

Public Interest Oversight Board  
FOUNDATION

FINANCIAL  
STATEMENTS

for the year ended 31 December 2022,  
together with Independent Auditor's Report

PIOB



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## FUNDATION PUBLIC INTEREST OVERSIGHT BOARD

### Independent Auditor's Report on the Financial Statements

Year ended 31 December 2022

Offices in: Alicante, Barcelona, Bilbao, Madrid, Málaga, Valencia, Vigo

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Mercantile Registry of Barcelona: Book 30.734, Folio 212, Page B-180111, Inscription 1, VAT no. B-61622292

## Independent Auditor's Report on the Financial Statements

To the Board of Trustees of **FUNDATION PUBLIC INTEREST OVERSIGHT BOARD**

### Opinion

We have audited the financial statements of Fundación Public Interest Oversight Board (the PIOB), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the PIOB as at December 31<sup>st</sup>, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 independent of the PIOB in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

### Material uncertainty related to the going concern principle

Attention is drawn to note 2 to the accompanying financial statements, which indicates that in february 2023, the Monitoring Group approved the PIOB's 2023 Budget and acknowledged the need for additional funding for the PIOB. The approved 2023 Budget shows an expected deficit of EUR 1.1 million. Management estimates that this deficit will be reduced to approximately EUR 300K. Management estimates that cash balances at the end of 2023 would not be sufficient to cover the Foundation's estimated legal liabilities at that date of approximately EUR 1.05 million. The Monitoring Group is working with the PIOB to secure additional funding sources or guarantees to cover its budgeted expenses in 2023. Looking beyond 2023, the Monitoring Group's Recommendations on the reform of the international audit and ethics standard-setting system, published on 14 July 2020, state that "the Monitoring Group, giving consideration to the views of IFAC and PIOB, will continue working for the development of an appropriate, long-term, sustainable funding policy". This stable funding framework is currently being discussed between the Monitoring Group, PIOB and IFAC. As mentioned in note 2, these events or conditions point to the existence of a material uncertainty that could cast significant doubts on the capacity of the PIOB to continue as going concern. Our opinion has not been modified in relation to this matter.

### Other Matter

This independent auditor's report and the accompanying financial statements prepared and presented in accordance with IFRS should not be understood as a statutory auditor's report and statutory financial statements as defined by Spanish Accounts' Auditing Law.

## Responsibilities of the Secretary General and the Audit Committee for the Financial Statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), and for such internal control as Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary General is responsible for assessing the PIOB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Secretary General either intends to liquidate the PIOB or to cease operations, or has no realistic alternative but to do so.

Audit Committee is, according to the Terms of reference of the PIOB Audit Committee, responsible for overseeing the PIOB's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 a guarantee that an audit conducted in accordance with audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 purposes of expressing an opinion on the effectiveness of the internal control of PIOB.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the Secretary General.
- Conclude on the appropriateness of the Secretary General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of PIOB to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PIOB to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Secretary General and the Audit Committee of PIOB regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Secretary General of PIOB, we determine those risks that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless laws or regulation preclude public disclosure about the matter.



