CFA Institute

ANNUAL REPORT

Fiscal Year 2019

In 2019, the global brand campaign — Let's Measure Up — continued to run globally and expanded beyond the traditional institutional investment space with a new effort aimed at raising awareness of CFA Institute, its societies, and its charterholders with high-net-worth investors in the United States and Canada. The exciting new work aligned closely with the illustrative institutional campaign and carried the straightforward headline "Does your wealth manager measure up?" across all advertising mediums, including television, radio, digital, print, out-of-home media, and other avenues. The compelling, scalable, and unique creative identity — featuring custom-designed illustrations from renowned artist Paul Wearing, as seen on the cover and throughout this Annual Report — sets CFA Institute apart in the financial category.

CFA Institute

CONTENTS

OVERVIEW

MESSAGE FROM OUR CHAIR

I am very pleased to present our FY2019 Annual Report.

This past year represented yet another one of many positive milestones for CFA Institute. It also represented a year of a well-planned CEO transition — one of the most important responsibilities of the Board of Governors.

Paul Smith, CFA, our former president and CEO, informed the Board of Governors in 2018 that he would be retiring at the end of calendar year 2019. I want to take this opportunity to thank Paul for his leadership of CFA Institute.

Paul brought an incredible amount of energy to the role, and he put in place many initiatives that will guide us forward for years to come. Under his leadership, we achieved new heights in terms of candidates, charterholders, members, society count, and revenues. More important, our member and society satisfaction scores also rose to new heights during his tenure.

He zealously promoted CFA Institute worldwide, which included visiting all but one of our local societies over the course of his tenure. Paul spoke loudly and proudly about the role of finance in society, with an emphasis on those final key words in our mission: "for the ultimate benefit of society." We will miss his ideas and enthusiasm; we thank him for his leadership; and we wish him all the best for the future.

In 2018, the Board identified a group of five past and current Board Governors to form the CEO Search Committee: Heather Brilliant, Robert Jenkins, Fred Lebel, Hua Yu, and me, serving as search committee chair. Working with a global recruiting firm, we sought input from a wide variety of stakeholders; conducted outreach sessions with staff, members, and societies; and ultimately considered more than 100 candidates. We worked intentionally to ensure that those under consideration were drawn from a candidate pool diverse in all aspects. We ran an incredibly robust process, one that delivered an outstanding selection in Margaret (Marg) Franklin, CFA, our current president and CEO.

Marg holds a long relationship with CFA Institute. She has been an active member of CFA Society Toronto, including serving as its chair of the Board. Marg also served as a governor of CFA Institute from FY2004 to FY2012 and served as Board chair in FY2011. She also has been involved with our Future of Finance Council and was a founder of the CFA Institute Women in Investment Management Initiative. We announced Marg's appointment in late June 2019, and she began in her position at the start of our fiscal year in September.

Throughout the transition, the leadership team, staff, and board have remained focused on the initiatives underpinning our three strategic pillars: develop future professionals, deliver member value, and build market integrity. Under Marg's leadership, we will continue to ask the important questions: Do we have the right initiatives in place to achieve our mission? Do we have the capabilities and resources to deliver on these initiatives?

The past five years have been full of new initiatives and growth — growing demand for our credentials; a larger global footprint and resulting in new societies, improved member, society, and employer relations; and greater global brand awareness and reputation. We have many planes in flight, so to speak, in terms of initiatives underway. The next several years will have a greater focus on successful execution. Working with Marg, her leadership team, talented staff, and thousands of volunteers, we intend to successfully land those planes, initiating any necessary course corrections.

We must be honest in recognizing that the world in which we operate is increasingly complex and laden with risk. The industries in which our members work continue to undergo disruption. The geopolitical environment remains volatile and indeed appears combustible at times. We see our global reach and reputation as a competitive advantage. We must not disengage from the world in times of uncertainty. We must, as the saying goes, think globally and act locally through our member societies. It is only through partnership with our societies that we can achieve a real impact in the markets in which we have a presence.

My fellow Board members and I feel quite proud of what we as an organization have accomplished and are looking forward with confidence to the role CFA Institute will continue to play in leading our profession.

Thank you for your support.

Diane Nordin, CFA
Chair, CFA Institute Board of Governors

OVERVIEW

MESSAGE FROM OUR PRESIDENT AND CEO

It is my great pleasure to write my first Annual Report message as your new president and CEO.

I would like to thank the Board of Governors for the trust they have placed in me. As our Board Chair Diane Nordin noted in her opening letter, the Board conducted a thorough search process. As the process moved along, my enthusiasm for this opportunity increased at every stage, and I am honored to have been selected by the Board to succeed Paul Smith. I also would like to thank Paul for his leadership over the past five years. He has been extremely helpful to me during my transition into this role, and I am grateful for his support.

Paul speaks often about the importance of our mission. I was part of the Board of Governors when we updated our mission statement to include the key phrase "for the ultimate benefit of society." I have always believed our mission was inspirational, but I now believe it's essential as our industry faces disruption from many quarters.

I assume this role at an interesting point in time for our industry. Our roles as advisers, portfolio managers, and analysts are growing far more complex as regulations around the world continue to change and financial technology further evolves to alter the equation.

Despite these changes, our strategy at CFA Institute remains on course and will not be changing dramatically under my leadership. Naturally, we will pivot over time, but the foundations of our strategy will remain to

- develop future professionals,
- deliver member value, and
- build market integrity.

As such, I agreed with the Board that my FY2020 priorities will carry over from Paul's FY2019 priorities. Those priorities are as follows:

- Societies 2.0 strategy: Continue to professionalize societies so that they have the skills, infrastructure, technology, and governance necessary to deliver a consistent and quality member experience.
- Organizational culture: Focus on our staff here at CFA Institute as we continue to build a stronger and more cohesive culture around the world.
- Professional learning for our members: Emphasize that ongoing professional learning is vital to maintaining our members' trusted, rewarded, and relevant status. We are building a transformative professional learning platform to deliver content within a competency-based framework. This framework is centered on matching the skills required for the jobs of the future — to meet the career development needs of our members from their first job through retirement. We will provide regular updates on how this work is progressing and will involve our membership to test and vet the content and functionality along the way.
- Society technology: Support the ongoing build-out of foundational society technology platforms.

- Future of Exam Delivery: Continue the multiple initiatives that are underway in this regard and remain on track to commence delivery of the Level I CFA exam through computer-based testing in early 2021.

Collectively, this is an ambitious agenda. I will ensure that we focus on these priorities. A number of important strategic initiatives are underway, and it is now up to us to bring them to fruition. I bring an open mind and a fresh perspective to these priorities, and we will make any needed adjustments along the way.

I am keenly focused on furthering the relevance of our organization and our credentials. Without a doubt, the CFA charter holds paramount importance in our industry. I continue to be impressed with our thought leadership and the convening power of CFA Institute. Undertakings like our Future of Finance initiative — and its Content Council on which I served — demonstrate to our membership and the industry at large our intent to shape a trustworthy, forward-thinking investment profession that better serves society.

On that note, our advocacy efforts to promote ethical conduct and market integrity are also near and dear to my heart. As a not-for-profit membership organization, we have the freedom to serve the needs of the end investor and our members who work with them. I've always highly valued our advocacy work, which has resulted in many positive advances in markets around the globe over the years, and I look forward to supporting our global advocacy agenda.

Our brand has reached new heights around the world. Our Let's Measure Up campaign has delivered strong, quantifiable results and reinforces the value that charterholders bring to the industry. And the first year of our campaign aimed at high-net-worth investors in the United States and Canada has built momentum to potentially broaden this effort into other markets in the years to come. We will continue to invest in our brand; our members frequently and consistently ask that we do so.

I look forward to bringing these initiatives across the goal line with our partners, including societies, committed volunteers, and engaged staff.

Although it is still in the early days of my tenure, I am confident in our strategy. We are moving forward from a position of strength — with record numbers of candidates, members, and societies — and I look forward to working with you and our 178,000 members around the world for many years to come to build on our position of prominence in the investment management industry.

Thank you in advance for your support.

Margaret Franklin, CFA
President and CEO
CFA Institute

OVERVIEW

OVERVIEW AND MISSION OF THE ORGANIZATION

CFA Institute, a global, not-for-profit organization, is the world's largest association of investment professionals. With more than 178,000 members and 157 local member societies worldwide, our mission is

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

We offer a range of educational and career resources, including the Chartered Financial Analyst® (CFA®) credential, the Certificate in Investment Performance Measurement® (CIPM®) designation, and the CFA Institute Investment Foundations® Certificate Program.

CFA Institute champions ethical behavior in investment markets and stands as a respected source of knowledge in the global financial community. We seek to build market integrity through codes of conduct, best practice guidelines, and standards to guide the investment profession. These standards include the Global Investment Performance Standards (GIPS®), the CFA Institute Code of Ethics and Standards of Professional Conduct, and the Asset Manager Code (AMC) of professional conduct. A primary focus of our standards centers around the critical importance of placing client interests first.

STRATEGY

The CFA Institute **mission** 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 contribute value for the ultimate benefit of society.

We define core investment management professionals as individuals primarily involved in activities related to the investment decision-making process: portfolio managers, financial advisors, and research analysts on both the buy side and the sell side.

The core investment management industry includes firms or business lines primarily engaged in asset management (e.g., mutual funds, hedge funds, private equity, real estate investment, investment research and ratings, investment advisory services), wealth management, and fiduciary asset ownership (e.g., pension funds, endowments, sovereign wealth funds), and their related regulators and standard-setters.

CFA Institute sets professional standards for investment management practitioners and broadly engages other financial professionals through their interest and interactions with the investment management industry. Improving outcomes for investors advances our social mission and benefits our members through an increased demand for educated and ethical investment management professionals.

Our **vision** is to

- serve all financial professionals seeking investment management-related education, knowledge, professional development, connection, or inspiration; and
- lead the investment profession's thinking in the areas of ethics, capital market integrity, and excellence of practice.

We seek to build a community of educated, ethical investment management professionals and financial markets that reflect the beliefs of CFA Institute.

To achieve these outcomes, our **strategy** is to

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

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 educational 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..

OVERVIEW

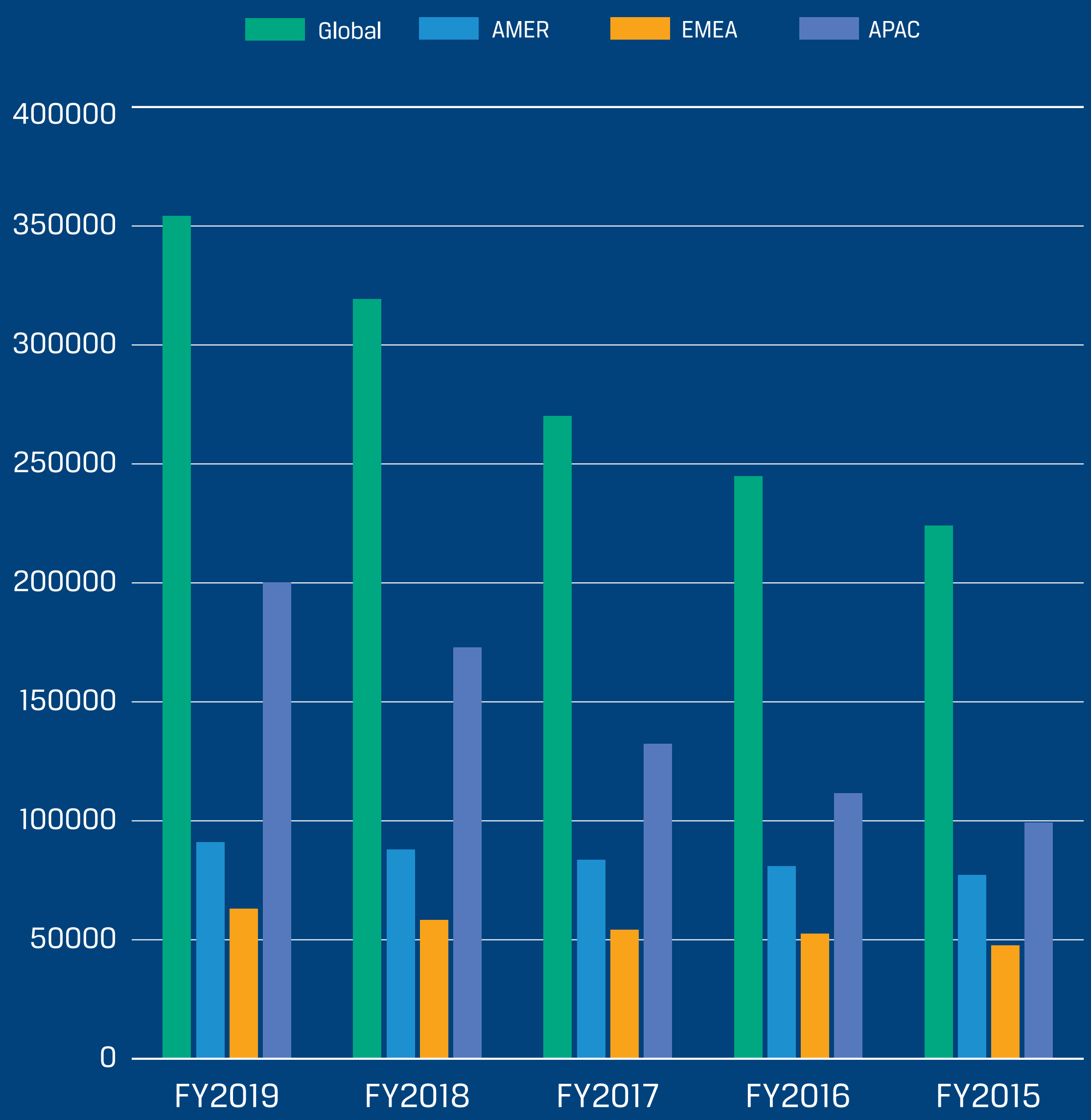
Develop Future Professionals

Education is the foundation of professional competence. A technically competent and ethically centered profession serves client interests and provides a public benefit that is critical to building trust in the investment management profession. CFA Institute develops future investment management professionals through our credentialing programs. These programs rely on an educational foundation that enables professional competence, which requires the application of technical knowledge and an appropriate ethical framework to guide decision making. This professional competence is recognized through high-quality credentials designed to balance educational standards, market value, and candidate experience — all of which are delivered through rigorous teaching and testing processes.

