Client Accounting Services with the successful IPO of long-standing partner Bill.com
- Introduced the CIMA Islamic Finance Certificate Program in Indonesia, an online learning program valuable to newcomers and professionals operating in a range of industries
- Launched a campaign for National Cybersecurity Awareness Month in the U.S. and U.K. that included memes, blogs, podcasts, quizzes and one of our most successful webcasts, Cybersecurity, in 2020
- Began building the Dynamic Audit Solution (DAS) platform, completing the first phase of User Acceptance Testing, while driving strong relationships, key firm support and early interest from the profession globally
- Increased awareness around the value of integrated tax and financial planning services through enhanced outreach and resources

7,000

subscribers to Facebook Messenger chat blast with an average open rate of

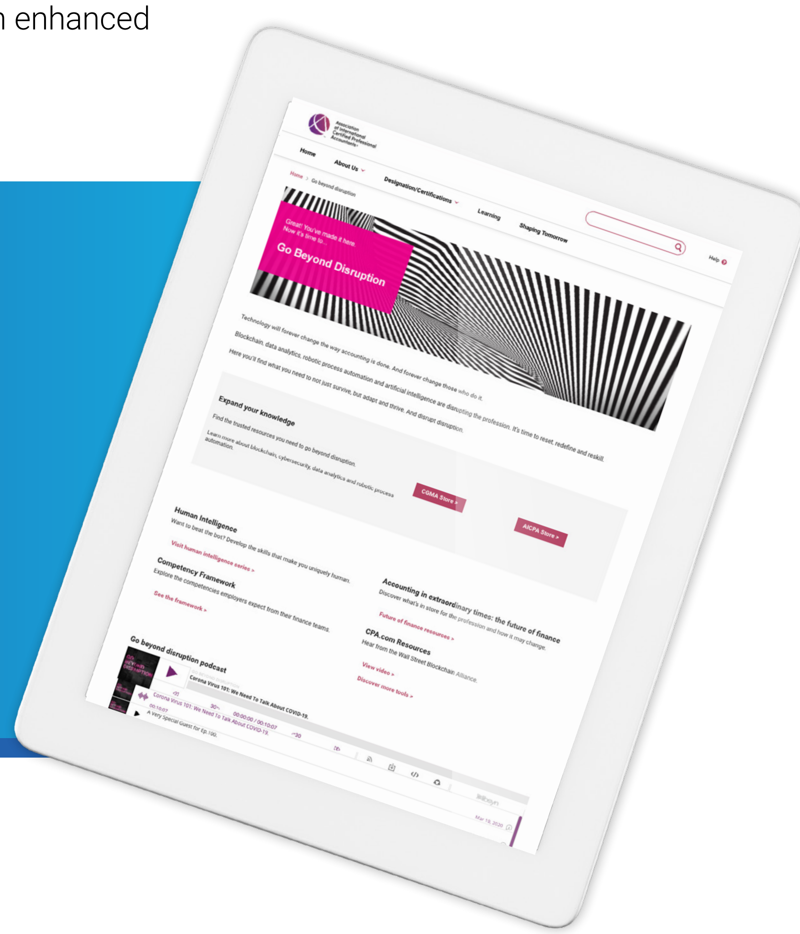
63.5%

56,000

podcast downloads generating

$1.5 million

Go Beyond+ Disruption certificate revenue



Upskilling the profession

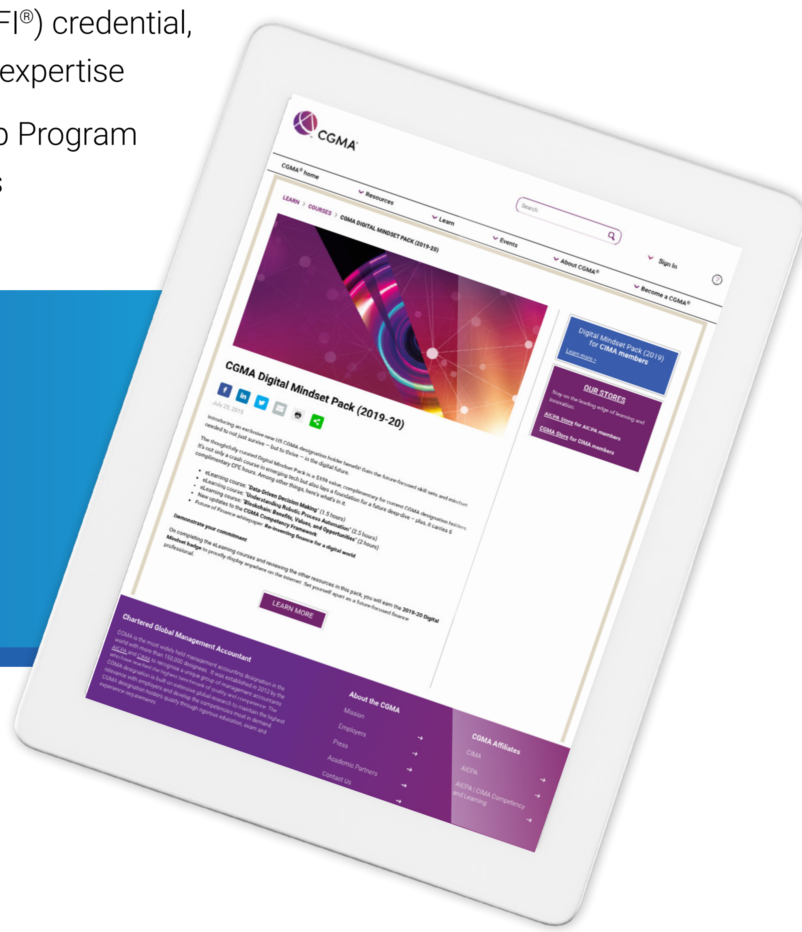
- Released findings from our Future of Finance research, a study where we consulted with more than 5,500 finance professionals from 2,000 organizations across 150 countries, to understand how the role of finance is changing in the digital age
- Developed proposal for a new CPA licensure model with the National Association of State Boards of Accountancy (NASBA) to evolve CPA licensure to reflect the skills and knowledge CPAs increasingly need in a rapidly changing marketplace
- Updated the CIMA syllabus and exams with first objective tests in November 2019, reflecting our commitment to providing evergreen credentials
- Published the Digital Mindset CPD Pack, nine thought leadership papers, and held multiple global presentations and workshops to encourage our members to embrace learning to prepare for the future of the profession in the digital age
- Enhanced offerings and experiences for firms through CPA.com and other strategic learning partnerships
- Expanded our CIMA Jobs Board to more than 1.46 million postings in 2019. On January 15, 2020, we launched the Association of International Certified Professional Accountants Global Career Hub, a global, consolidated career hub for both management and public accounting
- Launched the requirements to become Certified in the Valuation of Financial Instruments (CVFI®) credential, which focuses on fair value measurement expertise
- Unveiled the full CGMA Finance Leadership Program and grew presence with top-tier employers

1,230
online learning events

138
conferences, workshops, schools and certificates

2,500
competency-enhancing resources on the AICPA and CGMA stores

31,000
downloads of the CGMA Digital Mindset CPD Pack



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Encouraging the next generation

- Published a Practice Analysis research paper, including an Exposure Draft, outlining recommendations for planned CPA Exam updates to further align with professional practice and reflect the needs of today's CPA profession
- Launched the Level 4 and 7 apprenticeships in England, targeting school-leavers, university graduates and mid-career professionals seeking qualifications. Level 4 is the equivalent to the CIMA Certificate in Business Accounting. Level 7 is equivalent to a master's degree and provides another pathway to membership
- Achieved record-breaking interest in the AICPA Legacy Scholarship Program, and secured an additional $125,000 in scholarship funding from the AICPA Foundation
- Continued to enhance the profession's diversity and inclusion by hosting two Women's Global Leadership Summits in the U.S. and U.K. and supporting the CEO Action pledge
- Collaborated in the production and launch of the CPA Exam Booklet, which includes augmented reality-powered interactive enhancements that are accessible with a free app for Apple and Android devices
- Delivered nine local learning programs in China, Ghana, India, Macau and Nigeria — exceeding our goal of three pilots
- Increased participation in our AICPA Mentoring online platform
- Ended the practice of charging exemption fees for new CIMA qualification students who hold a relevant degree or qualification — a first among professional bodies in the accounting sector in the U.K.

97,981

CIMA professional qualification and CGMA exams taken

83,000

CPA candidates

846

apprenticeship registrations with 666 for Level 7 and 180 for Level 4

705 million

reach following media efforts related to exemption fee removal

1,359,545

visits to ThisWayToCPA

Supporting our members

14.7 billion
global media reach

13,500
total media placements

1.7 million
views of "Thank You" tweet video series

85%
increase in the Find-a-CPA tool in 2019 compared to 2018

117,432
total reach on Facebook through Ethics Month campaign

- Acquired the .cpa top-level domain, enabling us to promote CPAs' visibility and protect their professional standing online
- Refreshed the CIMA Code of Ethics to help finance professionals address ethical challenges of the 2020s
- Published semi-annual Private Companies Practice Section (PCPS) CPA Firm Top Issues Survey, including a full commentary with recommended resources to address member-identified issues affecting their practices
- Celebrated CIMA's Centenary throughout the year with a series of events and publications, including unveiling the CIMA official history book at the President's dinner in March
- Completed our digital "Thank You" tweet video series campaign, which used humor to encourage millennial business owners to hire a CPA
- Raised awareness of the CGMA designation among academics and university students around the world
- Engaged the small CPA firm community through a listening tour, providing the Association with valuable insight into small firm needs

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Transforming the organization

$1.89 million

growth in business and channel development

10,000

members involved in online platform redesign pilots

- Grew our membership and revenue
- Launched two pilot programs supporting a redesign of our online platform and digital capabilities to drive value and growth
- Scaled our operational hub in Malaysia, which opened in 2018, to drive cost efficiencies, reinvest in the profession and better serve members and students in Asia
- Removed friction and improved organization digital properties, including the AICPA and CGMA stores, to make them more intuitive and navigable
- Continued to deliver thought leadership on the topics of sustainability and responsible business, funding academic research and publishing our materials
- Finalized our new marketing structure to transform our marketing and member experience capabilities
- Introduced Enterprise Content Strategy (ECS) framework, an Association-wide initiative to transform the way we work together and deliver great content to all our audiences

Increasing our reach

26,047
downloads of *FM* magazine podcast

15 million
views to online publications

101,245
listens to the *Journal of Accountancy* podcast

1.02 million
views to AICPA and CIMA Insights blogs

- Secured partnership with Kaplan as the publisher of the CIMA Study Texts and CIMASTUDY.com for CIMA students in the U.K. and Ireland
- Launched the first localized learning program, a Chinese-English Bilingual Cybersecurity certificate, in China with EY China
- CPA.com hosted the most successful Digital CPA event to date and launched a partnership with a leading crypto asset software and data solutions provider, Lukka
- Created CIMA Insights, an online blog platform aimed at delivering member value by educating, informing and engaging with members; continued to enhance and grow our AICPA Insights blog
- Published the *FM* magazine podcast series, featuring in-depth conversations with executives and thought leaders in management accounting
- Grew the audience of our popular *Journal of Accountancy* podcast

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Advocacy

- Focused on global issues, including taxation of the digital economy and international audit standards
- Maintained a strong voice against state-level bills that would seek to deregulate occupations, including the CPA. Through a partnership with NASBA, we helped found the Alliance for Responsible Professional Licensing (ARPL), a new coalition of advanced professions, focused on educating policymakers and the public about the importance of rigorous professional licensing standards.
- Made significant contributions to U.K. government reviews of apprenticeships, audit standards and regulation; responded to major events, including Brexit, providing members with needed information and resources
- Addressed multiple U.S. federal policy issues that could impact members and the public, including disaster relief, tax reform implementation and changes to tax transcripts; continue to pursue the establishment of an IRS Practitioners Services Division
- Responded to 19 consultations on topics including audit reform and audit marker regulations and successfully petitioned the U.K. government to include accountancy and audit in the Queen's post-election speech

$1.4 billion

saved through efforts to derail a provision that could affect the vesting of firms' deferred compensation

$600 million

tax bill that firms avoided through efforts to halt legislative proposals requiring conversion to an accrual basis accounting method

$370 million saved by restricting IRS authority of a paid preparer regulation program regarding non-signers

Generated more than 1.3 million impressions through targeted, paid digital advertising campaigns focused around conferences, exposing state legislators and other key stakeholders in attendance to Alliance for Responsible Professional Licensing (ARPL) messaging

Developed more than a dozen state tools, including an advocacy toolkit, issue-based key messages and press release templates, to be shared with ARPL membership, a potential reach of more than 700,000 people. These tools enable ARPL members and their state partners to bring a more powerful and unified message to the debate

Governance

Association Board of Directors

In support of both public and management accounting, the Association Board of Directors is the core of our governance structure. The Board aligns with our organization's unique value proposition and addresses relevant issues while embracing opportunities to protect the public interest, advance the AICPA and CIMA membership bodies and meet the profession's needs.

The Board is composed of 37 leaders in the profession and the public, representing the diverse perspectives and expertise of the membership and stakeholders we serve. They extensively monitor the external environment and key trends that could have the most significant implications for the profession and organization in the future. With that insight, they help shape and ultimately oversee the development and approval of the Association's 3-year strategic plan and budget, monitor performance against goals and provide overall enterprise risk management.

> Together, Board members address the issues that significantly affect the entire accounting profession, including emerging service areas, competition, global advocacy and competency development.

Additionally, each Board member also serves on either the Public Accounting Board or the Management Accounting Board. The Public Accounting Board focuses on significant issues affecting CPAs and public accounting. The Management Accounting Board focuses on significant issues affecting ACMA, FCMA and CGMA designation holders and management accounting.

When considering candidates for the Board, the Nominations Committee reviews a variety of factors, including professional experience, competencies, organizational size, geographic location and diversity. The 2019 Association Board aligned with our membership composition of 32% women and featured representatives from four continents.

