Adapt + Thrive

Association of International Certified Professional Accountants™

AICPA® & CIMA®

Integrated Report 2020

Association
of International
Certified Professional
Accountants™

AICPA® & CIMA®

The Association of International Certified Professional Accountants®

We provide the world's most highly skilled accountants and finance professionals with the knowledge, insight and foresight to meet the demands of a disruptive world.

Our members and students form the largest and most influential network of management and public accountants.

They are on the front lines of virtually all industry, firm and financial issues.

In 2017, the Association was formed by the American Institute of CPAs® (AICPA®) and The Chartered Institute of Management Accountants® (CIMA®), bringing together the best of both organizations to build on a century-long tradition of driving excellence within the accounting profession. All members of the AICPA and CIMA are also members of the global Association supporting CPA, CGMA®, ACMA, FCMA and other designations that signal completion of rigorous learning and testing, ongoing competency development and ethical behavior.

CPA.com, our technology subsidiary, brings innovative solutions to the accounting profession, either in partnership with leading providers or directly through its development. The company has established itself as a thought leader on emerging technologies and as a trusted business adviser to practitioners in the U.S., with a growing global focus.

AICPA®

CIMA®

CPA.com™

aicpa.org

aicpa-cima.com

cgma.org

cimaglobal.com

642,000
members and students

192
countries and territories where our members and students live

172,000
firms and businesses employing our members

30
offices with staff and representatives

55
supported designations, credentials, diplomas and certificates

The Association is driving a dynamic profession that powers **trust, opportunity and prosperity** for people, businesses and economies worldwide.

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.

About this report

We are proud to present the 2020 Association Integrated Report. The International Integrated Reporting Council (IIRC) developed the framework for the Integrated Report, and it 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 creation for stakeholders, and supporting integrated thinking and planning, as reflected in this report.

Audit & Finance Committee oversight

The Association's Audit & Finance Committee, comprised of member volunteers, reviews the Integrated Report with management before submitting it for approval by the Association's Board of Directors. The committee has confirmed that it has applied its collective mind to the preparation and presentation of this report and that, in its considered opinion, it is presented in accordance with the International Integrated Reporting Framework.

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Tracey Golden
CPA, CGMA

Nick Jackson
FCMA, CGMA

Barry Melancon
CPA, CGMA

Letter from leadership

A global pandemic. Lockdowns. Businesses shuttered. Industries facing fundamental questions of survivability. Schools closed for in-person learning. Employees plunged into remote working, in many cases for an entire year. There was nearly unimaginable disruption in 2020 — undeniably tough for many. But even as we faced these challenges, we saw an inspiring level of community spirit, dedication and resilience. Health care workers cared for the sick at serious risk to themselves. Scientists raced to develop vaccines on an accelerated timeline. Teachers improvised to educate students remotely. On the frontlines of the pandemic's economic fallout, the accounting and finance profession played a vital role as well, securing business continuity and supporting the financial well-being of individuals, communities and economies.

Amid sudden change and uncertainty, the world looked to the profession for financial guidance and stability.

Whether it was through cash flow management, business relief applications, workforce planning, tax compliance, personal financial planning, risk management, forecasting, scenario planning, business model transformation or remote auditing — the list of needed services was long and complex, and CPA firms and finance teams, led by CGMA designation holders and CPAs, paved the way in adapting to the crisis. They helped businesses survive and protected jobs. They guided organizations and individuals in planning through uncertainty. They set the stage for navigating through the pandemic and thriving in a post-pandemic world.

The Association of International Certified Professional Accountants — the combined power of the AICPA and CIMA — is proud to support such a trusted and skilled profession. We're also proud of the dedication to members and students shown by Association volunteers and staff. The Association quickly launched dedicated COVID-19 resource centers with much-needed information and guidance. We shifted our conferences and events online practically overnight. In partnership with stakeholders, we accelerated remote CGMA testing and launched continuous CPA Exam testing, enabling aspiring professionals to advance their careers with minimal disruption. We worked with governments around the globe on recovery plans, advocating for small- and medium-sized businesses at the heart of economies in every nation. We were in a strong position to pivot in 2020 because of our culture of agility and collaboration, often already online. Through it all, the Association was guided by its purpose to power trust, opportunity and prosperity in a world where all three were under threat.

Alongside our work responding to the pandemic, we also continued to advance both the profession and the Association to be ready to meet tomorrow's demands. We made important strides in evolving CPA licensure for continued relevance and success far into the future. And we expanded the reach and access to the CGMA designation through the global rollout of our CGMA Finance Leadership Program.

The progress we made this past year will enable future generations to succeed in a world where change is accelerating.

Perhaps more than any year before, 2020 showed the value of our Association community and the power of connection, especially during a time of crisis. At the most fundamental level, connection is the value we provide as a global professional association. We connect members and students to the resources and learning they need. We connect people to career pathways that can transform the trajectories of their lives. We connect with policymakers to represent the public interest and the profession.

Even with the challenges of remote work and online events, we continued to enable much-needed connection in 2020.

We pivoted to provide immediately relevant learning and guidance, and brought people together in engaging online town halls, webcasts and conferences. We fostered community in a world constrained by social distancing.

Once this crisis has passed, the world will need new and different services and expertise from the profession, and the Association will be there to help members connect, continue to evolve their skills and embrace emerging opportunities. As 2020 made clear, the only certainty is change, and the future is bound to bring disruption we have yet to imagine. Together, we will continue not only to adapt but also to thrive.

Tracey Golden

Tracey Golden
CPA, CGMA

Chair, Association of International Certified Professional Accountants

Chair, American Institute of CPAs

Nick Jackson
FCMA, CGMA

Vice Chair, Association of International Certified Professional Accountants

President, The Chartered Institute of Management Accountants

B. C. M

Barry Melancon
CPA, CGMA

Chief Executive Officer

CEO, Association of International Certified Professional Accountants

President & CEO, American Institute of CPAs

Top accomplishments in 2020

In 2020, we supported members and students during the COVID-19 pandemic and advocated for the public's interest — all while taking bold steps for the future of the profession. Through our work, we're enabling members and students to adapt to disruption and thrive far into the future.

Here's our **top 10** achievements of the year.

1 We were influential advocates for COVID-19 relief and economic recovery across the globe.

- In the U.K., we submitted a 20-point plan to the prime minister in July with **recommendations for economic recovery**. Developed with input from our members, the suggestions centered on supporting business and consumer confidence, creating a more sustainable business environment and investing in skills to help generate economic growth and improve productivity.
- We then expanded these recommendations into a **40-point plan**, addressed to the U.K. prime minister and released at the end of 2020, to support long-term economic resilience.
- The U.K. government adopted **14 measures** we recommended to support small- and medium-sized enterprises (SMEs), the self-employed and business recovery. These measures include a loan scheme for small businesses with extended periods to pay back loans, basic income support for the self-employed, a commercial rent holiday for SMEs and tax deferrals.

"It's reassuring that you and many others are championing those in need. After reading [CEO of Management Accounting] Andrew Harding's suggestions and watching the parliamentary debate this afternoon, I am now hopeful that a solution will be found [for the self-employed]. I cannot thank you enough for your support and intervention."

Member, May 2020 email to staff

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- A prominent U.K. think tank adopted our proposal to change the U.K.'s Apprenticeship Levy into an **Apprenticeship and Skills Levy** to support reskilling of the workforce.
- Following a process close to that for the U.K., in Hong Kong, we submitted six suggestions to improve **economic stimulus**, and in South Africa, we submitted four suggestions to aid economic recovery.
- In the U.S., following our outreach to the U.S. Department of the Treasury, the Department of Homeland Security included **public accounting as an essential service**, and state and local officials followed this guidance. This was especially important for tax professionals who were already in the middle of a busy season and needed access to their offices to complete returns.
- To alleviate tax compliance pressures in the U.S., we advocated for tax filing and payment relief and to modernize and simplify processes. Our efforts helped achieve **due date relief**, expand **e-signature acceptance**, and increase **e-filing coordination** between states and the federal government.
- In the U.S., we led a **small business funding coalition of 33 companies** to advocate for small business support and Paycheck Protection Program (PPP) guidance. In consultation with this coalition, we then created a PPP loan application and forgiveness calculator.
- In July, through our subsidiary CPA.com and with fintech company Biz2Credit, we launched a platform offering a free PPP application lending tool, based on our calculator. In September, we launched an enhanced platform with additional lending options for clients and more robust tools for CPA firms. Over **44,000** small business owners and **9,000** CPA firms used these platforms in 2020, with numbers increasing in 2021.
- Along with U.S. state CPA societies, we mobilized members to push for **tax-deductibility of PPP-funded expenses** so that recipients could receive the full benefit of PPP loans. After our efforts, the Consolidated Appropriations Act, signed into law in December 2020, allowed for PPP expenses to be deducted.
- We worked with members of the U.S. Senate and the House of Representatives to include **nonprofit section 501(c)(6)s** in the PPP. Not-for-profits represent the third-largest workforce sector in the U.S., but, initially, section 501(c)(6) entities were not eligible for PPP funding. The December 2020 Consolidated Appropriations Act expanded PPP eligibility to section 501(c)(6) entities.

"I personally want to thank everyone at the AICPA for their hard work during this crisis. None of us have ever been involved in something as scary and frightening as we are going through with COVID-19 and the tax problems it has caused CPA firms. The AICPA has been a beacon in an otherwise gloomy time."

Member, April 2020 survey

"My life and practice have been significantly impacted just like 300M+ others. The quality and timeliness of information from AICPA has been much appreciated. Also appreciate efforts of the organization to work with Congress for common sense solutions, i.e., deduction of expenses paid with tax-exempt PPP funding."

Member, May 2020 survey

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2 We expanded access to our professional qualification exams, supporting career progression during the pandemic.

In partnership with our exam delivery partner Pearson VUE™, we launched **remote testing** for the CIMA exams, making us the first accounting professional qualification to offer its entire program online. From May to December 2020, 63% of CIMA exams were delivered through remote testing, totaling **34,625** exams. Eighty-one percent of test-takers reported they would recommend the online exams to others.

Working with stakeholders, we also launched **continuous testing** to support CPA Exam candidates. The AICPA, the National Association of State Boards of Accountancy (NASBA) and Prometric agreed to shift from the CPA Exam testing window model to continuous testing, which allows candidates to take the exam year-round. This added over **60** additional testing dates. We also expanded CPA Exam testing globally to Egypt, India, Jordan, Nepal and South Korea.

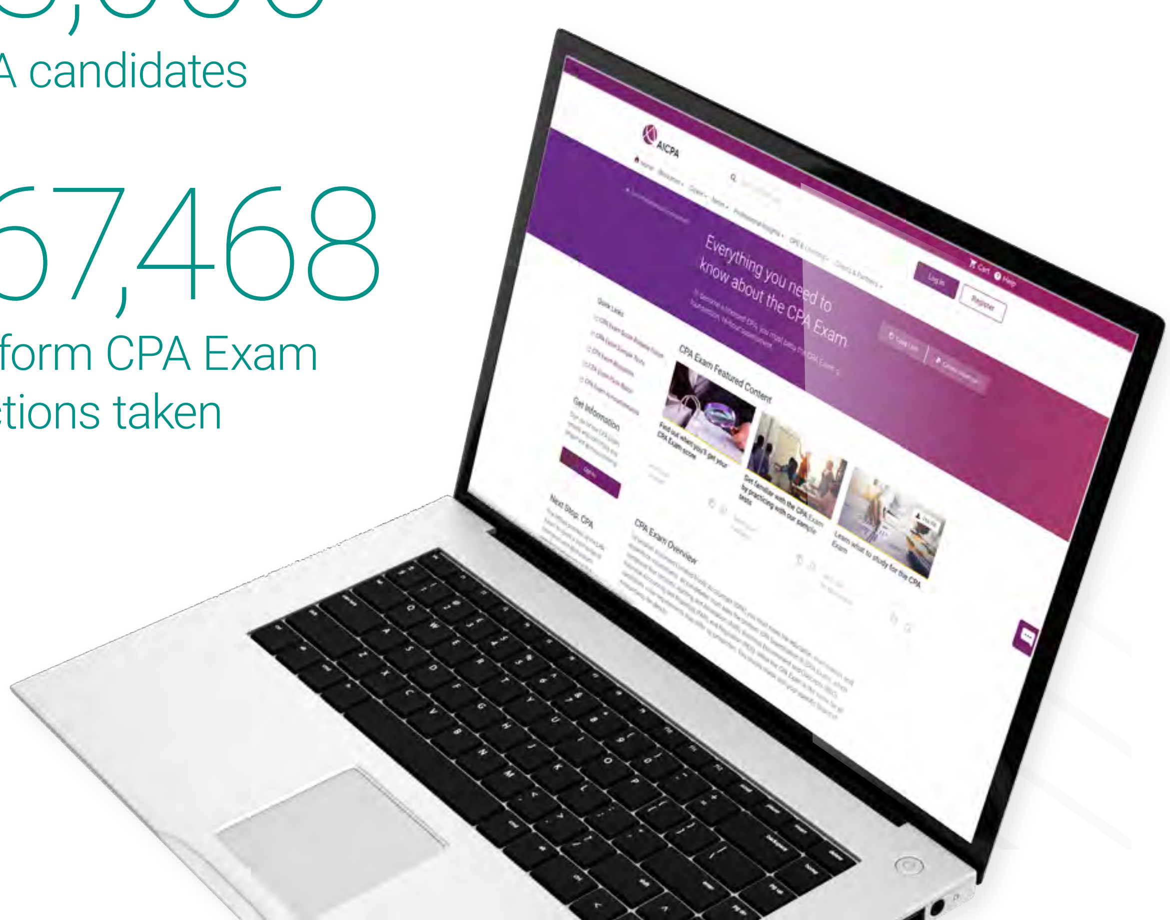
> "True to what it stands for, it is heartening to know that CIMA is quick in responding to changes in the operating environment as exemplified by this timely introduction of examination-at-home approach to meet the needs of students. Keep up the good work!"
>
> **Member, August 2020 survey**

