ANNUAL REPORT

Fiscal Year 2017

On the cover:

CFA Institute has offered its annual conference for 70 years. This year, the conference was held in Philadelphia, Pennsylvania, drawing members from more than 75 countries to hear luminary speakers such as leading academics and longtime friends Jeremy J. Siegel and Robert J. Shiller, legendary fund manager John C. Bogle, and 2017 Nobel Prize winner Richard H. Thaler. An innovation introduced this year was the Virtual Link, which provided online access to conference presentations and exclusive speaker interviews, attracting more than 20,000 virtual visitors.

For more information, visit www.cfainstitute.org.

CFA Institute

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MESSAGE FROM OUR CHAIR

"It is due to your collective efforts that CFA Institute continues to evolve from strength to strength."

Our President and CEO Paul Smith will update you on CFA Institute initiatives and the organisation's results in FY2017. Allow me to focus my message on the Board of Governors and, more generally, on governance of CFA Institute. I will highlight three areas.

First, the Board achieved its objectives with respect to size and diversity. The number of governors has been reduced from 18 to 15. For the foreseeable future, we will operate within a range of 10 to 15 members. Moreover, we achieved our target of a minimum of 30% women serving on the Board.

Second, the Board reviewed, revised, and agreed on the selection criteria that will guide governor recruitment. The objective is to ensure that the Board has the balance of expertise and perspectives necessary to oversee and guide your organisation. No one governor can possibly boast the full range of attributes sought for the Board as a whole. Therefore, the challenge is to recruit a combination of governors whose skills in the aggregate are sufficient to the task. This requires making an honest assessment of the skills each governor brings and identifying missing attributes, especially as governors retire from the Board. Over the next two years, we foresee shortfalls in the representation of women and of the Asia-Pacific region, plus gaps in technology, regulatory, academic, and governance expertise. We will prioritize our recruitment accordingly. As to the process by which that is done, please refer to the Board of Governors Nomination Process.

Third, the Board has agreed on the strategic issues it will seek to address during the current fiscal year. These include the vital importance of continuing professional development, the future shape of exam delivery, a contingent reserve policy, as well as a review of our research efforts, the organisation's compensation philosophy, and certain aspects of our approach to advocacy. It will be a busy year.

I would like to express the Board's appreciation for the work of our employees and the tremendous contributions made around the globe by member volunteers. It is due to your collective efforts that CFA Institute continues to evolve from strength to strength.

Best regards,

Robert W. Jenkins, FSIP
Chair, CFA Institute Board of Governors


69TH CFA INSTITUTE ANNUAL CONFERENCE
CFA Institute
FACTSET

MESSAGE FROM OUR PRESIDENT AND CEO

CFA Institute is on a journey from being best known as a credentialing organisation to being the leading professional body for the global investment management industry. We cannot achieve this goal from the centre. To have any impact globally, we must have an impact locally, which means empowering local member societies to be our flag bearers and lead the profession in their communities. To achieve our mission, society leaders work to deliver world-class continuing professional development to members and help to build better markets that serve investors by working closely with regulators, employers, and universities. The investment profession exists to deliver this value to investors and society.

At this time in history, the investment industry is witnessing major global changes. Although we are enjoying strong tailwinds and assets under management are set to increase by more than 6% per annum for several years to come, we face great challenges. Investors, and hence regulators, treat our industry with mistrust and underestimate the value we bring to society. A global drift in the advisory business is moving toward passive investing, fee compression, and robo-advice, enabled by new technologies. A complex and shifting regulatory environment, along with demands for greater transparency, is of great concern. We have to ask ourselves: Are we changing to meet these new demands?

How is CFA Institute — your member organisation — squaring off on these issues?

From FY2017 through FY2019, we are strategically focused on the following:

- **Deepening the market penetration of investment management professionals through relevant and accessible credentialing programs.** This includes a thorough examination of how we deliver our programs and envisioning what will be needed in this environment over the next 10 years.
- **Increasing member value and satisfaction through improved continuing professional development, greater professional recognition, and better career resources delivered through an empowered and properly resourced CFA Society network.** In addition to advancing our global brand campaign and increasing funding to member societies, we are making progress with our major IT project (Digital Core Transformation), which will help us deliver CFA Society and CFA Institute products to our members through one interface. Member engagement will be greatly enhanced as a result.
- **Creating greater engagement with the investment industry to build market integrity and create demand for investment management professionals.** By more effectively managing our relationships, we are earning better seats at advocacy discussion tables in an effort to become more central to the many regulatory and industry debates happening around the world.

I envision a future state when members will no longer differentiate between CFA Institute and CFA member societies because they will derive the full spectrum of member benefits through the single interface of their local CFA Society. All members will receive the highest levels of professional development at the local level, will advocate locally for a fair and transparent industry, and will enjoy all the networking and career development opportunities that a strong local CFA Society provides. This will require an overhaul of the way we fund and support our societies so they feel empowered to advance our shared mission.

Financially, we finished the year with $312.6 million in revenues, up $29.6 million from FY2016. Expenses finished at $303.9 million, up $33.5 million from FY2016. Investments in strategic priorities included an additional $2.2 million in direct and project funding for our member societies and an additional $5.3 million of spending on global brand awareness above FY2016 levels. Thus, for the first time in many years, directly controllable expenses were held to a level significantly lower than our income gain. This positive operating leverage will be a feature of the years ahead and will enable us to deliver increasing investment in funding to CFA Societies and building the CFA Institute brand. Income from operations finished the year at $8.8 million with a total change in net assets, including investment income and gains, of $45.8 million.

"To have any impact globally, we must have an impact locally..."

I encourage you to read our annual report, and I invite you to join us on our journey to professionalism. I look forward to reporting on our progress.

Warm regards,

Paul Smith, CFA
President and CEO, CFA Institute

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 150,000 members and 148 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 education and career resources, including the Chartered Financial Analyst® (CFA®) designation, the Certificate in Investment Performance Measurement® (CIPM®) designation, and the CFA Institute Investment Foundations® Program.

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

STRATEGY

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

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

To achieve this aim, our strategy is to:

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

For details on our current plan, including identified risks, challenges, goals, and objectives, please refer to our Three-Year Strategic Plan, FY2017–2019.

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.

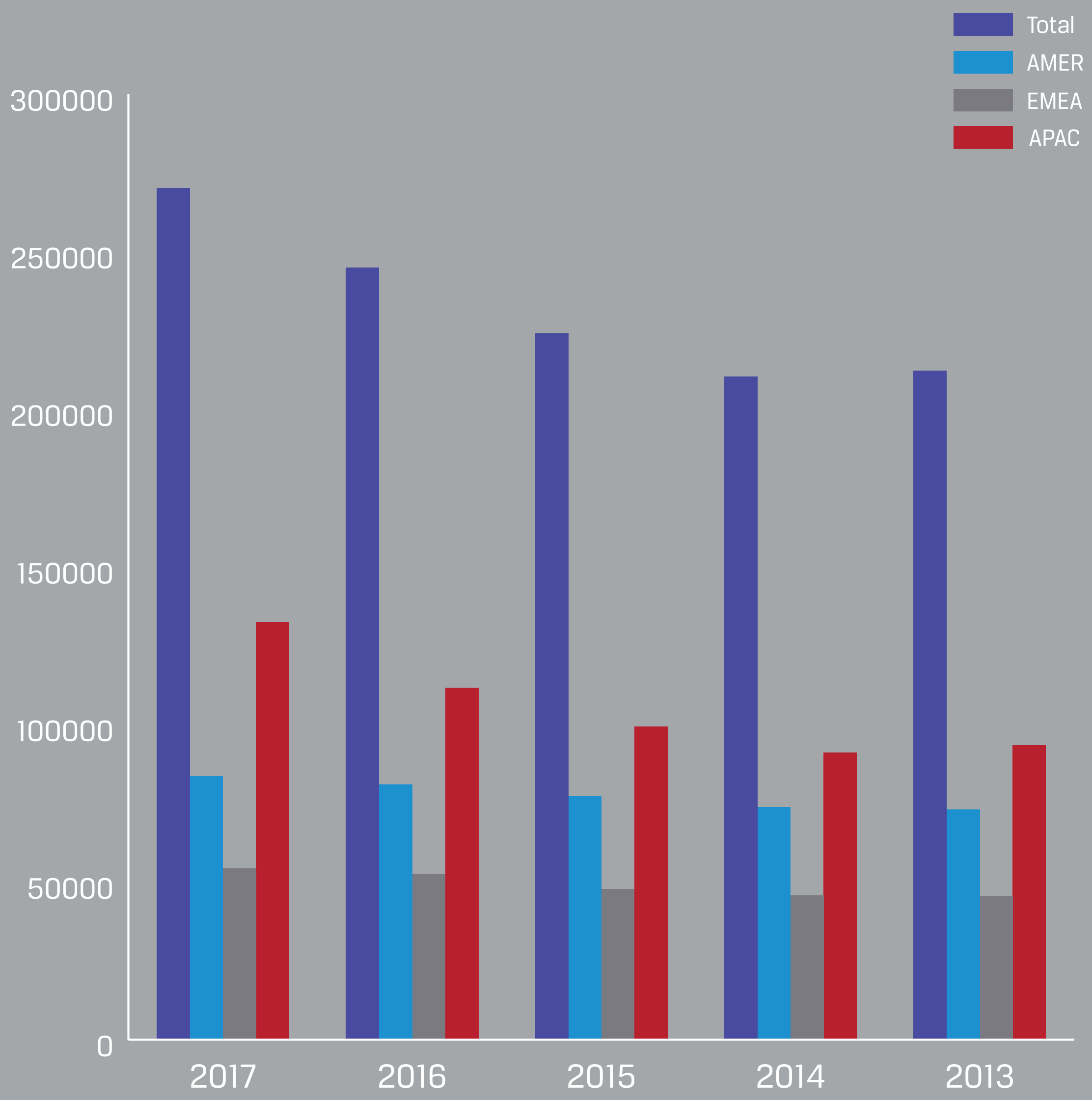
Develop Future Professionals

A technically competent and ethically centered profession serves clients' interests and provides a public warranty critical to building trust in the investment management profession. We begin developing future investment management professionals through our credentialing programs. These programs rest 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 delivered through rigorous teaching and testing processes.

Our credentialing programs and associated credentialing products generated $271.8 million of CFA Institute total revenues in FY2017, up from $243.8 million in FY2016. The CFA Program continues to set the educational standard for investment management professionals seeking to acquire a broad and general understanding of the investment decision-making process. The number of CFA Program exam administrations, which are the organization's primary source of revenue, increased 10% to 270,100 in FY2017 from 244,900 in FY2016.

Exhibits shown on the following pages show exam administrations for our three credentialing programs by region.

CFA PROGRAM ADMINISTRATIONS BY REGION



OVERVIEW

A country breakdown of CFA Program administrations is provided for FY2016 and FY2017.