Madrid, 28 April 2023

MAZARS AUDITORES, S.L.P.  
ROAC N° S1189

Juan Antonio Giménez Miró  
ROAC N° 15.588

**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
for the year ended 31 December 2022 (in Euros)

	2022	2021
<b>INCOME</b>		
International Federation of Accountants Funding (note 2)	1,392,754	1,109,587
European Commission Funding (note 2)	350,000	345,000
International Organization of Securities Commissions Funding	100,000	100,000
International Forum of Independent Regulators	45,870	46,667
Bank for International Settlements Funding (*)	15,000	20,000
Financial Reporting Council Funding	20,000	20,000
Swiss Federal Audit Oversight Authority	10,000	10,000
Financial Supervisory Commission	10,000	10,000
<b>Total monetary Income</b>	<b>1,943,624</b>	<b>1,661,254</b>
Carried-over surplus (note 2)	58,178	87,264
In-kind contribution from Spanish authorities (note 2)	189,318	189,318
<b>Total Income</b>	<b>2,191,120</b>	<b>1,937,836</b>
<b>EXPENSES</b>		
Employee costs (note 7)	1,031,987	817,635
Travel and meeting costs Technical and Nomination Committees	260,528	19,052
Technical and Nominations Committees stipends (note 8)	503,131	311,442
Annual report	6,180	8,349
Occupancy (note 5)	47,875	31,000
Telephone	6,343	7,094
Legal and other professional fees (note 9)	91,530	213,640
Auditor remuneration (note 16)	12,524	8,500
Depreciation and amortization (notes 2, 11 and 12)	203,811	218,374
IT Support	69,941	74,138
Ordinary exchange losses	1,389	1,418
Other expenses	44,379	36,319
<b>Total Expenses</b>	<b>2,279,618</b>	<b>1,746,961</b>
<b>(Deficit)/Surplus for the year</b>	<b>(88,498)</b>	<b>190,875</b>
Taxation (note 2)	-	-
<b>(Deficit)/Surplus for the year after tax</b>	<b>(88,498)</b>	<b>190,875</b>
<b>Total comprehensive (Deficit)/Surplus for the year net of tax</b>	<b>(88,498)</b>	<b>190,875</b>

(\*) In 2022 and 2021 provided through FSB, BCBS and IAIS.

The accompanying notes are an integral part of the financial statements



**STATEMENT OF FINANCIAL POSITION**  
at 31 December 2022 and 31 December 2021 (in Euros)

	At 31 December 2022	At 31 December 2021
<b>ASSETS</b>		
Current Assets		
Cash and bank balances (note 10)	1,297,397	1,346,256
Accounts Receivable	365,000	394,039
Prepaid expenses	37,443	13,419
<b>Total Current Assets</b>	<u>1,699,840</u>	<u>1,753,714</u>
Non - Current Assets		
Tangible assets (note 11)	22,725	30,427
Intangible assets (note 12)	163,083	330,095
<b>Total Non - Current Assets</b>	<u>185,808</u>	<u>360,522</u>
<b>Total Assets</b>	<u><u>1,885,648</u></u>	<u><u>2,114,236</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable (note 4)	139,977	104,327
Accrued Liabilities (note 5)	506,657	434,901
Deferred income - Current (note 13)	-	58,178
	<u>646,634</u>	<u>597,406</u>
Non - current Liabilities		
Deferred income - Non current (note 2)	139,525	328,843
<b>Total Liabilities</b>	<u>786,159</u>	<u>926,249</u>
<b>NET ASSETS</b>		
Comprehensive (deficit)/surplus for the year net of tax	(88,498)	190,875
Endowment funds (note 14)	30,000	30,000
Other Reserves	1,157,987	967,112
<b>Total net assets</b>	<u>1,099,489</u>	<u>1,187,987</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>1,885,648</u></u>	<u><u>2,114,236</u></u>

The accompanying notes are an integral part of the financial statements



STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2022 (in Euros)

	Comprehensive Income	Other Reserves	Endowment funds	Total
Balance, beginning of year 2021	189,172	777,940	30,000	997,112
Transfers	(189,172)	189,172	-	-
Additions	190,875	-	-	190,875
Balance, end of year 2021	190,875	967,112	30,000	1,187,987
Transfers	(190,875)	190,875	-	-
Additions	(88,498)	-	-	(88,498)
Balance, end of year 2022	(88,498)	1,157,987	30,000	1,099,489

The accompanying notes are an integral part of the financial statements



CASH FLOW STATEMENT, for the year ended 31 December 2022 (in Euros)

	2022	2021
<b>OPERATING ACTIVITIES</b>		
(Deficit)/Excess of income over expenses	(88,498)	190,875
Non-cash items:		
Non-cash income	(247,496)	(276,582)
Depreciation of tangible and intangible assets	203,806	218,374
Increase Deferred income - current (note 13)	-	58,178
Increase in working capital items (note 6)	112,421	13,101
<b>Net cash (used in)/generated operating activities</b>	<b>(19,767)</b>	<b>203,946</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(29,092)	(12,365)
<b>Net cash used in investing activities</b>	<b>(29,092)</b>	<b>(12,365)</b>
<b>Net (reduction)/increase in cash and cash equivalents</b>	<b>(48,859)</b>	<b>191,581</b>
<b>Cash and bank balances, beginning of year</b>	<b>1,346,256</b>	<b>1,154,675</b>
<b>Cash and bank balances, end of year</b>	<b>1,297,397</b>	<b>1,346,256</b>

The accompanying notes are an integral part of the financial statements



## 1 Fundación Public Interest Oversight Board

The Fundación Public Interest Oversight Board ("the Foundation") was constituted on December 15, 2005 under the Foundations Law 50/2002, the Spanish law for not-for-profit foundations. Its founders were the International Organisation of Securities Commissions, the Bank for International Settlements and the International Association of Insurance Supervisors, three international regulatory groups committed to maintaining the stability of the international financial system and operating in the international public interest.