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Board leadership

Amal Ratnayake, FCMA, CGMA
Chair, Association of International Certified Professional Accountants Board

William (Bill) Reeb, CPA/CITP, CGMA
Vice Chair, Association of International Certified Professional Accountants Board

Association Board members

Paul Ash, FCMA, CGMA
Anita Baker, CPA
Sheila Balzer, CPA, CGMA
Mark Begich (Public member)
Bruce Behn, Ph.D., CPA
David Benello (Public member)
Kasia Ciezkowska, ACMA, CGMA
Louise Connaughton, FCMA, CGMA
Rick Dreher, CPA, CGMA
Joe Falbo, CPA, CGMA
Melody Feniks, CPA, CGMA
Sarah Ghosh, FCMA, CGMA
Tracey Golden, CPA, CGMA
Dan Griffiths, CPA, CGMA
Amarjeet Hans, FCMA, CGMA
Eric Hansen, CPA, CGMA
Andrew Harding, FCMA, CGMA
Nick Jackson, FCMA, CGMA
Melanie Kanaka, FCMA, CGMA
Anoop Mehta, CPA, CGMA
Barry Melancon, CPA, CGMA
Randy Myeroff, CPA, CGMA
Mandy Nelson, CPA
Anne Northup (Public member)
Joel Olbricht, CPA, CGMA
Jeff Porter, CPA
Amy Radin (Public member)
Okorie Ramsey, CPA, CGMA
Amal Ratnayake, FCMA, CGMA
William (Bill) Reeb, CPA/CITP, CGMA
Doug Roosa, CPA, CGMA
Richard Sharp, FCMA, CGMA
Steven Swientozielskyj, FCMA, CGMA
Louise Taylor, FCMA, CGMA
Mahes Wickramasinghe, CPA, FCMA, CGMA
Ron Yates Jr., CPA
John Zheng, FCMA, CGMA

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2019 AICPA and CIMA Councils

AICPA leadership

William (Bill) Reeb, CPA/CITP, CGMA
Chair, AICPA

Tracey Golden, CPA, CGMA
Vice Chair, AICPA

Eric Hansen, CPA, CGMA
Immediate Past Chairman, AICPA

CIMA leadership

Amal Ratnayake, FCMA, CGMA
President, CIMA

Nick Jackson, FCMA, CGMA
Deputy President, CIMA

Paul Ash, FCMA, CGMA
Vice President, CIMA

Steven Swientozielskyj, FCMA, CGMA
Immediate Past President, CIMA

AICPA governing council

The AICPA's governing council is made up of about 265 members and representatives from every U.S. state and territory. The Council guides AICPA programs and policies, aligning them with current and future market needs, and works to protect the public interest. Council convenes twice a year, in May and October, with smaller regional meetings each March.

CIMA governing council

CIMA's governing council consists of up to 58 members: 4 Honorary Officers, up to 38 elected Fellows, up to 12 co-opted members and 4 other members as Council thinks fit. The Honorary Officers are the senior volunteer leaders — President, Deputy President, Vice President and Immediate Past President. Elected Fellows are members of CIMA in the Fellow grade who are elected by constituency and the co-opted members are co-opted for skills and experience they bring, which is not otherwise represented on Council.

The Council governs CIMA and has responsibility for setting standards and regulation of members in line with the objects of CIMA's Royal Charter and for promoting to members their wider duty of care to the public interest. The Council meets twice a year in person and twice virtually.

Regional advisory panels

Regional Advisory Panels (RAPs) provide insights and input into the Association's strategic plan on local marketplace trends and offer the perspectives of CIMA and AICPA members in management accounting as well as those of students, employers and key regional stakeholders. In addition, RAPs serve as a key conduit between the members, students and stakeholders in the regions and the Association and MA Board. In this capacity, they represent, engage and advocate for the CGMA designation within the CIMA and AICPA.

Members of the RAPs are members of their founding body (CIMA or the AICPA) and are also members of the Association. RAPs also include members and students studying to become an ACMA/FCMA, CGMA and employers. The Association Nominations Committee selects RAP members.

Driving value

The Association's governance process is a key component of its ability to create value over time. As we develop, evolve and progress our 3-year strategic plan, we continually gather input through discussions and breakouts with the Association Board, AICPA Council, CIMA Council, RAPs and committees, and from members, students and other stakeholders. We rely on and incorporate their insights and input.

We also are dependent on the diverse backgrounds, perspectives and expertise of more than 2,100 volunteers serving on committees and groups to help drive the creation of tools, guidance and initiatives that benefit our members and the public interest.

In 2019, CIMA Council continued to implement the outcomes of the governance review to ensure it remains responsive to existing and incoming generations of members. At its Annual General Meeting in 2019, CIMA Council obtained member approval for Charter and Byelaw revisions that:

- Future-proofed CIMA Council's role to accommodate the evolution of the profession due to digitalization and other technological advances.
- Enabled CIMA itself to conduct meetings through technological options and virtual participation.
- Enabled the payment of an honorarium to the President to cover expenses and incidentals and compensation to employers to cover the work missed while the President is on CIMA duties, enabling more candidates to seek to become CIMA President.

We also began to review the composition of CIMA Council, including reviewing the geographical location of elected members and enabling a wider pool of members and nonmembers to join Council to ensure Council is representative of its future members and stakeholders. Some of these changes require Byelaw and Charter revisions.

In addition, we regularly report progress against our plan to the Boards and Councils. The Association Board is actively engaged in Enterprise Risk Management in line with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. Risks are identified to the organization in five categories: strategic, financial, operational, technological and external. Plans are then developed and approved by the Board to mitigate those risks.

External environment

The areas that shape our environment are undergoing an accelerated transformation.

Rapidly advancing technologies, including artificial intelligence and blockchain, are disrupting the accounting profession. As technology takes over more tasks and transforms ways of working, professionals need to expand into value-added activities and reskill themselves to stay relevant. Our members need support to succeed in this ever-changing marketplace. The Association works relentlessly to evolve the profession, support businesses and prepare workers for the future. We provide thousands of continuing professional development resources, including conferences, webcasts, on-demand learning and local events that enable members to gain the skills they need to be successful for the long term. We actively promote our credentials, qualifications and our members, and we offer resources to help members promote themselves in the marketplace.

At the same time, the economic landscape is changing. According to a McKinsey Global Institute report, the world economy has the potential to double in size by 2050, and most of the growth will come from emerging markets. The Association has taken strategic actions to identify and establish strong footholds in select growth regions. Among other achievements, we expanded the reach of our existing learning products by developing 12 new international channel partnerships in different countries such as China, India, Nigeria and Sri Lanka in 2019. Also, we developed a growth strategy for China in 2019, reflecting our focus on markets that will be key to the profession's future.

Traditional membership associations need to evolve their membership models to meet changing consumer demands. To remain vibrant and relevant, we are enhancing our capabilities for the members and the profession. We are modernizing our core systems and processes such as CIMA student registration and improving digital properties like the AICPA and CGMA stores. We are delivering increased member satisfaction by removing friction and making it easier for them to interact with us.

Further, these disruptions generate growing regulatory complexity, and the increasing volatility in financial markets drives far-reaching uncertainty. In 2019, we advocated on behalf of the profession, blocking anti-regulatory bills that would negatively affect CPAs. We supported the regulatory regime reform in the U.K. to reshape its accounting, auditing and corporate governance regulation as well as the statutory audit market and the role and function of audit. We continue to provide resources to help our members navigate uncertainty and support them via our advocacy efforts.

Our external environment is experiencing countless transformations, challenges and opportunities. We remain committed to taking the necessary steps to drive a dynamic accounting profession worldwide.

Competitive landscape

The Association's competitive landscape is complex and multi-faceted. Our competitors range from niche specialists to global for-profit enterprises, from startups to century-old organizations, and from traditional accounting and finance associations to universities and online course providers. Competition is only getting fiercer.

> We are investing in our members' and students' futures by enhancing worldwide brand recognition of our qualifications — CPA, CGMA, ACMA and FCMA — through media efforts, public outreach, and academic and corporate partnerships.

Given the increasing competition and accelerating forces of change, the value proposition of our organization must evolve to meet the needs of our members and keep our profession relevant. Our new digital transformation program is one of the ways we're responding to market feedback and enhancing our value propositions and business model. We create value in numerous ways for our members, students and stakeholders. We differentiate ourselves by continuing to advocate on behalf of our members and the profession, actively driving discussion and action focused on the profession's future, providing key learning and competencies required today and in the future, and raising awareness and recognition of the CPA, ACMA, FCMA, CGMA and advisory credentials.

Competition within our core offering area

Accounting associations

Our focus on learning serves as a key competitive advantage. As technology makes the world smaller than ever, we observe other accounting associations following our lead into the global market. Their growth efforts focus on China and Asia-Pacific, with many associations leveraging partnerships to reach these markets. Like the Association, many accounting organizations focus on student and member recruitment, retention and progression, relying on membership dues and exam fees as primary revenue sources. Very few of these organizations focus on learning products, services and experiences as an additional revenue source to supplement membership and credentialing revenues.

Specialty associations

Our comprehensive, one-stop-shop value proposition offers a competitive advantage over specialty associations. Specialty associations, which typically focus on a specific practice area such as internal audit or information security, are increasingly dominant in their respective niches. Like accounting associations, specialty associations continue to expand internationally to grow membership, and they are increasing member and student engagement through advocacy, thought leadership and targeted conferences. As the only accounting-focused association that offers both broad resources and advisory credentials and section products, the Association has a comprehensive, one-stop-shop value proposition that we must continue to capitalize on in the marketplace. By offering specializations that are relevant to our members, we are helping them to be more competitive in the marketplace and to perform better in their organizations or businesses.

Product competitors

In addition to competing with other associations for members, we also must remain ahead of competitors in the learning product space. The landscape for learning has shifted dramatically in the last few years, changing customer expectations around 24/7 access and the way learning is delivered. Product competitors are automating support, increasing digital content, and enhancing learning platform capabilities to respond to the growing demand for highly personalized, accessible and relevant content. As the learning and development marketplace becomes increasingly crowded, and rival associations grow their certificate programs, we must continue to develop best-in-class, immediately relevant learning materials, such as the Go Beyond+ Disruption learning series.

Strategy and business model

Vision, mission and purpose

Our strategic plan includes many different components, all starting with our vision, mission and purpose.

Our vision
To be the most influential body of professional accountants

Our mission
Driving a dynamic accounting profession worldwide

Our purpose
We power trust, opportunity and prosperity.

Strategic objectives

- Strategic positioning
- Global advocacy
- Value and growth
- Operational excellence

Strategic initiatives

1. Promoting competency globally
2. Open U.S. market for CGMA
3. Future-proof public and management accounting
4. Evolve auditing in the future
5. Transform our organization

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Strategic objectives

The Association has four strategic objectives that support our vision, mission and purpose. They provide overall direction for the work we do.

Strategic positioning

Strategically position management and public accounting and our designations.

Global advocacy

Create a global voice for advocacy on both business and regulatory issues.

Value and growth

Create a sustainable, global platform providing value for members, growth of the profession and talent for the future.

Operational excellence

Drive operational performance to reinvest in the profession and our members.

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Strategic initiatives

Within the strategic objectives, the Association has five initiatives. These five initiatives require a significant investment of human and financial capital and/or collective leadership mindshare. We leverage the skills and know-how of dedicated support teams to implement our strategic initiates and allocate surplus income to fund not only our operations but also the execution of our strategies. While our strategy consists of 3-year initiatives, each is continually evaluated and adjusted to shifting marketplace dynamics.

1

Promoting competency globally

We lead the global profession in competency development and lifelong learning.

Our tools and resources help members and students advance along a learning journey — from developing a basic understanding of topics to being able to embed technologies and tools into their work in meaningful ways. At the beginning of 2019, we set out to provide products to individuals and organizations that help them navigate digital disruption. Through the Go Beyond+ Disruption learning series, accounting and finance professionals can build competencies necessary for a digital world by using our resources and products on blockchain, cybersecurity, risk management, data analytics, robotic process automation, artificial intelligence, finance transformation and human intelligence. This year, the Go Beyond+ Disruption podcast series exceeded 56,000 total downloads and these learning programs drove about $1.5 million in revenue.

We also sought to engage the broader accounting profession. In June, we launched a partnership with Coursera, a global leader in online education, and since have published our “Introduction to Blockchain” and “Making the Case for Robotic Process Automation” courses on its platform, expanding our organization’s reach to about 33 million learners. The Association’s course is Coursera’s first robotic process automation content for business professionals.

Through our channel development efforts, we were able to achieve first sales in 12 new countries and develop 24 new partners, expanding our reach and influence around the globe through a total of 165 channel partners.

The new products and resources developed throughout the year contribute to the generation of human capital for our members and engaged professionals, as they help accounting and finance professionals improve their ability to perform their roles.

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2

Open U.S. market for CGMA.

We seek to professionalize management accounting in the United States.

At the start of 2019, we sought to launch the operational level of the CGMA Finance Leadership Program (FLP), we accomplished this goal. The FLP is an online learning and assessment platform that uses interactive learn-by-doing methods to teach candidates the competencies required to become a CGMA designation holder. It includes three levels: operational, management and strategic. Candidates enter the respective level depending on their experience and education, which enables us to offer skills development to everyone from entry-level staff to high performers at the mid-level and senior leadership.

To build FLP awareness, we refreshed our marketing plan and continued our efforts to promote awareness of the CGMA designation to members, students, business leaders and the public through influencer emails, targeted social media campaigns, media outreach and public relations.

We also planned to foster relationships with academics and U.S. universities to increase student interest. We partnered with Brigham Young University (BYU) to bring the FLP to students. BYU, a top-10 accounting school, will offer the FLP to its accounting and finance students in 2020.

The completeness and promotion of the FLP generate human capital in the U.S. market, as professionals become qualified to perform their roles within their organizations.

3

Future-proof public and management accounting.

We constantly evolve the requirements, pathways and delivery of learning and assessments for our qualifications.

We set lofty goals for this initiative in 2019, including establishing new apprenticeship programs and delivering value-added learning through the Future of Finance research. In the area of public accounting, we sought to reimagine the CPA licensure model and exam and to promote the value of integrated tax and planning services.

In the area of management accounting …

- We released findings from our Future of Finance research, which revealed how expanding mandates for finance, digital technologies and new sources of data are changing the shape of the finance function. We used it to shape our white paper, *Re-inventing finance for a digital world*, and to update the CGMA Competency Framework and Syllabus. The first Objective Tests under the updated syllabus took place in November 2019. We also launched a suite of Future of Finance of learning resources and experienced a record level of interest in the webcasts, with more than 10,000 member and student registrations and 3,600 attendees.

- We hosted well-known expert speakers from various industries at the CGMA Africa Conference. The event explored what the finance function of the future will look like. Association Chair and CIMA President Amal Ratnayake, FCMA, CGMA, opened the conference and participated in a panel discussion to explain how finance professionals can prepare to discover the transformative opportunities emerging from new technologies.
- We updated the CIMA Code of Ethics in October to better help finance professionals deal with ethics and independence challenges in the modern digital world. The adoption of the code creates important social value as it promotes the highest standards of conduct and integrity.
- We ended the practice of charging exemption fees for new students who hold a relevant degree or qualification, enabling them to start learning and book exams much quicker and removing the friction with the exemptions confirmation process.
- We expanded our apprenticeship offering, rolling out the Level 7 pathway to prospective CIMA members living in England.

In the area of public accounting …

- The AICPA, along with the National Association of State Boards of Accountancy (NASBA), proposed a new CPA licensure model that better reflects the skills and knowledge CPAs increasingly need in a rapidly changing marketplace. Association Vice Chair and AICPA Chair, William (Bill) Reeb, CPA/CITP, CGMA, served as key advocate for this initiative and helped develop guiding principles for a new licensure model. We also sought to evolve the U.S. CPA Exam to better align with professional practice and reflect the needs of today's profession and the work of newly licensed CPAs.
- We launched the Building a Tax & Financial Planning Practice podcast series, a step-by-step guide to formalizing financial planning services in tax practices. We also created a new workshop with CPA.com to help members in tax transition to value-added planning services.
- We launched the George Willie Ethnically Diverse Student Scholarship and Internship Program, which awards up to $20,000 in financial assistance to students who intend to pursue a CPA. We also published the *Best practices for preventing gender pay disparity: A guide from the AICPA Women's Initiatives Executive Committee*, which offers best practices for preventing gender pay disparity.
- We were awarded the .cpa top-level domain from the internet's global governing body after an extensive process that involved ongoing discussions and strategic planning activities. Our role in administering .cpa will provide a restricted domain for CPAs worldwide to connect with clients and the general public with increased trust, security, and verification.
- We continued to enhance sustainability initiatives and generate value within the profession by supporting Accounting for Sustainability (A4S), a His Royal Highness The Prince of Wales charity, and by being an active member of its Accounting Bodies Network (ABN).

