CFA Institute

ANNUAL REPORT

Fiscal Year 2016

A Difference That Matters™

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has members in 140 countries and territories, including 110,000 CFA® charterholders, and 140 member societies.

For more information, visit www.cfainstitute.org.

Cover photo: Yu Tong, CFA

CFA Institute

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OVERVIEW

"As we look inward at our own operations, we acknowledge that we must practice what we preach around the world."

Introduction and Message from Our Chair

Over the years, CFA Institute has become a valued and independent voice of the global investment management profession. Not only do we award the most respected global credential in the profession—the CFA® charter—we also advocate for standards and best practices that keep CFA charterholders in high regard and great demand. These standards include essential ethical codes for individuals and firms, which help deepen the integrity of the capital markets, as well as thought leadership on issues such as financial reporting, performance measurement, and regulatory practice.

As we look inward at our own operations, we acknowledge that we must practice what we preach around the world. Our Board of Governors is keen to ensure our internal integrity, and toward that end, we have reviewed our practices, particularly when it comes to reporting our status and progress to our members. This undertaking requires greater collaboration with local member societies and increased transparency across many of our activities.

As part of this effort, we have evolved our reporting approach this year. To meet a higher standard of transparency and disclosure appropriate for our status as a non-profit entity, we provide information in this Annual Report that we have not published before: a more forward-looking stance with respect to our strategic direction, expanded commentary from our strategic functions, and targeted links that guide the reader to more-detailed information on a variety of topics referenced here.

Next March, we will issue the 2017 CFA Institute Proxy Statement and Member Report, which will provide robust information about corporate governance and compensation practices, as well as a link to vote. As part of that report, we will aim to highlight the value we deliver to our members. First and foremost, we must remember that we are a member-driven organization. Everything we do must benefit our members.

On behalf of the Board of Governors of CFA Institute, we are excited for what fiscal year 2017 has in store for the organization and its many stakeholders across the globe.

With kind regards,

Frédéric P. Lebel, CFA
Chair, CFA Institute Board of Governors

Message from our President and CEO

Fiscal year 2016 (FY2016) has been hugely successful for CFA Institute, both financially and organizationally. Starting at the top, we have reconstituted the senior management bench and welcomed 5 new leaders within our team of 13. I am very encouraged to see senior leadership blending together to form an effective team. This development has given me great pleasure and motivation.

FY2016 brought us to the conclusion of our old three-year strategic plan and hence the launch of our new three-year strategy in January 2016. Although both strategies are fully aligned with our mission, we have developed our new strategy to better address the complexity of our global footprint and reflect our membership's international demographics.

Our leaders and staff at all levels have worked very diligently to begin the transition to a new organizing framework informed by this change in strategy. A shift toward regionalization and a greater focus on adding value to our stakeholder relationships has resulted in 90 staff moves created by lateral openings or promotions. These changes have been challenging for some, and I am very grateful for my colleagues' cooperation as we work through this transition to create a more effective operating model.

Financially, we have benefited from a record number of candidates and members in FY2016. We finished the year with $283.0 million in revenues, up $22.8 million from FY2015. Expenses finished at $270.4 million, up $31.7 million from FY2015. Included in this expense increase was a year over year increase of $3.8 million in direct and project funding to member societies and a year over year increase of $11.6 million of spending on brand awareness. As a result, income from operations finished the year at $12.7 million with a total change in net assets, which includes investment income and gains, of $37.8 million. This performance comfortably exceeded our budget forecasts.

"FY2016 brought us to the conclusion of our old three-year strategic plan and hence the launch of our new three-year strategy in January 2016."

Throughout FY2016, we further invested in several initiatives intended to benefit members. In addition to our new global brand campaign and increased funding to member societies, we have made significant progress on our major IT project (Digital Core Transformation), laid the groundwork for improving our risk and control environment, and added new process improvement and project management infrastructure.

Looking ahead, the intended impact of our strategy is to:

- grow the market penetration of investment management professionals through relevant and accessible credentialing programs;
- increase member value and satisfaction through greater professional recognition, a robust local society network, and improved continuing education and career resources; and
- create greater engagement with industry that builds market integrity and creates demand for investment management professionals.

From our perspective, the future looks bright. I look forward to updating you on progress with our plans throughout the year.

With kind regards,

Paul Smith, CFA
President and CEO, CFA Institute

OVERVIEW OF THE ORGANIZATION

CFA Institute, a global, not-for-profit organization, is the world's largest association of investment professionals. With more than 140,600 members[1] and 147 local member societies in 73 countries, we are dedicated to developing and promoting the highest educational, ethical, and professional standards in the investment industry for the ultimate benefit of society. We offer a range of educational and career resources, including the Chartered Financial Analyst (CFA®) designation, the Certificate in Investment Performance Measurement (CIPM®) designation, and the CFA Institute Investment Foundations™ certificate program (formerly known as the Claritas Investment Certificate).

CFA Institute is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. An integral part of our mission is to build market integrity through codes of conduct, best practice guidelines, and standards to guide the investment profession. A primary focus of these standards is the critical importance of placing client interests first. These standards include but are not limited to the Global Investment Performance Standards (GIPS®), the CFA Institute Code of Ethics and Standards of Professional Conduct, and the Asset Manager Code of Professional Conduct (AMC).

[1] CFA Institute membership year ended on 30 June 2016. At that time, global membership totaled 140,642. As of 31 August 2016, fiscal year-end, global membership reached 146,694.

STRATEGY

The mission of CFA Institute is served by generating value for core investment management professionals and engaging with the core investment management industry to advance ethics, market integrity, and professional standards of practice, which collectively contributes value to society.

Mission Statement:

To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

As a global, independent organization, we play an important role as a steward and champion of the investment management industry. We aspire to develop global financial markets that serve the public interest. The overall outcomes that we believe will contribute to this aspiration are a community of educated, ethical investment management professionals and financial markets that reflect CFA Institute beliefs.

To achieve this aim, our strategy is to:

- **develop future professionals** through relevant and accessible credentialing programs;
- **deliver member value** that accelerates the professional success of our members; and
- **build market integrity** that benefits investors and our members who serve them.

Develop Future Professionals

Education is the foundation of professional competence. We develop future investment management professionals through credentialing programs that require the application of technical knowledge and an appropriate ethical framework to guide decision-making.

Deliver Member Value

We equip and support members so they can better serve their clients and further develop their professional careers. This aim is enabled through an active local professional community, professional recognition from employers and regulators, and the creation and delivery of high-value content.

Build Market Integrity

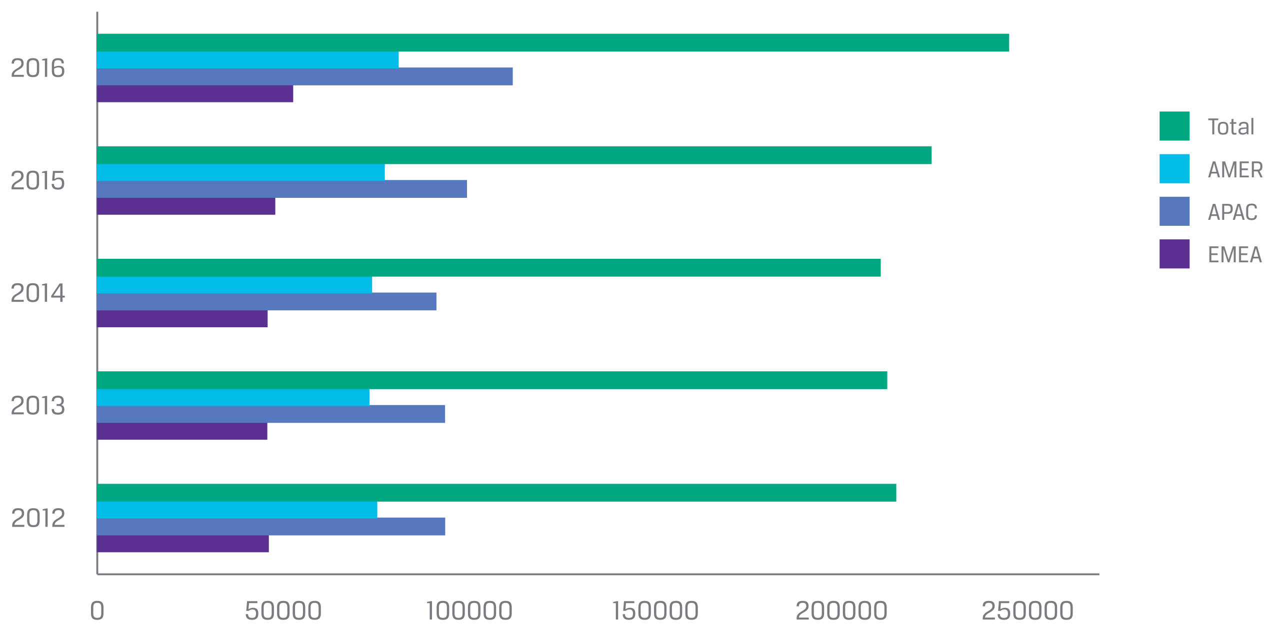
Setting global standards and advocating for professional excellence are activities that ultimately benefit society by improving both investor protection and investor outcomes.

For further details on our most recent three-year strategic plan, including identified risks, challenges, goals, and objectives, please refer to our FY2017–2019 Strategic Plan.

Develop Future Professionals

A technically competent and ethically centered industry ultimately serves clients' interests and provides a public warranty critical to building the investment management profession. We begin developing future investment management professionals through our credentialing programs, including the CFA, CIPM, and Investment Foundations programs. These programs rest on an educational foundation that enables professional competence, a quality that requires the application of technical knowledge and an appropriate ethical framework to guide decision-making. This professional competence is communicated through high-quality credentials designed to balance educational standards, market value, and candidate experience, and it is delivered through rigorous teaching and testing processes.

CFA Program Administrations by Region



The credentialing programs and associated education products generated $243.8 million of CFA Institute total revenues in FY2016, up from $223.2 million in FY2015. The CFA Program continues to set the educational standard for investment management professionals seeking to acquire a broad and generalist understanding of the investment decision-making process. CFA Program exam administrations, which are the organization's primary source of revenue, increased 9% to 244,900 in FY2016 from 224,000 in FY2015. Although total CFA Program volumes had been relatively flat since FY2012, robust growth in FY2016 continues that seen in FY2015, with the strongest year over year growth in Europe, the Middle East, and Africa (12%) and in the Asia-Pacific (10%) regions, respectively.

The exhibits that follow show exam administrations for all three programs by region, with a further country breakdown of CFA Program administrations from FY2016 and FY2015.

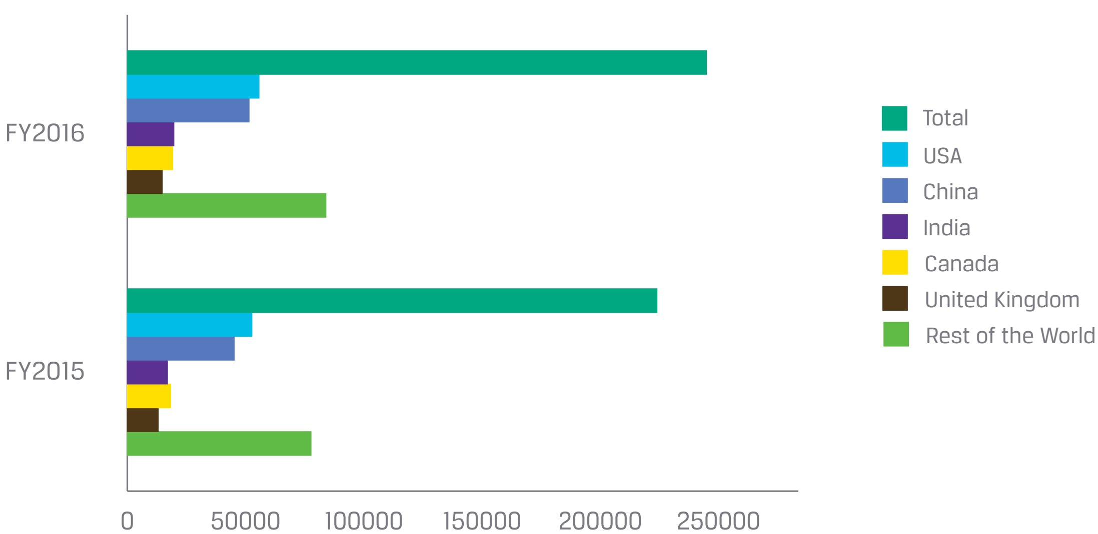
Credentialing Administrations: FY2016 Actual

CFA PROGRAM	FY2016	FY2015	CHANGE
Global	244,900	224,000	9%
AMER	80,900	76,000	6%
APAC	111,500	101,100	10%
EMEA	52,500	46,900	12%
CIPM PROGRAM	**FY2016**	**FY2015**	**CHANGE**
Global	1,350	1,480	-9%
AMER	730	830	-12%
APAC	220	240	-8%
EMEA	400	410	-2%
INVESTMENT FOUNDATIONS PROGRAM	**FY2016**	**FY2015**	**CHANGE**
Global	4,400	4,400	0%
AMER	1,990	1,920	4%
APAC	1,090	1,280	-15%
EMEA	1,320	1,200	10%

The top five countries account for 66% of all CFA Program administrations, with year over year growth in India and China at 16% and 14% respectively, outpacing other countries' growth.

Notably, for the first time ever, New Level I CFA Program administrations in China overtook the United States in volume, reflecting a changing demographic in program demand and a potential shift in future geographic membership distribution.