The CFA credential is held by more than 170,000 professionals worldwide. The CFA Program continues to set the standard for investment management professionals seeking to acquire a broad and general understanding of the investment decision-making process.

Our credentialing programs, which are our organization's primary source of revenue, generated $337.5 million in FY2019, and the number of CFA Program exam administrations increased slightly more than 11% to 354,300 in FY2019 from 319,300 in FY2018 (see the exhibit that follows).

CFA PROGRAM EXAM ADMINISTRATIONS BY REGION



AMER = Americas; EMEA = Europe, Middle East, and Africa; APAC = Asia Pacific

OVERVIEW

The CFA Program constitutes a self-study program divided into three levels of exams. Passing these exams is the critical step in becoming a CFA charterholder. The CFA charter attests that the holder has a strong understanding of advanced investment analysis and real-world portfolio management skills. The exhibits that follow show exam administrations for all three credentialing programs by region, with an additional market breakdown of CFA Program exam administrations from FY2019 and FY2018.

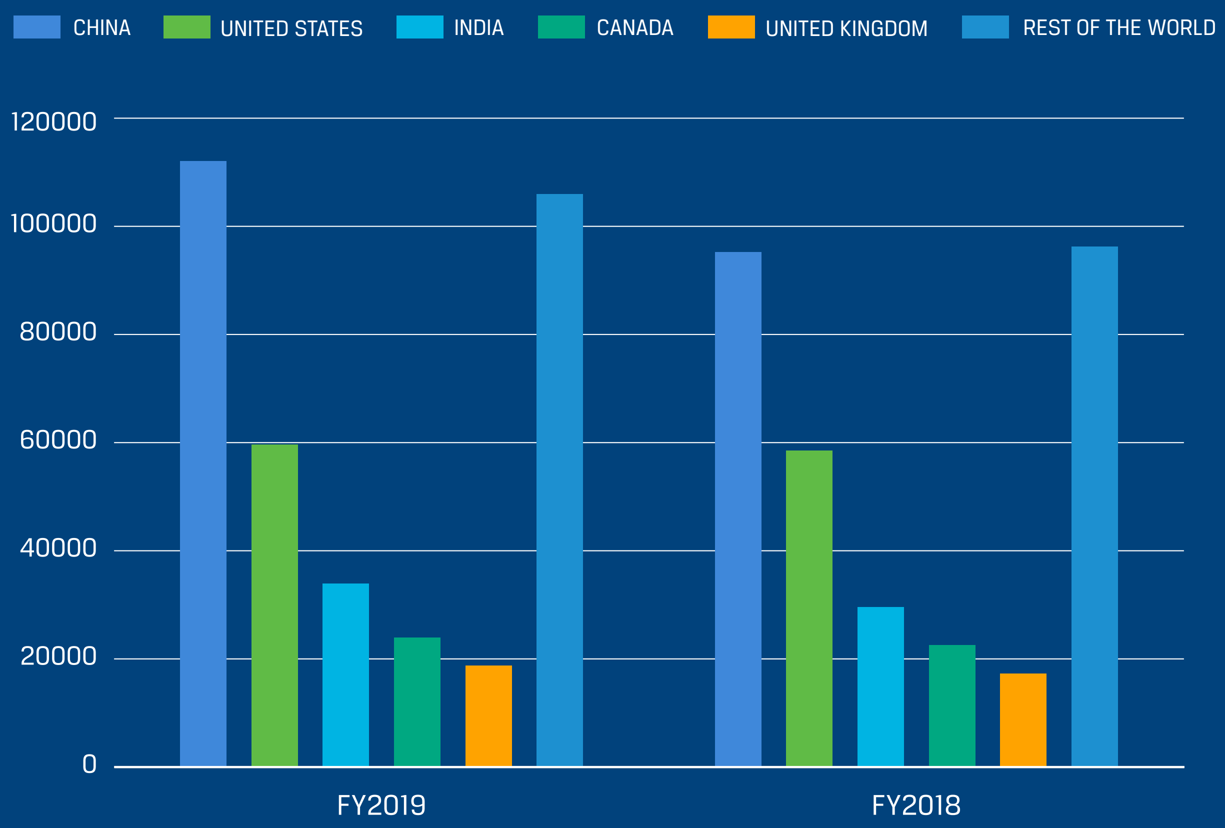
Credentialing Exam Administrations by Region

CFA PROGRAM	FY2019	% OF TOTAL	FY2018	% OF TOTAL
Global	354,300	100 %	319,300	100 %
AMER	91,100	26 %	88,000	28 %
EMEA	63,000	18 %	58,400	18 %
APAC	200,200	56 %	172,900	54 %
CIPM PROGRAM	**FY2019**	**% OF TOTAL**	**FY2018**	**% OF TOTAL**
Global	1,600	100 %	1,800	100 %
AMER	700	44 %	900	50 %
EMEA	500	31 %	500	28 %
APAC	400	25 %	400	22 %
INVESTMENT FOUNDATIONS PROGRAM	**FY2019**	**% OF TOTAL**	**FY2018**	**% OF TOTAL**
Global	34,500	100 %	5,500	100 %
AMER	8,000	23 %	2,500	45 %
EMEA	12,400	36 %	1,300	24 %
APAC	14,100	41 %	1,700	31 %

AMER = Americas; EMEA = Europe, Middle East, and Africa; APAC = Asia Pacific

Five markets account for 70% of all CFA Program exam administrations (see the exhibit that follows). Year over year, all five markets saw candidate volumes rise, led by China (+18%) and followed by India (+15%), the United Kingdom (+9%), Canada (+6%), and the United States (+2%).

CFA PROGRAM EXAM ADMINISTRATIONS: TOP FIVE MARKETS



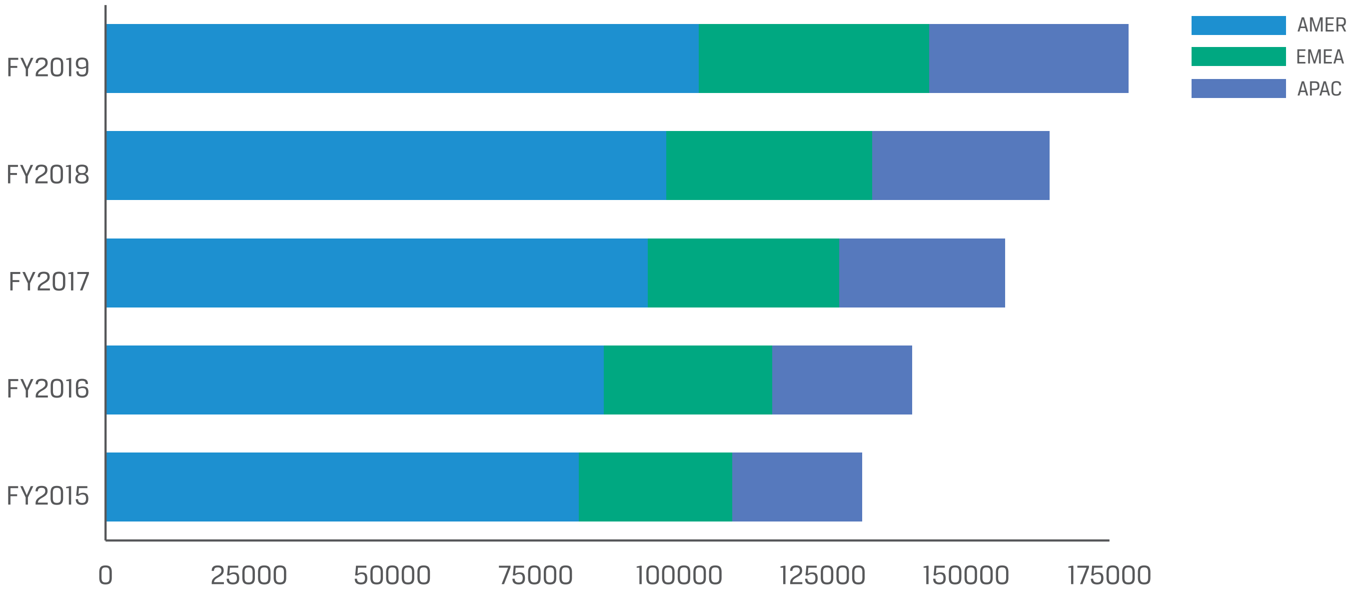
OVERVIEW

Deliver Member Value

CFA Institute membership stood at more than 178,000 year-end FY2019, which was up from 164,000 in FY2018. After credentialing program-related revenues, member value programs accounted for the second-largest revenue contribution, totaling $49.9 million in FY2019. CFA Institute equips and supports its members to better serve their clients and to further develop their professional careers.

We achieve this goal through an active local professional community, professional recognition from employers and regulators, and the delivery of high-quality professional content and services. Local CFA Societies stand as the cornerstone of this strategy. We support our member societies with a broad range of resources so they can be standard-bearers of our shared mission in the communities they serve.

CFA INSTITUTE MEMBERSHIP BY REGION



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OVERVIEW

CFA Society Infrastructure and Operational Support

CFA Societies play an exceptionally important role in serving members around the globe and delivering our mission in their communities. Societies 2.0 is a strategic initiative to improve the coordination and infrastructure needed to enhance the delivery of member value through local CFA Societies.

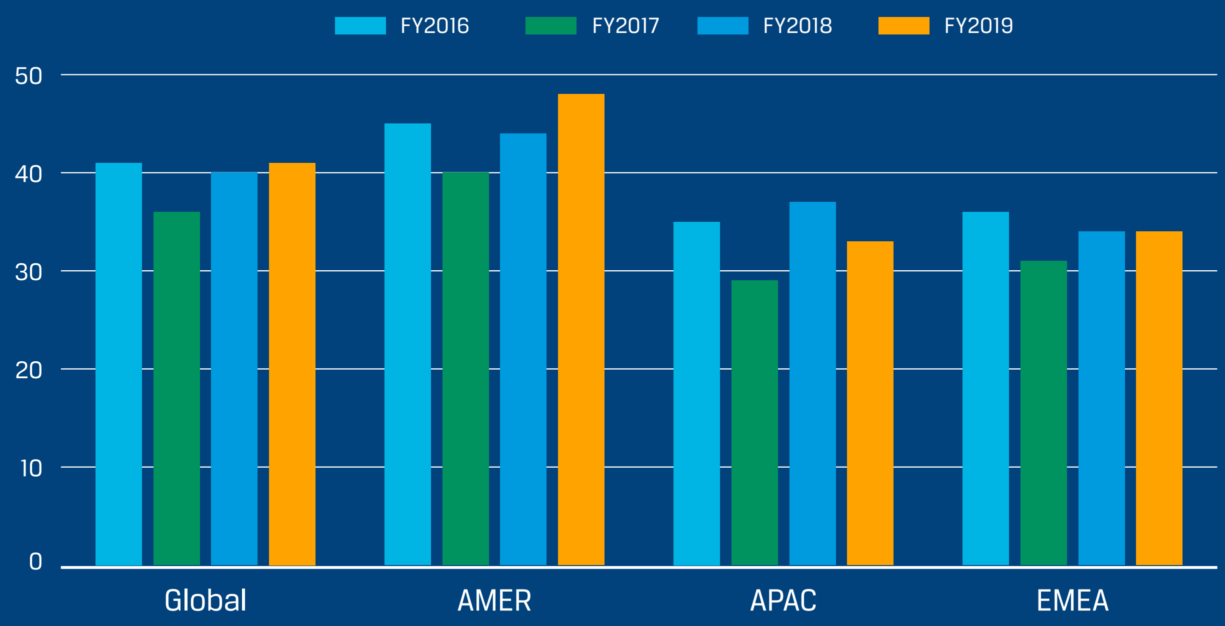
Over the course of FY2019, we focused on investments to improve foundational capabilities in governance, society staff development and training, society technology infrastructure, and enhanced operational support in the regions. In addition, we continued efforts to promote local advocacy capabilities.

The positive impact of more effective local CFA Society operations is reflected in the results of recent surveys and research conducted by CFA Institute. This includes the Net Promoter Score (NPS®) index to measure member loyalty and satisfaction with both CFA Institute and local member societies. Globally, the membership NPS for the CFA Institute increased from plus 40 in FY2018 to plus 41 in FY2019 and the CFA Society membership NPS increased from plus 28 to plus 29.

Societies 2.0 Vision Statement

We are committed to helping our members to build productive and successful careers in an investment profession that is respected for working in its clients' best interests. Together, we will build active communities of investment professionals throughout the world. We will engage the intellect and insights of our shared membership to raise professional standards through education, ethics, professional development, advocacy, and outreach. We believe our objectives will be best achieved by positioning societies as the clearest route to our members and their investment communities. We will work together to develop the roadmap that will enable us to achieve this vision over time, through shared infrastructure and relationships, enhanced resourcing, and appropriate governance.