The objective of the Foundation is to strengthen the international financial reporting system through overseeing the standard-setting activities of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) also denominated as standard-setting boards (SSBs); and their respective Consultative Advisory Groups (CAGs), and reviews and approves that due process has been followed effectively and with proper regard for the public interest in the standard setting activities.

On July 14, 2020, the Monitoring Group (hereinafter "MG") published its set of recommendations to strengthen the international audit and ethics standard setting-system. The recommendations set out a model that retains the current three-tier governance structure, makes the standard-setting boards legally independent from the International Federation of Accountants (hereinafter "IFAC") under a new legal entity, places the responsibility for managing nominations to the SSBs under a new Nominations Committee appointed by the PIOB, and sets a new Public Interest Framework (PIF) to frame the activities of both the SSBs and PIOB oversight. The objective of the reforms led by the MG was to enhance the independence of the standard-setting system so that no undue influence is wielded by any one stakeholder and standard setting responds to the public interest.

Under the recommendations, the Foundation continues to have the critical role of providing independent oversight of the public interest responsiveness of audit and ethics standard-setting. Following these recommendations, in November 2021 the PIOB formally established an SSBs Nominations Committee, which is in charge of the selection process of candidates to the SSBs. The SSBs Nominations Committee makes recommendations for appointment of SSB members to the PIOB. Finally, the SSBs have been moved to a new legal entity, the International Foundation for Ethics and Audit (IFEA), independent from IFAC, which has been incorporated in the US state of Delaware. IFEA became operational at the end of November 2022, with a Board of Trustees consisting of six members. The Members of the Foundation (the MG, the PIOB and IFAC) appoint six Trustees of the Foundation, four of whom are nominated by the PIOB and two by IFAC, and the Trustees then elect the Chair who must be one of the PIOB-nominated appointees. The Trustees nominated by the Foundation do not have a majority vote in IFEA and consensus is required for the adoption of important decisions. These individual Financial Statements only correspond to the Foundation Public Interest Oversight Board.

The PIOB's Foundation Board of Trustees is responsible for ensuring that the Foundation operates within its mandate and meets its legal and administrative obligations to the Spanish government. A Technical Committee of the Board is responsible for planning and executing the Foundation's oversight program and related activities, and the SSBs Nominations Committee manages the selection process to the SSBs. Support for the Board of Trustees, the Technical

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Committee and the SSBs Nominations Committee is provided by the Foundation's Secretariat based in Madrid, Spain.

In addition to meeting local regulatory requirements, the Foundation is operationally and financially accountable to the MG. The MG consists of a forum of international regulators and other public interest bodies, including two of the Foundation's founding organizations. The MG also approves the Foundation's annual budget.

## **2 Accounting policies**

### *Basis of preparation*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and do not correspond to the statutory financial statements of the Foundation as required by the Spanish Law in accordance with the Accounting Plan for Small and medium not-for-profit entities issued by the Resolution of March 26, 2013 of the Spanish Accounting and Auditing Institute (ICAC).

The financial statements are prepared in Euros, which is the Foundation's functional currency.

These financial statements were prepared by the Secretary General of the Foundation on April 27, 2023.

### *Financial statements*

The Secretary General is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Accounting estimates*

Preparation of the financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and in the notes to financial statements. These estimates and assumptions are based on management's best knowledge of existing facts and circumstances as well as any current-period impact of actions that the Foundation may undertake in the future. Actual results may differ from those estimates.

### *New Standards and Interpretations issued*

The financial statements have been drawn up on the basis of accounting Standards, Interpretations and amendments effective at the beginning of the accounting period on 1 January 2022.

The Foundation has concluded that there are no relevant Standards or Interpretations that are not yet adopted that would have a material impact on the Foundation's financial statements.

