CFA Institute

Annual Report

Fiscal Year
2022

CFA Institute

CONTENTS

OVERVIEW

MESSAGE FROM OUR CHAIR

Dear colleagues,

Welcome to the Fiscal Year 2022 Annual Report.

Thank you for taking the time to read it and for being active members of CFA Institute. We shine more brightly as a global membership body through the active involvement of our members.

This past year marked our 75th anniversary. We have come a long, long way from four founding societies in Boston, Chicago, New York, and Philadelphia. The world is a very different place. And so is CFA Institute — now a truly global organization as demonstrated by 160 societies, more than 200,000 members, and 260,000 candidates.

Fiscal Year 2022 (FY2022) was a pivotal one for our organization, and at the end of the year the Board of Governors has a shared confidence in the way forward. Inside this report you will gain an understanding of the focus for FY2022 from our President and CEO, and you will also find a summary of the financial highlights and other relevant metrics along with the full, audited report of our financial condition.

The Board believes in the essential need for a global, diverse, and experienced perspective to be applied to many of the issues it considers. Pleasingly, this requirement has been satisfied with the high-quality membership of the Board that was further bolstered during this new year with Mei Gao and Banji Fehintola joining as new governors. At the end of FY2022, Diane Nordin and Karina Litvack retired at the end of their respective terms, and the Board thanks them for their deep commitment to service.

"It's heartening that we see genuine demand from many investment organizations around the world."

Our global perspective truly comes to life with our shared objective to see individuals around the globe develop their careers and capabilities in their own markets to show leadership as ethical and highly qualified professionals.

As we seek to move this organization forward and think about means of expanding our impact, the Board regularly comes back to one very important word: relevance. Those of you who participated in our Annual Meeting of Members in 2022 would have heard me address this topic. Since rejoining the Board as chair, this topic of relevance is a key point of discussion time and time again. We test everything around this one vital word: a high bar of relevance always needs to be met.

The Board believes that an expanded role of CFA Institute is achievable not just through the CFA Program but also with new educational products like the Certificate in ESG Investing, where we see investment firms offering the certificate to their teams and paying for them to enroll, and the new professional learning courses that we began offering in FY2022.

It's heartening that we see genuine demand from many investment organizations around the world to have CFA Institute assist them in further developing their in-house talent. This faith and trust in us are only possible because of the brand and reputation that we have all contributed to establishing over many years. This role for the organization has come about due to firms now reviewing thoroughly what they can offer by way of a long and rewarding career to their employees. CFA Institute has so much to offer as a partner for our members and their employers.

This past fiscal year, we focused on the strategy needed to achieve the goal of expanded impact. We must continuously make changes at our organization to strive to raise the quality of the services we provide to the global membership, the support that we provide to society networks around the world, and critically to the proposition that we offer to our candidates today and into the future.

We all know that the pandemic negatively impacted CFA Program enrollments, and consequently we experienced lower Program revenues for the third consecutive year. Yet we finished the fiscal year with $336 million in revenues and were operating cash-flow positive. As the year progressed, the Board was clear with management that expense management was a priority — especially given softer revenues — but it was not to be done in a way that produced false economies or reduced service standards.

Management understood this need to find the balance between prudent business management and supporting the work of the global mission. Thus, the Board believed that utilizing a nominal portion of the organization's reserves was an appropriate step to take. We are fortunate that our reserves grew meaningfully during the years of strong market performance, which makes a drawdown quite manageable relative to the overall size of the reserve balance. The Board believed this action to be both prudent and consistent with CFA Institute continuing its mission as well as using the reserves in the way in which they were intended.

In closing, the Board wishes to extend its deep appreciation to the global network of members and charterholders who have shown an unstinting commitment to exhibiting the highest professional standards.

Thank you for everything you do to improve our profession.

Mark Lazberger, CFA
Chair, Board of Governors

OVERVIEW

MESSAGE FROM OUR PRESIDENT AND CEO

Dear colleagues,

I am pleased to present our FY2022 Annual Report for your consideration.

In June of 2022, we marked the 75th anniversary of the founding of the organization that we now call CFA Institute. Reflecting on the initial goals those founding societies set out in 1947 and looking at where we are today, one word stands out: profession. Our founders sought to move the industry forward in a dramatic fashion by calling on the investment industry to rise to the challenge of becoming a true profession, one dedicated to the highest standards of ethics, education, and professionalism.

Seventy-five years later, we remain focused on that very task.

We now reach virtually every part of the globe through our exam administrations and candidates, through our more than 200,000 members, and through our 160 societies — all focused on upholding the highest standards of professionalism. Our lasting contribution to this industry is to continue to raise the bar and to move the industry forward with the ultimate benefit of society in mind. I believe CFA Institute, its members, societies, and network will be called upon to lead in a time of tremendous uncertainty, complexity, and opportunity.

We have an important role to play in defining the investment profession and the industry going forward. We stand as an impartial platform and voice. This comes from our purpose, mission, and not-for-profit status. We do not have an imperative for a particular commercial outcome, and our membership hails from all parts of the industry. As a result, we have an independence and objectivity that is important. Our platform and voice are singularly directed to furthering professionalism through our learning offerings and excellence of the profession through our research, advocacy, and standards. Our reputation that comes from professional learning, especially the CFA charter, and our research, advocacy, and standards, opens doors to convene the leading voices in our industry to tackle these challenges and opportunities. That is the legacy of our last 75 years, and it will be so in the future.

I am excited about that opportunity, and we are well placed to successfully deliver on our ambitions and goals. FY2022 served as a pivotal year for CFA Institute. Financially, we recorded revenues of $336 million and operating income of $53 million for an operating margin of 16 percent. This represents a significant improvement over FY2021 for U.S. GAAP revenue. Many candidates who deferred from exams in FY2021 and FY2020 due to COVID restrictions were able to sit for the exams during FY2022, and CFA Institute recognized the deferred revenue. We continued to prudently manage expenses, which were lower in FY2022 vs. FY2021 by approximately $21 million.

We believe the worst of the pandemic's impact is behind us, and our organization is now better positioned from both an organizational and strategic standpoint to seize the opportunities that lie ahead.

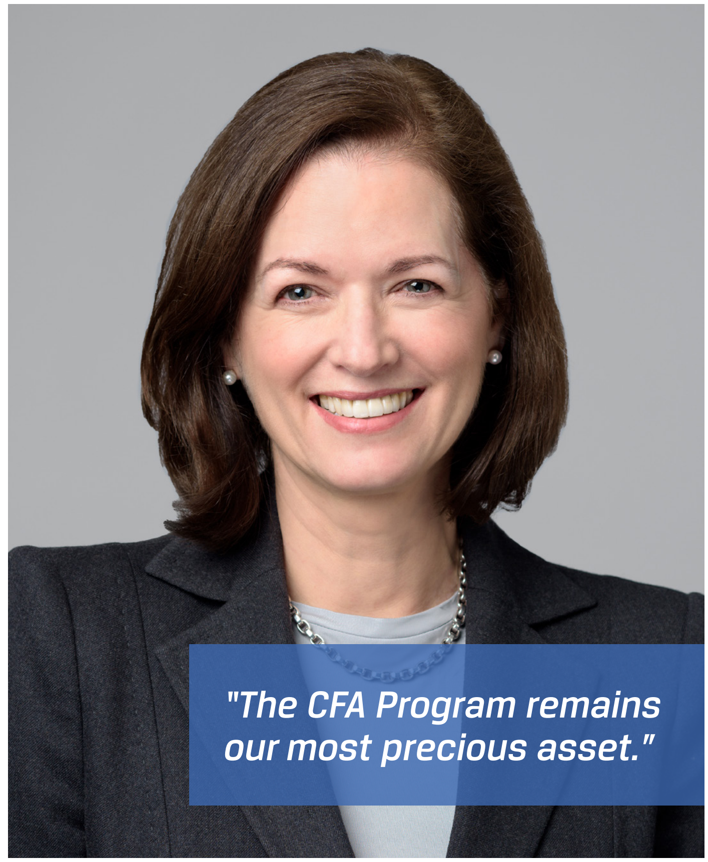
In FY2022, we saw growth in several areas and a recovery, to some extent, in CFA Program candidates. Some markets, such as India, recovered strongly and are back around 2019 candidate levels. Other markets, like China, continued to face pandemic-induced challenges and cancellations. Other parts of the world remained below pre-pandemic heights but above the low levels seen in the midst of the pandemic.

We recognize the challenges that candidates faced. It has not been easy to keep exam progress on track while retaining the needed pace of study. Pass rates reflected this, though FY2022 saw pass rates move closer to historical norms.

We were pleased last year when Ecctis, a UK-based and internationally respected reference point for global qualifications and skills standards, deemed the CFA charter comparable to Regulated Qualifications Framework (RQF) Level 7 and master's degree standard in 12 markets; those markets account for more than 80 percent of CFA Program candidate volumes.

The CFA Program remains our most precious asset. After careful research and deliberation in FY2022, we developed plans to evolve the Program in FY2023. We are excited to share more on this in the coming months. The Board, the leadership team, the staff, and I are all conscious of the brand value of our program, and we will always work to protect and enhance it. As our Board Chair, Mark Lazberger, stated in his introduction, relevance remains the bar for all decision-making with respect to the CFA Program.

Our strategy also includes bringing more learning products to market to meet industry demand to skill, upskill, and reskill investment professionals. In my many conversations with industry leaders around the world, I hear a clear need for CFA Institute to educate financial professionals in every phase of their careers. In this past year, we brought more offerings to the market.



Our Certificate in ESG Investing garnered more demand; we now have recorded more than 19,000 registrants (more than 13,600 in FY2022) globally – evidence of meeting a market need by filling a skills gap that exists in financial services. While views on ESG investing may vary, there is no question that more education of financial professionals is required. This trend will not abate any time soon. Employers and institutions have identified this need and have been working with us on bulk purchases for their employees. The United Nations Joint Staff Pension Fund, for example, announced it will offer the Certificate in ESG Investing to its employees, as have other asset managers, asset owners, and consultants.

We have expanded our approach to professional learning, not just for our members but for the industry at large. We brought a wider set of learning solutions to the market such as courses in Machine Learning, Data and Statistics, and Performance Attribution. We see CFA Institute as a place for professionals to stay current on industry trends and skills as they continue their careers. For the latest on our professional learning offerings, please visit our site.

OVERVIEW

When I think about our role in leading this industry, I am proud of our long history of developing voluntary codes and standards. Time and time again, we have seen the industry adopt our codes and standards to help guide their businesses and to provide more clarity for end investors.

The Global Investment Performance Standards (GIPS®) stand out as the premier performance standards across the investment industry, including asset owners, asset managers, regulators, and consultants.

Setting professional and industry standards is integral to the mission of CFA Institute, and we are committed to developing additional codes and standards to fill market needs that exist around the globe. Our proven track record with the GIPS standards on a global scale helped us create a successful pathway to the development of the Global ESG Disclosure Standards for Investment Products.

The release of the ESG Disclosure Standards marks an important contribution to this increasingly critical component to investment strategies, helping investment firms communicate with investors. The purpose of these Standards is to provide greater transparency and consistency in ESG-related disclosures, resulting in clearer communication regarding the ESG-related features of investment products.

