Association of International Certified Professional Accountants™

AICPA® & CIMA®

Adapt + Thrive

Integrated Report 2021

Contents

Association of International Certified Professional Accountants™

AICPA® & CIMA®

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Guiding principles

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 in the world.

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

Formed by members of the American Institute of CPAs® (AICPA®) and The Chartered Institute of Management Accountants® (CIMA®), the Association of International Certified Professional Accountants (the Association) builds on more than a century-long heritage of excellence.

Representing AICPA and CIMA, the Association works to power trust, opportunity and prosperity for people, businesses and economies worldwide.

Members of AICPA and CIMA are also members of the global Association supporting CPA and CGMA® and other designations that signal completion of rigorous learning and testing, ongoing competency development and ethical behavior.

AICPA®

CIMA®

CPA.com™

aicpa.org

aicpa-cima.com

cgma.org

cimaglobal.com

CPA.com, our technology subsidiary, brings innovative solutions to the accounting profession, either in partnership with leading technology providers or directly through development. CPA.com 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.

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 2021 Association Integrated Report. Following the International Integrated Reporting Framework and Integrated Thinking Principles set by the International Integrated Reporting Council and effective July 1, 2022, to be maintained by the International Sustainability Standards Board (ISSB). This report explains how the Association has created value over the last year in the context of responsible capital allocation, how we have recognized the full range of factors that affect value creation for stakeholders and what we have done to support integrated thinking and planning. This report is a cooperation among many areas of the Association. It outlines how each layer of our business is creating a future-ready profession and is working tirelessly to power trust, opportunity and prosperity for those we serve — today, tomorrow and beyond.

Audit and Finance Committee oversight

The Association's Audit and Finance Committee, comprising member volunteers, reviews the Integrated Report with management before submitting it to the Association's Board of Directors for approval. 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.

Paul Ash
FCMA, CGMA

William (Bill) Pirolli
CPA/CFF/PFS, CGMA

Barry Melancon
CPA, CGMA

Letter from leadership

The world has turned the page in 2021. But what everyone hoped would be a year of healing and reflection was instead another chapter in an ongoing saga of uncertainty. Accountants and finance professionals were again called upon to give context to disruption, guidance in economic turmoil and clearheaded perspectives on the COVID-19 pandemic's impact on business.

We're proud to say that our profession answered that call.

CPAs and CGMAs fervently worked to make communities, businesses, industries, and entire economies resilient in the face of adversity. They helped small and local businesses remain open. Addressed critical technology challenges, such as cybersecurity, plaguing organizations. Made in-person auditing processes more efficient with remote solutions. And navigated the adoption of more sustainable, climate- and social-conscious practices that put people and planet before profit.

Finance professionals had to conduct regular reforecasting, redesign of business models and reallocation of resources. And tax practitioners found themselves wearing many more hats than usual. They not only served their clients' tax needs; they also had to give insights on matters such as national stimulus and relief programs, unemployment, cash flow management and budgeting and global economics.

The Association of International Certified Professional Accountants, through the combined powers of AICPA and CIMA, continues to support our members, students, stakeholders and their organizations as they leap into action and light the way toward progress.

Like the profession we serve, the Association has built on the experiences of 2020 — so that we too can thrive.

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We made it our goal to expand access to quality education and training through expanded digital offerings and hybrid events. Because, while the crisis has affected the accessibility of learning worldwide, we know that our profession will only prosper through knowledge and individual growth. Among the many ways we have nurtured a culture of upskilling and reskilling, one of the most beneficial has proven to be providing targeted competencies and related training for students and professionals.

In response to the pandemic, we successfully advocated for a 60-day extension of the PPP deadline in the U.S., to help small businesses access vital loan funds. We also accelerated global economic recovery in the U.K., Hong Kong, South Africa, Ghana, Poland and other regions by advocating for small- to medium-sized entities and gig workers. And to help the profession move toward recovery with greater clarity and confidence, we maintained bimonthly AICPA Town Hall broadcasts and shared analyses, insights, resources and guidance on pressing issues through our Economic Recovery Resource Centers and the virtual roadshow series.

But even while addressing the immediate challenges of today, we remained steadfast in our efforts to build a more sustainable future.

We worked to enable organizations to provide in-depth and valuable reporting to stakeholders pertaining to environmental, social and governance (ESG) information. And as a steward of the profession — and to show our commitment to addressing sustainability issues — we were one of 12 other global accounting bodies who publicly announced a goal to achieve net-zero greenhouse gas emissions under the Prince of Wales Accounting for Sustainability (A4S) Project.

Because a brave new world awaits

Our economies, industries and communities must overcome unprecedented hurdles to reach a more prosperous tomorrow. And we will continue to empower our members to support them through the advocacy, thought leadership, development of professional standards of practice, quality initiatives, training and resources we provide.

Even amid ongoing uncertainty across our globe, we will not lose sight of our purpose: To foster trust from those who rely on us, help those around us prosper and deliver a sense of certainty that is needed now perhaps more than ever.

And as this report shows, we've made great strides.

Paul Ash
FCMA, CGMA
Chair — Association of International Certified Professional Accountants
President, The Chartered Institute of Management Accountants

William (Bill) Pirolli
CPA/CFF/PFS, CGMA
Co-Chair — Association of International Certified Professional Accountants
Chair, American Institute of CPAs

Barry C. Melancon
CPA, CGMA
CEO — Association of International Certified Professional Accountants
President & CEO, American Institute of CPAs

Top accomplishments in 2021

In 2021, we amplified our brand and awareness by transitioning to a united platform — AICPA & CIMA — to build on the strength, rich legacy and brand equity of both membership bodies.

689,000
members, students and engaged professionals

72,000
CPA candidates

9.93
billion global online and print views

19.7
million unique website visits

Nurtured a culture of upskilling and reskilling

Finance and accounting professionals want competency development in a way that works for them. In response, we:

- Held ENGAGE 2021 hybrid events in North America and Europe, with nearly 4,000 accounting and finance professionals in attendance
- Released 81 CGMA courses on the AICPA and CGMA Stores for access to targeted competencies
- Co-developed data analytics courses with BoxMedia, for the Coursera platform
- Launched the Future of Finance Leadership Summit, attracting CFOs from around the world
- Co-developed the "Finance for Non-Finance Professionals" materials with external partnerships
- Collaborated with HP Inc. to support competency and skills development through learning pathways for their global finance community

Spotlight on the profession

29.3 million

pageviews to news and articles in *Journal of Accountancy*, *The Tax Adviser* and *FM magazine*

300,000

downloads of *Journal of Accountancy* or *FM* podcast episodes

5,700

articles in publications including *Wall Street Journal*, Bloomberg News, Politico, Yahoo! Finance, *The CFO* magazine and *The New York Times*

2 million

followers on our global social media channels

Developed value for the greater good

With growing investor and regulator interest in ESG reporting, we proactively worked to help finance and accounting professionals be the go-to professional of choice whether in business or public accounting for measurement, reporting, disclosure and assurance needs.

To do so, we:

- Responded to ESG-related consultations, including the U.K. Department for Business and the SEC's request for input on climate change disclosures, advocating for public policy that appreciates the expertise and experience our members in both business and public practice provide
- Launched the Sustainability and Business series to explore the profession's role in helping organizations improve their impact on the planet
- Partnered with the International Federation of Accountants to study the rate of sustainability reporting and assurance for 1,400 companies
- Signed a statement of commitment under the Prince of Wales Accounting for Sustainability (A4S) Project Accounting Bodies Network to achieve net-zero greenhouse gas emissions as soon as operationally possible and publish a net-zero emissions pathway as soon as possible.
- Enhanced our standards and related guidance on ESG assurance to be fit for purpose in the current environment

We take our commitment to sustainability seriously.

In 2021, we played a leadership role in the merger of the Integrated Reporting Council and the Sustainability Accounting Standards Board to create the Value Reporting Foundation and the formation of the ISSB to develop a comprehensive global framework for high-quality sustainability disclosure standards. Through this effort, multiple stakeholders of every size and type of business can have measurable and comparable standards to report sustainability impact and the accounting and finance profession can lead in the measurement, controls, reporting and assurance of broad-based business information.

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Supported the CPA and CGMA pipelines

Spotlight on the profession

61,000
CGMA students

72,000
CPA candidates

173,000
Uniform CPA Exam sections taken, including **21,000** international sections taken

80,000
CIMA Professional Qualification and CGMA exams taken

Over the past year, we addressed talent shortages and led qualified, talented students to the profession. Among our major achievements, we:

- Launched the Academic Resource Hub and complimentary CPA Evolution Model Curriculum, and began development of the CPA Exam, in accordance with the CPA Evolution initiative in cooperation with NASBA and the State Boards of Accountancy
- Partnered to update state laws to reflect CPA Evolution in five of eight jurisdictions that required changes
- Globally onboarded 4,000 students to the CGMA Finance Leadership Program, with support from 49 university partners
- Expanded international delivery of the CPA Exam, resulting in a 6% increase in CPA Exams candidates year-over-year
- Signed a contract with the Chinese government to offer a Digital Management Accountant solution in China and achieved recognition for CGMA in six major Chinese cities
- Partnered with West Virginia State CPA Society to defeat the anti-licensing bill in West Virginia and amended legislation in three states to further protect the CPA license

We continue to offer students the flexibility of taking a CGMA exam at either a test center or online. Currently, student preferences show 50% choose online exams and 50% choose an in-person test center.

Advocated for worldwide economic recovery

In 2021, we focused our advocacy efforts on global economic recovery. Together, we:

- Successfully advocated for the PPP deadline extension, which gave small businesses and their CPAs greater access to government stimulus and funding. This included letters to Congress, outreach on Capitol Hill and testimony before the U.S. Congress
- Pushed for and successfully attained tax policy certainty and tax return filing relief, including the postponement of deadlines for tax return filings and payments (the IRS extended the tax deadline to May 17, 2021, for some filers)
- Urged for and attained guidance on the employee retention credit, including penalty relief on the early sunset, issued by the U.S. Treasury and IRS
- Launched a free loan forgiveness application program on CPA.com and in partnership with Biz2Credit
- Provided members and students access to news, resources, event information and guidance through the CIMA Economic Recovery Resource Center

Our advocacy for economic recovery is truly global. We advised governments on accelerating economic recovery for small businesses and small-to-medium-sized entities in the U.S., U.K., Hong Kong, South Africa, Ghana and other regions.

Helping members help small businesses

In 2021, we launched a free loan forgiveness program on CPA.com and in partnership with Biz2Credit. More than 2,200 firms leveraged the portal to process, submit and fund 40,000 PPP loans, securing $1.3B in financial relief for America's small businesses through the CPA Business Loan Portal

2,200
firms leveraged the portal to process, submit and fund
40,000
PPP loans

Secured
$1.3B
in financial relief for America's small businesses through the CPA Business Loan Portal

Advanced audit

To improve audit quality around the world, we:

- Developed a library of resources through the AICPA's Governmental Audit Quality Center and worked with U.S. federal agencies to adopt audit policy to promote public protection
- Met with senior civil servants in the U.K. to discuss audit reform legislation and advocate for good public policy on behalf of the profession and public
- Hosted a July Chairmen's Forum event in the U.K. with Lord Callanan, focusing on audit and corporate governance reform in the U.K.
- In partnership with the Center for Audit Quality (CAQ), released a roadmap to provide audit practitioners with a blueprint to support companies in achieving their ESG reporting goals
- Advocated for regular meetings with federal agencies to discuss topics such as the challenges of federal pandemic funding, reviews of documents auditors will use when performing single audits and offering ideas for less burdensome auditing requirements, where appropriate
- Developed a library of resources, including archived alerts, web events, tools and practice aids around single audit through the Governmental Audit Quality Center
- Accepted 8,327 Peer Reviews in 2021

Quality audits through enhanced Auditing Standards

The AICPA's Auditing Standards Board's (ASB) mission 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 effectively and efficiently.

In 2021, we released two Statements on Auditing Standards (SAS)

No. 145 *Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained From External Information Sources* and No. 145 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*. We also released an Exposure Draft of proposed Statements on Quality Management, a Firm's System of Quality Management and Engagement Quality Reviews, and proposed SAS Quality Management for an Engagement.