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#### Measurement Base

The statements of other comprehensive income, financial position, changes in equity and cash flows have been prepared on the historical cost and an accrual basis with all assets and liabilities valued at amortized cost, unless otherwise stated in the accounting policies.

#### Foreign currency translation

Foreign currency transactions are accounted for in Euros and translated at the rates of exchange prevailing at the transaction date. Exchange gains or losses on subsequent settlement of related balances are recognised in the income statement when they arise.

Financial instruments denominated in foreign currencies at the balance sheet date are translated to their Euro equivalent at the prevailing foreign exchange rate. Foreign exchange differences arising on translation are recognised in the income statement.

#### Income and cost recognition and going concern

In 2007, IFAC committed to fund the operating expenses of the Foundation up to a limit of the Euro equivalent of US\$ 1.5 million after adjustment for inflation and exchange rates. This replaced a previous commitment to provide up to US\$ 1.5 million per year, also for a period of five years, adjusted for both inflation and foreign currency exchange movements.

Since March 6, 2014 IFAC extended the guaranteed funding on a yearly basis. On March 3, 2020 IFAC agreed to extend the guarantee of the US\$ 1.5 million annual after adjustment for inflation and exchange rate changes since January 2004, equivalent to the full budgeted monetary income, until March 2022, less the cash contributions received by the Foundation from third parties.

On May 12, 2021, IFAC issued a new guarantee letter including the then-current guarantee to 31 March 2022, and a commitment to contribute to fund the PIOB budget with a progressive reduction in guaranteed funding until 2025, which is detailed as follows:

- For the period from April 1, 2022 to PIOB's December 31, 2022 fiscal year-end, the guarantee will be the lower of two-thirds of PIOB's budgeted expenses for these 9 months in Euros or Euro 950,000.
- For PIOB's December 31, 2023 fiscal year, the guarantee will be the lower of 50% of PIOB's budgeted expenses for the year in Euros or Euro 950,000.
- For PIOB's December 31, 2024 fiscal year, the guarantee will be the lower of one-third of PIOB's budgeted expenses for the year in Euros or Euro 650,000.
- For PIOB's December 31, 2025 fiscal year, the guarantee will be the lower of 25% of PIOB's budgeted expenses for the year in Euros or Euro 500,000.
- For PIOB's fiscal years commencing after December 31, 2025, IFAC will not provide any funding or any guarantee.



The IFAC guarantee will not apply to funding of any costs associated with the dissolution of the PIOB. In the event that a decision to dissolve the PIOB is taken by the governing entity of the PIOB, any remaining guarantees would cease to be effective with immediate effect, and IFAC would therefore be discharged of any funding obligations towards the PIOB.

In February 2023, the MG approved the PIOB's 2023 Budget and acknowledged the need for additional funding for the PIOB. The MG reaffirmed its intention to work with the PIOB to secure support and assistance to enable the PIOB to prudently and effectively discharge the new responsibilities conferred on the PIOB by the MG Recommendations.

The approved 2023 Budget shows an expected deficit of EUR 1.1 million. Management estimates that this deficit will be reduced to approximately EUR 300K because of the following developments:

- In the first four months of 2023, the Foundation received written confirmation of contributions totalling EUR 290K from four new contributors and additional contributions from existing contributors totalling EUR 70K. These additional contributions have been confirmed for the fiscal year 2023 only.
- The Secretary General's contract, which ends in June 2023, will not be renewed. This will generate savings on staff costs of approximately EUR 180K, because the 2023 Budget included salary costs for the full PIOB staff for the entire year.
- Estimated contingent liabilities have been reduced by EUR 210K.

Management estimates that cash balances at the end of 2023 would not be sufficient to cover the Foundation's estimated legal liabilities at that date of approximately EUR 1.05 million.

The MG is working with the PIOB to secure additional funding sources or guarantees to cover its budgeted expenses in 2023. Management considers that, despite current uncertainty to fund the 2023 Budget deficit, either additional funding will be secured or additional cost saving measures will be implemented during 2023 to meet 2023 Budget requirements. On this basis, PIOB management considers that the PIOB will continue to operate as a going concern and formulates these financial statements accordingly.

Looking beyond 2023, the MG's Recommendations on the reform of the international audit and ethics standard-setting system, published on 14 July 2020, state that "the MG, giving consideration to the views of IFAC and PIOB, will continue working for the development of an appropriate, long-term, sustainable funding policy". This stable funding framework is currently being discussed between the MG, PIOB and IFAC.