4

Evolve auditing in the future.

We are dedicated to defining auditing in the future and the future of assurance services through foundational guidance, research and exploration of new technologies.

We provided resources for members to better understand and implement new tools and technologies. We also evolved our auditing standards to meet consumer and marketplace demand.

Technology of the future remained a primary focus in 2019. To take full advantage of these technologies, we partnered with CPA.com and technology partner CaseWare International to develop the Dynamic Audit Solution (DAS). After finalizing plans in 2018, the DAS development team began the build in 2019. By December, we successfully executed user acceptance testing of content and functionality developed to date.

We released technology guides and raised awareness of evolving and emerging services such as System and Organization Controls (SOC) for Cybersecurity. In 2020, we will be releasing guidance for sustainability reporting assurance.

Through our efforts, we increased the adoption of OnPoint PCR and RIVIO tools. We increased Preparation, Compilation and Review (PCR) firm enrollments and tripled the number of engagements per firm. We rolled out additional products in the OnPoint Suite, including Collaborate and Analytics. RIVIO Clearinghouse had multiple Top 100 firm-wide adoption rollouts, as well as pilot usage from a Big Four firm and a leading payroll company.

To help members keep up with today's changing business environment, we updated the Audit Evidence Standard to determine if the evidence is appropriate based on the source, nature and reliability of each piece. After it launches in 2020, it will help to generate social value with more robust standards that enhance reliability and fraud prevention.

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Transform our organization.

We are reimagining how, where and what services we provide to today's and tomorrow's members and students.

This year we continued our three-year transformation journey of reimagining how, where and what services we provide to support the profession and members — today and tomorrow. We focused on removing friction, enhancing and streamlining our services and products, and serving the needs of our members and students. We made significant technological changes to keep pace with changing customer expectations.

We expanded our hiring and grew our operational hub in Kuala Lumpur to serve our students, members and employees better while growing our Asia-Pacific presence. The Global Business Services (GBS) group in the Kuala Lumpur Hub won the Operational Excellence — Finance Accounting award from PIKOM, The National Tech Association of Malaysia.

Further, we boosted our efforts around creating a digitally centric organization. We grew our relationship with EY Seren and Accenture by signing an extended Managed Services Agreement (MSA). This agreement allows us to move forward in the next phase of our organizational and business model evolution, while providing us with tools, expertise and capabilities to help deliver our strategic objectives.

In 2019, the Association reimagined the profession, the organization and the services we provide our members — and then we acted on this new reality. In doing so, we saw growth and success. Even our challenges provided us with greater insights into how we can be more successful in 2020.

But our work is not done. Moving into the next year, we will continue to serve a broad and diverse profession. Our global network of members and students will continue to grow worldwide — and we are ready.

Together, as the Association, we are creating a future-ready profession and working tirelessly to power trust, opportunity and prosperity for those we serve — today, tomorrow and beyond.

Business model

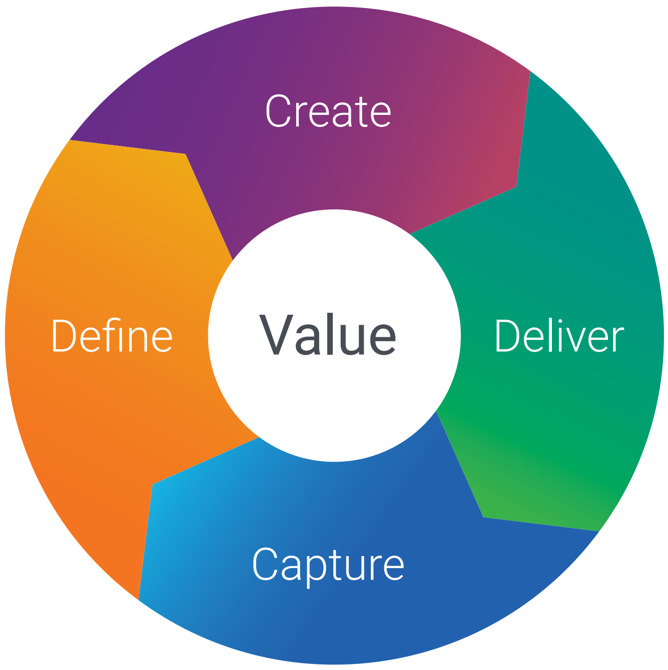
The Association applies its own CGMA Business Model Framework to demonstrate how we create and preserve value over time. At a high level, the framework comprises four conceptual elements that we use to focus on how value is:

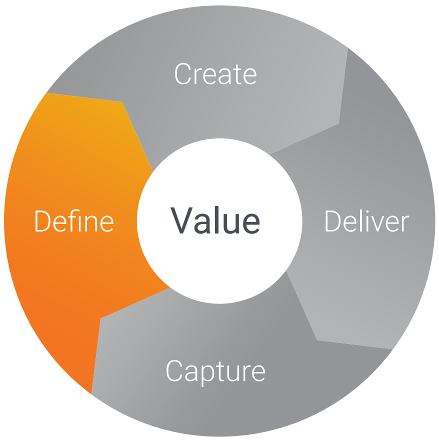
Defined
by members and other stakeholders

Created
by harnessing key resources and relationships

Delivered
to ever-more demanding and sophisticated individuals

Captured
for reinvestment and distribution to members, stakeholders and wider society





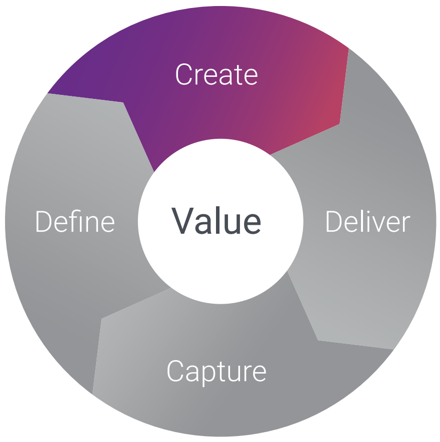
Define

For whom and with whom do we create value?

We engage and create value for:

- The accounting and finance profession to guide its continued evolution in powering trust.
- Members and students who look to us for skills, competencies and tools to deliver value to the public, their employers, and their clients.
- Professionals more broadly through our range of resources, products, and services.
- Firms and employers who use our insights and content to educate their staff.
- The public, which benefits from the increased trust skilled accounting and finance professionals worldwide deliver.

One of the ways we created value to the profession, employers and the public in general and generated human capital was calling on the next prime minister and government in the U.K. to reform the Apprenticeships Program to increase productivity and social mobility. The International Advocacy team met with the Prime Minister's Head of Education Policy in No. 10 Downing Street and presented research on apprenticeships to influence changes to the scheme. We also contributed to creating social capital to the public value by growing adoption of the AICPA Code of Professional Conduct.



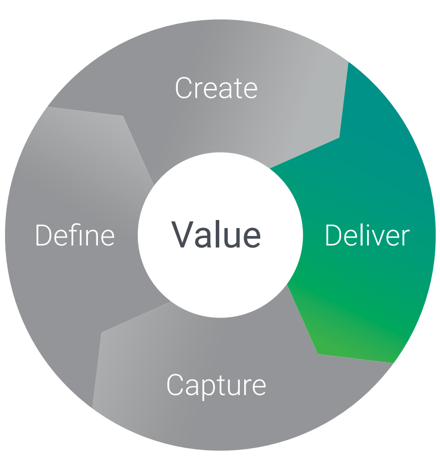
Create

How do we create the **products, services and experiences** that meet stakeholder needs?

We create value by:

- **Engaging with firms, businesses and members worldwide** to understand the big challenges of the day.
- Gathering the collective wisdom, data and insights of **subject matter experts**, academics and market research to develop solutions to those challenges.
- **Leveraging partners** and internal staff to develop resources that educate, inform and help our members and students in the areas needed most.
- Working with **member experts** to develop thought leadership, standards and guidance to help the profession stay up to date on regulations and legislation.
- Developing the Uniform CPA Examination, along with **Prometric** and **NASBA**; creating the CIMA Professional Qualification and CGMA exam and syllabus.

In 2019, we contributed to creating **social capital** by reaffirming the support of United Nations Global Compact (UNGC) principles. We created **relationship capital** by entering into a new 5-year mutual examination paper exemptions (MEPE) with the Hong Kong Institute of Certified Public Accountants (HKICPA) to advance the accounting profession. We created **human capital** by hosting the “She Can Be” inclusion initiative at our London offices.



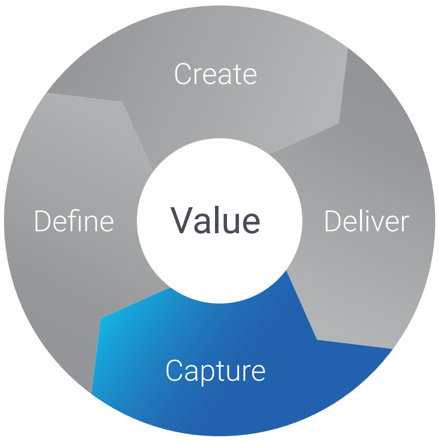
Deliver

How do we match and deliver our products and services to the right people at the **right price, time and place**?

We deliver value effectively and efficiently by:

- Using a variety of channels, including our key **publications** (*FM* magazine, the *Journal of Accountancy, The Tax Adviser*), **websites, email newsletters, social media** and more.
- Offering an array of **in-person and digital learning options** in the form of videos, blogs, podcasts, conferences, webcasts, certificate programs, specialized credentials and more.
- Optimizing our cost base by using **digital formats wherever possible** and limiting print and in-person formats to specific member and consumer needs.
- Transforming our business model to reduce costs and improve service. Through this effort, we’ve **partnered with organizations** such as Informa Connect and Accenture to enhance our capabilities.

One of the ways we delivered valued and generated **human capital** was issuing a new publication sharing winning strategies for building a sustainable staffing ecosystem. We also contributed to deliver **financial capital** by sharing tips, tools and resources through our AICPA’s 360 Degrees of Financial Literacy website, empowering people to make better financial decisions.



Capture

How do we **share the benefits** of value creation to incentivize our partners to continue creating value with us?

How we capture value:

- As a professional membership body, we operate as a not-for-profit organization.
- By reinvesting surplus income to fund organization operations that deliver the support, education and advocacy our members and the profession need to be successful and relevant.
- By generating revenue primarily through, but not limited to, membership dues, the products and services we sell and fees for exams.

Through meaningful initiatives, we generated natural capital by funding the report, “Accounting for climate change risk: A study of TCFD implementation,” written by researchers at the University of Sydney, Australia. We generated social capital by continuing the AICPA Scholarship for Minority Accounting Students that awards outstanding minority students who select accounting as a major and plan entry into the profession. Over four decades, this program has provided over $14.6 million in scholarships to about 8,000 accounting scholars.

We will continue to provide value to the public, profession, members and students, and finance professionals around the world. As a not-for-profit organization, we will continue to reinvest the captured value to fund our mission, vision and purpose. Considering the trends affecting the profession and our organization, including technological disruptions, younger generations’ changing needs and the post-COVID-19 economic turndown, our business models will evolve to create and deliver value in the new global marketplace. The implementation of our strategic initiatives, especially to transform our organization, are essential to keep us relevant in the future. We have been consistently delivering on our strategy the last few years and have evolved our management teams to continue doing so in the upcoming years.

Net assets and financial position

These combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Many readers of these financial statements from around the world are accustomed to financial statements being prepared under International Financial Reporting Standards (IFRS). As a result, some entities included in these combined financial statements have been converted from IFRS to U.S. GAAP. The primary differences between IFRS and U.S. GAAP affecting these financial statements are unrealized gains/(losses) on investments and actuarial pension gains/(losses), which are recorded in other comprehensive income for IFRS but are recorded in the statements of activities for U.S. GAAP.

For 2019, the Association's change in net assets was $39.4 million. We generated $391.3 million in gross revenue, including investment gains of $44.8 million, offset by $351.9 million in expenses. The Association ended the year in a strong financial position, with cash and cash equivalents of $66.2 million and investments of nearly $155 million. Further, we have access to a $50 million line of credit for any short-term operating needs.

We continue to monitor AICPA and CIMA pension plans, which remain liabilities of their respective founding membership bodies. During 2019, the AICPA plan generated a pension gain as a result of positive investment performance and changes in mortality assumptions, partially offset by a decline in the plan's discount rate. The CIMA plan generated a pension loss, primarily due to the decline in discount rate partially offset by positive investment performance. Both plans are frozen and closed to future accruals, and both founding membership bodies have committed to meeting at least minimum funding levels under agreed-upon plans to ensure adequate funding in the future.

The commentary below describes the revenues and associated expenses within our Combined Statement of Activities. Relevant KPI targets and results for 2019 are included in the KPI section that follows.

Member, firm services and partner solutions

Revenue consists of member and student subscriptions and dues from CIMA and the AICPA, including section and advisory credential memberships; dues from firm services focusing on audit quality and delivering resources to firms; partner solutions that target the practice management of CPA firms; and our Peer Review program. As a reminder, members of CIMA and the AICPA have automatic dual membership in the Association as part of their regular membership fees. Expenses include investments in the resources and benefits that help our members thrive in their careers.

Promoting competency globally

Revenue is derived from our key strategic initiative to lead the global accounting and finance profession in competency development and lifelong learning. We advance this mission by delivering thought leadership, experiences, learning products and services such as in-person events, online learning events and competency-enhancing resources on the AICPA and CGMA stores. These resources help professionals and the organizations where they work to navigate a rapidly changing firm and business environment. Expenses associated with promoting competency globally are costs to develop and deliver these resources as well as our continued investment in innovative, frictionless learning experiences that engage people in the profession overall.

Professional examinations

Revenue consists of fees for our CPA, CIMA, CGMA and our advisory credential exams. Expenses include costs to maintain, develop and grade as well as fees paid to our partners to administer the exams.

Affinity, advertising and other

Revenue is generated from our member programs, sponsorship of the AICPA Insurance Trust and advertising revenue through our various magazines and websites.

Contributions and contributed services

Revenue for the CIMA and AICPA Benevolent Funds and the AICPA Foundation is generated primarily from member contributions.

Investment return, net of expenses

Revenue is generated from our investment portfolio and includes realized and unrealized gains as well as dividend and interest income and is net of investment expenses.

Communications, public relations and advocacy

Expenses related to the Association's strong commitment to raising the profile of the accounting profession and recognition for our members and their designations include a wide range of activities: integrated advertising campaigns, public relations programs and extensive advocacy. Other expenses include investments related to supporting audit quality, CPA evolution, professional ethics and the future of finance.

Diversity, inclusion, scholarships and assistance

Expenses related to the Association's diversity and inclusion programs are key to long-term success and growth in driving a dynamic accounting profession worldwide. Expenses also include scholarships for students pursuing degrees in the accounting and finance profession and financial assistance to CIMA and AICPA members who are in temporary financial need due to hardship.