In FY2022 we also launched a voluntary Diversity, Equity, and Inclusion Code in the US and Canada. We know that the advancement of diversity, equity, and inclusion in the investment industry remains critical. Diverse perspectives lead to better outcomes on behalf of investors and create better work environments for employees. To create a more resilient and responsive industry, we must reflect the diverse societies we serve. And thus, we recognized a need to develop a voluntary code to guide DEI efforts in a meaningful and measurable way.

The uptake from the industry has exceeded our goal, truly underscoring the need for structure and guidance around DEI efforts. We recorded more than 100 signatories within the first year of launching the DEI Code. Regional adaptations are on the horizon as we look to tailor the DEI Code for additional markets; this is already underway in the UK with a working group in place. Many of our North American-based societies have signed on to adhere to the DEI Code, and I hope to see more as we continue to expand the footprint globally.

Our Asset Manager Code (AMC™) also continues its momentum, with more than 1,000 firms worldwide now claiming compliance with the AMC. We applaud all the firms that have adopted the AMC for displaying a steadfast commitment to professional ethics and putting investors first.

This past year once again saw exemplary thought-leadership material get published on our platform.

Trust remains essential to our industry, and we published the fifth in our biennial "Investor Trust Study." The study found that trust in financial services reached an all-time high during the survey period. Factors driving trust included: strong market performance, fee compression, tech-enabled transparency, greater access to markets, and new personalized products. The study identified increased use of technology as a major trust factor, simplifying investing by improving access to markets and information.

And the latest installment in our Future of Work series focused on the future of skills and learning. This report detailed current gaps between the supply and demand for skills in the investment industry, examined learning trends, and proposed changes to investment teams to better leverage diverse talent and the combined power of discrete but complementary skills.

Our "Accelerating Change" report outlined practical advice to advance diversity, equity, and inclusion, and explored strategies to achieve behavioral and organizational change for firms at all stages in their DEI work by drawing on the contributions of our many institutional partners in this endeavor.

We surveyed our members on the goodwill accounting debate: impairment vs. amortization. The survey demonstrated an almost unanimous preference from investors for a unified global approach, with a majority favoring improving disclosures over reverting to amortization. We published our findings in "Goodwill: Investor Perspectives."

Investing in special purpose acquisition companies became popular but also controversial, and we published a detailed guide for what retail investors need to know about investing in SPACs. Investors need to understand the unique features of SPACs and trust the investment structure before deciding to invest.

I extend my deep thanks and appreciation to our 160 societies and all of their volunteers around the globe for their support. They remain integral partners and champions of our mission throughout the world. I am particularly appreciative of their patience and resilience during uncertain times, for their dedication to the betterment of our profession, and for serving our members in ways small and large. Through our societies' partnership with CFA Institute, we jointly strengthen our relationship with members, candidates, industry leaders, regulators, and other stakeholders in our ecosystem. Simply put, our societies perform amazing work.

I thank our staff for their hard work in FY2022. Our employees have repeatedly demonstrated their dedication and resilience during trying times.

Our strategy at the highest level remains simple: We aim to grow our relevance and influence – for the charter, for CFA Institute, for our network. We have some exciting new initiatives in FY2023. We will launch a new Research and Policy Center, a hub for our latest thought leadership with an expanded view on industry trends. And we will be re-launching our popular Investment Foundations course after a curriculum refresh and design update, and the aforementioned updates to the CFA Program.

I again want to thank you for your support of CFA Institute and for upholding and demonstrating the highest level of professionalism in our industry.

Margaret Franklin, CFA
President and CEO
CFA Institute

For More Information

Mission & Vision

https://www.cfainstitute.org/en/about/vision

Governance

https://www.cfainstitute.org/en/about/governance

Corporate Documents & Policies

https://www.cfainstitute.org/en/about/governance/policies

Professional Learning

https://www.cfainstitute.org/en/membership/professional-development/collection

Office Locations

https://www.cfainstitute.org/en/utility/office-locations

OVERVIEW

Credentialing Exam Administrations by Region [1]

CFA PROGRAM	FY2022	FY2021	FY2020	FY2019	FY2018
Global	262,400	214,900	102,200	354,300	319,300
AMER	65,200	46,700	24,100	91,100	88,000
EMEA	51,900	38,200	16,800	63,000	58,400
APAC	145,300	130,000	61,300	200,200	172,900
CIPM PROGRAM	**FY2022**	**FY2021**	**FY2020**	**FY2019**	**FY2018**
Global	900	1,500	950	1,600	1,800
AMER	400	700	400	700	900
EMEA	300	500	250	500	500
APAC	200	300	300	400	400
CERTIFICATE IN ESG INVESTING [2]	**FY2022**	**FY2021**	**FY2020**	**FY2019**	**FY2018**
Global	3,100	–	–	–	–
AMER	700	–	–	–	–
EMEA	1,600	–	–	–	–
APAC	800	–	–	–	–

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

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

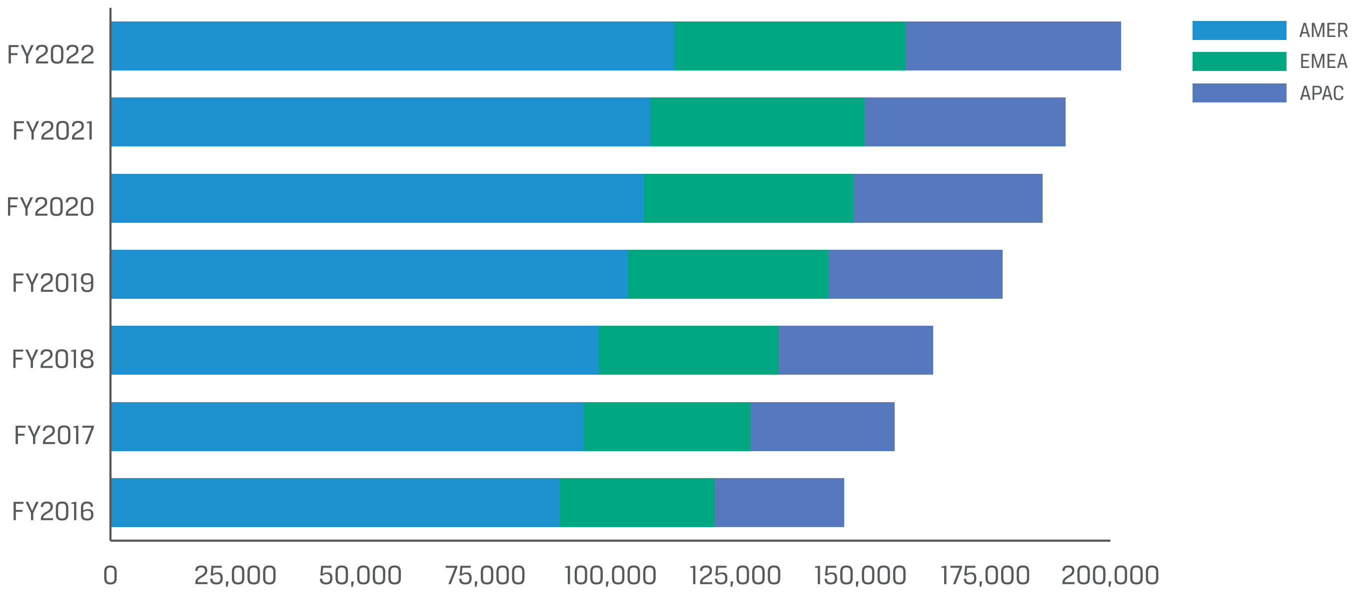
[2] The Certificate in ESG Investing is owned, administered, and awarded globally by CFA Institute having previously been developed and awarded by CFA Society UK.