Delivering the Dynamic Audit Solution

Continuing our efforts to transform the financial statement audit, we delivered DAS, part of our multi-year initiative to create a new and data-driven methodology enabled through a fully integrated software application.

DAS is aligned with our strategic initiatives to modernize the audit and promote audit quality, increase the value proposition of CPAs and CPA services, and evolve business models for firms and employers.

It is the next step toward the future of audit and will leverage emerging technologies on a large scale, so auditors can create more efficient and higher quality audits.

Currently, 29 firms are piloting our first end-to-end DAS version (R1). Development on R2 has started, with this version being based on CaseWare technology. We have also begun discussions with other technology providers to license the methodology or elements thereof.

Strategy and 2021 performance

In our pursuit to transform the global accounting and finance profession, we studied disruptive industry trends and solicited input from a variety of stakeholders. As a result, we identified four strategic initiatives to help the profession adapt to — and excel in — a new regulatory, business and technological landscape.

This section provides an update on how we performed against our strategic initiatives and their underlying strategic key actions in 2021.

Strategic initiatives

Support Business Model Evolution for Firms and Employers

We are supporting firms and employers in evolving their recruiting and talent models, service mix, and digital transformation.

Strategic B2B Solutions for Clients and Partners

Overall, 2021 was a strong year for the Association in its delivery of B2B solutions focused on developing skills, knowledge and competencies. We also increased support and strengthened partnerships provided to the employers and CPA firms of our members, as well as the academic institutions creating the future talent pipeline.

Our new learning platform will increase our capability and value proposition for corporate and government entities, allowing us to deliver better customer experiences. We expect an increase in sales from this implementation.

Business partnering, digital upskilling (especially around data) and our CGMA Finance Leadership Program were three key areas where businesses have turned to the Association for support.

Small businesses are the heart of economies. That's why we set a goal to become a one-stop shop where small firms and businesses can get advice, resources and guidance on time-sensitive, relevant topics during the pandemic. To achieve this in 2021, we increased our touch points and member interactions and maintained more consistent communications. In addition to our AICPA Town Hall series, we:

- Hosted virtual networking opportunities
- Offered frequent update calls and held events with members of CPA firms of all sizes

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- Developed new resources on business relief issued by governments, tax legislation and technology solutions
- Created webcasts, podcasts and newsletters to keep firms of all sizes up to date on the professional and regulatory environment
- Launched the Small Business Resiliency Resource Center

Tech solutions for small and medium enterprises

We delivered education, training, resources and technology solutions to empower CPAs and firms for the digital age. Key 2021 accomplishments include:

1. **Spearheaded the next evolution of Client Advisory Services (CAS)**
   CAS continued to grow across the profession in 2021.

   To support this growth, in the fall, CPA.com launched its CAS 2.0 framework, a holistic strategic consulting offering to help firms deliver next-level advisory services by focusing on four key pillars: Strategy and Governance, Practice and People Development, Technology Solutions and Operational Excellence.

   CPA.com and AICPA PCPS also launched the Second Biennial Client Advisory Services Benchmark Survey to provide firms with the opportunity to evaluate their KPIs for CAS against other leading firms.

   Additionally, CPA.com introduced a next-generation CAS Advisory Council, a Firm Assessment tool and a Client Assessment workshop. These are key instruments for sharing best practices and helping firms increase the value of their client offering. In the coming year, they will continue to add new tools and learning that further transform CAS practices and help firms offer deeper business insights to clients.

2. **Cutting-edge solutions for firms and their clients**
   CPA.com continues to curate a powerful suite of technology solutions that support multiple practice areas for firms. This year we added solutions for Small Business Lending and Budgeting and Forecasting. CPA.com also launched a financial planning and analysis workshop to teach firms the fundamentals of delivering budgeting and forecasting services.

3. **Research and innovation efforts**
   Several times a year, CPA.com hosts invitation-only roundtables and profession debriefs for C-Suite leaders from accounting technology companies. These events bring together thought leaders and industry executives to share insights and discuss the key trends impacting the profession. CPA.com also releases its annual Technology Megatrends Hype Cycle to help the accounting and finance community understand how emerging tech solutions are evolving. In February 2022, the participants of the fifth annual Association and CPA.com Startup Accelerator Program were announced. This program finds, invests in and helps early-stage startup companies grow throughout the accounting ecosystem so they can help transform the profession. The program is expanding to include a second cohort of companies devoted to ESG initiatives. CPA.com also recently celebrated the 10th anniversary of the Digital CPA Conference and Community, which had the best attendance in its history.

Advanced knowledge in the profession around blockchain, cybersecurity and supply chain

Blockchain technology has the potential to disrupt and transform business processes for a multitude of industries. As blockchain continues to evolve, it presents challenges for entities and their auditors. To educate members on the opportunities and risks associated with blockchain, we developed thought leadership and educational resources, doing so internally as well as in partnership with other organizations.

Cybersecurity remains one of the top issues on the minds of management and boards in most companies in the world — large and small, public and private. In 2021, we created a new Cybersecurity Squad, which will continue to develop an advocacy and communication strategy to promote CPA involvement in security through SOC (SOC for Cyber, SOC 2, and SOC for Supply Chain) services.

To help manufacturers, producers, distribution companies and their customers and business partners identify, assess and address supply chain risks, our Assurance Services Executive Committee (ASEC), in conjunction with the Auditing Standards Board (ASB), launched SOC for Supply Chain in March 2020. To support this new framework, ASEC and ASB developed a SOC for Supply Chain guide for CPAs who will perform examinations on clients' manufacturing, production or distribution systems. We also launched a series of learning programs, a webcast and a CPE certificate program to help CPAs and practitioners grow their knowledge of supply chain risk management and better understand how to leverage the framework and guidance.

Upskill the broader accounting and finance ecosystem

We are leading business model evolution for firms and employers.

In 2021, we supported firms and employers in embracing and adapting to digital transformation. After acquiring the Business Learning Institute (BLI), we launched the Future-Ready and Controller Series learning curricula.

Through CPA.com, we've integrated a powerful technology stack into our offerings as part of the December launch of CAS 2.0. And today, nearly 7,000 CPAs and CPA firms can demonstrate their trusted adviser status through .cpa domains.

We are upskilling and reskilling professionals to close skill gaps and aid employability via credentials, certificates and badges.

Drive propositions and offerings for the broader accounting and finance ecosystem

A goal for this strategic key action is to create offerings for the broader accounting and finance ecosystem, which includes non-members — "engaged professionals" — who are not necessarily looking for membership but are looking for support with key skills gaps that the Association is equipped to provide.

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Throughout 2021, staff redesigned almost 90% of our learning portfolio, with a greater focus on "right-sizing" content to be more modular, relevant, engaging and best aligned with the needs of the specified audience. In addition, we optimized our production process for concurrent product development, shorter development cycles and reusability of higher quality, digestible pieces and parts created for programs and courses.

In 2021, we:

- Overhauled areas of the Association's learning portfolio, including updating and improving the visual experience and modularizing 87%
- Piloted subscription models, including new not-for-profit and valuation subscriptions
- Partnered with BoxMedia, Accenture and Coursera to launch new learning offerings for engaged professionals
- Expanded the Women's Global Leadership Summit beyond Europe and North America into Africa and Australia

The acquisition of Business Learning Institute (BLI)

The acquisition of BLI expanded our B2B ability to serve the finance and accounting profession. Throughout 2021, we integrated components of the BLI brand into our operations and leveraged the brand strategically to create new brand permission, especially with the corporate market.

BLI's learning programs — especially in key areas of leadership, strategy and success skills — enhance our offerings to corporate employers. Key accomplishments of note associated with the integration of BLI include:

- 194 new courses and dozens of new instructors added to the BLI course catalog
- Integrated the BLI on-demand catalog with our digital platforms
- Added BLI thought leaders to our conferences

Globalize specialty credentials.

In 2021, we set out to offer existing AICPA credentials globally, beginning with CIMA members, then expanding to the broader accounting and finance ecosystem. However, our ambition to expand access to our credentials could not be operationalized in 2021 and was put on hold. The body of knowledge of our credentials was updated, but the modernization of the learning courses was delayed due to limited resources.

In 2021, blueprinting was completed internally for the updated Certified in Financial Forensics (CFF®) pathway education modules in preparation for pending subject matter expert detailed blueprinting. A staggered release of courses should begin in Q4 2022 and continue into 2023. CITP® has recently undergone revisions of the body of knowledge, exam and education with global relevance in mind. There has been a significant expansion of the AICPA ABV and CFF Champion Program in Canada, resulting in increased interest and visibility.

Driving a tech-focused profession

In 2021, we continued our emphasis on upskilling and reskilling the broader profession on key skills areas — such as data analytics. We expanded the marketing of our data analytics courses and certificates to include non-members. We also started hosting regular complimentary webcasts focused on how accounting and finance professionals can leverage data analytics in their roles. Additionally, we launched two new foundation certificates on our store: The Data Analytics Core Concepts Certificate and Data Analytics Foundations Certificate, both in partnership with BoxMedia. We also launched an Introduction to Data Analytics course on Coursera in December 2021.

Expansion of our premier ENGAGE event

Except for several virtual-only conferences, hybrid events returned in 2021, starting with ENGAGE Europe in May and ENGAGE North America in July. ENGAGE North America saw a balanced 50/50 split between on-site in Las Vegas and online attendees. We continued our fall conference schedule with a hybrid approach. Globally, we expanded ENGAGE to Europe in partnership with the U.K. region team.

Globalize CGMA in Key Markets with Flexible Pathways.

We are growing CGMA and supporting its global relevancy by evolving the content to meet market needs and creating flexibility for obtaining the CGMA.

Implement China strategy.

Our goal is to become the leading management accounting professional qualification in China with a fit-for-purpose, entry-level pathway to earning the CGMA designation.

In 2021, we gained city recognition for the CGMA designation in several major cities, including Beijing and Shanghai. We are the only organization whose part-qualified students are also recognized as international talents.

In December 2021, we finalized and signed the contract for the Digital Management Accountant with the Chinese government. The first operational meeting was held on Dec. 24.

Professionalize management accounting in the U.S.

To further establish CGMA in the market, we are recruiting new CGMA candidates and serving accounting and finance staff via management accounting learning resources. In 2021, we:

- Created the Future of Finance Group to promote awareness of the management accounting brand in the Americas and reimagine the finance function of the future (the active advisory group operates with support from financial professionals employed at global *Fortune* 500 companies)
- Launched the Registered Apprenticeship for Finance Business Partners, the first registered apprenticeship at its level for the finance and accounting profession in the U.S.

Evolve the CGMA Professional Qualification.

- In 2021, we engaged with leaders in finance organizations across various industries through roundtable discussions, webcasts and presentations to understand the continuing evolution of the finance function and how the needs of employers are changing. This engagement provided us insights into the new skills and competencies that are becoming crucial. It also helped us identify the challenges that employers are trying to address.

CGMA Finance Leadership Program (FLP)

CGMA FLP is a fully digital experience that allows the next generation finance professional to complete their qualification fully online. It also introduces key improvements to our learner experience, such as the use of business simulations to help master concepts. Developed first for the U.S. market, in 2020, we launched FLP in all markets, except for the U.K. and China.

In 2021, our successes in doing so have included:

- Partnering with 49 universities to offer the FLP to their students in parallel to degree studies
- Building new relationships with 35 *Fortune* 500/FTSE 100/global brands that sponsored their staff to take the FLP
- Receiving positive feedback from current members, employers, universities and students
- Adding over 3,100 new CGMA students to the FLP pathway
- Awarding 345 CGMA FLP scholarships to students in 15 universities
- Exceeding our goal of generating over £1M in new revenue
- Piloted program in Ireland, reaching 3 times target revenue

Evolve and Transform CPA

We are evolving what it means to be a CPA by updating the body of knowledge and licensure model, protecting CPA licensure and expanding technology use.

CPA Evolution

In recognition of the rapidly changing skills and competencies practices required today and in the future, this initiative is a joint effort with the National Association of State Boards of Accountancy. The new version of the Uniform CPA Exam is set to launch in January 2024.