CFA Program Administrations: Top Five Countries

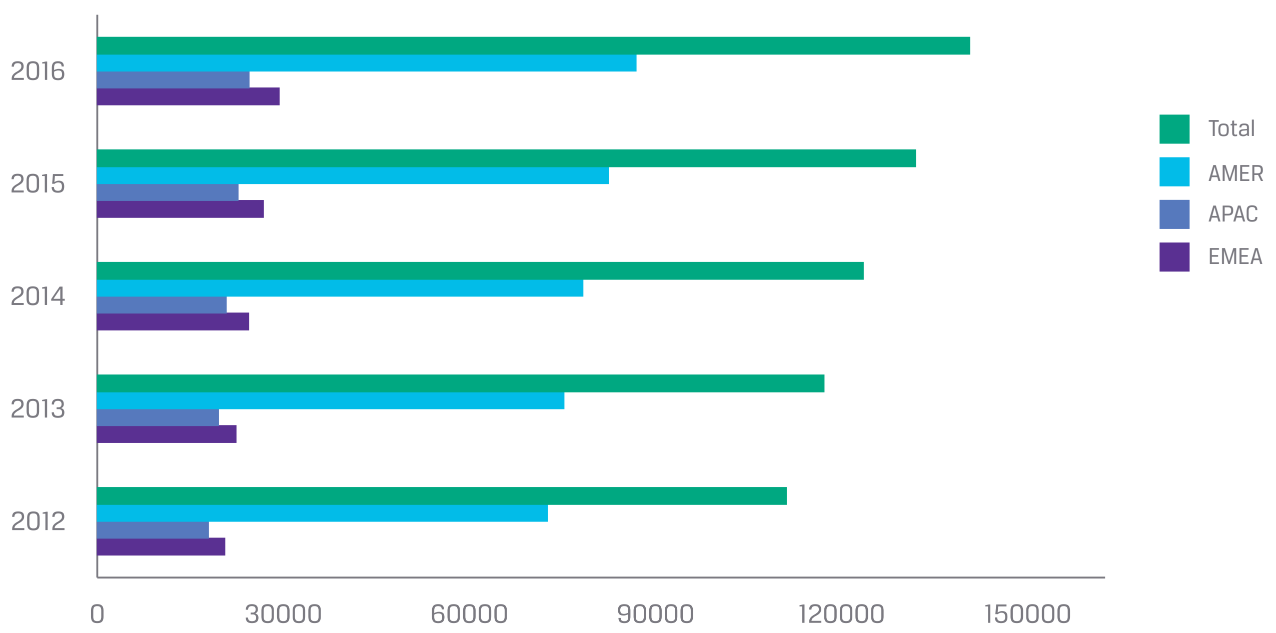


Deliver Member Value

The purpose of delivering member value is to equip and support members to better serve their clients and to further develop their professional careers. This aim is enabled through an active local professional community, professional recognition from employers and regulators, and high-quality professional content and services delivered through an "anytime, anyplace, any device" customer experience. Local member societies are the cornerstone of this strategy. We seek to support them with a broad range of resources so that they can be standard bearers of our shared mission in the communities that they serve.

Behind CFA Program-related revenues, annual membership dues accounted for the second-largest contribution to revenues. CFA Institute membership has steadily increased to 146,700 in FY2016, up from 135,400 in FY2015. Associated revenues from membership dues and other in FY2016 totaled $38.9 million, up from $36.7 million in FY2015. Members tell us they value brand and charter recognition, career opportunities, educational content, and affiliation and networking

CFA Institute Membership by Region



opportunities. Our member value proposition therefore strives to meet these four needs:

- **Careers:** support for career development;
- **Affiliation:** engagement with peers to discuss issues of common interest;
- **Recognition:** promotion of the value of the charter, its designation, and brand; and
- **Education:** continuing education opportunities.

FY2016 was a foundational year for Member Value, with the development of a three-year strategy. Educational Events and Programs produced 19 conferences and workshops across all three geographic regions, including several partnerships with member societies. The 69th CFA Institute Annual Conference set a new attendance record with 2,075 total delegates and generated substantial media and social media coverage. The team also provided direct speaker support to more than 100 society events in 66 cities around the world. A substantial amount of conference session content was repackaged into professional development resources for the broader membership, along with a range of other content including *ESG Investing: A Comprehensive Overview*, an updated multi-part learning resource that covers the fundamentals of environmental, social, and governance (ESG) issues in sustainable, responsible, and impact (SRI) investing; *CFA Program Curriculum Updates for 2017*, which presents new curriculum readings in a format that helps members keep current on evolution of the curriculum; a *Meditation Guide for Investment Professionals*; and the latest in our series of industry guides focused on the *Oil and Gas Industry*. We also launched a CFA Institute channel on Asset TV that serves as a distribution platform for our educational video content. We created a business plan for the *Financial Analysts Journal*® to leverage the publication's scholarly content for practitioner relevance. In FY2016, we also saw the launch of our global brand campaign, which is raising awareness of the *#CFAdifference*, the value our members bring to the practice of investment management. And finally, we have embarked upon a number of technology initiatives aimed at improving and enriching the member experience.

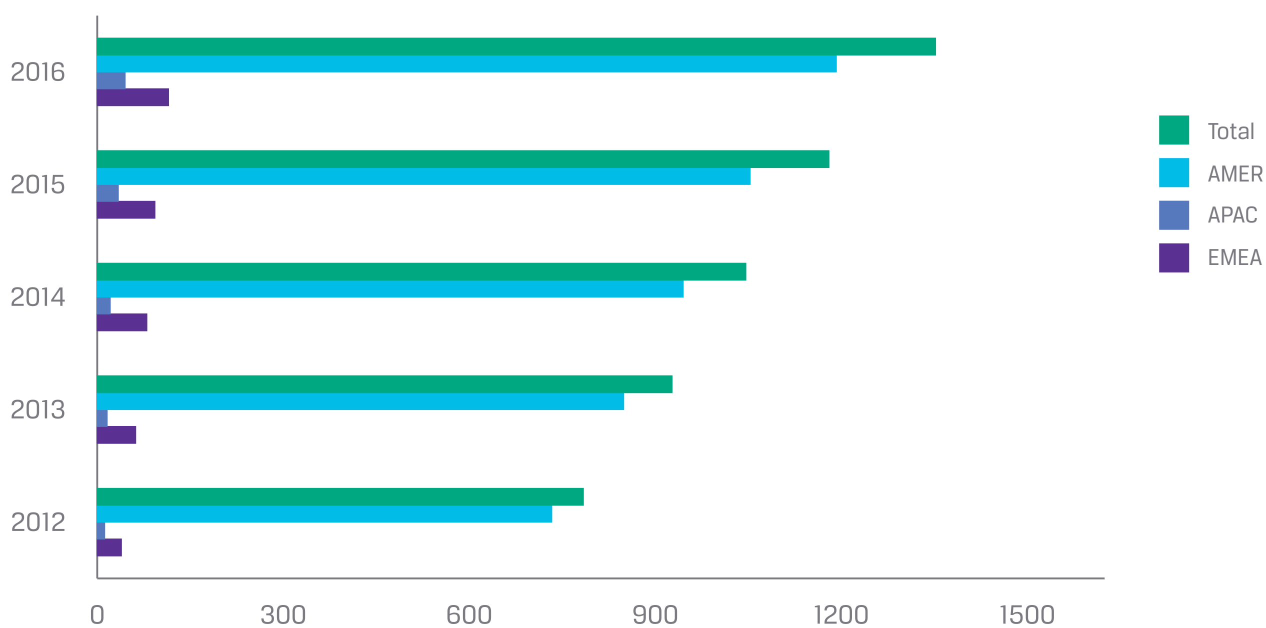
Build Market Integrity

Our Standards and Advocacy activities build market integrity that ultimately benefits society by improving both investor protections and investor outcomes. These efforts also benefit members by developing an industry that demands credentialed professionals and that enables these professionals to pursue rewarding careers. We seek to achieve this aim through the creation, adoption, and application of high-quality codes and standards, thought leadership designed to demonstrate the value of the profession, professional recognition from investors, and challenging industry participants to shape more fair and trustworthy financial markets.

Standards and Advocacy now houses the CFA Institute Research Foundation, the Future of Finance initiative, and functions focused on professional standards, capital markets policy, financial reporting policy, and local society advocacy engagement. Together, these groups strive to define the vision of the future for investment management practitioners by offering and curating content in a variety of forms and by using the organization's strength to raise issues, provoke discussion, and propose solutions to problems affecting the profession.

For example, the *Asset Manager Code of Professional Conduct* (AMC) outlines the ethical and professional responsibilities of firms that manage assets on behalf of clients. Its principles and provisions address six broad categories: loyalty to clients; investment process and actions; trading; risk management, compliance, and support; performance reporting and valuation; and disclosures.

Asset Manager Code Adoptions by Region



As shown in the exhibit on page 12, the Americas region leads AMC adoption by asset managers, which has been steadily rising worldwide, with more than 1,350 global firms self-reporting compliance through FY2016, up from 1,180 in FY2015.

Operations

The growth of CFA Institute during the past five years is reflected in its financial, technological, structural, and human resources throughout the world. Our 607 employees as of fiscal year-end 2016 occupy a total of approximately 186,000 square feet of office space and related facilities worldwide, of which 43,000 square feet are leased.

For more-detailed information on our locations and subsidiaries, please refer to *Note 1: Organization* within the CFA Institute Consolidated Financial Statements at the end of this report.

PERFORMANCE

YEAR IN SUMMARY

Financial results for FY2016 were very strong. Driven mainly by growth in the CFA Program and CFA Institute membership, we finished the year with $283.0 million in revenues, up $22.8 million from FY2015. Expenses finished at $270.4 million, up $31.7 million from FY2015. Investments in strategic priorities included an additional $3.8 million in direct and project funding for our member societies and an additional $11.6 million of spending on brand awareness. Additional investments were made in IT infrastructure as well as our regional operating model. As a result, income from operations finished the year at $12.7 million, down from $21.6 million in FY2015. This operating income contributed to a total change in net assets of $37.8 million, up $33.9 million from FY2015, primarily on the strength of unrealized gains on investments in FY2016.

Consolidated Financial Results for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2016	FY2015	FY2014	FY2013	FY2012
Members and Exam Administrations [1]					
CFA Institute Members	146,700	135,400	127,800	120,800	114,300
CFA Program Administrations	244,900	224,000	210,300	212,100	214,600
CIPM Program Administrations	1,350	1,480	1,300	1,200	1,200
Investment Foundations Program[2] Administrations	4,400	4,390	2,070	50	—
Financial Performance					
Operating revenues	$283.0	$260.2	$240.9	$224.9	$220.1
Operating expenses	270.4	238.6	232.5	224.0	228.3
Income from operations	12.7	21.6	8.4	0.9	(8.2)
Realized gains, interest, and dividends	1.9	12.4	15.8	15.6	12.1
Unrealized (losses) gains on investments	20.0	(29.6)	17.4	(3.1)	3.1
Capital contributions - non-controlling interests	4.2	—	5.4	1.2	—
Return of capital - non-controlling interests	(0.1)	(0.1)	—	—	—
Finance costs	(0.9)	(0.4)	(1.4)	—	—
Change in net assets	**$37.8**	**$3.9**	**$45.6**	**$14.6**	**$7.0**

[1] Administrations defined as exam registrations for which we recognize revenue, realized net of adjustments.

[2] Formerly known as Claritas Investment Certificate. Program initiated in 2013; figures exclude pilot administrations.

In a mission-driven organization, financial performance exists to support mission achievement. The financial information that follows reflects the mission investments made in FY2016 and the ability to invest in mission-related activities in the future.

Highlights

- CFA Program exam administrations in FY2016 increased 9% from FY2015 to 244,900. The June exam in 2016 again set a record as the largest exam administration in the 50-year history of the CFA Program.
- CFA Institute membership grew 8% in FY2016 to 146,700 members, up from 135,400 members in FY2015.
- Funding of the brand awareness campaign and grants to societies increased by $15.4 million, or more than 150%, in FY2016.
- Investments totaling $362.7 million provide a contingency buffer for a multi-year continuation of services in the event of a large-scale disruption to the CFA Program. This buffer is particularly important given the risk concentration of administrating the CFA Program examinations on only two days each year.

REVENUES

Overall, revenues have steadily climbed during the last five fiscal years. Revenues increased to $283.0 million in FY2016, up from $260.2 million in FY2015.

Revenues for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2016	FY2015	FY2014	FY2013	FY2012
Certification and certificate programs	$192.3	$174.5	$161.9	$156.0	$138.0
Educational products	51.5	48.8	44.8	36.5	51.7
Member dues and other	38.9	36.7	34.0	32.3	30.4
Contributions	0.3	0.3	0.2	0.1	—
Total revenues	**$283.0**	**$260.2**	**$240.9**	**$224.9**	**$220.1**

- Certification and certificate programs revenue, as well as educational products revenue, increased during the prior year, primarily in response to overall CFA Program candidate growth. Together they accounted for 86% of total revenues in FY2016, on par with FY2015.
- Member dues revenue was higher than in the prior year because of an increase in member volume. The member dues rate remained unchanged for FY2016. “Member dues and other” accounted for nearly 14% of total revenues in FY2016, similarly on par with FY2015.