CFA INSTITUTE MEMBERSHIP NPS



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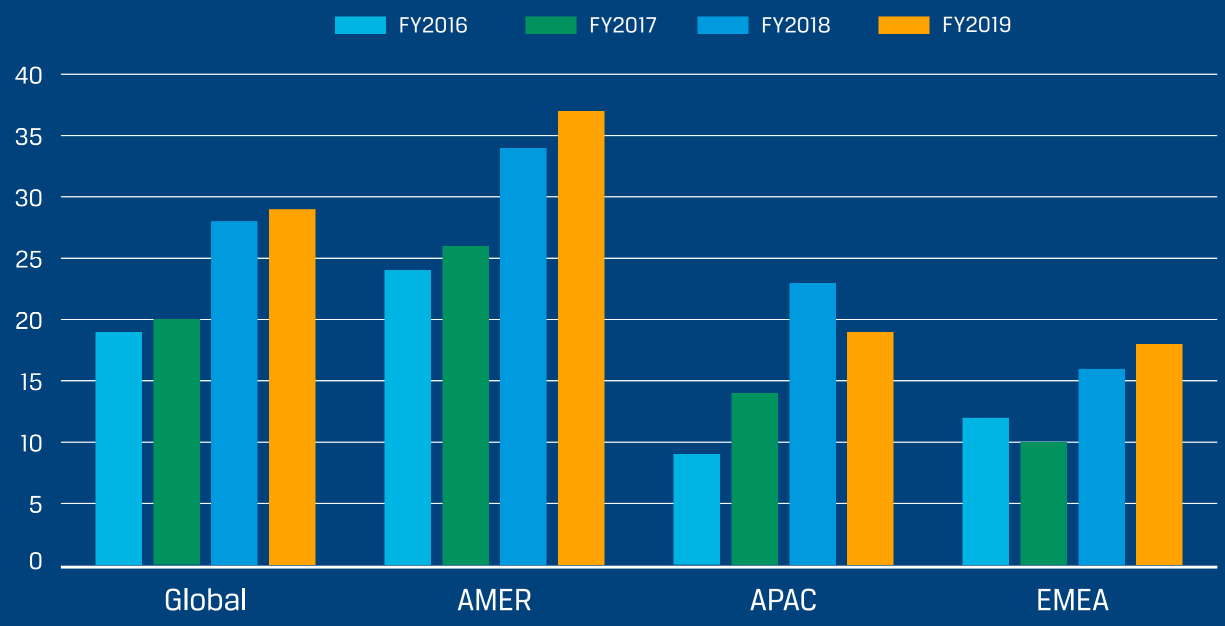
CFA SOCIETY NPS



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OVERVIEW

Build Market Integrity

CFA Institute builds market integrity for the benefit of society by improving both investor protections and investor outcomes. Our efforts also benefit our members by developing an industry that needs credentialed professionals and that enables these professionals to pursue rewarding careers. We achieve this aim by challenging industry participants to shape financial markets that are fair and trustworthy and through the creation, adoption, and application of high-quality codes and standards, thought leadership that demonstrates the value of the profession, and professional recognition from investors, standard setters, and regulators.

Building on the guiding principles that drive our advocacy work, CFA Institute is committed to the following:

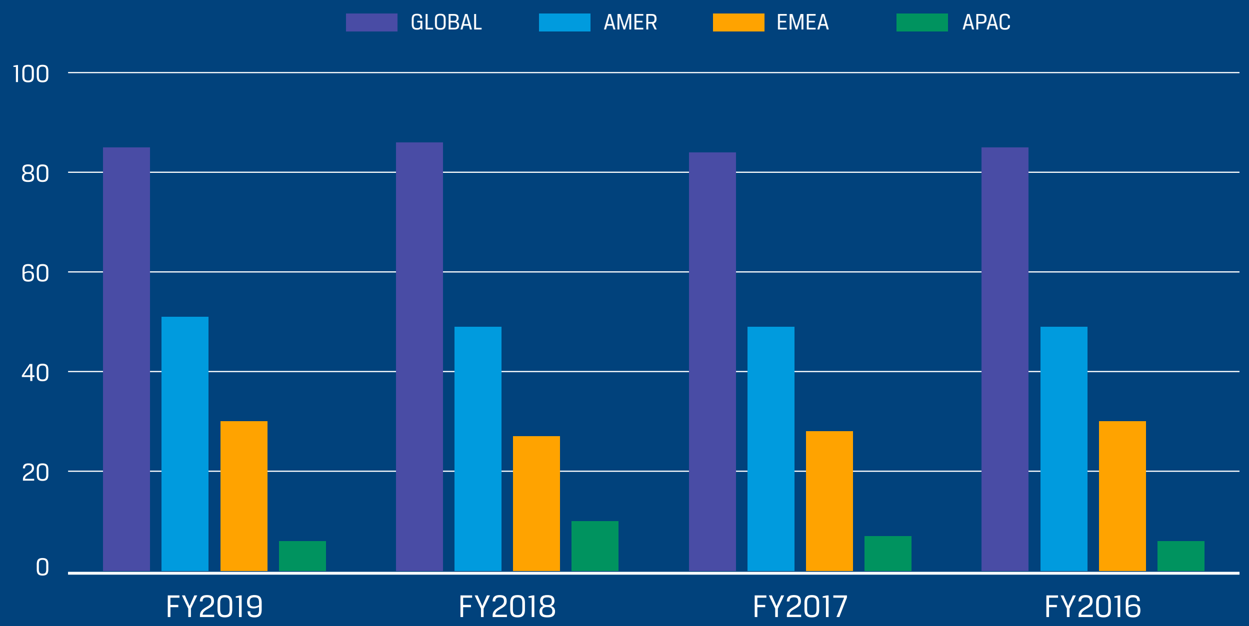
- advancing and promoting policies to protect investors from unsuitable products and conflicted advice;
- creating content and advancing policy research to improve market structures and to promote transparency and fairness for all investors; and
- supporting the creation and adoption of rules and regulatory standards that improve and expand investment industry professionalism.

The advocacy activities of CFA Institute focus on global capital markets policy, financial reporting policy, local CFA Society advocacy engagement, and — through sponsorship of the Systemic Risk Council — systemic risk mitigation. Contributing to this focus are the research activities of the CFA Institute Research Foundation and our Future of Finance initiative, which strive to define the investment profession's future by motivating and empowering the world of finance to become an environment in which investor interests come first, markets function at their best, and economies grow. By leveraging our global network of members, we are positioned to help shape a more trustworthy, forward-thinking investment profession that better serves society.

Consistent with our beliefs, an integral part of our strategy is to develop and administer codes of ethics, best practice guidelines, and standards of professional conduct to guide the investment industry:

- The CFA Institute Code of Ethics and Standards of Professional Conduct (the Code and Standards) provides the foundation of our work in this area. All CFA Institute members and CFA Program candidates must sign a statement each year attesting to adherence to the code.
- The CFA Institute Asset Managers Code (AMC) outlines the ethical and professional responsibilities of firms that manage assets on behalf of clients. The principles and provisions of this voluntary code address six broad categories: loyalty to clients; investment process and actions; trading; risk management, compliance, and support; performance reporting and valuation; and client communication and disclosures about conflicts of interest and other relevant matters.
- The Global Investment Performance Standards (GIPS) is a set of standardized industry-wide ethical principles that guide investment firms about how to calculate and present their investment results to prospective clients.

GIPS ADOPTION
BY TOP 100 ASSET MANAGERS



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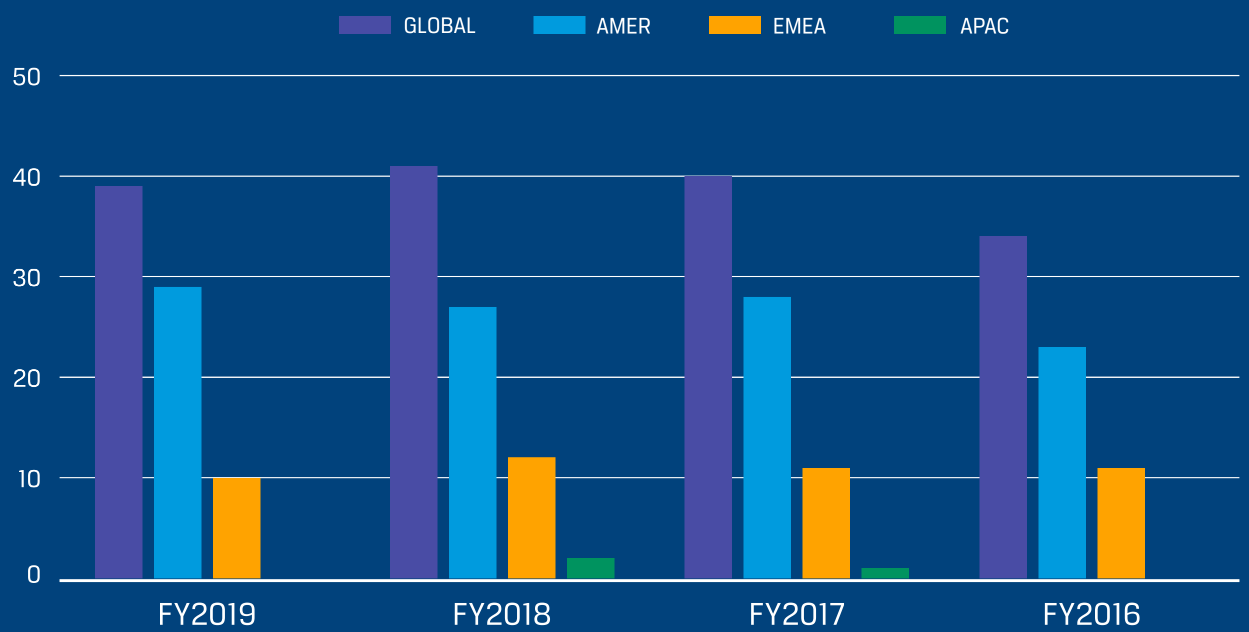
AMC ADOPTION
BY TOP 100 ASSET MANAGERS



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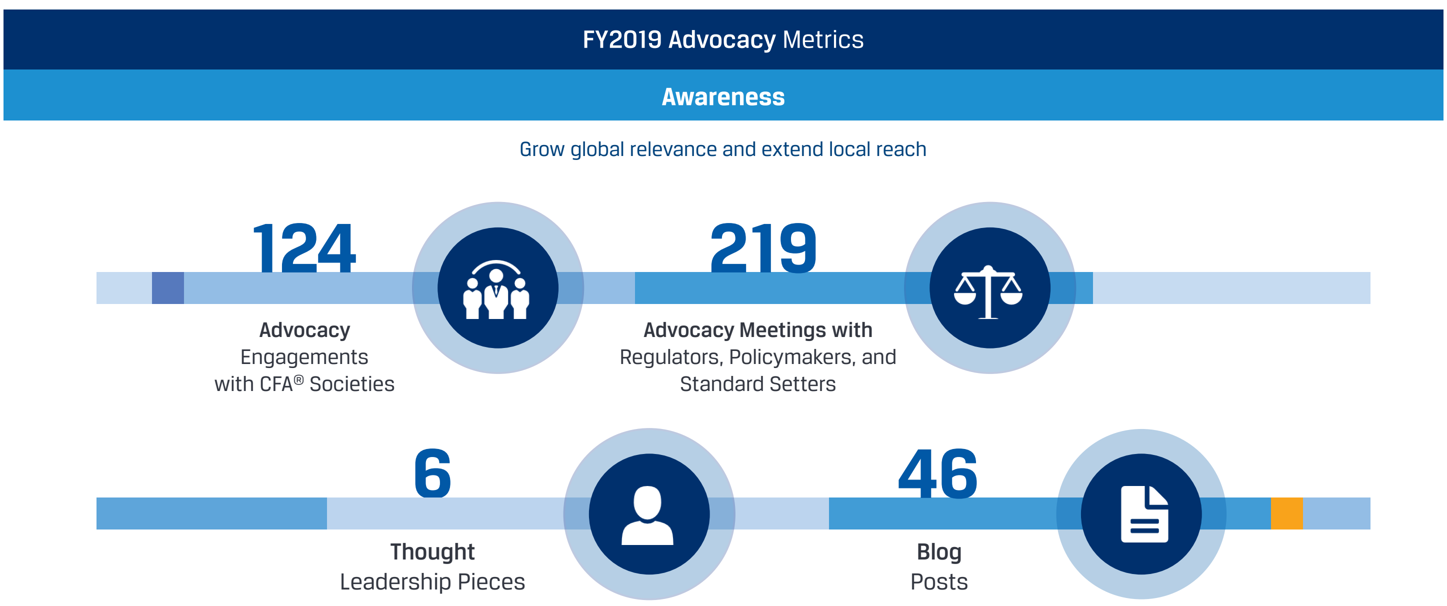
OVERVIEW

Advocacy

In addition to tracking the AMC and GIPS adoption rates, CFA Institute also monitors achievement of our advocacy objectives across three broad categories of measurement: awareness, recognition, and impact.

Awareness

Drawing attention to our advocacy content and issues is crucial to our ability to effect change. We generate awareness through ongoing global outreach at regulatory meetings, conference presentations, and society events, as well as by conducting high-quality policy research and engaging in extensive efforts to publicize and distribute our commentary.



Recognition

Three important metrics demonstrate the acknowledgment and recognition of our content and commentary: participation in industry meetings, publication of articles, and media coverage. CFA Institute garnered nearly 500 mentions in national and international media this year, a record for our advocacy work to date. Our bylined articles in key financial media outlets, along with our presence at hundreds of global industry meetings, reflect the recognition of CFA Institute as a bold policy voice.