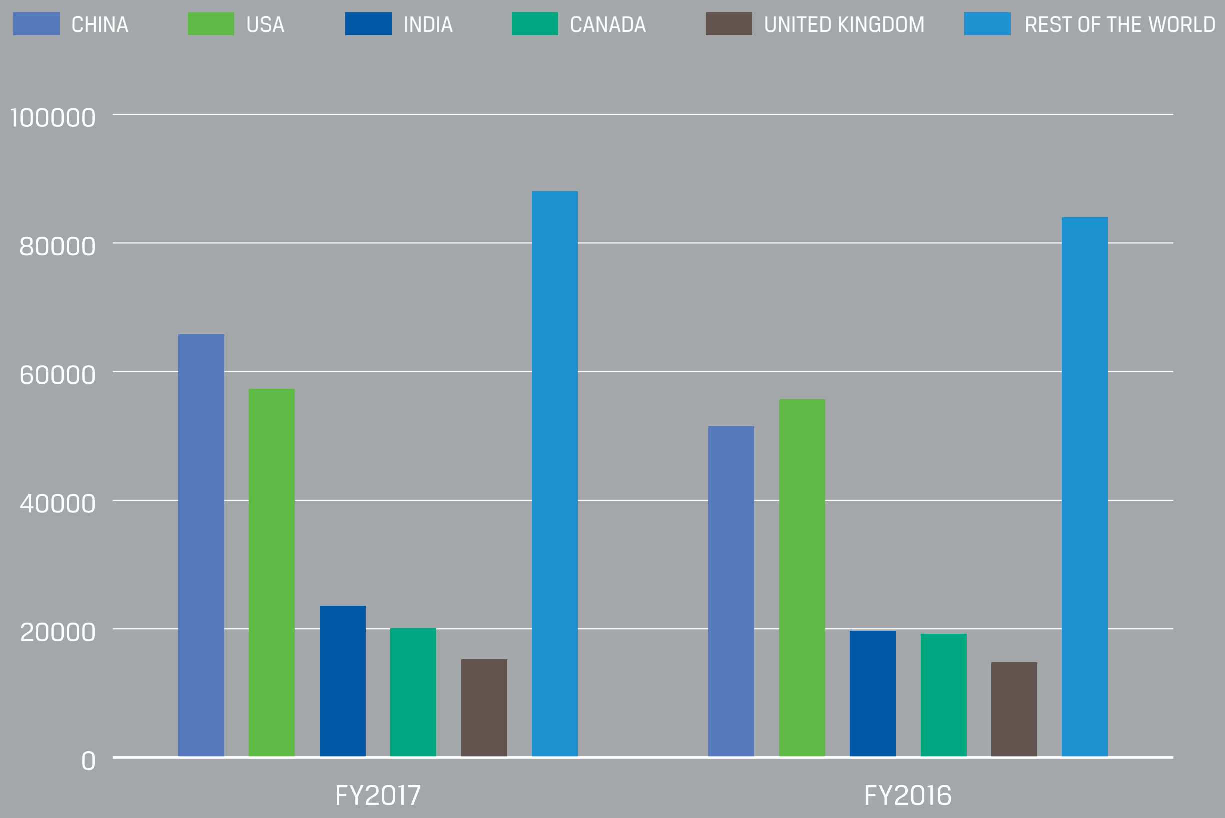
Five countries account for 67% of all CFA Program administrations. Year over year, all five countries saw candidate volumes rise, led by China (+28%), followed by India (+20%), Canada (+5%), the United Kingdom (+3%), and the United States (+3%).

New Level I (NLI) CFA Program administrations in China overtook those in the United States in FY2016, and China surpassed the United States for both NLI and total administrations in FY2017.

Credentialing Administrations by Region

CFA PROGRAM	FY2017	FY2016	CHANGE
Global	270,100	244,900	10%
AMER	83,500	80,900	3%
EMEA	54,200	52,500	3%
APAC	132,400	111,500	19%
CIPM PROGRAM	**FY2017**	**FY2016**	**CHANGE**
Global	2,130	1,350	58%
AMER	1,140	730	56%
EMEA	500	400	25%
APAC	490	220	123%
INVESTMENT FOUNDATIONS PROGRAM	**FY2017**	**FY2016**	**CHANGE**
Global	5,440	4,400	24%
AMER	2,210	1,990	11%
EMEA	1,420	1,320	8%
APAC	1,810	1,090	66%

CFA PROGRAM ADMINISTRATIONS: TOP FIVE COUNTRIES



Deliver Member Value

CFA Institute delivers member value to equip and support members to better serve their clients and to further develop their professional careers. This aim is achieved through an active local professional community, professional recognition from employers and regulators, and high-quality professional content and services that are delivered through an "anytime, anyplace, any device" customer experience. Local member societies are the cornerstone of this strategy. We seek to support 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 stood at 156,800 at year-end FY2017, up from 146,700 in FY2016. After CFA Program-related revenues, annual membership dues accounted for the second-largest contribution to revenue, totaling $40.5 million in FY2017, up from $38.9 million in FY2016.

Through our annual member survey and other channels, members continue to tell us they value brand and charter recognition, career opportunities, educational content, and affiliation and networking opportunities. Our member value proposition therefore strives to meet these needs:

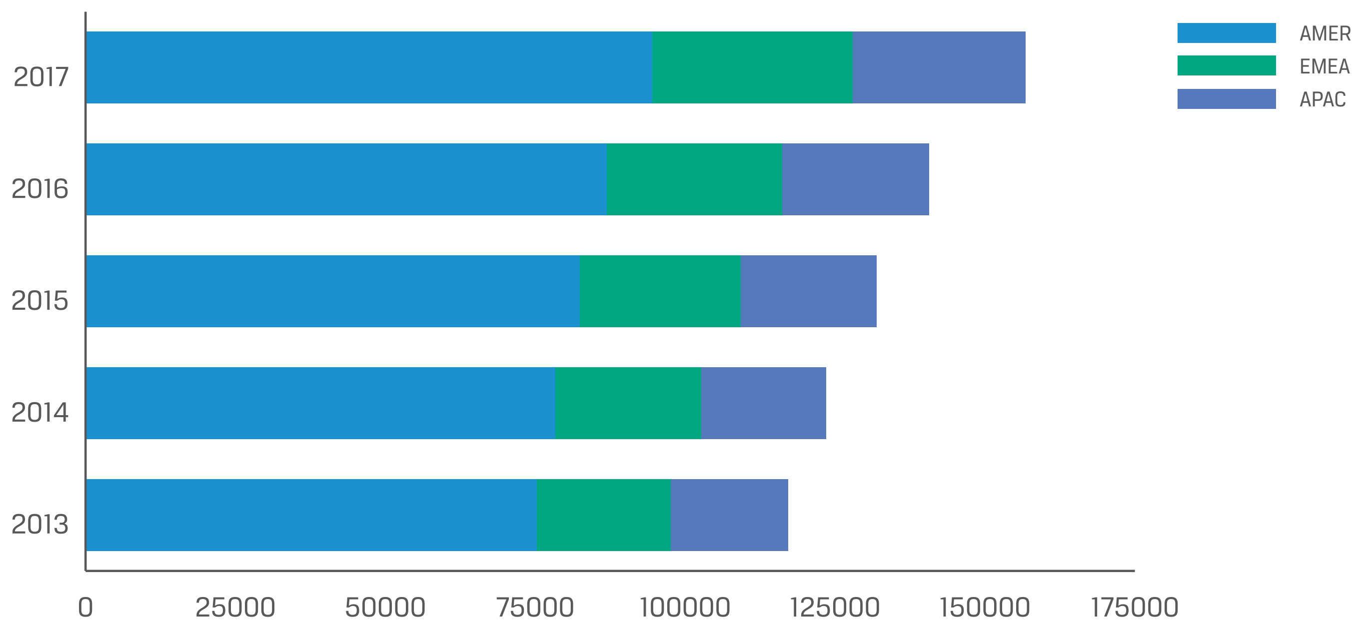
- **Careers:** support for career development;
- **Affiliation:** engagement with peers to discuss issues of common interest;
- **Recognition:** promotion of the value of the charter, its designation, and brand; and
- **Education:** continuing education opportunities.

During FY2017, Educational Events and Programs produced 26 conferences and workshops across the three geographic regions and provided programming for speaker tours and traveling conferences to more than 140 CFA Society member events in 58 cities around the world. The 70^{th} CFA Institute Annual Conference in Philadelphia attracted 1,900 delegates, generated coverage by 39 media outlets, and reached approximately 2.7 million Twitter accounts through posts by nearly 1,800 unique users during the conference. We piloted Virtual Link, producing multiple livestreamed sessions, with close to 20 hours of content, including interviews with speakers and luminaries who showcased CFA Institute initiatives. Virtual Link allowed 21,000 viewers to receive continuing education within 30 days of release.

To further assist societies in finding top talent to speak at events, the Member Value team launched the Society Speaker Directory, an online platform created exclusively for CFA member societies to search for and access more than 125 potential speakers. We curated a substantial amount of conference session content to provide professional development resources for our broader membership. Most notably, we dedicated a page to the evolution of Fintech and its possible impact on financial services and the investment industry.

The Member Value team also launched a new CFA Institute Career Center in April 2017 and collected feedback from societies to improve the business model for a wider adoption of the Career Center platform. Concurrent with the 70th CFA Institute Annual Conference, and in collaboration with our Information Technology team, we spearheaded the release of a member app with CFA Institute content and continuing education tracking capabilities. A subsequent release included conversation capabilities and an events feed. Members can download the CFA Institute Members App from the App Store or the Google Play store.

CFA INSTITUTE MEMBERSHIP BY REGION



Build Market Integrity

Our Standards and Advocacy activities are designed to help our members advance our mission by promoting integrity, ethics, and professionalism for the greater good. This includes amplifying our members' voices for reform and stability in the investment industry.