65,000
CGMA students

79,195
CIMA Professional Qualification and CGMA exams taken

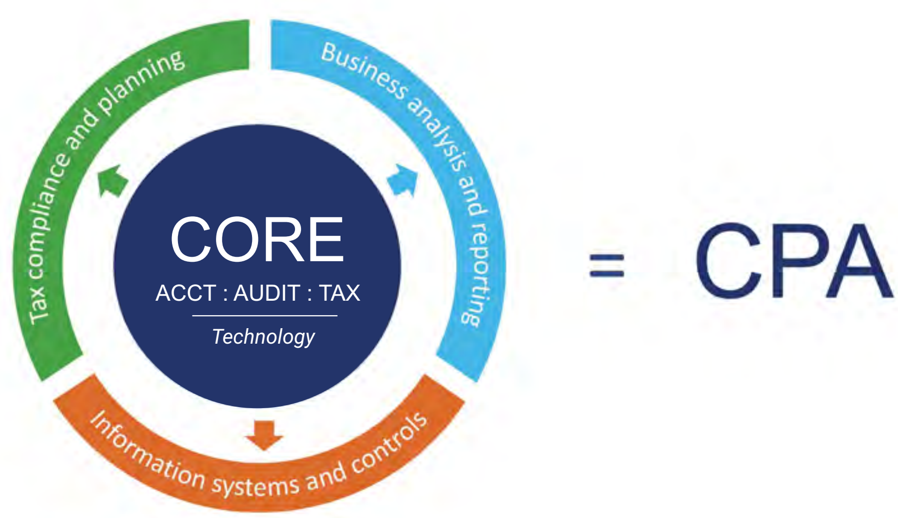
73,000
CPA candidates

167,468
Uniform CPA Exam sections taken



3 We gained stakeholder support to transform CPA licensure.

In a joint effort with the National Association of State Boards of Accountancy (NASBA), the CPA Evolution initiative is transforming CPA licensure in recognition of the rapidly changing skills and competencies required today and in the future. In 2020, both the AICPA Council and NASBA's Board of Directors voted in support of advancing a **core + discipline licensure model**. This was a critical milestone in the effort to transform the CPA, with the goals of developing model curricula and course content for academia in 2021 and launching a new CPA Exam in January 2024.



4 We rolled out a new online pathway to the CGMA designation globally.

The CGMA Finance Leadership Program (FLP) is a **new pathway to the CGMA designation** that is based on the same syllabus, case study exams and practical experience requirement (PER) as our other pathways. Developed based on feedback from members, students and employers, it combines the learning and assessment in a fully online, modern and frictionless experience. Previously launched in the U.S., the program expanded globally in June 2020.

5

We quickly pivoted to become a go-to resource for COVID-19 news, tools, guidance and learning.

By the numbers

2.86 million

page views to COVID-related content on our websites, including our coronavirus resource centers launched in March

142 webcasts specific to COVID-19's impact, in multiple areas of focus, such as scenario-planning and fraud risk, with

296,000 registrations

175,000

registrations for our Town Hall series that kept members informed about the latest updates from U.S. legislators, Treasury and the Small Business Administration.
We held **27** town hall webcasts in 2020, with attendance ranging from 2,840 to over 8,000.

> "So grateful for the professional and thorough manner in which you do everything. I love the classes I have taken, and I especially love the Town Hall series that is keeping us up to date on all things regarding the relief packages. They have been so timely, useful and full of pertinent information."
>
> **Member, December 2020 survey**

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9,000

attendees to our **Agile Finance Reimagined** webcasts that shared expert insights and practical guidance on topics related to economic recovery and business resilience, such as supply chain management

10 million

unique visitors and nearly

19 million

page views to the ***Journal of Accountancy*** website, more than doubling the number of users and page views over the prior year

1.95 million

page views to *FM* magazine

6.96 million

page views to *The Tax Adviser*

80,000

page views to our AICPA Insights blog post on "5 reasons borrowers shouldn't rush their Paycheck Protection Program forgiveness applications"

61,000

page views to our CIMA Insights blog post on "Coronavirus: 4 tips to work remotely"

8,100

downloads of our ***Reimagine business resilience in the COVID-19 world*** toolkit with resources on scenario planning, strategy and the CGMA Business Model Framework

5,096

media articles featuring our expertise and advocacy on COVID-related issues, leading to

13.26 billion

impressions globally

6 We supported audit quality during the pandemic while making great progress in innovating the audit for the future.

We reprioritized goals for our **Enhancing Audit Quality** initiative to focus on aiding members with COVID-related issues, including remote auditing, fraud risk identification and response, and noncompliance with laws and regulations (including U.S. Paycheck Protection Program loans). Through these efforts, we produced articles and blog posts that were viewed over **500,000** times, webcasts with over **7,500** attendees, and various resources and tools to aid practitioners.

The Dynamic Audit Solution (DAS) is a multiyear initiative by the AICPA, CPA.com and our technology partner, CaseWare International, to develop a **data-driven, technology-enabled audit solution** that will enhance the efficiency, quality and value of audits. In October 2020, we delivered a minimum viable product (MVP) to DAS-participating firms for their experimentation and feedback.

7 We continued to support the profession's central role in environmental, social and governance (ESG) reporting, assurance and risk mitigation.

Association CEO Barry Melancon signed the **Accounting for Sustainability (A4S) Call to Action in Response to Climate Change** as part of our commitment to provide training and support to members and sound advice to policymakers to address climate change in an integrated multi-stakeholder approach that aligns business, societal and government efforts.

We also welcomed the announcement of the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) merger to create the Value Reporting Foundation. This move was championed by the Association and Barry Melancon, who serves as Chair of the Board at the IIRC.

To provide guidance and learning on ESG topics, we also:

- Published answers to frequently asked questions about external assurance of sustainability reporting with the Global Reporting Initiative (GRI) and SASB
- Partnered with The World Business Council for Sustainable Development (WBCSD) to improve corporate performance management practices in a joint project to help businesses create sustainable and competitive strategies
- Collaborated with SASB and WBCSD on a virtual event discussing the effects of COVID-19 on investor demand for ESG reporting and the importance of reliable ESG disclosures
- Launched a series of educational briefs exploring sustainability, business and the role of finance professionals, including *Sustainability and business: The finance call to action* and *Sustainability frameworks & standards: Sustainability Accounting Standards Board (SASB)*

8 We worked to advance diversity, equity and inclusion in the profession.

By tapping into different perspectives and cultures, the profession can help solve the most complex and challenging issues organizations face.

To support diversity, equity and inclusion (DEI) in the profession and the pipeline, we:

- Expanded our DEI learning portfolio and released an unconscious bias awareness program for finance teams and CPA firms
- Increased participation in our Accounting Inclusion Maturity Model, an assessment tool to measure progress in diversity and inclusion, to **122** firms and organizations
- Hosted six webcasts on DEI in the profession with over **2,250** total registrations
- Awarded **US$788,000** in scholarships to help ethnic minority students complete their accounting education and earn their CPA license
- Partnered with the Finance and Accounting Services Sector Education and Training Authority (FASSET) in South Africa to offer free access to our student pathways to **77** economically disadvantaged individuals, enhancing their employability
- Recognized **25** female leaders in the accounting profession through the 2020 Most Powerful Women in Accounting Award at the AICPA & CIMA Women's Global Leadership Summit and created the CIMA Women in Leadership forum to promote and support the success of women in leadership roles

9 We successfully transitioned to digital-first conferences and events.

The COVID-19 pandemic required us to pivot to online conferences and events, including our premier AICPA & CIMA ENGAGE event. We quickly adapted and produced an immersive digital experience for ENGAGE that included a virtual exhibit hall and opportunities for attendees to connect online. Over **3,700** attendees joined the main part of the event, and 90% of the speakers and surveyed attendees rated it positively.

With a digital-first approach, we saw increased participation in virtual management accounting events throughout the world. In the U.K., for example, webcast attendance reached over **32,000**, an increase of 440% compared to 2019.

We also created a virtual roadshow to provide members an opportunity to learn from and connect with leadership. From September 2020 to January 2021, CIMA President Nick Jackson and Andrew Harding, CEO — Management Accounting, held 10 virtual events, with over **2,600** members registered.

"The CIMA webinars are invaluable, especially as the recordings are available after the events. This is a SIGNIFICANT benefit to me with my CPD, and I am sure others feel the same. Keep them up, please."

Member, September 2020 survey

10 We launched a new, secure top-level web domain exclusively available to CPAs.

Through CPA.com, we launched the .cpa (dot cpa) domain in the U.S. for CPAs to connect with their clients and the public with **greater trust, security and verification**. More than 90% of firms in the AICPA Major Firms Group and over 80% of the top 500 firms secured the new domain during the early registration phases. The domain will be offered globally to CPAs in select countries in 2021.

You'll find further discussion of what we accomplished in 2020 in the "Strategy and 2020 performance" section.

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Governance

Association Board of Directors

In support of 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 32 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 2020 Association Board aligned with our membership composition of 37.5% women and featured representatives from four continents.

Board leadership

Tracey Golden, CPA, CGMA
Chair, Association of International Certified Professional Accountants

Nick Jackson, FCMA, CGMA
Vice Chair, Association of International Certified Professional Accountants

Association Board members

Paul Ash, FCMA, CGMA
Sheila Balzer, CPA, CGMA
Mark Begich (Public member)
Bruce Behn, CPA, Ph.D.
Kasia Ciezkowska, ACMA, CGMA
Louise Connaughton, FCMA, CGMA
Mary Grace Davenport, CPA
Rick Dreher, CPA, CGMA
Joe Falbo, CPA, CGMA
Sarah Ghosh, FCMA, CGMA
Tracey Golden, CPA, CGMA
Andrew Harding, FCMA, CGMA
Nick Jackson, FCMA, CGMA
Melanie Kanaka, FCMA, CGMA
Shirley Liu, FCMA, CGMA
Carla McCall, CPA, CGMA
Anoop Mehta, CPA, CGMA
Barry Melancon, CPA, CGMA
Randy Myeroff, CPA, CGMA
Trisha Nomura, CPA, CGMA
Anne Northup (Public member)
Joel Olbricht, CPA, CGMA
Dominic Ortiz, CPA, CGMA
Robert (R.J.) Phillips, FCMA, CGMA
Bill Pirolli, CPA/CFF/PFS, CGMA
Amy Radin (Public member)
Okorie Ramsey, CPA, CGMA
Amal Ratnayake, FCMA, CGMA
Bill Reeb, CPA/CITP, CGMA
Doug Roosa, CPA, CGMA
Asif Sadiq (Public member)
Mahes Wickramasinghe, CPA, FCMA, CGMA

2020 AICPA and CIMA Councils

AICPA leadership

Tracey Golden, CPA, CGMA
Chair, AICPA

Bill Pirolli, CPA/CFF/PFS, CGMA
Vice Chair, AICPA

Bill Reeb, CPA/CITP, CGMA
Immediate Past Chairman, AICPA

CIMA leadership

Nick Jackson, FCMA, CGMA
President, CIMA

Paul Ash, FCMA, CGMA
Deputy President, CIMA

Melanie Kanaka, FCMA, CGMA
Vice President, CIMA

Amal Ratnayake, 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, district and territory. The Council provides input to the Association's strategic plan and programs in line 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, including Honorary Officers, elected Fellows, and members co-opted for skills and experience they provide. The Council provides input to the Association's strategic plan and programs in line with current and future market needs and sets standards and regulations of members in line with the objects of CIMA's Royal Charter and members' wider duty of care to the public interest. Under normal circumstances, Council meets twice a year in person and twice virtually.

Regional advisory panels

Regional advisory panels (RAPs) have two primary responsibilities: 1) 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, and 2) drive local member and student engagement by serving 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 CIMA and the AICPA.

The Association Nominations Committee selects RAP members, and includes members, students studying to become professionally qualified, and employers.

Driving value

The Association's governance process is a key component of its ability to create long-term sustainable value over time. As we develop, evolve and progress our 3-year strategic plan in an integrated fashion, 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 into a comprehensive strategy that is reflective of the governance input that represents every segment of the profession and society.

In November, the Board of Directors approved our refreshed strategy and 2021 plan. We have modified our strategic process in response to the pandemic and have adopted an agile approach, moving away from a 3–5-year planning cycle to a 2021 plan and a 2025 ambition with room to make shifts in response to the external environment.

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 2020, AICPA Council supported the Board of Directors' advancement of the CPA Evolution initiative to design and implement a new approach to CPA licensure. CIMA Council supported the rapid move to online, remote CGMA exam testing and the global rollout of the CGMA Finance Leadership Program to meet the digital learning demand, as well as endorsed the next steps in a plan to modularize and specialize the CGMA designation. 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 the Council is representative of its future members and stakeholders. Some of these changes will require Byelaw and Charter revisions in 2021 or beyond.

We regularly report progress against our plan to the Board 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 in line with the annual strategic plan.

COVID-19 and the external environment

It's impossible to consider the external environment we operate in without a heavy emphasis on the COVID-19 pandemic and its impact on the Association, the profession and the world. The pandemic disrupted every facet of normal life, as individuals and governments worked to control the spread and prioritize health and safety. Businesses were forced to navigate an unprecedented, rapidly changing external environment, and critical decisions around operations, cash flow and safety had to be made without historical data or clear guidance.

As vaccinations increase and the world makes progress toward containment, we are evaluating the lasting impact of COVID-19. The pandemic has accelerated critical trends in technology, consumer expectations, globalization and corporate responsibility. We are carefully monitoring the implications and opportunities arising from these trends.