Income from IFAC in 2022 represents 63.56% of total income (57.26% in 2021) and is recognized yearly on an accrual basis according to the yearly related approved income budget.

In September 2009 the European Commission (EC) decided to award a grant to the Foundation for each of the years of the period 2010-2013 to support the Foundation's work program.

In 2014, the EC awarded a new grant to the Foundation for each of the years of the period 2014-2020, through Regulation (EU) No. 258/2014 of the European Parliament and of the Council of April 3, 2014.

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In 2021, the EC awarded a new grant to the Foundation for each of the years for the period 2021-2027, through Regulation (EU) 2021/690 of the European Parliament and of the Council of April 28, 2021, establishing a programme for the internal market, competitiveness of enterprises, including small and medium-sized enterprises, the area of plants, animals, food and feed, and European statistics (Single Market Programme) and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014 and (EU) No 652/2014.

The contribution for the year 2022 is for a maximum of EUR 350,000 or 30% of the eligible costs of the action (EUR 345,000 or 30% of the eligible costs in 2021). The 2022 Grant agreement with the EC establishes that, if funding by IFAC reaches more than two-thirds of total funding in 2022, the EC shall limit its contribution for 2022 to a maximum amount of EUR 300,000.

This EC income is recognized on an accrual basis, based on the total eligible costs of the action.

On the other hand, the MG Charter establishes, in its Appendix B that:

"In the event that, at the end of any fiscal year, the PIOB has remaining funds that are not needed for expenditures relating to that fiscal year, the PIOB may carry as reserve an amount up to an equivalent of 10% of the budget. Additional funds over the portion allotted to the reserve may be applied to diminish the amount of the guaranteed IFAC funding for the following period. Any reserves and excess funding should be included in discussions between the MG and the PIOB."

At December 31, 2021, following MG Charter criteria, remaining funds of EUR 58,178 not needed for expenditures related to such fiscal year and over an amount up to an equivalent of 10% of the budget were recorded as Deferred Income – Current (Note 13). This Deferred Income – Current has been reclassified as Carried-over Surplus in the Statement of Other Comprehensive Income at December 31, 2022.

Interest income from financial instruments, if any, is recorded as part of income on an accrual basis.

In addition, as part of the localisation agreement in Madrid, the Foundation receives the right from the Spanish authorities to use a portion of the premises located at Oquendo 12 for a maximum period of 75 years that shall be renewed every four years. This use is free of charge, except for non-structural maintenance expenses (electricity, water, elevator maintenance, etc). The Foundation renewed the agreement with the Spanish Authorities for a four-year period on 26 September 2011, 26 September 2015 and on 19 December 2019, for an additional four-year period until 26 September 2023 and has started the process to renew this agreement for an additional four-year period after September 2023. The Foundation recorded the grant as Deferred Income – Non Current and intangible asset that is recognised in the Statement of Comprehensive Income on a systematic basis during the term of the agreement.

Income is mainly denominated in Euros.

Operating costs are recognised as an expense when incurred.

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#### Cash and bank balances

The Foundation's policy is to present cash and bank balances together with temporary investments, if any, having a term of three months or less from the acquisition date as cash and cash equivalents.

#### Cash Flow Statement

The following are definitions of the terms used in the cash flow statement:

Cash and bank balances comprise cash on hand, current bank balances and short-term deposits, if any, that can be converted to cash within three months or less.

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition, holding, and disposal of fixed assets and investments.

#### Financial Instruments

Financial instruments are recognized on the trade date at amortized cost and are derecognized at sales date when the rights to receive cash flows from the instrument expire. At December 31, 2022 and 2021 there were no balances invested in bank deposits.

#### Liquidity risk:

The Foundation manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities.

There are no borrowings or outstanding debt at 31 December 2022.

#### Credit risk:

As mentioned in note 2, section "Income and cost recognition" the European Commission decided to award a grant to the Foundation for the periods 2010-2013, 2014-2020 and 2021-2027. The amount that remains in the Balance Sheet is mainly related to the 2022 grant that will be paid in 2023.