FY2019 Advocacy Metrics

Recognition

Deliver member value

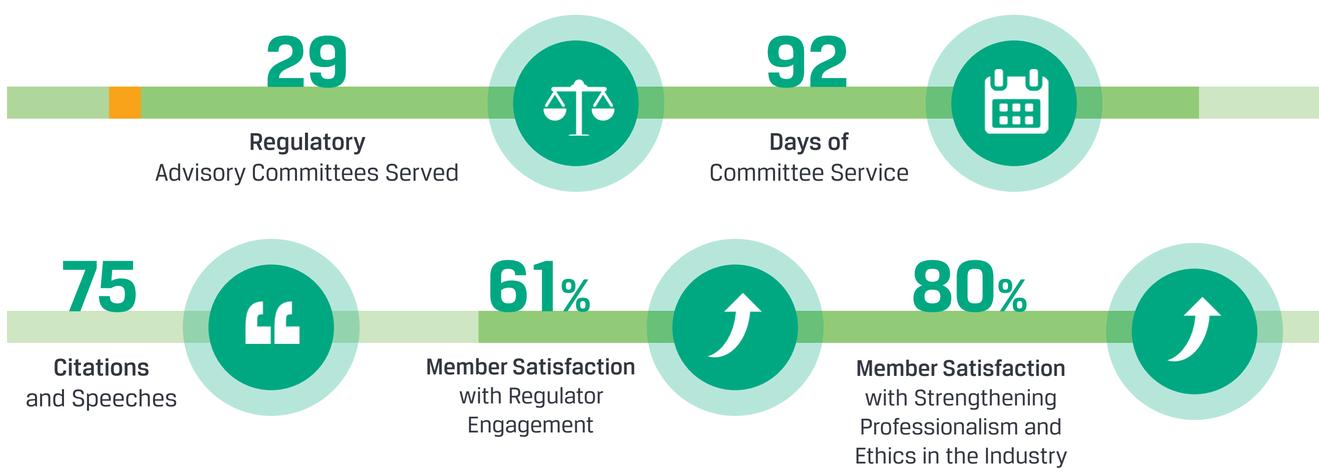
Impact

Advocacy comes down to whether our work affects rules, standards, practices, and industry conduct. We track the number of invitations we receive to serve on regulatory advisory committees where policy is framed. When our content and positions are cited by other key think tanks and stakeholders, and when our recommendations are ultimately acted upon by regulators, standard setters, and policymakers, our true successes become evident.

FY2019 Advocacy Metrics

Impact

Build market integrity to benefit society

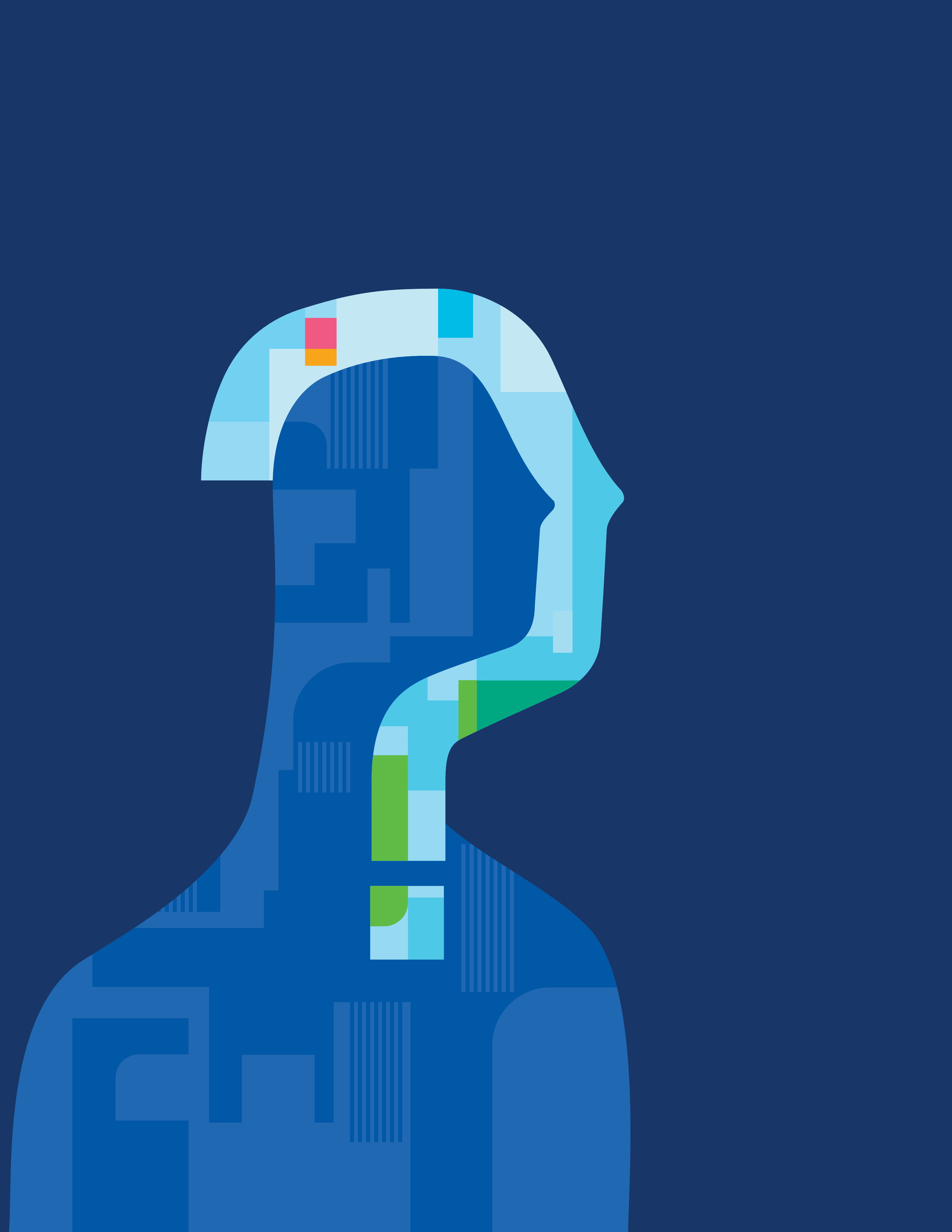


OVERVIEW

Operations

The mission of CFA Institute and our expanding geographic influence is reflected in the presence of our financial, technological, structural, and human resources around the world. Our 633 employees as of year-end FY2019 occupy approximately 221,000 square feet of office space and related facilities worldwide, of which approximately 78,000 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.



PERFORMANCE

YEAR IN SUMMARY

The consolidated financial information for the fiscal year-end 31 August 2019 was derived from our audited financial statements included within this Annual Report. The financial information for FY2019 was derived from the 2018 audited financial statements as audited by our former external auditors, after giving effect to the adoption of ASU 2016-14.

Highlights

- CFA Program exam administrations increased 11% to 354,300 in FY2019, up from 319,300 in FY2018. The June 2019 exam was the largest exam administration in the history of the CFA Program, with 248,900 administrations.
- CFA Institute membership rose 8% to 178,300 members by fiscal year-end, up from 164,600 members in FY2018.
- Financially, we finished FY2019 with $393.9 million in revenues and $372.5 million in operating expenses.
- Investments in strategic priorities included $20.3 million in direct and project funding for our member societies.
- We also continued to focus on our global brand awareness with $18.4 million in advertising and related expenses incurred in FY2019 to build the brand.
- Income from operations finished the year at $21.3 million, up from $20.2 million in FY2018. This operating income contributed to a total change in net assets without donor restrictions of $40.7 million.

In a mission-driven organization, financial performance exists to support mission achievement. The highlights and financial information that follow reflect the mission investments made in FY2019.

Consolidated Financial Results for Fiscal Years Ended 31 August

	FY2019	FY2018
Members and Exam Administrations [1]		
CFA Institute Members	178,300	164,600
CFA Program Administrations	354,300	319,300
CIPM Program Administrations	1,600	1,800
Institute Investment Foundations Administrations	34,500	5,500
Financial Performance *($ in millions)* [2]	**FY2019**	**FY2018 (Unaudited)**
Operating revenues	$393.9	$356.3
Operating expenses	372.5	336.0
Income from operations	**21.3**	**20.2**
Other changes	19.4	22.8
Change in net assets without donor restrictions	**$40.7**	**$43.0**

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

PERFORMANCE

REVENUES

Revenues for Fiscal Year Ended 31 August 2019[1]

($ IN MILLIONS)	FY2019
Credentialing programs, net	$337.5
Member value programs	49.9
Industry engagement and other	0.4
Contributions	6.1
Total operating revenues	**$393.9**

(1) Numbers are rounded.

- Credentialing programs revenue, net of scholarships, was $337.5 million, which primarily was attributable to CFA Program candidate volumes. Revenue from credentialing programs accounted for approximately 86% of total revenues in FY2019.
- Member dues accounted for nearly 13% of total revenues in FY2019. The standard member dues rate remained unchanged for FY2019.

For detailed information on our revenue recognition, please see *Note 2: Summary of Significant Accounting Policies, Revenue* within the CFA Institute Consolidated Financial Statements.

PERFORMANCE

EXPENSES

Operating expenses were $372.5 million in FY2019. FY2019 revenue provided the opportunity to invest in and continue to focus on the organizational priorities in support of our mission and strategic plan during this past year.

Expenses for Fiscal Year Ended 31 August 2019[1]

($ IN MILLIONS)	FY2019
Operating expenses	
Program services	
Credentialing programs	$122.5
Member value programs	142.8
Industry engagement	23.4
Scholarships—11 September Memorial Fund	0.1
Management and general	83.7
Total operating expenses	**$372.5**

(1) Numbers are rounded.

- Total program services expenses were $288.8 million. Program services include those operating expenses that directly advance the mission of CFA Institute.
- Supporting services, including management and general expenses, were $83.7 million. A portion of general and administrative costs that benefit multiple functions were allocated from supporting services to program services. See *Note 13: Functional Expenses* within the CFA Institute Consolidated Financial Statements.

PERFORMANCE

FINANCIAL CONDITION

Financial Position as of 31 August 2019[1]

($ IN MILLIONS)	FY2019
Cash and cash equivalents	$99.5
Other current assets	22.5
Total current assets	122.0
Noncurrent investments, at fair value	482.3
Other noncurrent assets	69.1
Total noncurrent assets	551.3
Total assets	**673.3**
Accounts payable and accrued liabilities	$21.1
Deferred revenue	164.2
Other current liabilities	22.1
Total current liabilities	207.3
Accrued liabilities	1.4
Deferred revenue	56.1
Other noncurrent liabilities	16.7
Total noncurrent liabilities	74.2
Total liabilities	281.5
Net assets	391.7
Total liabilities and net assets	**$673.3**

(1) Numbers are rounded.

- Of the $673.3 million in total assets as of 31 August 2019, $482.3 million were investments, all of which were classified as noncurrent.
- Current assets of $122.0 million, held mainly in cash and cash equivalents, are managed to cover operational needs, whereas investments provide protection against business disruptions and create a potential funding source for large new and long-term business initiatives.
- Total liabilities were $281.5 million, of which deferred revenue was $220.3 million. Deferred revenue represents unearned revenue from exam and membership services not yet provided.

For detailed information on deferred revenue, please see *Note 2: Summary of Significant Accounting Policies, Deferred Revenue*, within the CFA Institute Consolidated Financial Statements.

PERFORMANCE

CASH AND INVESTMENT DETAIL

Cash and Investment Portfolio Balance as of 31 August 2019[1]

($ IN MILLIONS)	FY2019
Cash and cash equivalents	$99.5
Noncurrent investments, at fair value	482.3
Total cash and noncurrent investments	**$581.8**

(1) Numbers are rounded.

- A Board-led Investment Committee provides oversight of the financial reserves of CFA Institute, consistent with Board directives. The reserves are invested in accordance with the Investment Policy Statement (IPS), which was developed by the CFA Institute Investment Committee according to principles included in the CFA Program curriculum. The CFA Institute Board of Governors approves the IPS.
- The reserves, combined with existing risk-mitigation strategies and insurance, provide for the continuation of services in the event of a large-scale disruption to the CFA Program. This approach to managing the reserves gives CFA Institute additional risk management flexibility.
- Strategic, long-term, target investment portfolio weights are 60% risk assets (e.g., global equities, real assets, emerging market debt, and high-yield debt) and 40% low-volatility assets (e.g., global fixed income and inflation-protected securities).
- For the year ended 31 August 2019, actual weights were 59% and 41%, respectively.

Cash Flow for Fiscal Year Ended 31 August 2019[1]

($ IN MILLIONS)	FY2019
Change in net assets without donor restrictions	$40.7
Noncash items	7.8
Changes in assets and liabilities	5.2
Net cash provided by operating activities	53.7
Capital expenditures	(13.4)
Maturities and proceeds (purchases) of investments, net	(29.0)
Net cash used in investing activities	(42.3)
Payments on borrowings, net	(1.4)
Distributions to non-controlling interests	(0.1)
Net cash used in financing activities	(1.5)
Net increase in cash and cash equivalents	9.8
Cash and cash equivalents, beginning of year	89.6
Cash and cash equivalents, end of year	**$99.5**

(1) Numbers are rounded.

PERFORMANCE

Operating Activities

- For FY2019, our noncash items consisted primarily of $11.3 million of depreciation and amortization, $9.8 million of unrealized losses on investments, and $16.6 million of realized gains on investments.
- The increase in cash and cash equivalents resulting from changes in assets and liabilities included an increase in deferred revenue of $12.5 million, offset by an increase in prepaid expenses and other assets of $5.6 million, a decrease in employee-related liabilities of $2.5 million, and a decrease in funds held for others of $1.0 million.

Investing Activities

- Cash used in capital expenditures was $13.4 million in FY2019.
- Cash used in the net purchase of investments was $29.0 million in FY2019. This amount is net of cash provided from investment proceeds of $150.0 million in FY2019.

Financing Activities

- Cash used in financing activities primarily consisted of $1.4 million in payments on a note payable in connection with the loan utilized to construct the Charlottesville, Virginia, premises.

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 program enrollment and exam registration fees, the valuation of our investments, and our policy related to the deferral and amortization of intangibles.

For detailed information on these critical accounting policies and estimates, please see *Note 2: Summary of Significant Accounting Policies*; *Note 4: Investments*; *Note 5: Fair Value Measurements*; and *Note 7: Intangibles* within the CFA Institute Consolidated Financial Statements.

PERFORMANCE

STRATEGIC OUTLOOK

The organizational strategy of CFA Institute continues to drive a 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.

Develop Future Professionals

Three strategies drive our plans for developing future professionals: (1) positioning the CFA Program for 100% market penetration; (2) developing industry-relevant, career-long competencies for investment management professionals; and (3) driving program demand among key influencers. Underpinning these strategies is a multiyear planning process called Credentialing 2025, which takes an anticipatory approach to ensuring the sustained relevance of our programs. Given the rate of change in both the investment management and the credentialing industries, we must adapt to the evolving learning needs and habits of today's investment managers or we risk jeopardizing the gold standard the CFA charter represents.