Technology and digital transformation

Heightened consumer expectations

Complex global environment

Increasing emphasis on stakeholder impact and environmental, social and corporate governance (ESG) information

Technology and digital transformation

Technology remains a disrupting force for businesses across the globe. The founder of the World Economic Forum has called our era the "Fourth Industrial Revolution." What's different about this era is the speed of change and scope of impact — spurred by the combination of innovative technologies such as artificial intelligence, machine learning, the Internet of Things, robotics and blockchain.

The pandemic's impact

COVID-19 has accelerated the speed of technology adoption, bringing digital transformation sooner than expected. Digital-first businesses were able to successfully navigate the pandemic; others experienced varying degrees of distress as they scrambled to catch up.

Finance and accounting professionals were at the forefront of digital transformation. Management accountants were leveraged to help their organizations transition to remote working and execute scenario-planning and forecasting. CPAs helped their firms begin leveraging technology for all operations, including audits. Personal financial planners turned to video calls for virtual portfolio reviews. According to a McKinsey poll, 89% of business leaders expect these go-to-market changes to be permanent, making immediate digital transformation imperative for survival.

How it affects the profession

Adoption of novel technologies is already becoming a reality for many CGMA-led finance teams and CPA firms of all sizes. For example, smaller firms are now also using AI tools as part of their auditing process. These tools allow professionals to focus on value-add tasks and expand into an advisory role, making them critical for long-term success. Despite understanding the importance of digitizing and automating, some professionals are struggling to develop a clear vision for implementing new technologies.

Opportunity for the Association

As the leading resource for global accounting and finance professionals, the Association will continue to guide firms and employers through digital transformation. Through tools and resources — including the Dynamic Audit Solution, technology solutions from CPA.com, the digital CGMA Finance Leadership Program and our suite of innovative learning products — we are providing our professionals and firms with what they need to be successful, now and in the future. Our strategic activities continue to prioritize future-proofing management and public accounting with initiatives such as CPA Evolution and evolving the CGMA designation, ensuring that our professional qualifications continue to encompass the most up-to-date technology topics.

Sources: McKinsey, World Economic Forum and input from Association subject matter experts

Heightened consumer expectations

With the rise of disruptive companies leveraging cloud, mobile, social and artificial intelligence to deliver personalized, valuable and immediate experiences, consumers' expectations are at an all-time high, and they're not afraid to switch from brand to brand to find the optimal experience.

The pandemic's impact

In addition to raising expectations for seamless online and contact-free experiences, the pandemic increased consumers' expectations of business leaders. Consumers scrutinized treatment of employees during the crisis; according to a global survey Edelman conducted in April 2020, 65% of consumers said CEOs should take the lead in responding to the pandemic rather than waiting for the government to respond. The profession also felt these shifts as clients and employers looked to the profession for leadership.

Many CPA firms expanded services to business relief advisory services (including assisting with Paycheck Protection Program loan applications), advising on retirement plan distributions and loans, evaluating business risks, and assessing business contingency and continuity plans. These new service offerings were an acceleration of the trend toward CPA firms acting as a one-stop shop for solutions and often helped firms strengthen relationships with clients.

Finance professionals, too, were called upon to offer guidance through an unprecedented and confusing environment. They steered business continuity efforts, often in partnership with IT and human resources; continually reevaluated financial forecasts; identified government relief opportunities to leverage; and helped their employers plan strategically for the future.

How it affects the profession

Like business at large, CPA firms and CGMA-led finance teams are also affected by heightened consumer expectations. To remain competitive, CPA firms are under pressure to convert to a complete solutions provider that can serve as a trusted adviser across multiple areas of expertise. CFOs are similarly expected to do more, including helping their organizations meet ever-growing consumer expectations. As the roles of finance professionals evolve at every level, they are expected to add value by serving as business advisers who can lead on issues such as business model transformation in a world where consumers expect a personalized, seamless experience.

Opportunity for the Association

The Association must ensure that finance and accounting professionals are equipped to meet the expanding needs of consumers. Our efforts to expand on CPA firms' role to be trusted advisers continues; for example, our subsidiary CPA.com, continues to expand its suite of technology products that allow CPAs to automate routine work and provide a more personalized, higher-value and more holistic service to their clients. We are also expanding our learning offerings for firms and employers so that their staffs have the skills needed to respond to consumer demands.

We must also ensure that we meet consumer expectations for the Association. We are accelerating our digital transformation through an initiative we call Redesign the Association's Value and Experience. With this initiative, we are creating highly personalized, relevant and frictionless experiences and continually creating and testing new value propositions to better meet the needs of members, students, engaged professionals, firms and employers. This effort will continue in 2021.

Sources: Edelman, McKinsey, PwC, Salesforce and input from Association subject matter experts

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Complex global environment

Globalization and emerging markets remain at the forefront of economic growth. Leveraging pro-growth economic agendas, emerging economies are quickly pulling the economic center of gravity south and east. However, the pandemic has exacerbated existing trends around nationalism and protectionism, making the global landscape challenging to navigate.

The pandemic's impact

By mid-November, the World Trade Organization reported over 250 new trade and trade-related measures due to the pandemic, as countries responded to global lockdowns and ongoing virus surges by seeking to maintain access to critical goods. Facing uncertainty and increased trade restrictions, many businesses sought to onshore supply chains and operations. As anti-globalization sentiments rise, nations are shifting toward rising regionalization of economic and political systems that businesses must learn to navigate.

How it affects the profession

As finance and accounting professionals move into a more consultative role, they must be able to advise their clients and employers through the complexities of the global environment. Governments may be working toward simplification and international compliance standards, but accounting and tax remain highly complex. The TMF Group's 2019 Global Business Complexity Index reports that 70% of local authorities prescribe the format of accounting reports. Overall, the landscape that accounting and finance professionals must navigate is trickier than ever.

Opportunity for the Association

As we work to professionalize management accounting worldwide, it's even more important to leverage local and regional partnerships. We must also ensure that our professionals have access to the resources and information they need to navigate an increasingly complex global landscape. Finally, we must leverage our advocacy expertise to provide local support in emerging markets.

Sources: McKinsey, TMF Group, World Trade Organization and input from Association subject matter experts

Increasing emphasis on stakeholder impact and environmental, social and corporate governance (ESG) information

In August 2019, CEOs of nearly 200 major companies issued a statement of corporate purpose, committing to deliver value to all stakeholders, not just shareholders. They committed to prioritizing long-term value to customers, employees, suppliers, communities and the environment. This statement mirrored a broader shift in thinking, as consumers, corporations and investors increasingly emphasize businesses' responsibility to people and the planet alongside profit. Companies are now reporting on environmental, social and corporate governance (ESG) information in addition to their financial reporting.

The pandemic's impact

The COVID-19 pandemic placed a spotlight on the importance of human capital. Consumers heavily scrutinized the employment practices of retailers; in Deloitte's 2020 Global Millennial Survey, 60% of respondents report that they plan to buy more products and services from large businesses that have taken care of their workforces and positively affected society during the pandemic. Finance and accounting professionals must consider human capital in addition to financial capital; partnership with human resources and other senior leaders to prioritize treatment of employees will be critical.

As government officials plan next steps, many are calling for a green recovery. The profession is positioned to make the business case for the interconnection between sustainability and long-term value creation.

Alongside the pandemic, there was a worldwide reckoning with racial injustice in 2020. Organizations worldwide reevaluated their diversity, equity and inclusion practices. As they follow through with their stated commitments, stakeholders will expect transparency and trust in their reporting, which the profession can provide.

How it affects the profession

The profession is uniquely qualified to measure, report and provide assurance on ESG information; it's also uniquely positioned to help clients and employers develop ESG-informed strategies and mitigate associated risks.

A consistent, global approach to sustainability accounting standards and comprehensive corporate reporting will be critical. In 2020, there was positive movement toward this goal: the International Federation of Accountants (IFAC) called for a new sustainability accounting standards board, and the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) announced they will merge in 2021 to offer a comprehensive corporate reporting framework.

Opportunity for the Association

We also must continue to leverage our leadership role to promote the adoption of standard, reliable and meaningful reporting and assurance practices; champion sustainable business practices; and provide the guidance, resources and learning members need to address corporate responsibility, stakeholder impact and the need for trust in ESG disclosure. While ESG has been part of our strategy for years, we have enhanced programs and activities in our 2021 strategic plan because of the increasing momentum of this trend.

Sources: Deloitte, Financial Times Inc., KMPG and World Economic Forum

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Competitive landscape

The Association's competitive landscape is complex and multifaceted. Our competitors range from niche specialists to global for-profit enterprises, startups to century-old organizations, and traditional accounting and finance associations to universities and online course providers. Competition is only getting fiercer. At the same time, the opportunity for strategic partnerships is steadily increasing.

Given the increasing competition and accelerating forces of change, the value proposition of our organization must evolve to meet the needs of members and students. Our ongoing digital transformation is a key way we're responding to market feedback and enhancing our value propositions and business model. We also must continue to differentiate ourselves through our widely recognized and respected designations and credentials; comprehensive, best-in-class learning; firm and business solutions; advocacy that yields meaningful results for members and the profession; and leadership to future-proof the profession for continued relevance and success.

Competition within our core offering area

Accounting associations

A key competitive advantage is our focus on lifelong learning as well as additional services for members and their organizations. 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 have diversified revenue streams that supplement membership and credentialing revenues.

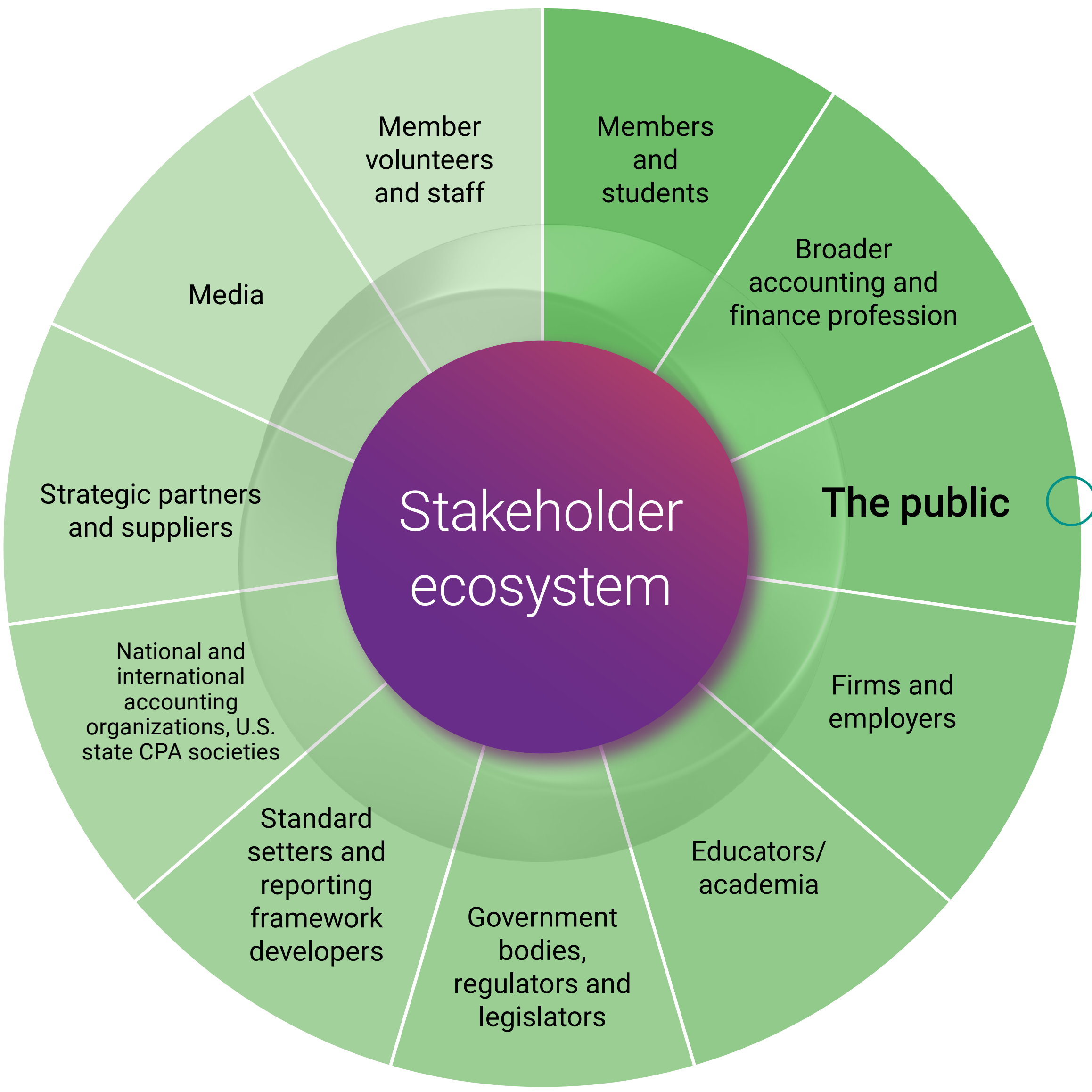
Specialty associations

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 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 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.