For more-detailed information on revenue recognition, please refer to *Note 2: Summary of significant accounting policies, Revenue* within the CFA Institute Consolidated Financial Statements at the end of this report.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EXPENSES

Expenses increased to $270.4 million in FY2016, up from $238.6 million in FY2015. FY2015 results, combined with high expectations for FY2016 performance, provided the opportunity to invest in and focus on three organizational priorities in FY2016: (1) Global Brand Awareness, (2) Society Partnership, and (3) Digital Core Transformation. These priorities represent primary areas of strategic expenditure growth year over year and are specifically noted within the following expense analysis:

Expenses for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2016	FY2015	FY2014	FY2013	FY2012
Program services					
Certification and certificate programs	$63.0	$62.1	$59.2	$58.7	$55.7
Educational content and products	35.7	36.7	34.8	36.4	49.7
Marketing and communications	42.7	33.7	35.3	29.0	27.5
Member and society services	26.4	18.7	18.3	21.9	20.6
Standards and advocacy	14.1	12.9	13.1	13.0	10.0
Scholarships — 11 September Memorial Fund	0.1	0.1	0.1	0.1	0.1
Support services					
Information technology	33.8	27.2	26.0	23.9	22.6
Financial operations and executive	25.7	20.8	19.4	17.8	18.9
Facility operations	11.0	10.3	10.6	9.3	8.8
Human resources	5.8	5.9	5.6	5.6	5.6
Legal	4.8	4.2	3.9	3.3	4.1
Publishing and content services	3.8	2.8	2.7	2.5	2.5
Travel support and event management	3.5	3.3	2.9	2.4	2.2
Other support services	—	—	0.6	0.1	—
Total operating expenses	**$270.4**	**$238.6**	**$232.5**	**$224.0**	**$228.3**

Program Services

- Certification and certificate program expenses rose to $63.0 million in FY2016 from $62.1 million the previous year, with higher expenses realized in exam operations as a result of increased candidate volume. This increase was partially offset by savings in salaries and related expenses year over year.
- Educational content and products expenses decreased to $35.7 million in FY2016 from $36.7 million the previous year, in part as a result of lower cost of goods sold for CFA Program curriculum and lower expenses related to the 2016 CFA Institute Annual Conference venue. This decrease was partially offset by an increase in expenses related to the 2016 CFA Institute Research Challenge.
- Marketing and communications expenses rose to $42.7 million in FY2016 from $33.7 million the previous year, primarily as a result of the strategic funding of our Global Brand Awareness Campaign, A Difference That Matters™, which focused on regional brand building in key financial centers such as New York City, London, China, and Mumbai. The campaign was extended to local brand-building and additional financial support to societies. Executed in two waves, a total of $16.8 million was deployed against Brand Awareness in FY2016, an increase of $11.6 million from the previous year. Additional campaign waves are planned for execution throughout FY2017.
- Member and society expenses rose to $26.4 million in FY2016 from $18.7 million the previous year, primarily as a result of the strategic funding of member societies. Each member society plays a critical role in localizing the global mission of CFA Institute. The renewed society focus in FY2016 included a direct funding increase of $3.8 million over FY2015 levels for a total of $8.6 million in FY2016. Changes in operational funding linked grants to societies with local candidate and member growth and represented approximately $6.4 million of the $8.6 million. A revised project funding process led to increased project funding totaling slightly more than $2.2 million in FY2016, up from $0.8 million in FY2015. Additional funds provided support for society leader training, infrastructure building, and increasing engagement with stakeholders.
- Standards and advocacy expenses rose to $14.1 million in FY2016 from $12.9 million in FY2015 as a result of increased activity across advocacy disciplines.

Support Services

- Information technology expenses rose to $33.8 million in FY2016 from $27.2 million in FY2015 with the addition of a Global Strategic Design function, the establishment of an enhanced information security program, and the first full year of the Digital Core Transformation (DCT) project. DCT is a three-year initiative underpinning the organization's long-term technology plan. Aimed at delivering and supporting business outcomes, DCT will upgrade legacy technology to digital infrastructure, improve user experiences, and enhance internal processes. During FY2016, DCT expenditures totaled $4.7 million, with $3.2 million capitalized as intangible assets on the balance sheet.
- Financial operations and executive expenses rose to $25.7 million in FY2016 from $20.8 million in FY2015, primarily with the establishment, build-out, and staffing of the Compliance, Risk, and Ethics function.

FINANCIAL CONDITION

Overall, our assets have increased 16% or $67.2 million to $494.0 million in FY2016, up from $426.8 million in FY2015. This increase results largely from strong growth in the CFA Program and New Level I growth in particular, which generates significant net cash flow for the organization.

Financial Position for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2016	FY2015	FY2014	FY2013	FY2012
Cash and cash equivalents	$58.5	$57.6	$50.8	$46.2	$39.2
Current investments, at fair value	15.0	1.0	—	—	—
Other current assets	14.3	14.9	15.8	16.4	17.3
Total current assets	87.8	73.5	66.6	62.6	56.5
Non-current investments, at fair value	347.7	293.0	283.3	253.3	241.1
Other non-current assets	58.5	60.3	60.9	43.2	15.8
Total non-current assets	406.2	353.3	344.2	296.5	256.9
Total assets	**$494.0**	**$426.8**	**$410.8**	**$359.1**	**$313.4**
Accounts payable and accrued liabilities	$17.2	$10.8	$14.0	$16.8	$13.4
Deferred revenue	132.1	117.4	102.4	96.7	91.8
Other current liabilities	21.8	19.3	16.9	16.1	14.2
Total current liabilities	171.0	147.4	133.3	129.7	119.4
Accounts payable and accrued liabilities	0.2	0.3	0.5	—	—
Deferred revenue	39.6	32.8	33.1	32.2	32.4
Other non-current liabilities	20.9	21.7	23.3	23.2	2.3
Total non-current liabilities	60.7	54.9	56.9	55.4	34.7
Total liabilities	231.7	202.3	190.2	185.1	154.1
Net assets	262.3	224.5	220.6	174.0	159.4
Total liabilities and net assets	**$494.0**	**$426.8**	**$410.8**	**$359.1**	**$313.5**

- Of the $494.0 million in total assets, $362.7 million were investments, up from $294.0 million at year-end FY2015, split between current investments of $15.0 million and non-current investments of $347.7 million.
- The year over year growth in short-term investments of $14.0 million largely reflects growth in income from operations.
- The year over year increase in non-current investments of $54.7 million results primarily from $31.6 million in contributions and $20.0 million of unrealized appreciation. Invested in liquid assets, these investments more than offset current ($132.1 million) and non-current ($39.6 million) deferred revenue liabilities, representing unearned revenue from exam and membership services not yet provided.
- Current assets are managed to cover operational needs, whereas investments provide protection against business disruptions and a potential funding source for large new and long-term business initiatives.
- Deferred revenue increased in part because of demand for Level I of the CFA Program. In accordance with US GAAP, revenue collected for an exam offered the following fiscal year is deferred to that year. CFA Institute recognizes the one-time CFA Program enrollment fees over three years, the estimated average time a candidate participates in the CFA Program.
- Deferred revenue related to member dues also increased as a result of higher member totals.

For more-detailed information on deferred revenue, please refer to *Note 2: Summary of significant accounting policies, Deferred revenue* within the CFA Institute Consolidated Financial Statements at the end of this report.

CASH AND INVESTMENT DETAIL

Cash and Investment Portfolio Balance for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2016	FY2015	FY2014	FY2013	FY2012
Cash and cash equivalents	$58.5	$57.6	$50.8	$46.2	$39.2
Current investments, at fair value	15.0	1.0	—	—	—
Non-current investments, at fair value	347.7	293.0	283.3	253.3	241.1
Subtotal investments, at fair value	$362.7	$294.0	$283.3	$253.3	$241.1
Total cash, current, and non-current investments	**$421.2**	**$351.6**	**$334.1**	**$299.5**	**$280.3**

- Strategic, long-term, target investment portfolio weights are 60% risk assets (e.g., global equities, real estate assets, emerging market debt, and high-yield debt) and 40% low-volatility assets (e.g., Treasury inflation-protected securities and core fixed income). For the year ended 31 August 2016, corresponding actual weights reflect 60% and 40%, respectively. The financial reserves serve as a self-insurance backstop and, combined with existing risk-mitigation strategies, help provide for the continuation of services in the event of a large-scale disruption to the CFA Program. It is expected that this approach to managing the reserves will give CFA Institute additional risk management flexibility.
- The reserves are invested in accordance with the investment policy statement, which was developed by the CFA Institute Investment Committee according to principles taught in the CFA Program curriculum. The CFA Institute Investment Policy Statement is approved by the CFA Institute Board of Governors.
- In FY2016, a new board-led investment committee was formed in order to provide more strategic direction, governance, and board oversight of the reserves. Accordingly, committee governance documents, including a new charter and investment policy statement, were approved and executed in the current fiscal year.

Cash Flow (Direct Method) for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2016	FY2015	FY2014	FY2013	FY2012
Cash inflows from operations	$326.6	$293.8	$267.0	$248.8	$243.3
Cash outlays to operations	268.6	240.9	240.8	227.4	232.1
Net cash from operations	58.0	52.9	26.2	21.4	11.2
Net cash from financing activities	2.8	(1.4)	4.6	24.1	—
Net cash from investing activities	(60.0)	(44.7)	(26.2)	(38.5)	14.4
Net increase (decrease) in cash	0.8	6.9	4.6	7.0	25.6
Cash, beginning of year	57.6	50.8	32.6	25.6	—
Cash, end of year	**$58.5**	**$57.6**	**$37.2**	**$32.6**	**$25.6**

- The consolidated statements of cash flow are prepared using the direct method in accordance with US GAAP.
- Cash inflows from operations increased 11% in FY2016 over FY2015 from CFA Program and member growth, whereas the 11% increase in cash outlays to operations during the same period funded this growth and provided for additional mission-related investments in brand awareness, society funding, and infrastructure.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The organization's critical accounting policies and estimates include the method by which we recognize revenue, most significantly the policy related to enrollment fees; the valuation of our investments and derivatives; and our policy related to the deferral and amortization of intangibles.

For more-detailed information on these critical accounting policies and estimates, please refer to *Note 2: Summary of significant accounting policies, Revenue; Note 4: Investments; Note 5: Fair value measurements; and Note 7: Intangibles* within the CFA Institute Consolidated Financial Statements at the end of this report.

OUTLOOK

The new FY2017–2019 organizational strategy is driving a more regional focus on relevance and on delivering immediate value to our members. This section describes some of the key objectives and actions planned for the coming years to advance this strategy.

Developing Future Professionals

Three strategies underpin plans for developing future professionals: (1) positioning the CFA Program for 100% market penetration; (2) confirming the market for and viability of the CIPM and Investment Foundations programs; and (3) influencing the influencers by driving demand for credentialed professionals among employers, regulators, and other institutional stakeholders. As the primary source of revenue for the organization, the CFA Program is the least risk tolerant of the credentialing programs. We seek to protect the rigor, relevance, quality, and resource commitment to the CFA Program while taking calculated risks to further its development. We have more willingness to tolerate risk and experiment with the CIPM Program, and even more so with Investment Foundations Program, as neither has yet to achieve the status in its respective market attained by the CFA Program.

Delivering Member Value

With membership projected to grow by another 4% in FY2017, personalizing member value and its delivery is critical to our plans. Through the Digital Core Transformation and creation of a member app, we intend to develop capabilities around capturing preferences and behaviors to better customize value delivery across two complementary parts of the CFA System, which we define as the collective value and reach of CFA Institute and CFA Member Societies. We are beginning with a focus on content and will continue a "mobile first" approach for meeting member needs. In addition, FY2017 initiatives across our disciplines include the following:

- Delivering Jobline, a new job board for members and candidates. Jobline will be promoted to employers as the hiring solution that identifies the most qualified and ethical investment professionals. We will bring a number of CFA Member Societies onto the platform this year and will expand more broadly after an initial pilot phase.
- Exploring ways to increase local society membership and blended offerings that effectively deliver content and services via the CFA System.
- Continuing the Global Brand Campaign and, at the same time, increasing content marketing to further raise support of our members' value.
- Focusing relentlessly on the ongoing professional development needs of members in partnership with our network of CFA Member Societies around the globe.

Building Market Integrity

Standards and Advocacy sees the opportunity to aggressively and more effectively promote awareness and recognition of our content and ensure a focus on powerful and member-relevant debates and tools. Specific examples include industry-targeted research aided by our proprietary database of members, exceptional ethics training tools, and staying ahead of industry and profession mega-trends via our Future of Finance initiative. Our objective is to reach the broader investment management industry, its many stakeholders, and service providers, regulators, and key media outlets to fully feature the CFA Institute community as a primary destination for investment industry thought leadership and advocacy.

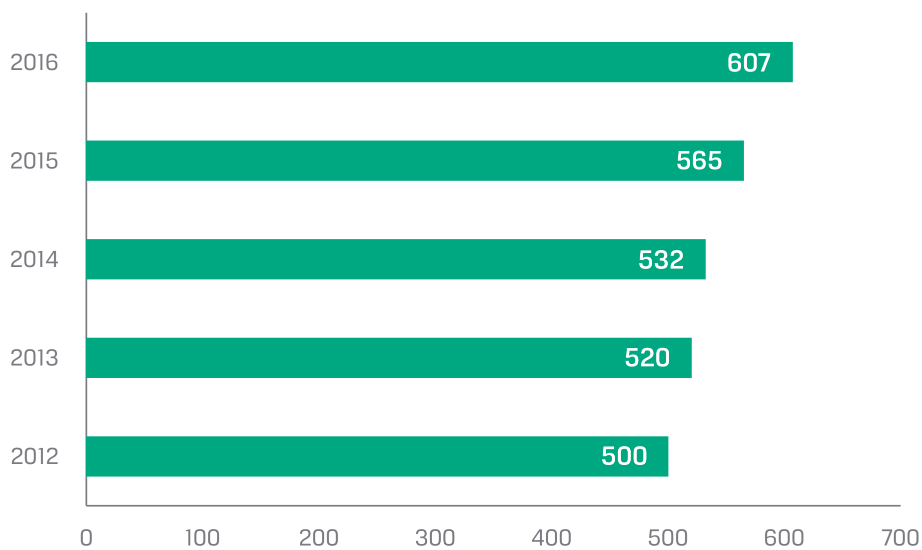
Shaping the investment management environment will require that we become more broadly and consistently recognized by industry participants as one of the most authoritative sources on the future direction of investor protection, market fairness and transparency, and professionalism.