Four key initiatives of Credentialing 2025 are now underway:

- Learning Ecosystem (LES): This interactive and engaging learning experience consolidates the curriculum and study tools into an integrated, cohesive digital platform designed for CFA Program candidates. A simple, easy-to-use dashboard indicates progress and performance, and allows us to implement best practices in instructional design for self-study programs. The LES currently delivers the CFA Level I and II exam of the CFA Program, the Certificate in Investment Performance Measurement (CIPM), and the Question Bank for all three levels of the CFA Program. We plan to migrate the CFA Level III exam of the CFA Program to the LES in 2020 and experiment with innovative learning enhancements.
- Future of Exam Delivery (FED): Our planned transition from paper-based testing to computer-based testing (CBT) will increase convenience, accessibility, and customer service for our candidates. The shift to CBT will enable us to better manage the risks associated with candidate growth, allow us to better reflect the day-to-day practice of investment professionals, and ensure that we can improve the candidate experience. Implementation of the CFA Level I exam of the CFA Program is in progress, with administration of the first CBT anticipated for February 2021.

- Professional Learning: The CFA credential is a generalist designation for early career practitioners. As our members advance in their careers, they continue to specialize and require advanced learning. To serve this need, we are designing a framework of job-based competencies for investment professionals on multiple career paths. This foundation will be used to create educational opportunities for post-CFA Program advanced specialization.
- Specialist Certificates: In May 2019, the Board of Governors of CFA Institute approved initial actions for this initiative, including exploring options for how we offer our programs.

As the primary source of revenue for CFA Institute, the CFA Program remains the least risk tolerant of our credentialing programs. We seek not only to protect the rigor, relevance, quality, and resource commitment of the CFA Program but also to take calculated risks to advance its development.

PERFORMANCE

Deliver Member Value

Delivering a high-quality and personalized membership experience through CFA Institute and CFA Societies remains a critical strategic focus. We continue to allocate significant resources to building our brand locally and globally and to delivering products and services that help members navigate their careers. Following are key activities from the past year as well as plans for the upcoming year.

Member Experience

CFA Institute and CFA Societies are supporting our members as they navigate their careers through industry changes and fulfill the ethical and professional expectations of their clients, employers, and communities. In FY2019, we

- identified the skills and competencies required for key industry job roles, current and future, and began to build content to help members maintain their professional edge;
- improved the CFA Program Refresher Readings to enable members to update their technical skills;
- launched a new tracker to simplify and further automate tracking of professional learning;
- expanded the Career Center to 70 societies, each with their own listings of open positions in the industry;
- continued to build a Career Tools library to help members plan and manage their careers;
- responded to member demand for a global compensation survey and launched the 2019 CFA Institute Compensation Study Interactive Dashboard in October 2019 to help members benchmark their compensation relative to others in the same role and geographic area; and
- published the [2019 Investment Professional of the Future] report to start the discussion about what the future will look like for our members and to prepare them for a changing industry.

Notably, members supported a bylaws change to the work experience requirements for regular membership. This change maintains the rigor of the previous requirements while recognizing that professional work arrangements are evolving. Now, deserving professionals who meet our high standards are not arbitrarily excluded.

Brand Development

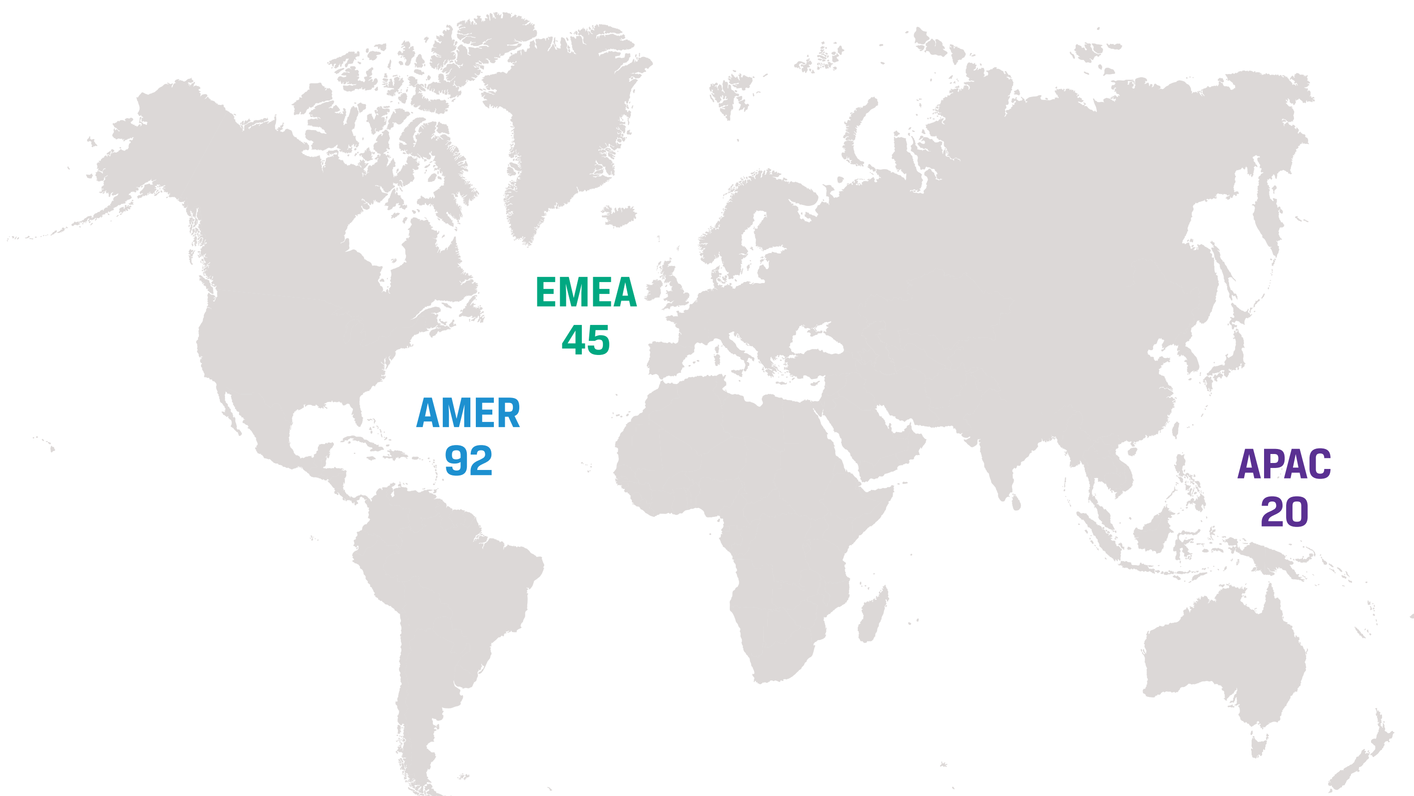
We continue to invest in global and local brand development to raise awareness with our members' employers, clients, and regulators about what the CFA charter represents and about our important mission and the benefit we offer to society.

We aim to create a unified brand experience for members interacting with CFA Institute and CFA Societies. Looking ahead, we will continue the work of promoting brand awareness through programs that help societies grow and that support the brand in their communities.

Professional Learning

Professional learning presents excellent opportunities for CFA Institute and CFA Societies to help members advance their careers, maintain professional relevance, raise standards, and better serve their clients. Through this major strategic initiative, we aim to mirror the quality of our educational programs in the lifelong learning space. We have embarked on a complete overhaul of our offerings. Our focus in FY2020 will be on developing a professional learning product based on job competencies that creates a more personalized, streamlined, and relevant experience. We aim to have a minimum viable product launched by the end of the year.

SOCIETY LOCATIONS BY REGION



AMER = Americas; EMEA = Europe, Middle East, and Africa; APAC = Asia Pacific

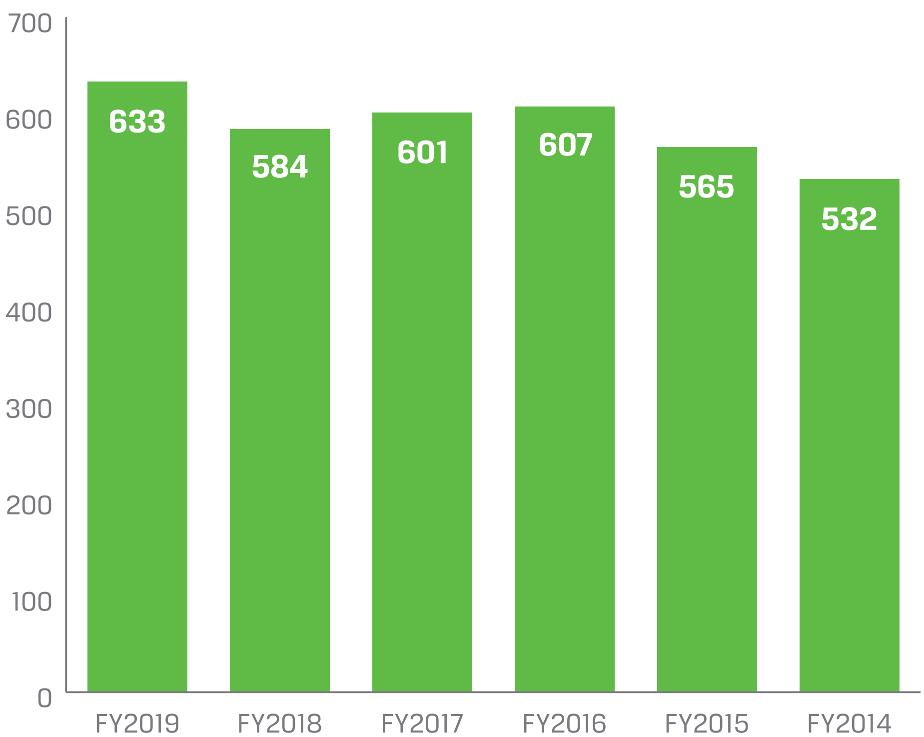
PERFORMANCE

Build Market Integrity

Our advocacy team continues to recommend policy positions that promote investor protection, market transparency, and professional competence and conduct. The team achieves this through a combination of proactive and responsive efforts, with prioritization provided by society leaders, specifically for work in the United States and the European Union. Among the issues prioritized by these society leaders, along with other issues of global importance for policy makers and standards-setters, are the following:

- **Environmental, Social, and Governance:** Global reporting on relevant information, appropriate reporting standards, and definitions for investment products.
- **Fintech:** A global issue relating to appropriate and symmetric regulatory standards for technology-based and traditional service providers and investment products.
- **Value for Money:** An EU-based rules regime seeking greater transparency and standardization for costs and charges for investment products.
- **Uniform Fiduciary Duty for Personalized Investment Advice:** A US-focused but global issue relating to standards for providing investment advice and offering clarity on professional titles.
- **Markets in Financial Instruments Directive II (MiFID II):** EU-originated rules with important global implications for the investment industry competition, costs, and consolidation as well as investment research availability.
- **Systemic Risks:** The identification of global and national risks arising from institutions, products, and regulation, along with recommendations to lessen their effects.
- **Alternative Performance Measures:** The use of nonstandard metrics to convey institutional performance to investors in a more accurate and positive manner.
- **Audit Standards and Quality:** Standards created to ensure accountability for the audit profession regarding the reliability of information for investment decision making.
- **Brexit:** The anticipated effects on UK, EU, and global markets arising from the departure of the United Kingdom from the European Union.

TOTAL NUMBER OF CFA INSTITUTE STAFF



PERFORMANCE

RISKS

In pursuit of its strategic objectives and mission achievement, CFA Institute supports a culture of informed risk awareness. Our organization uses a formalized enterprise risk management process to identify, evaluate, mitigate, and respond to potential risks that may affect the achievement of the organization's strategic objectives with the goal of operational resilience. These risks include, but are not limited to, those discussed in the following section.

Compliance Risk

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 those found in more mature markets, and we have increased our resources to meet this growing challenge. Key regulatory compliance matters addressed in 2019 included China's cybersecurity law, data privacy, society establishment, and financing as well as a review of contingent worker engagement.

Concentration of Business Risk

CFA Program exam fees and related revenue constitute approximately 85% of our annual total operating revenue. The number of candidates originating in Asia Pacific, and particularly those from China, continues to outpace those in other markets, creating a significant concentration of testing revenue. This concentration, coupled with the complexity and sensitivity of the political and regulatory environment, poses a potential risk to our organization's financial stability should regulatory, geopolitical, or other forces disrupt the delivery of the CFA Program in the country or region. We continue to monitor the regulatory and geopolitical situation, adjusting mitigation and contingency strategies as necessary to ensure our ability to respond effectively in the event this risk is realized in whole or in part.

We also rely on a single product, the CFA exam, as our primary source of revenue. We continue to look for opportunities not only to maintain the relevance and the value of the CFA exam but also to build complementary products.

Political and Macroeconomic 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 impacts could result from political actions that restrict CFA Institute market access or the health of the local investment management industry. We continue to apply resources to monitor these potential disruptions to enable a prompt and appropriate response.

Competitive Risk

Because the CFA charter is not required for investment practice in any jurisdiction, regulators potentially could step in and create their own qualifying exam, which would occupy the field, making the CFA charter less attractive. In larger jurisdictions, this could result in a significant downturn in candidate enrollment and revenue. Additionally, CFA Institute remains vigilant in lawfully restraining other organizations from creating credentials in the investment management using the letters "C" "F" "A" together or in combination.

Exam Administration Disruption Risk

Disruptions to testing for reasons such as those outlined earlier (e.g., political upheaval, regulatory changes, strikes, etc.), because of natural and unnatural disasters, or as a result of exposed test items could result in significant reputational damage or financial loss. Although we have mitigation strategies in place, we cannot control the number and type of exogenous events that might negatively affect exam administration. Our overarching crisis management program, which provides for response to adverse events up to and including disasters, maintains as the highest priority the safety of the CFA Institute community, which includes staff, visitors, volunteers, exam candidates, and event attendees.