Value creation model

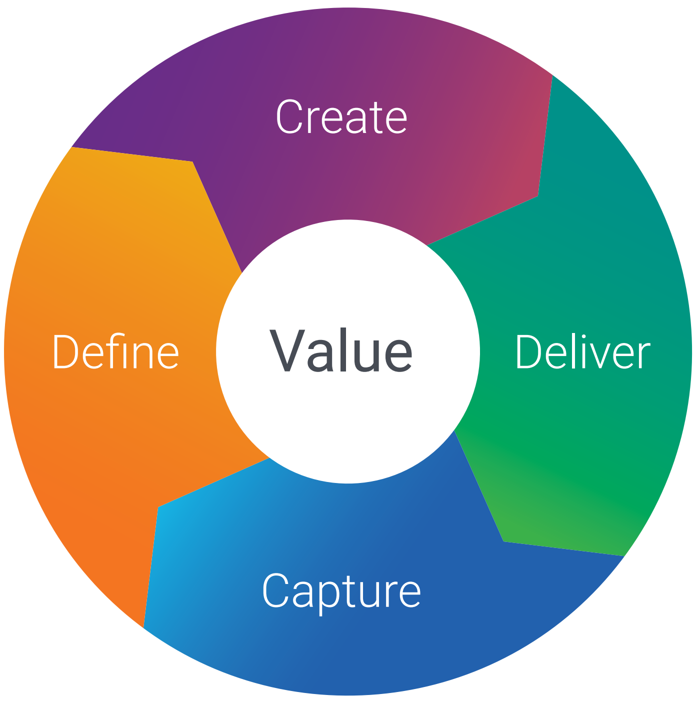


Through our relationships with key stakeholders, we support our members and the profession as they affect nearly every part of society and the global economy. Through their expertise, reliability and ethical commitment, they help advance:

- **Trust in financial and ESG information** for investors, private equity and the public
- **Economic growth, job creation and job protection**, driven by strategic and sound business decisions
- **Stewardship of resources** supported by sustainable business practices
- **Effective systems of taxation** built on tax compliance
- **Financial well-being** of individuals, families and communities
- **Economic opportunity** and meaningful work for individuals who join the profession

CGMA Business Model Framework

The Association applies its 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:

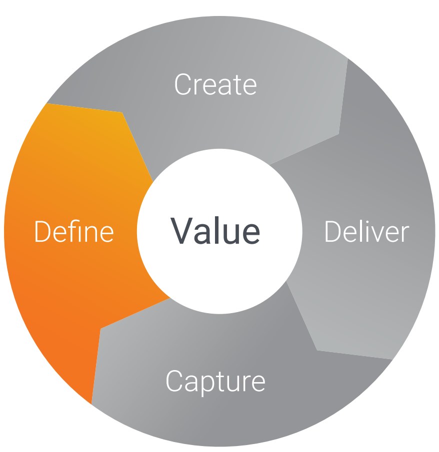


Defined
by members and other stakeholders

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

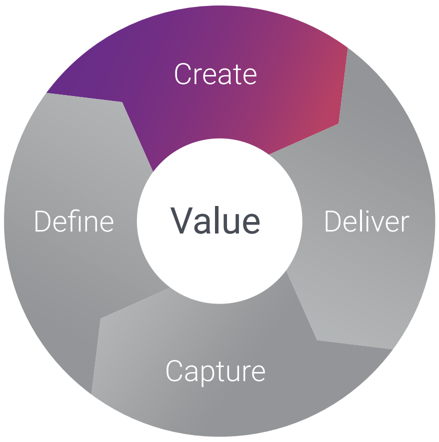


Define

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, content and solutions to educate their staff and deliver greater value to their customers
- The public, which benefits from the increased trust that skilled accounting and finance professionals worldwide deliver



Create

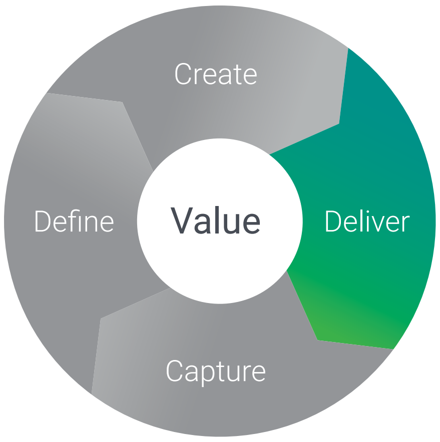
How do we create the **products, services and experiences** that meet stakeholder needs?

We create value by:

- Engaging with firms, businesses and members worldwide to understand the big and emerging challenges of the day
- Gathering the collective wisdom, data and insights of subject matter experts, academics and market research to develop solutions and learning to address those challenges
- Advocating to protect the public by ensuring the profession remains highly skilled, relevant and ethical
- 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 and evolving the Uniform CPA Examination, along with Prometric and NASBA; creating and updating the CIMA Professional Qualification and CGMA exam and syllabus
- Monitoring the external environment and updating our content, resources and qualifications as needed

Key resources that help us create value:

- The expertise of member volunteers and staff
- Relationships with accountancy bodies, U.S. state CPA societies, firms, employers, regulators and many more
- Financial capital that is reinvested in our members and the profession
- Trusted and respected brand with over 100 years of experience serving accounting and finance professionals
- Code of ethics and professional conduct to act in the public interest and build trust in the profession
- IT infrastructure, powering a seamless digital experience

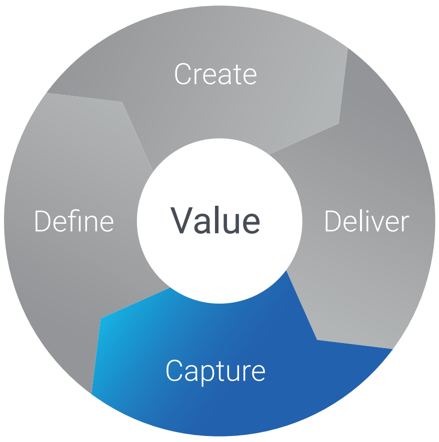


Deliver

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* and *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
- Developing and marketing solutions directly to individuals, to firms and employers, and universities
- Transforming our business model to reduce costs and improve service



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 by operating as a not-for-profit organization
- By reinvesting to 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

We are focused on leveraging captured value to fund our mission, vision and purpose and reinvest in numerous facets of the profession. Considering the trends affecting the profession and our organization — including technological disruptions and younger generations' changing needs — our business model will evolve to create and deliver value in the new global marketplace. The implementation of our strategic initiatives, especially to transform our organization, is essential to keep us relevant in the future.

Global impact: the U.N.'s Sustainable Development Goals

Sept. 25, 2020, marked five years since world leaders committed to the 17 Sustainable Development Goals (SDGs) the U.N. developed for government, the private sector, civil society and individuals to work in partnership for peace, prosperity and protection of the planet.

We celebrated the anniversary with a monthlong campaign focusing on the role of business, and specifically management accountants, in making progress toward the SDGs. Over the campaign, we released new blog posts, articles and videos, and held two webcasts. The campaign drove a 50% increase in views of CIMA's ethics webpages. Over 7,000 people viewed our videos on social media, and the polls garnered over 6,000 responses. The campaign ended Oct. 21, Global Ethics Day, when we celebrated accountants and finance professionals' commitment to ethics and professionalism by releasing a new ethical decision-making tool for members and holding a webcast that the associate director of the Institute of Business Ethics hosted.

The Association's efforts support eight specific goals:

U.N. SDG 4 on quality education and lifelong learning — We support high-quality education and training to prepare the next generation of accounting professionals and support lifelong learning. To that end, we offer two CIMA apprenticeship levels to anyone living in England who is over the age of 16 and not in full-time education. Apprenticeships are jobs with professional training and are effective tools in training young people, developing new skills among the existing workforce, and supporting social mobility. In the U.S., we offer AICPA Legacy Scholarships, which provide support to students from diverse backgrounds, including ethnic minority and female scholars and those transferring from a two-year to a four-year institution. Our wide range of learning products enables members and engaged professionals to prepare for the future of work.

U.N. SDG 5 on gender equality — We promote diversity, equity and inclusion (DEI) within the accounting profession and its pipeline, believing a profession that is reflective and inclusive of the global communities in which they serve is the most productive. For example, to highlight the leadership of women, we host the AICPA & CIMA Women's Global Leadership Summit, where we recognize 25 female leaders in the accounting profession through our Most Powerful Women in Accounting Awards. Additionally, every two years, we publish the AICPA Women's Initiatives Executive Committee CPA Firm Gender Survey.

U.N. SDG 8 on decent work and economic growth — The Association is a voice for economic recovery around the world, advocating for small- and medium-sized enterprises while supporting members who are helping employers and clients utilize government relief programs to protect jobs. We also 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 four companies to enter the program in 2020.

U.N. SDG 10 on reduced inequalities — While we work to promote DEI in the profession, we also foster social mobility through outreach and support of the pipeline, enabling students to embark on a reputable, stable career that can help raise them from economic hardship. Efforts in 2020 include offering a new AICPA COVID-19 Student Hardship Grant and partnering with the Finance and Accounting Services Sector Education and Training Authority (FASSET) in South Africa to offer free access to our student pathways to economically disadvantaged individuals.

U.N. SDG 12 on responsible consumption and production — We continue to act as thought leaders on the topics of sustainability and responsible business, funding academic research and publishing resources. For example, in response to an increasing number of questions in sustainability assurance engagements, we joined forces with the Global Reporting Initiative and Sustainability Accounting Standards Board to publish FAQs on external assurance of sustainability reporting.

U.N. SDG 13 on climate action — Given the severity of the climate-related risk and the opportunity for the profession to take a leadership role, in 2020 Barry Melancon signed the Accounting for Sustainability (A4S) Call to Action in Response to Climate Change. The statement signals our commitment to support members through resources, guidance and advocacy as they address climate-related risk for organizations and advance sustainable business practices.

U.N. SDG 16 on peace, justice and strong institutions — Through promoting high ethical standards for the profession, the Association has an important role to play in supporting ethical conduct that is foundational to strong institutions. This includes enforcement action where necessary, as well as a significant role in countering money laundering: Under U.K. and Irish legislation, CIMA is the supervisory authority for anti-money laundering (AML) purposes for more than 1,600 members in practice. In addition, 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 — The Association is an original Foundation Partner of the International Integrated Reporting Council (IIRC), with whom we work to drive adoption of integrated thinking and reporting, which promotes responsible stewardship of resources. We are also a member of the Accounting for Sustainability (A4S) Accounting Bodies Network, representing 2.5 million accountants in 179 countries. In 2020, we partnered with the World Business Council for Sustainable Development (WBCSD) on a project to improve corporate performance management practices by better identifying and addressing intangible value and nontraditional risks, including environmental or social risks.

Strategy and 2020 performance

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

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

Strategic positioning
Strategically position management and public accounting and our designations.

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

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

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

Within the strategic objectives, the Association has **five initiatives**. These require a significant investment of human and financial capital and collective leadership mindshare. We leverage the skills and know-how of dedicated support teams to implement our strategic initiatives 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.

Strategic initiatives

1

Promote competency globally

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

Why are we doing this?

Professionals need new skills to deliver on new demands. We have the expertise and partnerships to equip the profession to remain highly competent and safeguard the public interest. We must give finance and accounting professionals, and the organizations they work for, the learning products they need, when and how they need them.

Top accomplishments include:

- The delivery of our learning changed dramatically in 2020, as we transitioned to digital delivery of 25 conferences and associated events. We had almost 15,000 attendees across our online conferences.
- We experienced the increasing popularity of our webcasts, which offer learning presented by industry leaders, regulators and experts. Total attendance approached 400,000, compared to 150,000 in 2019, largely due to our popular Town Hall series with over 175,000 registrations.
- We updated our CGMA Digital Mindset Pack, which includes learning on data analytics, robotic process automation and blockchain, and offered a new version of the pack designed for CPAs. Since introducing the CGMA Digital Mindset Pack in 2019, it's been downloaded over 56,000 times; in 2020, the CPA pack was downloaded over 14,700 times.
- We launched a personalized learning experience aligned to our Future of Finance research. More than 16,000 CIMA members logged into this "Future Mindset" tool in 2020.
- We expanded offerings to educate members about cybersecurity best practices, particularly in response to COVID-19. These resources, free to members, include FAQs on managing cybersecurity risk, a monthly podcast that discusses cybersecurity advisory challenges and opportunities, and several webcasts focused on effective cybersecurity risk management programs.
- We continued to emerge as a thought leader in blockchain education. We formed a working group to explore the implications of blockchain technology on SOC (System and Organization Controls) 1 and SOC 2. The group released a white paper that provides CPAs with an understanding of the risks associated with performing SOC engagements for service organizations that use blockchain. Additionally, we hosted the annual Blockchain in Accounting Symposium online, bringing together over 100 accounting, auditing, tax and blockchain experts.

- We initiated efforts to acquire assets from the Business Learning Institute, a leader in human intelligence skills and strategic consulting. The acquisition of BLI's learning programs — especially in key areas of leadership, strategy and success skills — will enhance our offerings to corporate employers in upskilling and reskilling their employees to meet evolving marketplace demands.
- We created new career resources, such as virtual coaching webcasts, for our global career hub, which lists job openings, career advice, and CV and interview coaching products and services. In 2020, we posted nearly 1.3 million jobs in the U.S., U.K., Europe, Asia and Africa.

Challenges

The pandemic created many challenges for business development. Early in the year, the in-person sales strategy had to convert to online and virtual, and businesses facing extreme uncertainty limited their discretionary spending. Despite the challenges, our refreshed strategy delivered success. Total contract value for learning contracts increased over the prior year as our value proposition resonated with enterprises needing to upskill their staff in difficult times.

Learning by the numbers

1,335 online learning events

- Over 563,100 downloads of 261 podcast episodes, representing a 23% increase in downloads compared to 2019
- Over 1 million views to our AICPA Insights blog and over 438,000 views to our CIMA Insights blog. For the CIMA Insights blog, this represents over a 290% increase compared to 2019.
- Over 41.9 million impressions and 436,600 engagements across AICPA and CIMA social media platforms
- Over 41,000 LinkedIn Live views and 70,900 Facebook Live views
- Over 860,600 views of our content posted on our YouTube channels

2

Grow key markets

We seek to continue to professionalize management accounting in the U.S. and expand our presence in China.

Why are we doing this?

Professionals and businesses want to grow management accounting skills and have those skills recognized, which we support through our high-quality CGMA designation and best-in-class learning materials. The U.S. and China are leading markets where there is high demand and growth potential.