SUMMARY

Although our mission remains unchanged, our strategy is purposely designed to move us forward in delivering more value to members and having a greater presence within the investment management profession. The trajectory of the CFA Program and membership growth look strong. So, too, are our commitments to continued society collaboration, greater global brand awareness, and better end-user experiences via our DCT project. FY2017 budgeted revenues are $309.1 million, while budgeted expenses are $307.9 million, resulting in projected income from operations of $1.2 million.

In line with our three-year strategic plan, management remains committed to improved internal efficiency and effectiveness as noted in the message from our president and CEO. As a part of that plan, we are limiting headcount growth in the medium term to a board-approved total of 637 and will recruit only those positions deemed operationally critical, including newly vacated positions. As management has worked to optimize organizational structure and culture, there were 90 internal talent moves (job changes, promotions, or departmental transfers), representing 15% of staff, during FY2016.

Onboard Headcount at Fiscal Years Ended 31 August



For a full view into the specific objectives and targets by which we will measure ourselves across our strategic actions, please refer to our FY2017–2019 Strategic Plan.

RISKS

CFA Institute supports a culture of informed risk awareness in pursuit of mission achievement. The organization uses a formalized enterprise risk management process that includes organization-wide business continuity planning designed to identify and understand potential risks that may affect the achievement of the organization's strategic objectives. These risks include the following:

Compliance Risk

CFA Institute has members in more than 140 countries and administers the CFA Program in more than 90 countries worldwide. As the organization continues to expand, CFA Institute faces higher compliance risks and costs. Many jurisdictions in which we do business have less predictable or robust regulatory systems than the United Kingdom and the United States. We have expanded our resources to meet this growing challenge.

China, which accounts for a rising share of testing revenue annually, has passed and will be implementing new legislation affecting membership organizations in that country. Regulations have not yet been published, and CFA Institute is working to evaluate the potential effect.

Political Risk

CFA Institute is vulnerable, to varying degrees, to political or financial instability in various jurisdictions. This instability could generate negative short-term effects such as disrupting a single exam administration or preventing purchases through restrictive capital controls. Negative long-term effects could also result from political actions that restrict CFA Institute market access or the health of the local investment management industry.

Exam Administration Disruption Risk

Disruptions to testing for reasons such as weather events, natural disasters, strikes, political upheaval, terrorism, or exposed test items could result in significant loss. The organization has mitigation strategies in place; however, it cannot control the number and type of exogenous events that can negatively affect exam administration.

Cyber Risk

CFA Institute faces the same cyber risks that now confront all businesses. We have an established information security program and have retained a leading information security firm to assist us in further mitigating cyber risks.

GOVERNANCE

GOVERNANCE

The Board of Governors is the highest governing authority of CFA Institute and is responsible for guiding the organization's mission, vision, and strategy. It works in conjunction with the Leadership Team, which comprises the president and CEO as well as other executives who manage divisions within CFA Institute. Governors and other member-volunteers serve in a variety of roles critical to the governance of CFA Institute, including active participation on the following committees:

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assist the Board of Governors in the fulfilment of its functions with respect to CFA Institute financial statements, financial condition, and risk management by:

- overseeing CFA Institute financial and audit systems for financial integrity;
- overseeing the CFA Institute process for monitoring compliance as it relates to financial integrity;
- evaluating and providing oversight of the monitoring of CFA Institute risks; and
- evaluating the independence and qualifications of the independent auditor.

Governance standards are ultimately determined by US Virginia State law and corporate codes, but recognizing the organization's prominence as a professional body, as well as the expectations of members and other stakeholders, other best practice enhancements to governance and disclosure are followed where practicable.

The Audit and Risk Committee's role is one of oversight. Management is responsible for preparing the financial statements, risk assessment, and risk management. The independent auditor is responsible for auditing the annual financial statements. As appropriate, the committee may challenge the reviews and reports to enhance the organization's overall risk management.

Compensation Committee

The purpose of the Compensation Committee is to carry out the responsibilities delegated by the Board of Governors of CFA Institute relating to the oversight of compensation policies and programs; review of compensation and all related plans, policies, and programs of the executive officers of CFA Institute; review and determination of compensation of the president and CEO, as well as the chief compliance, risk and ethics officer; and consideration of and action for matters pertaining to management succession in accordance with and subject to the Bylaws of CFA Institute, as such bylaws may be amended from time to time. The term "executive officers" refers to the officers and managing directors in the positions for which compensation disclosure is included in the annual proxy statement to members.

Executive Committee

The purpose of the Executive Committee is to assist the Board of Governors of CFA Institute in the orderly and fair governance of CFA Institute by, among other things, acting on behalf of the board within the scope of the committee's authority and overseeing the functions, operations, and activities of the board and its committees.

Investment Committee

The purpose of the Investment Committee is to carry out the responsibilities delegated by the Board of Governors of CFA Institute regarding the strategic direction and oversight of the CFA Institute financial reserves, with the objective of protecting the financial position and supporting the mission and goals of CFA Institute.

Nominating Committee

The purpose of the Nominating Committee is to fairly and objectively seek and nominate qualified candidates for election to the board of governors. The committee is established by the Bylaws of CFA Institute to carry out the responsibilities delegated by the Board of Governors of CFA Institute relating to the processes and procedures for governor nominations, in accordance with and subject to the bylaws that may be amended from time to time:

- To identify, vet, and nominate qualified candidates for governor and officer positions of CFA Institute, in accordance with and subject to the bylaws.
- To support the CFA Institute leadership position in the investment profession by recognizing individuals whose achievements, examples, or contributions have helped raise the standards of education, integrity, and professional excellence.

Society Partnership Advisory Council

The purpose of the Society Partnership Advisory Council established by the Board of Governors is to assist CFA Institute with the following matters related to CFA Institute Member Societies:

- Facilitate the alignment between CFA Institute and CFA Institute Member Societies that is critical in advancing our mission globally and delivering value to our members.
- Establish a unified voice on CFA Institute Member Society-related matters in order to represent CFA Institute Member Society interests to the board.
- Ensure continued strength in the relationships among CFA Institute, the Presidents Council, and CFA Institute Member Societies.
- Provide feedback and guidance on CFA Institute Member Society business to the Board, Presidents Council, CFA Institute staff, and CFA Institute Member Societies.

Note that more-detailed information with respect to directors, executive officers, the Code of Ethics, and the Audit and Risk Committee and Audit Committee member qualifications is included in our 2017 Proxy Statement to be filed sixty (60) days prior to the Annual Meeting of Members, scheduled for 23 May 2017. Additional information, including committee rosters and biographies, can also be found within the Governance section of our website.

LINKS TO KEY DOCUMENTS

- CFA Institute Articles of Incorporation
- CFA Institute Bylaws
- Code of Ethics: Governors; Employees

Principal Accounting Fees and Services

Information with respect to principal accounting fees and services is included in our 2017 Proxy Statement to be filed sixty (60) days prior to the Annual Meeting of Members, scheduled for 23 May 2017.


CFA Institute

INDEPENDENT AUDITOR'S REPORT AND AUDITED FINANCIAL STATEMENTS

CFA Institute

Consolidated Financial Statements

and Accompanying Consolidating Information
As of 31 August 2016 and 2015

and Independent Auditor's Report

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Report of Independent Auditors

To the Board of Governors of CFA Institute:

We have audited the accompanying consolidated financial statements of CFA Institute and its subsidiaries, which comprise the consolidated statements of financial position as of August 31, 2016 and August 31, 2015, and the related consolidated statements of activities and consolidated cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CFA Institute and its subsidiaries as of August 31, 2016 and August 31, 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

McLean, Virginia
22 November 2016

(in thousands)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 58,482	$ 57,641
Investments, at fair value	14,997	1,000
Accounts receivable, net	898	682
Prepaid expenses and other assets	12,015	12,389
Publication inventory	1,364	1,695
Restricted cash	64	62
Total current assets	87,820	73,469
Non-current assets		
Investments, at fair value	347,687	292,999
Derivative contracts	—	257
Prepaid expenses and other assets	3,522	3,653
Property and equipment, net	42,827	45,863
Intangibles, net	12,150	10,569
Total non-current assets	406,186	353,341
Total assets	$ 494,006	$ 426,810
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$ 17,180	$ 10,821
Deferred revenue	132,104	117,352
Employee-related liabilities	16,079	14,846
Funds held for others	4,091	2,760
Derivative contracts	250	333
Notes payable	1,320	1,290
Interest payable	14	38
Total current liabilities	171,038	147,440
Non-current liabilities		
Accounts payable and accrued liabilities	188	296
Deferred revenue	39,602	32,843
Employee-related liabilities	1,649	1,888
Derivative contracts	737	—
Notes payable	18,534	19,850
Total non-current liabilities	60,710	54,877
Total liabilities	231,748	202,317
Net assets		
Unrestricted		
Undesignated	248,280	215,288
Designated	1,471	1,533
Non-controlling interests	12,507	7,672
Total net assets	262,258	224,493
Total liabilities and net assets	$ 494,006	$ 426,810

The accompanying notes are an integral part of these consolidated financial statements.

CFA Institute

Consolidated Statements of Activities
For the Years Ended 31 August 2016 and 2015

(in thousands)

	2016	2015
Change in net assets		
Operating revenues		
Certification and certificate programs	$ 192,314	$ 174,492
Educational products	51,514	48,769
Member dues and other	38,945	36,690
Contributions	260	273
Total operating revenues	283,033	260,224
Operating expenses		
Program services		
Certification and certificate programs	62,992	62,057
Educational content and products	35,673	36,746
Marketing and communications	42,713	33,711
Member and society services	26,445	18,720
Standards and advocacy	14,081	12,947
Scholarships – 11 September Memorial Fund	73	74
Support services		
Information technology	33,791	27,159
Financial operations and executive	25,730	20,822
Facility operations	10,984	10,250
Human resources	5,804	5,888
Legal	4,789	4,158
Publishing and content services	3,780	2,762
Travel support and event management	3,470	3,327
Fundraising	15	23
Other support services	17	—
Total operating expenses	270,357	238,644
Income from operations	12,676	21,580
Realized gains, interest and dividends (net)	1,936	12,438
Change in net assets from operations	14,612	34,018
Other changes		
Unrealized gains (losses) on investments (net)	19,954	(29,560)
Unrealized loss on derivative contracts	(911)	(444)
Capital contributions – non-controlling interests	4,230	—
Return of capital – non-controlling interests	(120)	(127)
Change in net assets	37,765	3,887
Net assets, beginning of year	224,493	220,606
Net assets, end of year	$ 262,258	$ 224,493

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands)

	2016	2015
Cash flows provided by operating activities		
Cash inflows		
Certification and certificate programs	$ 212,049	$ 186,770
Educational products	51,648	48,582
Member dues and other	56,965	52,657
Contributions	282	273
Interest and dividends	5,695	5,560
Total cash inflows	326,639	293,842
Cash outlays		
Program services		
Certification and certificate programs	63,305	62,122
Educational content and products	36,243	34,795
Marketing and communications	36,108	33,255
Member and society services	36,874	29,767
Standards and advocacy	14,538	12,860
Scholarships – 11 September Memorial Fund	73	74
Support services		
Information technology	27,002	21,397
Financial operations and executive	27,892	21,977
Facility operations	9,458	8,640
Human resources	5,625	6,290
Legal	4,274	3,964
Publishing and content services	3,607	2,651
Travel support and event management	3,619	3,085
Fundraising	15	23
Other support services	16	—
Total cash outlays	268,649	240,900
Net cash provided by operating activities	57,990	52,942
Cash flows provided by (used in) financing activities		
Loan repayments	(1,287)	(1,250)
Capital contributions – non-controlling interests	4,230	—
Return of capital – non-controlling interests	(120)	(127)
Net cash provided by (used in) financing activities	2,823	(1,377)

continued on next page

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands)

	2016	2015
Cash flows (used in) provided by investing activities		
Purchases of property and equipment	(853)	(6,178)
Purchases of intangible assets	(6,630)	(5,080)
Purchases of investments	(255,561)	(126,177)
Proceeds from investments	203,072	92,749
Net cash used in investing activities	(59,972)	(44,686)
Net increase in cash and cash equivalents	841	6,879
Cash and cash equivalents, beginning of year	57,641	50,762
Cash and cash equivalents, end of year	$ 58,482	$ 57,641

Reconciliation of change in net assets to net cash		
Change in net assets	$ 37,765	$ 3,887
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	9,185	7,955
Losses on disposition of fixed assets	17	—
Unrealized (gains) losses on investments (net)	(19,954)	29,560
Realized losses (gains) on investments (net)	3,760	(6,878)
Unrealized loss on derivative contracts	911	444
Capital contributions	(4,230)	—
Return of capital – non-controlling interests	120	127
Changes in:		
Accounts receivable	(216)	70
Prepaid expenses and other assets	535	362
Publication inventory	331	285
Restricted cash	(2)	216
Accounts payable and accrued liabilities	5,956	133
Deferred revenue	21,511	14,704
Employee related liabilities	994	1,440
Funds held for others	1,331	619
Interest payable	(24)	18
Net cash provided by operating activities	$ 57,990	$ 52,942

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

CFA Institute is a not-for-profit professional association, incorporated in Virginia, with a mission of leading the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program and serves more than 146,000 members, as well as 147 member societies around the world. CFA Institute also administers the Certificate in Investment Performance Measurement (CIPM®) Program and serves more than 1,600 members of the CIPM Association. In addition, CFA Institute administers the CFA Institute Investment Foundations™ certificate program (formerly known as the Claritas® Investment Certificate) and has awarded more than 10,000 certificates since the inception of the program. CFA Institute has offices in Beijing; Brussels; Charlottesville, Virginia; Hong Kong; London; Mumbai; New York City; Singapore; and Shanghai.