Cybersecurity Risk

CFA Institute faces the same cyber risks that now confront all businesses and organizations. To further strengthen our cyber-defense position, CFA Institute has increased its resources dedicated to monitoring, mitigating, and responding to such threats. Despite our focus on intrusion detection systems, continuous monitoring, firewalls, and layered defenses, a cyberattack could result in system unavailability, lost proprietary information, exposed test items, or exposed personal identifying information about members, candidates, volunteers, employees, or others. Those adverse outcomes could arise from system malfunctions or simple human error and vulnerabilities. Accordingly, CFA Institute expects to continue to strengthen and continuously improve its cyber-defense and information security programs.

Financial Risk

The organization's investments, cash and cash equivalents, and revenues and expenses are affected by fluctuations in market prices, interest rates, and foreign currency exchange rates, each of which could negatively affect financial standing.

- **Investments:** Our short-term market risk is managed by investing in instruments that focus on capital preservation and liquidity and that maintain a minimum credit quality. Our long-term reserves are subject to an investment policy statement that is overseen and administered by a Board-led Investment Committee and that is approved annually by the CFA Institute Board of Governors.
- **Interest and Currency:** The variable interest expense associated with our Charlottesville, Virginia, facility is fixed through the use of an interest rate swap and therefore is not affected by interest rate fluctuations. The substantial majority of our global revenues and expenses are collected and disbursed in US dollars, the functional currency of the CFA Institute parent organization. Exposure to fluctuations in local currency rates are primarily related to operating expenditures for international CFA Institute office locations, which could affect the results of operations and cash flows. Foreign currency exposure is monitored on a periodic basis and reported annually to the Audit and Risk Committee.
- **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 United States and other national deposit protection programs. To mitigate credit risk exposure, CFA Institute utilizes financially sound institutions and regularly maintains US maximum daily operating cash balances. Short-term excess operating cash is invested in US government securities until needed. Global cash and short-term investment balances exceeding the deposit protection limits are subject to some degree of credit risk.

Reputational Risk

The organizational reputation of CFA Institute can be damaged or negatively affected as a result of improper behavior or perceived improper behavior of the organization, its representatives, member societies, volunteers, or business partners. Such behavior may result in negative media coverage or social media traffic. Management of key relationships with external stakeholders, brand management in news and social media outlets, and preparedness to respond to reputation-threatening events complement internal controls to mitigate this risk.

GOVERNANCE

The Board of Governors is the highest governing authority of CFA Institute. As such, it is responsible for defining the organization's mission, vision, and strategies. The Board works in conjunction with the Leadership Team, which includes the president and CEO as well as other executives who manage divisions within CFA Institute. In keeping with our goals of promoting accountability and integrity in financial markets, we strive to communicate our mission, strategies, and operations as clearly and openly as possible. Governors and other member-volunteers fill a variety of roles critical to the governance of CFA Institute, including active participation on the following committees. Detailed information with respect to our directors and executive officers, the Code of Ethics, and Audit and Risk Committee member qualifications is included in our 2020 Proxy Statement, to be filed sixty (60) days before the Annual Meeting of Members scheduled for 17 May 2020. Additional information, including committee rosters and biographies, can be found within the Governance section of our website.

Audit and Risk Committee

The Audit and Risk Committee assists the Board of Governors in the fulfillment of its functions with respect to our organization's financial statements as well as our financial condition and risk management by

- overseeing financial and audit systems for financial integrity,
- overseeing processes for monitoring compliance as it relates to financial integrity,
- evaluating and providing oversight of the monitoring of internal risks, and
- evaluating the independence and qualifications of the independent auditor.

Governance standards are determined by the state law and corporate codes of Virginia (United States). Recognizing the prominence of CFA Institute as a professional body, and the expectations of our members and other stakeholders, we also follow other governance and disclosure best practice enhancements whenever practicable.

The Audit and Risk Committee's role is one of oversight. Management is responsible for preparing financial statements and overseeing risk assessment and risk management. The independent auditor is responsible for auditing the annual financial statements. The Board and the Audit and Risk Committee recognize that management and the independent auditor have more time, knowledge, and detailed information about the organization than do committee members. The committee therefore relies on the reviews and reports provided by management and does not provide any expert assurance as to the financial statements or any certification as to the work of any auditor. As appropriate, the committee may challenge the reviews and reports to enhance the organization's overall risk management.

Executive Committee

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

Investment Committee

The Investment Committee carries out the responsibilities it is delegated by the Board of Governors. It provides strategic direction and oversight of our financial reserves, with the objective of protecting the financial position of CFA Institute and supporting its mission and goals.

Nominating Committee

The Nominating Committee fairly and objectively seeks and nominates qualified candidates for election to the Board of Governors. The committee is established by the CFA Institute bylaws to carry out these responsibilities; it is delegated by the Board of Governors. It manages the processes and procedures for governor nominations, in accordance with and subject to the bylaws (which may be amended from time to time). The committee is charged with

- identifying, vetting, and nominating qualified candidates for governor and officer positions of CFA Institute, in accordance with and subject to the bylaws; and
- supporting the organization's 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.

People and Culture Committee

The People and Culture Committee carries out the responsibilities delegated by the Board of Governors relating to tasks focused on building organizational capability and ensuring that the organization is viewed as an Employer of Choice in the markets in which we operate. These tasks include

- reviewing output of the annual Talent Review and producing a robust succession plan and high-potential slate ensuring that the organization has top talent in critical roles and that internal talent pipelines are being developed with a focus on enhancing organizational capability;
- providing oversight of compensation policies, programs, and related plans, with an emphasis on those pertaining to the executive officers of CFA Institute;
- reviewing annual goals and performance against those goals and recommending compensation of the president and CEO and the chief compliance risk and ethics officer;
- reviewing compensation recommendations for all key executives named in the 990 filing;
- reviewing annual development plans of executive officers and discussing retention issues for this group and other critical talent in the organization;
- discussing key activities focused on evolving employee engagement and organizational culture; and
- discussing any people-related issues that may create risk for the organization (depending on the level of risk associated, these issues may be reviewed by the Audit and Risk Committee).

Society Partnership Advisory Council

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

- facilitating the alignment between CFA Institute and member societies that is critical to advancing our mission globally and delivering value to our members;
- establishing a unified voice on member society-related matters to represent member society interests to the Board;
- ensuring continued strength in the relationships among CFA Institute, the Presidents Council, and member societies; and
- providing feedback and guidance on CFA member society business to the Board of Governors, the Presidents Council, CFA Institute staff, and member societies.

GOVERNANCE

KEY DOCUMENTS

- CFA Institute Articles of Incorporation, as amended and restated 13 June 2018
- CFA Institute Bylaws, as amended and restated 12 May 2019
- Code of Conduct for CFA Institute Governors, as of 20 July 2018
- Conflict of Interest Policy, as of 20 July 2018

Principal Accounting Fees and Services

Information with respect to principal accounting fees and services is included in our 2020 Proxy Statement, to be filed sixty (60) days before the Annual Meeting of Members scheduled for 17 May 2020.

INDEPENDENT AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS

CFA Institute

Consolidated Financial Statements

and Accompanying Consolidating Information
As of 31 August 2019
and Independent Auditors' Report

CFA Institute
Table of Contents

KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Board of Governors
CFA Institute:

We have audited the accompanying consolidated financial statements of CFA Institute and its subsidiaries, which comprise the consolidated statement of financial position as of August 31, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the auditors' 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, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the 2019 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, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2 to the consolidated financial statements, CFA Institute adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial statements of Not-for-Profit Entities,* during the year ended August 31, 2019. Our opinion is not modified with respect to this matter.

Other Matter – Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Richmond, Virginia
February 20, 2020

CFA Institute
Consolidated Statement of Financial Position
As of 31 August 2019

(in thousands)

		2019
ASSETS		
Current assets		
Cash and cash equivalents	$	99,491
Accounts receivable, net		1,090
Prepaid expenses and other assets		19,695
Publication inventory		1,690
Restricted cash		2
Total current assets		121,968
Non-current assets		
Investments, at fair value		482,257
Prepaid expenses and other assets		4,988
Property and equipment, net		40,724
Intangibles, net		23,342
Total non-current assets		551,311
Total assets	$	673,279
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$	21,056
Deferred revenue		164,210
Employee-related liabilities		17,355
Funds held for others		3,190
Derivative contract		59
Notes payable		1,450
Interest payable		14
Total current liabilities		207,334
Non-current liabilities		
Accrued liabilities		1,371
Deferred revenue		56,102
Employee-related liabilities		1,896
Derivative contract		520
Notes payable		14,311
Total non-current liabilities		74,200
Total liabilities		281,534
Net assets		
Net assets without donor restrictions		
Undesignated		373,851
Designated		1,239
Non-controlling interests		16,655
Total net assets		391,745
Total liabilities and net assets	$	673,279

See accompanying notes to consolidated financial statements.

CFA Institute
Consolidated Statement of Activities
For the Year Ended 31 August 2019

(in thousands)

	2019
Change in net assets without donor restrictions	
Operating revenues	
Credentialing programs, net	$ 337,506
Member value programs	49,940
Industry engagement and other	371
Contributions	6,061
Total operating revenues	393,878
Operating expenses	
Program services	
Credentialing programs	122,473
Member value programs	142,802
Industry engagement	23,444
Scholarships – 11 September Memorial Fund	85
Supporting services	
Management and general	83,732
Fundraising	4
Total operating expenses	372,540
Income from operations	21,338
Realized gains, interest and dividends (net)	30,624
Change in net assets without donor restrictions from operations	51,962
Other changes	
Unrealized losses on investments	(9,841)
Return of capital – non-controlling interests	(137)
Unrealized loss on derivative contract	(1,236)
Change in net assets without donor restrictions	40,748
Net assets, beginning of year	350,997
Net assets, end of year	$ 391,745

See accompanying notes to consolidated financial statements.

CFA Institute
Consolidated Statement of Cash Flows
For the Year Ended 31 August 2019

(in thousands)

	2019
Cash flows provided by operating activities	
Reconciliation of change in net assets without donor restrictions	
to net cash provided by operating activities	
Change in net assets	$ 40,748
Adjustments to reconcile change in net assets	
to net cash provided by operating activities	
Depreciation and amortization	11,347
Losses on disposition of property and equipment	123
Losses on disposition of intangible assets	1,668
Unrealized losses on investments	9,841
Realized gains on investments	(16,600)
Unrealized loss on derivative contract	1,236
Return of capital – non-controlling interests	137
Changes in:	
Accounts receivable, net	(106)
Prepaid expenses and other assets	(5,584)
Publication inventory	(94)
Accounts payable and accrued liabilities	2,005
Deferred revenue	12,536
Employee related liabilities	(2,538)
Funds held for others	(1,019)
Interest payable	(1)
Net cash provided by operating activities	53,699
Cash flows used in investing activities	
Purchases of property and equipment	(2,350)
Purchases of intangible assets	(11,004)
Purchases of investments	(178,920)
Proceeds from investments	149,960
Net cash used in investing activities	(42,314)
Cash flows used in financing activities	
Loan repayments	(1,404)
Return of capital – non-controlling interests	(137)
Net cash used in financing activities	(1,541)
Net increase in cash and cash equivalents	9,844
Cash and cash equivalents, beginning of year	89,647
Cash and cash equivalents, end of year	$ 99,491

See accompanying notes to 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 178,000 members, as well as 157 member societies around the world. CFA Institute also administers the Certificate in Investment Performance Measurement (CIPM®) Program and the CFA Institute Investment Foundations™ certificate program (formerly known as the Claritas® Investment Certificate). CFA Institute has offices in Abu Dhabi; Beijing; Brussels; Charlottesville, Virginia; Hong Kong; London; Mumbai; New York City; Singapore; Shanghai; and Washington, D.C.

CFA Institute qualifies as a tax-exempt organization under Internal Revenue Code (IRC) § 501(c)(6). CFA Institute was incorporated in 1990 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-owned and 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 a representative office located in the People's Republic of China in Shanghai. CFA Institute China and its representative office 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 solely-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. HUB granted a ten percent (10%) non-preferred equity interest to certain unrelated third parties. CMT granted a ninety-nine and ninety-nine one-hundredths percent (99.99%) non-preferred equity interest to an unrelated third party.

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 conferences, workshops, exhibitions, and other networking events.

CFA Global Holdings, LLC (Global Holdings), 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.

CFA Institute Singapore Private Limited (CFA Institute Singapore), a wholly-owned subsidiary of CFA Institute, 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.

CFA Institute Limited (CFA Institute Abu Dhabi), a wholly-owned subsidiary of CFA Institute, is a private company limited under the laws of the United Arab Emirates 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 the United Arab Emirates, 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 consolidated 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, CFA Institute Abu Dhabi, Global Holdings, 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 Holdings, CMT, and HUB given that CFA Institute maintains a controlling financial interest in the entities. All intercompany transactions and balances have been eliminated in consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP 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 net of investment expenses and are included in the change in net assets without donor restrictions from operations. Unrealized gains and losses on investments are reported as other changes in net assets without donor restrictions.

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. 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 two categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are available for use at the discretion of the Board of Governors (the Board) and management for general operating purposes. The Board may designate a portion of these net assets for specific purposes. As of 31 August 2019, all of CFA Institute's net assets were net assets without donor restrictions.

Net assets with donor restrictions consist of assets subject to donor imposed stipulations. A donor stipulation specifies a use for a contributed asset that is more specific than the broad limits resulting from the nature of the nonprofit organization, the environment in which it operates, and the purposes specified in its articles of incorporation. As of 31 August 2019, CFA Institute had no net assets with donor restrictions.