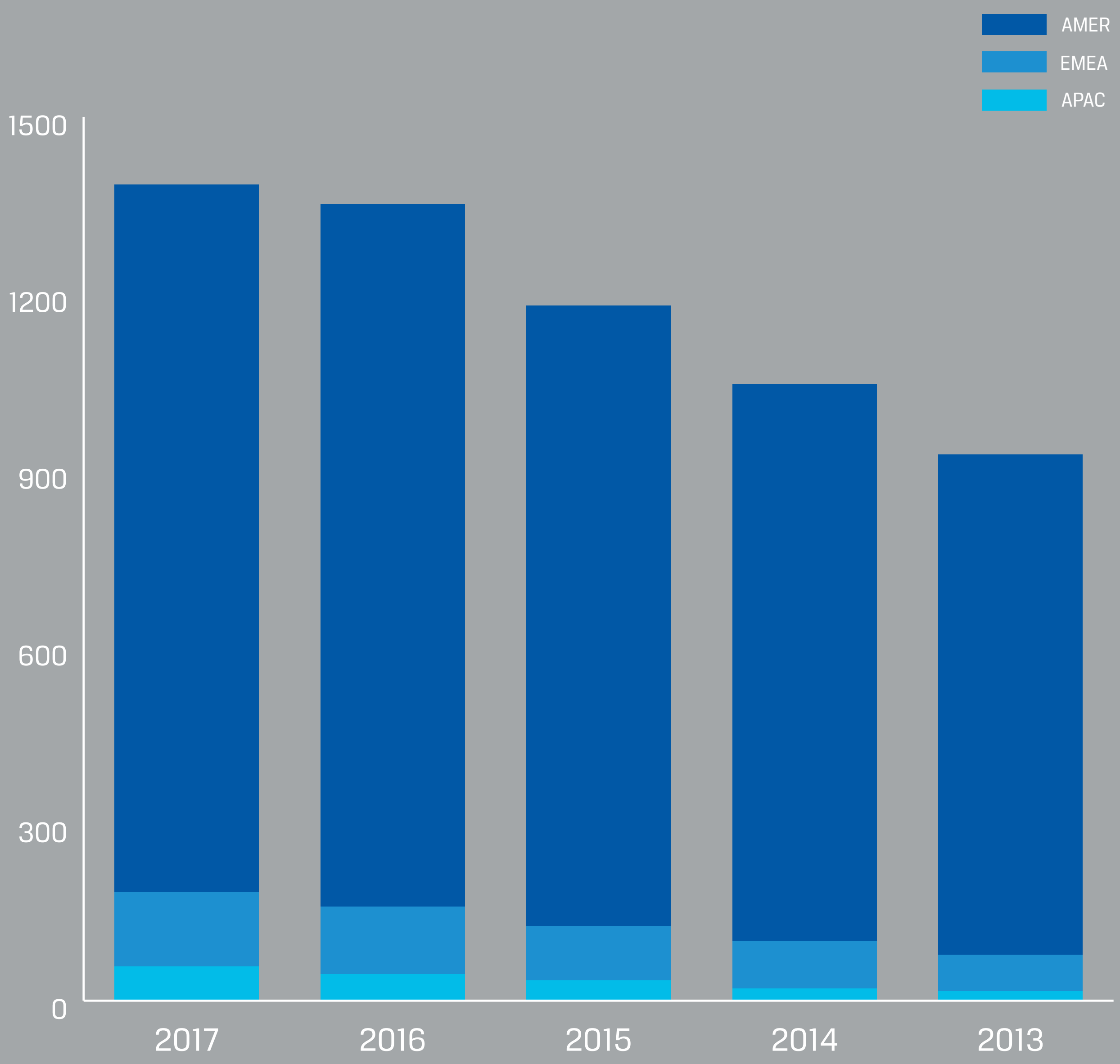
We build market integrity for the benefit of society by improving both investor protections and investor outcomes. These efforts also benefit members by developing an industry that demands credentialed professionals and that enables these professionals to pursue rewarding careers. We achieve this aim 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 and regulators.

Standards and Advocacy activities focus on professional standards, capital markets policy, financial reporting policy, and local CFA Society advocacy engagement. Also included are the activities of the CFA Institute Research Foundation and the Future of Finance initiative, which strives to define the investment profession's future by offering and curating content and by using the organization's strength to raise issues, provoke discussion, and propose solutions to problems affecting investment practitioners.

An integral part of the CFA Institute strategy is to develop and administer codes, best practice guidelines, and standards that guide the investment industry. For example, the Asset Manager Code outlines the ethical and professional responsibilities of firms that manage assets on behalf of clients. Its principles and provisions address six broad categories: loyalty to clients; investment process and actions; trading; risk management, compliance, and support; performance reporting and valuation; and disclosures.

As shown in this exhibit, Asset Manager Code adoption by asset managers has been increasing worldwide, with more than 1,380 global firms self-reporting compliance through FY2017, up from 1,350 in FY2016.

ASSET MANAGER CODE ADOPTIONS BY REGION



Operations

The mission of CFA Institute and our expanding geographic influence over the past several years is reflected in our financial, technological, structural, and human resources located around the world. Our 601 employees as of year-end FY2017 occupy approximately 186,000 square feet of office space and related facilities worldwide, of which approximately 43,000 square feet are leased.

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

Financially, we finished FY2017 with $312.6 million in revenues, up $29.6 million from FY2016. Expenses finished at $303.9 million, up $33.5 million from FY2016. Investments in strategic priorities included an additional $2.2 million in direct and project funding for our member societies and an additional $5.3 million of spending on global brand awareness above FY2016 levels. We made additional investments in our IT and finance infrastructure and regional operating model. As a result, income from operations finished the year at $8.8 million, down from $12.7 million in FY2016. This operating income contributed to a total change in net assets of $45.8 million, up from $37.8 million in FY2016, primarily because of unrealized gains on investments in FY2017.

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 FY2017.

Highlights

- CFA Program exam administrations increased 10% to 270,100 in FY2017, up from 244,900 in FY2016. The June 2017 exam offering was the largest exam administration in the nearly 60-year history of the CFA Program.
- CFA Institute membership rose 7% to 156,800 members by fiscal year-end, up from 146,700 members in FY2016.
- Funding of the global brand awareness campaign increased by $5.3 million to $19.1 million in FY2017.
- Grants to member societies increased by $2.2 million to $11.5 million in FY2017.
- Investments totaling $401.0 million provide a contingency reserve for a multiyear continuation of services in the event of a large-scale disruption to the CFA Program. This reserve is particularly important given the risk concentration of administering the CFA Program examinations on only two days each year.

Consolidated Financial Results for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2017	FY2016	FY2015	FY2014	FY2013
Members and Exam Administrations [1]					
CFA Institute Members	156,800	146,700	135,400	127,800	120,800
CFA Program Administrations	270,100	244,900	224,000	210,300	212,100
CIPM Program Administrations	2,130	1,350	1,480	1,300	1,200
Investment Foundations Program[2] Administrations	5,440	4,400	4,390	2,070	50
Financial Performance					
Operating revenues	$312.6	$283.0	$260.2	$240.9	$224.9
Operating expenses	303.9	270.4	238.6	232.5	224.0
Income from operations	8.8	12.7	21.6	8.4	0.9
Realized gains, interest, and dividends (net)	10.6	1.9	12.4	15.8	15.6
Unrealized gains on investments (net)	23.2	20.0	(29.6)	17.4	(3.1)
Unrealized gain (loss) on derivative contract	0.8	(0.9)	(0.4)	(1.4)	—
Capital contributions — non-controlling interests	2.6	4.2	—	5.4	1.2
Distributions — non-controlling interests	(0.1)	(0.1)	(0.1)	—	—
Change in net assets	**$45.8**	**$37.8**	**$3.9**	**$45.6**	**$14.6**

[1] Administrations defined as exam registrations for which we recognize revenue, realized net of adjustments.
[2] Formerly known as Claritas Investment Certificate. Program initiated in 2013; figures exclude pilot administrations.

REVENUES

Total revenues increased to $312.6 million in FY2017, up from $283.0 million in FY2016.

Revenues for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2017	FY2016	FY2015	FY2014	FY2013
Certification and certificate programs	$215.8	$192.3	$174.5	$161.9	$156.0
Educational products	56.0	51.5	48.8	44.8	36.5
Member dues and other	40.5	38.9	36.7	34.0	32.3
Contributions	0.3	0.3	0.3	0.2	0.1
Total revenues	**$312.6**	**$283.0**	**$260.2**	**$240.9**	**$224.9**

- Certification and certificate programs revenue, as well as educational products revenue, increased during the prior year, primarily in response to higher CFA Program candidate volumes. Together, certification and certificate programs and educational products accounted for 87% of total revenues in FY2017, up from 86% of total revenues in FY2016.
- Revenue from member dues was higher than in the prior year because of the increase in CFA Institute membership. Member dues accounted for nearly 13% of total revenues in FY2017, down from 14% in FY2016. The member dues rate remained unchanged for FY2017.

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


CFA Institute

EXPENSES

Expenses increased to $303.9 million in FY2017, up from $270.4 million in FY2016. FY2016 results, combined with a favorable outlook for FY2017, provided the opportunity to invest in and continue to focus on three organizational priorities in support of our mission during this past year: (1) global brand awareness, (2) local CFA Society partnership, and (3) infrastructure improvement. These priorities represent primary areas of strategic expenditure and are specifically noted within the following expense analysis:

Expenses for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2017	FY2016	FY2015	FY2014	FY2013
Program services					
Certification and certificate programs	$67.2	$63.0	$62.1	$59.2	$58.7
Educational content and products	36.8	35.7	36.7	34.8	36.4
Marketing and communications	51.5	42.7	33.7	35.3	29.0
Member and society services	30.8	26.4	18.7	18.3	21.9
Standards and advocacy	16.0	14.1	12.9	13.1	13.0
Scholarships — 11 September Memorial Fund	0.1	0.1	0.1	0.1	0.1
Support services					
Information technology	37.3	33.8	27.2	26.0	23.9
Financial operations and executive	31.3	25.7	20.8	19.4	17.8
Facility operations	11.0	11.0	10.3	10.6	9.3
Human resources	6.1	5.8	5.9	5.6	5.6
Legal	5.5	4.8	4.2	3.9	3.3
Publishing and content services	5.6	3.8	2.8	2.7	2.5
Travel support and event management	3.5	3.5	3.3	2.9	2.4
Fundraising and other support services	1.1	0.0	0.0	0.6	0.1
Total operating expenses	**$303.9**	**$270.4**	**$238.6**	**$232.5**	**$224.0**

Operating Expenses

- Certification and certificate program expenses rose to $67.2 million in FY2017 from $63.0 million the previous year, with higher expenses realized in exam operations because of increased candidate volumes.
- Educational content and products expenses increased to $36.8 million in FY2017 from $35.7 million the previous year, largely because of higher expenses related to the 2017 CFA Institute Annual Conference location and venue. This increase was partially offset by a decrease in expenses related to the 2017 CFA Institute Research Challenge.
- Marketing and communications expenses rose to $51.5 million in FY2017 from $42.7 million the previous year, primarily because of continued strategic funding of our Global Brand Awareness Campaign, which focused on regional brand building in key financial centers. Begun in FY2016 and executed throughout FY2017, the campaign built on the previous year's efforts to extend global brand awareness and professional recognition of our members. Additional financial support, approximately $2.5 million, was designated and granted to societies for brand activation, public relations, and social media and digital support tailored to local brand building and professional recognition activities.
- Member and CFA Society expenses rose to $30.8 million in FY2017 from $26.4 million the previous year, primarily because of planned increases in the strategic funding of member societies.
- Standards and advocacy expenses rose to $16.0 million in FY2017 from $14.1 million the previous year because of increased activity across advocacy disciplines.

Support Services

- IT expenses rose to $37.3 million in FY2017 from $33.8 million the previous year with the first full year of expenses related to the launch of the Global Strategic Design function, higher realized expenses in IT managed services, and the second year of our three-year IT Digital Core Transformation (DCT) project, which underpins the organization's long-term technology plan.
- Financial operations and executive expenses rose to $31.3 million in FY2017 from $25.7 million the previous year, driven largely by expenses related to fully staffing our leadership team, building out our regional operating model, and consulting and project expenses related to the organization's Finance 2.0 initiative. In addition to replacing legacy systems, Finance 2.0 will deliver a new financial organizing framework with an emphasis on regionalization and operational efficiency and an increased focus on driving value for our stakeholders.

FINANCIAL CONDITION

Total assets increased nearly 16% or $77.1 million, to $571.1 million in FY2017, up from $494.0 million in FY2016. This increase resulted largely from higher participation in the CFA Program, which generates significant net cash flow for the organization, and from an increase in the market value of our reserves portfolio.