CFA PROGRAM EXAM ADMINISTRATIONS BY REGION

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

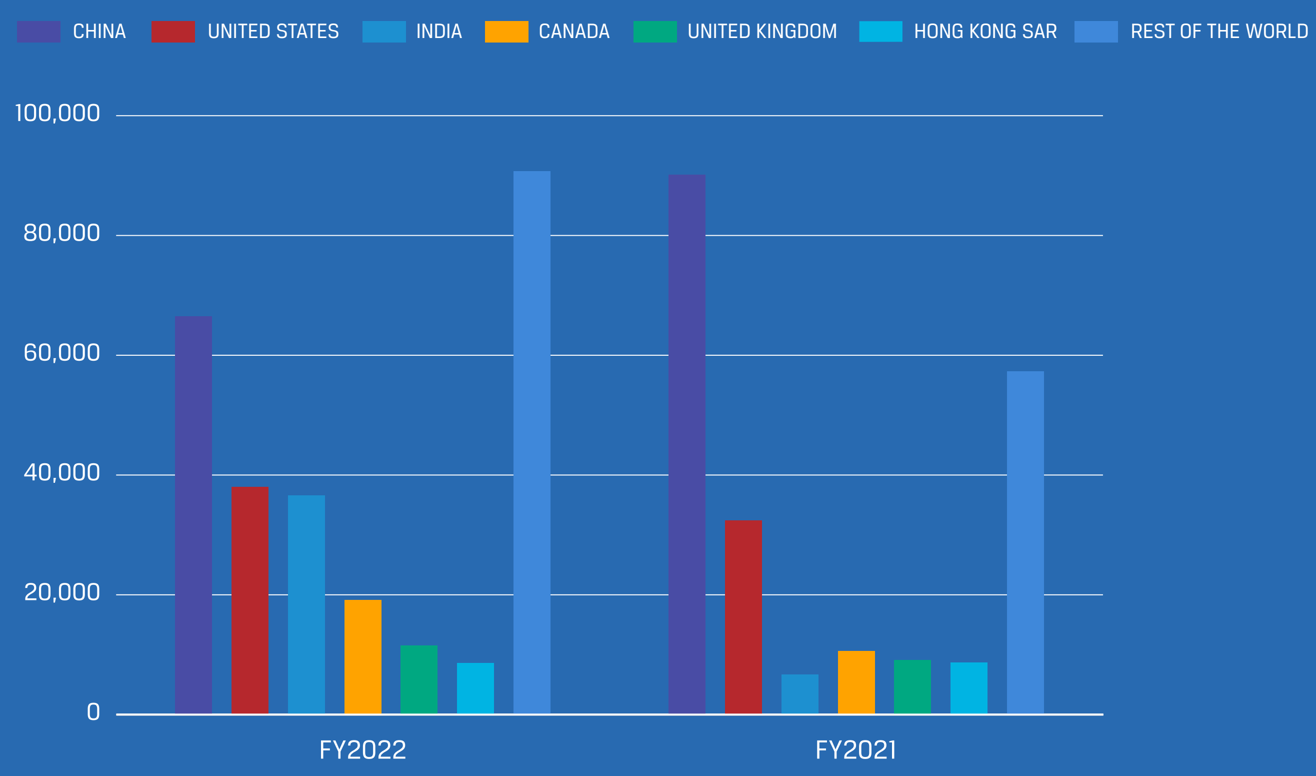
OVERVIEW

CFA INSTITUTE MEMBERSHIP BY REGION

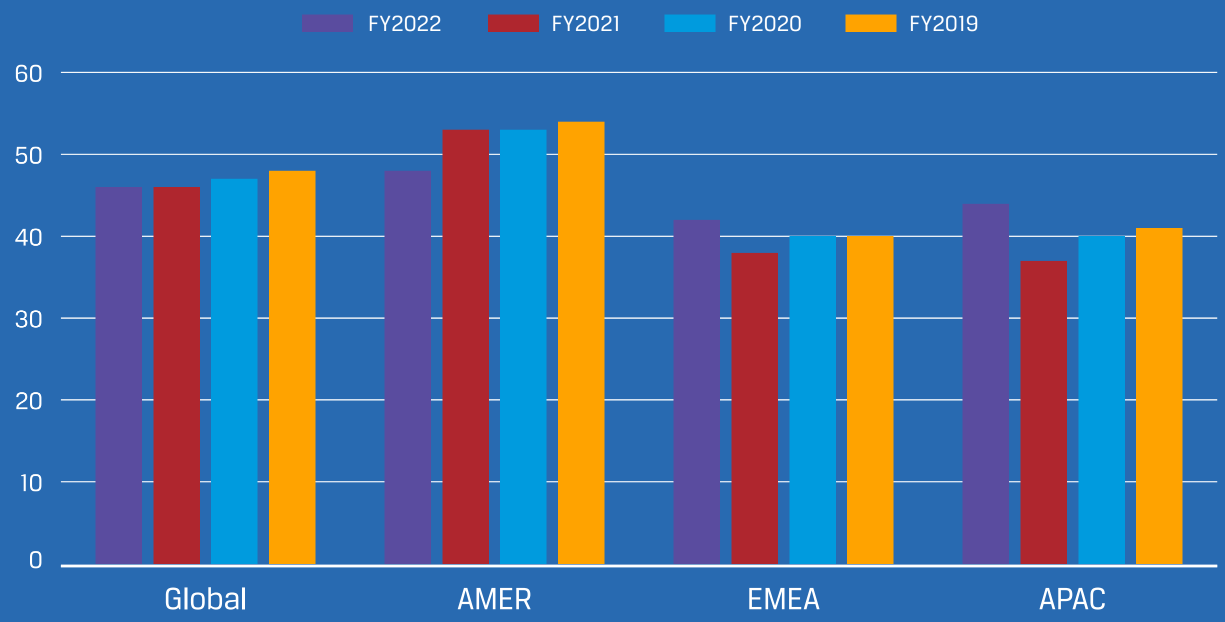


AMER = Americas; EMEA = Europe, Middle East, and Africa; APAC = Asia Pacific

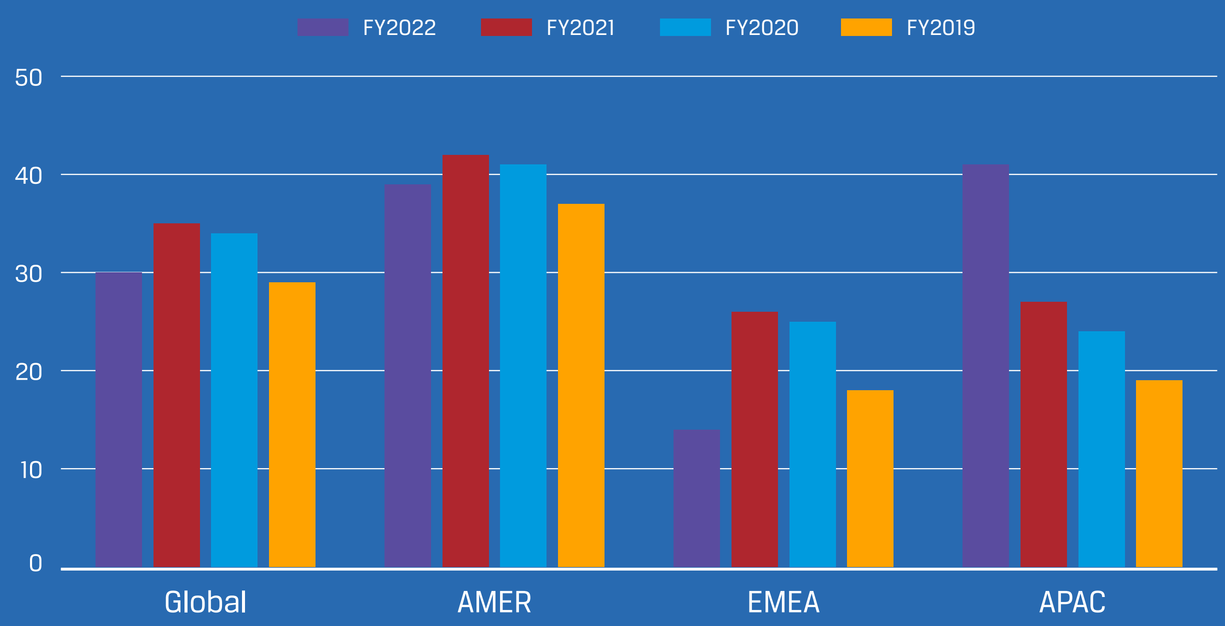
CFA PROGRAM EXAM ADMINISTRATIONS: TOP MARKETS



CFA INSTITUTE MEMBERSHIP NPS



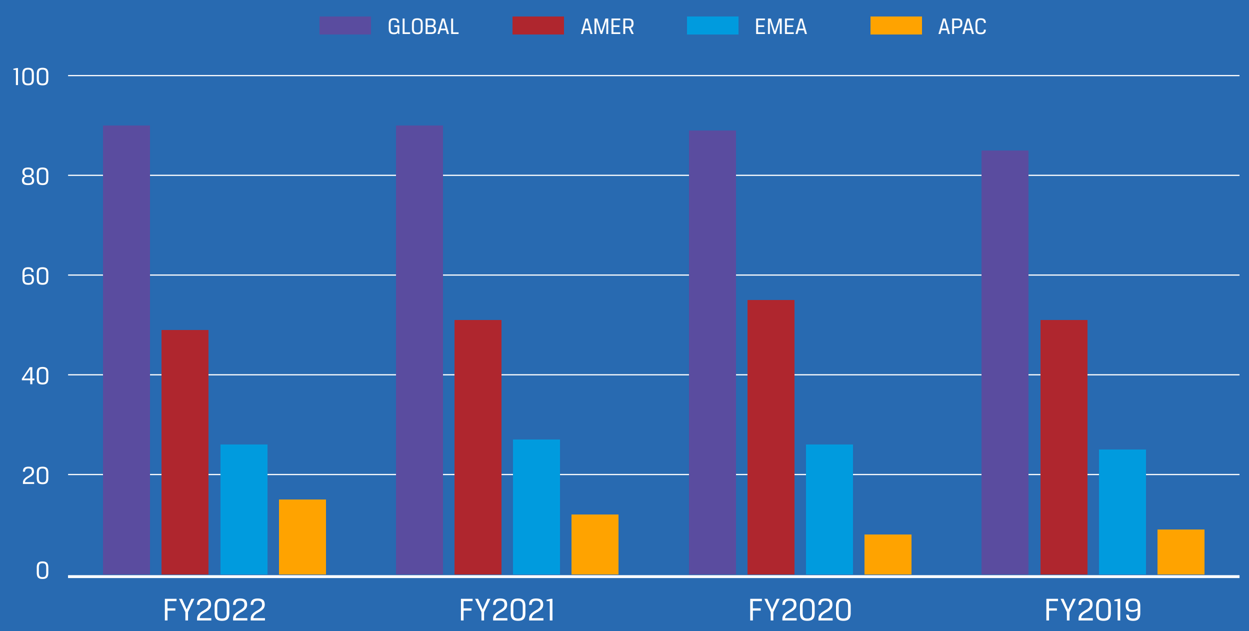
CFA SOCIETY NPS



Net Promoter Score (NPS) is a common metric used to measure customer loyalty. The question "How likely is it that you would recommend the product or service to a friend or colleague?" has a 0-10 scale, where 0 is not at all likely and 10 is extremely likely. Those responding 0-6 are categorized as "Detractors," those rating 7 or 8 are "Passives" and those rating 9 or 10 are "Promoters." NPS is calculated by subtracting the percentage of detractors from the percentage of promoters.

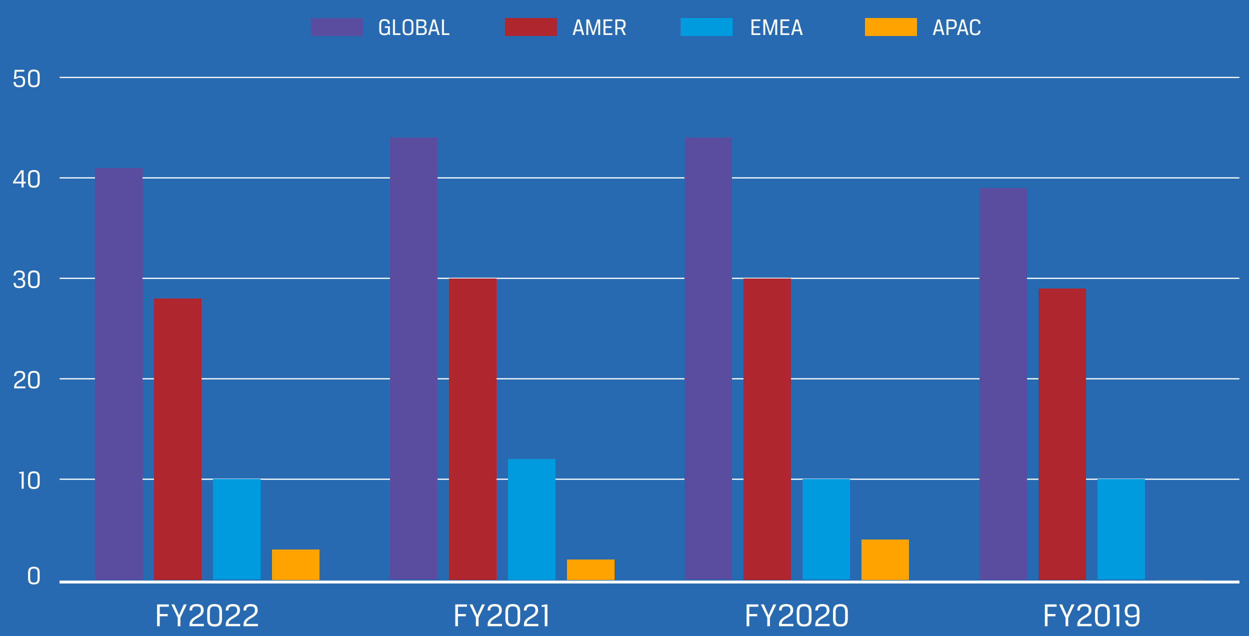
AMER = Americas; EMEA = Europe, Middle East, and Africa; APAC = Asia Pacific

GIPS STANDARDS ADOPTION BY TOP 100 ASSET MANAGERS



GIPS = Global Investment Performance Standards (GIPS®)
AMER = Americas; EMEA = Europe, Middle East, and Africa; APAC = Asia Pacific

AMC ADOPTION BY TOP 100 ASSET MANAGERS



AMC = Asset Manager Code
AMER = Americas; EMEA = Europe, Middle East, and Africa; APAC = Asia Pacific

PERFORMANCE

YEAR IN SUMMARY

Consolidated Financial Results for Fiscal Years Ended 31 August 2022 and 2021

	FY2022	FY2021
Members and Exam Administrations [1]		
CFA Institute Members	202,200	191,000
CFA Program Administrations	262,400	214,900
CIPM Program Administrations	900	1,500
Certificate in ESG Investing Administrations [2]	3,100	–
Financial Performance *($ in millions)* [3]	**FY2022**	**FY2021**
Operating revenues	$336.1	$282.7
Operating expenses	283.6	304.4
Income (loss) from operations	**52.5**	**(21.7)**
Other changes	(74.6)	77.0
Change in net assets without donor restrictions	**$(22.1)**	**$55.3**

(1) Administrations defined as exam registrations for which we recognize revenue, realized net of adjustments.
(2) The Certificate in ESG Investing is owned, administered, and awarded globally by CFA Institute having previously been developed and awarded by CFA Society UK.
(3) Numbers are rounded.