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

31 August 2019	CFA Institute	Non-controlling interests	Consolidated
Net assets, beginning of year	$ 334,894	$ 16,103	$ 350,997
Change in net assets from operations	51,273	689	51,962
Unrealized losses on investments	(9,841)	—	(9,841)
Distributions	—	(137)	(137)
Unrealized loss on derivative contract	(1,236)	—	(1,236)
Net assets, end of year	$ 375,090	$ 16,655	$ 391,745

Board designated net assets
In 1990, 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. The contribution is a non-cumulative preferred claim of CFA Institute on the Foundation's net assets should the Foundation become unable to carry out its exempt purposes by reason of dissolution or otherwise. The claim is for $950,000 or the Foundation's net assets, whichever is less. 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 board designated net assets.

The Scholarship Fund is recorded as a board designated net asset. Contributions by CFA Institute to the Foundation for the Scholarship Fund are recorded as net assets without donor restrictions.

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 consolidated statement of financial position.

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

	2019
ICFA contribution	$ 950
11 September Memorial Fund	221
Unpaid research grants	68
Total designated net assets	$ 1,239

Contributed services
CFA Institute receives contributed services from volunteers for contributions of their time grading CFA examinations and serving 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. For the year ended 31 August 2019, CFA Institute recorded the value of the contribution of volunteers' time of $5,760,000 as contribution revenue with a corresponding amount to consulting expense.

Cash flow reporting
The consolidated statement of cash flows is prepared using the indirect method.

Cost classification
Operating expenses are classified as either program services or supporting services. Program services are those operating expenses that directly advance the mission of CFA Institute. Supporting services are general and administrative costs. A portion of general and administrative costs that benefit multiple functions are allocated from supporting services to program services. See Note 13 for more information on the functional expense allocation.

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 statement of activities. Gains and losses are determined using the weighted average per share cost basis.

Publication inventory
Inventory, which consists primarily of the CFA Program candidate curriculum, is recorded using the first-in, first-out method and measured at the lower of cost or net realizable value.

Restricted cash
Restricted cash is classified as either current or non-current, depending on whether its use is restricted for greater than twelve months. The cash may be collateral for bank-issued letters of credit, escrowed deposits, or Office of Foreign Assets Control (OFAC) restricted receipts and has withdrawal restrictions. Income earned from these funds is unrestricted and available for company use.

Derivative contract
CFA Institute is subject to risk from potential increases in interest rates associated with note payable pertaining to the acquisition and construction of the Charlottesville property. This risk is mitigated through the use of a pay fixed receive float interest rate swap 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 speculative 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 notional amount of $15,761,000, as of 31 August 2019, 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 with a fair value of $579,000 as of 31 August 2019.

CFA Institute's outstanding derivative financial instrument is recognized in the consolidated statement of financial position at its fair value. The change in fair value is recognized as an unrealized loss in the consolidated statement of activities and was $1,236,000 for the year ended 31 August 2019.

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

CFA Institute evaluates long-lived assets for impairment if an indicator exists that the estimated fair market value of the asset has declined below its carrying value. As of 31 August 2019, no long-lived assets have been impaired.

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 available for use. 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	1 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 statement of financial position (see Revenue paragraph below).

The membership year for CFA Institute runs from 1 July to 30 June. Accordingly, CFA Institute recognizes membership dues on a pro-rata basis over the membership year.

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 at the time in which the liability is both probable and the amount of the liability is estimable by evaluating certain uninsured risk related to incidents occurring on or before the date of the consolidated statement of financial position. As of 31 August 2019, the gross medical claims liability consisted of claims incurred but not reported of $525,000 and claims paid by a third party administrator and not yet paid by CFA Institute of $45,000, resulting in a medical claims liability of $570,000.

Notes payable

Notes payable is classified as either current or non-current. The current portion is equal to the amount of principal due within twelve months of the end of the reporting period. The full balance of current and non-current notes payable relates to the loan utilized to construct the Charlottesville, VA premises.

Revenue

CFA Institute earns its primary revenue from examination fees, member dues, and educational product sales. Revenue is recognized at the time in which it is both realized or realizable and has been earned.

One-time candidate enrollment fees, included in credentialing programs on the accompanying consolidated statement of activities, are recognized as revenue pro rata over three years which equals the estimated average time a candidate participates in the CFA Program. To align with the expected period of performance, a full year of revenue is recognized in the first year for enrollment fees related to 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 enrollment fees related to the June exam (given in the latter half of the fiscal year).

CFA Program and CIPM Program examination fees included in operating revenue from credentialing programs in the accompanying consolidated statement 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.

Credentialing programs, as reflected on the consolidated statement of activities, are net of CFA and CIPM certificate examination scholarships. Scholarships awarded were $8,527,000 for the year ended 31 August 2019. 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 its mission. For the year ended 31 August 2019, CFA Institute provided direct operational, growth and partnership funding in the amount of $20,318,000 to the aforementioned member societies. CFA Institute also provided other services and funding to each society to leverage their outreach into local communities. Other services include, but are not limited to, society leader training, increasing engagement with stakeholders, and collecting and remitting society dues.

As of 31 August 2019, current accounts payable and accrued liabilities included accrued grants in the amount of $513,000.

Advertising costs
Advertising costs are expensed as incurred. Total advertising expense was $18,362,000 for the year ended 31 August 2019.

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 $200,000 for the year ended 31 August 2019. The Foundation had no unrelated business income for the year ended 31 August 2019.

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 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 partnerships 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 $1,049,000 in taxable income for the period ended 31 December 2018. Federal income tax estimated payments made by Holdings were $270,000 for the year ended 31 August 2019.

Interest costs
CFA Institute incurred interest costs for the note payable of $479,000 for the year ended 31 August 2019. No portion of interest expense for the period presented has been capitalized.

New accounting pronouncements adopted
On 1 September 2018, CFA Institute adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The main provisions of the update include: (a) requiring the presentation of only two classes of net assets entitled net assets without donor restrictions and net assets with donor restrictions, (b) requiring that all nonprofits present an analysis of expenses by function and nature in a single location and disclose a summary of the methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of financial resources, (d) presenting investment return net of external and direct internal investment expenses, and (e) requiring enhanced disclosures about amounts and purposes of governing board designations. Other provisions include: (a) modifying the presentation of underwater endowment funds and related disclosures, (b) removing the requirement to present or disclose the indirect method (reconciliation) if using the direct method to present cash flows, and (c) requiring use, in the absence of explicit donor stipulations, of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets. As a result of the adoption of ASU 2016-14, CFA Institute changed the terminology used to describe categories of net assets throughout the consolidated financial statements, allocated costs that benefit more than one function from management and general to program services and disclosed the allocation method, added a disclosure to present expenses by nature and function, added a disclosure related to liquidity and availability of financial resources, reported investment return net of external investment expenses, and expanded the disclosure on the purposes of board designated net assets.

On 1 September 2018, CFA Institute adopted ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The main provisions of the update require investments in equity securities to be measured at fair value through change in net assets. If an equity investment does not have a readily determinable fair value it may be recognized at cost minus impairment, if any, and may be adjusted for any changes in observable price changes occurring in orderly transactions. Entities that are not public business entities are no longer required to disclose the fair value of financial instruments measured at amortized cost. As a result of the adoption of ASU 2016-01, CFA Institute removed the disclosure of the fair value of the loan measured at amortized cost. CFA Institute currently recognizes changes in the fair value of equity investments through change in net assets, and it does not hold any equity investments without readily determinable fair values that do not elect to use the net asset value (NAV) as a practical expedient.

New accounting pronouncements issued but not adopted
In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash*. The new guidance requires restricted cash or restricted cash equivalents to be included as cash and cash equivalents when reconciling beginning of period and end of period total amounts shown on the statement of cash flows. CFA Institute is required to adopt the ASU on 1 September 2019. CFA Institute maintains a low restricted cash balance and does not expect a material impact upon adoption of the ASU.

In August 2016, the FASB issued 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 in practice regarding presentation and classification on the statement of cash flows. CFA Institute is required to adopt the ASU on 1 September 2019, with early application permitted. As CFA Institute provides consolidated financial statements on an annual basis, it is still fully evaluating the impact of this standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The new revenue recognition standard eliminates the transaction and industry-specific revenue recognition guidance under current US GAAP and replaces it with a principles-based approach for determining revenue recognition. Under the ASU, revenue is recognized based the explicit or implicit performance obligations within each revenue generating contract and is recognized when each specific performance obligation has been satisfied. CFA Institute is required to adopt the ASU on 1 September 2019. As CFA Institute provides consolidated financial statements on an annual basis, it is still fully evaluating both the recognition timing and amount for each revenue stream in order to determine the impact on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU helps entities evaluate whether they should account for a grant as a contribution or exchange transaction. It also clarifies and expands the criteria for determining whether a contribution is conditional. For recipient transactions, CFA Institute is required to adopt the ASU on 1 September 2019, with early adoption permitted. For resource provider transactions, CFA Institute is required to adopt the ASU on 1 September 2020, with early adoption permitted. As CFA Institute provides consolidated financial statements on an annual basis, it is still fully evaluating the impact of this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement*. The ASU modifies the disclosure of fair market value measurement by removing, adding, and modifying aspects of the current disclosure requirements. CFA Institute is required to adopt the ASU on 1 September 2020 and is evaluating the impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new guidance requires that all leases be recognized at inception as a right-to-use lease asset and a corresponding lease liability. CFA Institute is required to adopt the ASU on 1 September 2021, with early adoption permitted. CFA Institute is evaluating the impact of the guidance on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software.* The new guidance impacts the accounting for implementation, setup, and other upfront costs related to the customer in a cloud computing hosting arrangement that qualifies as a service contract. The guidance aligns the costs incurred under the hosting arrangement to the requirements for capitalizing acquisition or development costs of internal-use software. CFA Institute is required to adopt the ASU on 1 September 2021, with early adoption permitted. CFA Institute is evaluating the impact of the standard on its consolidated financial statements.

In June 2016, the 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. CFA Institute is required to adopt the ASU on 1 September 2023 but expects minimal impact on its consolidated financial statements.

3. Accounts receivable

Accounts receivable as of 31 August 2019 consisted of the following (in thousands):

		2019
Accounts receivable	$	1,518
Allowance for bad debt		(428)
Total accounts receivable	$	1,090

4. Investments

Investments, at fair value (see Note 5) as of 31 August 2019 consisted of the following (in thousands):

		2019
CFA Institute	$	466,934
The Foundation		15,115
The Foundation – The Scholarship Fund		208
Total investments	$	482,257

As of 31 August 2019, investments at fair value consisted of US registered mutual funds and collective trusts that invest in global equity, global fixed-income, 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 2019 (in thousands):

	2019			
		Fair value		Cost
Global equity	$	209,291	$	166,897
Global fixed-income		110,563		106,881
Inflation-protected securities		87,612		83,978
High-yield corporate bonds		23,759		23,600
Emerging market debt		23,648		21,678
US government securities		208		208
Global real estate investment trusts		19,324		16,653
Other real assets		7,852		8,276
Total investments	$	482,257	$	428,171

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

		2019
Realized gains	$	16,600
Interest and dividends		14,170
Investment expenses		(146)
Total realized gains, interest and dividends (net)		30,624
Unrealized losses (net)		(9,841)
Total investment gains, interest and dividends (net)	$	20,783

5. Fair value measurements

Fair value is determined based on the price a market participant would receive to sell an asset or pay to transfer a liability in an orderly arms-length transaction-the exit price. Fair value is disclosed using 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.

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

The following table presents information about assets and liabilities measured at fair value on a recurring basis as of 31 August 2019 (in thousands):

		Fair value measurements as of 31 August 2019 using:		
	Fair value as of 31 August 2019	Level 1	Level 2	Level 3
Assets				
Global equity	$ 209,291	$ 209,291	$ —	$ —
Global fixed-income	110,563	110,563	—	—
Inflation-protected securities	87,612	87,612	—	—
High-yield corporate bonds	23,759	23,759	—	—
US government securities	208	208	—	—
Global real estate investment trusts	19,324	19,324	—	—
Other real assets	7,852	7,852	—	—
Emerging market debt (NAV) (1)	23,648	—	—	—
Investments, at fair value	482,257	458,609	—	—
Mutual funds - IRC § 457 accounts	1,896	1,896	—	—
Liabilities				—
Deferred compensation (see Note 11)	(1,896)	(1,896)	—	—
Derivative contract	(579)	—	(579)	—
Net assets and liabilities subject to fair value measurement	$ 481,678	$ 458,609	$ (579)	$ —

(1) Emerging market debt that is measured at fair value using the NAV per share (or its equivalent) practical expedient has not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated financial statements.

The derivative instrument is valued by a third party using a model based on factors including: (1) liquidity, (2) market conditions as of the measurement date, and (3) non-performance or credit risk.

6. Property and equipment

Property and equipment, including construction in progress, as of 31 August 2019 consisted of the following (in thousands):

		2019
Land	$	3,487
Buildings		36,500
Computer hardware and equipment		13,256
Furniture and fixtures		4,208
Leasehold improvements		6,030
Total property and equipment		63,481
Accumulated depreciation and amortization		(22,757)
Property and equipment, net	$	40,724

Construction in progress, included in the schedule above, as of 31 August 2019 consisted of the following (in thousands):

		2019
Buildings	$	48
Computer hardware and equipment		164
Leasehold improvements		17
Total construction in progress	$	229

Depreciation expense was $3,078,000 for the year ended 31 August 2019.

Property and equipment assets of $2,656,000 were disposed during the year ended 31 August 2019. Loss on disposition of property and equipment assets was $123,000 for the year ended 31 August 2019 and is shown in operating expenses on the consolidated statement of activities.

7. Intangibles

Intangibles, including work in process, as of 31 August 2019 consisted of the following (in thousands):

		2019
Computer software (developed)	$	42,633
Computer software (website development)		8,755
Computer software (packaged)		6,505
Other intangibles		4,499
Total intangibles		62,392
Accumulated amortization		(39,050)
Intangibles, net	$	23,342

Work in process, included in the schedule above, as of 31 August 2019 consisted of the following (in thousands):

		2019
Computer software (developed)	$	5,847
Other intangibles		317
Total work in process	$	6,164

Amortization expense was $8,269,000 for the year ended 31 August 2019.