Financial Position for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2017	FY2016	FY2015	FY2014	FY2013
Cash and cash equivalents	$90.5	$58.5	$57.6	$50.8	$46.2
Current investments, at fair value	—	15.0	1.0	—	—
Other current assets	18.0	14.3	14.9	15.8	16.4
Total current assets	108.5	87.8	73.5	66.6	62.6
Non-current investments, at fair value	401.0	347.7	293.0	283.3	253.3
Other non-current assets	61.5	58.5	60.3	60.9	43.2
Total non-current assets	462.6	406.2	353.3	344.2	296.5
Total assets	**$571.1**	**$494.0**	**$426.8**	**$410.8**	**$359.1**
Accounts payable and accrued liabilities	$20.1	$17.2	$10.8	$14.0	$16.8
Deferred revenue	151.4	132.1	117.4	102.4	96.7
Other current liabilities	26.9	21.8	19.3	16.9	16.1
Total current liabilities	198.5	171.0	147.4	133.3	129.7
Accounts payable and accrued liabilities	0.6	0.2	0.3	0.5	—
Deferred revenue	44.9	39.6	32.8	33.1	32.2
Other non-current liabilities	19.1	20.9	21.7	23.3	23.2
Total non-current liabilities	64.6	60.7	54.9	56.9	55.4
Total liabilities	263.1	231.7	202.3	190.2	185.1
Net assets	308.0	262.3	224.5	220.6	174.0
Total liabilities and net assets	**$571.1**	**$494.0**	**$426.8**	**$410.8**	**$359.1**

- Of the $571.1 million in total assets, $401.0 million were non-current investments at year-end FY2017, up from $362.7 million total investments split between current investments ($15.0 million) and non-current ($347.7 million) at year-end FY2016.
- The year-over-year increase in investments resulted primarily from $19.9 million in contributions, $23.2 million of unrealized appreciation, and $10.3 million in earnings. Invested in liquid assets, these investments more than offset deferred revenue liabilities of $196.3 million split between current ($151.4 million) and non-current ($44.9 million) liabilities. Deferred revenue liabilities largely represent unearned revenue from exam and membership services not yet provided.
- Current assets, 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.
- Deferred revenue increased in part because of demand for Level I of the CFA Program. In accordance with US GAAP, revenue collected for an exam offered the following fiscal year is deferred to that year. CFA Institute recognizes the one-time CFA Program enrollment fees over three years, the estimated average time a candidate participates in the CFA Program.
- Deferred revenue related to member dues also increased as a result of higher CFA Institute membership.

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

CASH AND INVESTMENT DETAIL

Cash and Investment Portfolio Balance for Fiscal Years Ended 31 August

$ (IN MILLIONS)	FY2017	FY2016	FY2015	FY2014	FY2013
Cash and cash equivalents	$90.5	$58.5	$57.6	$50.8	$46.2
Current investments, at fair value	—	15.0	1.0	—	—
Non-current investments, at fair value	401.0	347.7	293.0	283.3	253.3
Subtotal investments, at fair value	$401.0	$362.7	$294.0	$283.3	$253.3
Total cash, current, and non-current investments	**$491.6**	**$421.2**	**$351.6**	**$334.1**	**$299.5**

- In FY2016, a Board-led Investment Committee was formed to provide strategic direction, governance, and Board oversight of the reserves. Accordingly, committee governance documents, including a new Investment Policy Statement (IPS, July 2016) and Investment Committee Charter (created October 2016, revised October 2017), were approved.
- The reserves are invested in accordance with the IPS, which was developed by the CFA Institute Investment Committee according to principles taught in the CFA Program curriculum. The CFA Institute Board of Governors approves the CFA Institute 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 estate assets, emerging market debt, and high-yield debt) and 40% low-volatility assets (e.g., Treasury inflation-protected securities and core fixed income).
- For the year ended 31 August 2017, actual weights were 63% and 37%, respectively.

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

$ (IN MILLIONS)	FY2017	FY2016	FY2015	FY2014	FY2013
Cash inflows from operations	$367.1	$326.6	$293.8	$267.0	$248.8
Cash outlays to operations	309.7	268.6	240.9	240.8	227.4
Net cash from operations	57.4	58.0	52.9	26.2	21.4
Net cash from financing activities	1.1	2.8	(1.4)	4.6	24.1
Net cash used in investing activities	(26.5)	(60.0)	(44.7)	(26.2)	(38.5)
Net increase (decrease) in cash	32.0	0.8	6.9	4.6	7.0
Cash, beginning of year	58.5	57.6	50.8	32.6	25.6
Cash, end of year	**$90.5**	**$58.5**	**$57.6**	**$37.2**	**$32.6**

- The consolidated statements of cash flow are prepared using the direct method in accordance with US GAAP.
- Cash inflows from operations increased 12% or $40.5 million, to $367.1 million in FY2017, up from $326.6 million in FY2016. Higher volumes of CFA Program candidates and higher overall CFA Institute membership primarily drove this increase.
- Cash outlays to operations increased 15% or $41.1 million, to $309.7 million in FY2017, up from $268.6 million in FY2016. This increase in cash outlays funded support for higher program and membership volumes and provided for additional mission-related investments in global brand awareness, CFA Society funding, and infrastructure.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

OUTLOOK

The FY2017–2019 organizational strategy 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.

Developing Future Professionals

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

In FY2018, the CFA Program will turn toward exploratory work on the Learning Ecosystem, leveraging the work and development that has already been accomplished for CIPM and Investment Foundations Program. We have designed the Learning Ecosystem to significantly improve candidates' learning experience by consolidating the curriculum and study tools into an integrated, cohesive platform. This platform will provide candidates with a simple, easy-to-use digital dashboard to indicate progress and performance; recommend readings, activities, and additional resources; and provide a personalized learning path to achieve maximum learning in the most efficient way. The platform will allow us to more effectively implement best practices in instructional design principles to enhance knowledge retention leading up to and continuing after the live examination.

The global interest in the CFA Program requires that we, as good stewards of the CFA charter, consider the implications and opportunities presented. Balancing the principles of accessibility, flexibility, prudent risk management, and fidelity to the profession, we have launched a multi-year Future of Exam Delivery (FED) project. The FED project is designed to carefully investigate options and opinions regarding transitioning the CFA Program Level I exam from a paper-based to a computer-based testing model.

Finally, the rate of change in both the investment management industry and the credentialing industry is accelerating, and we must adapt to the changing learning needs and habits of today's investment managers or risk jeopardizing the gold standard that the CFA charter represents. In both industries, the increasing role of technology and advancement of soft skills are becoming important drivers of change. In this context, the long-term relevance of the CFA Program, well beyond that of a typical three-year strategy, informs the basis for much of our work as we move through FY2018.

Delivering Member Value

Personalizing and delivering member value remain critical to our plans. Through the DCT and launch of the member app, we will continue to develop capabilities that capture preferences and behaviors to better customize value delivery across the two complementary parts of the "CFA System," the collective value and reach of CFA Institute and CFA member societies. We begin with a focus on content and will continue by taking a "mobile-first" approach to meeting member needs. Additional FY2018 initiatives across our disciplines include the following:

- Onboarding member societies to the Career Center platform, expanding widget and RSS feed deployment to all member societies interested in adopting the platform, and closing the member satisfaction gap related to career offerings by equipping member societies with the resources and tools necessary to deliver a robust portfolio at the local level. Dedicated career support, consultation, and a framework of recommendations all underpin this strategy.
- Keeping development on track in FY2018 for a release in early December that includes additional continuing professional development content, functionality, and expanded conversations capabilities, while continuing to define and plan at least two additional releases to significantly expand the user base through global promotional campaigns.
- Continuing the global brand awareness campaign while concurrently increasing content marketing to further raise support of our members' recognition.
- Focusing relentlessly on the ongoing professional development needs of CFA Institute members in partnership with member societies around the globe.

Building Market Integrity

Our Standards and Advocacy teams continue to identify opportunities to aggressively and more effectively promote awareness and recognition of our content and ensure a focus on powerful and member-relevant debates and tools. Specific examples include industry-targeted research aided by our proprietary database of members and a sharpened focus on ethics and ethics training. Our Future of Finance initiative enables us to stay ahead of industry and profession mega-trends (i.e., those that will have the greatest impact). To that end, our Future State of the Investment Profession study, published in April 2017, explores an investment management industry facing significant disruptive forces and identifies ways to influence the future state of the profession to achieve the best possible outcomes.

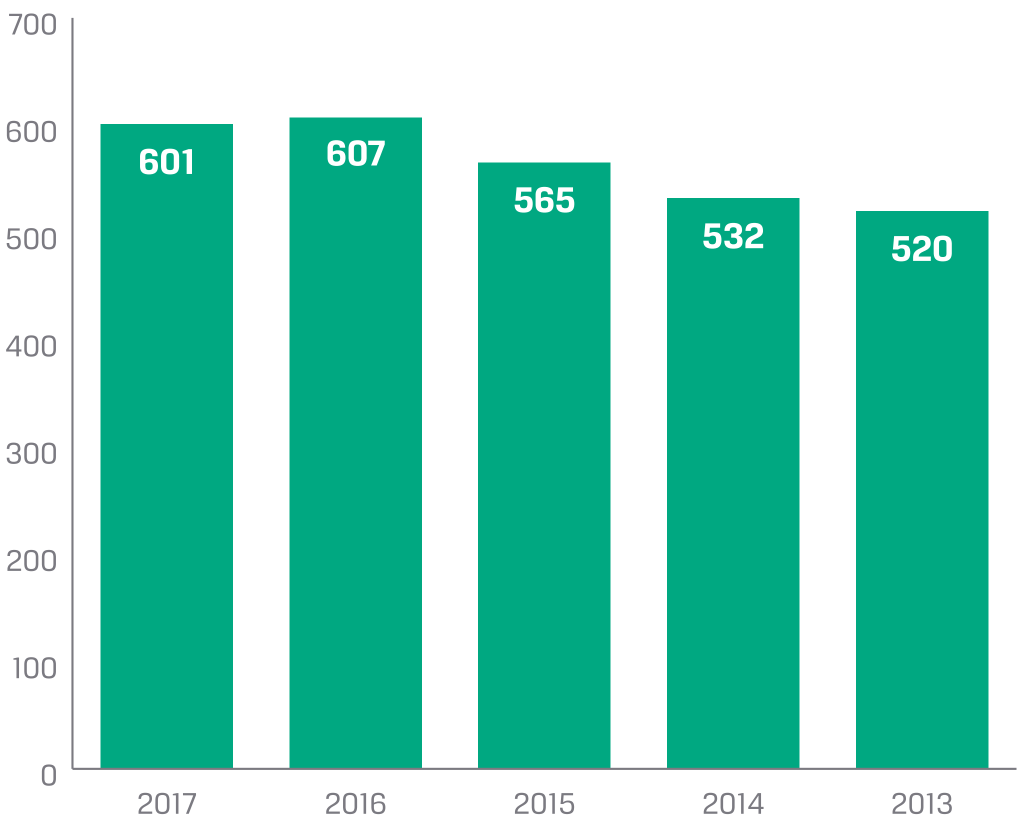
Our objective remains to reach the broader investment management industry, its many stakeholders, and service providers, regulators, and key media outlets to fully feature the CFA Institute community as a primary resource for investment industry thought leadership and advocacy.