CFA Institute qualifies as a tax-exempt organization under Internal Revenue Code (IRC) § 501(c)(6). CFA Institute was incorporated in 1986 as the Association for Investment Management and Research (AIMR) as a result of the combination of the Financial Analysts Federation (FAF) and the Institute of Chartered Financial Analysts (ICFA). The FAF and ICFA have histories dating back to 1947 and 1962, respectively. AIMR changed its name to CFA Institute in 2004.

The organization administers the CFA Program, the objective of which is to enhance the professionalism of those involved globally in the investment decision-making process. CFA Institute awards the CFA charter to those who successfully complete three levels of examination and meet stipulated standards of professional conduct and work experience. The organization provides comprehensive continuing professional development opportunities—through conferences, events, publications, and personalized virtual resources—that empower members and other constituents to practice ethically and competently in dynamic global financial markets. The organization also promotes the use of professional standards for self-regulatory organizations, ethical conduct in the investment profession through the Code of Ethics and Standards of Professional Conduct, and other best practice guidance in conferences, publications, and webcasts.

CFA Institute Research Foundation (the Foundation), a wholly-controlled subsidiary of CFA Institute, is a not-for-profit organization, incorporated in Virginia, that qualifies as a tax-exempt organization under IRC § 501(c)(3). The purpose of the Foundation is to sponsor, publish, and distribute cutting-edge research on topics that contribute to or improve global investment practices and the CFA Institute Global Body of Investment Knowledge used by investment professionals around the world. The Foundation also periodically delivers research through in-person conferences and online webinars and recognizes excellence in contributions to the global investment community through the James R. Vertin Award.

The 11 September Memorial Scholarship Fund (the Scholarship Fund) is owned and operated by the Foundation. It was established in October 2001 to benefit disabled survivors and families of the casualties of the 11 September terrorist attacks. The Scholarship Fund awards college and university scholarships to certain qualified individuals pursuing university-level education in finance, economics, accounting, or business ethics.

CFA Institute China Limited (CFA Institute China), a wholly-owned subsidiary of CFA Institute, is a limited company incorporated in 2008 in Hong Kong. CFA Institute China has two representative offices located in the People's Republic of China—one in Beijing and one in Shanghai. CFA Institute China and its two representative offices provide auxiliary services in China, including continuing professional development such as education, conferences, workshops, exhibitions, and other networking events.

Cville Operations Hub, LLC (HUB), Cville Operations Holdings, Inc. (Holdings), and Cville Master Tenant, LLC (CMT), all Virginia corporations, are wholly-controlled entities of CFA Institute formed in 2012 to establish a legal entity relationship qualifying for the capture and use of Historic Rehabilitation Tax Credits pursuant to I.R.C. §§ 47-48 and Virginia Code § 58.1-339.2, relating to the acquisition and construction of the Charlottesville, Virginia property.

During the year ended 31 August 2013, partial interests in HUB and CMT were conveyed to unrelated third parties. In accordance with the "Cville Operations Hub, LLC, Second Amended and Restated Operating Agreement" dated 21 May 2013, HUB granted a ten percent (10%) non-preferred equity interest to certain unrelated third parties. In accordance with the "Second Amended and Restated Operating Agreement of Cville Master Tenant, LLC," CMT granted a ninety-nine and ninety-nine one-hundredths percent (99.99%) non-preferred equity interest to an unrelated third party. This conveyance of the interest in CMT created a Variable Interest Entity (VIE) for CFA Institute under the Consolidation topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). However, Holdings, a wholly-owned subsidiary of CFA Institute, retains operational control as the managing member of both HUB and CMT. (see Note 2, Consolidation).

CFA Institute India Private Limited (CFA Institute India) is a private corporation incorporated under the laws of India whose function is to provide marketing, promotional, and outreach services to CFA Institute for a fee, as well as to provide limited auxiliary services to CFA Institute members in India, including continuing professional development such as education, conferences, workshops, exhibitions, and other networking events.

CFA Global Holdings, LLC (Global), a wholly-owned subsidiary of CFA Institute, is a private corporation incorporated in 2014 under the laws of Virginia whose function is to act as a holding company for a one one-hundredths percent (0.01%) share of CFA Institute India. CFA Institute retained a ninety-nine and ninety-nine one-hundredths percent (99.99%) share of CFA Institute India.

Si Wei Beijing Enterprise Management Consulting Company Limited (Si Wei), a wholly-owned subsidiary of CFA Institute China, is a private corporation incorporated under the laws of the People's Republic of China whose function is to provide marketing, promotional, and outreach services to CFA Institute for a fee, as well as to provide limited auxiliary services to CFA Institute members in China, including continuing professional development such as education, conferences, workshops, exhibitions, and other networking events.

During the year ended 31 August 2016, CFA Institute capitalized CFA Institute Singapore Private Limited (CFA Institute Singapore), a wholly-owned subsidiary. CFA Institute Singapore is a private corporation incorporated under the laws of Singapore whose function is to provide consulting and training services on capital markets general knowledge and professional ethics, conference services, social and economic consulting services, market intelligence consultation, enterprise management consultation services, marketing strategy and market research services to CFA Institute for a fee, as well as to provide limited auxiliary services to CFA Institute members in Singapore, including continuing professional development such as education, conferences, workshops, exhibitions, and other networking events.

2. Summary of significant accounting policies

Basis of accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). All monetary values are presented in US dollars ($) throughout these financial statements.

Consolidation

The consolidated financial statements include the accounts of the CFA Institute Operations group, CFA Institute Research Foundation, and the Cville Building Operations group. The CFA Institute Operations group, consolidates the accounts of CFA Institute, CFA Institute China, CFA Institute India, CFA Institute Singapore, Global, and Si Wei given each entity is wholly-owned either by CFA Institute or by a wholly-owned subsidiary. CFA Institute Research Foundation is consolidated given that it is a wholly-controlled entity. The Cville Building Operations group consolidates the accounts of CMT, Holdings, and HUB given that CFA Institute has an affiliated interest of greater than fifty percent (50%) in the entity (Holdings, HUB), or has the power to direct the activities and significantly impact the economic performance of the variable interest entity (CMT), in accordance with the Consolidation topic of the FASB ASC. All intercompany transactions and balances have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the US requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Measure of operations

Operating revenues include candidate fees, educational product sales, member dues, and contributions. Realized gains and losses and income from investments are reported separately and are included in the change in net assets from operations. Unrealized gains and losses on investments are reported as other changes in net assets. Changes in temporarily restricted net assets are also reported as other changes in net assets.

Concentration of credit risk

CFA Institute maintains cash balances in global bank and financial institution accounts that exceed insured limits established by the Federal Deposit Insurance Corporation in the US and other national deposit protection programs. To mitigate credit risk exposure, CFA Institute deposits funds in financially sound institutions and targets a maximum daily US operating cash balance of $15,000,000 to support operational and business continuity needs. The chief financial officer is notified of occasional operational exigencies that require a temporary balance in excess of $15,000,000. Short-term operating cash needs in excess of the $15,000,000 ceiling are invested in US government securities until required for disbursement purposes. Working capital is also maintained in non-US bank accounts to support international operations. Global cash and short-term investment balances that are in excess of the deposit protection limits are subject to some degree of credit risk.

Net assets

CFA Institute classifies net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. Contributions to the Foundation are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions to the Foundation with donor restrictions are recorded as temporarily restricted or permanently restricted depending on the nature of the restrictions.

Temporarily restricted net assets are contributions with donor-imposed program restrictions. Temporarily restricted net assets become unrestricted when the funds are used for their restricted purposes and are reported in the consolidated statements of activities as net assets released from restrictions. Temporarily restricted contributions, whose restrictions are satisfied in the same fiscal year that the contributions are received, are reported in the consolidated statements of activities as both temporarily restricted contributions and as net assets released from restrictions. As of 31 August 2016 and 2015, CFA Institute had no temporarily restricted net assets.

Permanently restricted net assets represent donor-restricted endowments to be held in perpetuity. Investment income from both temporarily and permanently restricted net assets is recorded as unrestricted income unless otherwise restricted by the donor. As of 31 August 2016 and 2015, CFA Institute had no permanently restricted net assets.

Unrestricted net assets include an element of non-preferred, non-controlling equity interests related to Charlottesville Building Operations. The consolidated schedule of changes in unrestricted net assets is as follows (in thousands):

	CFA Institute	Non-controlling interests	Consolidated
Balance as of 31 August 2015	$ 216,949	$ 7,544	$ 224,493
Change in net assets from operations	14,006	606	14,612
Unrealized gains on investments	19,954	—	19,954
Capital contributions	—	4,230	4,230
Return of capital	—	(120)	(120)
Unrealized loss on derivative contracts	(911)	—	(911)
Balance as of 31 August 2016	$ 249,998	$ 12,260	$ 262,258

Designated net assets

In 1986, the Association for Investment Management and Research (AIMR, now CFA Institute) was formed as a result of the combination of ICFA and FAF. Prior to the combination, ICFA contributed $950,000 to the Foundation. CFA Institute contributed $1,000,000 to the Foundation to establish the Scholarship Fund in October 2001. Because of the control relationship between CFA Institute and the Foundation, both contributions are reported as net assets–designated.

The Scholarship Fund is recorded as an unrestricted, designated net asset. Contributions by CFA Institute to the Foundation for the Scholarship Fund are recorded as unrestricted, and so designated in both the Foundation's separate financial statements and the consolidated financial statements, as required by the Not-for-Profit Entities topic of the FASB ASC, because of the control relationship between CFA Institute and the Foundation.

The Foundation grants initial funding to authors for their proposed research projects. Upon completion and final approval of the research product, the remaining grant funding is paid. The amount of committed and unpaid research grants are shown in designated net assets in the statements of financial position.

The consolidated schedule of designated net assets is as follows (in thousands):

	2016	2015
ICFA Contribution	$ 950	$ 950
11 September Memorial Fund	461	518
Unpaid research grants	60	65
Total designated net assets	$ 1,471	$ 1,533

Contributed services

CFA Institute receives contributed services from member volunteers for contributions of their time on various task forces and committees. The organization utilizes the committees and task forces for governance and to address different aspects of the CFA examinations, the CFA Program curriculum, continuing education, industry standards-setting, and other areas for its membership. In accordance with the Not-for-Profit Entities topic of the FASB ASC, CFA Institute has not recorded the value of the contribution of member volunteers' time in the accompanying consolidated financial statements.

Reclassifications and revisions

Certain reclassifications related to the prior year have been made within program services categories to conform to the current year presentation.

Interest expense of $652,000 in 2015 related to the notes payable - entered into in connection with the purchase of the Charlottesville facility (see Note 12) - was reclassified from finance cost to facility operations during 2016. The unrealized loss on derivative contracts is now separately presented within the statement of activities. The reclassification decreased income from operations with no change in changes in net assets. Net cash provided by operating activities remained unchanged.

Cash flow reporting

The consolidated statements of cash flow are prepared using the direct method in accordance with generally accepted accounting principles in the US, and as recommended by the CFA Program curriculum and the CFA Institute Comprehensive Business Reporting Model.

Cost classification

Operating expenses are classified as either program services or support services. Program services are those operating expenses that directly advance the mission of CFA Institute. Support services are administrative costs that are not allocated among program services.

Cash and cash equivalents

Cash and cash equivalents include short-term liquid investments with original maturities of ninety days or less following the date of purchase. Credit card transactions that have been authorized by fiscal year-end, but have not settled into operating accounts by 31 August are classified as cash and cash equivalents.

Accounts receivable

The accounts receivable aging report is reviewed periodically. All accounts over 90 days past due are wholly reserved unless arrangements have been made with the debtor.

Investments

CFA Institute records its investments, current and non-current, at fair value and any change in such value is reflected in the consolidated statements of activities. Gains and losses are determined using the weighted average per share cost basis.

Publication inventory

Inventory, which consists primarily of publications, is stated at the lower of cost or market determined by the first-in, first-out method. The CFA Program candidate curriculum is included in and principally comprises the balance.

Restricted cash

Restricted cash is classified as either current or non-current, depending on whether its use is restricted for greater than twelve months after 31 August 2016 or 31 August 2015, depending on the reporting year. The cash serves as collateral for bank-issued letters of credit as well as escrowed deposit accounts and is restricted as to withdrawal. Income earned from these funds is unrestricted and available for company use.

Derivative

CFA Institute is subject to risk from potential increases in interest rates associated with notes payable pertaining to the acquisition and construction of the Charlottesville property. This risk is mitigated through the use of an interest rate swap (a derivative financial instrument) that economically hedges the exposure associated with variable-rate debt. The objective of CFA Institute is to manage exposure to this risk by limiting the impact of changes in interest rates on operations and cash flow. CFA Institute does not actively invest in derivative instruments for investment purposes.

The 16.5-year interest rate swap agreement was executed concurrently with the note payable. HUB pays a fixed rate of two and ninety-one one-hundredths percent (2.91%) on a descending principal balance of $19,854,000 in return for a variable-rate interest of 30-day LIBOR plus ninety basis points. There is no prepayment penalty on the variable-rate loan, and the swap can be exited at any time. The interest rate swap was in a net liability position as of 31 August 2016 and 2015, with fair value of $987,000 and $76,000, respectively.

CFA Institute's outstanding derivative financial instrument is recognized in the consolidated statements of financial position at its fair value. The change in value due to annual fluctuations is recognized on the unrealized loss on derivative contracts line in the consolidated statements of activities and was $911,000 and $444,000 for the years ended 31 August 2016 and 2015, respectively.

Property and equipment
Property and equipment are recorded at cost, are initially classified as construction in progress, and are depreciated when available for use. Maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated life of the related asset or the remaining term of the lease.