The Foundation considers that credit risks related to collection of grants from the European Commission are not significant. Also, the Bank where the Foundation holds 99.95% of its cash and bank balances has been graded at the short-term as an A-2 financial entity.

#### Currency risk:

The Foundation maintains a bank account in Euros. There is no currency risk associated with the balances in this bank account; therefore the Foundation did not hedge its foreign currency exposure.

Foreign currency transactions are translated to Euros at the date of the transactions.

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#### Fair values:

At December 31, 2022, the carrying amounts for all financial instruments held by the Foundation approximate to their fair values.

#### Restrictions on the use of cash and cash equivalents:

There are no restrictions on the use of cash or cash equivalents.

#### Taxation

On March 29, 2006, the Spanish Parliament passed legislation included within law 4/2006 of 29 March 2006, to specifically exempt the Foundation from Spanish income tax.

Financial interest income is recorded for the gross amount and is also exempt of the applicable taxes.

#### Tangible assets

Tangible assets represent the value of computer equipment used for data processing, the related furniture and communications equipment.

These assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Depreciation rate
Tangible assets		
Computer equipment	Straight-line	25%
Furniture and fixtures	Straight-line	10% to 20%
Audio and Video Equipment	Straight-line	25%

Repair and maintenance costs for tangible assets are recognized on the income statement in the year incurred. Costs of improvements that increase assets' capacity or efficiency or extend their useful life are recognized as an increase in the value of the assets.

#### Intangible assets

Intangible assets comprise the value of computer software used in the administrative and accounting management of the Foundation and the fair value assigned to the right to use the building.

Computer software has been valued at cost of acquisition. The right of use of the building was recognized at fair value, less accumulated amortization, and any impairment allowances. Amortization of computer software is calculated on a straight-line basis over a four-year period. Amortization of the right of use is also calculated over a period of four years, in line with the assignment period.

	Methods	Rates
Intangible asset		
Software	Straight-line	25%
Right to use the building at Oquendo street	Straight-line	25%



### 3 Expenses by Activity

(in Euros)	2022	2021
Oversight Program (1)	849,742	603,751
Communications and External Relations Program (2)	227,787	138,955
MG and MG members (3)	113,854	98,053
Foundation Board Meetings (4)	133,975	137,250
Other ongoing operating costs (5)	469,902	584,797
Nominations (6)	484,358	184,155
<b>Total expenses</b>	<b>2,279,618</b>	<b>1,746,961</b>

The description of all the Foundation's activities is as follows:

- (1) Through this activity, the PIOB provides independent oversight of the Standard Setting Boards (SSBs) and Consultative Advisory Groups (CAGs) under its mandate. This activity includes the related costs to comply with this mandate.
- (2) Includes the cost of attending meetings with stakeholders other than MG members.
- (3) Includes the cost of meetings with the MG and MG members.
- (4) This activity includes all the necessary operating costs to run the Foundation.
- (5) Most significant cost in this activity for 2022 and 2021 is the annual amortization (EUR 189,318) of the 33% right of use of the premises located at Oquendo 12 (Note 2). It also includes in 2022 EUR 122,000 reimbursement by IFEA of legal invoices from 2020, 2021 and 2022 paid by the Foundation for the constitution of IFEA in Delaware, United States of America.
- (6) This activity includes all costs related to the selection process of candidates to the SSBs.

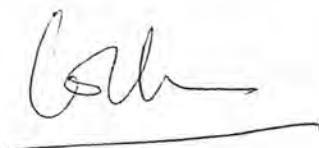
### 4 Accounts Payable

(in Euros)	2022	2021
Employee Taxes and Social Security	86,911	75,053
Other	53,066	29,274
<b>Total Accounts Payable</b>	<b>139,977</b>	<b>104,327</b>

### 5 Accrued Liabilities

(in Euros)	2022	2021
Occupancy expenses	45,393	31,000
Other accrued benefit (1)	452,794	395,696
Other accrued liabilities	8,470	8,205
<b>Total Accrued Liabilities</b>	<b>506,657</b>	<b>434,901</b>

- (1) Other accrued benefit relates to the provision for the termination of the General Secretary's contract.