Top accomplishments include:

- In the U.S., we continued to focus on delivering value to students through partnerships with universities. We launched a pilot of the CGMA Finance Leadership Program (FLP), where students enroll in the FLP as part of their university coursework; we are also piloting a model where students enroll in the FLP alongside their university studies and a model where students enroll in the FLP directly, without any university affiliation. This gives us the ability to serve students following a traditional university path as well as those exploring alternative ways to gain a highly employable professional qualification.
- In China, we began piloting the first level of the Digital Management Accounting (DMA) product. The DMA was developed specifically for China and is designed to provide university students and early career professionals with in-demand digital skills and competencies. The second and final level of the DMA will move into the pilot phase after Level 1 is finalized. We also delivered value to professionals through a series of online events, including the CGMA100 North Asia Management Accounting Leaders' Summit 2020 and the CIMA University Forum on Digital Evolution. Jointly organized with the Chengdu High-Tech Development Zone, the online events attracted over 200,000 attendees.

Challenges

University partnerships are critical for success in both the U.S. and China. But, in early 2020, universities were focused on reacting to the crisis and, in late 2020, they struggled to find the right solution for on-campus and remote learning. We're optimistic that, as vaccinations roll out worldwide, we will be able to make more progress with our university efforts in 2021.

Note: In 2020, we updated our Strategic Initiative "Open the U.S. market for CGMA" to "Grow Key Markets" to better reflect our global efforts. In 2020, we focused on the U.S. and China.

3

Future-proof public and management accounting

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

Why are we doing this?

We are working to ensure CPAs and CGMA designation holders have market-relevant skills to remain in-demand trusted advisers. To do this, we must continually refresh the education requirements, the curriculum and assessment for earning the CPA and CGMA so that our professional qualifications remain up to date.

Top accomplishments in public accounting

- The AICPA Council and NASBA's Board of Directors voted in support of advancing CPA Evolution, which will transform CPA licensure by adopting a core + discipline model.
- We transitioned the CPA Exam from a testing window model to continuous testing and expanded global testing.
- We added an experience pathway for the Personal Financial Specialist credential (PFS™), specifically for CPAs with substantial experience.
- We began revisions on the Statements on Standards for Tax Services (SSTS), which are valuable guidelines for tax practitioners. The updates will reflect the needs of a tax practice today and into the future

To maintain a robust pipeline of CPAs

- We awarded 240 scholarships and grants totaling US$919,500 to accounting students for the 2020–21 academic year, including new scholarships such as the CPA Exam scholarship and the COVID-19 Student Hardship Grant.
- We launched the third iteration of the Accounting Doctoral Scholars program to support accounting Ph.D. candidates. Since 2016, the program has recruited and funded 157 candidates with relevant experience as practitioners — 107 have completed their Ph.D. and 49 Ph.D. students are currently being supported through the program, including five candidates inducted in 2020.
- We partnered with Kansas State University to launch an online Accounting Program for Building the Profession (APBP) course for high school students without access to the course at their high school.
- We grew the CPA Academic Champion program, now partnering with 45 key university faculty influencers across the U.S., to provide free resources to help promote a CPA culture on campus. The program includes Academic Champions across the country from four-year institutions, community colleges, historically Black colleges and universities (HBCUs) and Hispanic-serving institutions (HSIs).

Top accomplishments in management accounting

- We responded to global lockdowns by becoming the first accounting professional qualification to offer our entire qualification online through remote testing.
- We accelerated our global rollout of the CGMA Finance Leadership Program, which combines the same learning and assessment as our other pathways and delivers them in a fully online experience, ideal for a "stay-at-home" environment.
- We updated the CIMA Code of Ethics, which provides management accountants with the tools and resources they need to safeguard the accounting profession and public interest. The updates included a revised conceptual framework to help professionals identify, assess and address ethical threats; strengthened provisions relating to the preparation and presentation of information to ensure effective governance; and revised provisions related to offering and accepting of inducements, including gifts, hospitality and entertainment.

To encourage future CGMA designation holders globally

- We launched the first annual CIMA Academic Partner Excellence Awards, recognizing 111 academic and university partners who work to equip CIMA-qualified graduates and students for future-ready careers.
- We held the CGMA Emerging Leaders Competition, where over 100 student teams from almost 30 universities in 10 countries immersed themselves in the modern business world, showcased their talent and learned the skills needed to build a successful career in business and finance. Through this event, we engaged with 72 academic and corporate mentors.
- We offered an online CIMA Tutor Resource Hub, which received over 5,000 unique visitors to our CIMA syllabus resources. The classroom resources include videos, podcasts, articles and reports for academic partners, with particular emphasis on digital topics.
- We created an online business game using a past CIMA case study to engage students and corporate employees in a virtual environment. There were more than 1,000 participants from across the world, including from the U.K., Poland, Ukraine and Sri Lanka.

Challenges

CPA Exam global volumes degraded in 2020 due to the Prometric test centers shutting down in spring 2020 because of the pandemic. As test centers reopened, candidates were hesitant to return, and some took advantage of state boards offering extensions to delay. To maintain a robust pipeline and offset declining CPA candidates, we launched continuous testing in July, expanded global testing and increased student and candidate communication.

Future-proofing through innovation

▶ The CPA.com Startup Accelerator is an annual program that finds, invests in and guides early-stage tech companies with solutions that support accounting and finance professionals. The 2020 cohort included:

- **The Climate Service** — Offers an ESG solution that helps companies measure, manage and disclose climate-related financial risks
- **Gilded** — Automates crypto payments and accounting in a blockchain back-office solution
- **Scanye** — Creates intelligent algorithms to automate documents and process more invoices
- **Tally Street** — Helps organizations boost cash flow with a "virtual analyst" by finding revenue opportunities and anticipating problems before they occur

▶ In 2020, CPA.com also added Jirav, a startup that offers an innovative financial planning and analysis (FP&A) platform for small- to medium-sized businesses, to its lineup of recommended cloud solutions for the accounting profession. Jirav has developed an all-in-one platform that enables businesses to forecast what steps to take to grow revenue and manage their workforce.

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.

Why are we doing this?

Audits are changing and relying more on technology. We must give auditors the new technology, methodology and tools they need to perform the technology-based audit. We want to develop and enhance access to resources that auditors in all firms, small or large, need to perform audit and assurance services.

Top accomplishments in public accounting

▶ We delivered a minimum viable product (MVP) of the Dynamic Audit Solution (DAS) to DAS-participating firms.

▶ We launched OnPoint EBP, the first cloud-based audit solution specifically geared toward end-to-end processing of employee benefit plan audits. The tool combines AICPA-developed methodology, engagement management, analytics and advanced client collaboration tools, and links to authoritative guidance within a single application. Created in partnership with CaseWare International, this solution expands our OnPoint suite of audit and assurance tools.

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- We launched SOC for Supply Chain, designed to help manufacturers, producers, distribution companies and their customers and business partners identify, assess and address supply chain risks. The framework also provides an opportunity for CPAs to perform attestation engagements.
- The AICPA's Auditing Standards Board (ASB) issued two new Statements of Auditing Standards: *Audit Evidence* (SAS No. 142) and *Auditing Accounting Estimates and Related Disclosures* (SAS No. 143). The ASB also issued two new statements on standards for attestation engagements: *Direct Examination Engagements* (SSAE 21) and *Review Engagements* (SSAE 22).
- We focused Enhancing Audit Quality initiative efforts on COVID-19 audit implications while still executing our planned revenue recognition and risk assessment campaigns. We had over 26,000 visits to our revenue recognition toolkit and over 20,000 visits to our risk assessment toolkit.

Standard setting work is vitally important as we consider the future of the audit. The mission of the AICPA's Auditing Standards Board (ASB) is to serve the public interest by developing, updating and communicating comprehensive standards and practice guidance that enable practitioners to provide high-quality, objective audit and attestation services to non-issuers, such as private companies, effectively and efficiently.

Challenges

The Dynamic Audit Solution (DAS) will continue to increase in importance in the upcoming years. As firm adoption of DAS nears, we must prepare to help firms undertake the learning and change management that will be a critical component for firms adopting DAS, given the initiative's complexity and reimagining of audit processes. A key part of our efforts will require communicating to firms the value of this change and giving them the tools to successfully implement it.

5

Transform our organization

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

Why are we doing this?

We must remain closely aligned to what members value and redesign the member experience to meet their needs. To do this, we have to improve our technology, define new ways of working together and upskill our employees.

Top accomplishments in public accounting

- We achieved major milestones in our digital transformation as part of our project to Redesign the Association's Value and Experience. The project includes improving the value we offer to members through new propositions as well as personalizing the content we provide to them and the entire experience they have with us across digital properties, communications, and live events and interactions.
- With the increased global spotlight on DEI in 2020, we expanded conversation on diversity, equity and inclusion (DEI) within the Association. Staff rallied around the opportunity to have these conversations, and six staff-led panel discussions created a safe space for learning and conversations; two panels each had over 700 attendees. We also began safe space conversations for Black employees to share concerns, discuss solutions and inform the panel discussions. Our staff culture champions launched TED Talk Tuesdays, which opened discussions on topics including privilege and allyship. As part of our commitment to addressing DEI, in 2020 we hired a new global head of DEI.
- We supported our staff during a year that was challenging for many. We quickly transitioned to work from home, increased communication and staff interaction with senior leadership, and prioritized flexibility. As the year progressed, we held webcasts discussing the importance of mental well-being and took an Association-wide mental health day in early November.

Challenges

We all dealt with significant uncertainty and disruption to normal ways of living in 2020. We were challenged to adopt new, flexible ways of working; reprioritize projects; and be more agile than ever before. We are extremely proud of how well staff adapted, and our productivity remained on par with a normal year. As we look to 2021, we are identifying new methods to improve ways of working, including diminishing bureaucracy, increasing collaboration and empowering staff to make decisions.

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Advocacy

In 2020, advocacy efforts were especially critical and well-received, as we led the way in helping governments and businesses navigate the pandemic. In addition to our advocacy related to relief and economic recovery, we also continued to advocate for the profession and the public interest.

In the U.K.

- We served as host and secretariat of the Chairmen's Forum. The Chairmen's Forum is comprised of the chairs of the FTSE 250 and other large corporations. During the year, we hosted four events — one in person and three online — with top business leaders addressing the forum.
- We responded to the U.K. House of Lords EU Services Committee Inquiry into professional services and Brexit, and the committee quoted two of our comments in its final report on the impact of Brexit on professional services. Our comments underscored the importance of mutual recognition of qualifications post-Brexit and regulatory cooperation to maintain high global standards for accounting and audit practices. Andrew Harding, CEO — Management Accounting, met with the prime minister to discuss Brexit and SME advocacy efforts as part of his consultation with business.
- Based on our recommendations, the U.K. government is focusing on research and development to improve productivity and introducing mandatory reporting of climate-related financial information for businesses by 2025.

In the U.S.

- We continued efforts to protect the CPA license in the U.S. as a leading member of the national Alliance for Responsible Professional Licensing (ARPL) coalition. ARPL advocates for licensing practices within professions that deliver uniform qualifications, standards, safety and consistency, while also providing individuals with a clear career path and fair opportunities to pursue and maintain that career. In 2020, the ARPL produced *Licensed to Move: A Guide to Interstate Practice*, with examples of how states can responsibly accomplish flexibility and mobility.
- We also continued efforts to modernize the IRS, including a proposal to increase training, provide tax professional online accounts and accept digital signatures. Some of our recommendations were included in the IRS Taxpayer First Act report to Congress in January 2021.

Outside the U.K and U.S.

- We successfully advocated for the Education Committee of the Ghanaian Parliament to remove a clause of a proposed bill that would require all accountants in business to be a member of the Institute of Chartered Accountants of Ghana (ICAG), affecting our membership in the country and student recruitment.
- We proposed amendments to the National Qualifications Framework Act in South Africa, which oversees the recognition of professional bodies and the registration of designations. Our recommendations are intended to help students and members receive recognition of their qualifications and reduce delays in the registration of CIMA qualifications and accreditation of tuition providers.

How our strategy is evolving in 2021 and beyond

Our 3-year strategic plan ended in 2020. We began our new strategic planning cycle in early 2020, but the pandemic interrupted our process. This underscored the importance of developing an agile, flexible plan that can respond to a rapidly changing external environment. Dubbed "**Strategy in Uncertain Times**," our refreshed strategy takes a stakeholder-oriented view and lays out high-level priorities for the foreseeable future. It also zooms in on 2021 to describe specific key actions that underpin each priority to make our vision a reality. This provides us with high-level priorities that will remain consistent while giving us the flexibility to update specific tactics each year, as the external environment shifts.

Once again, we have five strategic initiatives in 2021. They are:

1. **Support business model evolution for firms and employers.**
   We will continue to support firms and employers as they address digital transformation and emerging technologies, expanding consumer expectations and navigating the increased focus on stakeholder impact.
2. **Upskill the broader accounting and finance ecosystem.**
   We will consolidate our efforts to upskill and reskill professionals to close skill gaps and aid in employability via credentials, certificates and badges. It includes supporting existing members and students, as well as engaged professionals who seek learning and insights from us.
3. **Globalize CGMA in key markets with flexible pathways.**
   We will grow the adoption of the CGMA designation globally while ensuring that it encompasses the constantly evolving skill set of the CGMA and is accessible through flexible, modern pathways.
4. **Evolve and transform CPA.**
   We will continue to update the body of knowledge and licensure of the CPA, protect the CPA licensure from the anti-regulatory activity and expand the use of technology to ensure that the CPA remains relevant and in-demand in the future.
5. **Transform our organization.**
   Just like the firms and employers we serve, the Association must evolve to meet increasing consumer expectations, adopt new technologies and ensure we remain relevant for years to come. This initiative continues from our 2018–20 strategy, reflecting the ongoing nature of transformation in an ever-changing world.