In 2021, we launched and advanced awareness of the CPA Evolution Model Curriculum and helped faculty navigate these changes:

- Co-hosted an event with the American Accounting Association on the CPA Evolution Model Curriculum, resulting in over 1,500 faculty attendees
- Launched an Academic Resource Hub on "This Way To CPA," with more than 300 free resources, many technology-related and highlighting practical approaches used in practice, for faculty to integrate into their courses
- Broadcast free, monthly "Faculty Hour" webcasts highlighting practice changes and ways to address them in the classroom.

We also developed and published the CPA Exam Practice Analysis, a research study engaging the profession that will drive the design and development of the 2024 Exam.

Global rollout .cpa top-level web domain

In Fall 2020, AICPA and CPA.com introduced the .cpa web domain for U.S. CPA firms. This exclusive, restricted top-level web domain enables CPA firms and individual CPAs access to increased online security and distinction, which builds client confidence. In January 2021, individually licensed CPAs eagerly secured their preferred .cpa domains. We also began offering the .cpa domain to licensed CPAs and firms in Canada in November 2021.

Protect CPA licensure

There is a trend across the U.S. to deregulate occupations and professions by eliminating or weakening professional licensing at the state level. Such anti-regulatory legislation makes no distinction for advanced, highly complex and technical professions such as CPAs. To address this trend, we are a leading member of the national Alliance for Responsible Professional Licensing coalition, which is working to change the conversation around licensing deregulation.

Anti-regulatory efforts were defeated throughout the country, thanks to the tireless efforts of the coalition in partnership with state societies.

Similarly, we worked in partnership with NASBA to streamline compliance with the Uniform Accountancy Act (UAA) in at least five jurisdictions in 2021. The following jurisdictions have proposed or passed legislation regarding UAA: Maine, Alaska, South Carolina, Connecticut, Florida and Pennsylvania.

Transform Our Organization

We are elevating key internal capabilities necessary to realize success.

Expanded robotic process automation (RPA) use

We gained internal efficiencies through the Kuala Lumpur (KL) Hub using RPA. We successfully deployed six RPA processes and, in addition to its innovative work, the KL Hub received two prestigious awards: A "Best Company to Work For" award from HR Asia and an award for "Best Employer Brand" from Employer Branding Institute.

Promote an internally diverse, equitable and inclusive (DEI) workforce

The Association's internal DEI strategy has been key in helping us build the intellectual human capital and motivation of our staff, as well as drive up the value of our employment brand so we can attract the best and brightest to serve our members.

Our Association DEI leader performed a comprehensive analysis of the current DEI efforts across the Association and established a new internal global DEI council (consisting of global volunteers) with several workstreams focused on our efforts to have a cohesive global approach to DEI. As a result, we:

- Collected data to provide insight on DEI talent acquisition and development process improvements
- Executed three new DEI-specific trainings for staff and volunteer-led events
- Increased gender diversity at senior leadership levels by more than 10%
- Worked to increase supplier and vendor diversity

Reimagine the Association's Value Proposition and Experience (RAVE)

We are committed to offering new propositions, products and technologies to drive engagement and satisfaction with members, students and professionals. We also strive to deliver a frictionless experience and personalized access to solutions, news, community and resources.

In 2021, we successfully completed our platform design and build, and we transitioned AICPA.org to be the primary domain for the new platform. The platform saw more than 3 million unique visitors in 2021, a 326% increase year-over-year.

> Our new digital platform is on track to become the single-entry point for all members globally in 2022.

Drive global advocacy

Global economic recovery

We enhanced our advocacy efforts in response to the pandemic and to promote economic recovery, while also continuing to represent members' interests to governments. Worldwide, we're representing member voices to policymakers, working closely with volunteer leadership and local staff. We have largely focused our support for small- and medium-sized businesses, enterprises and practices.

In February, ahead of the U.K. government's budget approval, we called on the government to do more to reskill and upskill the country's workforce. We sent a letter to the Hong Kong government in June 2021 with suggestions on how they can support businesses through economic recovery. We called for the IRS and Congress to modernize the U.S. tax system and ease tax filing requirements.

We will continue to lead robust advocacy efforts to protect the accounting profession and the wider public in the wake of disruption.

Key accomplishments

In the U.S.:

- Pushed for and successfully attained tax policy certainty and tax return filing relief, including the postponement of deadlines for tax return filings and payments (the IRS extended the tax deadline to May 17, 2021, for some filers)
- Continued to advocate for the acceptance of permanent electronic signature requirements for tax return filings (temporary relief on electronic signatures was provided through October 2023)
- Advocated for effective tax administration, including around tax deadlines and penalty relief, IRS modernization and service enhancement, disaster relief and mobile workforce policies
- Helped bipartisan members of Congress introduce H.R. 4214, the Tax Deadline Simplification Act, which would change the estimated tax payment deadlines to a uniform, quarterly schedule
- Created a variety of recommendations for numerous items, including tax penalty relief, regulation of tax preparers and legislation such as the proposed Build Back Better Act
- Advocated for legislation that recognizes accounting as a STEM career (a bill has been introduced in the U.S. House of Representatives)
- Negotiated with external stakeholders and members of Congress to craft and introduce a new bipartisan bill that gives the IRS limited authority to regulate paid tax return preparers
- Submitted international tax recommendations to Congress to simplify and correct existing provisions

Working with the Internal Revenue Service (IRS) in the U.S.

We continue to advocate on behalf of tax practitioners, encouraging more streamlined processing, modernization and relief for taxpayers. In 2021, we submitted 46 comment letters addressing disaster tax relief, preparer regulations, penalty relief and IRS services. We continue to encourage the IRS to implement recommendations addressing service issues and an overwhelming processing backlog. As a result of our advocacy, the IRS suspended many automatic notices and is implementing surge teams to reduce the backlog.

In the U.K.:

- Apprenticeships Minister Gillian Keegan spoke at our Apprenticeships Week event and praised the value of a CGMA qualification.
- The shadow apprenticeship and skills minister attended a roundtable event on "Mind the Skills Gap" in the U.K.
- Our CEO of Management Accounting was invited for discussions with the U.K. prime minister as part of his consultation with businesses and with ministers for the accounting sector.
- Hosted a Chairmen's Forum event in July 2021 with Lord Callanan, focusing on audit and corporate governance reform in the U.K.

Economic recovery in the U.K.

We submitted a 40-point plan, "Budgeting for Recovery and a Long-Term Economic Future for the U.K.," to the Chancellor and the Prime Minister. The 40-point plan is focused on measures to support businesses with the ongoing crisis, to create long-term sustainable economic recovery, and to tackle structural problems in the U.K. economy such as poor productivity and lack of skills. This report builds upon the 20-point plan CIMA sent to the Prime Minister in July 2020.

Sixteen of CIMA's recommendations were announced by the Chancellor in his budget in March 2021. Since then, the Government has adopted two additional recommendations. From this report, meetings were set up between the treasury minister and CEO — Management Accounting.

Accomplishments in other countries and regions

- We sent letters to the Polish prime minister and the Hong Kong government with suggestions on how they can support business through economic recovery.
- We submitted three consultation responses in South Africa on the issues of public sector professionalization and critical skills list, where we explained how the Association helps advance professionalism among its members and how our members' skills are critical to the South African economy.
- We responded to two EU Consultations on sustainability: one on the Corporate Sustainability Directive and the other on European Financial Reporting Advisory Group and sustainability standards.
- In September, we organized a virtual panel discussion on the ways to maximize organizational potential in uncertainty and support Poland's economic recovery and sustainable growth.
- We were awarded ZAR 2.5 million that will support 44 historically disadvantaged students in 2021. We applied for additional funding at the end of 2021.

CIMA is a designated Anti-Money Laundering / Counter-Terrorist Financing (AML/CTF) supervisor under U.K. legislation.

This means we are a key player in reducing economic crime.

We maintain robust oversight of CIMA's members in practice to ensure compliance with AML requirements and protection of the public. During 2021, our Professional Standards Committee continued to help refine and develop the relevant rules and policies of CIMA, such as the definition of "accounting services" under the Member in Practice Rules which was reviewed in the light of legal advice received to ensure that it complied with current AML legislation.

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 from 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 strategic plan and budget, monitor performance against goals and provide overall enterprise risk management.

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.

Furthering our journey to support operating as one unified Association, in 2021, we voted to simplify the Board structure to operate as one single Association Board. This change will eliminate the separate Public Accounting and Management Accounting boards and reduce the Board size to 26 with the option to increase the size to 32 members as needed.

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

Board leadership

Paul Ash, FCMA, CGMA
Chair, Association of International Certified Professional Accountants

Bill Pirolli, CPA/CFF/PFS, CGMA
Co-Chair, Association of International Certified Professional Accountants

Association Board members

Paul Ash, FCMA, CGMA
Mark Begich (Public member)
Bruce Behn, CPA, Ph.D.
Rebecca Bennett, FCMA, CGMA
Simon Bittlestone, FCMA, CGMA
Jonyce Bullock, CPA, CGMA
Mary Grace Davenport, CPA
Rick Dreher, CPA, CGMA
Sarah Ghosh, FCMA, CGMA
Tracey Golden, CPA, CGMA
Andrew Harding, FCMA, CGMA
Ebonie Jackson, CPA/CITP, CGMA
Nick Jackson, FCMA, CGMA
Melanie Kanaka, FCMA, CGMA
Beth Kieffer Leonard, CPA, CGMA
Shirley Liu, FCMA, CGMA
Carla McCall, CPA, CGMA
Anoop Mehta, CPA, CGMA
Barry Melancon, CPA, CGMA
Andy Mintzer, CPA/CFF, 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
Asif Sadiq (Public member)
Matt Snow, CPA
Keren Stephen, FCMA, CGMA
Mahes Wickramasinghe, CPA, FCMA, CGMA

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2021 AICPA and CIMA Councils

AICPA leadership

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

Anoop N. Mehta, CPA, CGMA, Vice Chair

Tracey Golden, CPA, CGMA, Immediate Past Chairman

CIMA leadership

Paul Ash, FCMA, CGMA, President, CIMA

Nick Jackson, FCMA, CGMA, Immediate Past President, CIMA

Melanie Kanaka, FCMA, CGMA, Deputy President

Sarah Ghosh, FCMA, CGMA, Vice President

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 55 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 members, 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 Management Accounting Board. In this capacity, they represent, engage and advocate for the CGMA designation across the globe.

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 strategic plan in an integrated fashion, we continually gather input through discussions 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 2022 plan. We have modified our strategic process in response to the pandemic and have adopted an agile approach, moving away from a 3-to-5-year planning cycle to a 2022 plan and a 2025 ambition with room to make shifts in response to the external environment.

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.

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.