The asset life ranges for each asset class are as follows:

Buildings	30 to 40 years
Computer hardware and equipment	3 to 5 years
Furniture and fixtures	3 to 10 years
Leasehold improvements	3 to 10 years

Intangibles
CFA Institute capitalizes certain costs related to software and implementation in connection with its internal-use software systems and costs related to website development. CFA Institute also capitalizes certain costs related to the acquisition of intellectual property and other contractual rights. These costs are initially classified as construction in progress and are amortized when placed in service. The amortization period is based on the expected useful life of the asset.

The asset life ranges for each asset class are as follows:

Computer software	3 to 5 years
Other intangibles	3 to 10 years

Deferred revenue
Unearned enrollment and examination fees are included in deferred revenue on the accompanying consolidated statements of financial position (see Revenue paragraph below).

The membership year for CFA Institute runs from 1 July to 30 June. CFA Institute begins receiving membership dues payments in May. Accordingly, ten months of revenue on current-year membership dues collections is classified as deferred revenue as of the CFA Institute fiscal year-end.

Revenue from non-members for subscriptions to the *Financial Analysts Journal* is credited to income over the term of the subscriptions. Deferred program revenue represents income collected for subsequent fiscal year events.

Health and welfare benefit liabilities
CFA Institute sponsors health and welfare benefit programs and, as of 1 January 2016, began partially self-funding medical and prescription benefits for US-based employees. CFA Institute purchases specific and aggregate stop-loss insurance to mitigate the risk of catastrophic losses on the health insurance plans.

CFA Institute recognizes health and welfare benefit liabilities in accordance with the Contingencies topic of the FASB ASC by evaluating and reporting certain uninsured risk related to incidents occurring on or before the date of the statements of financial position. As of 31 August 2016, the gross medical claims liability consisted of claims incurred but not reported of $349,000 and claims paid by a third party administrator and not yet paid by CFA Institute of $146,000, offset by a third party administrator pre-payment of $76,000, resulting in a net medical claims liability of $419,000.

Notes payable
Notes payable is classified as either current or non-current, depending on the amount of principal scheduled to be repaid within twelve months after 31 August 2016 and 31 August 2015.

Revenue
CFA Institute earns its revenue from examination fees, educational product sales, and member dues. Revenue recognition is in accordance with generally accepted accounting principles, the Revenue topic of the FASB ASC, and the Securities Exchange Commission Staff Accounting Bulletin 104 (SEC SAB 104).

One-time candidate enrollment fees, included in certification and certificate programs on the accompanying consolidated statements of activities, are recognized as revenue pro rata over three years, the estimated average time a candidate participates in the CFA Program. On the basis of the expected period of performance, a full year of revenue is recognized in the first year for the December exam (given in the first half of the fiscal year), and a half year of revenue is recognized in the first year for the June exam (given in the latter half of the fiscal year).

CFA Program and CIPM Program examination fees included in operating revenue from certification and certificate programs in the accompanying consolidated statements of activities are recognized as revenue when the candidate sits for the respective examinations. Educational product sales are recognized as revenue when those products are shipped or otherwise made available to the customer regardless of the associated examination date.

CFA Institute Investment Foundations certificate examination fees are included in deferred revenue as either a two-year voucher or a six-month registration. Vouchers are either exercised or recognized as revenue upon expiration or cancellation. When a voucher is exercised or a registration is purchased, the curriculum portion of deferred revenue is recognized immediately and included in educational content and products in the accompanying consolidated statements of income. The registration portion of examination fees is recognized when the registrant sits for the exam, or upon expiration or cancellation of the registration and is included in certification and certificate programs in the accompanying consolidated statements of activities.

Certification and certificate programs, as reflected on the consolidated statements of activities, are net of CFA, CIPM, and CFA Institute Investment Foundations certificate examination scholarships awarded in the amount of $4,768,000 for the year ended 31 August 2016 and $4,107,000 for the year ended 31 August 2015. These scholarship awards are separate and distinct from the scholarships awarded by the 11 September Memorial Scholarship Fund (see Note 10).

Member dues are recognized as revenue on a pro-rata basis over the membership year.

Grants
CFA Institute makes grants to various organizations where such funding supports common objectives of advancing the investment profession. For the years ended 31 August 2016 and 2015, CFA Institute provided direct operational, growth and partnership funding in the amount of $8,441,000 and $5,522,000, respectively, to the aforementioned 147 member societies. CFA Institute also provided other services and funding to each society to leverage their outreach into local communities. Other services and funding provides society leader training; infrastructure building; increasing engagement with stakeholders; and the collection and remittance of society dues and events.

Advertising costs
Advertising costs are expensed as incurred. Total advertising expense was $10,513,000 and $4,794,000 for the years ended 31 August 2016 and 2015, respectively.

Income taxes
CFA Institute and the Foundation are exempt from US federal income taxes under IRC §§ 501(c)(6) and 501 (c)(3), respectively, and Virginia state income taxes, except for unrelated business income. Unrelated business income is subject to US federal and Virginia state income taxes. Unrelated business income is generated from advertising revenue from CFA Institute publications and its website, as well as from revenue from online career development resources. Lobbying activities engaged in by CFA Institute generate US federal proxy tax. Federal income tax estimated payments made by CFA Institute, inclusive of unrelated business income tax and proxy tax, were $219,000 and $258,000 for the years ended 31 August 2016 and 2015, respectively. The Foundation had no unrelated business income for the years ended 31 August 2016 and 2015, respectively.

CFA Institute and the Foundation have performed evaluations of all unrelated business income and have maintained their tax exempt status. CFA Institute and the Foundation have determined that they have adequately provided for all open tax years under the Income Taxes topic of the FASB ASC and have no uncertain tax positions.

HUB and CMT have elected to be taxed as partnerships pursuant to Regs. § 301.7701-3 of the IRC. Accordingly, all profits and losses of these parterships are passed-through to and recognized by each member on its respective tax return. Holdings has elected to be taxed as a "C" corporation under that same section. Therefore, any tax effect on the results of operations will be taxed on Holdings' tax return. Holdings reported $835,000 and $885,000 in taxable income (loss) for the periods ended 31 December 2015 and 2014, respectively. Federal income tax estimated payments made by Holdings were $456,000 and $300,000 for the years ended 31 August 2016 and 2015, respectively.

Interest costs
CFA Institute incurred interest costs for the note payable of $579,000 and $652,000 for the years ended 31 August 2016 and 31 August 2015, respectively. Of these amounts, interest expense was $579,000 and $652,000 for the periods respectively, and no interest was capitalized.

New accounting pronouncements
In August 2016, FASB issued Accountings Standards Update (ASU) No. 2016-15, *Statement of Cash Flows, Classification of Certain Cash Receipts and Cash Payments*. The new guidance provides clarification on eight specific cash flow issues on which there has been diversity of practice regarding presentation and classification on the statement of cash flows. Nonpublic entities are required to apply this standard for annual reporting periods beginning after 15 December 2018, with early application permitted. CFA Institute is evaluating the impact of this standard on its Consolidated Financial Statements.

In August 2016, FASB issued ASU No. 2016-14, *Not-For-Profit Entities, Presentation of Financial Statements of Not-For-Profit Entities*. The new guidance improves the net asset classification guidance, and information presented about Not-For-Profits' (NFP) liquidity, financial performance and cash flows. NFP application of this update is required for annual reporting periods beginning after 15 December 2017, with early adoption permitted. CFA Institute is still fully evaluating the impact of the standard, but expects it to have a significant impact on the presentation and disclosure of information on its Consolidated Financial Statements.

In June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. The new guidance replaces the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. NFP application of this update is required for annual reporting periods beginning after 15 December 2020. CFA Institute is evaluating the impact of this standard on its Consolidated Financial Statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. The new guidance creates ASC 842 *Leases*, which requires recognition of lease assets and lease liabilities, including those from operating leases, on the balance sheet and disclosure of key information about leasing arrangements. Nonpublic entities are required to apply the leases standard for annual reporting periods beginning after 15 December 2019, with early adoption permitted. CFA Institute is evaluating the impact of the guidance on its Consolidated Financial Statements. This impact of this guidance will depend upon the leases in effect at the date of adoption.

In January 2016, FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The new guidance amends certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The main provisions require investments in equity securities to be measured at fair value through net income, unless they qualify for a practicability exception, and require fair value changes arising from changes in instrument-specific credit risk for financial liabilities that are measured under the fair value option to be recognized in other comprehensive income. With the exception of disclosure requirements that will be adopted prospectively, the ASU must be adopted on a modified retrospective basis. Nonpublic entities are required to apply the new guidance for annual reporting periods beginning after 15 December 2018. CFA Institute is evaluating the impact of this guidance on its Consolidated Financial Statements.

In November 2015, FASB issued ASU No. 2015-17, *Income Taxes, Balance Sheet Classification of Deferred Taxes*. The new guidance requires deferred tax assets and liabilities to be classified only as non-current on a classified statement of financial position. Nonpublic entities are required to apply this standard for annual reporting periods beginning after 15 December 2017, with early application permitted. CFA Institute is evaluating the impact of this guidance on its Consolidated Financial Statements.

In May 2015, FASB issued ASU No. 2015-07, *Fair Value Measurement*. The new guidance applies to reporting entities that elect to measure the fair value of an investment using the practical expedient net asset value per unit available in the fair value measurement standard. The amendments in the ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the practical expedient of net assets per share. The amendments in the ASU are effective for fiscal years beginning after December 15, 2016, with early application permitted. CFA Institute expects this guidance to have an impact on the fair value disclosure in its Consolidated Financial Statements.

In May 2014, FASB issued ASU No. 2014-09, *Revenue From Contracts with Customers*. Subsequently, the FASB has deferred the effective date and amended the ASU through a series of ASUs. The new revenue recognition standard eliminates the transaction and industry-specific revenue recognition guidance under current US GAAP and replaces it with a principle-based approach for determining revenue recognition. Nonpublic entities are required to apply the revenue recognition standard for reporting periods beginning after December 15, 2018, and are permitted to apply this guidance one year earlier. CFA Institute is evaluating the impact of this standard on its Consolidated Financial Statements.

In August 2014, FASB issued ASU No. 2014-15, *Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This new guidance requires management to assess the Company's ability to continue as a going concern and to provide related disclosures in certain circumstances. This guidance is effective for fiscal years ending after December 15, 2016, with early adoption permitted. CFA Institute does not expect this guidance to have an impact on its Consolidated Financial Statements.

3. Accounts receivable

Accounts receivable as of 31 August 2016 and 2015 consist of the following (in thousands):

	2016	2015
Accounts receivable	$ 943	$ 872
Allowance for bad debt	(45)	(190)
Total accounts receivable	$ 898	$ 682

4. Investments

Investments, at fair value (see Note 5) as of 31 August 2016 and 2015 consist of the following (in thousands):

	2016	2015
CFA Institute	$ 349,802	$ 281,780
The Foundation – endowment	12,425	11,706
The Foundation – the Scholarship Fund	457	513
Total investments	$ 362,684	$ 293,999

As of 31 August 2016 and 2015, investments at fair value consisted of US registered mutual funds and collective trusts that invest in global equity, global fixed-income, commodities, emerging market debt, global real estate investment trusts, other real assets, high-yield corporate bonds, inflation-protected securities, and US government securities.

The following table details the fair value and cost for the major types of investments of CFA Institute as of 31 August (in thousands):

	2016		2015	
	Fair value	Cost	Fair value	Cost
Global equity	$ 155,310	$ 129,659	$ 121,929	$ 102,546
Global fixed-income	97,149	95,809	68,896	65,480
Inflation-protected securities	41,670	38,825	34,058	33,962
High-yield corporate bonds	16,809	16,809	—	—
Emerging market debt	16,587	16,587	22,581	29,106
US government securities	15,363	15,359	1,366	1,364
Global real estate investment trusts	13,115	11,311	21,634	21,423
Other real assets	6,681	6,717	—	—
Commodities	—	—	23,535	28,466
Total investments	$ 362,684	$ 331,076	$ 293,999	$ 282,347

As of 31 August 2016, the carrying amount of the investment in emerging markets debt was impaired and that impairment was determined to be other-than-temporary. The impairment resulted in a charge of $2,603,000 and is included in realized gains, interest and dividends (net) on the consolidating statement of activities.

The investments in other real assets are also impaired in the amount of $36,000 as of 31 August 2016. These investments have been held for less than one month and the impairment has been determined to be temporary.

Investment gains (losses), interest, and dividends (net) for CFA Institute consist of the following (in thousands):

	2016	2015
Realized (losses) gains		
Global equity	$ 24	$ 6,494
Global fixed-income	4,487	167
Commodities	(6,139)	—
Emerging market debt	(3,748)	—
Global real estate investment trusts	1,616	205
Inflation-protected securities	—	12
Total realized (losses) gains (net)	(3,760)	6,878
Interest and dividends		
Global equity	2,960	2,747
Global fixed-income	1,433	1,452
Global real estate investment trusts	846	865
High-yield corporate bonds	37	—
Inflation-protected securities	311	485
US government securities	105	10
Other	4	1
Total interest and dividends	5,696	5,560
Total realized gains, interest and dividends (net)	1,936	12,438
Unrealized gains (losses)		
Global equity	6,267	(15,450)
Global fixed-income	(904)	(252)
Commodities	4,931	(4,914)
Emerging market debt	6,525	(5,339)
Global real estate investment trusts	1,592	(2,225)
Other real assets	(36)	—
Inflation-protected securities	1,577	(1,381)
US government securities	2	1
Total unrealized gains (losses) (net)	19,954	(29,560)
Investment gains (losses), interest and dividends (net)	$ 21,890	$ (17,122)

Description of major investments that represent more than 5% of total investments as of 31 August 2016:

a. Vanguard Total Bond Market Index Fund Institutional Shares (included in global fixed-income)—Seeks to track the performance of a broad, market-weighted bond index. Invests in over 8,300 bonds, including a wide spectrum of public, investment-grade, taxable, fixed-income securities in the US with maturities of greater than one year.

b. Vanguard Total Stock Market Index Fund Institutional Shares (included in global equity)—Seeks to track the performance of an index that measures the investment return of the overall US stock market. Invests in over 3,600 stocks, including large-, mid-, small-, and micro-cap stocks regularly traded on the NYSE and NASDAQ.

c. Vanguard Total International Stock Index Fund Institutional Shares (included in global equity)—Seeks to track the performance of an index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the US. Invests in more over 6,000 stocks of companies located in 46 countries.

d. Vanguard Inflation-Protected Securities Fund Institutional Shares (included in inflation-protection securities)—Seeks to provide investors with inflation protection and income consistent with investment in inflation-indexed securities. Invests primarily in high-quality inflation-indexed bonds issued by the US Treasury, government agencies, and domestic corporations. The fund invests in over 40 bonds.

e. Vanguard Intermediate-Term Investment Grade Admiral Shares (included in global fixed-income)—Seeks to provide investors with a moderate and sustainable level of current income. Invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities. The fund invests in over 2,000 bonds.