We are also prioritizing **global advocacy** in 2021. This key action underpins all our strategic initiatives and reflects our commitment to representing the interests of the profession at a policy-making level and providing a unified, global voice for the profession.

We are proud of what we accomplished with our 2018–20 Strategic Plan and are ready to continue to bring our members, students and the profession into the future with our Strategy in Uncertain Times. We believe our new structure reflects our commitment to serving firms, employers, members, students, professionals and the profession, as well as continuing to evolve our Association. With it, we are even better positioned to power trust, opportunity and prosperity for those we serve — today, tomorrow and beyond.

Net assets and financial position

These combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States (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 2020, the Association's change in net assets was $37.8 million. We generated $361.4 million in gross revenue, including investment gains of $42.0 million, offset by $324.9 million in expenses. The Association ended the year in a strong financial position, with cash and cash equivalents of $100 million and investments of over $152 million. Further, we have access to a $70 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 2020, the AICPA plan generated a pension gain as a result of positive investment performance, 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 2020 are included in the KPI section that follows.

Member, firm services and business 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.

Promote 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 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 discount programs 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, equity 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 to enter the accounting and finance profession and financial assistance to CIMA and AICPA members who are in temporary financial need due to hardship.

Supporting expenses

Supporting expenses 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 strategic plan.

KPIs

KPI	2019 result	2020 target	2020 result	Discussion
Members and students	650K	661K	642K	Overall, we experienced a decrease in members and students when compared to 2019 actuals and 2020 target. While CIMA membership exceeded prior year and target, we did experience a decrease in CGMA students, CGMA registrants and AICPA members primarily as a result of the COVID-19 pandemic and lower-than-expected recruitment of new members.
CIMA members	113K	114K	115K	
AICPA members	431K	432K	428K	
CGMA students with exams	65K	71K	65K	
CGMA registrants	41K	44K	34K	
CPA candidates	83K	85K	73K	We experienced a decline from 2019 results and 2020 target primarily due to the COVID-19 pandemic and the temporary closure of testing centers.
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, both the AICPA and CIMA, experienced strong midyear results; AICPA's year-end results continued that trend. However, the year-end results did decline with CIMA being in line with 2019 actuals. Results have shown that we are making inroads on increased member satisfaction, brand recognition and member value.
CIMA	22	36	21	
AICPA	24	29	39	

KPI	2019 result	2020 target	2020 result	Discussion
Total revenue*	$320M	$329M	$293M	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. Revenue for 2020 was lower than 2019 actuals and the 2020 budget as a result of the COVID-19 pandemic. The significant declines were related to Promote Competency Globally strategy's revenue due to the inability to hold in-person events as well as exams revenue due to temporary closure of test centers in the U.S.
Operating income**	$0.1M	$0.5M	$0.9M	Operating income is an overall measure of our profitability and how we direct our revenue to reinvest back into the profession and our members and students. Although we did experience a decline in total revenue, we were able to reduce expenditures in several areas with minimal impact to our members, students and the profession, which enabled us to meet our operating income target. 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 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 its strategy. The ERM was a key element in the development of the 2018–20 Strategic Plan and has been updated each year to reflect the evolving risk landscape.

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 external, operational or strategic. 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 2020, 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 was updated to reflect new and elevated risks, but 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
CPA or CGMA designation becomes irrelevant Our credential and designation will lose their value in the market if they do not evolve to support emerging services and new market demands.	Evergreen and evolve the CPA and CGMA to ensure they include emerging areas and address new ways of working. Drive adoption of 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.
Association's business model fails to evolve If we do not meet changing market needs, members and students will look elsewhere for support.	Create a digitally centric organization to respond to rapidly changing member expectations and keep pace with constant technological innovation. Update membership value propositions to respond to market needs.
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.	Serve as a leader in the profession by driving the incorporation of technology to enhance the quality and value of services. Use data analytics to enhance the future of audit, finance and tax. Continue our role as 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. Leverage CPA.com to enable smaller CPA firms to access cutting-edge technology to help them stay competitive.
Value propositions don't resonate Accounting and finance professionals may no longer see the value in becoming members of the Association.	Develop new value propositions based on market research and member feedback. Promote advocacy wins and the value advocacy creates.
Ability to do business globally becomes increasingly complex The pandemic has exacerbated geopolitical instability, nationalism and protectionism. We may encounter regulatory uncertainty, entry barriers, lower economic prospects and more difficult member and student engagement in global markets.	Diversify interests and focus on areas of political and economic stability. Leverage local partnerships and localized marketing efforts. Expand global advocacy to gain recognition and local acceptance of our credentials. Champion internationally recognized topics, including climate change and increased emphasis on stakeholder impact.
Global recession continues Continuing global recession due to the pandemic may negatively impact our revenue.	Continue and expand global advocacy efforts that support small businesses and relief packages. Leverage cost-containment measures to prevent operating losses. Focus on the recovery of key revenue streams and the development of new, in-demand revenue streams.

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People and relationships

Employee well-being during a difficult year

Here at the Association, we've always understood that engaged employees are happier and that shows in the way they interact with our members and students. In 2020, we realized early in the pandemic that, alongside employee engagement, enhancing the support mechanisms we had in place for the well-being of our people was a priority. Like for most organizations, 2020 was a challenging year for us, during which employees managed issues like long-term working at home, illness, home schooling, high workloads, concerns for family members, job insecurity in their household and social isolation.

Association leaders were quick to respond with all-employee webcasts on numerous topics, including mental health, along with practical resources updated frequently. Managers were empowered to make the right decisions at the right time and to find creative ways to support their teams. The Employee Assistance Program was front and center in providing specialist help, along with rapidly designed workshops and help groups on topics like working parents, mental health and managing teams.

A guiding set of four principles helped to anchor each of the conversations and drive decision-making.

- Health and well-being
- Job protection
- Productivity
- Community and staying connected

Alongside the activities required in this exceptional year, we continued to drive the people-related change initiatives that were already in progress. For example, we have long been aware that **diversity, equity and inclusion (DEI)** are critical to the success and growth of the organization and the accounting profession worldwide. To reflect this in our employee base, we have been working hard on our employer value proposition to ensure we attract the widest talent pool.

We also use behavior-based selection techniques, have continued to run unconscious bias training and regularly review diversity data among our employees and leaders. A new global head of DEI was hired midway through the year to focus on employee initiatives and to work closely with the DEI director who is leading the member and student-related work.

Barry Melancon has signed the CEO Action for Diversity & Inclusion™ pledge, joining nearly 2,000 CEOs of the world's leading companies in leveraging their individual and collective voices to advance diversity and inclusion in the workplace.

Leaders responded swiftly to concerns sweeping the world about racism and inequities, providing a safe place to discuss issues, using a series of company-wide webcasts with key internal and external speakers.

An overhaul of our **performance management** was another area of focus, which will launch early in 2021. The new approach is designed to create higher-quality conversations between employees and their managers and continue to develop a performance-driven culture.

We believe our employees should have a voice and a mix of channels in which to express feedback, thoughts and concerns. In 2020, this included participation in the **Great Places to Work survey**, which achieved an outstanding response rate of 86%, compared with an average of 70% for an organization of our size. The results showed an impressive 77% of employees stating the Association is a great place to work and progress in three focus areas since 2018, namely psychological safety, politics and favoritism.

We also ran **COVID-19 surveys** to understand how people were feeling. In the April 2020 survey, we asked to what extent the communications were helpful from the perspective of frequency, transparency and clarity. The results spoke for themselves:

- Frequency: 94% indicating an appropriate amount
- Transparency: 97% indicating transparent
- Clarity: 98% indicating easy to understand

Routine **town hall sessions** provided opportunities for employees to engage in a candid discussion about myriad topics with our CEO and leadership team. The *Connections* e-newsletter, The Source intranet site and frequent staff-led webcasts have kept employees informed on COVID, key initiatives, Association goals and changes affecting the profession and the organization.

Employee **compensation and benefits** are competitive within their local markets and have been reviewed on a team-by-team basis throughout 2020. The Association continues to review the pay gap between men and women and align our salaries accordingly on a global and local basis, including annually publishing 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 investments in learning programs across the organization. We also offer a range of free training opportunities, including CPE/CPD courses.

Our local team of **culture champions** from offices around the world have played a significant role in supporting COVID-19 related activities, being the eyes and ears at ground level, providing feedback to leadership and helping to drive adoption of organizational strategy, values and behaviors. Employees are encouraged to recognize each other's successes through the YouEarnedIt program, which enables employees to send points that can be redeemed for rewards.

A healthy **work-life balance** for all employees has been a feature at the Association for some years. Flexibility provided through the telecommuting and flexible working policy has served for some time to allow employees to fit work around their home lives. This included quality IT equipment, videoconferencing tools and a global culture of online meetings across time zones. In 2020, our strength in this area gave us an ability to switch to working from home with minimal interruptions and was notable in comparison with some organizations that were not set up for it. For the small number of teams that worked largely in offices, owing to the nature of their roles, we worked quickly to support them through the change.

Awards highlight

2 awards won by our Kuala Lumpur, Malaysia, hub

Best Employer Brand Award
by the Employer Branding Institute

Best Companies to Work for Award
by HR Asia

Focus on communication — All-employee webcasts are a core channel of communication at the Association. Regular subjects include organization health checks, employee survey results, company financial results and project updates. In 2020, alongside regular use, they also became the centerpiece for two main topics: the COVID-19 pandemic and systemic racism.

The first of several webcasts about the spread of the pandemic came out in March 2020, focusing on its effect on our employees across locations and the launch of the four principles we continue to use today. Three further webcasts ran between April 2020 and December 2020 with specific focus areas.

In July, we held the first of six webcasts specifically related to systemic racism, which included a range of topics and internal and external speakers. This is an ongoing two-way dialogue, with webcasts continuing in 2021.

1,239
total number of employees

82
Culture champions

30
Association offices

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:

U.S. 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 the AICPA is responsible for preparing and scoring the Uniform CPA Exam through its Board of Examiners.

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. In 2020, the strength of these relationships was key to us transforming CIMA exams to a remote platform with Pearson VUE and launching continuous CPA Exam testing with Prometric and NASBA.

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 framework among the businesses our membership serves. In 2021, the IIRC will merge with the Sustainability Accounting Standards Board.

CaseWare International — Through CPA.com, we have teamed up with CaseWare International, a global provider of audit and analytics software, to create the OnPoint A&A Suite of products. The suite brings together a set of unique applications, built on the CaseWare Cloud platform, that drive efficiency, quality and value for firms and their clients.

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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.

Institute of Chartered Accountants of Jamaica (ICAJ) — In 2020, we partnered with the Institute of Chartered Accountants of Jamaica in our continuous effort to professionalize the finance function and position the CGMA designation as the vehicle for success. Our agreement with ICAJ provides an expedited pathway to the CGMA designation for ICAJ members and students, and a pathway to individuals who are not yet ICAJ members who wish to enter the accounting profession and join ICAJ.

PwC's Academy in Poland — In 2020, we partnered with PwC's Academy in Poland to help senior finance leaders pursue their aspiration to become well-rounded finance professionals and strategic partners through the CIMA CFO program, leading to CIMA membership and the CGMA designation. Our ambition is to own the CFO space in Poland and Central and Eastern Europe and bring the community of CFOs and financial leaders together.

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.

Creating and providing learning

Wall Street Blockchain Alliance (WSBA) — We work with the WSBA to define the impact of blockchain technology on the accounting profession and advance the interests of both the public and profession in this area. Through our technology arm, CPA.com, we collaborate with WSBA's working groups, jointly curate thought leadership and host strategic events. Together, we focus our joint advocacy and educational efforts on blockchain-related tax, accounting and auditing issues.

Coursera — In 2019, we launched a partnership with Coursera, a global leader in online education from the world's top universities and companies. Through this partnership, we expand our organization's reach to about 35 million learners worldwide by publishing courses on their platform. We continue to add content to Coursera to help students and professionals build people, leadership, technical, business and digital skills.

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. In 2020, we partnered with Oracle to launch Agile Finance Reimagined. This five-part webcast and white paper series shared expert insights and practical guidance on topics including economic recovery and supply chain management.

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 and employees reside.

The Remuneration and Talent Committee of the Association's 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 U.S. Internal Revenue Service regulations, the Association is required to disclose the compensation for up to 20 key employees, as defined, and the five current highest compensated employees, as defined, on our 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 Nov. 15 upon filing a request with the IRS, which the Association has filed.

Financials

Combined financial statements
and independent auditor's report
December 31, 2020 and 2019

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, 2020 and 2019, 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.

Change in Accounting Principle

As discussed in Notes 2 and 9 to the combined financial statements, Association changed its method of accounting for leases as of January 1, 2020 due to the adoption of Accounting Standard Codification Topic 842, Leases.