Value creation model

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

- Trust in financial and ESG information for business owners, investors, lenders, private equity, the public and other stakeholders
- Economic recovery, growth and job creation and protection, driven by strategic 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

We create value for multiple stakeholders

Public
- Trust in the global capital markets
- Power the success of business
- Financial literacy

Professional
- Shape future of accounting and finance
- Standards, quality and ethics
- Local and global advocacy

Firms and employers
- Prepare for the digital future
- Consistency in talent and skills
- Learning, tools, workflow

Engaged professionals
- Lifelong development opportunities
- Relevant and immediately applicable learning, knowledge and insights

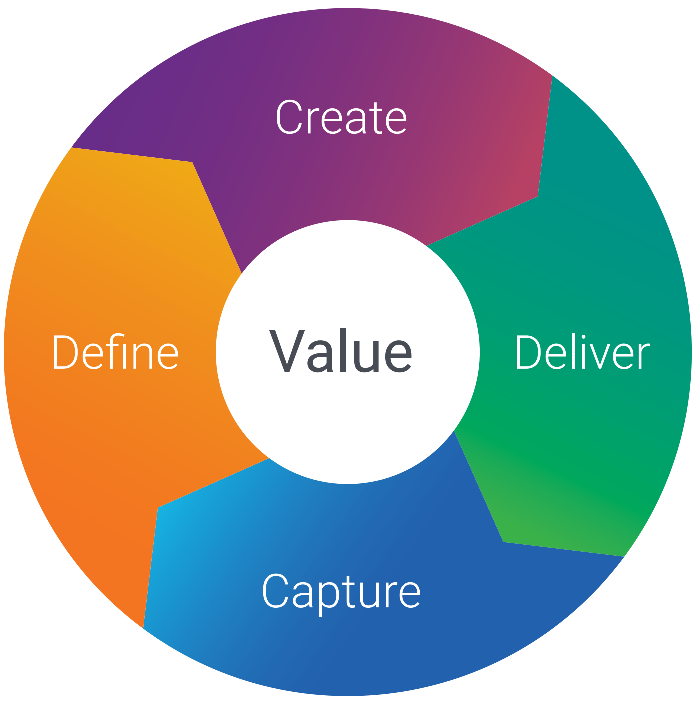
Members
- Tools, guidance, thought leadership
- Competencies and relevancy
- Recognition, status, career mobility

Students
- Employability and career opportunities
- Access to global network
- Globally recognized qualifications

Staff
- Exciting and meaningful work
- Create lasting impact in profession
- Growth and advancement

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:

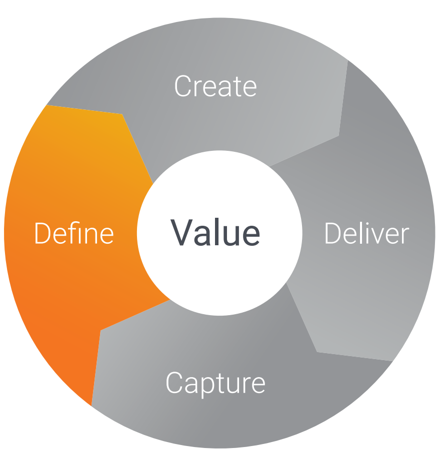


Defined
by members and other stakeholders

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

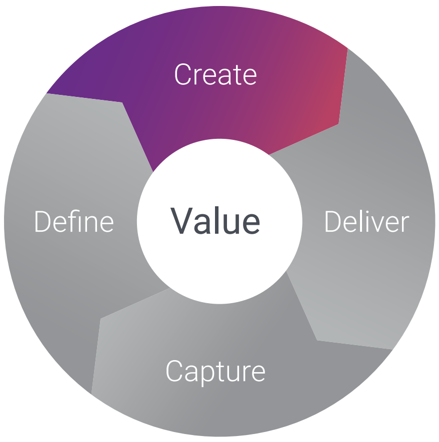


Define

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

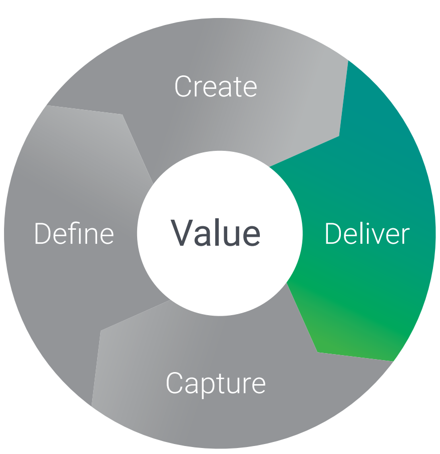


Create

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



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, podcasts and more
- Offering an array of in-person and digital learning options in the form of videos, articles, 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 to universities
- Transforming our business model to reduce costs and improve service

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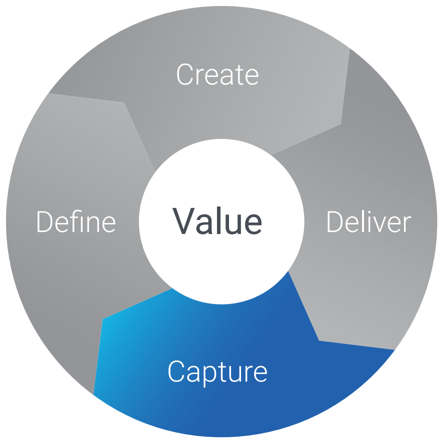

Capture

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.

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Net assets and financial position

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 Board of Directors 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
- Aligning compensation with the long-term success and sustainability of the organization
- Reviewing and approving initiatives established for the Association CEO
- 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 IRS regulations, the Association is required to disclose the compensation for up to 20 key employees, as defined, and its five current highest compensated employees, as defined, on its annual tax return (Form 990, Return of Organization Exempt from Income Tax). Form 990 can be found on website resources such as Foundation Center and GuideStar. The filing due date for the Association's Form 990 is May 15. However, the Association has filed a request to extend the deadline until November 15.

Net assets and financial position

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

For 2021, the Association's change in net assets was $57.6 million. We generated $392.9 million in gross revenue, including investment gains of $23.6 million, offset by $335.3 million in expenses. The Association ended the year in a strong financial position, with cash and cash equivalents of $60.2 million and investments of over $218 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. The AICPA pension plan is nearly fully funded and is invested in fixed income to hedge against decreases in the discount rate. As a result, in 2021, the AICPA plan generated a pension loss of 4 million due to negative investment performance, partially offset by an increase in the plan's discount rate. The CIMA plan generated a pension gain of $13 million, primarily due to the increase in the discount rate as well as positive investment performance as the plan's investments are diversified and include both equities and fixed income. 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 2021 are included in the KPI section that follows.

Member, firm services and partner solutions

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

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 Fund 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, Environmental Social and Corporate Governance and the future of finance.

Diversity, inclusion, scholarships and assistance

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

Supporting services

Supporting 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, students and engaged professionals, 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	2020 actuals	2021 target	2021 actuals	Discussion
Members, students and engaged professionals	697K	727K	689K	Overall we experienced a decrease in members, students and engaged professionals when compared to 2020 actuals and 2021 targets. While CIMA membership exceeded prior year, we did experience a decrease in AICPA members, CGMA students and Engaged Professionals as a result of lower retention and expected recruitment of new members, students and engaged professionals.
CIMA members	115K	116K	116K	
AICPA members	428K	432K	421K	
CGMA students	65K	64K	61K	
Engaged Professionals	89K	115K	91K	
CPA candidates	73K	79K	72K	2021 actuals were in line with prior year; however below 2021 target.
Net promoter score (NPS)				
CIMA	21	24	20	NPS is a measure of how strongly someone will endorse our brand or services. The range of potential values is from -100 to 100. Given the extent of transformation the Association is undergoing, occasional fluctuations in NPS are expected. We experienced strong mid-year results; for both AICPA and CIMA and AICPA's year-end results continued that trend. However, the year-end results did decline with CIMA being in line with 2020 actuals. Results have shown that we are making inroads on increased members satisfaction, brand recognition and member value.
AICPA	39	32	35	

KPI	2020 actuals	2021 target	2021 actuals	Discussion
Total revenue*	$293M	$314.1M	$314.6M	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 2021 exceeded 2020 actuals by $21 million and was in line with budget as we started to see some return to normalcy in the second half of 2021
Operating income**	$0.9M	$0.0M	$6.2M	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. We generated a profit of $6.2 million primarily as a result of lower than expected expenditures primarily in events and meetings and travel as the pandemic did continue further into the year than expected. 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

In 2021, the COVID-19 pandemic continued to have a profound impact on our world. Moreover, its effects were intensified by other global issues such as social and political unrest, inflation, complex regulatory environments, and labor excesses and shortages. The accounting and finance profession has played a vital role in helping organizations navigate these challenging times and has made a positive impact on everything from local businesses to the global economy.

The continuing uncertainties surrounding the pandemic may seem daunting at times, but the Association is working to provide our members with the support and resources they need to thrive in a time of adversity. The Association is committed to not only addressing the challenges of today but also focusing on what may arise tomorrow.

We continually monitor potential risks and challenges to help our members, students, the profession and our organization and staff adapt and thrive in this constantly changing environment. While every organization has risks, our mitigation strategies are effective and reviewed each year with the Association Board.

The Association's enterprise risk management (ERM) approach leverages the Committee of Sponsoring Organizations (COSO)of the Treadway Commission ERM Integrated Framework to assess enterprise risks. It equips the Association with a systematic method for identifying, assessing and developing mitigation plans for the risks deemed most threatening to the Association's finances, relevancy and reputation. ERM is a key element in the development of the Association's strategic plan and is updated each year to reflect the evolving risk landscape.

In 2021, we collected inputs from external reports and interviews with members, volunteers and leadership to review the risk landscape. 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.

We conducted further research and assessment throughout 2021 to review and identify the key enterprise risks and opportunities most critical to the Association.

Key enterprise risks

Risk	Mitigation/opportunity
CPA credential becomes irrelevant	▶ Protect CPA Licensure reduces the impact of antiregulatory legislation efforts ▶ CPA Evolution addresses the evolving needs of the profession, including increasing levels of technology knowledge, and enhances the value proposition of CPA to entry-level CPAs ▶ Expansion of CPA services to new areas, such as ESG and cybersecurity, promotes relevance ▶ Preserving our trusted brand through initiatives such as Enhancing Audit Quality ▶ Marketing promotes value of CPA in uncertain times
Association's business model fails to evolve	▶ Evolve CGMA drives efficiencies (e.g., robotic process automation) and leverages Managed Service Agreements (MSA) partners for resources. ▶ Reimagine the Association's the value proposition experience (RAVE) drives engagement via new propositions, products and technology.
CGMA qualification becomes irrelevant	▶ Globalize CGMA Finance Leadership Program (FLP) to modernize the CGMA Professional Qualification with an end-to-end digital model for new generations. ▶ China and U.S. strategies support becoming the leading CGMA Professional Qualification in the two largest markets. ▶ Evolve CGMA ensures CGMAs remain trusted advisers and flexible pathways for the pipeline.
Technology disintermediates profession	▶ CPA Evolution and Evolve CGMA ensure competencies align with technology innovations. ▶ Dynamic Audit Solution (DAS) modernizes the quality, efficiency and value of audits of firms of all sizes via technology. ▶ The .cpa domain rollout provides CPAs firms and CPAs greater online security and distinction. ▶ Provide a suite of tech and digital solutions for small- to medium-sized enterprises and firms.
Loss of our ability to self-regulate the audit	▶ Enhancing Audit Quality, with peer review enhancements ▶ Establishment of our Reputation Team ▶ Modernizing audit, quality control and ethics standards as the world evolves and technology begins to play more of a role in auditing
Value propositions don't resonate	▶ RAVE delivers enhanced value propositions across all major benefit areas that members want. ▶ Driving propositions and offerings for the broader accounting and finance ecosystem expands access to our content and value propositions to members and engaged professionals. ▶ Industry-based communities deliver sought-out industry and sector resources.

Risk	Mitigation/opportunity
Major revenue stream(s) decline	▶ Emphasize digital-first and revenue-generating activities, without sacrificing our public interest responsibilities. ▶ Leverage B2B market opportunities with strategic solutions for our members and partners. ▶ Globalizing FLP, specialty credentials and China strategy expands products into new markets.
Inability to deliver tech transformation	▶ RAVE modernizes our platforms by implementing new — and decommissioning old — technology ▶ Search for more and strengthen existing partnerships with technology-delivery organizations
Inability to do business globally	▶ RAVE enables lowered friction and ease in global invoicing and payment transactions globally. ▶ Drive Global Advocacy expands platform and agenda to represent profession's interests. ▶ Driving ESG enables playing a key role in this area of corporate reporting and assurance, heightened globally.
Global recession	▶ Drive Global Advocacy supports relief efforts in U.S., U.K., China, Hong Kong, India and South Africa. ▶ Stem operating losses with cost-containment measures; focus on recovery of key revenue streams.

External business environment

In 2021, COVID-19 continued to bring uncertainty to every sector. The pandemic has accelerated five critical trends, and we are carefully monitoring their implications and opportunities.

Acceleration of digital technology

Finance transformation

Human capital

Addressing the skills gap

ESG matters

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Acceleration of digital technology

The pandemic has forced a "digital" revolution. Lockdowns forced organizations across all sectors and regions to pivot their business models and accelerate their digital transformations. COVID-19 has also reshaped ways of working, propelling the transition to hybrid models that will become the new normal.

Employers grapple with going hybrid. With the shift to more virtual interactions — and as more organizations begin to imagine what a return-to-workplace transition might look like — many firms and employers are unsure what to expect.