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

SUMMARY

Our mission remains unchanged, but our strategy is purposefully designed to move us forward in delivering greater value to members and having a greater presence within the investment management profession. Our commitments to continued collaboration with member societies, greater global brand awareness for the professional recognition of our members, better end-user experiences via completion of our DCT project, and a stronger finance infrastructure related to our Finance 2.0 efforts are critical to successful execution of our three-year strategic plan.

TOTAL NUMBER OF CFA INSTITUTE STAFF



In line with this plan, our management team remains committed to improving internal efficiency and effectiveness. In the medium term, we remain committed to limiting headcount growth to a Board-approved total of 637. We have reduced headcount from FY2016 levels through a combination of efficiency gains and attrition. We continue to recruit only those positions deemed operationally critical, including newly vacated positions. We actively seek opportunities to reallocate roles, when appropriate, to our regional offices to execute this strategy locally. During FY2017, management made more than 80 internal talent moves (job changes, promotions, or departmental transfers), representing approximately 13% of staff, to optimize its organizational structure and culture.

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

RISKS

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

Compliance Risk

CFA Institute has members in more than 140 countries and administers the CFA Program in more than 90 countries worldwide. As the organization's influence expands geographically in support of our mission, 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 the United Kingdom and the United States. We have expanded our resources to meet this growing challenge.

China, for example, has implemented new legislation affecting membership organizations in that country. Compliance with the new regulation has been maintained; however, CFA Institute continues to evaluate risks to compliance in this jurisdiction.

Political Risk

CFA Institute is vulnerable, to varying degrees, to political and financial instability in various jurisdictions. This instability could generate negative short-term effects, such as disrupting a single exam administration or preventing purchases through restrictive capital controls. Negative long-term effects could also result from political actions that restrict CFA Institute market access or affect the health of the local investment management industry. We continue to apply resources to monitor these potential disruptions to enable prompt and appropriate response.

Exam Administration Disruption Risk

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

Cybersecurity Risk

CFA Institute faces the same cyber risks that now confront all businesses. To further develop our cyberdefense position, CFA Institute hired a leading information security firm to evaluate our current program and recommend enhancements. We have implemented many of the firm's recommendations since the assessment, and we will continue to implement these recommendations over the coming year.

Concentration Risk

Candidates originating in the Asia Pacific region, particularly China, continue to outpace those in other markets, creating a significant concentration of testing revenue. This concentration, coupled with the regulatory environment and level of governmental control, poses a potential risk to the organization's financial stability should regulatory, geo-political, or other forces disrupt the delivery of the CFA Program in the country or region.

GOVERNANCE

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

Audit and Risk Committee

The Audit and Risk Committee assists the Board of Governors in the fulfillment of its functions with respect to CFA Institute financial statements, financial condition, and risk management in the following ways:

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

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

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

Compensation Committee

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

Executive Committee

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

Investment Committee

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

Nominating Committee

- The Nominating Committee fairly and objectively seeks and nominates qualified candidates for election to the Board of Governors. The committee is established by the Bylaws of CFA Institute to carry out the responsibilities delegated by the Board of Governors of CFA Institute relating to the processes and procedures for governor nominations, in accordance with and subject to the bylaws, which may be amended from time to time:
- To identify, vet, and nominate qualified candidates for governor and officer positions of CFA Institute; and
- To support the CFA Institute leadership position in the investment profession by recognizing individuals whose achievements, examples, or contributions have helped raise the standards of education, integrity, and professional excellence.

Society Partnership Advisory Council

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

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

Detailed information with respect to directors, executive officers, the Code of Ethics, and the Audit and Risk Committee and Audit Committee member qualifications is included in our 2018 Proxy Statement to be filed sixty (60) days before the Annual Meeting of Members, scheduled for 11 May 2018. Additional information, including committee rosters and biographies, can be found within the Governance section of our website.

LINKS TO KEY DOCUMENTS

- CFA Institute Articles of Incorporation and Bylaws
- Code of Conduct for CFA Institute Governors
- Employee Code of Conduct

Principal Accounting Fees and Services

Information with respect to principal accounting fees and services is included in our 2018 Proxy Statement to be filed sixty (60) days before the Annual Meeting of Members, scheduled for 11 May 2018.

CFA Institute headquarters in Charlottesville, Virginia

INDEPENDENT AUDITOR'S REPORT AND AUDITED FINANCIAL STATEMENTS

CFA Institute

Consolidated Financial Statements

and Accompanying Consolidating Information
As of 31 August 2017 and 2016
and Independent Auditor's Report

CFA Institute
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Report of Independent Auditors

To the Board of Governors of CFA Institute:

We have audited the accompanying consolidated financial statements of CFA Institute and its subsidiaries, which comprise the consolidated balance sheets as of August 31, 2017 and August 31, 2016, and the related the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CFA Institute and its subsidiaries as of August 31, 2017 and August 31, 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

McLean, Virginia
December 11, 2017

PricewaterhouseCoopers LLP, 1800 Tysons Boulevard, McLean, VA 22102-4261
T: (703) 918 3000, F: (703) 918 3100 www.pwc.com/us

CFA Institute
Consolidated Statements of Financial Position
As of 31 August 2017 and 2016

(in thousands)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 90,528	$ 58,482
Investments, at fair value	—	14,997
Accounts receivable, net	1,403	898
Prepaid expenses and other assets	15,000	12,015
Publication inventory	1,594	1,364
Restricted cash	2	64
Total current assets	108,527	87,820
Non-current assets		
Investments, at fair value	401,027	347,687
Prepaid expenses and other assets	3,323	3,522
Property and equipment, net	42,034	42,827
Intangibles, net	16,181	12,150
Total non-current assets	462,565	406,186
Total assets	$ 571,092	$ 494,006
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$ 20,145	$ 17,180
Deferred revenue	151,446	132,104
Employee-related liabilities	17,008	16,079
Funds held for others	8,399	4,091
Derivative contract	125	250
Notes payable	1,360	1,320
Interest payable	15	14
Total current liabilities	198,498	171,038
Non-current liabilities		
Accounts payable and accrued liabilities	599	188
Deferred revenue	44,880	39,602
Employee-related liabilities	1,859	1,649
Derivative contract	79	737
Notes payable	17,169	18,534
Total non-current liabilities	64,586	60,710
Total liabilities	263,084	231,748
Net assets		
Unrestricted		
Undesignated	291,054	248,527
Designated	1,423	1,471
Non-controlling interests	15,531	12,260
Total net assets	308,008	262,258
Total liabilities and net assets	$ 571,092	$ 494,006

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

CFA Institute
Consolidated Statements of Activities
For the Years Ended 31 August 2017 and 2016

(in thousands)

	2017	2016
Change in net assets		
Operating revenues		
Certification and certificate programs	$ 215,821	$ 192,314
Educational products	55,997	51,514
Member dues and other	40,500	38,945
Contributions	309	260
Total operating revenues	312,627	283,033
Operating expenses		
Program services		
Certification and certificate programs	67,221	62,992
Educational content and products	36,770	35,673
Marketing and communications	51,526	42,713
Member and society services	30,832	26,445
Standards and advocacy	15,986	14,081
Scholarships – 11 September Memorial Fund	79	73
Support services		
Information technology	37,296	33,791
Financial operations and executive	31,348	25,730
Facility operations	10,952	10,984
Human resources	6,067	5,804
Legal	5,504	4,789
Publishing and content services	5,644	3,780
Travel support and event management	3,483	3,470
Fundraising	13	15
Other support services	1,136	17
Total operating expenses	303,857	270,357
Income from operations	8,770	12,676
Realized gains, interest and dividends (net)	10,557	1,936
Change in net assets from operations	19,327	14,612
Other changes		
Unrealized gains on investments (net)	23,171	19,954
Unrealized gain (loss) on derivative contract	783	(911)
Capital contributions – non-controlling interests	2,589	4,230
Distributions – non-controlling interests	(120)	(120)
Change in net assets	45,750	37,765
Net assets, beginning of year	262,258	224,493
Net assets, end of year	$ 308,008	$ 262,258

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

CFA Institute
Consolidated Statements of Cash Flow
For the Years Ended 31 August 2017 and 2016

(in thousands)

	2017	2016
Cash flows provided by operating activities		
Cash inflows		
Certification and certificate programs	$ 239,999	$ 212,049
Educational products	55,913	51,648
Member dues and other	60,344	56,965
Contributions	308	282
Interest and dividends	10,533	5,695
Total cash inflows	367,097	326,639
Cash outlays		
Program services		
Certification and certificate programs	66,620	63,305
Educational content and products	36,742	36,243
Marketing and communications	55,939	36,108
Member and society services	44,516	36,874
Standards and advocacy	14,774	14,538
Scholarships – 11 September Memorial Fund	79	73
Support services		
Information technology	31,243	27,002
Financial operations and executive	31,476	27,892
Facility operations	8,219	9,458
Human resources	6,449	5,625
Legal	5,465	4,274
Publishing and content services	5,003	3,607
Travel support and event management	3,159	3,619
Fundraising	15	15
Other support services	—	16
Total cash outlays	309,699	268,649
Net cash provided by operating activities	57,398	57,990
Cash flows provided by (used in) financing activities		
Loan repayments	(1,325)	(1,287)
Capital contributions – non-controlling interests	2,589	4,230
Distributions – non-controlling interests	(120)	(120)
Net cash provided by financing activities	1,144	2,823

continued on next page

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

(in thousands)

	2017	2016
Cash flows (used in) provided by investing activities		
Purchases of property and equipment	(2,560)	(853)
Purchases of intangible assets	(8,787)	(6,630)
Purchases of investments	(104,582)	(255,561)
Proceeds from investments	89,433	203,072
Net cash used in investing activities	(26,496)	(59,972)
Net increase in cash and cash equivalents	32,046	841
Cash and cash equivalents, beginning of year	58,482	57,641
Cash and cash equivalents, end of year	$ 90,528	$ 58,482

	2017	2016
Reconciliation of change in net assets to net cash		
Change in net assets	$ 45,750	$ 37,765
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	7,918	9,185
Losses on disposition of fixed assets	1,137	17
Unrealized gains on investments (net)	(23,171)	(19,954)
Realized (gains) losses on investments (net)	(23)	3,760
Unrealized (gain) loss on derivative contract	(783)	911
Capital contributions – non-controlling interests	(2,589)	(4,230)
Distributions – non-controlling interests	120	120
Changes in:		
Accounts receivable	(505)	(216)
Prepaid expenses and other assets	(2,681)	535
Publication inventory	(230)	331
Restricted cash	62	(2)
Accounts payable and accrued liabilities	2,325	5,956
Deferred revenue	24,620	21,511
Employee related liabilities	1,139	994
Funds held for others	4,308	1,331
Interest payable	1	(24)
Net cash provided by operating activities	$ 57,398	$ 57,990

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

1. Organization

CFA Institute is a not-for-profit professional association, incorporated in Virginia, with a mission of leading the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program and serves more than 156,000 members, as well as 148 member societies around the world. CFA Institute also administers the Certificate in Investment Performance Measurement (CIPM®) Program. CFA Institute administers the CFA Institute Investment Foundations™ certificate program (formerly known as the Claritas® Investment Certificate) and has awarded more than 13,000 certificates since the inception of the program. CFA Institute has offices in Beijing; Brussels; Charlottesville, Virginia; Hong Kong; London; Mumbai; New York City; Singapore; and Shanghai.