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.

Intangible software assets of $17,456,000 were disposed during the year ended 31 August 2019. Loss on disposition of intangible assets was $1,668,000 for the year ended 31 August 2019 and is shown in operating expenses on the consolidated statement of activities.

For the following fiscal years, future intangible amortization for assets placed in service as of 31 August 2019 is as follows (in thousands):

		Intangible amortization
2020	$	8,800
2021		6,142
2022		2,180
2023		19
2024		19
Thereafter		18
Total intangible amortization	$	17,178

8. Commitments and contingencies

CFA Institute has entered into various operating leases with original terms ranging from three to fourteen years that expire on various dates through September 2030. These operating leases cover office space in various cities in which CFA Institute operates as well as leased office equipment.

CFA Institute recognizes minimum rent payments with fixed rental step-ups associated with an operating lease on a straight-lined basis over the lease term. The difference between the straight-line rent expense and rent paid is recorded as deferred rent.

Rental expense related to these operating leases was $5,046,000 for the year ended 31 August 2019.

For the following fiscal years, future minimum payments and sublease rental income under these operating leases at 31 August 2019 are as follows (in thousands):

	Lease payments	Sublease rental income	Net lease payments
2020	$ 5,567	$ 72	$ 5,495
2021	4,837	74	4,763
2022	2,375	79	2,296
2023	1,534	74	1,460
2024	1,113	31	1,082
Thereafter	5,350	—	5,350
Total future minimum payments	$ 20,776	$ 330	$ 20,446

The Foundation awards grants to individuals subject to completion of their respective research projects. Unpaid grants, subject to this condition, totaled $68,000 as of 31 August 2019. Due to the conditional nature of these unpaid grants, they are not accrued in the accompanying consolidated statement of financial position. (see Note 2, designated net assets.)

9. Retirement plans

In the United States, the 401(k) Retirement Plan (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 one year of service. Employee contributions are always 100% vested. Plan oversight is the responsibility of the Chief Human Resources Officer (CHRO), including appointment, monitoring, and replacement of the members of the Retirement Investment Policy Committee (RIPC). The RIPC, which is comprised of qualified CFA Institute employees, selects and monitors plan investments. The CHRO will retain fiduciary responsibility for all Plan administration matters other than 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 $6,259,000 for the year ended 31 August 2019. Plan forfeitures of $12,000 were netted against contribution expense. CFA Institute accrues for incentive compensation and the related 401(k) contribution. An accrual for the related 401(k) contribution of $710,000 was made for the year ended 31 August 2019.

CFA Institute also has defined contribution plans for employees in its international operations. Contribution expense for these defined contribution plans totaled $1,669,000 for the year ended 31 August 2019.

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.

The contribution from CFA Institute to the Scholarship Fund, which is a twenty-year, self-liquidating fund, is recorded as net assets without donor restrictions 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 $85,000 for the year ended 31 August 2019. CFA Institute contributed $18,000 to cover operating expenses of the Scholarship Fund for the year ended 31 August 2019.

The activity in the Scholarship Fund for the year ended 31 August 2019 was as follows (in thousands):

		2019
Designated net assets, beginning of year	$	297
Realized gains, interest, and dividends (net)		4
Unrealized gains on investments		5
Scholarships awarded		(85)
Designated net assets, end of year	$	221

11. Deferred compensation

CFA Institute maintains a deferred compensation program for participating key employees. A liability for the deferred compensation program of $1,896,000 was recorded as of 31 August 2019 and is classified as non-current employee-related liabilities in the consolidated statement of financial position.

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 was financed by a 16.5 year term note, maturing March, 2029, with an original amount of $22,900,000 and a remaining balance of $15,761,000 as of 31 August 2019, 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 interest rate risk associated with a variable interest rate note, HUB also entered into a 16.5 year pay fixed, receive float interest rate swap.

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
2020	$ 1,450
2021	1,489
2022	1,533
2023	1,579
2024	1,625
Thereafter	8,085
Total principal payments	$ 15,761

13. Functional expenses

Expenses by functional classification for the year ended 31 August 2019 consisted of the following (in thousands):

	Program Services				Supporting Services		
	Credentialing	Member Value	Industry Engagement	Scholarships	Management and General	Fundraising	FY 2019 Total
Salaries, Wages and Benefits	$ 21,864	$ 37,313	$ 12,094	$ —	$ 33,646	$ —	$ 104,917
Cost of Sales	9,787	290	6	—	—	—	10,083
Professional Services	31,496	34,496	4,252	—	26,842	4	97,090
Facility and Equipment	28,657	6,247	1,147	—	5,227	—	41,278
Travel Expenses	10,856	15,462	3,103	—	4,548	—	33,969
Grants and Sponsorships	4	21,371	996	85	652	—	23,108
Advertising	47	18,197	111	—	7	—	18,362
Bank Charges and Merchant Fees	10,403	1,906	12	—	195	—	12,516
Postage, Printing and Supplies	5,185	1,458	277	—	578	—	7,498
Utilities	457	873	239	—	1,183	—	2,752
Depreciation and Amortization	2,501	2,976	866	—	5,004	—	11,347
Insurance, Taxes, Interest, and Other	1,216	2,213	341	—	5,850	—	9,620
Total	$ 122,473	$ 142,802	$ 23,444	$ 85	$ 83,732	$ 4	$ 372,540

In the above analysis, certain costs that benefit all functions have been allocated from management and general to program services. Supporting activity costs are allocated using the following methods:

Supporting Activity	Allocation Method
Facility Operations	Square Footage
Information Technology	Headcount
Travel Support and Event Management	Meeting Spend
Global Contact Center	Contacts by Customer

14. Liquidity resources

CFA Institute maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Funds determined to be exceeding short-term operating cash needs are sent to long-term reserves and invested appropriately. Short-term operating cash needs in excess of the maximum daily U.S. operating cash balance of $15,000,000 are invested in U.S. government securities until required for disbursement purposes. Working capital is also maintained in non-U.S. bank accounts to support international operations.

CFA Institute's financial assets available within one year of the consolidated statement of financial position dated 31 August 2019 for general expenditures are as follows (in thousands):

	2019
Cash and cash equivalents	$ 99,491
Investments - non-current	482,257
Receivables, net	1,090
Total financial assets	582,838
Less:	
Board designated net assets - 11 September Memorial Fund	221
Financial assets available to meet cash needs for general expenditures within one year	$ 582,617

15. Supplemental disclosure of cash flow information

Supplemental cash flow information for the year ended 31 August 2019 consisted of the following (in thousands):

	2019
Cash paid during the year for interest	$ 480
Cash paid during the year for income taxes	$ 900
Purchases of property and equipment included in accounts payable	$ 46
Purchases of intangible assets included in accounts payable	$ 519

16. Subsequent events

CFA Institute has assessed the impact of subsequent events through 20 February 2020, the date the audited consolidated financial statements were available to be issued, and has concluded that no such events require adjustment to the audited consolidated financial statements.

On 31 October 2019, Hub and CMT purchased the partial interests owned by unrelated third parties. The purchase price for the non-controlling interests in Hub was $2,000, and the purchase price for the non-controlling interest in CMT was $449,000, which included a prorated annual return amount of $103,000.

ACCOMPANYING CONSOLIDATING INFORMATION

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY CONSOLIDATING INFORMATION

ACCOMPANYING CONSOLIDATING INFORMATION

CFA Institute
Consolidating Statement of Financial Position
As of 31 August 2019

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2019 Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 92,654	$ 77	$ 6,760	$ —	$ 99,491
Accounts receivable, net	2,080	—	—	(990)	1,090
Advances to affiliated organization	7	—	—	(7)	—
Prepaid expenses and other assets	19,951	2	—	(258)	19,695
Publication inventory	1,495	195	—	—	1,690
Restricted cash	2	—	—	—	2
Total current assets	116,189	274	6,760	(1,255)	121,968
Non-current assets					
Accounts receivable, net	3,693	—	—	(3,693)	—
Investments, at fair value	466,934	15,323	—	—	482,257
Investment in affiliated organization	9,021	—	—	(9,021)	—
Prepaid expenses and other assets	4,988	—	1,039	(1,039)	4,988
Property and equipment, net	5,961	—	37,933	(3,170)	40,724
Intangibles, net	23,342	—	—	—	23,342
Total non-current assets	513,939	15,323	38,972	(16,923)	551,311
Total assets	$ 630,128	$ 15,597	$ 45,732	$ (18,178)	$ 673,279
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued liabilities	$ 21,027	$ 140	$ 242	$ (353)	$ 21,056
Advances from affiliated organization	—	7	—	(7)	—
Deferred revenue	164,210	—	—	—	164,210
Employee-related liabilities	17,355	—	—	—	17,355
Funds held for others	3,185	5	—	—	3,190
Derivative contract	—	—	59	—	59
Notes payable	—	—	1,450	—	1,450
Interest payable	—	—	1,004	(990)	14
Total current liabilities	205,777	152	2,755	(1,350)	207,334
Non-current liabilities					
Accrued liabilities	2,315	—	3,693	(4,637)	1,371
Deferred revenue	56,102	—	—	—	56,102
Employee-related liabilities	1,896	—	—	—	1,896
Derivative contract	—	—	520	—	520
Notes payable	—	—	14,311	—	14,311
Total non-current liabilities	60,313	—	18,524	(4,637)	74,200
Total liabilities	266,090	152	21,279	(5,987)	281,534
Net assets without donor restrictions					
Undesignated	364,038	14,206	7,798	(12,191)	373,851
Designated	—	1,239	—	—	1,239
Non-controlling interests	—	—	16,655	—	16,655
Total net assets	364,038	15,445	24,453	(12,191)	391,745
Total liabilities and net assets	$ 630,128	$ 15,597	$ 45,732	$ (18,178)	$ 673,279

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

See accompanying independent auditors' report.

CFA Institute
Consolidating Statement of Activities
For the Year Ended 31 August 2019

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2019 Consolidated
Change in net assets without donor restrictions					
Operating revenues					
Credentialing programs, net	$ 337,506	$ —	$ —	$ —	$ 337,506
Member value programs	49,937	3	—	—	49,940
Industry engagement and other	371	—	3,060	(3,060)	371
Contributions	5,760	1,186	—	(885)	6,061
Total operating revenues	393,574	1,189	3,060	(3,945)	393,878
Operating expenses					
Program services					
Credentialing programs	122,473	—	—	—	122,473
Member value programs	142,443	359	—	—	142,802
Industry engagement	22,774	670	—	—	23,444
Scholarships – 11 September Memorial Fund	—	85	—	—	85
Supporting services					
Management and general	85,398	361	2,274	(4,301)	83,732
Fundraising	—	4	—	—	4
Total operating expenses	373,088	1,479	2,274	(4,301)	372,540
Income (loss) from operations	20,486	(290)	786	356	21,338
Realized gains, interest and dividends (net)	30,434	400	54	(264)	30,624
Change in net assets without donor restrictions from operations	50,920	110	840	92	51,962
Other changes					
Unrealized losses on investments	(9,739)	(102)	—	—	(9,841)
Return of capital – non-controlling interests	—	—	(137)	—	(137)
Unrealized loss on derivative contract	—	—	(1,236)	—	(1,236)
Change in net assets without donor restrictions	41,181	8	(533)	92	40,748
Net assets, beginning of year	322,857	15,437	24,986	(12,283)	350,997
Net assets, end of year	$ 364,038	$ 15,445	$ 24,453	$ (12,191)	$ 391,745

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

See accompanying independent auditors' report.

CFA Institute
Consolidating Statement of Cash Flows
For the Year Ended 31 August 2019

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2019 Consolidated
Cash flows provided by operating activities					
Reconciliation of change in net assets without donor restrictions to net cash provided by operating activities					
Change in net assets	$ 41,181	$ 8	$ (533)	$ 92	$ 40,748
Adjustments to reconcile change in net assets to net cash provided by operating activities					
Depreciation and amortization	10,264	—	1,175	(92)	11,347
Losses on disposition of property and equipment	123	—	—	—	123
Losses on disposition of intangible assets	1,668	—	—	—	1,668
Unrealized losses on investments	9,739	102	—	—	9,841
Realized gains on investments	(16,569)	(31)	—	—	(16,600)
Unrealized loss on derivative contract	—	—	1,236	—	1,236
Return of capital – non-controlling interests	—	—	137	—	137
Changes in:					
Accounts receivable, net	(370)	—	—	264	(106)
Advances to/from affiliated organizations	(42)	48	(6)	—	—
Prepaid expenses and other assets	(5,589)	(2)	9	(2)	(5,584)
Publication inventory	(63)	(31)	—	—	(94)
Accounts payable and accrued liabilities	1,984	84	(65)	2	2,005
Deferred revenue	12,536	—	—	—	12,536
Employee related liabilities	(2,538)	—	—	—	(2,538)
Funds held for others	(1,024)	5	—	—	(1,019)
Interest payable	—	—	263	(264)	(1)
Net cash provided by operating activities	51,300	183	2,216	—	53,699
Cash flows used in investing activities					
Purchases of property and equipment	(2,350)	—	—	—	(2,350)
Purchases of intangible assets	(11,004)	—	—	—	(11,004)
Purchases of investments	(178,551)	(369)	—	—	(178,920)
Proceeds from investments	149,725	235	—	—	149,960
Net cash used in investing activities	(42,180)	(134)	—	—	(42,314)
Cash flows used in financing activities					
Loan repayments	—	—	(1,404)	—	(1,404)
Return of capital – non-controlling interests	—	—	(137)	—	(137)
Net cash used in financing activities	—	—	(1,541)	—	(1,541)
Net increase in cash and cash equivalents	9,120	49	675	—	9,844
Cash and cash equivalents, beginning of year	83,534	28	6,085	—	89,647
Cash and cash equivalents, end of year	$ 92,654	$ 77	$ 6,760	$ —	$ 99,491

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

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