Supporting services

Supporting services include general management and membership development. General management expenses include all expenses required to support the operations of the Association and are not allocable to program services. Membership development includes expenses within our global engagement center to support our members.

Key performance indicators

We have established key performance indicators (KPIs) to measure and assess our organizational performance: total members and students, CPA candidates, net promoter score, total revenue and operating income.

We establish targets for each KPI annually, and we will continue to report these metrics to track progress against our multi-year, strategic plan.

KPIs

KPI	2018 result	2019 target	2019 result	Discussion
Members and students	657K	645K	650K	We experienced growth in both CIMA and AICPA members over 2018 and exceeded our 2019 target primarily due to increased progression of CIMA members and new AICPA member acquisition. We experienced a decline in CGMA students with exams and registrants as we continue to focus on students more likely to progress through learning, examinations and to membership.
CIMA members	110K	110K	113K	
AICPA members	429K	426K	431K	
CGMA students with exams	74K	74K	69K	
CGMA registrants	44K	35K	37K	
CPA candidates	86K	85K	83K	We experienced a slight decline in CPA candidates due to continued automation in the profession and firms hiring more non-CPAs such as business and industry graduates.
Net promoter score (NPS)				NPS is a measure of how strongly someone will endorse our brand or services. The range of potential values is from -100 to 100. Given the extent of transformation the Association is undergoing, occasional fluctuations in NPS are expected. We experienced strong midyear results; however, the year-end results declined, with both CIMA and AICPA behind target for 2019. Results have shown that we are making inroads on increased member satisfaction, brand recognition and member value.
CIMA	24	27	22	
AICPA	20	27	24	
Total revenue*	$315M	$326M	$320M	Total revenue is an indicator of the strength of the Association's financial position as well as the strength of our value proposition and commitment to competency development and lifelong learning. While revenue increased $5M over the prior year, we fell short of our target by $6M, primarily driven by a shortfall in Promoting Competency Globally revenue.

KPI	2018 result	2019 target	2019 result	Discussion
Operating income (loss)**	$(0.5M)	$1M	0.2M	Operating income (loss) is an overall measure of our profitability and how we direct our revenue to reinvest back into the profession and our members and students. We did not meet the 2019 target, primarily due to shortfalls in revenue. However, we were able to reduce expenditures with minimal impact to our members, students and the profession, to offset some of the revenue shortfall. The Association's combined financial statements provide additional information regarding our financial health and activities.

* Total revenue excludes related organizations and affiliates of the Association's founding membership bodies

** Operating income (loss) excludes related organizations and affiliates of the Association's founding membership bodies as well as market driving changes in investments and pension

Risks and opportunities

The Association's enterprise risk management (ERM) approach leverages the 2017 COSO ERM Integrated Framework to assess enterprise risks. It equips the Association with a systematic approach to identify, assess and develop mitigation plans for the risks deemed most threatening in preventing the Association from executing on its strategy. The ERM was a key element in the development of the 2018–2020 Strategic Plan.

We reviewed the risk landscape by collecting inputs from external reports and interviews with members, volunteers and leadership. We identified and addressed the potential causes of each risk, as well as consequences and mitigations. The significance of each risk was then evaluated based on the likelihood of occurrence and potential impact, both before and after mitigation plans are in place.

The enterprise risks were categorized as an external, operational or strategic risk. External risks emerge from outside the organization, operational risks arise from within the organization, and strategic risks are associated with our strategic initiatives. The identified risks can significantly affect the Association's finance, relevancy and reputation if mitigations are not in place.

In 2019, we conducted further research and assessment to review the risk landscape and identify the key enterprise risks most critical for the Association. The list of the main corporate risks remained the same as in 2018, and we continue to leverage our strategic initiatives to mitigate risks and, as a result, provide significant opportunities for the profession, our members and the Association.

Key enterprise risks

Risk	Mitigation/opportunity
Technology disintermediates profession The rapid speed of disruptive innovations (e.g., automation) and new technologies may outpace the profession's ability to compete in the marketplace. *External risk: High impact on finance and relevancy*	Drive the incorporation of technology to enhance the quality and value of services. Use data analytics to enhance the future of audit, finance and tax. Become a thought leader in the implications of current and future technologies through internal expertise and partnerships. Expand advisory services to provide assurance for new and emerging technologies. Enable smaller CPA firms to access to cutting-edge audit technology to help them stay competitive. *Key initiatives: Future-Proof Management and Public Accounting, Evolve Auditing in the Future and key projects under Promote Competency Globally.*
Rise in geopolitical instability As the Association expands globally, we may encounter regulatory uncertainty, entry barriers, lower economic prospects and more difficult member/student engagement in less stable markets. *External risk: High impact on finance and relevancy*	Diversify interests and focus on areas of political and economic stability. *Key initiatives: Global Market Analysis — component of our strategic plan — delineates how to strategically approach each market.*
CPA or CGMA designations lose relevancy As the economic landscape and market demands change, the CPA and CGMA must evolve to remain relevant. *Strategic risk: Very high impact on relevancy and reputation and high impact on finance*	Provide guidance, education, credentials and certificates that drive competence in members to help them enhance quality in core service areas, as well as lead in new areas. *Key initiatives: Future-Proof Management Accounting and Public Accounting through key projects like Future of Finance and CPA Evolution.*
Association's business model fails to evolve We need to successfully transform our business to respond to the changing market. *Strategic risk: Very high impact on finance and high impact on relevancy*	Reimagine the membership value proposition and experience, building digital capabilities and propositions. Create a digitally centric organization to respond to rapidly changing member expectations and keeping pace with constant technological innovation. *Key initiatives: Transform Our Organization strategic initiative.*
Insufficient penetration of U.S. market for CGMA CGMA is a new designation in a competitive market. U.S. penetration is essential to our future growth. *Strategic risk: High impact on finance and relevancy*	Develop programs to build relationships and work with employers and individuals to communicate the value of the CGMA. Expand access pathways to the designation. Elevate awareness through marketing and PR programs. *Key initiatives: Open U.S. Market for CGMA strategic initiative.*
Lack of optimal member digital experience As technology companies set new expectations for consumers, we must improve our digital interactions to remain competitive and grow. *Operational risk: High impact on relevancy*	Enhance the capabilities of our existing digital platforms while also implementing new channels to meet fast-changing member expectations as part of evolving our business model. *Key initiative: Program to redesign online platform*
Cyberattack on organization Cyberattacks have the potential to significantly affect relations with members, disrupt core operations and damage our brand and reputation. *Operational risk: Very high impact on reputation*	Apply our cybersecurity framework and work with world-class technology suppliers to monitor systems and secure our digital assets. Put redundancies in place for appropriate system protection and backup.
Exams compromised Failure to deliver a consistent and robust examination process in a secure environment would significantly harm our reputation. *Operational risk: High impact on reputation*	Continue to work with partners to offer solutions for administering exams virtually, including digitally delivered exams, online proctoring and security.

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Executive remuneration

The Association seeks to attract and retain talented leaders to develop and execute its strategy. A total compensation package for the CEO and the senior leadership team comprises base compensation, performance-related compensation and benefits. Total compensation levels and practices are based on both internal equity and local market practices in the territories where the Association operates.

The Remuneration and Talent Committee of the board provides oversight on executive compensation through its charter by:

- Ensuring that employee compensation and pay practices are consistent with the Association's values and competitive practices and are designed with the long-term success and sustainability of the organization in mind
- Reviewing and approving initiatives established for the Association CEO, and assessing annual performance against such goals and the strategic plan
- Establishing the total compensation of the CEO, including the level of performance-related compensation based on the assessment of annual performance
- Reviewing the total compensation of the Association's senior leadership team
- Using an independent compensation consultant to provide analysis of market compensation practices

To comply with the United States Internal Revenue Service regulations, the Association is required to disclose the compensation for up to 20 key employees, as defined, and its five current highest compensated employees, as defined, on its annual tax return (Form 990, Return of Organization Exempt from Income Tax). Form 990 can be found on website resources such as Foundation Center and Guidestar. The filing due date for the Association's Form 990 is May 15; however, the due date can be extended until November 15 upon filing a request with the IRS, which the Association has filed.

Resources and relationships

Association employees are our greatest investment. Recruiting, growing and maintaining the best and brightest talent is our top priority and directly impacts our overall success. We are dedicated to developing highly engaged staff whose agility and range of disciplines enables us to develop tools, resources and thought leadership that members and students rely on to stay ahead in the rapidly evolving accounting profession.

We believe **diversity and inclusion** are keys to long-term success and growth and driving a dynamic accounting profession worldwide. To ensure this is reflected in our staff, we use an objective, behavior-based interview process and conduct ongoing training to mitigate unconscious bias, and we routinely review diversity among our staff and leaders to ensure that we have a diverse and fair representation across the organization. Our internal learning catalog includes many courses related to diversity. To further support this initiative, our senior leadership team signed onto the CEO Action for Diversity & Inclusion™ pledge, which aims to rally the business community to advance diversity and inclusion within the workplace.

We believe our employees are the heart of our success, which is why we conduct monthly **Pulse Surveys** to get their opinion of working at the Association. In a November anonymous survey, about 45% of employees provided feedback. Routine **Town Hall** sessions provide opportunities for employees to engage in candid discussion about myriad topics with our CEO and leadership team.

The **Connections e-newsletter, The Source** intranet site and frequent **staff-led webcasts** keep employees informed on key initiatives, Association goals and changes affecting the profession and the organization.

Employee compensation and benefits are competitive within their local markets and are reviewed regularly. Encouraging diversity and inclusion in the workplace and enabling our employees' success at the organization is paramount to the Association's long-term goals. To that end, we are dedicated to eliminating the pay gap between men and women and align our salaries accordingly. Each year, we publish a Gender Pay Gap statement regarding employees in the U.K.

We are committed to providing our employees with personal and professional development opportunities and continue to make significant investment in learning programs across the organization. We also offer a range of free training opportunities to staff, including **certificate and digital badge programs** and **CPE/CPD courses**.

Our grassroots "**culture champions**" from offices around the world help drive adoption of organizational strategy, values and behaviors.

We consider mental health to be essential to a healthy work environment. As of Jan. 1, 2020, all global staff members have access to mental health professionals through our **Employee Assistance Program**.

Staff members are encouraged to recognize each other's successes and spread positivity worldwide. Through the **You Earned It** program, employees can send points that can be redeemed for rewards.

A healthy work-life balance for all employees can be the difference between high turnover and high retention rates. We continually monitor turnover and retention, and we benchmark against like-sized organizations and the general employment market. The Association has a telecommuting and flexible working policy that allows employees to fit work around their home lives. We regularly review and update our staff policies and benefits to align with changing staff needs. This year, we made changes to our U.S. parental leave policies and aligned vacation and sick leave across the organization to be more competitive in local markets. In addition to annual paid leave, the Association provides additional paid holidays to all global staff and this year announced a guaranteed weeklong year-end closure for all Association offices. Employees working to maintain critical operations during the closure are entitled to take this leave later in the year.

1,211

total number of employees

76

Culture Champions

58%

Leadership Development Program participants were women

33

Association offices

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U.N. Sustainable Development Goals

The Association recognizes the 17 Sustainable Development Goals (SDGs) the U.N. developed for governments, the private sector, civil society and individuals to transform our world. Organizations should align with the SDGs to realize maximum value creation, reduce risk, define opportunity and report on the impact their business activities have on sustainable development. The Association recognizes the contribution the accounting profession can make to this model and takes a keen interest in promoting sustainable development in its business activities.

Our efforts support eight specific goals:

U.N. SDG 4 on Quality Education — We believe access to quality education is critical to the success of the next generation of accounting professionals. To that end, we believe we must make it easier to enter the profession. We opened new pathways to the CIMA qualification by offering level 7 Apprenticeships. We also offer the AICPA Legacy Scholarships, which are designed to help students become better equipped to succeed in the working world.

U.N SDG 5 on Gender Equality — We published the CPA gender pay equity guide, which shares preventive strategies when recruiting and evaluating team members and released the CIMA gender pay gap statement published in the U.K. Equal pay for all genders was also highlighted at the President's Dinner celebrating CIMA's centenary.

U.N SDG 8 on Decent Work and Economic Growth — We believe innovation in the accounting and finance profession can come from anywhere. Our Startup Accelerator program finds, invests in, and helps early-stage startup companies grow. We selected three companies to enter the program in 2019.

U.N SDG 10 on Reduced Inequalities — In support of the commitment to driving a diverse and dynamic accounting profession worldwide and fostering social mobility, we stopped charging exemption fees for our CIMA qualification. The Association provides free and paid-for online courses accessible to people all over the world through its web properties to foster fair access to good quality education.

U.N SDG 12 on Responsible Consumption and Production — We have partnered with the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) to build a platform for social and economic accountability. We continue to act as thought leaders on the topics of sustainability and responsible business, funding academic research and publishing our materials.

U.N SDG 13 on Climate Action — We published thought leadership pieces on climate change, including a study of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), and we partner with organizations looking at climate change, including Accounting for Sustainability. We also provide resources and learning on how both management and public accountants can help organizations mitigate and adapt to climate change.

UN SDG 16 on Peace, Justice and Strong Institutions — CIMA publishes a Modern Slavery Statement annually that lays out the steps we have taken to ensure that our business and supply chain is free from slavery and human trafficking.

U.N SDG 17 on Partnerships for the Goals — We are a member of the Accounting Bodies Network of Accounting for Sustainability (A4S), giving a platform for discussing and promoting the role of finance leaders in promoting sustainability and the importance of resilient business models. In June, we announced a new partnership with the World Business Council for Sustainable Development (WBCSD). As part of the partnership, the two organizations work on issues related to sustainable reporting measures and driving long-term success.

The Association has made commitments to reduce the environmental impact of our offices, including reducing waste. For example, we reduced the usage of disposable coffee cups at the London office from 600 per month to zero.

Employees at the Association are provided paid volunteer time in addition to any other leave.

Barry Melancon has signed the CEO Action for Diversity & Inclusion pledge, joining more than 650 CEOs of the world's leading companies in leveraging their individual and collective voices to advance diversity and inclusion in the workplace.

Awards highlight

Platinum PR Award — The #CPApowered podcast series "Small Biz Brunch" features conversations with CPAs, small business owners and entrepreneurs about financial challenges.

Six Azbees awards from the American Society of Business Publications Editors — The Magazines and Newsletters Team won four regional awards and two national awards for multiple stories and podcasts appearing in the *Journal of Accountancy* and *Financial Management* magazine.

American Graphic Design and Marcom awards — The Creative Team won 16 design awards recognizing excellence in design, copywriting and communication strategy.

Partnerships

We believe success never happens in isolation. The Association maintains numerous relationships and partnerships to represent the interests of our members and students and best position the accounting profession for future success. These include:

Supporting the public interest through state CPA societies — In the U.S., we work collaboratively with all 54 CPA societies to advance the profession and public interest by partnering on advocacy, ensuring a strong pipeline of future talent, learning and competency development and other important initiatives.

National Association of State Boards of Accountancy (NASBA) — As longtime partners, the AICPA and NASBA work closely to develop the guidelines and model regulations for CPA licensure and associated credentialing in the U.S. NASBA assists boards of accountancy with application processing, credential evaluation, exam administration and score reporting while AICPA is responsible for preparing and scoring the Uniform CPA Exam through its Board of Examiners.