REVENUES

Revenues for Fiscal Years Ended 31 August 2022 and 2021

(US $ IN MILLIONS) [1]	FY2022	FY2021
Credentialing programs, net	$279.5	$230.4
Member value programs	50.6	47.1
Industry engagement and other	0.3	0.1
Contributions of cash and other financial assets	0.6	0.3
Contributions of nonfinancial assets	5.1	4.8
Total operating revenues	**$336.1**	**$282.7**

[1] Numbers are rounded.

EXPENSES

Expenses for Fiscal Years Ended 31 August 2022 and 2021

(US $ IN MILLIONS) [1]	FY2022	FY2021
Operating expenses		
Program services		
Credentialing programs	$96.6	$112.6
Member value programs	82.2	93.5
Industry engagement	18.8	20.4
Scholarships—11 September Memorial Fund	0.1	0.1
Management and general	85.9	77.8
Total operating expenses	**$283.6**	**$304.4**

[1] Numbers are rounded.

PERFORMANCE

FINANCIAL CONDITION

Financial Position as of 31 August 2022 and 2021

(US $ IN MILLIONS) [1]	FY2022	FY2021
Cash and cash equivalents	$157.0	$164.0
Other current assets	9.1	10.2
Total current assets	166.1	174.2
Noncurrent investments, at fair value	482.1	558.2
Other noncurrent assets	59.3	59.2
Total noncurrent assets	541.4	617.4
Total assets	**$707.5**	**$791.6**
Accounts payable and accrued liabilities	$23.6	$27.8
Deferred revenue	268.6	328.1
Other current liabilities	28.6	30.4
Total current liabilities	320.8	386.3
Accrued liabilities	1.5	1.1
Deferred revenue	48.7	42.1
Other noncurrent liabilities	11.8	15.3
Total noncurrent liabilities	62.0	58.5
Total liabilities	382.8	444.8
Net assets	324.7	346.8
Total liabilities and net assets	**$707.5**	**$791.6**

(1) Numbers are rounded.

CASH AND INVESTMENT DETAIL

Cash and Investment Portfolio Balance as of 31 August 2022 and 2021

(US $ IN MILLIONS) [1]	FY2022	FY2021
Cash and cash equivalents	$157.0	$164.0
Noncurrent investments, at fair value	482.1	558.2
Total cash and noncurrent investments	**$639.1**	**$722.2**

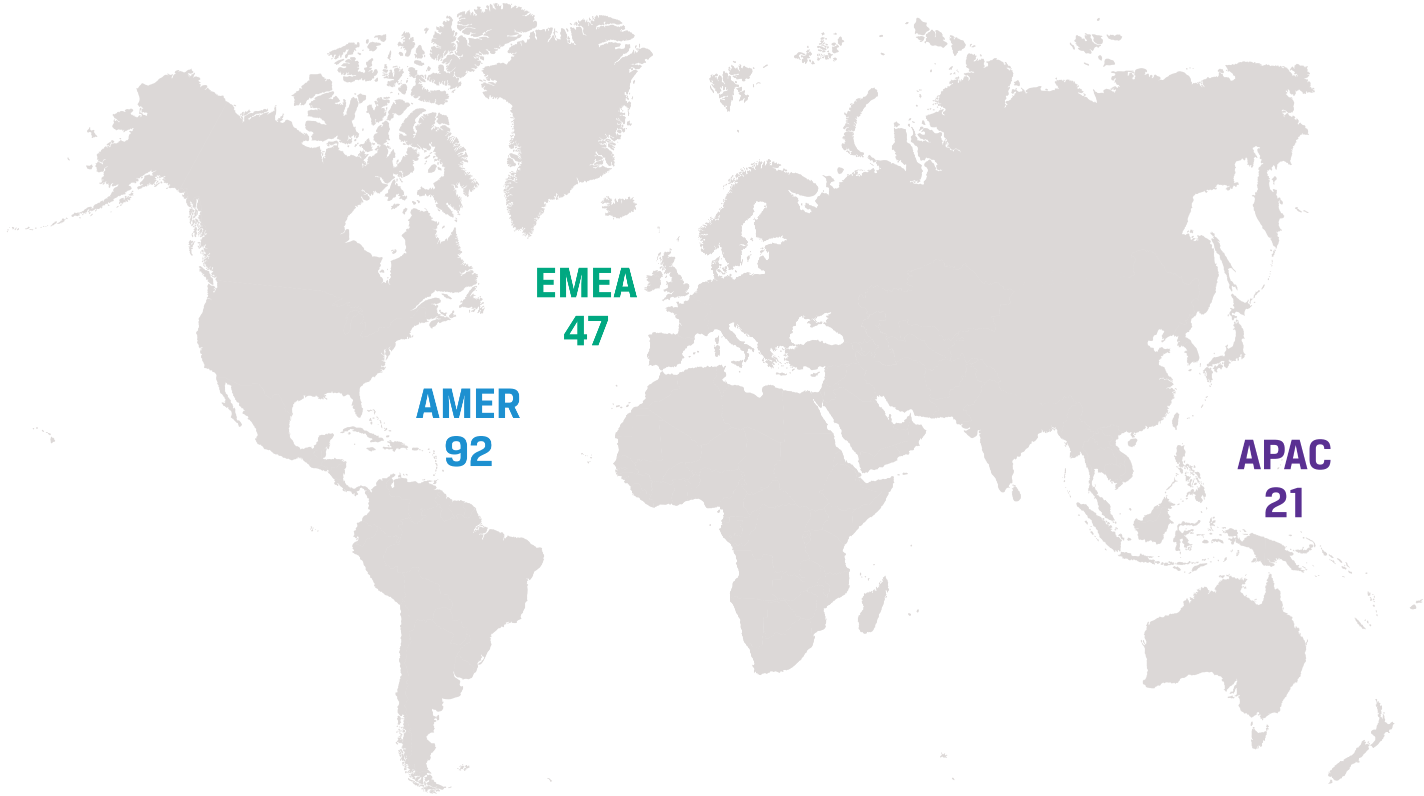
[1] Numbers are rounded.

Cash Flow for Fiscal Years Ended 31 August 2022 and 2021

(US $ IN MILLIONS) [1]	FY2022	FY2021
Change in net assets	$(22.1)	$55.3
Noncash items	101.0	(53.9)
Changes in assets and liabilities	(59.8)	(16.9)
Net cash provided by (used in) operating activities	19.1	(15.5)
Capital expenditures	(8.9)	(4.8)
Maturities and purchases of investments, net	(15.7)	(11.2)
Net cash used in investing activities	(24.6)	(16.0)
Payments on borrowings, net	(1.5)	(1.5)
Net cash used in financing activities	(1.5)	(1.5)
Net decrease in cash and cash equivalents	(7.0)	(33.0)
Cash and cash equivalents, beginning of year	164.0	197.0
Cash and cash equivalents, end of year	**$157.0**	**$164.0**

[1] Numbers are rounded.

SOCIETY LOCATIONS BY REGION



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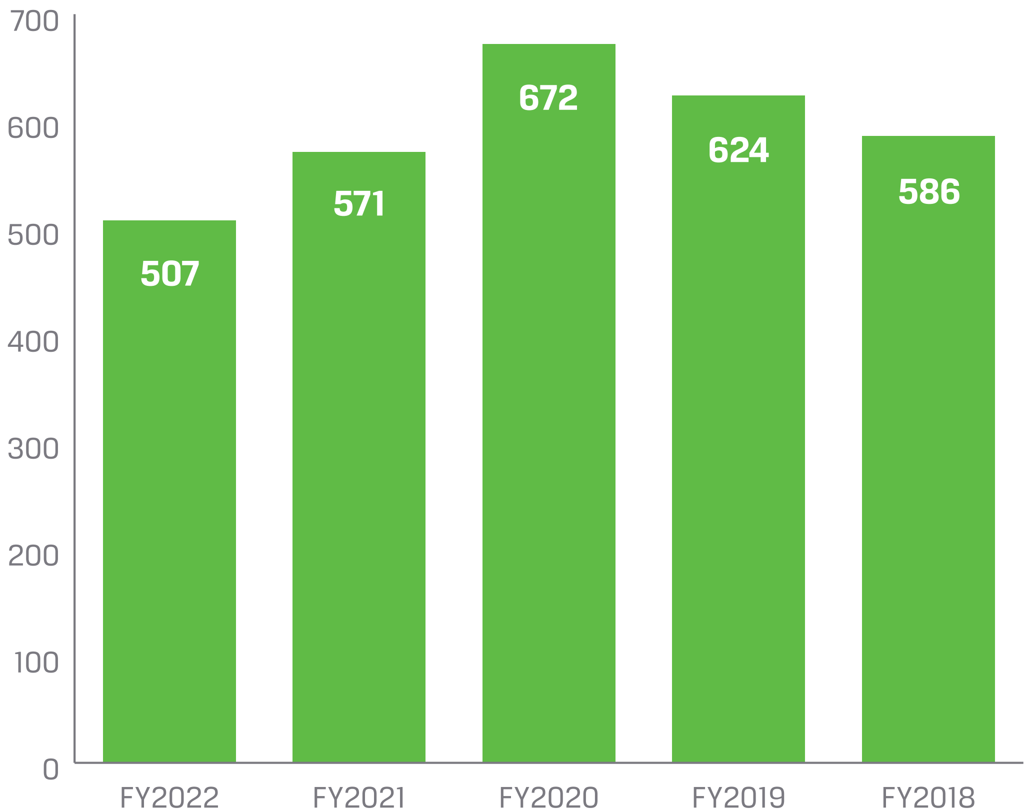
TOTAL NUMBER OF CFA INSTITUTE STAFF



INDEPENDENT AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS

CFA Institute

Consolidated Financial Statements

and Accompanying Consolidating Information
As of 31 August 2022 and 2021
and Independent Auditors' Report

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

Independent Auditors' Report

The Board of Governors
CFA Institute:

Opinion

We have audited the consolidated financial statements of CFA Institute and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Richmond, Virginia
December 7, 2022

CFA Institute
Consolidated Statements of Financial Position
As of 31 August 2022 and 2021

(in thousands)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 156,980	$ 163,989
Accounts receivable, net	631	1,919
Prepaid expenses and other assets	8,473	8,337
Total current assets	166,084	174,245
Non-current assets		
Investments, at fair value	482,147	558,195
Derivative contract	446	—
Prepaid expenses and other assets	7,346	7,603
Property and equipment, net	36,232	37,547
Intangibles, net	15,210	14,005
Total non-current assets	541,381	617,350
Total assets	$ 707,465	$ 791,595
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$ 23,560	$ 27,817
Deferred revenue	268,577	328,109
Employee-related liabilities	19,704	20,369
Refund liability	4,812	5,192
Funds held for others	2,528	3,049
Derivative contract	—	231
Notes payable	1,580	1,530
Interest payable	10	11
Total current liabilities	320,771	386,308
Non-current liabilities		
Accrued liabilities	1,534	1,133
Deferred revenue	48,666	42,113
Employee-related liabilities	2,137	3,564
Derivative contract	—	412
Notes payable	9,712	11,295
Total non-current liabilities	62,049	58,517
Total liabilities	382,820	444,825
Net assets		
Net assets without donor restrictions		
Undesignated	323,690	345,744
Designated	955	1,026
Total net assets	324,645	346,770
Total liabilities and net assets	$ 707,465	$ 791,595

See accompanying notes to consolidated financial statements.