Technology is a critical component of the business and workforce in accounting and finance. Today's essential "must-haves" are artificial intelligence, advanced data analytics, automation, blockchain, cloud and cybersecurity. Ultimately, however, people are the key element to successful business adoption of technology. A major upskilling initiative is underway in finance and accounting to understand and integrate technologies into work processes.

CPAs and CGMAs are well-provisioined to lead in this area. We have the traditional and critical skills needed to understand and digest large business datasets, undertake controls and measurement, communicate the story internally and then externally, and ultimately assure the data is accurate.

Implications:

- Technology disintermediates the profession (also an opportunity) by reducing the need for staff to handle routine tasks.
- An inability or unwillingness to adopt digital technology would mean financial losses and inefficient processes.
- Technology is outpacing talent, leading to a skills gap.
- Improper and unsophisticated cybersecurity makes companies vulnerable to fraud, defamation, extortion and market manipulation.

Opportunities:

- Remain relevant by investing in digital technologies.
- Adopt new technologies so accounting and finance professionals can instead focus on higher value creating activities.
- Continue to train employees and students on how to utilize technology for more meaningful analysis and execution of tasks.

Finance transformation

Finance professionals are increasingly expected to be strategists and business advisers. The offloading of routine tasks to automation has freed finance professionals to serve in a more strategic capacity for their organizations.

With the power of data analytics behind them, accountants are being asked to "tell the story" versus just presenting it. Finance professionals will need to continuously learn and develop their skillsets while their business and organizations will need to expand their capabilities for the digital age.

Implications:

- Finance professionals may become irrelevant if they do not upskill and adapt.
- Shifting market expectations require firms to adjust their operating model.

Opportunities:

- Finance professionals can expand their impact and become trusted business advisers.
- Digital transformation can accelerate financial reporting and allow for more strategic thinking.

Human capital

Talent was a key theme across all sectors in 2021. Firms and organizations were not immune to the post-pandemic turnover wave, the "Great Resignation." They remain concerned about and determined to support retention and attraction.

COVID-19 ushered in the opportunity to rethink how we work, emphasizing flexibility. It has reshaped ways of working, propelling the transition to hybrid models that will become the new normal. As we continue to emerge from the pandemic, employees will want more certainty about post-pandemic working arrangements. Maintaining culture and managing a hybrid workforce is a top issue for CFOs and leaders.

Technology and the pandemic have also shifted organizational culture and recruiting practices. Agile organizational structures and remote work are now used as incentives. Other key focus areas for recruiters include emphasizing DEI initiative, culture, mental health and wellness and advancement.

Building trust and meaningful relationships with employees is paramount in a new environment.

Implications:

- **Direct impact to the company's efficacy** and performance, driven by lackluster culture, decreased collaboration, etc.
- **Employee attrition** if the firm or organization fails to adapt

Opportunities:

- Emphasize **value of interpersonal relationships and sense of belonging**
- Tap into a **broader pool of candidates** by hiring full-time remote workers

Addressing the skills gap

Skills are changing as accounting and finance professionals move into advisory roles. Financial forecasting, the ability to use technologies such as AI, machine learning and data analytics, speed and flexibility are the top accountant attributes. The work of accounting and finance is increasingly done collaboratively. As such, accounting and finance professionals must have strong soft skills and be willing and able to collaborate with different teams.

Accounting and finance professionals need a combination of broad and deep competencies to adapt and thrive in a world of accelerating change and digital transformation. Technological innovation and shifting market expectations have led to the emergence of the T-shaped professional, a person whose skills span many competencies and who has deep technical knowledge to augment cross-functional work.

Accounting and finance professionals need to be lifelong learners. Traditionally, workers develop deep expertise in one discipline early in their career and supplement this with knowledge gained over time (the T-shaped professional). However, people are staying in the workforce longer. This requires them to continue to develop throughout their career, becoming instead an M-shaped professional, someone with deep knowledge in many different skill sets who can deliver high performance and work cross-functionally.

Implications:

- Accounting and finance professionals who delay upskilling and reskilling will risk obsolescence.
- Skills gap in accounting and finance professionals will become persistent.
- Dwindling attention spans create an additional obstacle toward closing the skills gaps.

Opportunities:

- Reposition and expand the role of the profession to reflect evolving skills.
- Integrate corporate purpose and upskilling as a core tenet of the business to support recruiting and retaining practices.
- Offer experiential learning to finance professionals looking to upskill.

1 bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/

Financial, business information reporting and assurance transformation

Sustainability and ESG have become mainstream, and demand for this information and action around it continues to rise globally. Bloomberg estimates that $53 trillion (over a third of all assets under management globally) will be managed using ESG criteria by 2025.[1] Similarly, some lenders and insurers require ESG reporting and risk management plans from clients of all sizes. Governments and financial market regulators also continue to drive the non-financial disclosure agenda.

Accountants are uniquely positioned to address climate risks while helping businesses flourish. There is growing evidence of a positive relationship between ESG and financial performance. However, some leaders mistrust ESG data. Through ongoing measurement, advisory services, assurance and internal/external reporting, accountants can provide credibility for ESG information.

Implications:

- Corporate reporting and solely providing financial information will decline as technology automates.
- The CPA profession loses sustainability assurance space to sustainability consulting and engineering firms.
- The profession has been slow to adapt, risking relevancy.

Opportunities:

- Bring the discipline of accounting and finance to the collection, analysis and reporting of non-financial and ESG information.
- CPAs can be the premier providers of sustainability assurance and related advisory services.
- Management accountants lead the integration of ESG into strategy and operations in addition to delivering on internal and external reporting that drives long-term value creation.
- Advocate for a global set of sustainability standards.

Activities to support the UN Sustainability Goals

A Commitment to Create Trust, Opportunity and Prosperity across our globe

How the Association is implementing the UN Sustainability Goals

In 2015, all 193 member states of the United Nations adopted the 2030 Agenda for Sustainable Development. The agenda consists of 17 Sustainable Development Goals (SDGs) that put countries on the path toward a prosperous, inclusive and beneficial future for both humanity and the environment.

Aside from participating governments, we believe that businesses — and, therefore, our profession — also play a pivotal role in the success of this endeavor. Making the SDGs a reality from which we all derive value will indeed require innovation and interdisciplinary thinking from many different actors, including governments, industries, sectors, communities and finance professionals.

To do our part, the Association identified and adopted six of the 17 SDGs and their associated targets that align with our own social and economic-development objectives. These are the goals we feel the organization and the people it represents can truly make the most positive impact in achieving.

The six SDGs are outlined on the following pages, along with the corresponding actions we took during 2021 to promote opportunity, spread prosperity and foster trust.

Goal No. 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Our profession is only as strong as those who come after us. To ensure we pass the torch to a capable and innovative generation, we began offering $1 million in AICPA scholarships for college and high school students to pursue accounting, and to create a pathway for practicing CPAs to become professors. And to address competency gaps and lift the profession globally — specifically in Poland and Central and Eastern Europe — we launched the Skills of the Future Academy 2021–2025 with the Association of Business Leaders. We remain committed to future leadership in the profession through the Leadership Academy, which continued in the U.S. in 2021 and will expand to the abroad in 2022.

We continued to grow our apprenticeship program, exceeding England apprenticeships target by 30%. On November 19, we launched the Registered Apprenticeship for Finance Business Partners, the first registered apprenticeship at its level for the finance and accounting profession in the U.S.

Goal No. 5: Achieve gender equality and empower all women and girls

Achieving and advancing equality takes unrelenting tenacity. Maintaining that equality requires steadfast vigilance. And to inspire both tenacity and vigilance, we should take time to celebrate the victories of hard-fought battles while acknowledging there is still much work to do. That's why, in 2021, we recognized Women's History Month and International Women's Day with panels, roundtables and workshops across Pakistan, China and Poland to discuss the impact of women on our profession — and furthered the conversation on what can be done to reach our next milestone in equal opportunity for women everywhere.

But we also acted. To further close the gender gap within accounting firms and organizations the world over, we produced a series of continuing professional development resources and webcasts to provide greater access to learning materials for women. And we partnered with South Asian publication *Satyn Magazine* to recognize and award gender- and women-friendly workplaces, setting a benchmark in Sri Lanka to improve the inclusion of women in the workplace.

Goal No. 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

There is an awakening of sorts. Across the political spectrum and the myriad of industries around the world, there is a dawning realization that the pursuit of financial abundance alone does not equate to prosperity. Business growth must be tempered by a responsibility to the employees and colleagues — not just stakeholders — that are the engine for that growth. And we must all work to pave the path for anyone who would otherwise face dire financial, economic and social barriers toward their own personal and professional development.

To guide more people from less fortunate circumstances to the fulfilling and beneficial life our profession can provide, we launched direct-to-consumer sales of the global CGMA Finance Leadership Program. So that regardless of a person's starting point, they can learn about finance and find a viable way forward to our profession. We also continued to support members and their families during times of personal financial need, covering living expenses through the AICPA and CIMA Benevolent Funds.

Goal No. 12: Ensure sustainable consumption and production patterns

The sustainability initiatives we enact in firms and organizations play a vital role in protecting the earth and conserving its natural resources. But to achieve a future in which the climate crisis has been averted and resources are consumed responsibly, we must all do our part — whether that comes in the form of industry-wide initiatives or simple acts of change. Because any action big or small denotes progress.

That's why, in November, we announced our magazines were going fully digital and would no longer be available in print as of 2022, further reducing reliance on paper-based products. Going forward, the Association will continue to self-evaluate and look for opportunities to reduce consumption and help us achieve a sustainable tomorrow.

> We anticipate by moving our magazines to digital, we will save about 143 million sheets of paper annually.

Goal No. 13: Take urgent action to combat climate change and its impacts

Climate change affects everyone — which means all of us play a role in minimizing or preventing its potentially devasting effects.

That's why, as steward of the accounting and finance profession, we are committed to provide members with training, support and resources to help them create their net-zero plans. The Sustainability and Business series of briefs is one such resource, made accessible to finance professionals so they can learn about the role they play in sustainability and how they can be voice of clarity and guidance for their firms and organizations. These briefs help finance professionals consider sustainability issues, how to integrate them into their organizations' long-term decision-making and how to incorporate these issues into internal and external reporting.

Goal No. 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

If the planet is to benefit from our collective sustainability efforts, organizations cannot act alone in a silo. Because while simple acts can add up to positive change, making a difference on a global scale — against an accelerated timeline — takes continuous coordination, a willingness to collaborate and an open line of communication. That's how opportunities to multiply the benefits of our efforts are found.

This is why we joined forces with 12 other professional accountancy bodies from around the world to fight climate change. So that we can reach our net-zero carbon emissions goal while working with others to discover new ways to curb the effects of climate change and expand the reach of our sustainability efforts.

In 2021, we welcomed the creation of the new International Sustainability Standards Board (ISSB) as a means for developing consistent, reliable and comprehensive global sustainability standards to create purposeful, resilient organizations and a more sustainable future.

We support CPAs, CFOs, finance leaders and their teams to address sustainability matters through various resources. In 2021, we:

- Published multiple documents in our Sustainability and Business series
- Released a document highlighting key actions companies can take to implement effective governance and sustainability reporting
- Provided a sustainability attestation guide to help CPAs perform assurance engagements on sustainability information
- Collaborated with organizations to deliver educational webcasts throughout the year
- Developed an ESG Practice Aid that highlights how ESG-related issues may affect an entity's financial statements

Adherence to ethics

Both AICPA and CIMA maintain strict expectations for conduct among members.

AICPA members are bound by the AICPA Code of Professional Conduct, which requires that they act with integrity, objectivity, due care, and competence; fully disclose any conflicts of interest (and obtain client consent if a conflict exists); maintain client confidentiality; disclose to the client any commission or referral fees; and serve the public interest when providing financial services.

All CIMA members and students are required to comply with the Code of Ethics and apply its fundamental principles to their working lives. They have a duty to observe the highest standards of conduct and integrity and uphold the good standing and reputation of the management accounting profession.

We actively investigate potential violations of our professional standards.