The Hong Kong Institute of Certified Public Accountants (HKICPA) — We have entered into a new 5-year agreement to advance the accounting profession by agreeing on mutual examination paper exemptions from the HKICPA Qualification Program and the CIMA Professional Qualification. With this agreement, members of the HKICPA can have an expedited pathway to both the CIMA Professional Qualification and the CGMA designation.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) — As a sponsoring member of COSO, we cooperate to provide the public with frameworks and thought leadership as well as education on enterprise risk management, internal control and fraud deterrence.

International Integrated Reporting Council (IIRC) — The Association is an original Foundation Partner of the IIRC, with whom we work to develop learning surrounding integrated reporting, and drive adoption of the Integrated Reporting ideal and framework among the businesses our membership serves.

Other professional accounting bodies and stakeholder groups — We maintain dozens of relationships with various national and international accounting bodies and organizations, including the International Federation of Accountants, to protect the profession and keep it vital and thriving into the future.

Pearson VUE and Prometric — Our relationship with these computer-based testing organizations has enabled us to expand our reach and grow our offerings. As we continue to explore new testing opportunities, these relationships are critical to the health of our global organization.

Creating and providing learning

Wall Street Blockchain Alliance (WSBA) — We are working with the WSBA to define the impact of blockchain technology for the accounting profession and advance the interests of both the public and profession in this area. As part of this collaboration, the Association — through our technology arm, CPA.com — administers the WSBA's working group on tax and accounting, a focal point for advocacy and education on blockchain within the profession.

Coursera — We launched a partnership with Coursera, a global leader in online education from the world's top universities and companies. We launched our "Introduction to Blockchain" course on their platform in June 2019. Through this partnership, we will be expanding our organization's reach to about 33 million learners.

Oracle — For more than five years, we have partnered with Oracle, a computer technology company and cloud provider, to understand how the operating model for modern finance is changing in response to digital disruption. Oracle sponsored our study, Agile Finance Unleashed: The Key Traits of Digital Finance Leaders, which examines the link between digital finance and market success in a global economy increasingly driven by customer expectations and technological innovation.

CaseWare International — Through CPA.com, we have teamed up with CaseWare International, a global provider of audit and analytic software, to create a new solution for CPAs that will make preparation, compilation and review engagements more dynamic, intelligent and efficient.

Financials

Combined financial statements and independent auditor's report

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Independent Auditor's Report

To the Audit and Finance Committee
Association of International Certified Professional Accountants

We have audited the accompanying combined financial statements of Association of International Certified Professional Accountants and Related Organizations, which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, net assets, and preferred stock and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Association of International Certified Professional Accountants and Related Organizations as of December 31, 2019 and 2018, and the changes in its net assets and preferred stock and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Roseland, New Jersey
April 22, 2020

Financial statements

Association of International Certified Professional Accountants and Related Organizations	Combined Statements of Financial Position December 31, 2019 and 2018 ($000)	
	2019	2018
Assets		
Cash and cash equivalents	$ 66,186	$ 43,396
Short-term certificates of deposit	3,074	3,526
Receivables, net	22,593	26,300
Deferred costs and prepaid expenses	16,247	11,834
Long-term certificates of deposit	750	-
Investments	150,801	116,370
Building, furniture, equipment and leasehold improvements, net	23,561	17,253
Software and technology, net	19,628	20,170
Goodwill	11,298	12,554
Total assets	$ 314,138	$ 251,403
Liabilities		
Accounts payable and other liabilities	$ 69,084	$ 56,457
Advanced dues	98,331	95,347
Unearned revenue	21,175	17,726
Deferred rent	15,503	12,155
Deferred employee benefits	28,937	27,448
Total liabilities	233,030	209,133
Preferred stock and net assets		
Preferred stock	7,500	10,918
Net assets with donor restrictions	1,139	1,527
Net assets without donor restrictions	72,469	29,825
Total preferred stock and net assets	81,108	42,270
Total liabilities, preferred stock and net assets	$ 314,138	251,403

See Notes to Combined Financial Statements

Combined Statements of Activities, Net Assets, and Preferred Stock
For the Years Ended December 31, 2019 and 2018 ($000)

	2019	2018
Changes in net assets without donor restrictions		
Member, Firm Services and Partner Solutions	$ 217,845	$ 208,288
Promoting Competency Globally	64,135	66,686
Professional Examinations	41,851	42,786
Affinity, Advertising and Other	21,147	17,941
Contributions and Contributed Services	1,124	1,105
Investment return, net of expenses	44,768	(5,996)
Total revenue and gains without donor restrictions	390,870	330,810
Net assets released from restrictions	411	464
Total revenue, gains and other support without donor restrictions	391,281	331,274
Operating expenses		
Program services		
Member, Firm Services and Partner Solutions	139,045	136,681
Promoting Competency Globally	73,211	67,960
Professional Examinations	39,934	42,230
Communications, Public Relations and Advocacy	46,917	45,966
Diversity, Inclusion, Scholarships and Assistance	4,504	5,439
Total program services	303,611	298,276
Supporting activities		
General Management	34,299	32,186
Membership Development	11,298	11,473
Total supporting activities	45,597	43,659
Total operating expenses	349,208	341,935
Change in net assets without donor restrictions from operations	42,073	(10,661)
Pension and postretirement benefit (loss) gain	(1,826)	2,740
Translation adjustments	(463)	(454)
Change in net assets without donor restrictions	39,784	(8,375)
Net assets without donor restrictions, beginning	29,825	14,126
Repurchase of common stock	(484)	-
Repurchase of preferred stock	(74)	(798)
Retirement of preferred stock	3,418	24,872
Net assets without donor restrictions, ending	$ 72,469	$ 29,825
Changes in net assets with donor restrictions		
Contributions	$ 2	$ 10
Net assets released from restrictions	(411)	(464)
Investment return, net of expenses	21	11
Change in net assets with donor restrictions	(388)	(443)
Net assets with donor restrictions, beginning	1,527	1,970
Net assets with donor restrictions, ending	$ 1,139	$ 1,527
Change in net assets	$ 39,396	$ (8,818)
Preferred stock, beginning	$ 10,918	$ 35,790
Retirement of preferred stock	(3,418)	(24,872)
Preferred stock, ending	$ 7,500	$ 10,918
Change in preferred stock and net assets	$ 38,838	$ (9,616)
Preferred stock and net assets, beginning	42,270	51,886
Preferred stock and net assets, ending	$ 81,108	$ 42,270

See Notes to Combined Financial Statements

December 31, 2019 and 2018 ($000)

	2019	2018
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ 39,396	$ (8,818)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization:		
Building, furniture, equipment and leasehold improvements	3,182	3,739
Software and technology	11,703	9,295
Goodwill	1,256	-
Loss on disposal of assets	383	104
(Gain) loss on investments	(41,891)	8,702
Deferred taxes	(1,595)	459
Provision for:		
Receivables	(289)	(368)
Deferred rent	3,290	(2,054)
Deferred employee benefits	2,660	(2,042)
Changes in operating assets and liabilities:		
Receivables	6,693	(3,209)
Deferred costs and prepaid expenses	(3,287)	(728)
Accounts payable and other liabilities	7,378	(561)
Advanced dues	2,344	7,440
Unearned revenue	3,441	(2,355)
Deferred employee benefits	(1,760)	(5,666)
Total adjustments	(6,492)	12,756
Net cash provided by operating activities	32,904	3,938
Investing activities:		
Payments for purchase of software and technology	(10,062)	(7,707)
Payments for purchase of building, furniture, equipment and leasehold improvements	(8,648)	(2,916)
Payments for purchase of investments	(9,395)	(7,626)
Proceeds from sale of investments	17,286	13,159
Net cash used in investing activities	(10,819)	(5,090)
Financing activities:		
Payments for repurchase of common stock	(484)	-
Payments for repurchase of preferred stock	(74)	(798)
Net cash used in financing activities	(558)	(798)
Effect of exchange rates on cash and cash equivalents	1,263	(1,520)
Net increase (decrease) in cash and cash equivalents	22,790	(3,470)
Cash and cash equivalents, beginning	43,396	46,866
Cash and cash equivalents, ending	$ 66,186	$ 43,396
Supplemental disclosures of noncash investing activities:		
Software and technology	$ 2,251	$ 595

See Notes to Combined Financial Statements

Notes to Combined Financial Statements

December 31, 2019 and 2018

Note 1 — Organization

The combined financial statements include the accounts of Association of International Certified Professional Accountants, American Institute of Certified Public Accountants (AICPA), The Chartered Institute of Management Accountants (CIMA), Association of International Certified Professional Accountants, U.K. (Association U.K.) and their subsidiaries and related organizations, which have been combined in accordance with accounting standards for not-for-profit (NFP) organizations. As used herein, the "Association" includes all such entities.

Association is a global membership organization whose mission and vision is to be the most influential body of professional accountants driving a dynamic accounting profession worldwide. In June 2016, members of AICPA and CIMA, in separate membership ballots, approved the creation of Association to integrate management, operations and strategy while preserving the membership bodies of both organizations. Association launched on January 1, 2017, with AICPA and CIMA as founding members. Members of AICPA and CIMA are also members of Association. Association is organized as an NFP organization domiciled in the United States of America (U.S.).

AICPA is the national professional organization for Certified Public Accountants (CPAs) and is organized as an NFP organization domiciled in the U.S.

MAPAGlobal SDN.BHD (MAPA), a wholly owned subsidiary of Association of International Certified Professional Accountants, was incorporated on May 23, 2018. MAPA is the global business services group of Association based in Malaysia.

CIMA is the global professional body of management accountants and is incorporated by Royal Charter and domiciled in the United Kingdom (U.K.).

Association U.K. is a cost-sharing group providing services to CIMA. CIMA and Association have 51 and 49 votes within Association U.K.

Subsidiaries and Related Organizations of AICPA

CPA.com, Inc. (CPA.com) is a provider of cloud-based Partner Solutions targeting the practice management, client services and developmental needs of public and management accountants. CPA.com is also responsible for marketing certain products and services, managing certain affinity programs and for providing certain technology services support to Association. As of December 31, 2019, AICPA controlled approximately 95% of CPA.com's voting stock. In accordance with CPA.com's amended shareholder agreement, AICPA's voting percentage will exceed 50% in perpetuity, subject to AICPA's approval to a transaction in which additional shares are issued to an investor. Notwithstanding AICPA's controlling interest in CPA.com, AICPA does not guarantee any of the obligations nor is it responsible for any of CPA.com's liabilities.

The mission of the Accounting Research Association, Inc. (ARA) is to provide funds for studies and research in regard to principles and standards of the accounting profession (see Note 12).

AICPA Benevolent Fund provides temporary financial assistance to members of AICPA and their families.

AICPA Foundation's (Foundation) mission is to grow the next generation of CPAs through three primary focuses: accounting education and outreach, scholarships and fellowships, and diversity and inclusion (see Note 12).

AICPA and State Societies Network, Inc., composed of substantially all of the individual state societies of CPAs located throughout the U.S., are equal percentage members of Shared Services, LLC (SSLLC), a Delaware limited liability company, organized for the purpose of managing shared services between AICPA and participating state societies. AICPA accounts for its 50% investment in SSLLC on the equity method, although the investment remains at zero as of December 31, 2019. SSLLC maintains a limited amount of activity, principally group buying power on certain products and services for the benefit of AICPA and participating state societies. SSLLC's Board of Directors continues to explore additional opportunities to fulfill its mission.

Related Organizations of CIMA

The CIMA Benevolent Fund provides assistance to CIMA members and ex-members and their families in times of hardship.

The Anthony Howitt Lecture Trust's mission is to advance education in management accountancy and related subjects.

Note 2 — Summary of significant accounting policies

Adoption of Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve that core principle, an entity should apply the five-step model in revenue recognition: (1) Identify the contract(s) with a customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; and (5) Recognize revenue when (or as) the entity satisfies a performance obligation. The guidance in Topic 606 also requires comprehensive disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. Association adopted the new guidance effective January 1, 2018.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall. The amendments in ASU 2016-01 are intended to improve the recognition, measurement, presentation and disclosure of financial assets and liabilities to provide users of financial statements with information that is more useful for decision-making purposes. Among other changes, ASU 2016-01 eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018. The adoption of this standard had no material impact on the combined financial statements.

On March 10, 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, requiring NFPs report the service cost component separately from the other components of net benefit cost. The service cost component is classified as compensation expense in the same combined statement of activities, net assets, and preferred stock's line item as payroll costs for employees who are receiving the retirement benefit. It requires that the other cost components be reported as non-operating expenses when a company presents a subtotal for operating results. The 2018 combined statement of activities, net assets, and preferred stock's amounts have been reclassified to give retroactive effect to the adoption of ASU 2017-07 (with no effect on total previously reported change in net assets). The reclassification of 2018 combined statement of activities, net assets, and preferred stock's amounts resulted in a decrease in changes in net assets without donor restrictions from operations of $1,216,000.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU was issued to provide guidance to NFPs as they adopt Accounting Standard Codification (ASC) 958-605, Not-for-Profit Entities — Revenue Recognition and ASU 2014-09, Revenue from Contracts with Customers.

Association applies ASU 2018-08 in determining if grants and similar contracts with resource providers should be accounted as contributions or exchange transactions. It is determined that all external resource providers do not receive commensurate value in return. Therefore, the transactions are deemed nonreciprocal and should be accounted as contributions.

In addition, Association evaluates whether a contribution is conditional, which affects the timing of the revenue recognized. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

In May 2019, the FASB issued ASU 2019-06, Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities, permitting all NFPs to elect the accounting alternatives described in ASU 2014-02, Intangible — Goodwill. An organization that elects the accounting alternative is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Association elected to test goodwill for impairment at the entity level.

Further, according to ASU 2019-06, goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of Association may be below its carrying amount. Since no triggering events indicating that the fair value of Association may be below its carrying amount occurred during 2019 or 2018, no further analysis was required.

Association applies ASU 2019-06 by electing to amortize goodwill over a 10-year period effective January 1, 2019. The amortization of goodwill is presented in the combined statement of activities, net assets, and preferred stock and included in the functional allocation of expenses. Any impairment losses would be recognized in the combined statements of activities, net assets, and preferred stock under continuing operations unless the loss is associated with a discontinued operation.

Basis of presentation

The preparation of combined financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

All significant intercompany accounts and transactions have been eliminated in combination.

Financial statement presentation follows the accounting standards requirements for NFP organizations. Under these standards, an organization is required to report information regarding its financial position and activities according to two classes of net assets depending on the existence and/or nature of any donor restrictions as follows: net assets without donor restrictions and net assets with donor restrictions.

Valuation of assets and liabilities

Association considers investments with an original maturity of 90 days or less when purchased to be cash equivalents. As of December 31, 2019 and 2018, the Association’s cash equivalents consisted primarily of short-term U.S. Treasury obligations, Certificates of Deposit and money market funds.

Certificates of Deposits with an original maturity greater than 90 days or less than 365 days are considered to be short-term Certificates of Deposit. Those with a maturity date greater than 365 days are considered to be long-term Certificates of Deposit.