## 6 Information Included in the Cash Flow Statement

The increases (decreases) in working capital items are detailed as follows:

(in Euros)	2022	2021
Accounts receivable	(29,039)	7,470
Prepaid expenses	24,024	999
Accounts payable	(35,650)	9,280
Accrued liabilities	(71,756)	(30,850)
(decreases) increases in working capital	(112,421)	(13,101)

The variation in 2022 of the prepaid expenses item is due to IT services for a total of **EUR 31K** paid in 2022, which will be accrued until September 2023.

The variation in 2022 on the accounts payable item is mainly due to pending invoice for **EUR 26K** at December 31, 2022 for services, as requested by the MG, of background check of nominees to the PIOB's Technical Committee.

The variation in 2022 on the accrued liabilities item is mainly due to accrual of provision for termination benefit.

## 7 Employee Costs

(in Euros)	2022	2021
Gross salaries	815,000	642,852
Spanish social security fees	106,719	91,782
Other benefits (1)	53,171	49,147
Other long-term employee benefits (2)	57,097	33,854
Total Employee Costs	1,031,987	817,635

(1) Mainly includes pension plans and medical insurance expenses.

(2) Includes annual provision for termination benefits.

## 8 Technical Committee and Nominations Committee Stipends

Members of the Technical Committee are entitled to receive fixed annual stipends of EUR 20,625 except for the Chair of the Committee who receives EUR 123,750 in recognition of her additional leadership responsibilities. All members other than the Chair are further entitled to variable remuneration of EUR 825 per day of attendance at assigned public interest meetings. In 2020, the Foundation defined criteria for payment of variable stipends that take into account the time differences for those meetings held in an online environment.

At December 31, 2022, the Technical Committee was made up of ten members (ten members in 2021), five of which are also members of the Trustees' Board (Note 15).



Members of the SSBs Nominations Committee are entitled to receive fixed annual stipends of EUR 15,000 except for the Chair of the Committee who receives EUR 20,000 in recognition of her specialist skills, experience and ongoing contributions to the deliberations and decisions of the Committee. The remuneration of the SSBs Nominations Committee Chair has been agreed on the assumption that the total time devoted to discharge her duties shall not exceed a total of 130 hours per annum. Additional hours in excess of that limit, shall be remunerated at a rate of EUR 150 per hour.

One member of the Nominations Committee waived his right to receive stipends in 2022. The amount of the stipend waived from January 1, 2022 to December 31, 2022 represents EUR 15,000.

## 9 Legal and Other Professional Fees

(in Euros)	2022	2021
Legal fees (1)	(54,178)	98,174
Recruitment fees (2)	5,627	73,702
External support communications	50,740	-
Background check costs of candidates to Standard-Setting Boards	25,652	-
Advertisement costs for nominations of candidates to Standard-Setting Boards	24,031	-
Background check costs of nominees to the PIOB's Technical Committee	26,935	-
Development and integration costs of Nomination's webpage	-	20,916
Other	12,723	20,848
<b>Total Legal and Other Professional Fees</b>	<b>91,530</b>	<b>213,640</b>

- (1) Includes recurrent legal fees and other legal fees not included in the lawyer's annual proposal, such as services related to the MG reform of the standard-setting system and its new structure (IFEA). This amount is net of EUR 122,000 reimbursement by IFEA of legal invoices from 2020, 2021 and 2022 paid by the Foundation for the constitution of IFEA in Delaware, United States of America.
- (2) Includes hiring costs and other related costs accrued in 2021 and 2022 of new PIOB staff running nominations.

## 10 Cash and bank balances

(in Euros)	2022	2021
Cash and bank balances in Euros	1,297,397	1,346,256
<b>Total cash and bank balances</b>	<b>1,297,397</b>	<b>1,346,256</b>



## 11 Tangible assets

Details of tangible assets and the related accumulated depreciation at December 31, 2022, as well as movements during the period then ended, are as follows:

	Balance at December 31, 2021	Additions	Balance at December 31, 2022
Cost:			
IT equipment	56,812	4,238	61,050
Furniture and fixtures	32,743	985	33,728
Communications equipment	87,257	-	87,257
<b>Total cost</b>	<b>176,812</b>	<b>5,223</b>	<b>182,035</b>
Accumulated depreciation:			
IT equipment	(44,054)	(5,993)	(50,047)
Furniture and fixtures	(25,577)	(963)	(26,540)
Communications equipment	(76,754)	(5,969)	(82,723)
<b>Total depreciation</b>	<b>(146,385)</b>	<b>(12,925)</b>	<b>(159,310)</b>
<b>Net, end of year</b>	<b>30,427</b>		<b>22,725</b>