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

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

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

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

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

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

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

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

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

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

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.

2. Summary of significant accounting policies

Basis of accounting

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

Consolidation

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

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

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

Concentration of credit risk
CFA Institute maintains cash balances in global bank and financial institution accounts that exceed insured limits established by the Federal Deposit Insurance Corporation in the US and other national deposit protection programs. To mitigate credit risk exposure, CFA Institute deposits funds in financially sound institutions and targets a maximum daily US operating cash balance of $15,000,000 to support operational and business continuity needs. 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 four categories: unrestricted, temporarily restricted, permanently restricted, and non-controlling interests. Contributions to the Foundation are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions to the Foundation with donor restrictions are recorded as temporarily restricted or permanently restricted depending on the nature of the restrictions.

Temporarily restricted net assets are contributions with donor-imposed program restrictions. Temporarily restricted net assets become unrestricted when the funds are used for their restricted purposes and are reported in the consolidated statements of activities as net assets released from restrictions. Temporarily restricted contributions, whose restrictions are satisfied in the same fiscal year that the contributions are received, are reported in the consolidated statements of activities as both temporarily restricted contributions and as net assets released from restrictions. As of 31 August 2017 and 2016, CFA Institute had no temporarily restricted net assets.

Permanently restricted net assets represent donor-restricted endowments to be held in perpetuity. Investment income from both temporarily and permanently restricted net assets is recorded as unrestricted income unless otherwise restricted by the donor. As of 31 August 2017 and 2016, CFA Institute had no permanently restricted net assets.

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

	CFA Institute	Non-controlling interests	Consolidated
Balance as of 31 August 2016	$ 249,998	$ 12,260	$ 262,258
Change in net assets from operations	18,525	802	19,327
Unrealized gains on investments	23,171	—	23,171
Capital contributions	—	2,589	2,589
Distributions		(120)	(120)
Unrealized gain on derivative contract	783	—	783
Balance as of 31 August 2017	$ 292,477	$ 15,531	$ 308,008

Designated net assets

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

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

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

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

	2017	**2016**
ICFA contribution	$ 950	$ 950
11 September Memorial Fund	383	461
Unpaid research grants	90	60
Total designated net assets	$ 1,423	$ 1,471

Contributed services

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

Reclassifications

Distributions of $247,000 to a third-party equity investor were reclassified from the unrestricted, undesignated net assets line item in the net assets section of the consolidated statement of financial position to the non-controlling interests line item in the net assets section of the consolidated statement of financial position.

This reclassification results in no changes to the consolidated statements of activities and to the consolidated statements of cash flow.

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

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

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

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

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

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

Restricted cash
Restricted cash is classified as either current or non-current, depending on whether its use is restricted for greater than twelve months after 31 August 2017 or 31 August 2016, depending on the reporting year. The cash may be collateral for bank-issued letters of credit, escrowed deposits, or 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 notes payable pertaining to the acquisition and construction of the Charlottesville property. This risk is mitigated through the use of an interest rate swap (a derivative financial instrument) that economically hedges the exposure associated with variable-rate debt. The objective of CFA Institute is to manage exposure to this risk by limiting the impact of changes in interest rates on operations and cash flow. CFA Institute does not actively invest in derivative instruments for investment purposes.

The 16.5-year interest rate swap agreement was executed concurrently with the note payable. HUB pays a fixed rate of two and ninety-one one-hundredths percent (2.91%) on a descending principal balance of $18,529,000, as of 31 August 2017, in return for a variable-rate interest of 30-day LIBOR plus ninety basis points. There is no prepayment penalty on the variable-rate loan, and the swap can be exited at any time. The interest rate swap was in a net liability position as of 31 August 2017 and 2016, with fair value of $204,000 and $987,000, respectively.

CFA Institute's outstanding derivative financial instrument is recognized in the consolidated statements of financial position at its fair value. The change in value due to annual fluctuations is recognized on the unrealized gain (loss) on derivative contract line in the consolidated statements of activities and was $783,000 and ($911,000) for the years ended 31 August 2017 and 2016, respectively.

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

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

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

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

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

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

Computer software	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 statements of financial position (see Revenue paragraph below).

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

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

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

CFA Institute recognizes health and welfare benefit liabilities in accordance with the Contingencies topic of the FASB ASC by evaluating and reporting certain uninsured risk related to incidents occurring on or before the date of the statements of financial position. As of 31 August 2017 and 2016, the gross medical claims liability consisted of claims incurred but not reported of $358,000 and $349,000, respectively, and claims paid by a third party administrator and not yet paid by CFA Institute of $279,000 and $146,000, respectively, offset by a third party administrator prepayment of $0 and $76,000, respectively, resulting in a net medical claims liability of $637,000 and $419,000, respectively.

Notes payable
Notes payable is classified as either current or non-current, depending on the amount of principal scheduled to be repaid within twelve months after 31 August 2017 and 31 August 2016.

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

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

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

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

Certification and certificate programs, as reflected on the consolidated statements of activities, are net of CFA, CIPM, and CFA Institute Investment Foundations certificate examination scholarships awarded in the amount of $6,051,000 for the year ended 31 August 2017 and $4,768,000 for the year ended 31 August 2016. These scholarship awards are separate and distinct from the scholarships awarded by the 11 September Memorial Scholarship Fund (see Note 10).

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

Grants
CFA Institute makes grants to various organizations where such funding supports common objectives of advancing the investment profession. For the years ended 31 August 2017 and 2016, CFA Institute provided direct operational, growth and partnership funding in the amount of $11,585,000 and $8,441,000, respectively, 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 and funding provided includes society leader training; strengthening operating frameworks; increasing engagement with stakeholders; and collecting and remiting society dues and events.

As of 31 August 2017 and 31 August 2016, current accounts payable and accrued liabilities included accrued grants in the amount of $995,000 and $821,000, respectively.

Advertising costs
Advertising costs are expensed as incurred. Total advertising expense was $12,613,000 and $10,513,000 for the years ended 31 August 2017 and 2016, respectively.

Income taxes
CFA Institute and the Foundation are exempt from US federal income taxes under IRC §§ 501(c)(6) and 501(c)(3), respectively, and Virginia state income taxes, except for unrelated business income. Unrelated business income is subject to US federal and Virginia state income taxes. Unrelated business income is generated from advertising revenue from CFA Institute publications and its website, as well as from revenue from online career development resources. Lobbying activities engaged in by CFA Institute generate US federal proxy tax. Federal income tax estimated payments made by CFA Institute, inclusive of unrelated business income tax and proxy tax, were $178,000 and $219,000 for the years ended 31 August 2017 and 2016, respectively. The Foundation had no unrelated business income for the years ended 31 August 2017 and 2016, respectively.

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

HUB and CMT have elected to be taxed as partnerships pursuant to Regs. § 301.7701-3 of the IRC. Accordingly, all profits and losses of these parterships are passed-through to and recognized by each member on its respective tax return. Holdings has elected to be taxed as a “C” corporation under that same section. Therefore, any tax effect on the results of operations will be taxed on Holdings' tax return. Holdings reported $955,000 and $835,000 in taxable income (loss) for the periods ended 31 December 2016 and 2015, respectively. Federal income tax estimated payments made by Holdings were $349,000 and $456,000 for the years ended 31 August 2017 and 2016, respectively.

Interest costs
CFA Institute incurred interest costs for the note payable of $559,000 and $579,000 for the years ended 31 August 2017 and 31 August 2016, respectively. Of these amounts, interest expense was $559,000 and $579,000 for the periods respectively, and no interest was capitalized.

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

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

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

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

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

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

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

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

In October 2016, FASB Issued ASU No. 2016-16, *Income Taxes, Intra-Entity Transfers of Assets Other Than Inventory.* The simplifying new guidance asserts that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when ultimately transferred to an outside party. Nonpublic entities are required to apply this standard for fiscal years beginning after 15 December 2018. CFA Institute is evaluating the impact of this standard on its Consolidated Financial Statements.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash*. The new guidance improves the presentation of restricted cash or restricted cash equivalents by including these amounts in cash and cash equivalents when reconciling beginning of period and end of period total amounts shown on the statement of cash flows. Nonpublic entities are required to apply this standard for fiscal years beginning after 15 December 2018. CFA Institute is evaluating the impact of this standard on its Consolidated Financial Statements.

In January 2017, FASB issued ASU No. 2017-02, *Not-for-Profit Entities-Consolidation, Clarifying When a Not-For-Profit Entity That Is a General partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*. The new guidance clarifies the consolidation guidance for Not-For - Profits by retaining the consolidation guidance that existed in Subtopic 810-20 by including it within Subtopic 958-810. Not-for-Profits are required to apply this standard for fiscal years beginning after 15 December 2016. CFA Institute is evaluating the impact of this standard on its Consolidated Financial Statements.

3. Accounts receivable

Accounts receivable as of 31 August 2017 and 2016 consist of the following (in thousands):

	2017	2016
Accounts receivable	$ 1,598	$ 943
Allowance for bad debt	(195)	(45)
Total accounts receivable	$ 1,403	$ 898

4. Investments

Investments, at fair value (see Note 5) as of 31 August 2017 and 2016 consist of the following (in thousands):

	2017	2016
CFA Institute	$ 386,791	$ 349,802
The Foundation – endowment	13,869	12,425
The Foundation – the Scholarship Fund	367	457
Total investments	$ 401,027	$ 362,684

As of 31 August 2017 and 2016, 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 (in thousands):

	2017		2016	
	Fair value	Cost	Fair value	Cost
Global equity	$ 192,510	$ 142,357	$ 155,310	$ 129,659
Global fixed-income	103,229	104,069	97,149	95,809
Inflation-protected securities	44,128	42,617	41,670	38,825
High-yield corporate bonds	19,237	18,888	16,809	16,809
Emerging market debt	19,084	17,500	16,587	16,587
US government securities	367	367	15,363	15,359
Global real estate investment trusts	14,952	13,091	13,115	11,311
Other real assets	7,520	7,360	6,681	6,717
Total investments	$ 401,027	$ 346,249	$ 362,684	$ 331,076

As of 31 August 2016, the carrying amount of the investment in emerging markets debt was impaired and that impairment was determined to be other-than-temporary. The impairment resulted in a charge of

$2,603,000 and is included in realized gains, interest and dividends (net) on the consolidated statements of activities.

Certain investments in global fixed-income are impaired in the amount of $940,000 as of 31 August 2017 and an investment in other real assets is impaired in the amount of $394,000 and $36,000 as of 31 August 2017 and 31 August 2016, respectively. These impairments have been determined not to be other-than-temporary.