Investments in equity securities with readily determinable fair values and all investments in debt securities and investment partnerships are reported at fair value with unrealized gains and losses included in the combined statements of activities, net assets, and preferred stock. The investment partnership represents ownership in a private investment partnership that trades global equity securities under the direction of asset managers.

Inventories consist of paper and material stock, publications in process and printed publications and course material and are stated at the lower of cost or net realizable value. A moving average method is used for determining inventory cost. Inventories are reflected as a component of deferred costs and prepaid expenses in the accompanying combined statements of financial position.

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business acquisitions that occurred after July 1, 2002, and are accounted for under the purchase accounting method.

Building, furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation or amortization computed on the straight-line method. Furniture and equipment are depreciated over their estimated useful lives of 3 to 10 years. Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period. Freehold/leasehold building is depreciated over a period of 40 to 50 years on a straight-line basis. Association capitalizes expenditures in excess of $1,000 for computers, $5,000 for furniture and equipment and $15,000 for leasehold improvements at cost.

Software and technology are stated at cost, less accumulated amortization computed on the straight-line method. Software development is amortized over its estimated useful life of 3 to 5 years. Association capitalizes expenditures in excess of $15,000 for software and technology at cost.

Concentrations of credit risk

Financial instruments, which potentially subject Association to concentrations of credit risk, include cash and cash equivalents, investments and receivables. At December 31, 2019 and 2018, balances on deposit at U.S. financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) insured limits. Cash equivalent amounts in sweep investment accounts are not insured nor guaranteed by the FDIC. Association maintains its significant cash balances with a high-quality financial institution which Association believes limits these risks.

Credit risk with respect to receivables is also limited because Association deals with a large number of customers in a wide geographic area. Association closely monitors the extension of credit to its customers while maintaining allowances for potential credit losses. On a periodic basis, Association evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit considerations. As of December 31, 2019 and 2018, the allowance for doubtful accounts was $1,118,000 and $1,231,000.

Notes and mortgages received by AICPA Benevolent Fund in connection with assistance payments to members and their families are recorded as assets, net of amounts deemed uncollectible. Notes and mortgages are noninterest bearing and are due upon the death of the member and spouse and/or sale of the mortgaged property. Credit risk with respect to receivables is limited because AICPA Benevolent Fund secures notes from a limited number of payment recipients in a wide geographic area. AICPA Benevolent Fund closely monitors the extension of notes and mortgages to its members while maintaining allowances for potential losses. On a periodic basis, AICPA Benevolent Fund evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs, market value of mortgaged properties, and collections and current credit considerations.

Derivatives

Association utilizes derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. Association does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Association recognizes all derivatives as either assets or liabilities in the combined statements of financial position and measures those instruments at fair value. Changes in the fair value of those instruments are reported in the combined statements of activities, net assets, and preferred stock.

Association entered into foreign exchange contracts in 2019 and 2018 to mitigate against potential losses on certain expenditures paid by non-U.S. or U.K. offices.

	2019	2018
	($000)	
Value of derivatives at deal rate	$ (8,667)	$ (251)
Value of derivatives at year end spot rate	8,660	261
(Loss) gain recognized in the combined statements of activities, net assets, and preferred stock	$ (7)	$ 10

Revenue recognition

Member, Firm Services and Partner Solutions

Revenue consists of member and student dues from CIMA and AICPA including section and credential memberships, dues from Firm Services focusing on audit quality and delivering resources to firms, Partner Solutions and our Peer Review program.

Dues revenue from members, students and firms include access to a multitude of benefits. Access to these benefits is voluntary and can occur during the membership period and are treated as part of the membership itself, rather than multiple performance obligations. Association recognizes revenue over the membership period.

For membership-based revenue recognized over time, the straight-line method is used to allocate the performance obligations over the performance measurement period. Association determined that this method provides a faithful depiction of the transfer of goods or services because the customer is required to pay regardless of how frequently the product or membership benefits are used, and Association stands ready to make its goods or services available to the customer on a constant basis over the contract period.

Partner Solutions are provided by CPA.com and target the practice management, client services and developmental needs of CPA firms. Revenue consists of a mix of fixed fee and subscription services. Revenue from fixed fee and subscription services is recognized ratably over time.

Peer Review services are required for firms and individuals that are members of AICPA who are engaged in the practice of public accounting in the U.S. or its territories and if the services they provide are within the scope of AICPA's practice monitoring standards, they issue reports purporting to be in accordance with AICPA professional standards or are required to undergo Peer Review services by their State Board of Accountancy. Revenue is recognized over the period services are rendered.

Promoting Competency Globally

Revenue is derived from Association delivering thought leadership, learning products and services such as in-person events, online learning events and competency-enhancing resources on the online store. Revenue generated from sales of physical products and e-books is recognized when the goods are shipped, or access is granted. Online self-study products provide access over a specified period of time. Revenue is recognized over the access period, which is predominately a one-year period. In-person events such as conferences, group study and member service events are recognized when the event occurs.

For subscription-based product revenue recognized over time, the straight-line method is used to allocate the performance obligations over the performance measurement period. Association determined that this method provides a faithful depiction of the transfer of goods or services because the customer is required to pay regardless of how frequently the product or membership benefits are used, and Association stands ready to make its goods or services available to the customer on a constant basis over the contract period.

Professional Examinations

Professional Examinations revenue consists of fees earned for examinations which include CPA, CIMA, CGMA, and Advisory credentials. Association recognizes revenue when the examination results are released.

Affinity, advertising and other

Revenue is derived from our member programs, advertising revenue through our various magazines and websites and a sponsorship fee from an affiliated party (see Note 13).

Revenue for member programs and sponsorships is recognized when the sale occurs by the affinity partner and advertising revenue is recognized when the advertisement is placed.

Revenue disaggregation

In accordance with ASU 2014-09, Association disaggregates revenue from contracts with customers into major revenue streams and the timing of recognizing revenue.

Revenue generated from memberships and subscriptions is primarily recognized over the performance obligation period, while the revenue generated from examinations and event-based programs is recognized at a point-in-time. The revenue disaggregated by the timing of recognition for years ended December 31, 2019 and 2018, are as follows:

	2019	2018
	($000)	
Point-in-time	$ 118,789	$ 114,333
Over time	226,189	221,368
	$ 344,978	$ 335,701

Contract balances

The timing of revenue recognition, billings and cash collections results in contract assets, receivables and contract liabilities. Contract assets would exist when the entity has a contract with a customer for which revenue has been recognized but customer payment is contingent on a future event. Association revenue is based on delivered goods and services and is generally limited to amounts that are not contingent on future events, therefore, not resulting in a contract asset being recorded. Association records receivables when the right to consideration becomes unconditional and are presented separately in the combined statements of financial position. Contract liabilities include advanced dues and unearned revenue when Association receives payment from customers before revenue is recognized and are presented separately in the combined statements of financial position.

Payment terms

The majority of the payment terms of Association's revenue streams are billed in advance of the performance obligation including member and student dues, firm services, Promoting Competency Globally, CIMA, CGMA and Advisory credential examinations and advertising. All other revenue streams are collected in arrears with terms generally net thirty days.

Transition disclosure

Association adopted ASU 2014-09 on January 1, 2018, using the retrospective method. Accordingly, the prior year 2018 combined financial statements have been restated and the cumulative effect of adoption has been charged to net assets without donor restrictions as of January 1, 2018, the beginning of the first period presented. The impact of adjustments on changes to net assets recorded to date is now recognized in the period identified (cumulative catch-up method), rather than prospectively over the remaining contract term.

Association applied the standard's practical expedient that permits the omission of prior-period information related to remaining performance obligations, which are not material to the restated information. No other practical expedients were applied.

Under the retrospective approach, the cumulative effect of the application of the new standard resulted in a decrease to beginning net assets without donor restrictions of approximately $2,933,000 as of January 1, 2018. The adjustment primarily relates to online self-study products that provide access to learning and purchased content for a specific period (normally 12 months). Under the new standard, the revenue from online self-study is treated as subscription-based products and the transaction price is recognized over the performance measurement period (access period) rather than upon purchase. The impact of applying ASU 2014-09 for the years ended December 31, 2019 and 2018, resulted in reduction in revenue from online self-study sales of $532,000 and $688,000.

AICPA entered into a third-party agreement that provides for AICPA to break-even with regards to revenue earned and certain external and internal costs incurred in developing, maintaining and providing the computerized Uniform CPA Examination in jurisdictions (Jurisdictions) recognized as member bodies of the National Association of State Boards of Accountancy (NASBA), referred to as the Domestic Examination. Accordingly, such revenue or costs have been deferred and are reflected in the accompanying combined statements of financial position net of revenue or cost recognized (see Note 9). AICPA also entered into a third-party agreement (International Examination Agreement) for AICPA to provide the computerized Uniform CPA Examination, on behalf of the Jurisdictions, to select international locations (International Examination). The International Examination Agreement does not provide for AICPA to break-even; accordingly, revenues and costs are recognized as earned or incurred.

In 2018, AICPA, CPA.com, Private Companies Practice Section and a number of the U.S.'s largest public accounting firms came together to develop a new Dynamic Audit Solution (DAS), to be built on software from a leading technology provider. The goal of this collaborative effort is to develop an audit methodology. AICPA has received funding from CPA firms, which is recognized as a deferred liability when the cash is received, and the liability is reduced when expenditures are incurred. Accordingly, no revenue or expense is recognized in the combined statements of activities, net assets, and preferred stock. To date, AICPA has received $26,788,000 in firm funding and expended $7,599,000 in development costs, resulting in a liability of $19,189,000 as of December 31, 2019, which is included in accounts payable and other liabilities in the combined statements of financial position.

Contributions and other assets are recorded with or without donor restrictions when received depending on the existence of any restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

A number of people have contributed significant amounts of time to the activities of the Association. The combined financial statements do not reflect the value of these contributed services because they do not meet the criteria for recognition.

Promotions and advertising

Costs of promotions and advertising are expensed as incurred. Total promotion and advertising expenses for the years ended December 31, 2019 and 2018, were $5,378,000 and $7,500,000.

Software and technology costs

All costs incurred in the planning stage of developing a website are expensed as incurred as are internal and external training costs and maintenance costs. Fees, such as licensing and hosting, including software as a service, are expensed over the period of benefit.

External and internal costs, excluding general and administrative costs and overhead costs, incurred during the application development stage of internal use software and technology are capitalized. Such costs include external direct costs of materials and services consumed in developing or obtaining software and technology, payroll and payroll-related costs for employees who are directly associated with and who devote time to developing software and technology, and interest costs incurred while developing software and technology. Upgrades and enhancements that result in additional functionality to the software and technology, which enable it to perform tasks that it was previously incapable of performing, are also capitalized.

Capitalized internal use software and technology development costs are amortized on the straight-line method over their estimated useful lives of a two to five-year period and begins when all substantial testing of the software and technology is completed, and the software and technology are ready for their intended use.

On at least an annual basis, Association performs a review of its capitalized costs for impairment. For the years ended December 31, 2019 and 2018, no impairment was indicated.

Income taxes

Association, AICPA, and ARA are organized as 501(c)(6) NFP organizations under the Internal Revenue Code (Code). Certain income of the AICPA, however, is subject to taxation. The AICPA Benevolent Fund and Foundation are organized as 501(c)(3) NFP organizations under the Code. CPA.com is organized as a for-profit entity.

CIMA incurs corporation tax on trading profits, chargeable gains and investment income less any charitable donations by way of gift aid; membership and examination income is not subject to corporation tax. CIMA is also subject to tax in a number of the non-U.K. markets. CIMA's associated charities are not subject to tax. A provision is made for deferred taxation to the extent that material temporary differences are expected to reverse in future periods. No provision for deferred taxation existed as of December 31, 2019 and 2018.

Association has analyzed tax positions taken for filing with the Internal Revenue Service of the U.S. and Her Majesty's Revenue and Customs of the U.K. as well as any other jurisdictions where it operates. Association does not anticipate any adjustments that would result in a material adverse effect on Association's financial condition, results of operations or cash flows. Federal income tax returns related to U.S. domiciled entities prior to December 31, 2016, are closed, as are U.K. tax returns up to and including financial year December 31, 2017. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

CPA.com accounts for income taxes pursuant to the asset and liability method, which requires deferred income tax assets and liabilities to be computed annually for temporary differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized (see Note 10).

Association's policy on classification of interest and penalties is to include these amounts in General Management expense. Association does not have any material uncertain tax positions during the periods ended December 31, 2019 and 2018, and has not accrued any interest or penalties related to unrecognized tax positions. Association has not identified any material ASC 740 liabilities.

Employee benefit plans

AICPA sponsors a postretirement benefit plan and both AICPA and CIMA sponsor defined benefit pension plans. The plans' assets and benefit obligations are measured, and the funded status of these plans are reported, in the combined statements of financial position at December 31, 2019 and 2018 (see Note 11).

Reclassification

Certain amounts in the 2018 combined financial statements have been reclassified to conform with the current year's presentation.

Note 3 — Liquidity resources

Association's primary revenue sources are its fees associated with members and students which are included in Member, Firm Services and Partner Solutions on the combined statements of activities, net assets, and preferred stock from its key strategic initiative of promoting competency globally. This includes leading the global accounting and finance profession in competency development and lifelong learning including thought leadership, experiences, products and services. These resources help professionals and the organizations in which they work to succeed as they navigate a rapidly changing business environment.

Association has various sources of liquidity at its disposal, including cash and cash equivalents, investments and a $50,000,000 line of credit.