## 12 Intangible assets

Details of intangible assets and the related accumulated amortization at December 31, 2022, as well as movements during the period then ended, are as follows:

	Balance at December 31, 2021	Additions	Balance at December 31, 2022
Cost:			
Software	33,051	23,869	56,920
In-kind contribution Oquendo	757,271	-	757,271
<b>Total cost</b>	<b>790,322</b>	<b>23,869</b>	<b>814,191</b>
Accumulated amortization:			
Software	(31,797)	(1,563)	(33,360)
In-kind contribution Oquendo	(428,430)	(189,318)	(617,748)
<b>Total amortization</b>	<b>(460,227)</b>	<b>(190,881)</b>	<b>(651,108)</b>



Net, end of year	330,095	163,083
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Intangible assets reflect the value of computer software and, primarily, the fair value of the right to use the premises located at street Oquendo 12, granted by the CNMV for a four-year period, until September 26, 2023.

At December 31, 2022, the Foundation has not identified indications of an impairment in the value of the right of use.

### 13 Deferred income - Current

Deferred income – Current item at December 31, 2021 represents remaining funds not needed for expenditures related to this fiscal year and over an amount up to an equivalent of 10% of the budget (See Note 2).

### 14 Endowment funds and Other reserves

To meet the minimum legal capital requirements established by Spanish law, the founders (see note 1) collectively provided an initial endowment for 30,000 Euros. Such endowment cannot be used by the Foundation.

Other reserves correspond to contributions in excess of expenses for prior periods. The Board of Trustees can decide on the allocation to these reserves for future years. Also, in the case that the Foundation is dissolved, after the realization of assets and liquidation of liabilities, any remaining balance shall be distributed in accordance with Foundations Law 50/2002.

The objective of the PIOB's reserves is to strengthen the economic resilience and independence of the Foundation and make it less vulnerable to unexpected budget shocks. Current internal PIOB reserve policy sets a reserve threshold of six months' worth of current outlays, that is, approximately EUR 1.1 million at the end of 2022.

For 2022, the Foundation committed with the MG to devote the amount recorded as deferred income – current of **EUR 58K** at December 31, 2021 (Note 2 and 13) and the surplus for that year of **EUR 191K** (recorded as reserves in 2022) to help fund the Foundation's activities in 2022. The Foundation only used **EUR 88K** to cover a lower deficit than expected, mainly due to actions taken to reduce costs, especially travel costs). This use of reserves to fund expenditure in 2022 was an exceptional one-off measure which does not set a precedent for the use of reserves.



## 15 Board of Trustees

Positions on the Board of Trustees are voluntary and there is no honorarium paid for any position held. The following persons were members of the Board of Trustees during the year:

Mme. Linda de Beer	Chair of the Board of Trustees
Mr. Shigeo Kashiwagi	Trustee until December 13, 2022
Mr. Robert Buchanan	Trustee
Mr. Michael J. Hafeman	Trustee
Mme. Begoña Giner	Trustee
Mr. Yugui Chen	Trustee until October 1, 2022
Mr. David Matthew Sullivan	Trustee from December 13, 2022

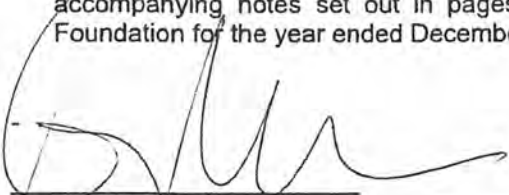
## 16 Auditors' remuneration

This note shows the total remuneration payable by the PIOB to its auditors.

(in Euros)	2022	2021
Fees payable for the voluntary audit of PIOB's IFRS and statutory financial statements	5,500	6,000
Fees payable for ISAE 3000 – Assurance engagements on eligibility of costs and funding report provided to the EC	1,500	2,500
Total Auditors' remuneration	7,000	8,500

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On behalf of the Foundation, I declare that the statements set out in pages 1 to 4 and the accompanying notes set out in pages 5 to 17 constitute the Financial Statements of the Foundation for the year ended December 31, 2022.

  
Gonzalo Ramos Puig  
Secretary General

April 27, 2023