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 audit. We conducted our audit 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Parsippany, New Jersey
April 22, 2021

Financial statements

Association of International Certified Professional Accountants and Related Organizations

Combined Statements of Financial Position
December 31, 2020 and 2019
($000)

	2020	2019
Assets		
Cash and cash equivalents	$ 100,016	$ 66,186
Short-term certificates of deposit	1,774	3,074
Receivables, net	16,831	22,593
Deferred costs and prepaid expenses	17,830	16,247
Long-term certificates of deposit	–	750
Investments	152,732	150,801
Building, furniture, equipment and leasehold improvements, net	24,596	23,561
Operating lease, right-of-use assets, net	83,768	–
Software and technology, net	51,642	19,628
Deferred employee benefits	4,685	–
Goodwill	10,042	11,298
Total assets	$ 463,916	$ 314,138
Liabilities		
Accounts payable and other liabilities	$ 71,308	$ 69,084
Advanced dues	96,660	98,331
Unearned revenue	27,223	21,175
Deferred rent	–	15,503
Operating lease liability	99,196	–
Deferred employee benefits	28,541	28,937
Accrued software development costs	22,113	–
Total liabilities	345,041	233,030
Preferred stock and net assets		
Preferred stock	7,500	7,500
Net assets with donor restrictions	834	1,139
Net assets without donor restrictions	110,541	72,469
Total preferred stock and net assets	118,875	81,108
Total liabilities, preferred stock and net assets	$ 463,916	314,138

See Notes to Combined Financial Statements

Combined Statements of Activities, Net Assets, and Preferred Stock
For the Years Ended December 31, 2020 and 2019
($000)

	2020	2019
Changes in net assets without donor restrictions		
Member, firm services and partner solutions	$ 218,484	$ 217,845
Promote competency globally	51,526	64,135
Professional examinations	32,626	41,851
Affinity, advertising and other	15,196	21,147
Contributions and contributed services	1,151	1,124
Investment return, net of expenses	41,964	44,768
Total revenue and gains without donor restrictions	360,947	390,870
Net assets released from restrictions	425	411
Total revenue, gains and other support without donor restrictions	361,372	391,281
Operating expenses		
Program services		
Member, firm services and partner solutions	132,064	139,045
Promote competency globally	61,404	73,211
Professional examinations	32,894	39,934
Communications, public relations and advocacy	44,464	46,917
Diversity, inclusion, scholarships and assistance	5,026	4,504
Total program services	275,852	303,611
Supporting activities		
General management	38,354	34,299
Membership development	10,686	11,298
Total supporting activities	49,040	45,597
Total operating expenses	324,892	349,208
Change in net assets without donor restrictions from operations	36,480	42,073
Pension and postretirement benefit gain (loss)	2,846	(1,826)
Translation adjustments	(1,254)	(463)
Change in net assets without donor restrictions	38,072	39,784
Net assets without donor restrictions, beginning	72,469	29,825
Repurchase of common stock	–	(484)
Repurchase of preferred stock	–	(74)
Retirement of preferred stock	–	3,418
Net assets without donor restriction, ending	$ 110,541	$ 72,469
Changes in net assets with donor restrictions		
Contributions	$ 109	$ 2
Net assets released from restrictions	(425)	(411)
Investment return, net of expenses	11	21
Change in net assets with donor restrictions	(305)	(388)
Net assets with donor restrictions, beginning	1,139	1,527
Net assets with donor restrictions, ending	$ 834	$ 1,139
Change in net assets	$ 37,767	$ 39,396
Preferred stock, beginning	$ 7,500	$ 10,918
Retirement of preferred stock	–	(3,418)
Preferred stock, ending	$ 7,500	$ 7,500
Change in preferred stock and net assets	$ 37,767	$ 38,838
Preferred stock and net assets, beginning	81,108	42,270
Preferred stock and net assets, ending	$ 118,875	$ 81,108

See Notes to Combined Financial Statements

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	2020	2019
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets:	$ 37,767	$ 39,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization:		
Building, furniture, equipment and leasehold improvements	4,111	3,182
Software and technology	10,153	11,703
Goodwill	1,256	1,256
Non-cash lease expense	7,332	–
Loss on disposal of assets	421	383
Gain on investments	(40,149)	(41,891)
Deferred taxes	1,537	(1,595)
Provision for:		
Receivables	81	(289)
Deferred rent	–	3,290
Deferred employee benefits	(1,966)	2,660
Changes in operating assets and liabilities:		
Receivables	3,874	6,693
Deferred costs and prepaid expenses	(3,038)	(3,287)
Accounts payable and other liabilities	3,024	7,378
Advanced dues	(2,522)	2,344
Unearned revenue	5,596	3,441
Deferred employee benefits	(3,954)	(1,760)
Operating lease liability	(7,797)	–
Accrued software development costs	757	–
Total adjustments	(21,284)	(6,492)
Net cash provided by operating activities	16,483	32,904
Investing activities:		
Payments for purchase of software and technology	(20,709)	(10,062)
Payments for purchase of building, furniture, equipment and leasehold improvements	(4,827)	(8,648)
Payments for purchase of investments	(5,281)	(9,395)
Proceeds from sale of investments	45,880	17,286
Net cash provided by (used in) investing activities	15,063	(10,819)
Financing activities:		
Payments for repurchase of common stock	–	(484)
Payments for repurchase of preferred stock	–	(74)
Net cash used in financing activities	–	(558)
Effect of exchange rates on cash and cash equivalents	2,284	1,263
Net increase in cash and cash equivalents	33,830	22,790
Cash and cash equivalents, beginning	66,186	43,396
Cash and cash equivalents, ending	$ 100,016	$ 66,186
Supplemental disclosures of noncash investing activities:		
Software and technology	$ 21,964	$ 2,251
Right-of-use assets upon adoption of ASC 842	$ 87,862	$ –

See Notes to Combined Financial Statements

Notes to Combined Financial Statements December 31, 2020 and 2019

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 a NFP organization domiciled in the United States of America ("US").

AICPA is the national professional organization for Certified Public Accountants ("CPAs") and is organized as a NFP organization domiciled in the US.

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 Combined 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, 2020, 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 13).

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 13).

AICPA and State Societies Network, Inc., composed of substantially all of the individual state societies of CPAs located throughout the US, 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, 2020. 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 February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the most significant change from the previous guidance (Topic 840, "ASC 840") is the requirement to recognize the right-of-use ("ROU") assets and lease liabilities on the Statements of Financial Position for leases classified as operating leases. The standard also requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Association adopted the new guidance effective January 1, 2020.

Basis of presentation

The preparation of combined financial statements in conformity with accounting principles generally accepted in the US 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, 2020 and 2019, Association's cash equivalents consisted primarily of short-term US Treasury obligations, Certificates of Deposit and money market funds (see Note 5).

Certificates of Deposits with an original maturity greater than 90 days and a remaining maturity of 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 as business combinations.

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.

Leases

Association applies Accounting Standards Codification ("ASC") 842, Leases, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant or equipment for a period of time in excess of twelve months in exchange for consideration. Association defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. Association further determines all the existing leases are operating leases, which are included in ROU assets and lease liabilities in the Statements of Financial Position. ROU assets represent the Association's right to use leased assets over the term of the lease. Lease liabilities represent the Association's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. ROU assets are calculated as the present value of the future lease payments adjusted by any deferred rent liability and lease incentives. ROU assets and lease liabilities are recognized at the lease commencement date. Association uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Association uses the incremental borrowing rate at the lease commencement date to determine the present value of the future lease payments. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. To the extent a lease arrangement includes both lease and non-lease components, the components are accounted for separately (see Note 9).

As part of the transition to ASC 842, Association uses the modified retrospective approach to measure and recognize leases that existed at January 1, 2020. Association elects to apply ASC 842 retrospectively at the beginning of the period of adoption through a cumulative effect adjustment as of January 1, 2020 and continues to apply ASC 840 for year ended December 31, 2019.

For leases existing at the transition date, Association applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, Association applied the practical expedient to use hindsight for the purpose of determining the lease term. If a lease includes an extension option, Association will consider the changes in facts and circumstances from the initial lease commencement date through the transition date to determine if the changes in facts and circumstances require a change to the initial lease term. Lastly, Association applies the short-term lease exemption of not recognizing a ROU asset and lease liability for leases that have terms of 12 months or less.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of $87,862,000 and $106,074,000 as of January 1, 2020. There is no cumulative effect adjustment to the net assets without donor restrictions at the transition date.

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, 2020 and 2019, balances on deposit at US 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, 2020 and 2019, the allowance for doubtful accounts was $688,000 and $1,118,000.

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 to mitigate against potential losses on certain expenditures paid by non-US or U.K. offices. Association has no significant foreign exchange contracts at December 31, 2020.

	2020	2019
	($000)	
Value of derivatives at deal rate	$ –	$ (8,667)
Value of derivatives at year end spot rate	–	8,660
Loss recognized in the combined statements of activities, net assets, and preferred stock	$ –	$ (7)

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 US 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.

Promote 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 14).

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, 2020 and 2019, are as follows:

	2020	2019
	($000)	
Point-in-time	$ 86,646	$ 118,789
Over time	231,186	226,189
	$ 317,832	$ 344,978

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, Promote Competency Globally, CIMA, CGMA and Advisory credential examinations and advertising. All other revenue streams are collected in arrears with terms generally net thirty days.

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 10). 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 $40,182,000 in firm funding and expended $19,882,000 in development costs, resulting in a liability of $20,300,000 as of December 31, 2020, 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 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, 2020 and 2019, were $6,147,000 and $5,378,000.

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 three to five-year period and begins when all substantial testing of the software and technology are 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, 2020 and 2019, 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 AICPA, however, is subject to taxation. 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 are 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, 2020 and 2019.

Association has analyzed tax positions taken for filing with the Internal Revenue Service of the US 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 US domiciled entities prior to December 31, 2017 are closed, as are U.K. tax returns up to and including financial year December 31, 2018. 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 11).

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, 2020 and 2019, 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, 2020 and 2019 (see Note 12).

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 and revenues 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 with the ability to increase, subject to lender approval, up to $70,000,000.

The following table reflects Association's financial assets as of December 31, 2020 and 2019, 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.

	2020	2019
	($000)	
Cash and cash equivalents	$ 100,016	$ 66,186
Short-term certificates of deposit	1,774	3,074
Receivables, net	16,831	22,593
Investments	152,732	150,801
Total financial assets	271,353	242,654
Investments collateral related to letter of credit	430	430
Trustee designated for Accounting Doctoral Scholarship Program (see Note 13)	750	750
Investments collateral related to credit limit (see Note 10)	98	578
Net assets with donor restrictions	834	1,139
DAS liability (see Note 2)	20,300	19,189
Financial assets available to meet cash needs for general expenditures within one year	$ 248,941	$ 220,568

Note 4 — Functional expenses

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

2020 ($000)

	Program Services					Supporting Activities		
	Member Service & Experience	Promote Competency Globally	Professional Examinations	Communications, Public Relations & Advocacy	Diversity, Inclusion, Scholarships & Assistance	General Management	Membership Development	Total
People Costs	$ 68,928	$ 27,988	$ 11,496	$ 22,582	$ 1,763	$ 13,346	$ 4,425	$ 150,528
Cost of Goods Sold	4,487	10,561	3,788	–	–	–	–	18,836
Selling Expense	2,864	4,309	105	794	21	3	–	8,096
Occupancy	6,438	2,620	1,189	2,426	87	1,212	1,014	14,968
Meetings and Travel	2,093	359	205	369	32	196	63	3,317
Office Expense	1,995	783	488	3,112	64	580	499	7,521
Professional Fees	30,606	11,528	13,316	11,827	879	12,741	3,631	84,528
Organizational Support	6,258	20	12	239	2,067	26	–	8,622
Depreciation and Amortization	5,284	1,554	1,117	2,260	86	4,404	705	15,410
Other	3,111	1,682	1,178	855	27	5,846	349	13,048
Total	$ 132,064	$ 61,404	$ 32,894	$ 44,464	$ 5,026	$ 38,354	$ 10,686	$ 324,892

2019 ($000)

	Program Services					Supporting Activities		
	Member Service & Experience	Promote Competency Globally	Professional Examinations	Communications, Public Relations & Advocacy	Diversity, Inclusion, Scholarships & 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 Fees	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

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 allocable to Member Development have been allocated based on headcount. Certain 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, 2020 and 2019.

Common stock: In December 2019, 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 which prohibited the sales of any of the Company's voting shares until May 2020. Accordingly, CPA.com valued these voting shares as of December 31, 2019 at the publicly quoted fair value of the stock less a discount of 8% related to the lock-up agreement restriction. The discount for the lock-up agreement was determined by use of a put option model with inputs estimated based on market observations.

During 2020, CPA.com sold a portion of its holdings in this stock for $37,255,000 realizing a gain of $36,746,000.

Private equity investments: Association's private equity investments include a direct investment in a limited partnership. The Net Asset Value ("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 as of the measurement date, 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, 2020 and 2019:

	Assets at fair value as of December 31, 2020	
	Level 1	Total
	($000)	
Mutual funds	$ 128,300	$ 128,300
Common stock	2,047	2,047
Money market funds (a)	27,263	27,263
Unit trusts	3,575	3,575
Total assets in the fair value hierarchy	161,185	161,185
Investments measured at NAV (b)	–	18,810
Total investments measured at fair value	$ 161,185	$ 179,995

	Assets (liabilities) at fair value as of December 31, 2019		
	Level 1	Level 2	Total
		($000)	
Mutual funds	$ 111,543		$ 107,874
Common stock	20,098		20,098
Unit trusts	3,455		3,455
Total assets in the fair value hierarchy	135,096		135,096
Investments measured at NAV (b)	–		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)

(a) Money market funds are classified as cash equivalents (Note 2) and need to be removed to reconcile to the "Investments" on the Combined Statements of Financial Position.

(b) 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.

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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, 2020 and 2019:

Investment name	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	2020 Fair value	2019 Fair value
				($000)	
Global Equity Long-Only Fund LP	None	Daily	3 days	$ 18,810	$ 15,705

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

Building, furniture, equipment and leasehold improvements consist of:

	2020	2019
	($000)	
Furniture	$ 5,279	$ 5,953
Equipment	15,668	19,625
Leasehold improvements	27,233	28,016
Building	5,507	5,433
	53,687	59,027
Less accumulated depreciation and amortization	29,091	35,466
	$ 24,596	$ 23,561

Note 7 — Software and technology

Software and technology consist of the following:

	2020	2019
	($000)	
Software and technology	$ 137,225	$ 102,947
Less accumulated depreciation and amortization	85,583	83,319
	$ 51,642	$ 19,628

Note 8 — Goodwill

The following table summarizes changes in the carrying amount of goodwill for the years ended December 31, 2020 and 2019:

	2020	2019
	($000)	
Goodwill	$ 12,554	$ 12,554
Less accumulated amortization	2,512	1,256
	10,042	11,298

Note 9 — Leases

Association has lease arrangements on office buildings across geographic regions globally. These leases are all classified as operating leases and typically have an original term not exceeding 15 years. Some leases contain multi-year renewal options, some of which are reasonably certain of exercise. Payments under these lease arrangements are all fixed.