People and relationships

At the Association, employees are our greatest investment. Recruiting, developing and maintaining the best and brightest talent is our top priority and directly impacts our overall success. We are dedicated to growing and retaining highly engaged staff who enable us to develop tools and resources that members and students rely on to stay ahead in the rapidly evolving accounting profession.

In 2021, we continued to enhance our support of the well-being of our people. A healthy work-life balance can be the difference between high turnover and high retention rates. We continually monitor turnover and retention, and we benchmark against like-sized organizations and the general employment market. Employee compensation and benefits are competitive within their local markets and are reviewed on a team-by-team basis throughout each year. Our focus on well-being shows that we value our people and the work they do each day that enables us to live our mission of broadening prosperity.

We are committed to strengthening employee development and workplace culture. In 2021, we maintained our commitment to valuing our people by doing the following:

1,211
Staff

32
Offices

210
CPAs and CGMAs on staff

- We launched a new global internal **Diversity, Equity and Inclusion (DEI) Council** of staff volunteers to create and implement programs and initiatives for a unified direction of our DEI efforts.
- On Oct. 29, we closed our offices for a **mental health day** and encouraged our employees to unplug and recharge.
- We introduced our **Total Reward Philosophy**, which embodies a holistic approach to the rewards package, including benefits, flexibility and a fair, consistent approach to pay, recognition, well-being and development opportunities.
- Our employees were provided with personal and **professional development opportunities**, including free CPE/CPD courses.
- We made significant investments in **learning programs** across the organization.
- Our **Employee Assistance Program** provided global staff members access to mental health professionals.
- We encouraged our staff to recognize each other's successes through the **YouEarnedIt program**, which enables employees to send points that can be redeemed for rewards.
- We empowered our team of **Culture Champions** from offices around the world to continue to be the eyes and ears at ground level, providing feedback to leadership and helping to drive adoption of organizational strategy, values and behaviors.

Awards highlight

- CIMA was recognized at the ***PQ Magazine* Awards for "Best Use of Social Media."**
- Kuala Lumpur hub won the **"Best Companies to Work for Award 2020" from HR Asia** during an in-person awards ceremony in March.
- **The Association's multimedia team won five awards at the Communicator Awards**, which honors creative excellence for communications professionals.
- ***Accounting Today*** recognized the Association with several **Top New Products awards** in the following categories:
  - Professional credentials — Data Analytics Core Concepts Certificate
  - CAS tools — CAS Firm Self-Assessment Tool
  - Education tools — Town Hall Series

Employee engagement and communication

We inform and engage employees on the Association's key initiatives, goals and changes affecting the organization and the profession through:

- Monthly Connections e-newsletter
- The Source intranet
- Staff town halls with leadership team
- Staff-led webcasts
- Monthly Pulse surveys

700

live attendees for leadership webcasts on average

90%

of staff describe leadership webcasts as "valuable" or "extremely valuable."

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Partnerships

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 — We work collaboratively with all 54 state 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) — 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 helped us expand our reach and grow our offerings. Notably, these platforms enable us to offer students the flexibility of taking exams in person or remotely online.

CaseWare International — We continue to partner with CaseWare International, a global provider of audit and analytics software, to create the OnPoint A&A Suite of products and the Dynamic Audit Solution (DAS) to drive efficiency, quality and value for firms and their clients.

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 education on enterprise risk management, internal control and fraud deterrence.

Firms and global networks — Our partnership with firms of all sizes and our global networks enables us to maintain an open line of communication, sharing of ideas and enhanced innovation between us and our members.

Academia — By partnering with academics and universities around the globe, we empower students to choose learning paths, think strategically and transform into future leaders of the accounting and finance profession.

American Accounting Association (AAA) — Together, we are the co-sponsors of the Pathways Commission on Accounting Higher Education and continue to work support faculty and educational needs, including through the transition of CPA Evolution.

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.

Aon — Through Aon, we can provide member insurance benefits for personal and business insurance needs for AICPA members, including life and help coverage, auto and homeowners plans, personal liability and umbrella insurance.

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.

Coursera — Through our partnership with this global leader in online education, we expand our organization's reach to about 35 million learners worldwide by publishing courses on leadership, technical, business and digital skills.

Accenture — By partnering with Accenture, we are driving new and expanded learning opportunities for the broader accounting and finance profession.

Delivering learning around the globe

Platform providers such as Coursera provide access to millions of learners worldwide who are interested in flexible, affordable, job-relevant online learning. We learned much in 2021 through a critical study of our current content and content creation process that will enable us to implement our platform strategy in 2022. Specifically, we will focus on three types of learning that can be designed for, and succeed on these large platform providers:

- Credentialed learning, including certificate programs geared for career readiness or specialization, leveraging our expertise and insights in the marketplace
- Co-branded offerings with globally recognized brands, increasing our reputation and recognition internationally
- "Industry Celebrity" content via strategic partnerships with industry-recognized thought leaders providing innovative, relevant and timely content on topics increasingly associated with our brand

We created platform-friendly course designs that will allow us to deploy our courseware quickly and easily into these large platforms or develop platform-specific products as needed.

Workday — We partner with Workday to provide accounting and finance professionals with practical guidance and insights into leveraging the latest technology and data to drive planning across the enterprise, connecting workforce, supply chain and operational planning.

Financials

2021 and 2020 Combined financial statements and independent auditor's report

Independent Auditor's Report

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

Opinion

We have audited the 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, 2021 and 2020, 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 combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Association of International Certified Professional Accountants and Related Organizations as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Association of International Certified Professional Accountants and Related Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Association of International Certified Professional Accountants and Related Organizations' ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association of International Certified Professional Accountants and Related Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association of International Certified Professional Accountants and Related Organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the management discussion and analysis but does not include the combined financial statements and our auditor's report thereon. Our opinion on the combined financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the combined financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the combined financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CohnReznick LLP

Parsippany, New Jersey
April 28, 2022

Financial statements

Association of International Certified Professional Accountants and Related Organizations

Combined Statements of Financial Position
December 31, 2021 and 2020
($000)

	2021	2020
Assets		
Cash and cash equivalents	$ 60,229	$ 100,016
Short-term certificates of deposit	–	1,774
Receivables, net	20,774	16,831
Deferred costs and prepaid expenses	15,812	15,047
Investments	218,064	152,732
Building, furniture, equipment and leasehold improvements, net	23,275	24,596
Operating lease, right-of-use assets, net	81,087	83,768
Software and technology, net	63,499	51,642
Other investments	7,646	2,783
Deferred employee benefits	731	4,685
Goodwill	10,834	10,042
Total assets	$ 501,951	$ 463,916
Liabilities		
Accounts payable and other liabilities	$ 61,861	$ 71,308
Advanced dues	96,015	96,660
Unearned revenue	32,516	27,223
Operating lease liability	98,552	99,196
Deferred employee benefits	7,872	28,541
Accrued software development costs	28,610	22,113
Total liabilities	325,426	345,041
Preferred stock and net assets		
Preferred stock	7,500	7,500
Net assets with donor restrictions	417	834
Net assets without donor restrictions	168,608	110,541
Total preferred stock and net assets	176,525	118,875
Total liabilities, preferred stock and net assets	$ 501,951	463,916

See Notes to Combined Financial Statements

($000)

	2021	2020
Changes in net assets without donor restrictions		
Member, firm services and partner solutions	$ 242,322	$ 218,484
Promote competency globally	66,412	51,526
Professional examinations	40,696	32,626
Affinity, advertising and other	18,081	15,196
Contributions	1,374	1,151
Investment return, net of expenses	23,595	41,964
Total revenue and gains without donor restrictions	392,480	360,947
Net assets released from restrictions	450	425
Total revenue, gains and other support without donor restrictions	392,930	361,372
Operating expenses		
Program services		
Member, firm services and partner solutions	150,676	132,064
Promote competency globally	58,020	61,404
Professional examinations	43,175	32,894
Communications, public relations and advocacy	40,745	44,464
Diversity, inclusion, scholarships and assistance	6,584	5,026
Total program services	299,200	275,852
Supporting activities		
General management	38,063	38,354
Membership development	10,623	10,686
Total supporting activities	48,686	49,040
Total operating expenses	347,886	324,892
Change in net assets without donor restrictions from operations	45,044	36,480
Pension and postretirement benefit gain	13,263	2,846
Translation adjustments	(240)	(1,254)
Change in net assets without donor restrictions	58,067	38,072
Net assets without donor restrictions, beginning	110,541	72,469
Net assets without donor restriction, ending	$ 168,608	$ 110,541
Changes in net assets with donor restrictions		
Contributions	$ 31	$ 109
Net assets released from restrictions	(450)	(425)
Investment return, net of expenses	2	11
Change in net assets with donor restrictions	(417)	(305)
Net assets with donor restrictions, beginning	834	1,139
Net assets with donor restrictions, ending	$ 417	$ 834
Change in net assets	$ 57,650	$ 37,767
Preferred stock	$ 7,500	$ 7,500
Change in preferred stock and net assets	$ 57,650	$ 37,767
Preferred stock and net assets, beginning	118,875	81,108
Preferred stock and net assets, ending	$ 176,525	$ 118,875

($000)

	2021	2020
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets:	$ 57,650	$ 37,767
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization:		
Building, furniture, equipment and leasehold improvements	4,186	4,111
Software and technology	13,484	10,153
Goodwill	1,440	1,256
Non-cash lease expense	7,720	7,332
Loss on disposal of assets	345	421
Gain on investments	(21,122)	(40,149)
Deferred taxes	128	1,537
Provision for:		
Receivables	(286)	81
Deferred employee benefits	(12,327)	(1,966)
Changes in operating assets and liabilities:		
Receivables	(1,000)	3,874
Deferred costs and prepaid expenses	(659)	(325)
Accounts payable and other liabilities	(10,768)	3,024
Advanced dues	(429)	(2,522)
Unearned revenue	5,372	5,596
Deferred employee benefits	(4,530)	(3,954)
Operating lease liability	(8,361)	(7,797)
Accrued software development costs	(993)	757
Total adjustments	(27,800)	(18,571)
Net cash provided by operating activities	29,850	19,196
Investing activities:		
Payments for purchase of software and technology	(17,400)	(20,709)
Payments for acquisition of a business	(1,724)	–
Payments for purchase of building, furniture, equipment and leasehold improvements	(3,084)	(4,827)
Payments for purchases of other investments	(4,863)	(2,713)
Payments for purchases of investments	(68,924)	(5,281)
Proceeds from sale of investments	26,381	45,880
Net cash provided by (used in) investing activities	(69,614)	12,350
Effect of exchange rates on cash and cash equivalents	(23)	2,284
Net (decrease) increase in cash and cash equivalents	(39,787)	33,830
Cash and cash equivalents, beginning	100,016	66,186
Cash and cash equivalents, ending	$ 60,229	$ 100,016
Supplemental disclosures of noncash investing activities:		
Furniture, technology and internal software	$ 8,153	$ 21,964
Acquisition of business funded through liabilities assumed	$ 750	$ –
Right-of-use assets	$ 5,246	$ 87,862

See Notes to Combined Financial Statements

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December 31, 2021 and 2020

Note 1 — Organization

The combined financial statements include the accounts of the 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.

The 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 the AICPA and CIMA, in separate membership ballots, approved the creation of the Association to integrate management, operations and strategy while preserving the membership bodies of both organizations. The Association launched on January 1, 2017, with the AICPA and CIMA as founding members. Members of the AICPA and CIMA are also members of the Association. The Association is organized as an NFP organization domiciled in the United States of America ("U.S.").

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

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

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

Subsidiaries and Combined Related Organizations of the 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 providing certain technology services support to the Association. As of December 31, 2021, the AICPA controlled approximately 95% of CPA.com's voting stock. In accordance with CPA.com's amended shareholder agreement, the AICPA's voting percentage will exceed 50% in perpetuity, subject to the AICPA's approval of a transaction in which additional shares are issued to an investor. Notwithstanding the AICPA's controlling interest in CPA.com, the 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).

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

The 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).