CFA Institute
Consolidated Statements of Activities
For the Years Ended 31 August 2022 and 2021

(in thousands)

	2022	2021
Change in net assets without donor restrictions		
Operating revenues		
Credentialing programs, net	$ 279,512	$ 230,355
Member value programs	50,647	47,144
Industry engagement and other	288	142
Contributions of cash and other financial assets	641	271
Contributions of nonfinancial assets	5,043	4,834
Total operating revenues	336,131	282,746
Operating expenses		
Program services		
Credentialing programs	96,615	112,643
Member value programs	82,232	93,495
Industry engagement	18,858	20,440
Scholarships - 11 September Memorial Fund	58	85
Supporting services		
Management and general	85,862	77,765
Total operating expenses	283,625	304,428
Income (loss) from operations	52,506	(21,682)
Interest and dividends, net	16,060	11,107
Change in net assets without donor restrictions from operations	68,566	(10,575)
Other changes		
(Losses) gains on investments, net	(91,780)	65,415
Unrealized gain on derivative contract	1,089	448
Change in net assets without donor restrictions	(22,125)	55,288
Net assets, beginning of year	346,770	291,482
Net assets, end of year	$ 324,645	$ 346,770

See accompanying notes to consolidated financial statements.

CFA Institute
Consolidated Statements of Cash Flows
For the Years Ended 31 August 2022 and 2021

(in thousands)

	2022	2021
Cash flows provided by (used in) operating activities		
Reconciliation of change in net assets without donor restrictions to net cash provided by (used in) operating activities		
Change in net assets	$ (22,125)	$ 55,288
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	10,220	11,909
Losses on disposition of property and equipment	116	58
Losses (gains) on investments, net	91,780	(65,415)
Unrealized gain on derivative contract	(1,089)	(448)
Changes in:		
Accounts receivable, net	1,288	(5)
Prepaid expenses and other assets	111	(2,449)
Publication inventory	—	745
Accounts payable and accrued liabilities	(5,238)	9,888
Deferred revenue	(52,979)	(19,537)
Employee-related liabilities	(2,092)	8,184
Refund liability	(380)	(14,418)
Funds held for others	(521)	692
Interest payable	(1)	(2)
Net cash provided by (used in) operating activities	19,090	(15,510)
Cash flows used in investing activities		
Purchases of property and equipment	(1,001)	(360)
Purchases of intangible assets	(7,833)	(4,478)
Purchases of investments	(26,537)	(59,114)
Proceeds from investments	10,805	47,950
Net cash used in investing activities	(24,566)	(16,002)
Cash flows used in financing activities		
Loan repayments	(1,533)	(1,489)
Net cash used in financing activities	(1,533)	(1,489)
Net decrease in cash and cash equivalents	(7,009)	(33,001)
Cash and cash equivalents, beginning of year	163,989	196,990
Cash and cash equivalents, end of year	$ 156,980	$ 163,989

See accompanying notes to consolidated financial statements.

1. Organization

CFA Institute is a not-for-profit professional association, incorporated in Virginia, with a mission of leading the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program and serves more than 202,000 members, as well as 160 member societies around the world. CFA Institute also administers the Certificate in Investment Performance Measurement (CIPM®) Program and the CFA Institute Certificate in ESG Investing (ESG Certificate). CFA Institute has offices in Abu Dhabi; Beijing; Brussels; Charlottesville, Virginia; Hong Kong; London; Mumbai; New York City; Singapore; Shanghai; and Washington, D.C.

CFA Institute qualifies as a tax-exempt organization under Internal Revenue Code (IRC) § 501(c)(6). CFA Institute was incorporated in 1990 as the Association for Investment Management and Research (AIMR) as a result of the combination of the Financial Analysts Federation (FAF) and the Institute of Chartered Financial Analysts (ICFA). The FAF and ICFA have histories dating back to 1947 and 1962, respectively. AIMR changed its name to CFA Institute in 2004.

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

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

The 11 September Memorial Scholarship Fund (the Scholarship Fund) was 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 awarded college and university scholarships to certain qualified individuals pursuing university-level education in finance, economics, accounting, or business ethics. During the year ended 31 August 2022, the final scholarships were awarded and the Scholarship Fund was closed.

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

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

During the year ended 31 August 2013, partial interests in HUB and CMT were conveyed to unrelated third parties. HUB granted a ten percent (10%) non-preferred equity interest to certain unrelated third parties. CMT granted a ninety-nine and ninety-nine one-hundredths percent (99.99%) non-preferred equity interest to an unrelated third party. During the year ended 31 August 2020, Holdings purchased all of the non-preferred equity interests in HUB and CMT from the unrelated third parties.

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

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

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

CFA Institute Limited (CFA Institute Abu Dhabi), a wholly-owned subsidiary of CFA Institute, is a private company limited under the laws of the United Arab Emirates whose function is to provide marketing, promotional, and outreach services to CFA Institute for a fee, as well as to provide limited auxiliary services to CFA Institute members in the United Arab Emirates, including continuing professional development such as education, conferences, workshops, exhibitions, and other networking events.

2. Summary of significant accounting policies

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

Consolidation
The consolidated financial statements include the accounts of the CFA Institute Operations group, CFA Institute Research Foundation, and the Cville Building Operations group. The CFA Institute Operations group consolidates the accounts of CFA Institute, CFA Institute China, CFA Institute India, CFA Institute Singapore, CFA Institute Abu Dhabi, Global Holdings, and Si Wei given each entity is wholly-owned either by CFA Institute or by a wholly-owned subsidiary. CFA Institute Research Foundation is consolidated given that it is a wholly-controlled entity. The Cville Building Operations group consolidates the accounts of Holdings, CMT, and HUB given that at 31 August 2022 and 2021 each entity is wholly-owned either by CFA Institute or by a wholly-owned subsidiary. All intercompany transactions and balances have been eliminated in consolidation.

Use of estimates
The preparation of consolidated financial statements in conformity with US GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the consolidated 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. Interest and dividend income from investments are reported separately net of investment expenses and are included in the change in net assets without donor restrictions from operations. Gains and losses on investments are reported as other changes in net assets without donor restrictions.

Concentration of credit risk
CFA Institute maintains cash balances in global bank and financial institution accounts that exceed insured limits established by the Federal Deposit Insurance Corporation in the US and other national deposit protection programs. To mitigate credit risk exposure, CFA Institute deposits funds in financially sound institutions and targets a maximum daily US operating cash balance of $20,000,000 to support operational and business continuity needs. Short-term operating cash needs in excess of the $20,000,000 ceiling are invested in US government securities until required for disbursement purposes. Working capital is also maintained in non-US bank accounts to support international operations. Global

cash and short-term investment balances that are in excess of the deposit protection limits are subject to some degree of credit risk.

Net assets

CFA Institute classifies net assets into two categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are available for use at the discretion of the Board of Governors (the Board) and management for general operating purposes. The Board may designate a portion of these net assets for specific purposes.

Net assets with donor restrictions consist of assets subject to donor-imposed stipulations. A donor stipulation specifies a use for a contributed asset that is more specific than the broad limits resulting from the nature of the nonprofit organization, the environment in which it operates, and the purposes specified in its articles of incorporation.

As of 31 August 2022 and 2021, all of CFA Institute's net assets were net assets without donor restrictions.

Board designated net assets

In 1990, AIMR (now CFA Institute) was formed as a result of the combination of ICFA and FAF. Prior to the combination, ICFA contributed $950,000 to the Foundation. The contribution is a non-cumulative preferred claim of CFA Institute on the Foundation's net assets should the Foundation become unable to carry out its exempt purposes by reason of dissolution or otherwise. The claim is for $950,000 or the Foundation's net assets, whichever is less. CFA Institute contributed $1,000,000 to the Foundation to establish the Scholarship Fund in October 2001. Because of the control relationship between CFA Institute and the Foundation, both contributions are reported as board designated net assets.

The Scholarship Fund is recorded as a board designated net asset. Contributions by CFA Institute to the Foundation for the Scholarship Fund are recorded as net assets without donor restrictions. The Scholarship Fund was closed during the year ended 31 August 2022.

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 amounts of committed and unpaid research grants are shown in designated net assets in the consolidated statements of financial position.

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

	2022	2021
ICFA contribution	$ 950	$ 950
11 September Memorial Fund	—	58
Unpaid research grants	5	18
Total designated net assets	$ 955	$ 1,026

Contributed nonfinancial assets

For the years ended 31 August 2022 and 2021, contributed nonfinancial assets recognized within the consolidated statements of activities included (in thousands):

	2022	2021
Services	$ 4,877	$ 4,723
Facilities	166	111
Total contributed nonfinancial assets	$ 5,043	$ 4,834

CFA Institute recorded the value of the contribution of services and facilities as contribution revenue with a corresponding amount to professional and contract services and facility and equipment.

CFA Institute receives contributed services from volunteers for contributions of their time grading CFA examinations and serving on various task forces and committees. The organization utilizes the committees and task forces for governance and to address different aspects of the CFA examinations, the CFA Program curriculum, continuing education, industry standards-setting, and other areas for its membership. Contributed services from volunteers is valued at the estimated fair value for services based on compensation rates for comparable professionals.

The contributed facilities consist of office space located in Abu Dhabi which is used for general and administrative activities. The estimated fair value is based on the fair market rental value for comparable properties.

Cost classification

Operating expenses are classified as either program services or supporting services. Program services are those operating expenses that directly advance the mission of CFA Institute. Supporting services are general and administrative costs. A portion of general and administrative costs that benefit multiple functions are allocated from supporting services to program services. See Note 14 for more information on the functional expense allocation.

Cash and cash equivalents

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

Accounts receivable

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

Investments

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

Derivative contract

CFA Institute is subject to risk from potential increases in interest rates associated with the note payable pertaining to the acquisition and construction of the Charlottesville property. This risk is mitigated through the use of a pay fixed receive float interest rate swap that economically hedges the exposure associated with variable-rate debt. The objective of CFA Institute is to manage exposure to this risk by limiting the impact of changes in interest rates on operations and cash flows. CFA Institute does not actively invest in derivative instruments for speculative purposes.

The 16.5-year interest rate swap agreement was executed concurrently with the note payable. HUB pays a fixed rate of two and ninety-one one-hundredths percent (2.91%) on a descending notional amount of $11,292,000, as of 31 August 2022, 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 asset position with a fair value of $446,000 as of 31 August 2022 and a net liability position with a fair value of $643,000 as of 31 August 2021.