The following table reflects Association's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the combined statements of financial position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2019	2018
	($000)	
Cash and cash equivalents	$ 66,186	$ 43,396
Short-term certificates of deposit	3,074	3,526
Receivables, net	22,593	26,300
Investments	150,801	116,370
Total financial assets	242,654	189,592
Investments collateral related to letter of credit	430	391
Trustee designated for Accounting Doctoral Scholarship Program (see Note 12)	750	750
Investments collateral related to credit limit (see Note 9)	578	1,398
Net assets with donor restrictions	1,139	1,527
DAS liability (see Note 2)	19,189	12,369
Financial assets available to meet cash needs for general expenditures within one year	$ 220,568	$ 173,157

Note 4 — Functional expenses

The costs of program and supporting activities have been summarized on a functional basis in the table below:

2019 ($000)

	Program Services					Supporting Activities		
	Member, Firm Service and Partner Solutions	Promoting Competency Globally	Professional Examinations	Communications Public Relations and Advocacy	Diversity, Inclusion, Scholarships and Assistance	General Management	Membership Development	Total
People Costs	$ 70,938	$ 28,726	$ 15,254	$ 23,974	$ 1,264	$ 13,614	$ 6,192	$ 159,962
Cost of Goods Sold	4,322	26,025	4,170	-	-	-	-	34,517
Selling Expense	3,535	3,225	122	1,319	-	-	-	8,201
Occupancy	6,505	2,307	1,634	3,367	79	1,130	720	15,742
Meetings and Travel	10,326	1,551	1,211	1,923	455	768	189	16,423
Office Expense	2,893	852	600	3,608	87	831	702	9,573
Professional Services	26,023	8,037	15,102	10,074	890	12,127	2,509	74,762
Organizational Support	7,303	31	21	360	1,611	21	6	9,353
Depreciation and Amortization	5,749	1,938	1,052	1,710	73	4,593	860	15,975
Other	1,451	519	768	582	45	1,215	120	4,700
Total	$ 139,045	$ 73,211	$ 39,934	$ 46,917	$ 4,504	$ 34,299	$ 11,298	$ 349,208

2018 ($000)

	Program Services					Supporting Activities		
	Member, Firm Service and Partner Solutions	Promoting Competency Globally	Professional Examinations	Communications Public Relations and Advocacy	Diversity, Inclusion, Scholarships and Assistance	General Management	Membership Development	Total
People Costs	$ 67,218	$ 28,706	$ 16,515	$ 24,696	$ 1,285	$ 13,768	$ 7,054	$ 159,242
Cost of Goods Sold	4,050	27,379	4,397	-	-	-	-	35,826
Selling Expense	7,802	154	154	1,229	-	-	-	9,339
Occupancy	5,679	1,889	1,585	3,068	89	1,625	749	14,684
Meetings and Travel	11,428	1,637	1,675	1,957	549	627	67	17,940
Office Expense	4,712	1,012	815	3,710	92	693	733	11,767
Professional Services	22,541	5,439	15,524	9,368	749	9,804	2,160	65,585
Organizational Support	5,967	41	9	352	2,569	44	-	8,982
Depreciation and Amortization	5,503	1,403	934	1,297	50	3,088	695	12,970
Other	1,781	300	622	289	56	2,537	15	5,600
Total	$ 136,681	$ 67,960	$ 42,230	$ 45,966	$ 5,439	$ 32,186	$ 11,473	$ 341,935

Management has reviewed all overhead costs and determined that it is appropriate to allocate a portion of these costs to Program Services and/or Supporting Activities. Information technology costs have been allocated to Program Services and Supporting Activities based on headcount. Certain facilities' costs have been allocated to Program Services and/or Supporting Activities based on headcount and location. Overhead costs specific to Program Services have been allocated based on the direct costs incurred by each Program Service as a percentage of total direct Program Service costs.

Note 5 — Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the least priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the assets or liabilities;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by Association are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Association are deemed to be actively traded.

Marketable securities: A privately held company in which CPA.com held voting shares completed its initial public offering. The voting shares held by CPA.com are subject to a lock-up agreement restriction which prohibits the sales of any of the company's voting shares until June 2020. Accordingly, Association valued these shares at the publicly quoted market price of the stock less a discount of 8% related to the lock-up agreement restriction resulting in an unrealized gain of $19.6 million in 2019, which is included in investment return, net of expenses in the combined statements of activities, net assets, and preferred stock. The discount for the lock-up agreement was determined by use of a put option model with inputs estimated based on market observations.

Société d'Investissement à Capital Variable (SICAV): A SICAV is a publicly traded open-end investment fund structure offered in Europe. Shares in the SICAV are bought and sold based on the fund's current NAV.

Unit trusts: Unit trust investments are based on quoted bid prices for comparable securities in the marketplace and broker/dealer quotes in active markets.

Private equity investments: Association's private equity investments include a direct investment in a limited partnership. The NAV, as provided by the limited partnership, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

To estimate the fair value of the foreign exchange contracts (level 2) as of the measurement date, the Association obtains inputs other than quoted prices that are observable for the derivatives. These inputs include current foreign exchange rates and consider nonperformance risk of Association and that of its counterparties.

The following tables set forth by level, within the fair value hierarchy, Association's assets and derivatives at fair value as of December 31, 2019 and 2018:

	Assets (liabilities) at fair value as of December 31, 2019		
	Level 1	Level 2	Total
		($000)	
Mutual funds	$ 107,874		$ 107,874
Marketable securities	20,098		20,098
SICAV	3,669		3,669
Unit trusts	3,455		3,455
Total assets in the fair value hierarchy	135,096		135,096
Investments measured at NAV (a)	-		15,705
Total investments measured at fair value	$ 135,096		$ 150,801
Financial derivative instruments			
Foreign exchange contracts	$ -	$ (7)	$ (7)
Total derivatives measured at fair value	$ -	$ (7)	$ (7)

	Assets (liabilities) at fair value as of December 31, 2018		
	Level 1	Level 2	Total
		($000)	
Mutual funds	$ 98,633		$ 98,633
SICAV	2,872		2,872
Unit trusts	3,116		3,116
Total assets in the fair value hierarchy	104,621		104,621
Investments measured at NAV (a)	-		11,749
Total investments measured at fair value	$ 104,621		$ 116,370
Financial derivative instruments			
Foreign exchange contracts	$ -	$ 10	$ 10
Total derivatives measured at fair value	$ -	$ 10	$ 10

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the combined statements of financial position.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value of investments that calculate net asset value per share

The following table summarizes investments measured at fair value based on the NAV per share as of December 31, 2019 and 2018:

Investment name	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	**2019 Fair value**	2018 Fair value
				($000)	
Global Equity Long – Only Fund LP	None	Daily	3 days	**$ 15,705**	$ 11,749

The investment in limited partnership has certain redemption restrictions. Withdrawals can be made from the capital account on any business day by giving three days' notice to the general partner. Such notice is irrevocable, unless the general partner determines to allow the notice to be revoked.

Global Equity Long-Only Fund LP: The Fund pursues its investment objective primarily through investing in long positions in global public equity securities.

Note 6 — Building, furniture, equipment and leasehold improvements

Buildings, furniture, equipment and leasehold improvements consist of:

	2019	2018
	($000)	
Furniture	**$ 5,953**	$ 5,689
Equipment	**19,625**	20,320
Leasehold improvements	**28,016**	25,284
Building	**5,433**	5,024
	59,027	56,317
Less accumulated depreciation and amortization	**35,466**	39,064
	$ 23,561	$ 17,253

Note 7 — Software and technology

Software and technology consist of the following:

	2019	2018
	($000)	
Software and technology	**$ 102,947**	$ 92,620
Less accumulated depreciation and amortization	**83,319**	72,450
	$ 19,628	$ 20,170

Note 8 — Goodwill

The following table summarizes changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2018:

	2019	2018
	($000)	
Goodwill	**$ 12,554**	$ 12,554
Less accumulated amortization	**1,256**	-
	$ 11,298	$ 12,554

Note 9 — Commitments and contingencies

Computerization of the Uniform CPA Examination

In connection with the Domestic Examination, AICPA is party to an agreement with NASBA and Prometric, which expires in 2024, whereby AICPA delivers the Domestic Examination in a computer-based format. NASBA developed and maintains the National Candidate Database, which serves as the gateway for candidates applying to take the Domestic Examination. Prometric is responsible for providing scheduling, test preparation, test delivery and results processing of the Domestic Examination in a computer-based testing environment consistent with the AICPA and NASBA requirements.

AICPA receives fees through NASBA based upon the number of examinations taken. The agreement provides for AICPA to break even with regard to costs incurred in developing and maintaining the Domestic Examination. Through December 31, 2019, approximately $297,080,000 of revenue and $291,380,000 of costs have been incurred. For the years ended December 31, 2019 and 2018, AICPA recognized revenue of approximately $19,327,000 and $20,043,000. Accordingly, costs equal to the revenue recognized have been expensed. At December 31, 2019 and 2018, the balance of revenues in excess of costs of $5,700,000 and $6,940,000 is included in accounts payable and other liabilities in the accompanying combined statements of financial position.

In conjunction with the International Examination Agreement, AICPA offers the International Examination in Bahrain, Brazil, England, Germany, Ireland, Japan, Kuwait, Lebanon, Scotland and the United Arab Emirates.

Lease commitments

Association has several long-term leases for the rental of real estate. The leases include provisions for the abatement of rental payments, amounts to be paid to Association by the landlords, as well as scheduled base rent increases over the respective lease terms.

The total amount of the base rent payments, net of the amounts to be paid to the Association by the landlords, is being charged to expense using the straight-line method over the respective lease terms.

Minimum rental commitments on non-cancelable real estate and equipment leases in effect as of December 31, 2019, inclusive of future escalations for real estate taxes and building operating expenses, less future minimum sublease rentals, are:

	($000)
2020	$ 11,640
2021	11,135
2022	10,759
2023	10,481
2024	10,494
Years subsequent to 2024	76,437
Future minimum rental commitments	$ 130,946

Rental expense for the years ended December 31, 2019 and 2018, was $13,195,000 and $11,443,000.

Other commitments

Association has other commitments for service agreements with various vendors that relate primarily to information technology and marketing services. Minimum commitments in effect as of December 31, 2019, are:

	($000)
2020	$ 54,043
2021	48,089
2022	46,871
2023	47,766
2024	46,233
Years subsequent to 2024	45,280

Amounts purchased under these service agreements for the years ended December 31, 2019 and 2018, were $34,131,000 and $11,779,000.

Letters of credit

As of December 31, 2019, Association has irrevocable standby letters of credit associated with its North Carolina and New York leases of $167,000 and $224,000, which expire on July 31, 2020, and April 9, 2020. In addition, Association has a letter of credit with ICANN in the amount of $39,000 which expires on May 5, 2020.

Line of credit

Association has available a line of credit with a bank for short-term borrowings of up to $50,000,000 with interest at 1-month LIBOR plus applicable margin. Amounts outstanding under the line of credit are collateralized by certain investments. There were no outstanding borrowings at December 31, 2019 and 2018, beyond the letters of credit. The line of credit expires on December 16, 2020.

Credit limit

Association has a credit limit with a bank for its corporate credit cards of $3,000,000. Amounts outstanding against the credit line are collateralized by certain investments. The amounts outstanding as of December 31, 2019 and 2018, were $578,000 and $1,398,000 and are included in accounts payable and other liabilities in the combined statements of financial position.

Litigation

From time to time, Association is a defendant in actions arising in the ordinary course of business. In the opinion of management, such litigation will not have a material adverse effect on Association's financial condition or change in net assets.

Note 10 — Taxation

At December 31, 2018, CPA.com has net deferred tax assets of approximately $1,411,000, which arise primarily from net operating loss carryforwards for federal, state and city income tax purposes of approximately $76,891,000, $16,452,000 and $15,257,000 expiring in 2019 through 2030. The net deferred tax asset has been increased by approximately $1,596,000 based on management's belief that it is more likely than not that approximately $3,007,000 of deferred tax asset will be realized. The valuation allowance decreased by approximately $6,084,000 primarily due to the projections of future taxable income. Realization of the deferred tax asset is dependent on generating sufficient taxable income prior to the expiration of the net operating loss carryforwards. Although realization is not assured, management believes it is more likely than not that the deferred tax asset net of the valuation allowance will be realized. The amount of the deferred tax asset considered realizable could change in the near term if estimates of future taxable income during the net operating loss carryforward period change. The timing and manner in which the loss carryforwards for U.S. federal income tax purposes can be utilized in any year by CPA.com may be limited by Code Section 382. Included in these net operating losses are pre-acquisition losses of approximately $23,700,000, which are subject to further study and valuation and management will undertake this project if it appears likely that CPA.com is going to benefit from the losses.

As of December 31, 2019 and 2018, CPA.com has unused New York State and New York City pre-apportioned net operating loss carryforwards of approximately $61,047,000. As a result of New York State and New York City corporate tax reform, the pre-apportioned net operating loss carryforwards of $61,047,000 were converted to post-apportionment New York State and New York City net operating losses of approximately $16,461,000 and $16,452,000 at December 31, 2019 and 2018. As of the conversion date, the pre-apportionment and post-apportionment net operating losses are of equal value and expire in 2036.

The effect of the change in the deferred tax asset has been included in supporting activities — general management in the combined statements of activities, net assets, and preferred stock.

Note 11 — Employee benefit plans

Defined benefit pension plans

AICPA sponsors a noncontributory defined benefit pension plan (the Plan) for qualifying employees. The amount of the annual benefit to be paid at normal retirement date is based on credited service, which varies based on participant hire dates. On June 30, 2013, AICPA closed the Plan to new entrants and froze future benefit accruals to existing employees.

The Society of Actuaries (SOA) publishes mortality tables and improvement scales which are used in developing the best estimate of mortality for plans in the U.S. In 2019, the SOA updated both mortality tables and improvement scales. In 2018, the SOA updated improvement scales. AICPA updated the assumptions for the purposes of measuring the pension and postretirement health care plans at December 31, 2019 and 2018.

Economic assumptions used to determine the benefit obligations recognized in the combined statements of financial position are:

	2019	2018
Discount rate	**3.30%**	4.35%
Rate of compensation increase	**N/A**	N/A

Weighted average assumptions used to determine the net periodic benefit cost are:

	2019	2018
Discount rate	**4.35%**	3.65%
Expected return on plan assets	**4.10%**	5.50%
Rate of compensation increase	**N/A**	N/A

AICPA is utilizing a yield curve methodology to determine its 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 expected return on Plan assets was derived by reviewing historical returns, preparing several models about future expected returns using the current diversified asset mix and conducting a historical study of market recoverability.

For the year ending December 31, 2020, AICPA expects to contribute $1,200,000 to the Plan. The following tables provide further information about the Plan:

	2019	2018
	($000)	
Projected benefit obligation	$ 136,883	$ 124,627
Fair value of plan assets, net of plan liabilities of $125 and $1,109 and accrued income of $952 and $1,102	135,372	121,375
Net unfunded status of the plan recognized as a liability in the combined statements of financial position	$ 1,511	$ 3,252
Employer contributions	$ -	$ 3,750
Benefit payments	$ (8,209)	$ (5,667)
Accumulated benefit obligation	$ 136,883	$ 124,627
Periodic pension expense for the year	$ 1,838	$ 60

Amounts in net assets without donor restrictions that have not yet been recognized as a component of net periodic benefit expense comprise the following:

	Unrecognized prior service cost	Actuarial (gain) loss	Total
		($000)	
Balance, December 31, 2017	$ 395	$ 45,684	$ 46,079
Increase during the year ended December 31, 2018	-	711	711
Amortization during the year ended December 31, 2018	(11)	(1,185)	(1,196)
Balance, December 31, 2018	384	45,210	45,594
Decrease during the year ended December 31, 2019	-	(2,731)	(2,731)
Amortization during the year ended December 31, 2019	(11)	(837)	(848)
Balance, December 31, 2019	$ 373	$ 41,642	$ 42,015

The amounts in net assets without donor restrictions and expected to be recognized as a component of net periodic benefit expense for the year ending December 31, 2020, are $11,000 and $1,203,000 representing amortization of net prior service cost and amortization of actuarial loss.

Estimated future Plan payments reflecting expected future service for each of the five years subsequent to December 31, 2019, and in the aggregate for the five years thereafter, are as follows:

	($000)
2020	$ 6,150
2021	6,152
2022	6,290
2023	6,404
2024	6,588
2025 to 2029	34,681

The Plan's overall 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 care, skill, prudence and due diligence with the assistance of a paid 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. A listing of permitted and prohibited investments is maintained in AICPA's Statement of Investment Policy, dated November 2018.

The Plan adopted a dynamic 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 target allocation of the Plan's assets in fixed income investments will increase and overall target allocation of the Plan's assets in equity and other types of investments will decrease. The target asset allocations are 90–100% fixed income and 0–10% equity securities. 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

U.S. Treasury bonds: Valued based on institutional bond quotes reported on the active market on which the individual securities are traded.