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

	2017	2016
Realized gains (losses)		
Global equity	$ 10	$ 24
Global fixed-income	5	4,487
Commodities	—	(6,139)
Emerging market debt	8	(3,748)
Global real estate investment trusts	—	1,616
Total realized gains (losses) (net)	23	(3,760)
Interest and dividends		
Global equity	4,061	2,960
Global fixed-income	2,889	1,433
Global real estate investment trusts	591	846
High-yield corporate bonds	1,021	37
Inflation-protected securities	1,563	311
Other real assets	158	—
US government securities	238	105
Other	13	4
Total interest and dividends	10,534	5,696
Total realized gains, interest and dividends (net)	10,557	1,936
Unrealized gains (losses)		
Global equity	24,502	6,267
Global fixed-income	(2,181)	(904)
Commodities	—	4,931
Emerging market debt	1,584	6,525
Global real estate investment trusts	57	1,592
Other real assets	196	(36)
High-yield corporate bonds	349	—
Inflation-protected securities	(1,333)	1,577
US government securities	(3)	2
Total unrealized gains (net)	23,171	19,954
Investment gains, interest and dividends (net)	$ 33,728	$ 21,890

Description of major investments that represent more than 5% of total investments as of 31 August 2017:

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

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

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

d. Vanguard FTSE Social Index Shares (included in global equity)—Seeks to track the performance of an index that measures the investment returns of large- and mid-capitalization stocks. Invests in over 400 holdings that have been screened for certain social and environmental criteria.

e. Vanguard Inflation-Protected Securities Fund Institutional Shares (included in inflation-protection securities)—Seeks to provide investors with inflation protection and income consistent with investment in inflation-indexed securities. Invests primarily in high-quality inflation-indexed bonds issued by the US Treasury, government agencies, and domestic corporations. The fund invests in over 30 bonds.

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

5. Fair value measurements

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

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

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

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

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

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

The following tables present information about assets and liabilities required to be carried at fair value on a recurring basis as of 31 August 2017 and 2016 (in thousands):

		Fair value measurements as of 31 August 2017 using:		
	Fair value as of 31 August 2017	Quoted market prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Global equity	$ 192,510	$ 192,510	$ —	$ —
Global fixed-income	103,229	103,229	—	—
Inflation-protected securities	44,128	44,128	—	—
High-yield corporate bonds	19,237	19,237	—	—
Emerging market debt	19,084	—	19,084	—
US government securities	367	367	—	—
Global real estate investment trusts	14,952	14,952	—	—
Other real assets	7,520	7,520	—	—
Investments, at fair value	401,027	381,943	19,084	—
Mutual funds - IRC § 457 accounts	1,859	1,859	—	—
Liabilities				
Notes payable	(17,356)	—	(17,356)	—
Deferred compensation (see Note 11)	(1,859)	(1,859)	—	—
Derivative contract	(204)	—	(204)	—
Net assets and liabilities subject to fair value measurement	$ 383,467	$ 381,943	$ 1,524	$ —

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

6. **Property and equipment**

Property and equipment, including construction in progress, as of 31 August 2017 and 2016 consisted of the following (in thousands):

	2017	**2016**
Land	$ 3,487	$ 3,487
Buildings	36,267	36,212
Computer hardware and equipment	13,430	13,958
Furniture and fixtures	4,218	4,255
Leasehold improvements	4,914	4,255
Total property and equipment	62,316	62,167
Accumulated depreciation and amortization	(20,282)	(19,340)
Property and equipment, net	$ 42,034	$ 42,827

Construction in progress, included in the schedule above, as of 31 August 2017 and 2016 consisted of the following (in thousands):

	2017	2016
Computer hardware and equipment	$ 85	$ 42
Furniture and fixtures	13	5
Leasehold improvements	98	—
Total construction in progress	$ 196	$ 47

Depreciation expense was $3,147,000 and $3,675,000 for the years ended 31 August 2017 and 2016, respectively.

Property and equipment assets of $2,401,000 and $1,062,000 were disposed during the years ended 31 August 2017 and 2016, respectively. Loss on disposition of property and equipment assets were $195,000 and $17,000 for the years ended 31 August 2017 and 2016, respectively and are shown in other support services on the consolidated statements of activities.

7. Intangibles

Intangibles, including work in process, as of 31 August 2017 and 2016 consisted of the following (in thousands):

	2017	2016
Computer software (developed)	$ 34,547	$ 27,890
Computer software (website development)	8,856	8,856
Computer software (packaged)	8,187	7,447
Other intangibles	3,881	2,713
Total intangibles	55,471	46,906
Accumulated amortization	(39,290)	(34,756)
Intangibles, net	$ 16,181	$ 12,150

Work in process, included in the schedule above, as of 31 August 2017 and 2016 consisted of the following (in thousands):

	2017	2016
Computer software (developed)	$ 5,028	$ 4,747
Computer software (packaged)	343	63
Other intangibles	291	337
Total work in process	$ 5,662	$ 5,147

Amortization expense was $4,771,000 and $5,510,000 for the years ended 31 August 2017 and 2016, respectively.

CFA Institute capitalized no new website development costs for the years ended 31 August 2017 and 2016.

Intangible assets other than software or website development are considered other intangibles. "Other intangibles" includes copyrighted materials, Investment Research Challenge rights, assigned rights used in a textbook, intellectual property consisting of materials used in the CFA Program curriculum, and a top-level internet domain. Total amortization expense for other intangibles was $685,000 and $469,000 for the years ended 31 August 2017 and 2016, respectively.

Intangible software assets of $1,178,000 and $2,305,000 were disposed during the years ended 31 August 2017 and 2016, respectively. Loss on disposition of intangible assets were $942,000 and $0 for the years ended 31 August 2017 and 2016, respectively and are shown in other support services on the consolidated statements of activities.

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

	Intangible amortization
2018	$ 7,625
2019	4,772
2020	3,511
2021	198
2022	19
Thereafter	56
Total intangible amortization	$ 16,181

8. Commitments and contingencies

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

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

Rental expense related to these operating leases was $5,613,000 and $5,413,000 for the years ended 31 August 2017 and 2016, respectively.

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

For the following fiscal years, future minimum payments under these agreements at 31 August 2017 are as follows (in thousands):

	Lease payments	Revenue sharing	Total
2018	$ 5,720	$ 100	$ 5,820
2019	3,512	100	3,612
2020	2,807	—	2,807
2021	2,090	—	2,090
2022	957	—	957
Thereafter	7,213	—	7,213
Total future minimum payments	$ 22,299	$ 200	$ 22,499

The Foundation awards grants to individuals subject to completion of their respective research projects. Unpaid grants, subject to this condition, totaled $90,000 and $60,000 as of 31 August 2017 and 2016, respectively. Due to the conditional nature of these unpaid grants, they are not accrued in the accompanying consolidated statements of financial position. (see Note 2, designated net assets.)

9. Retirement plans

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

Effective 1 September 2017, the Plan has been amended such that participants will now be fully vested after one year of service. The Plan Charter was also amended such that the CHRO will assume general oversight responsibility for the Plan, including appointment, monitoring, and replacement of the members of the RIPC. 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 $6,236,000 and $5,617,000 for the years ended 31 August 2017 and 2016, respectively. Plan forfeitures of $129,000 and $30,000 were netted against company contributions for the years ended 31 August 2017 and 2016, respectively. CFA Institute accrues for incentive compensation and the related 401(k) contribution. Accruals for the related 401(k) contribution of $770,000 and $629,000 were made for the years ended 31 August 2017 and 2016, respectively.

In Europe, employees are enrolled in relevant plans as mandated by local statutes. In the United Kingdom, CFA Institute provides a retirement program consisting of a Group Stakeholder Pension Plan, a defined contribution plan. Contribution expense totaled $372,000 and $464,000 for the years ended 31 August 2017 and 2016, respectively.

In the Asia Pacific region, employees are enrolled in relevant retirement fund schemes as mandated by the local registrations. For our Hong Kong office, employees are enrolled in the mandatory provident fund (MPF) scheme. Contribution expense totaled $857,000 and $757,000 for the years ended 31 August 2017 and 2016, respectively. Accruals for contributions to the related MPF scheme of $416,000 and $389,000 were made for the years ended 31 August 2017 and 2016, respectively.

10. 11 September Memorial Scholarship Fund

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

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

Contributions to the Scholarship Fund, which is a twenty-year, self-liquidating fund, are recorded as temporarily restricted, except for the contribution from CFA Institute. According to the Not-for-Profit Entities topic of the FASB ASC, the contribution by CFA Institute is not temporarily restricted because of the control relationship between CFA Institute and the Foundation (see Notes 1 and 2). The contribution from CFA Institute is designated to fund scholarships granted by the Scholarship Fund. All of the Scholarship Fund's contributions and investment income are available to meet the scholarship funding requirements. CFA Institute reimburses the Scholarship Fund for all other expenses. The Scholarship Fund awarded scholarships of $79,000 and $73,000 for the years ended 31 August 2017 and 2016, respectively. CFA Institute contributed $17,000 and $13,000 to cover operating expenses of the Scholarship Fund for the years ended 31 August 2017 and 2016, respectively.

The activity in the Scholarship Fund for the years ended 31 August 2017 and 2016 was as follows (in thousands):

	2017	2016
Designated net assets, beginning of year	$ 461	$ 518
Realized gains, interest, and dividends (net)	12	22
Unrealized losses on investments	(11)	(6)
Scholarships awarded	(79)	(73)
Designated net assets, end of year	$ 383	$ 461

11. Long-term incentive and deferred compensation

CFA Institute maintains a deferred compensation program for participating key employees. Liabilities for the deferred compensation program of $1,859,000 and $1,649,000 were recorded for the years ended 31 August 2017 and 2016, respectively and are classified as non-current employee-related liabilities in the consolidated statements of financial position.

CFA Institute discontinued a long-term incentive program for participating key employees during year ended 31 August 2017. The long-term incentive program offered participants an opportunity to earn up to ten percent of the average base salary over a three-year period. Liabilities for the long-term incentive program of $0 and $1,038,000 were recorded for the years ended 31 August 2017 and 2016 respectively, and are classified as current employee-related liabilities in the consolidated statements of financial position. During the year ended 31 August 2017, participants received their long-term incentive payment for the performance period ended 31 August 2016 and an additional one-time lump sum payment equal to the present value of future long-term incentive payments estimated through 31 August 2019. The amounts reflected under current employee-related liabilities include these estimated accelerated payouts for the year ended 31 August 2016.

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

	2017	2016
Long-term incentive – current	$ —	$ 1,038
Deferred compensation – non-current	1,859	1,649
Total long-term incentive and deferred compensation	$ 1,859	$ 2,687

12. Notes payable

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

Acquisition of the property and the rehabilitation of the building by HUB are financed by a certain 16.5 year term note, maturing March, 2029, with an original amount of $22,900,000 and a remaining balance of $18,529,000 as of 31 August 2017, with a variable interest rate of 30-day LIBOR plus ninety basis points. CFA Institute is the unconditional guarantor of the term note. Monthly interest-only payments were made for the first eighteen months of the loan period, with principal and interest payments made thereafter based on a predetermined amortization schedule ending in 2029. To mitigate the risk of a variable interest rate note, HUB also entered into a 16.5 year interest rate swap agreement.