5. Fair value measurements

The Fair Value Measurements topic of the FASB ASC established a framework for measuring fair value. Per this topic, a fair value measurement is determined based on the assumptions that a market participant would use in pricing an asset or liability. This topic also established a three-tiered hierarchy that draws a distinction between market participant assumptions based on: (i) observable inputs such as quoted prices in active markets (Level 1), (ii) significant inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2), and (iii) unobservable inputs that require the use of present value and other valuation techniques in the determination of fair value (Level 3).

For Level 1 assets and liabilities that are measured using quoted prices in active markets, the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs.

For Level 2 assets and liabilities, fair value is measured primarily using information obtained from independent third parties. This third-party information is subject to review by management as part of a validation process, which includes obtaining an understanding of the underlying assumptions and the level of market participant information used to support those assumptions.

The emerging market debt fund is valued using net asset value per unit (NAV), the practical expedient available in the FASB ASC. CFA Institute has the ability to redeem its investment in this fund at the valuation date. Accordingly, investment in this fund is classified as Level 2. CFA Institute has no unfunded commitments related to the investment in this fund.

Since the valuation inputs available for the Level 2 note payable and derivative are not quoted prices in an active market, management has reviewed and concurs with valuation obtained from independent specialists who used FASB ASC applicable methods.

CFA Institute has no assets or liabilities classified as Level 3, whose fair value is derived from significant unobservable inputs.

The following tables present information about assets and liabilities required to be carried at fair value on a recurring basis as of 31 August 2016 and 2015 (in thousands):

		Fair value measurements as of 31 August 2016 using:		
	Fair value as of 31 August 2016	Quoted market prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Global equity	$ 155,310	$ 155,310	$ —	$ —
Global fixed-income	97,149	97,149	—	—
Inflation-protected securities	41,670	41,670	—	—
High-yield corporate bonds	16,809	16,809	—	—
Emerging market debt	16,587	—	16,587	—
US government securities	15,363	15,363	—	—
Global real estate investment trusts	13,115	13,115	—	—
Other real assets	6,681	6,681	—	—
Investments, at fair value	362,684	346,097	16,587	—
Mutual funds - IRC § 457 accounts	1,649	1,649	—	—
Liabilities				
Notes payable	(18,412)	—	(18,412)	—
Deferred compensation (see Note 11)	(1,649)	(1,649)	—	—
Derivative	(987)	—	(987)	—
Net assets and liabilities subject to fair value measurement	$ 343,285	$ 346,097	$ (2,812)	$ —

	Fair value as of 31 August 2015	Fair value measurements as of 31 August 2015 using: Quoted market prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Global equity	$ 121,929	$ 121,929	$ —	$ —
Global fixed-income	67,724	67,724	—	—
Inflation protected securities	35,230	35,230	—	—
Commodities	23,535	—	23,535	—
Emerging market debt	22,581	—	22,581	—
Global real estate investment trusts	21,634	21,634	—	—
US government securities	1,366	1,366	—	—
Investments, at fair value	293,999	247,883	46,116	—
Mutual funds - IRC § 457 accounts	1,538	1,538	—	—
Derivative	257	—	257	—
Liabilities				
Notes payable	(19,381)	—	(19,381)	—
Deferred compensation (see Note 11)	(1,537)	(1,537)	—	—
Derivative	(333)	—	(333)	—
Net assets and liabilities subject to fair value measurement	$ 274,543	$ 247,884	$ 26,659	$ —

6. Property and equipment

Property and equipment, including construction in progress, as of 31 August 2016 and 2015 consisted of the following (in thousands):

	2016	2015
Land	$ 3,487	$ 3,487
Buildings	36,212	36,127
Computer hardware and equipment	13,958	14,062
Furniture and fixtures	4,255	4,525
Leasehold improvements	4,255	4,372
Total property and equipment	62,167	62,573
Accumulated depreciation and amortization	(19,340)	(16,710)
Property and equipment, net	$ 42,827	$ 45,863

Construction in progress, included in the schedule above, as of 31 August 2016 and 2015 consisted of the following (in thousands):

	2016	2015
Computer hardware and equipment	$ 42	$ 451
Furniture and fixtures	5	44
Leasehold improvements	—	194
Total construction in progress	$ 47	$ 689

Depreciation expense was $3,675,000 and $3,722,000 for the years ended 31 August 2016 and 2015, respectively.

Property and equipment assets of $1,062,000 and $202,000 were disposed during the years ended 31 August 2016 and 2015, respectively. Loss on disposition of property and equipment assets were $17,000 and $0 for the years ended 31 August 2016 and 2015, respectively and are shown in other support services on the consolidated statement of activities.

7. Intangibles

Intangibles, including work in process, as of 31 August 2016 and 2015 consisted of the following (in thousands):

	2016	2015
Computer software (developed)	$ 27,890	$ 22,213
Computer software (website development)	8,856	9,007
Computer software (packaged)	7,447	6,768
Other intangibles	2,713	4,134
Total intangibles	46,906	42,122
Accumulated amortization	(34,756)	(31,553)
Intangibles, net	$ 12,150	$ 10,569

Work in process, included in the schedule above, as of 31 August 2016 and 2015 consisted of the following (in thousands):

	2016	2015
Computer software (developed)	$ 4,747	$ 1,180
Computer software (packaged)	63	109
Other intangibles	337	145
Total work in process	$ 5,147	$ 1,434

Amortization expense was $5,510,000 and $4,233,000 for the years ended 31 August 2016 and 2015, respectively.

CFA Institute capitalized no new website development costs for the years ended 31 August 2016 and 2015. Amortization of software and website development costs was $0 and $1,000 for the years ended 31 August 2016 and 2015, respectively.

Intangible assets other than software or website development are considered other intangibles. "Other intangibles" includes copyrighted materials, Investment Research Challenge rights, assigned rights used in a textbook, intellectual property consisting of materials used in the CFA Program curriculum, and a top-level internet domain. Total amortization expense for other intangibles was $469,000 and $227,000 for the years ended 31 August 2016 and 2015, respectively.

Intangible software assets of $2,305,000 and $52,000 were disposed during the years ended 31 August 2016 and 2015, respectively. The assets were fully amortized, and no gain or loss was recorded on the disposals.

For the following fiscal years, future intangible amortization is as follows (in thousands):

	Intangible amortization
2017	$ 4,491
2018	4,356
2019	2,334
2020	876
2021	19
Thereafter	74
Total intangible amortization	$ 12,150

8. Commitments and contingencies

CFA Institute has entered into various operating leases with original terms ranging from one to ten years that expire on various dates through December 2024. These operating leases cover office space and temporary residential apartments in various cities in which the company operates as well as leased office equipment.

Certain operating leases contain escalation clauses. CFA Institute has recorded deferred rent for those additional costs and recognizes the expense on a straight-line basis over the term of the lease.

Rental expense related to these operating leases was $5,413,000 and $5,215,000 for the years ended 31 August 2016 and 2015, respectively.

On 1 July 2011, CFA Institute entered into an agreement to purchase and license copyrighted materials. Pursuant to that agreement, CFA Institute is committed to revenue-based share payments for derivative works incorporating those materials, for a period of fifteen years which began 1 July 2012. Minimum payments are reflected in the schedule below.

For the following fiscal years, future minimum payments under these agreements at 31 August 2016 are as follows (in thousands):

	Lease payments	Revenue sharing	Total
2017	$ 4,257	$ 100	$ 4,357
2018	3,797	100	3,897
2019	1,364	100	1,464
2020	622	—	622
2021	292	—	292
Thereafter	602	—	602
Total future minimum payments	$ 10,934	$ 300	$ 11,234

The Foundation awards grants to individuals subject to completion of their respective research projects. Unpaid grants, subject to this condition, totaled $60,000 and $65,000 as of 31 August 2016 and 2015, respectively. Due to the conditional nature of these unpaid grants, they are not accrued for in the accompanying consolidated statements of financial position. (see Note 2, designated net assets.)

9. Retirement plans

In the United States, the 401(k) Retirement Plan allows for discretionary employer and employee contributions, and fixed employer contributions, subject to IRS limits. Per the plan's vesting schedule, participants become fully vested after three years of service. Employee contributions are always 100% vested. Plan oversight is the responsibility of the Compensation and Governance Committee of the Board of Governors of CFA Institute; administrative oversight is delegated to the Managing Director, Human Resources. The Retirement Investment Policy Committee, which is made up of qualified CFA Institute employees, selects and monitors plan investments.

A third party investment management company is the trustee for the plan and is the custodian. CFA Institute is both the plan sponsor and the plan administrator. Each eligible employee may direct the investment of his or her balance in up to twenty-three mutual fund alternatives offered by the plan. Contribution expense for the 401(k) Plan totaled $5,617,000 and $5,280,000 for the years ended 31 August 2016 and 2015, respectively. Plan forfeitures of $30,000 and $76,000 were netted against company contributions for the years ended 31 August 2016 and 2015, respectively. CFA Institute accrues for incentive compensation and the related 401(k) contribution. Accruals for the related 401(k) contribution of $629,000 and $627,000 were made for the years ended 31 August 2016 and 2015, respectively.

In Europe, employees are enrolled in relevant plans as mandated by local statutes. In the United Kingdom, CFA Institute provides a retirement program consisting of a Group Stakeholder Pension Plan, a defined contribution plan. Contribution expense totaled $464,000 and $483,000 for the years ended 31 August 2016 and 2015, respectively.

In the Asia Pacific region, employees are enrolled in relevant retirement fund schemes as mandated by the local registrations. For our Hong Kong office, employees are enrolled in the mandatory provident fund (MPF) scheme. Contribution expense totaled $757,000 and $749,000 for the years ended 31 August 2016 and 2015, respectively. Accruals for contributions to the related MPF scheme of $389,000 and $364,000 were made for the years ended 31 August 2016 and 2015, respectively.

10. 11 September Memorial Scholarship Fund

The Scholarship Fund, owned and operated by the Foundation, was established in October 2001, to benefit disabled survivors and families of the casualties of the 11 September terrorist attacks. CFA Institute made an initial contribution of $1,000,000 to the Foundation to establish the Scholarship Fund.

College and university scholarships of up to $25,000 each are awarded to individuals who were permanently disabled in the attacks, or who were the spouses, domestic partners or dependents of anyone killed or permanently disabled in the attacks, and who will pursue university-level education in finance, economics, accounting, or business ethics.

Contributions to the Scholarship Fund, which is a twenty-year, self-liquidating fund, are recorded as temporarily restricted, except for the contribution from CFA Institute. According to the Not-for-Profit Entities topic of the FASB ASC, the contribution by CFA Institute is not temporarily restricted because of the control relationship between CFA Institute and the Foundation (see Notes 1 and 2). The contribution from CFA Institute is designated to fund scholarships granted by the Scholarship Fund. All of the Scholarship Fund's contributions and investment income are available to meet the scholarship funding requirements. CFA Institute reimburses the Scholarship Fund for all other expenses. The Scholarship Fund awarded scholarships of $73,000 and $74,000 for the years ended 31 August 2016 and 2015, respectively. CFA Institute contributed $13,000 and $30,000 to cover operating expenses of the Scholarship Fund for the years ended 31 August 2016 and 2015, respectively.

The activity in the Scholarship Fund for the years ended 31 August 2016 and 2015 was as follows (in thousands):

	2016	2015
Designated net assets, beginning of year	$ 518	$ 589
Realized gains, interest, and dividends (net)	22	29
Unrealized losses on investments	(6)	(26)
Scholarships awarded	(73)	(74)
Designated net assets, end of year	$ 461	$ 518

11. Long-term incentive and deferred compensation

CFA Institute maintains both a long-term incentive program and a deferred compensation program for participating key employees. The long-term incentive program offers participants an opportunity to earn up to ten percent of the average base salary over a three-year period. Liabilities for the long-term incentive program of $1,038,000 and $710,000 were recorded for the years ended 31 August 2016 and 2015 respectively, and are classified as either current employee-related liabilities or non-current employee-related liabilities in the consolidated statements of financial position. The long-term incentive program will be discontinued during the year ending 31 August 2017. Thus, during the year ending 31 August 2017, participants will receive their long-term incentive payment for the performance period ended 31 August 2016 and an additional one-time lump sum payment equal to the present value of future long-term incentive payments estimated through 31 August 2019. The amounts reflected under current employee-related liabilities include these estimated accelerated payouts.

Liabilities for the deferred compensation program of $1,649,000 and $1,537,000 were recorded for the years ended 31 August 2016 and 2015, respectively and are classified as non-current employee-related liabilities in the consolidated statements of financial position.