CFA Institute's outstanding derivative financial instrument is recognized in the consolidated statements of financial position at its fair value. The change in fair value is recognized as an unrealized gain in the consolidated statements of activities and was $1,089,000 and $448,000 for the years ended 31 August 2022 and 2021, 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

CFA Institute evaluates long-lived assets for impairment if an indicator exists that the estimated fair market value of the asset has declined below its carrying value. As of 31 August 2022 and 2021, no long-lived assets have been impaired.

Intangibles

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

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

Computer software	1 to 5 years
Other intangibles	3 to 10 years

Cloud computing arrangement implementation costs
CFA Institute capitalizes certain cloud computing arrangement (CCA) implementation costs in connection with its internal-use software systems. These costs are initially classified as work in process and are amortized when available for use using the straight-line method over the term of the hosting arrangement but no more than 3 years. Capitalized CCA implementation costs are included in prepaid expenses and other assets on the accompanying consolidated statements of financial position. Capitalized CCA implementation costs as of 31 August 2022 consisted of $2,899,000 gross costs less accumulated amortization of $390,000. Amortization expense for the year ended 31 August 2022 was $390,000.

Deferred revenue
Unearned registration, enrollment, member dues, and Learning Ecosystem (LES) curriculum are included in deferred revenue on the accompanying consolidated statements of financial position (see Revenue paragraph below and Note 13).

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

CFA Institute recognizes health and welfare benefit liabilities at the time in which the liability is both probable and the amount of the liability is estimable by evaluating certain uninsured risk related to incidents occurring on or before the date of the consolidated statements of financial position. As of 31 August 2022 and 2021, the gross medical claims liability consisted of claims incurred but not reported of $307,000 and $449,000, respectively, and claims paid by a third party administrator and not yet paid by CFA Institute of $115,000 and $111,000, respectively, resulting in a medical claims liability of $422,000 and $560,000, respectively.

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

Revenue
CFA Institute earns its primary revenue from examination registration fees, enrollment fees, member dues, and educational product sales. Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration CFA Institute expects to be entitled to in exchange for those goods or services. These revenues are recognized net of scholarships. Scholarships awarded were $7,106,000 and $7,837,000 for the year ended 31 August 2022 and 2021, respectively. These scholarship awards are separate and distinct from the scholarships awarded by the 11 September Memorial Scholarship Fund (see Note 10).

The membership year for CFA Institute runs from 1 July to 30 June. Accordingly, CFA Institute recognizes membership dues on a pro-rata basis over the membership year. As a result, CFA Institute recorded deferred revenue for membership fees collected but not earned.

Revenue allocated to LES curriculum is recognized ratably from the time a candidate registers for an exam through the grade release date of the exam. As a result, CFA Institute recorded deferred revenue for fees allocated to LES curriculum collected but not earned.

See Note 13 for more information on revenue recognition.

Grants

CFA Institute makes grants to various organizations where such funding supports its mission. For the years ended 31 August 2022 and 2021, CFA Institute provided direct operational, growth and partnership funding in the amount of $16,840,000 and $16,848,000, 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 include, but are not limited to, society leader training, increasing engagement with stakeholders, and collecting and remitting society dues and events.

As of 31 August 2022 and 2021, current accounts payable and accrued liabilities included accrued grants in the amount of $1,328,000 and $641,000, respectively.

Advertising costs

Advertising costs are expensed as incurred. Total advertising expense was $12,917,000 and $6,867,000 for the years ended 31 August 2022 and 2021, 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 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 $14,000 and $50,000 for the years ended 31 August 2022 and 2021, respectively. The Foundation had no unrelated business income for the years ended 31 August 2022 and 2021, 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 and have no uncertain tax positions.

Any tax effect on the results of operations of the Cville Building Operations group will be taxed on Holdings' tax return. Holdings reported $1,456,000 and $1,498,000 in taxable income for the periods ended 31 December 2021 and 2020, respectively. Federal income tax estimated payments made by Holdings were $418,000 and $292,000 for the years ended 31 August 2022 and 2021, respectively.

Interest costs

CFA Institute incurred interest costs for the note payable of $353,000 and $395,000 for the years ended 31 August 2022 and 2021, respectively. No portion of interest expense for either period presented has been capitalized.

Reclassifications

Certain amounts in the consolidated financial statements have been reclassified to conform to the current year presentation. CFA Institute broke out contributions between contributions of cash and other financial assets and contributions of nonfinancial assets on the accompanying consolidated statements of activities. This reclassification results in no changes to the consolidated statements of financial position and the consolidated statements of cash flows.

New accounting pronouncements adopted

On 1 September 2021, CFA Institute adopted Accounting Standards Update (ASU) No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software,* on a prospective basis. The new guidance impacts the accounting for implementation, setup, and other upfront costs related to the customer in a cloud computing hosting arrangement that qualifies as a service contract. The guidance aligns the costs incurred under the hosting arrangement to the requirements for capitalizing acquisition or development costs of internal-use software. CFA Institute presented net capitalized CCA implementation costs of $2,509,000 with prepaid expenses and other assets on the accompanying consolidated statement of financial position as of 31 August 2022 and presented amortization of the capitalized costs of $390,000 with operating expenses on the accompanying consolidated statement of activities for the year ended 31 August 2022.

On 1 September 2021, CFA Institute adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance enhances presentation and disclosure requirements for not-for-profit entities that receive contributed nonfinancial assets. CFA Institute broke out contributions between contributions of cash and other financial assets and contributions of nonfinancial assets on the accompanying consolidated statements of activities.

New accounting pronouncements issued but not adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*. The new guidance requires that all leases be recognized at inception as a right-to-use lease asset and a corresponding lease liability. CFA Institute was required to adopt the ASU on 1 September 2022. CFA Institute is evaluating the impact of the guidance on its consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848), Scope*, and in January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. Topic 848 provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from LIBOR and other reference rates that are expected to be discontinued. The optional expedients are available immediately upon issuance of the ASU and generally sunset on 31 December 2022. At the present time, none of CFA Institute's lenders have requested that they transition away from LIBOR for borrowings that bear interest based on LIBOR. CFA Institute will continue to evaluate the impact through transition.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. The new guidance replaces the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. CFA Institute is required to adopt the ASU on 1 September 2023, but expects minimal impact on its consolidated financial statements.

3. Accounts receivable

Accounts receivable as of 31 August 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Accounts receivable	$ 840	$ 2,201
Allowance for bad debt	(209)	(282)
Total accounts receivable	$ 631	$ 1,919

4. Investments

Investments, at fair value (see Note 5) as of 31 August 2022 and 2021 consisted of the following (in thousands):

	2022	2021
CFA Institute	$ 464,572	$ 537,810
The Foundation – Endowment	17,575	20,342
The Foundation – The Scholarship Fund	—	43
Total investments	$ 482,147	$ 558,195

As of 31 August 2022 and 2021, 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, 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):

	2022		2021	
	Fair value	Cost	Fair value	Cost
Global equity	$ 218,472	$159,742	$ 263,589	$ 152,321
Global fixed-income	107,460	120,379	121,307	116,990
Inflation-protected securities	93,044	95,821	98,844	90,071
High-yield corporate bonds	24,343	27,371	26,885	26,209
Emerging market debt	20,989	23,178	26,043	23,178
US government securities	—	—	43	43
Global real estate investment trusts	17,839	18,164	21,484	17,244
Total investments	$ 482,147	$444,655	$ 558,195	$ 426,056

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

	2022	2021
Interest and dividends	$ 16,325	$ 11,301
Investment expenses	(265)	(194)
Total interest and dividends, net	16,060	11,107
Investment (losses) gains, net	(91,780)	65,415
Total investment (losses) gains, interest and dividends, net	$ (75,720)	$ 76,522

5. Fair value measurements

Fair value is determined based on the price a market participant would receive to sell an asset or pay to transfer a liability in an orderly arms-length transaction-the exit price. Fair value is disclosed using a three-tiered hierarchy that draws a distinction between market participant assumptions based on: (i) observable inputs such as quoted prices in active markets (Level 1), (ii) significant inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2), and (iii) unobservable inputs that require the use of present value and other valuation techniques in the determination of fair value (Level 3).

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

For Level 2 assets and liabilities, fair value is measured using reference rates from market-based data including publicly observable data and non-public subscription based data.

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 measured at fair value on a recurring basis as of 31 August 2022 and 2021 (in thousands):

	Fair value as of 31 Aug 2022	Fair value measurements as of 31 August 2022 using: Level 1	Level 2	Level 3
Assets				
Global equity	$ 218,472	$ 218,472	$ —	$ —
Global fixed-income	107,460	107,460	—	—
Inflation-protected securities	93,044	93,044	—	—
High-yield corporate bonds	24,343	24,343	—	—
Global real estate investment trusts	17,839	17,839	—	—
Emerging market debt (NAV) (1)	20,989	—	—	—
Investments, at fair value	482,147	461,158	—	—
Mutual funds - IRC § 457 accounts	2,137	2,137	—	—
Derivative contract	446	—	446	—
Liabilities				
Deferred compensation (see Note 11)	(2,137)	(2,137)	—	—
Net assets and liabilities subject to fair value measurement	$ 482,593	$ 461,158	$ 446	$ —

	Fair value as of 31 Aug 2021	Fair value measurements as of 31 August 2021 using: Level 1	Level 2	Level 3
Assets				
Global equity	$ 263,589	$ 263,589	$ —	$ —
Global fixed-income	121,307	121,307	—	—
Inflation-protected securities	98,844	98,844	—	—
High-yield corporate bonds	26,885	26,885	—	—
US government securities	43	43	—	—
Global real estate investment trusts	21,484	21,484	—	—
Emerging market debt (NAV) (1)	26,043	—	—	—
Investments, at fair value	558,195	532,152	—	—
Mutual funds - IRC § 457 accounts	2,582	2,582	—	—
Liabilities				
Deferred compensation (note 11)	(2,582)	(2,582)	—	—
Derivative contract	(643)	—	(643)	—
Net assets and liabilities subject to fair value measurement	$ 557,552	$ 532,152	$ (643)	$ —

(1) Emerging market debt that is measured at fair value using the NAV per share (or its equivalent) practical expedient has not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated financial statements. CFA Institute had no unfunded commitments related to the investment in this fund at 31 August 2022 and 2021. CFA Institute has the ability to redeem its investment in this fund at the valuation date.

The derivative instrument is valued based on market conditions as of the measurement date.

6. Property and equipment

Property and equipment, including construction in progress, as of 31 August 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Land	$ 3,487	$ 3,487
Buildings	36,807	36,791
Computer hardware and equipment	11,785	13,243
Furniture and fixtures	3,870	3,822
Leasehold improvements	4,336	5,176
Total property and equipment	60,285	62,519
Accumulated depreciation and amortization	(24,053)	(24,972)
Property and equipment, net	$ 36,232	$ 37,547

Construction in progress, included in the schedule above, as of 31 August 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Furniture and fixtures	$ —	$ 81
Leasehold improvements	2	180
Total construction in progress	$ 2	$ 261

Depreciation expense was $2,210,000 and $2,243,000 for the years ended 31 August 2022 and 2021, respectively.

Property and equipment assets of $3,245,000 and $2,257,000 were disposed during the years ended 31 August 2022 and 2021, respectively. Loss on disposition of property and equipment assets were $116,000 and $58,000 for the years ended 31 August 2022 and 2021, respectively, and are shown in operating expenses on the consolidated statements of activities.