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

Minimum principal payments are as follows:

	Principal payments
2018	$ 1,360
2019	1,405
2020	1,446
2021	1,489
2022	1,533
Thereafter	11,296
Total principal payments	$ 18,529

13. Subsequent Events

CFA Institute has assessed the impact of subsequent events through 11 December 2017, the date the audited financial statements were issued, and has concluded that no such events require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.

ACCOMPANYING CONSOLIDATING INFORMATION

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY CONSOLIDATING INFORMATION

Report of Independent Auditors

To the Board of Governors of CFA Institute:

We have audited the consolidated financial statements of CFA Institute and its subsidiaries as of August 31, 2017 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

PricewaterhouseCoopers LLP

McLean, Virginia
December 11, 2017

CFA Institute
Consolidating Statements of Financial Position
As of 31 August 2017 and 2016

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2017 Consolidated	2016 Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	$ 84,897	$ 83	$ 5,548	$ —	$ 90,528	$ 58,482
Investments, at fair value	—	—	—	—	—	14,997
Accounts receivable, net	1,864	1	—	(462)	1,403	898
Advances to affiliated organization	—	46	—	(46)	—	—
Prepaid expenses and other assets	15,243	1	—	(244)	15,000	12,015
Publication inventory	1,465	129	—	—	1,594	1,364
Restricted cash	2	—	—	—	2	64
Total current assets	103,471	260	5,548	(752)	108,527	87,820
Non-current assets						
Advances to affiliated organization	3,693	—	—	(3,693)	—	—
Investments, at fair value	386,791	14,236	—	—	401,027	347,687
Investment in affiliated organization	9,021	—	—	(9,021)	—	—
Prepaid expenses and other assets	3,323	—	972	(972)	3,323	3,522
Property and equipment, net	4,950	—	40,438	(3,354)	42,034	42,827
Intangibles, net	16,181	—	—	—	16,181	12,150
Total non-current assets	423,959	14,236	41,410	(17,040)	462,565	406,186
Total assets	$ 527,430	$ 14,496	$ 46,958	$ (17,792)	$ 571,092	$ 494,006
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued liabilities	$ 19,984	$ 51	$ 354	$ (244)	$ 20,145	$ 17,180
Advances from affiliated organization	46	—	—	(46)	—	—
Deferred revenue	151,446	—	—	—	151,446	132,104
Employee-related liabilities	17,008	—	—	—	17,008	16,079
Funds held for others	8,399	—	—	—	8,399	4,091
Derivative contract	—	—	125	—	125	250
Notes payable	—	—	1,360	—	1,360	1,320
Interest payable	—	—	477	(462)	15	14
Total current liabilities	196,883	51	2,316	(752)	198,498	171,038
Non-current liabilities						
Accounts payable and accrued liabilities	1,571	—	—	(972)	599	188
Advances from affiliated organization	—	—	3,693	(3,693)	—	—
Deferred revenue	44,880	—	—	—	44,880	39,602
Employee-related liabilities	1,859	—	—	—	1,859	1,649
Derivative contract	—	—	79	—	79	737
Notes payable	—	—	17,169	—	17,169	18,534
Total non-current liabilities	48,310	—	20,941	(4,665)	64,586	60,710
Total liabilities	245,193	51	23,257	(5,417)	263,084	231,748
Net assets						
Undesignated	282,237	13,022	8,170	(12,375)	291,054	248,527
Designated	—	1,423	—	—	1,423	1,471
Non-controlling interests	—	—	15,531	—	15,531	12,260
Total net assets	282,237	14,445	23,701	(12,375)	308,008	262,258
Total liabilities and net assets	$ 527,430	$ 14,496	$ 46,958	$ (17,792)	$ 571,092	$ 494,006

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

CFA Institute
Consolidating Statements of Activities
For the Years Ended 31 August 2017 and 2016

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2017 Consolidated	2016 Consolidated
Change in net assets						
Operating revenues						
Certification and certificate programs	$ 215,821	$ —	$ —	$ —	$ 215,821	$ 192,314
Educational products	55,979	18	—	—	55,997	51,514
Member dues and other	40,500	—	3,060	(3,060)	40,500	38,945
Contributions	—	1,066	—	(757)	309	260
Total operating revenues	312,300	1,084	3,060	(3,817)	312,627	283,033
Operating expenses						
Program services						
Certification and certificate programs	67,221	—	—	—	67,221	62,992
Educational content and products	36,749	21	—	—	36,770	35,673
Marketing and communications	51,526	—	—	—	51,526	42,713
Member and society services	30,832	—	—	—	30,832	26,445
Standards and advocacy	15,612	374	—	—	15,986	14,081
Scholarships – 11 September Memorial Fund	—	79	—	—	79	73
Other program services	—	268	—	(268)	—	—
Support services						
Information technology	37,296	—	—	—	37,296	33,791
Financial operations and executive	30,196	137	1,279	(264)	31,348	25,730
Facility operations	12,923	—	1,181	(3,152)	10,952	10,984
Human resources	6,067	—	—	—	6,067	5,804
Legal	5,502	—	2	—	5,504	4,789
Publishing and content services	5,644	—	—	—	5,644	3,780
Travel support and event management	3,483	—	—	—	3,483	3,470
Fundraising	—	13	—	—	13	15
Other support services	1,317	309	—	(490)	1,136	17
Total operating expenses	304,368	1,201	2,462	(4,174)	303,857	270,357
Income (loss) from operations	7,932	(117)	598	357	8,770	12,676
Realized gains, interest and dividends (net)	10,475	346	—	(264)	10,557	1,936
Change in net assets from operations	18,407	229	598	93	19,327	14,612
Other changes						
Unrealized gains on investments (net)	22,022	1,149	—	—	23,171	19,954
Unrealized gain (loss) on derivative contract	—	—	783	—	783	(911)
Capital contributions – non-controlling interests	—	—	2,589	—	2,589	4,230
Distributions – non-controlling interests	—	—	(120)	—	(120)	(120)
Change in net assets	40,429	1,378	3,850	93	45,750	37,765
Net assets, beginning of year	241,808	13,067	19,851	(12,468)	262,258	224,493
Net assets, end of year	$ 282,237	$ 14,445	$ 23,701	$ (12,375)	$ 308,008	$ 262,258

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

CFA Institute
Consolidating Statements of Cash Flow
For the Years Ended 31 August 2017 and 2016

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2017 Consolidated	2016 Consolidated
Cash flows provided by operating activities						
Cash inflows						
Certification and certificate programs	$ 239,999	$ —	$ —	$ —	$ 239,999	$ 212,049
Educational products	55,907	6	—	—	55,913	51,648
Member dues and other	60,344	—	3,060	(3,060)	60,344	56,965
Contributions	261	47	—	—	308	282
Affiliated organization receipts	14	271	—	(285)	—	—
Interest and dividends	10,202	331	—	—	10,533	5,695
Total cash inflows	366,727	655	3,060	(3,345)	367,097	326,639
Cash outlays						
Program services						
Certification and certificate programs	66,620	—	—	—	66,620	63,305
Educational content and products	36,733	9	—	—	36,742	36,243
Marketing and communications	55,939	—	—	—	55,939	36,108
Member and society services	44,516	—	—	—	44,516	36,874
Standards and advocacy	14,459	315	—	—	14,774	14,538
Scholarships – 11 September Memorial Fund	—	79	—	—	79	73
Support services						
Information technology	31,243	—	—	—	31,243	27,002
Financial operations and executive	30,430	46	1,000	—	31,476	27,892
Facility operations	11,171	—	108	(3,060)	8,219	9,458
Human resources	6,449	—	—	—	6,449	5,625
Legal	5,463	—	2	—	5,465	4,274
Publishing and content services	5,003	—	—	—	5,003	3,607
Travel support and event management	3,159	—	—	—	3,159	3,619
Fundraising	2	13	—	—	15	15
Other support services	—	—	—	—	—	16
Affiliated organization	271	—	14	(285)	—	—
Total cash outlays	311,458	462	1,124	(3,345)	309,699	268,649
Net cash provided by operating activities	55,269	193	1,936	—	57,398	57,990
Cash flows provided by financing activities						
Loan repayments	—	—	(1,325)	—	(1,325)	(1,287)
Capital contributions – non-controlling interests	—	—	2,589	—	2,589	4,230
Distributions – non-controlling interests	—	—	(120)	—	(120)	(120)
Net cash provided by financing activities	—	—	1,144	—	1,144	2,823

continued on next page

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

CFA Institute
Consolidating Statements of Cash Flow (continued)
For the Years Ended 31 August 2017 and 2016

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2017 Consolidated	2016 Consolidated
Cash flows (used in) provided by investing activities						
Purchases of property and equipment	(2,560)	—	—	—	(2,560)	(853)
Purchases of intangible assets	(8,787)	—	—	—	(8,787)	(6,630)
Purchases of investments	(104,162)	(420)	—	—	(104,582)	(255,561)
Proceeds from investments	89,203	230	—	—	89,433	203,072
Net cash used in investing activities	(26,306)	(190)	—	—	(26,496)	(59,972)
Net increase in cash and cash equivalents	28,963	3	3,080	—	32,046	841
Cash and cash equivalents, beginning of year	55,934	80	2,468	—	58,482	57,641
Cash and cash equivalents, end of year	$ 84,897	$ 83	$ 5,548	—	$ 90,528	$ 58,482
Reconciliation of change in net assets to net cash provided by (used in) operating activities						
Change in net assets	$ 40,429	$ 1,378	$ 3,850	$ 93	$ 45,750	$ 37,765
Adjustments to reconcile change in net assets to net cash provided by operating activities						
Depreciation and amortization	6,851	—	1,160	(93)	7,918	9,185
Losses on disposition of fixed assets	1,137	—	—	—	1,137	17
Unrealized gains on investments (net)	(22,022)	(1,149)	—	—	(23,171)	(19,954)
Realized (gains) losses on investments (net)	(8)	(15)	—	—	(23)	3,760
Unrealized (gain) loss on derivative contract	—	—	(783)	—	(783)	911
Capital contributions – non-controlling interests	—	—	(2,589)	—	(2,589)	(4,230)
Distributions – non-controlling interests	—	—	120	—	120	120
Changes in:						
Accounts receivable, net	(772)	3	—	264	(505)	(216)
Advances to/from affiliated organization	37	(37)	—	—	—	—
Prepaid expenses and other assets	(2,693)	5	(157)	164	(2,681)	535
Publication inventory	(198)	(32)	—	—	(230)	331
Restricted cash	6	—	56	—	62	(2)
Accounts payable and accrued liabilities	2,435	40	14	(164)	2,325	5,956
Deferred revenue	24,620	—	—	—	24,620	21,511
Employee-related liabilities	1,139	—	—	—	1,139	994
Funds held for others	4,308	—	—	—	4,308	1,331
Interest payable	—	—	265	(264)	1	(24)
Net cash provided by operating activities	$ 55,269	$ 193	$ 1,936	$ —	$ 57,398	$ 57,990

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

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