The details of these programs are as follows (in thousands):

	2016	2015
Long-term incentive – current	$ 1,038	$ 359
Long-term incentive and deferred compensation – non-current	1,649	1,888
Total long-term incentive and deferred compensation	$ 2,687	$ 2,247

The details for the non-current portion of the total long-term incentive and deferred compensation are as follows (in thousands):

	2016	2015
Long-term incentive – non-current	$ —	$ 351
Deferred compensation – non-current (see Note 5)	1,649	1,537
Total long-term incentive and deferred compensation – non-current	$ 1,649	$ 1,888

12. Notes payable

In the year ended 31 August 2013, CFA Institute acquired downtown Charlottesville real property that provided the opportunity to consolidate multiple local operations into one primary facility. The property, a designated historic structure, was refurbished during fiscal years 2013 and 2014 in such a manner to allow CFA Institute to take advantage of federal and state historic tax credits as a means to reduce the cost of the construction and renovation of the facility. To compliantly accomplish this objective, CFA Institute created three new legal entities—Holdings, HUB, and CMT—in the year ended 31 August 2012.

Acquisition of the property and the rehabilitation of the building by HUB are financed by a certain 16.5 year term note, maturing March, 2029, with an original amount of $22,900,000 and a remaining balance of $19,854,000 as of 31 August 2016, with a variable interest rate of 30-day LIBOR plus ninety basis points. CFA Institute is the unconditional guarantor of the term note. Monthly interest-only payments were made for the first eighteen months of the loan period, with principal and interest payments made thereafter based on a predetermined amortization schedule ending in 2029. To mitigate the risk of a variable interest rate note, HUB also entered into a 16.5 year interest rate swap agreement.

Under the financial covenants of the loan, HUB must maintain a debt service ratio of 1.2 through the life of the loan. Further, CFA Institute must maintain unrestricted and unencumbered liquidity of $125,000,000 through the life of the loan or face increases in the interest rate. CFA Institute may avoid the requirements of the unrestricted and unencumbered liquidity covenant by depositing with the lender cash collateral equal to the sum of the principal and interest payments due for the remaining term of the loan. CFA Institute is in compliance with all loan covenants, and no event of default exists.

Minimum principal payments are as follows:

	Principal payments
2017	$ 1,320
2018	1,364
2019	1,404
2020	1,446
2021	1,489
Thereafter	12,831
Total principal payments	$ 19,854

13. Subsequent Events

CFA Institute has assessed the impact of subsequent events through 22 November 2016, the date the audited financial statements were issued, and has concluded that no such events require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY CONSOLIDATING INFORMATION

Report of Independent Auditors on Supplementary Consolidating Information

To the Board of Governors of CFA Institute:

We have audited the consolidated financial statements of CFA Institute and its subsidiaries as of 31 August 2016 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

PricewaterhouseCoopers LLP

McLean, Virginia
22 November 2016

CFA Institute

Consolidating Statements of Financial Position
As of 31 August 2016 and 2015

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2016 Consolidated	2015 Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	$ 55,934	$ 80	$ 2,468	$ —	$ 58,482	$ 57,641
Investments, at fair value	14,997	—	—	—	14,997	1,000
Accounts receivable, net	894	4	—	—	898	682
Advances to affiliated organization	440	8	—	(448)	—	—
Prepaid expenses and other assets	12,009	6	—	—	12,015	12,389
Publication inventory	1,267	97	—	—	1,364	1,695
Restricted cash	8	—	56	—	64	62
Total current assets	85,549	195	2,524	(448)	87,820	73,469
Non-current assets						
Advances to affiliated organization	3,693	—	815	(4,508)	—	—
Investments, at fair value	334,805	12,882	—	—	347,687	292,999
Investment in affiliated organization	9,021	—	—	(9,021)	—	—
Derivative contracts	—	—	—	—	—	257
Prepaid expenses and other assets	3,522	—	—	—	3,522	3,653
Property and equipment, net	4,674	—	41,599	(3,446)	42,827	45,863
Intangibles, net	12,150	—	—	—	12,150	10,569
Total non-current assets	367,865	12,882	42,414	(16,975)	406,186	353,341
Total assets	$ 453,414	$ 13,077	$ 44,938	$ (17,423)	$ 494,006	$ 426,810
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued liabilities	$ 17,067	$ 10	$ 103	$ —	$ 17,180	$ 10,821
Advances from affiliated organization	12	—	436	(448)	—	—
Deferred revenue	132,104	—	—	—	132,104	117,352
Employee-related liabilities	16,079	—	—	—	16,079	14,846
Funds held for others	4,091	—	—	—	4,091	2,760
Derivative contracts	—	—	250	—	250	333
Notes payable	—	—	1,320	—	1,320	1,290
Interest payable	—	—	14	—	14	38
Total current liabilities	169,353	10	2,123	(448)	171,038	147,440
Non-current liabilities						
Accounts payable and accrued liabilities	188	—	—	—	188	296
Advances from affiliated organization	815	—	3,693	(4,508)	—	—
Deferred revenue	39,602	—	—	—	39,602	32,843
Employee-related liabilities	1,649	—	—	—	1,649	1,888
Derivative contracts	—	—	737	—	737	—
Notes payable	—	—	18,534	—	18,534	19,850
Total non-current liabilities	42,254	—	22,964	(4,508)	60,710	54,877
Total liabilities	211,607	10	25,087	(4,956)	231,748	202,317
Net assets						
Undesignated	241,807	11,596	7,344	(12,467)	248,280	215,288
Designated	—	1,471	—	—	1,471	1,533
Non-controlling interests	—	—	12,507	—	12,507	7,672
Total net assets	241,807	13,067	19,851	(12,467)	262,258	224,493
Total liabilities and net assets	$ 453,414	$ 13,077	$ 44,938	$ (17,423)	$ 494,006	$ 426,810

*CFA Institute, CFA Institute China, CFA Institute India, CFA Institute Singapore, Global, and Si Wei consolidated
**CMT, Holdings, and HUB consolidated

CFA Institute

Consolidating Statements of Activities
For the Years Ended 31 August 2016 and 2015

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2016 Consolidated	2015 Consolidated
Change in net assets						
Operating revenues						
Certification and certificate programs	$ 192,314	$ —	$ —	$ —	$ 192,314	$ 174,492
Educational products	51,502	12	—	—	51,514	48,769
Member dues and other	38,945	—	3,060	(3,060)	38,945	36,690
Contributions	—	1,013	—	(753)	260	273
Total operating revenues	282,761	1,025	3,060	(3,813)	283,033	260,224
Operating expenses						
Program services						
Certification and certificate programs	62,992	—	—	—	62,992	62,057
Educational content and products	35,622	51	—	—	35,673	36,746
Marketing and communications	42,713	—	—	—	42,713	33,711
Member and society services	26,445	—	—	—	26,445	18,720
Standards and advocacy	13,773	308	—	—	14,081	12,947
Scholarships – 11 September Memorial Fund	—	73	—	—	73	74
Other program services	—	365	—	(365)	—	—
Support services						
Information technology	33,788	—	—	3	33,791	27,159
Financial operations and executive	25,117	115	762	(264)	25,730	20,822
Facility operations	12,367	—	1,769	(3,152)	10,984	10,250
Human resources	5,804	—	—	—	5,804	5,888
Legal	4,785	—	4	—	4,789	4,158
Publishing and content services	3,780	—	—	—	3,780	2,762
Travel support and event management	3,470	—	—	—	3,470	3,327
Fundraising	—	18	—	(3)	15	23
Other support services	137	269	—	(389)	17	—
Total operating expenses	270,793	1,199	2,535	(4,170)	270,357	238,644
Income (loss) from operations	11,968	(174)	525	357	12,676	21,580
Realized gains, interest and dividends (net)	1,901	299	—	(264)	1,936	12,438
Change in net assets from operations	13,869	125	525	93	14,612	34,018
Other changes						
Unrealized gains (losses) on investments (net)	19,393	561	—	—	19,954	(29,560)
Unrealized loss on derivative contracts	—	—	(911)	—	(911)	(444)
Capital contributions	—	—	4,873	(643)	4,230	—
Return of capital – non-controlling interests	—	—	(120)	—	(120)	(127)
Return of capital - affiliates	—	—	(2,608)	2,608	—	—
Change in net assets	33,262	686	1,759	2,058	37,765	3,887
Net assets, beginning of year	208,545	12,381	18,092	(14,525)	224,493	220,606
Net assets, end of year	$ 241,807	$ 13,067	$ 19,851	$ (12,467)	$ 262,258	$ 224,493

*CFA Institute, CFA Institute China, CFA Institute India, CFA Institute Singapore, Global, and Si Wei consolidated
**CMT, Holdings, and HUB consolidated

CFA Institute

Consolidating Statements of Cash Flow
For the Years Ended 31 August 2016 and 2015

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2016 Consolidated	2015 Consolidated
Cash flows provided by operating activities						
Cash inflows						
Certification and certificate programs	$ 212,049	$ —	$ —	$ —	$ 212,049	$ 186,770
Educational products	51,648	—	—	—	51,648	48,582
Member dues and other	56,965	—	3,060	(3,060)	56,965	52,657
Contributions	274	8	—	—	282	273
Affiliated organization receipts	11	245	337	(593)	—	—
Interest and dividends	5,923	272	—	(500)	5,695	5,560
Total cash inflows	326,870	525	3,397	(4,153)	326,639	293,842
Cash outlays						
Program services						
Certification and certificate programs	63,305	—	—	—	63,305	62,122
Educational content and products	36,220	23	—	—	36,243	34,795
Marketing and communications	36,107	1	—	—	36,108	33,255
Member and society services	36,874	—	—	—	36,874	29,767
Standards and advocacy	14,257	281	—	—	14,538	12,860
Scholarships – 11 September Memorial Fund	—	73	—	—	73	74
Support services						
Information technology	27,002	—	—	—	27,002	21,397
Financial operations and executive	27,205	39	1,148	(500)	27,892	21,977
Facility operations	11,658	—	860	(3,060)	9,458	8,640
Human resources	5,625	—	—	—	5,625	6,290
Legal	4,270	—	4	—	4,274	3,964
Publishing and content services	3,607	—	—	—	3,607	2,651
Travel support and event management	3,619	—	—	—	3,619	3,085
Fundraising	(4)	19	—	—	15	23
Other support services	16	—	—	—	16	—
Affiliated organization	582	—	11	(593)	—	—
Total cash outlays	270,343	436	2,023	(4,153)	268,649	240,900
Net cash provided by operating activities	56,527	89	1,374	—	57,990	52,942
Cash flows provided by financing activities						
Loan repayments	—	—	(1,287)	—	(1,287)	(1,250)
Return of capital – affiliates	—	—	(2,608)	2,608	—	—
Capital contributions – non-controlling interests	—	—	4,230	—	4,230	—
Return of capital – non-controlling interests	—	—	(120)	—	(120)	(127)
Net cash provided by (used in) by financing activities	—	—	215	2,608	2,823	(1,377)

continued on next page

*CFA Institute, CFA Institute China, CFA Institute India, CFA Institute Singapore, Global, and Si Wei consolidated
**CMT, Holdings, and HUB consolidated

CFA Institute

Consolidating Statements of Cash Flow (continued)
For the Years Ended 31 August 2016 and 2015

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2016 Consolidated	2015 Consolidated
Cash flows (used in) provided by investing activities						
Purchases of property and equipment	(853)	—	—	—	(853)	(6,178)
Purchases of intangible assets	(6,630)	—	—	—	(6,630)	(5,080)
Purchases of investments	(255,191)	(370)	—	—	(255,561)	(126,177)
Proceeds from investments	202,776	296	—	—	203,072	92,749
Investment in affiliates	—	—	—	—	—	—
Return of capital – affiliates	2,608	—	—	(2,608)	—	—
Net cash used in investing activities	(57,290)	(74)	—	(2,608)	(59,972)	(44,686)
Net (decrease) increase in cash and cash equivalents	(763)	15	1,589	—	841	6,879
Cash and cash equivalents, beginning of year	56,697	65	879	—	57,641	50,762
Cash and cash equivalents, end of year	$ 55,934	$ 80	$ 2,468	—	$ 58,482	$ 57,641
Reconciliation of change in net assets to net cash provided by (used in) operating activities						
Change in net assets	$ 33,262	$ 686	$ 1,759	$ 2,058	$ 37,765	$ 3,887
Adjustments to reconcile change in net assets						
to net cash provided by operating activities						
Depreciation and amortization	8,115	—	1,163	(93)	9,185	7,955
Losses on disposition of fixed assets	17	—	—	—	17	—
Unrealized (gains) losses on investments (net)	(19,393)	(561)	—	—	(19,954)	29,560
Realized losses (gains) on investments (net)	3,786	(26)	—	—	3,760	(6,878)
Unrealized loss on derivative contracts	—	—	911	—	911	444
Capital contributions	—	—	(4,230)	—	(4,230)	—
Return of capital – affiliates	—	—	2,608	(2,608)	—	—
Return of capital – non-controlling interests	—	—	120	—	120	127
Changes in:						
Accounts receivable, net	(213)	(3)	—	—	(216)	70
Advances to/from affiliated organization	116	18	(777)	643	—	—
Prepaid expenses and other assets	541	(6)	—	—	535	362
Publication inventory	352	(21)	—	—	331	285
Restricted cash	(2)	—	—	—	(2)	216
Accounts payable and accrued liabilities	6,110	2	(156)	—	5,956	133
Deferred revenue	21,511	—	—	—	21,511	14,704
Employee-related liabilities	994	—	—	—	994	1,440
Funds held for others	1,331	—	—	—	1,331	619
Interest payable	—	—	(24)	—	(24)	18
Net cash provided by operating activities	$ 56,527	$ 89	$ 1,374	$ —	$ 57,990	$ 52,942

*CFA Institute, CFA Institute China, CFA Institute India, CFA Institute Singapore, Global, and Si Wei consolidated
**CMT, Holdings, and HUB consolidated

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