Lease expenses from operating leases were approximately $11,127,000 the year ended December 31, 2020. Rent expense for the year ended December 31, 2019, which was accounted for in accordance with ASC 840, amounted to approximately $13,195,000.

Lease liability maturities as of December 31, 2020, are as follows:

	Operating leases ($000)
2021	$ 11,445
2022	11,293
2023	10,949
2024	10,977
2025	10,429
Thereafter	67,061
Total undiscounted lease payments	122,154
Less imputed interest	22,958
Total lease liability	$ 99,196

The weighted-average remaining lease term and discount rate related to Association's lease liabilities as of December 31, 2020 were 11.34 years and 3.27%.

Note 10 — 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 2039, whereby AICPA delivers the Domestic Examination in a computer-based format. NASBA develops 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 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, 2020, approximately $311,377,000 of revenue and $310,906,000 of costs have been incurred. For the years ended December 31, 2020 and 2019, AICPA recognized revenue of approximately $14,297,000 and $19,327,000. Accordingly, costs equal to the revenue recognized have been expensed. At December 31, 2020 and 2019, the balance of revenues in excess of costs of $471,000 and $5,700,000 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 throughout the world in approved countries.

Other commitments

Association entered into a multi-year Master Service Agreement with a technology provider to provide IT Support, including the development and implementation of select software systems.

The agreement specifies that the Association will pay for these costs over time and the future commitments are included below.

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, 2020 are:

	($000)
2021	$ 52,213
2022	51,390
2023	50,466
2024	48,033
2025	45,974
Years subsequent to 2025	–

Amounts purchased under these service agreements for the years ended December 31, 2020 and 2019, were $53,061,000 and $34,131,000.

Letters of credit

As of December 31, 2020, 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, 2021 and July 14, 2021. In addition, Association has a letter of credit with ICANN in the amount of $39,000 which expires on May 7, 2021.

Line of credit

Association has available a line of credit with a bank for short-term borrowings of up to $50,000,000 with the ability to increase the line of credit, subject to lender approval, up to $70,000,000. The line of credit has 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, 2020 and 2019, beyond the letters of credit. The line of credit expires on December 15, 2021.

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, 2020 and 2019, were $98,000 and $578,000 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 11 — Taxation

CPA.com's effective tax rate differs from the federal statutory rate primarily as a result of state taxes, the change in the valuation allowance and the nondeductible goodwill since 2015 is no longer presented.

Income tax (benefit) expense consists of the following:

	2020	2019
	($000)	
Current		
Federal	$ –	$ –
State	1,300	54
Deferred		
Federal	2,075	(2,071)
State	(538)	501
	$ 2,837	$ (1,516)

Temporary differences that give rise to deferred tax assets and liabilities are as follows:

	2020	2019
	($000)	
Net operating loss	$ 6,786	$ 18,000
Deferred rent	–	41
Deferred income	31	35
Sale of investment	4	2
Equity in income of investee	15	15
Accrued compensation and benefits	1,154	1,314
ASC 842 Leases	46	–
Depreciation and amorization	12	1
Total deferred tax assets	8,048	19,408
Unrealized loss	(516)	(5,027)
Domain name amortization	(189)	(139)
Total deferred tax liabilities	(705)	(5,166)
Valuation allowance	(5,877)	(11,236)
Net deferred tax assets	$ 1,466	$ 3,006

The net deferred tax asset has been decreased by approximately $1,540,000 based mainly on the current year usage of approximately $7,800,000 of Federal Net Operating Losses ("NOL") as well as $600,000 of state NOL's. In addition to the utilized NOL's CPA.com has also seen the expiration of approximately $2,800,000 of additional net operating losses. Valuation allowance has decreased by approximately $5,400,000 primarily due the usage and expiration of a large portion of NOLs. 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, CPA.com's management believes it is more likely than not 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.

As of December 31, 2020 and 2019, CPA.com has net operating loss carryforwards for U.S. federal income tax purposes of approximately $26,075,000 and $76,606,000 that expire in 2021 through 2034. The timing and manner in which the loss carryforwards can be utilized in any year by CPA.com may be limited by Internal Revenue Code Section 382 ("IRC 382"). Included in these loss carryforwards are pre-acquisition losses for Rivio of approximately $23,700,000 for which CPA.com has not done a detailed analysis of changes of ownership within Rivio, prior to Rivio's acquisition by CPA.com. Since an IRC 382 analysis on Rivio's pre-acquisition losses will require a significant amount of management's time to gather the information required to do the study, likely require a valuation of Rivio's stock for years prior to CPA.com's acquisition of Rivio, and require the CPA.com to engage a professional services firm to prepare the analysis, management will undertake this project if it appears likely that CPA.com is going to benefit from the losses. As of both December 31, 2020 and 2019, CPA.com has net operating loss carry forwards for certain state income tax purposes of $11,503,000 and $16,461,000 that expire in 2020 through 2030. Further, CPA.com has net operating loss carry forwards for certain city income taxes of $10,294,000 and $15,260,000 that expire in 2021 through 2030. CPA.com has an AMT refundable credit of approximately $127,000, which has been requested but not yet paid. CPA.com's net operating loss carryforwards from closed years can be adjusted by the tax authorities when they are utilized in an open year.

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In response to the market volatility and economic instability prompted by COVID-19, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was enacted and signed into law on March 27, 2020. The CARES act is a $2 trillion relief package comprising a combination of tax provisions and other stimulus measures. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carry back periods, alternative minimum tax credit refunds, modifications to the interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. CPA.com continues to examine the impacts this CARES Act may have; however, management doesn't believe this legislation has a material impact on the business.

Note 12 — 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 US. In 2020, the SOA updated the mortality improvement scale. In 2019, the SOA updated both mortality tables and improvement scales. AICPA updated the assumptions for the purposes of measuring the pension and postretirement health care plans at December 31, 2020 and 2019.

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

	2020	2019
Discount rate	**2.60%**	3.30%
Rate of compensation increase	**N/A**	N/A

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

	2020	2019
Discount rate	**3.30%**	4.35%
Expected return on plan assets	**2.95%**	4.10%
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, 2021, AICPA does not expect to contribute to the Plan.

The following tables provide further information about the Plan:

	2020	2019
	($000)	
Projected benefit obligation	$ 147,715	$ 136,883
Fair value of plan assets, net of plan liabilities of $194 and $125 and accrued income of $955 and $952	152,400	135,372
Net over (under) funded status of the plan recognized as an asset (liability) in the combined statements of financial position	$ 4,685	$ (1,511)
Employer contributions	$ –	$ –
Benefit payments	$ (6,167)	$ (8,209)
Accumulated benefit obligation	$ 147,715	$ 136,883
Periodic pension expense for the year	$ 2,844	$ 1,838

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, 2018	$ 384	$ 45,210	$ 45,594
Increase 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
Decrease during the year ended December 31, 2020	–	(7,782)	(7,782)
Amortization during the year ended December 31, 2020	(11)	(1,247)	(1,258)
Balance, December 31, 2020	$ 362	$ 32,613	$ 32,975

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, 2021 are $11,000 and $1,442,000 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, 2020, and in the aggregate for the five years thereafter, are as follows:

	($000)
2021	$ 6,129
2022	6,277
2023	6,387
2024	6,573
2025	6,750
2026 to 2030	35,257

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 US 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, 2020.

U.S. Treasury bonds: US 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, 2020 and 2019, by asset category, are as follows:

	Assets at fair value as of December 31, 2020		
	Level 1	Level 2	Total
		($000)	
Total investments at fair value — fixed income securities	$ 23,267	$ 128,372	$ 151,639

	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

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 which 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, 2020 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:

	2020	2019
Discount rate	1.25%	2.05%
Rate of compensation increase	N/A	N/A

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

	2020	2019
Discount rate	2.05%	2.85%
Expected return on plan assets	4.77%	5.51%
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, 2021, CIMA expects to contribute $3,686,000 to the Scheme.

The following tables provide further information about the Scheme:

	2020	2019
	($000)	
Projected benefit obligation	$ 96,608	$ 82,328
Fair value of plan assets	75,259	61,883
Net unfunded status of the plan recognized as a liability in the combined statements of financial position	$ 21,349	$ 20,445
Employer contributions	$ 3,531	$ 1,381
Benefit payments	$ 1,571	$ 1,327
Accumulated benefit obligation	$ 96,608	$ 82,328
Foreign currency adjustment	$ (839)	$ (588)
Periodic pension benefit for the year	$ 1,291	$ 958

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, 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
Increase during the year ended December 31, 2020	–	4,883	4,883
Amortization during the year ended December 31, 2020	5	–	5
Foreign currency adjustment	8	414	422
Balance, December 31, 2020	$ 218	$ 7,912	$ 8,130

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, 2021 is $12,000.

Estimated future Scheme payments reflecting expected future service for each of the five years subsequent to December 31, 2020, and in the aggregate for the five years thereafter, are as follows:

	($000)
2021	$ 1,881
2022	1,943
2023	2,298
2024	2,299
2025	2,502
2026 to 2030	14,046

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, 2020 and 2019.

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, 2020 and 2019, by asset category, are as follows:

	Assets at fair value as of December 31, 2020	
	Level 2	Total
	($000)	
Equity securities		
Liability driven investment funds	$ 39,440	$ 39,440
Diversified growth funds	11,609	11,609
Total equity securities	51,049	51,049
Other		
Property fund	3,981	3,981
Total other		
Total assets in the fair value hierarchy	55,030	55,030
Investments measured at NAV (a)	–	20,229
Total investments at fair value	$ 55,030	$ 75,259

	Assets at fair value as of December 31, 2019	
	Level 2	Total
	($000)	
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

(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 item presented earlier in this note.

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, 2020 and 2019:

Investment name	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	**2020 Fair value**	2019 Fair value
				($000)	
Partners Fund	None	Monthly	1 month + 1 day	**$ 10,899**	$ 9,681
Insight Secured Finance Fund	None	Quarterly	3 months	**9,330**	8,976
Total				**$ 20,229**	$ 18,657

Partners 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 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:

	2020	2019
Discount rate	**2.35%**	3.15%

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

	2020	2019
Discount rate	**3.15%**	4.25%

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 7.00% for participants under the age of 65 and 8.25% for participants age 65 and over in 2020. These rates are assumed to gradually decrease until reaching 5% in 2026 for all participants.

For the year ending December 31, 2021, AICPA expects to contribute $475,000 to the postretirement plan.

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

	2020	2019
	($000)	
Postretirement benefit obligation	$ 7,191	$ 6,981
Net unfunded status of the plan recognized as a liability in the combined statements of financial position	$ 7,191	$ 6,981
Employer contributions	$ 423	$ 379
Benefit payments	$ (436)	$ (396)
Periodic postretirement expense for the year	$ 202	$ 429

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, 2020 and 2019:

	Unrecognized prior service credit	Actuarial loss	Total
		($000)	
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
Increase during the year ended December 31, 2020	–	341	341
Amortization during the year ended December 31, 2020	177	(87)	90
Balance, December 31, 2020	$ (21)	$ 1,622	$ 1,601

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, 2021 are ($18) and $124,000 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, 2020, and in the aggregate for the five years thereafter, are as follows:

	($000)
2021	$ 475
2022	467
2023	449
2024	439
2025	435
2026 to 2030	2,067

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 $7,788,000 and $7,492,000 for the years ended December 31, 2020 and 2019.

Deferred compensation

Association has a nonqualified deferred compensation plan for certain key employees. Amounts accrued under this plan are $9,242,000 and $7,917,000 as of December 31, 2020 and 2019, and are included in the accompanying combined statements of financial position as a component of accounts payable and other liabilities. As of December 31, 2020 and 2019, unvested deferred compensation expense to be recognized over a period of 36 months was $825,000 and $808,000.

Note 13 — Preferred stock and net assets

Preferred stock and net assets as of December 31, 2020 and 2019, are as follows:

	2020	2019
	($000)	
Preferred stock	$ 7,500	$ 7,500
Net assets with donor restrictions:		
Foundation Accounting Doctoral Scholarships ("ADS")	$ 606	$ 883
Foundation Financial Accounting	1	1
Foundation William Ezzell Scholarships	59	–
Foundation John L. Carey Scholarships	133	158
ARA — Audit Analytics	35	97
	$ 834	$ 1,139
Net assets without donor restrictions	$ 110,541	$ 72,469

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. There were no repurchase from stockholders in 2020.

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 US 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 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 14 — 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 $5,040,000 and $5,073,000 from the Trust for the years ended December 31, 2020 and 2019.

Note 15 — Foreign operations

For the years ended December 31, 2020 and 2019, approximately 20% of Association's revenue and gains without donor restrictions were derived outside of the US, primarily in the U.K..

Note 16 — Accumulated translation adjustment

Translation adjustments for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, in the combined statements of financial position. The changes in accumulated translation adjustment for the years ended December 31, 2020 and 2019, are as follows:

	2020	2019
	($000)	
Balance at beginning of year	$ (1,517)	$ (1,054)
Foreign currency translation adjustments	(1,254)	(463)
Balance at end of year	$ (2,771)	$ (1,517)

Note 17 — COVID-19

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced. The spread of this virus globally including in early 2020 has caused business disruption throughout the world. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while the Association expects this matter to negatively impact its financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

Note 18 — Subsequent events

Association has evaluated events and transactions for potential recognition or disclosure through April 22, 2021, which is the date the combined financial statements were available to be issued.

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