U.S. Treasury strips: Valued using stripped interest and principal yield curves from levels obtained from live data from various brokers and market data.

Corporate and foreign bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bonds are valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The fair values of the Plan's assets at December 31, 2019 and 2018, by asset category, are as follows:

	Assets at fair value as of December 31, 2019		
	Level 1	Level 2	Total
		($000)	
Total investments at fair value — fixed income securities	$ 26,503	$ 108,042	$ 134,545

	Assets at fair value as of December 31, 2018		
	Level 1	Level 2	Total
		($000)	
Total investments at fair value — fixed income securities	$ 32,349	$ 89,033	$ 121,382

CIMA sponsors The Chartered Institute of Management Accountants Pension and Assurance Scheme (the Scheme), a funded defined benefit pension scheme in the U.K. The Scheme is administered within a trust that is legally separate from CIMA. Trustees are appointed by both CIMA and the Scheme's membership and act in the interest of the Scheme and all relevant stakeholders, including the members and CIMA. The Trustees are also responsible for the investment of the Scheme's assets.

This Scheme provides pensions and lump sums to members on retirement and to their dependents on death. Members who leave service before retirement are entitled to a deferred pension. The Scheme closed to new members in 2002, and to accrual of benefits in 2012.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. An actuarial valuation was carried out on April 1, 2018. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

The results of the formal actuarial valuation on April 1, 2018, have been projected to December 31, 2019, by a qualified independent actuary. The figures in the following disclosures were measured using the Projected Unit Method.

CIMA and the Scheme agreed to a plan to reduce the liability by 2027. This is through additional contributions from CIMA and expected investment returns on the Scheme's assets.

Economic assumptions used to determine the benefit obligations recognized in the combined statements of financial position are:

	2019	2018
Discount rate	**2.05%**	2.85%
Rate of compensation increase	**N/A**	N/A

Weighted average assumptions used to determine the net periodic benefit cost are:

	2019	2018
Discount rate	**2.85%**	2.50%
Expected return on plan assets	**5.51%**	5.43%
Rate of compensation increase	**N/A**	N/A

The Scheme utilizes a yield curve methodology to determine its discount rate. This methodology uses a weighted average yield to determine the Scheme's discount rate by forecasting the Scheme's expected benefit payments by year.

The expected rate of return on Scheme assets has been derived using a weighted average of the expected returns above the gilt yield at the Scheme's liability duration of 20 years.

For the year ending December 31, 2020, CIMA expects to contribute $3,541,000 to the Scheme. The following tables provide further information about the Scheme:

	2019	2018
	($000)	
Projected benefit obligation	$ 82,328	$ 69,458
Fair value of plan assets	61,883	53,106
Net unfunded status of the plan recognized as a liability in the combined statements of financial position	$ 20,445	$ 16,352
Employer contributions	$ 1,381	$ 1,426
Benefit payments	$ 1,327	$ (1,716)
Accumulated benefit obligation	$ 82,328	$ 69,458
Foreign currency adjustment	$ (588)	$ 853
Periodic pension benefit for the year	$ 958	$ 1,153

Amounts in net assets without donor restrictions that have not yet been recognized as a component of net periodic benefit cost comprise the following:

	Unrecognized prior service cost	Actuarial (gain) loss	Total
		($000)	
Balance, December 31, 2017	$ -	$ (3,116)	$ (3,116)
Decrease during the year ended December 31, 2018	-	(234)	(234)
Amortization during the year ended December 31, 2018	220	-	220
Foreign currency adjustment	(11)	47	36
Balance, December 31, 2018	209	(3,303)	(3,094)
Decrease during the year ended December 31, 2019	-	5,854	5,854
Amortization during the year ended December 31, 2019	(10)	-	(10)
Foreign currency adjustment	6	64	70
Balance, December 31, 2019	$ 205	$ 2,615	$ 2,820

The amounts in net assets without donor restrictions and expected to be recognized as a component of net periodic pension cost for the year ending December 31, 2020 is $10,000.

Estimated future Scheme payments reflecting expected future service for each of the five years subsequent to December 31, 2019, and in the aggregate for the five years thereafter, are as follows:

	($000)
2020	$ 1,890
2021	1,807
2022	1,866
2023	2,207
2024	2,209
2025 to 2029	12,880

The Scheme's overall investment strategy is to achieve a return in excess of the Scheme actuary's discount rate and to reduce investment volatility compared to investing in a pure equity portfolio. Protection has been bought against part of the interest rate and inflation rate risk.

All investment managers were chosen following interviews by the Trustees of the Scheme based on advice from a paid investment consultant. The Trustees have compiled a Statement of Investment Principles setting out their long-term objectives and processes for monitoring performance of the investment managers. Investment risk is managed through the use of levered liability-driven investments and the use of a diverse non-correlated investment portfolio.

The Trustees adopted a strategic asset allocation for the Scheme and monitor the funding level regularly. It is intended that any investment gains above a certain level will be used to reduce the expected return and volatility while aiming to reach full funding at the end of the current recovery plan.

The Scheme's asset allocation does not intend, for now, to hold any physical gilts or bonds, but to use levered liability-driven investments to manage interest and inflation risk. The growth assets are diversified across smart beta equity portfolios, emerging market equities, property yields, private markets and secured finance. The equity allocation is global.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Mutual funds: The Scheme invests in SICAV, Fonds Commun de Placement, and open-end investment funds located in the U.K. and Luxembourg. Funds held by the Scheme are regulated by the Financial Conduct Authority in the U.K. and European Union Directives based on where the funds are domiciled. These funds actively publish prices daily and accept orders, with the final transaction price being determined at a fixed point each day once all orders are placed.

Alternative investment funds: The Scheme invests in alternative investment funds. The NAV, as provided by the fund, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The fair values of the Scheme assets at December 31, 2019 and 2018, by asset category, are as follows:

	Assets at fair value as of December 31, 2019 ($000)	
	Level 2	Total
Equity securities		
Liability driven investment funds	$ 12,988	$ 12,988
Global equity growth funds	12,746	12,746
Diversified growth funds	10,379	10,379
Emerging market growth funds	3,468	3,468
Total equity securities	39,581	39,581
Other		
Property fund	3,645	3,645
Total other	3,645	3,645
Total assets in the fair value hierarchy	43,226	43,226
Investments measured at NAV (a)	-	18,657
Total investments at fair value	$ 43,226	$ 61,883

	Assets at fair value as of December 31, 2018 ($000)	
	Level 2	Total
Equity securities		
Liability driven investment funds	$ 10,335	$ 10,335
Global equity growth funds	10,840	10,840
Diversified growth funds	9,040	9,040
Emerging market growth funds	2,782	2,782
Total equity securities	32,997	32,997
Other		
Property fund	3,350	3,350
Total other	3,350	3,350
Total assets in the fair value hierarchy	36,347	36,347
Investments measured at NAV (a)	-	16,759
Total investments at fair value	$ 36,347	$ 53,106

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

Fair value of investments that calculate net asset value

The following table summarizes investments measured at fair value based on the NAV per share as of December 31, 2019 and 2018:

Investment name	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	2019 Fair value	2018 Fair value
				($000)	
Partners Fund	None	Monthly	1 month + 1 day	$ **9,681**	$ 8,434
Insight Secured Finance Fund	None	Quarterly	3 months	**8,976**	8,325
Total				$ **18,657**	$ 16,759

Partner's Fund

The Fund's investment strategy is to offer investors the attractive risk/return potential of a combined alternative investment portfolio by investing in a combination of different alternative asset classes and/or alternative investment strategies. The primary investment objective is to achieve capital growth over the medium to long term.

Insight Secured Finance Fund

The Fund invests primarily in a variety of debt and debt-related securities, loan investments and structural financial instruments. The Fund seeks to produce an annual interest-based return.

Postretirement plan

AICPA sponsors an unfunded employee postretirement health care and life insurance plans for qualifying employees hired before May 1, 2003, and contributes toward the annual cost of retirees remaining in these plans.

Economic assumptions used to determine the benefit obligations recognized in the combined statements of financial position are:

	2019	2018
Discount rate	3.15%	4.25%

Weighted average assumptions used to determine the net periodic benefit cost are:

	2019	2018
Discount rate	4.25%	3.55%

AICPA is utilizing a yield curve methodology to determine its discount rate. This methodology uses a weighted average yield to determine the postretirement plan's discount rate by forecasting the postretirement plan's expected benefit payments by year.

The assumed health care cost trend rates used to measure the expected cost of benefits under the postretirement health care plan were expected to increase by 7.5% for participants under the age of 65 and 8.75% for participants age 65 and over in 2019. These rates are assumed to gradually decrease until reaching 5% in 2026 for all participants.

For the year ending December 31, 2020, AICPA expects to contribute $498,000 to the postretirement plan.

The following table provides further information about AICPA's postretirement plan:

	2019	2018
	($000)	
Postretirement benefit obligation	$ 6,981	$ 7,844
Net unfunded status of the plan recognized as a liability in the combined statements of financial position	$ 6,981	$ 7,844
Employer contributions	$ 379	$ 490
Benefit payments	$ (396)	$ (513)
Periodic postretirement expense for the year	$ 429	$ 574

Amounts in net assets without donor restrictions that have not yet been recognized as a component of net periodic benefit cost comprise the following as of December 31, 2019 and 2018:

	Unrecognized prior service cost	Actuarial (gain) loss	Total
		($000)	
Balance, December 31, 2017	$ (552)	$ 3,660	$ 3,108
Decrease during the year ended December 31, 2018	-	(801)	(801)
Amortization during the year ended December 31, 2018	177	(400)	(223)
Balance, December 31, 2018	(375)	2,459	2,084
Decrease during the year ended December 31, 2019	-	(841)	(841)
Amortization during the year ended December 31, 2019	177	(250)	(73)
Balance, December 31, 2019	$ (198)	$ 1,368	$ 1,170

The amounts in net assets without donor restrictions and expected to be recognized as a component of net periodic benefit expense for the year ending December 31, 2020, are ($177,000) and $87,000 representing amortization of net prior service credit and amortization of actuarial loss.

Estimated future postretirement benefit payments reflecting expected future service for each of the five years subsequent to December 31, 2019, and in the aggregate for the five years thereafter, are as follows:

	($000)
2020	$ 498
2021	481
2022	478
2023	462
2024	450
2025 to 2029	2,142

Defined contribution plans

Association also sponsors separate defined contribution plans covering substantially all employees meeting minimum age and service requirements. Participation in the plans is optional and employer contributions being made to the plan are in amounts equal to a certain percentage of employees' contributions. The cost of these plans was $7,492,000 and $6,742,000 for the years ended December 31, 2019 and 2018.

Deferred compensation

Association has a nonqualified deferred compensation plan for certain key employees. Amounts accrued under this plan are $7,917,000 and $7,314,000 as of December 31, 2019 and 2018, and are included in the accompanying combined statements of financial position as a component of accounts payable and other liabilities. As of December 31, 2019 and 2018, unvested deferred compensation expense to be recognized over a period of 36 months was $808,000 and $1,053,000.

Note 12 — Preferred stock and net assets

Preferred stock and net assets as of December 31, 2019 and 2018, are as follows:

	2019	2018
	($000)	
Preferred stock	$ 7,500	$ 10,918
Net assets with donor restrictions:		
Foundation Accounting Doctoral Scholarships (ADS)	$ 883	$ 1,139
Foundation Financial Accounting	1	1
Foundation William Ezzell Scholarships	-	10
Foundation John L. Carey Scholarships	158	180
ARA — Audit Analytics	97	197
	$ 1,139	$ 1,527
Net assets without donor restrictions:		
Association	$ 184	$ (736)
AICPA	43,721	12,771
CIMA	(17,814)	(15,484)
CPA.com	23,175	12,519
ARA	6	7
AICPA Benevolent Fund	10,194	8,451
CIMA Benevolent Fund	2,887	2,624
AICPA Foundation	9,458	9,046
Anthony Howitt Lecture Trust	658	627
	$ 72,469	$ 29,825

In 2016, Foundation Trustees designated $750,000 of unrestricted funds to supplement the continuation of the ADS Program.

In 2019, CPA.com repurchased 3,721,481 of preferred and common shares from stockholders at a cost of $558,000. In 2018, CPA.com repurchased 5,320,400 shares of preferred stock from stockholders at a cost of approximately of $798,000.

Donor restricted net assets are subject to donor-imposed stipulations that can be met either by actions of Foundation and ARA and/or the passage of time.

Net assets with donor restrictions

Foundation Accounting Doctoral Scholars (ADS)
ADS initiative focuses on the faculty shortage of accounting Ph.D.s and is working to increase the number of accounting Ph.D.s. The original ADS Program achieved its goals and Foundation began a new phase of the program continuing to focus on candidates working in public accounting who are looking to transition to an academic career.

Foundation William Ezzell Scholarships
Founded in honor of former AICPA Chairman, AICPA Foundation President and the driving force behind the ADS Program, upon his passing. The scholarship program provides financial assistance to CPAs pursuing their accounting Ph.D., with the intent to teach and research at a U.S. accredited university upon graduation.

Foundation John L. Carey Scholarships
Founded in honor of former AICPA President John L. Carey upon his retirement, the scholarship program provides financial assistance to liberal arts undergraduates who are pursuing graduate accounting study at a college or university whose business administration program is accredited by the Association to Advance Collegiate Schools of Business International.

Accounting Research Association — Audit Analytics
ARA audit analytics program facilitates the integration of data analytics in the audit process, and demonstrates through research this can lead to advancements in the public accounting profession.

Note 13 — Affiliated party transactions

AICPA sponsors the American Institute of Certified Public Accountants Insurance Trust (Trust) and receives royalty, advertising and general and administrative services fees from the sponsorship. AICPA received net revenue of $5,073,000 and $4,904,000 from the Trust for the years ended December 31, 2019 and 2018.

Note 14 — Accumulated translation adjustments

Translation adjustments for the years ended December 31, 2019 and 2018, consist of foreign currency translation adjustments associated with Association's combined foreign entities. Changes in accumulated translation adjustments are reported in the combined statements of activities, net assets, and preferred stock. The amount of accumulated translation adjustment is included within net assets without donor restrictions at December 31, 2019 and 2018, in the combined statements of financial position. The changes in accumulated translation adjustment for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
	($000)	
Balance at beginning of year	$ (1,054)	$ (600)
Foreign currency translation adjustment	$ (463)	$ (454)
Balance at end of year	$ (1,517)	$ (1,054)

Note 15 — Subsequent events

Association has evaluated events and transactions for potential recognition or disclosure through April 22, 2020, which is the date the combined financial statements were available to be issued.
In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred domestically in the United States and globally, including mandates from federal, state and local governments, leading to an overall decline in global economic activity. The ultimate impact of COVID-19 on the financial performance of Association's investments and pension plan liabilities cannot be reasonably estimated at this time, but Association's management continues to monitor current market conditions. Further, Association is assessing the impact COVID-19 will have on its various revenue streams and is executing several strategies to contend with global travel restrictions by shifting its revenue focus to online and virtual formats. While it is difficult to estimate the length or severity of this outbreak and the related financial impact to Association, management is reducing expenses to offset this impact to the extent possible and engaging with Association's Board of Directors on a frequent basis to develop an appropriate strategy to respond to this uncertainty.

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