7. Intangibles

Intangibles, including work in process, as of 31 August 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Computer software (developed)	$ 36,913	$ 36,584
Computer software (website development)	8,105	8,286
Computer software (packaged)	4,178	5,965
Other intangibles	13,755	5,769
Total intangibles	62,951	56,604
Accumulated amortization	(47,741)	(42,599)
Intangibles, net	$ 15,210	$ 14,005

Work in process, included in the schedule above, as of 31 August 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Computer software (developed)	$ 328	$ 895
Other intangibles	1,543	84
Total work in process	$ 1,871	$ 979

Amortization expense was $8,010,000 and $9,666,000 for the years ended 31 August 2022 and 2021, respectively.

Intangible assets other than software or website development are considered other intangibles. “Other intangibles” includes copyrighted materials, Investment Research Challenge rights, assigned rights used in a textbook, intellectual property consisting of materials used in the CFA Program curriculum and exams, materials used in the ESG Certificate curriculum, and a top-level internet domain.

Intangible software assets of $2,868,000 and $10,543,000 were disposed during the years ended 31 August 2022 and 2021, respectively. There was no loss on disposition of intangible assets for the years ended 31 August 2022 and 2021.

For the following fiscal years, future intangible amortization for assets placed in service as of 31 August 2022 is as follows (in thousands):

	Intangible amortization
2023	$ 6,688
2024	3,535
2025	1,880
2026	705
2027	531
Thereafter	—
Total intangible amortization	$ 13,339

8. Commitments and contingencies

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

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

Rental expense related to these operating leases was $4,244,000 and $5,032,000 for the years ended 31 August 2022 and 2021, respectively.

For the following fiscal years, future minimum payments and sublease rental income under these operating leases at 31 August 2022 are as follows (in thousands):

	Lease payments	Sublease rental income	Net lease payments
2023	$ 3,404	$ 69	$ 3,335
2024	2,829	31	2,798
2025	2,591	—	2,591
2026	1,854	—	1,854
2027	990	—	990
Thereafter	2,830	—	2,830
Total future minimum payments	$ 14,498	$ 100	$ 14,398

The Foundation awards grants to individuals subject to completion of their respective research projects. Unpaid grants, subject to this condition, totaled $5,000 and $18,000 as of 31 August 2022 and 2021, 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, Board designated net assets.)

Effective 29 March 2021, CFA Institute has available a revolving line of credit with a bank for short-term borrowings of up to $35,000,000. Borrowings incur interest at 1-month Term SOFR plus 90 basis points on and after 28 March 2022 and at 1-month LIBOR (floor rate of 100 basis points) plus 135 basis points prior to 28 March 2022. There were no outstanding borrowings at 31 August 2022 or 2021. CFA Institute is charged a commitment fee of .20% on and after 28 March 2022 and .40% prior to 28 March 2022 for committed but unused amounts. The line of credit expires on 28 March 2024.

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 through 31 December 2019, participants became fully vested after one year of service. As of 1 January 2020, participants become fully vested immediately. Employee contributions are always 100% vested.

Plan oversight is the responsibility of the Chief People Officer (CPO), including appointment, monitoring, and replacement of the members of the Retirement Investment Policy Committee (RIPC). The RIPC, which is comprised of qualified CFA Institute employees, selects and monitors plan investments. The CPO 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 $6,830,000 and $8,152,000 for the years ended 31 August 2022 and 2021, respectively. Plan forfeitures of $600 were netted against contribution expenses for the year ended 31 August 2022. No plan forfeitures were netted against contribution expenses for the year ended 31 August 2021. CFA Institute accrues for incentive compensation and the related 401(k) contribution. Accruals for the related 401(k) contribution of $807,000 and $1,087,000 were made for the years ended 31 August 2022 and 2021, respectively.

CFA Institute also has defined contribution plans for employees in its international operations. Contribution expense for these defined contribution plans totaled $1,659,000 and $2,182,000 for the years ended 31 August 2022 and 2021, 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 were 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 pursued university-level education in finance, economics, accounting, or business ethics.

The contribution from CFA Institute to the Scholarship Fund, which was a twenty-year, self-liquidating fund, is recorded as net assets without donor restrictions because of the control relationship between CFA Institute and the Foundation (see Notes 1 and 2). The contribution from CFA Institute was designated to fund scholarships granted by the Scholarship Fund. All of the Scholarship Fund's contributions and investment income were available to meet the scholarship funding requirements. CFA Institute reimbursed the Scholarship Fund for all other expenses. The Scholarship Fund awarded scholarships of $58,000 and $85,000 for the years ended 31 August 2022 and 2021, respectively. CFA Institute contributed $7,000 and $14,000 to cover operating expenses of the Scholarship Fund for each of the years ended 31 August 2022 and 2021. During the year ended 31 August 2022, the final scholarships were awarded and the Scholarship Fund was closed.

The activity in the Scholarship Fund for the years ended 31 August 2022 and 2021 was as follows (in thousands):

	2022	2021
Designated net assets, beginning of year	$ 58	$ 143
Interest and dividends	—	1
Losses on investments, net	—	(1)
Scholarships awarded	(58)	(85)
Designated net assets, end of year	$ —	$ 58

11. Deferred compensation

CFA Institute maintains a deferred compensation program for participating key employees. Liabilities for the deferred compensation program of $2,137,000 and $2,582,000 were recorded as of 31 August 2022 and 2021, respectively, and are classified as non-current employee-related liabilities in the consolidated statements of financial position.

12. Notes payable

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

Acquisition of the property and the rehabilitation of the building by HUB was financed by a 16.5 year term note, maturing March, 2029, with an original amount of $22,900,000 and a remaining balance of $11,292,000 as of 31 August 2022, with a variable interest rate of 30-day LIBOR plus ninety basis points. CFA Institute is the unconditional guarantor of the term note. Monthly interest-only payments were made for the first eighteen months of the loan period, with principal and interest payments made thereafter based on a predetermined amortization schedule ending in 2029. To mitigate the interest rate risk associated with a variable interest rate note, HUB also entered into a 16.5 year pay fixed, receive float interest rate swap.

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

Minimum principal payments are as follows (in thousands):

	Principal payments
2023	$ 1,580
2024	1,625
2025	1,674
2026	1,723
2027	1,774
Thereafter	2,916
Total principal payments	$ 11,292

13. Revenue

CFA Institute earns its primary revenue from examination fees, enrollment fees, member dues, and educational product sales. Substantially all of CFA Institute's revenues, with the exception of contributions, are generated from contracts with customers. Revenues are recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration CFA Institute expects to be entitled to in exchange for those goods or services.

CFA Institute determines revenue recognition through the five-step model prescribed by Accounting Standards Codification (ASC) 606 as follows: (1) identify the contract, or contracts, with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when, or as, CFA Institute satisfies a performance obligation.

Credentialing programs, as reflected on the consolidated statement of activities, are net of CFA and CIPM certificate examination scholarships. CFA Institute has made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that are both imposed on and concurrent with specific revenue-producing transactions and collected by the entity from customers (e.g. sales, use, value added, and excise taxes). Fees paid by candidates are due at time of registration and are nonrefundable. However, due to the impact of COVID-19, candidates impacted by two exam cancellations were offered refunds and as such, CFA Institute has established a refund liability of $4,812,000 and $5,192,000 as of 31 August 2022 and 2021, of which $4,197,000 and $4,556,000 relate to deferred revenue, respectively. These refunds are considered a one-time exception to CFA Institute's refund policy. Variable consideration related to these refunds is not considered to be constrained, as the refund liability primarily impacts deferred revenue rather than revenue.

The following table disaggregates CFA Institute's revenue from contracts with customers based on the timing of satisfaction of performance obligations for the years ended 31 August 2022 and 2021 (in thousands):

	2022	2021
Performance obligations satisfied at a point in time	$ 195,045	$ 155,173
Performance obligations satisfied over time	135,402	122,468
Total operating revenues from contracts with customers	$ 330,447	$ 277,641

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting in ASC 606. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. When not directly observable, the primary method used to estimate standalone selling price is the market assessment approach, under which CFA Institute evaluates the market and estimates the price that a customer would be willing to pay for the goods and services provided.

Performance obligations for CFA Program, CIPM Program, and ESG Certificate examination fees (included in operating revenue from credentialing programs in the accompanying consolidated statement of activities) are recognized at a point in time when the candidates' grades are delivered. LES curriculum revenue is recognized over time from the date of purchase to the respective exam's grade release date. Other 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.

One-time candidate enrollment fees (included in credentialing programs on the accompanying consolidated statement of activities) are non-refundable upfront fees granting candidates a material right in the form of options to register for an unlimited number of CFA Program exams. Management has determined to use the practical alternative to determine the standalone selling price of the option. Under the practical alternative, the enrollment fee is recognized according to the standalone selling price of each of the expected performance obligations. Enrollment revenue is recognized proportionally to the number of exams the average candidate is expected to sit. Currently, CFA Institute expects a candidate to remain active in CFA Program for approximately three years and sit for three exams. CFA Institute aligns the recognition of the enrollment fee portfolio to each exam's grade delivery date (i.e. the exam's performance obligation).

Performance obligations related to membership dues are satisfied over time and thus recognized as revenue on a straight-line basis over the period in which benefits are provided, which is generally the membership year.

Contract balances

The timing of cash collections and revenue recognition results in deferred revenue (contract liabilities) on the consolidated statement of financial position. Substantially all the current and non-current deferred revenue balances on the accompanying consolidated statement of financial position as of 31 August 2022 and 2021 consist of contract liabilities.

14. Functional expenses

Expenses by functional classification for the years ended 31 August 2022 and 2021 consisted of the following (in thousands):

	Program Services				Supporting Services	
	Credentialing	Member Value	Industry Engagement	Scholarships - 11 September Memorial Fund	Management and General	FY 2022 Total
Salaries, Wages and Benefits	$ 20,402	$ 33,649	$ 12,503	$ —	$ 38,763	$ 105,317
Cost of Sales	5,572	—	145	—	—	5,717
Professional and Contract Services	56,066	17,916	4,319	—	25,309	103,610
Facility and Equipment	1,129	2,001	517	—	3,361	7,008
Travel Expenses	559	393	68	—	674	1,694
Grants and Sponsorships	1	16,983	380	58	211	17,633
Advertising	—	4,508	14	—	8,395	12,917
Bank Charges and Merchant Fees	7,322	2,212	9	—	298	9,841
Postage, Printing and Supplies	167	842	68	—	237	1,314
Utilities	305	550	162	—	1,065	2,082
Depreciation and Amortization	4,449	2,319	369	—	3,083	10,220
Insurance, Taxes, Interest, and Other	643	859	304	—	4,466	6,272
Total	$ 96,615	$ 82,232	$ 18,858	$ 58	$ 85,862	$ 283,625

	Program Services				Supporting Services	
	Credentialing	Member Value	Industry Engagement	Scholarships - 11 September Memorial Fund	Management and General	FY 2021 Total
Salaries, Wages and Benefits	$ 24,489	$ 39,563	$ 13,318	$ —	$ 44,268	$ 121,638
Cost of Sales	5,857	88	3	—	—	5,948
Professional and Contract Services	56,816	21,037	4,173	—	18,743	100,769
Facility and Equipment	11,083	2,107	917	—	3,749	17,856
Travel Expenses	353	(174)	27	—	206	412
Grants and Sponsorships	—	17,278	742	85	213	18,318
Advertising	66	6,774	26	—	1	6,867
Bank Charges and Merchant Fees	6,501	2,073	2	—	249	8,825
Postage, Printing and Supplies	2,653	707	78	—	205	3,643
Utilities	393	746	235	—	1,366	2,740
Depreciation and Amortization	3,971	2,657	585	—	4,696	11,909
Insurance, Taxes, Interest, and Other	461	639	334	—	4,069	5,503
Total	$ 112,643	$ 93,495	$ 20,440	$ 85	$ 77,765	$ 304,428

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

Supporting Activity	**Allocation Method**
Facility Operations	Headcount (FY2022) / Square Footage (FY2021)
Information Technology	Headcount
Travel Support and Event Management	Virtual Meetings
Global Contact Center	Contacts by Customer

15. Liquidity resources

CFA Institute maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Operational cash not needed for immediate or short-term use is invested in U.S. government securities until required for disbursement purposes. Funds determined to exceed operational cash requirements are transferred to long-term reserves and invested appropriately. Working capital is also maintained in non-U.S. bank accounts to support international operations.