The AICPA and State Societies Network, Inc., composed of substantially all of the individual state societies of CPAs located throughout the U.S., are equal percentage members of Shared Services, LLC ("SSLLC"), a Delaware limited liability company, organized for the purpose of managing shared services between the AICPA and participating state societies. The AICPA accounts for its 50% investment in SSLLC on the equity method, although the investment remains at zero as of December 31, 2021. SSLLC maintains a limited amount of activity, principally group buying power on certain products and services for the benefit of the 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

On August 28, 2018, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2018-14, *Compensation — Retirement Benefits — Defined Benefit Plans — General (Subtopic 715-20)*, which amends Accounting Standards Codification ("ASC 715") to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The Association has elected early adoption of this provision and has applied it on a retrospective basis.

Basis of presentation

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

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

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

Reclassification

Certain amounts in the 2020 combined financial statements have been reclassified to conform with the current year's presentation.

Valuation of assets and liabilities

The Association considers investments with an original maturity of 90 days or less when purchased to be cash equivalents. As of December 31, 2021 and 2020, the Association's cash equivalents consisted primarily of short-term U.S. Treasury obligations, Certificates of Deposit and money market funds.

Certificates of Deposits with an original maturity greater than 90 days and a remaining maturity of less than 365 days are included in short-term investments. 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.

The Association also has investments in nonmarketable equity securities where it exercises less than significant influence and there is no readily determinable fair value; for this situation the Association applies the cost method of accounting, adjusted for impairments and observable price changes in orderly transactions and are classified in Other Investments on the combined statements of financial position.

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

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

Leases

The Association applies 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. The 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. The Association further determines all the existing leases are operating leases, which are included in Right-of-use ("ROU") assets and lease liabilities in the combined 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. The 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).

Concentrations of credit risk

Financial instruments, which potentially subject the Association to concentrations of credit risk, include cash and cash equivalents, investments and receivables. At December 31, 2021 and 2020, balances on deposit at U.S. financial institutions exceeded Federal Deposit Insurance Corporation ("FDIC") insured limits. Cash equivalent amounts in sweep investment accounts are not insured nor guaranteed by the FDIC. The Association maintains its significant cash balances with a high-quality financial institution which the Association believes limits these risks.

Credit risk with respect to receivables is also limited because the Association deals with a large number of customers in a wide geographic area. The Association closely monitors the extension of credit to its customers while maintaining allowances for potential credit losses. On a periodic basis, the 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, 2021 and 2020, the allowance for doubtful accounts was $401,000 and $688,000.

Notes and mortgages received by the 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 the AICPA Benevolent Fund secures notes from a limited number of payment recipients in a wide geographic area. The AICPA Benevolent Fund closely monitors the extension of notes and mortgages to its members while maintaining allowances for potential losses. On a periodic basis, the 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

The Association utilizes derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. The 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. The 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.

The Association entered into foreign exchange contracts in 2021 to mitigate against potential losses on certain expenditures paid by non-U.S. or U.K. offices. The notional amounts of the foreign exchange contracts for 2021 is $7,597,000 and all contracts expire in 2022. The Association has no significant foreign exchange contracts at December 31, 2020.

	2021	2020
	($000)	
Value of derivatives at deal rate	$ (7,740)	$ –
Value of derivatives at year-end spot rate	7,536	–
Loss recognized in the combined statements of activities, net assets, and preferred stock	$ (204)	$ –

Revenue recognition

Member, firm services and partner solutions

Revenue consists of member and student dues from CIMA and the AICPA, including section and credential memberships, dues from Firm Services focusing on audit quality and delivering resources to firms, Partner Solutions and the 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. The 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. The 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 the 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 the AICPA who are engaged in the practice of public accounting in the U.S. or its territories and if the services they provide are within the scope of the AICPA's practice monitoring standards, they issue reports purporting to be in accordance with the 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 the 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. Subscription-based 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.

Professional examinations

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

Affinity, advertising and other

Revenue is derived from member programs, advertising revenue through 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, the 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, affinity, advertising and other event-based programs is recognized at a point-in-time. The revenue disaggregated by the timing of recognition for years ended December 31, 2021 and 2020, are as follows:

	2021	2020
	($000)	
Point-in-time	$ 106,717	$ 86,646
Over time	260,794	231,186
	$ 367,511	$ 317,832

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. The Association's 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. The 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 the 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 the 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.

The AICPA entered into a third-party agreement that provides for the 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). The AICPA also entered into a third-party agreement ("International Examination Agreement") for the 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 the AICPA to break-even; accordingly, revenues and costs are recognized as earned or incurred.

In 2018, the 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. The 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, the AICPA has received $40,182,000 in firm funding and expended $34,389,000 in development costs, resulting in a liability of $5,793,000 as of December 31, 2021, which is included in accounts payable and other liabilities in the combined statements of financial position.

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

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

Promotions and advertising

Costs of promotions and advertising are expensed as incurred. Total promotion and advertising expenses for the years ended December 31, 2021 and 2020, were $7,344,000 and $6,147,000.

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 is completed, and the software and technology are ready for their intended use.

On at least an annual basis, the Association performs a review of its capitalized costs for impairment. For the years ended December 31, 2021 and 2020, no impairment was indicated.

Income taxes

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

CIMA incurs corporation tax on trading profits, chargeable gains and investment income less any charitable donations by way of gift aid; membership and examination income 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, 2021 and 2020.

The Association has analyzed tax positions taken for filing with the Internal Revenue Service of the U.S. and Her Majesty's Revenue and Customs of the U.K. as well as any other jurisdictions where it operates. The Association does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, results of operations or cash flows. Federal income tax returns related to U.S. domiciled entities prior to December 31, 2018, are closed, as are U.K. tax returns up to and including financial year December 31, 2019. 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).

The Association's policy on classification of interest and penalties is to include these amounts in General Management expense. The Association does not have any material uncertain tax positions during the years ended December 31, 2021 and 2020, and has not accrued any interest or penalties related to unrecognized tax positions. The Association has not identified any material ASC 740 liabilities.

Employee benefit plans

The AICPA sponsors a postretirement benefit plan and both the 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, 2021 and 2020 (see Note 12).

Note 3 — Liquidity resources

The 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.

The 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 the Association's financial assets as of December 31, 2021 and 2020, 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.

	2021	2020
	($000)	
Cash and cash equivalents	$ 60,229	$ 100,016
Short-term certificates of deposit	–	1,774
Receivables, net	20,774	16,831
Investments	218,064	152,732
Total financial assets	299,067	271,353
Investment collateral related to letter of credit	430	430
Trustee designated for Accounting Doctoral Scholarship Program (see Note 13)	750	750
Investment collateral related to credit limit (see Note 10)	1,293	98
Net assets with donor restrictions	417	834
DAS liability (see Note 2)	5,793	20,300
Financial assets available to meet cash needs for general expenditures within one year	$ 290,384	$ 248,941

Note 4 — Functional expenses

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

2021 ($000)

	Program Services				Supporting Activities			
	Member, firm services and partner solutions	Promote competency globally	Professional examinations	Communications, public relations and advocacy	Diversity inclusion, scholarships and assistance	General management	Membership development	Total
People costs	$ 76,001	$ 22,524	$ 13,858	$ 20,497	$ 1,457	$ 17,889	$ 4,971	$ 157,197
Cost of goods sold	9,762	18,401	4,286	–	–	–	–	32,449
Selling expense	3,383	2,570	203	229	68	1	–	6,454
Occupancy	5,817	1,967	1,626	2,979	109	991	893	14,382
Meetings and travel	2,014	161	43	64	46	–	4	2,332
Office expense	1,611	411	306	2,531	36	461	317	5,673
Professional fees	34,015	9,550	18,239	11,561	1,148	13,691	3,782	91,986
Organizational support	5,617	14	15	271	3,364	40	–	9,321
Depreciation and amortization	8,713	2,039	1,965	2,182	296	3,473	535	19,203
Other	3,743	383	2,634	431	60	1,517	121	8,889
Total	$ 150,676	$ 58,020	$ 43,175	$ 40,745	$ 6,584	$ 38,063	$ 10,623	$ 347,886

2020 ($000)

	Program Services				Supporting Activities			
	Member, firm services and partner solutions	Promote competency globally	Professional examinations	Communications, public relations and advocacy	Diversity inclusion, scholarships and assistance	General management	Membership development	Total
People costs	$ 69,928	$ 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	14,986
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

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 the 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; and
- 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, 2021 and 2020.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual Funds held by the Organization are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

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

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

The following tables set forth by level, within the fair value hierarchy, the Association's assets and derivatives at fair value as of December 31, 2021 and 2020:

	Assets (liabilities) at fair value as of December 31, 2021		
	Level 1	Level 2	Total
		($000)	
Mutual funds	$ 192,548		$ 192,548
Common stock	1,869		1,869
Unit trusts	3,869		3,869
Total assets in the fair value hierarchy	198,286		198,286
Investments measured at NAV (b)	–		19,778
Total investments measured at fair value	$ 198,286		$ 218,064
Financial derivative instruments			
Foreign exchange contracts	$ –	$ (204)	$ (204)
Total derivatives measured at fair value	$ –	$ (204)	$ (204)

	Assets (liabilities) at fair value as of December 31, 2020		
	Level 1	Level 2	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
Financial derivative instruments			
Foreign exchange contracts	$ –	$ –	$ –
Total derivatives measured at fair value	$ –	$ –	$ –

(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 the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value of investments that calculate net asset value per share

The following table summarizes investments measured at fair value based on the NAV per share as of December 31, 2021 and 2020:

Investment name	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	**2021 Fair value**	2020 Fair value
				($000)	
Global Equity Long-Only Fund LP	None	Daily	3 days	**$ 19,778**	$ 18,810

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:

	2021	2020
	($000)	
Furniture	**$ 4,550**	$ 5,279
Equipment	**10,030**	15,668
Leasehold improvements	**26,389**	27,233
Building	**3,257**	5,507
	44,226	53,687
Less accumulated depreciation and amortization	**20,951**	29,091
	$ 23,275	$ 24,596

Note 7 — Software and technology

Software and technology consist of the following:

	2021	2020
	($000)	
Software and technology	**$ 96,564**	$ 137,225
Less accumulated depreciation and amortization	**33,065**	85,583
	$ 63,499	$ 51,642

Note 8 — Goodwill

The following table summarizes changes in the carrying amount of goodwill for the years ended December 31, 2021 and 2020:

	2021	2020
	($000)	
Goodwill	**$ 14,786**	$ 12,554
Less accumulated amortization	**3,952**	2,512
	10,834	10,042

In February 2021, pursuant to the terms of an asset purchase agreement, the Association acquired certain assets of a content provider for approximately $2,500,000 to help expand the Association's online product offerings. The assets acquired meet the definition of a business under ASC 805 and the acquisition was therefore accounted for as a business combination. The purchase consideration includes $750,000 to be paid over time in the form of commissions on future sales. The Association allocated $2,232,000 of the purchase consideration to goodwill and the remaining purchase price was allocated to other assets acquired.

Note 9 — Leases

The 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 $11,362,000 and $11,127,000 for the years ended December 31, 2021 and 2020.

Lease liability maturities as of December 31, 2021, are as follows:

	Operating leases ($000)
2022	$ 11,404
2023	11,411
2024	11,450
2025	11,380
2026	10,962
Thereafter	59,457
Total undiscounted lease payments	116,064
Less imputed interest	17,512
Total lease liability	$ 98,552

The weighted-average remaining lease term and discount rate related to the Association's lease liabilities as of December 31, 2021, were 10.38 years and 3.17%.

Note 10 — Commitments and contingencies

Computerization of the Uniform CPA Examination

In connection with the Domestic Examination, the AICPA is party to an agreement with NASBA and Prometric, which expires in 2039, whereby the 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 the AICPA and NASBA requirements.

The AICPA receives fees through NASBA based upon the number of examinations taken. The agreement provides for the AICPA to break even with regard to costs incurred in developing and maintaining the Domestic Examination. Through December 31, 2021, approximately $328,952,000 of revenue and $329,537,000 of costs have been incurred. For the years ended December 31, 2021, and 2020, the AICPA recognized revenue of approximately $17,576,000 and $14,297,000. Accordingly, costs equal to the revenue recognized have been expensed. At December 31, 2021, the balance of costs in excess of revenues of $585,000 is included in prepaid expenses in the accompanying combined statements of financial position.