CFA Institute's financial assets available within one year of the consolidated statements of financial position dated 31 August 2022 and 2021 for general expenditures are as follows (in thousands):

	2022	**2021**
Cash and cash equivalents	$ 156,980	$ 163,989
Investments	482,147	558,195
Receivables, net	631	1,919
Total financial assets	639,758	724,103
Less:		
Board designated net assets - 11 September Memorial Fund	—	58
Financial assets available to meet cash needs for general expenditures within one year	$ 639,758	$ 724,045

16. Supplemental disclosure of cash flows information

Supplemental cash flows information for the years ended 31 August 2022 and 2021 consisted of the following (in thousands):

	2022	**2021**
Cash paid during the year for interest	$ 354	$ 397
Cash paid during the year for income taxes	$ 575	$ 562
Purchases of intangible assets included in accounts payable	$ 1,382	$ —

17. Risks and uncertainties

In response to the COVID-19 global pandemic, CFA Institute postponed the June 2020 CFA Program exams. Due to the ongoing nature of the COVID-19 pandemic, exam administrations in certain locations during the years ended 31 August 2022 and 2021 were cancelled. The postponement and cancellations resulted in the deferral of revenue related to examination fees, enrollment fees and LES curriculum. As a one-time exception to the no refund policy, CFA Institute will offer refunds to candidates impacted by two exam cancellations. See Note 13 for more information on revenue. Starting in February 2021, CFA Institute transitioned to computer-based testing for all three levels of the CFA Program, which provides CFA Institute with operational flexibility to quickly and reliably adjust to the changing landscape in response to either global or local situations, particularly relevant given the COVID-19 pandemic.

When the COVID-19 pandemic occurred, CFA Institute held a custom business interruption insurance policy that covers expenses incurred related to the June 2020 exam, additional costs incurred from June 2020 to July 2021 as a result of exam postponements, and revenue loss for candidates registered for the June 2020 exam that do not return to take the exam for thirteen months. CFA Institute is in the process of pursuing a claim through this insurance policy at 31 August 2022.

18. Subsequent events

CFA Institute has assessed the impact of subsequent events through 07 December 2022, the date the consolidated financial statements were available to be issued, and has concluded that no such events require adjustment to the consolidated financial statements.

CFA Institute executed a Purchase and Sales Agreement on 29 November 2022 for a sale and partial leaseback of its Charlottesville headquarters building. Under the terms of the agreement, CFA Institute will enter into a leaseback of select floors. CFA Institute anticipates the close of the sale and partial leaseback will occur in the first calendar quarter of 2023, subject to satisfaction of certain customary closing conditions for transactions of this type.

ACCOMPANYING CONSOLIDATING INFORMATION

CFA Institute

Consolidating Statements of Financial Position
As of 31 August 2022 and 2021

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2022 Consolidated	2021 Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	$ 147,871	$ 162	$ 8,947	$ —	$ 156,980	$ 163,989
Accounts receivable, net	2,413	—	—	(1,782)	631	1,919
Advances to affiliated organization	—	11	—	(11)	—	—
Prepaid expenses and other assets	8,704	34	—	(265)	8,473	8,337
Total current assets	158,988	207	8,947	(2,058)	166,084	174,245
Non-current assets						
Accounts receivable, net	3,693	—	—	(3,693)	—	—
Investments, at fair value	464,572	17,575	—	—	482,147	558,195
Investment in affiliated organization	9,021	—	—	(9,021)	—	—
Derivative contract	—	—	446	—	446	—
Prepaid expenses and other assets	7,346	—	483	(483)	7,346	7,603
Property and equipment, net	4,551	—	34,574	(2,893)	36,232	37,547
Intangibles, net	15,210	—	—	—	15,210	14,005
Total non-current assets	504,393	17,575	35,503	(16,090)	541,381	617,350
Total assets	$ 663,381	$ 17,782	$ 44,450	$ (18,148)	$ 707,465	$ 791,595
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued liabilities	$ 23,756	$ 128	$ 313	$ (637)	$ 23,560	$ 27,817
Advances from affiliated organization	11	—	—	(11)	—	—
Deferred revenue	268,577	—	—	—	268,577	328,109
Employee-related liabilities	19,704	—	—	—	19,704	20,369
Refund liability	4,812	—	—	—	4,812	5,192
Funds held for others	2,520	8	—	—	2,528	3,049
Derivative contract	—	—	—	—	—	231
Notes payable	—	—	1,580	—	1,580	1,530
Interest payable	—	—	1,792	(1,782)	10	11
Total current liabilities	319,380	136	3,685	(2,430)	320,771	386,308
Non-current liabilities						
Accrued liabilities	1,645	—	3,693	(3,804)	1,534	1,133
Deferred revenue	48,666	—	—	—	48,666	42,113
Employee-related liabilities	2,137	—	—	—	2,137	3,564
Derivative contract	—	—	—	—	—	412
Notes payable	—	—	9,712	—	9,712	11,295
Total non-current liabilities	52,448	—	13,405	(3,804)	62,049	58,517
Total liabilities	371,828	136	17,090	(6,234)	382,820	444,825
Net assets without donor restrictions						
Undesignated	291,553	16,691	27,360	(11,914)	323,690	345,744
Designated	—	955	—	—	955	1,026
Total net assets	291,553	17,646	27,360	(11,914)	324,645	346,770
Total liabilities and net assets	$ 663,381	$ 17,782	$ 44,450	$ (18,148)	$ 707,465	$ 791,595

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

See accompanying independent auditors' report.

CFA Institute

Consolidating Statements of Activities

For the Years Ended 31 August 2022 and 2021

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2022 Consolidated	2021 Consolidated
Change in net assets without donor restrictions						
Operating revenues						
Credentialing programs, net	$ 279,512	$ —	$ —	$ —	$ 279,512	$ 230,355
Member value programs	50,644	3	—	—	50,647	47,144
Industry engagement and other	288	—	2,881	(2,881)	288	142
Contributions of cash and other financial assets	390	254	—	(3)	641	271
Contributions of nonfinancial assets	5,043	643	—	(643)	5,043	4,834
Total operating revenues	335,877	900	2,881	(3,527)	336,131	282,746
Operating expenses						
Program services						
Credentialing programs	96,615	—	—	—	96,615	112,643
Member value programs	81,979	385	—	(132)	82,232	93,495
Industry engagement	18,646	461	—	(249)	18,858	20,440
Scholarships – 11 September Memorial Fund	—	58	—	—	58	85
Supporting services						
Management and general	87,027	323	2,014	(3,502)	85,862	77,765
Total operating expenses	284,267	1,227	2,014	(3,883)	283,625	304,428
Income (loss) from operations	51,610	(327)	867	356	52,506	(21,682)
Interest and dividends, net	15,831	487	6	(264)	16,060	11,107
Change in net assets without donor restrictions from operations	67,441	160	873	92	68,566	(10,575)
Other changes						
(Losses) gains on investments, net	(88,650)	(3,130)	—	—	(91,780)	65,415
Unrealized gain on derivative contract	—	—	1,089	—	1,089	448
Change in net assets without donor restrictions	(21,209)	(2,970)	1,962	92	(22,125)	55,288
Net assets, beginning of year	312,762	20,616	25,398	(12,006)	346,770	291,482
Net assets, end of year	$ 291,553	$ 17,646	$ 27,360	$ (11,914)	$ 324,645	$ 346,770

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

See accompanying independent auditors' report.

CFA Institute
Consolidating Statements of Cash Flows
For the Years Ended 31 August 2022 and 2021

(in thousands)	CFA Institute Operations*	CFA Institute Research Foundation	Cville Building Operations**	Eliminations	2022 Consolidated	2021 Consolidated
Cash flows provided by (used in) operating activities						
Reconciliation of change in net assets without donor restrictions to net cash provided by (used in) operating activities						
Change in net assets	$ (21,209)	$ (2,970)	$ 1,962	$ 92	$ (22,125)	$ 55,288
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities						
Depreciation and amortization	9,193	—	1,119	(92)	10,220	$ 11,909
Losses on disposition of property and equipment	116	—	—	—	116	58
Losses (gains) on investments, net	88,650	3,130	—	—	91,780	(65,415)
Unrealized gain on derivative contract	—	—	(1,089)	—	(1,089)	(448)
Changes in:						
Accounts receivable, net	994	—	30	264	1,288	(5)
Advances to/from affiliated organizations	(72)	72	—	—	—	—
Prepaid expenses and other assets	129	(26)	277	(269)	111	(2,449)
Publication inventory	—	—	—	—	—	745
Accounts payable and accrued liabilities	(5,304)	76	(279)	269	(5,238)	9,888
Deferred revenue	(52,979)	—	—	—	(52,979)	(19,537)
Employee-related liabilities	(2,092)	—	—	—	(2,092)	8,184
Refund liability	(380)	—	—	—	(380)	(14,418)
Funds held for others	(524)	3	—	—	(521)	692
Interest payable	—	—	263	(264)	(1)	(2)
Net cash provided by (used in) operating activities	16,522	285	2,283	—	19,090	(15,510)
Cash flows used in investing activities						
Purchases of property and equipment	(1,001)	—	—	—	(1,001)	(360)
Purchases of intangible assets	(7,833)	—	—	—	(7,833)	(4,478)
Purchases of investments	(15,412)	(11,125)	—	—	(26,537)	(59,114)
Proceeds from investments	—	10,805	—	—	10,805	47,950
Net cash used in investing activities	(24,246)	(320)	—	—	(24,566)	(16,002)
Cash flows used in financing activities						
Loan repayments	—	—	(1,533)	—	(1,533)	(1,489)
Net cash used in financing activities	—	—	(1,533)	—	(1,533)	(1,489)
Net (decrease) increase in cash and cash equivalents	(7,724)	(35)	750	—	(7,009)	(33,001)
Cash and cash equivalents, beginning of year	155,595	197	8,197	—	163,989	196,990
Cash and cash equivalents, end of year	$ 147,871	$ 162	$ 8,947	$ —	$ 156,980	$ 163,989

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

See accompanying independent auditors' report.

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