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In conjunction with the International Examination Agreement, the AICPA offers the International Examination throughout the world in approved countries.

Other commitments

The 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.

The 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, 2021, are:

	($000)
2022	$ 53,885
2023	51,719
2024	48,986
2025	46,309

Amounts purchased under these service agreements for the years ended December 31, 2021 and 2020, were $56,822,000 and $53,061,000.

Letters of credit

As of December 31, 2021, the 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, 2022, and July 14, 2022. In addition, the Association has a letter of credit with ICANN in the amount of $39,000 which expires on May 7, 2023.

Line of credit

The 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 the Secured Overnight Financing Rate (“SOFR”) plus applicable margin. Amounts outstanding under the line of credit are collateralized by certain investments. There were no outstanding borrowings at December 31, 2021 and 2020, beyond the letters of credit. The line of credit expires on December 14, 2022.

Credit limit

The 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, 2021 and 2020, were $1,293,000 and $98,000 and are included in accounts payable and other liabilities in the combined statements of financial position.

Litigation

From time to time, the 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 the 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.

Income tax (benefit) expense consists of the following:

	2021	2020
	($000)	
Current		
Federal	$ –	$ –
State	1,259	1,300
Deferred		
Federal	(55)	2,075
State	(69)	(538)
	$ 1,135	$ 2,837

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

	2021	2020
	($000)	
Net operating loss	$ 1,721	$ 6,786
Deferred income	97	31
Sale of investment	–	4
Equity in income of investee	6	15
Accrued compensation and benefits	1,090	1,154
ASC 842 Leases	43	46
Depreciation and amortization	17	12
Total deferred tax assets	2,974	8,048
Unrealized gain/(loss)	(482)	(516)
Domain name amortization	(247)	(189)
Total deferred tax liabilities	(729)	(705)
Valuation allowance	(651)	(5,877)
Net deferred tax assets	$ 1,594	$ 1,466

The net deferred tax asset has been increased by approximately $128,000 based mainly on the release of the valuation allowance against the Federal NOLs. Valuation allowance has decreased by approximately $5,200,000 primarily due to the usage and expiration of a large portion of Net Operating Losses. 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 management believes it is more likely than not that the deferred tax asset net of the valuation allowance will be realized. The amount of the deferred tax asset considered realizable could change in the near term if estimates of future taxable income during the net operating loss carryforward period change.

As of December 31, 2021 and 2020, CPA.com has net operating loss carryforwards for U.S. federal income tax purposes of approximately $4,338,000 and $26,075,000, respectively, that begin to 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"). As of both December 31, 2021 and 2020, CPA.com has net operating loss carry forwards for certain state income tax purposes of $7,449,000 and $11,503,000 respectively, that begin to expire in 2021 through 2030. Further, CPA.com has net operating loss carry forwards for certain city income taxes of $6,113,000 and $10,294,000, respectively, that begin to expire in 2021 through 2030. 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.

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 provision 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. A review of the CARES Act provisions found no significant impacts on CPA.com.

Note 12 — Employee benefit plans

Defined benefit pension plans

The 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, the AICPA closed the Plan to new entrants and froze future benefit accruals to existing employees.

The Society of Actuaries ("SOA") publishes mortality tables and improvement scales which are used in developing the best estimate of mortality for plans in the U.S. In 2021 and 2020, the SOA updated the mortality improvement scale. The AICPA updated the assumptions for the purposes of measuring the pension and postretirement health care plans at December 31, 2021 and 2020.

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

	2021	2020
Discount rate	2.90%	2.60%
Rate of compensation increase	N/A	N/A

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

	2021	2020
Discount rate	2.60%	3.30%
Expected return on plan assets	2.30%	2.95%
Rate of compensation increase	N/A	N/A

The 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, 2022, the AICPA does not expect to contribute to the Plan.

The following tables provide further information about the Plan:

	2021	2020
	($000)	
Projected benefit obligation	$ 140,713	$ 147,715
Fair value of plan assets, net of plan liabilities of $204 and $194 and accrued income of $889 and $955	141,444	152,400
Net over funded status of the plan recognized as an asset in the combined statements of financial position	$ 731	$ 4,685
Employer contributions	$ –	$ –
Benefit payments	$ (6,066)	$ (6,167)
Accumulated benefit obligation	$ 140,713	$ 147,715
Periodic pension expense for the year	$ 3,182	$ 2,844

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, 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
Increase during the year ended December 31, 2021	–	2,226	2,226
Amortization during the year ended December 31, 2021	(11)	(1,442)	(1,453)
Balance, December 31, 2021	$ 351	$ 33,397	$ 33,748

The Plan recognized significant gains in the benefit obligation in 2020. These were driven primarily by favorable returns of the plan's assets as well as the actuarial assumptions applied to the plan in calendar year 2020.

Estimated future plan payments reflecting expected future service for each of the five years subsequent to December 31, 2021, and in the aggregate for the five years thereafter, are as follows:

	($000)
2022	$ 6,635
2023	6,501
2024	6,689
2025	6,861
2026	6,965
2027 to 2031	36,040

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 the 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 the AICPA's Statement of Investment Policy, dated November 2018. The Plan adopted a dynamic asset allocation strategy, which is intended to reduce volatility with the Plan's funded status as the funded status improves over time. As the Plan's funded status improves, the target allocation of the Plan's assets in fixed income investments will increase and overall target allocation of the Plan's assets in equity and other types of investments will decrease. The target asset allocations are 90–100% fixed income and 0-10% equity securities. Fixed income investments include securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises, mutual funds, as well as corporate bonds from diversified industries.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

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

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

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

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

The fair values of the Plan's assets at December 31, 2021 and 2020, by asset category, are as follows:

	Assets at fair value as of December 31, 2021		
	Level 1	Level 2	Total
		($000)	
Total investments at fair value — fixed income securities	$ 26,193	$ 114,566	$ 140,759

	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

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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, 2021. 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, 2021, have been projected to December 31, 2021, 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 2024 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:

	2021	2020
Discount rate	1.85%	1.25%
Rate of compensation increase	N/A	N/A

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

	2021	2020
Discount rate	1.25%	2.05%
Expected return on plan assets	4.58%	4.77%
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, 2022, CIMA expects to contribute $4,054,000 to the Scheme.

The following tables provide further information about the Scheme:

	2021	2020
	($000)	
Projected benefit obligation	$ 85,032	$ 96,608
Fair value of plan assets	83,820	75,259
Net unfunded status of the plan recognized as a liability in the combined statements of financial position	$ 1,212	$ 21,349
Employer contributions	$ 4,127	$ 3,531
Benefit payments	$ 1,713	$ 1,571
Accumulated benefit obligation	$ 85,032	$ 96,608
Foreign currency adjustment	$ (132)	$ (839)
Periodic pension benefit for the year	$ 2,310	$ 1,291

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, 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
Decrease during the year ended December 31, 2021		(13,831)	(13,831)
Amortization during the year ended December 31, 2021	(12)	–	(12)
Foreign currency adjustment	5	159	164
Balance, December 31, 2021	$ 211	$ (5,760)	$ (5,549)

The Scheme recognized significant gains in the benefit obligation in 2021. These were driven by favorable returns of the plan's assets as well as the actuarial assumptions applied to the plan in calendar year 2021.

Estimated future Scheme payments reflecting expected future service for each of the five years subsequent to December 31, 2021, and in the aggregate for the five years thereafter, are as follows:

	($000)
2022	$ 2,058
2023	2,579
2024	2,624
2025	2,717
2026	2,658
2027 to 2031	13,947

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, 2021 and 2020.

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, 2021 and 2020, by asset category, are as follows:

	Assets at fair value as of December 31, 2021	
	Level 2	Total
	($000)	
Equity securities		
Liability driven investment funds	$ 44,656	$ 44,656
Diversified growth funds	12,293	12,293
Total equity securities	56,949	56,949
Other		
Property fund	4,360	4,360
Total other	4,360	4,360
Total assets in the fair value hierarchy	61,309	61,309
Investments measured at NAV (a)	–	22,511
Total investments at fair value	$ 61,309	$ 83,820

	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	3,981	3,981
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

(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, 2021 and 2020:

Investment name	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	**2021 Fair value**	2020 Fair value
				($000)	
Partners Fund	None	Monthly	1 month + 1 day	**$ 12,788**	$ 10,899
Insight Secured Finance Fund	None	Quarterly	3 months	**9,723**	9,330
Total				**$ 22,511**	$ 20,229

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

The 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:

	2021	2020
Discount rate	**2.75%**	2.35%

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

	2021	2020
Discount rate	**2.35%**	3.15%

The 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 6.75% for participants under the age of 65 and 7.75% for participants age 65 and over in 2021. These rates are assumed to gradually decrease until reaching 5% in 2027 for all participants.

For the year ending December 31, 2022, the AICPA expects to contribute $464,000 to the postretirement plan.

	2021	2020
	($000)	
Postretirement benefit obligation	**$ 6,660**	$ 7,192
Net unfunded status of the plan recognized as a liability in the combined statements of financial position	**$ 6,660**	$ 7,192
Employer contributions	**$ 403**	$ 423
Benefit payments	**$ (434)**	$ (436)
Periodic postretirement expense for the year	**$ 355**	$ 202

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, 2021 and 2020:

	Unrecognized prior service credit	Actuarial loss	Total
		($000)	
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
Decrease during the year ended December 31, 2021	–	(378)	(378)
Amortization during the year ended December 31, 2021	18	(124)	106
Balance, December 31, 2021	$ (3)	$ 1,120	$ 1,117

Estimated future postretirement benefit payments reflecting expected future service for each of the five years subsequent to December 31, 2021, and in the aggregate for the five years thereafter, are as follows:

	($000)
2022	$ 464
2023	445
2024	435
2025	431
2026	425
2027–2031	2,019

Defined contribution plans

The 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 $8,554,000 and $7,788,000 for the years ended December 31, 2021 and 2020.

Deferred compensation

The Association has a nonqualified deferred compensation plan for certain key employees. Amounts accrued under this plan are $10,311,000 and $9,242,000 as of December 31, 2021 and 2020, and are included in the accompanying combined statements of financial position as a component of accounts payable and other liabilities. As of December 31, 2021 and 2020, unvested deferred compensation expense to be recognized over a period of 36 months was $753,000 and $825,000.

Note 13 — Preferred stock and net assets

Preferred stock and net assets as of December 31, 2021 and 2020, are as follows:

	2021	2020
	($000)	
Preferred stock	$ 7,500	$ 7,500
Net assets with donor restrictions:		
Foundation Accounting Doctoral Scholarships	$ 250	$ 606
Foundation Financial Accounting	1	1
Foundation William Ezzell Scholarships	14	59
Foundation John L. Carey Scholarships	110	133
American Woman's Society of CPAs	7	–
ARA — Audit Analytics	35	35
	$ 417	$ 834
Net assets without donor restrictions	$ 168,608	$ 110,541

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

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 the 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. The scholarship program provides financial assistance to CPAs pursuing their accounting Ph.D., with the intent to teach and research at a U.S. accredited university upon graduation.

Foundation John L. Carey Scholarships

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

Accounting Research Association — Audit Analytics

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

American Woman's Society of CPAs (AWSCPA)

The AWSCPA was founded to promote the interests of female CPAs in America through various programs and publications.

Note 14 — Affiliated party transactions

The 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. The AICPA received net revenue of $4,920,000 and $5,040,000 from the Trust for the years ended December 31, 2021 and 2020.

Note 15 — Foreign operations

For the years ended December 31, 2021 and 2020, approximately 20% of the Association's revenue and gains without donor restrictions were derived outside of the U.S., primarily in the U.K.

Note 16 — Accumulated translation adjustment

Translation adjustments for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, in the combined statements of financial position. The changes in accumulated translation adjustment for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
	($000)	
Balance at beginning of year	$ (2,771)	$ (1,517)
Foreign currency translation adjustments	(240)	(1,254)
Balance at end of year	$ (3,011)	$ (2,771)

Note 17 — Subsequent events

The Association has evaluated events and transactions for potential recognition or disclosure through April 28, 2022, which is the date the combined financial statements were available to be issued.

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