Annual Report

Fiscal Year 2023

CFA Institute

Contents

Overview

Message from our Chair

Dear Colleagues,

Welcome to the FY2023 Annual Report.

FY23 was an important year in CFA Institute's journey in recent years, marked by financial strength and strategic milestones. The leadership under Marg Franklin's guidance merits commendation for the accomplishments realized throughout the fiscal year.

Financially, our robust standing is evident on the subsequent pages, with reserves totalling $512 million — a foundation deemed indispensable by the Board of Governors for CFA Institute's future financial resilience.

Marg outlines the past year's triumphs in her letter, emphasizing the evolution of the CFA® Program, the introduction of new certificates, and the efforts invested in the establishment of the Research and Policy Center.

In an industry and global landscape that often appears fractured, fostering community has assumed heightened significance. The potency and worth of our global community and fellowship of societies shine even brighter during such times.

Our network and partnerships remain pivotal in fulfilling our strategic commitments. The past year witnessed a dedicated effort to understand members' needs, enhancing the value CFA Institute provides — a step that will fortify the reach and sustainability of our network.

"The potency and worth of our global community and fellowship of societies shine even brighter during such times."

Significant strides have been made in advancing the strategy to evolve and expand the CFA Program. I request you, as members and charterholders, to familiarize yourselves with these plans, recognizing your pivotal role as ambassadors.

The expansion of CFA Institute's certificates and course offerings continues, forming an integral part of our strategy to deepen industry relationships and keep pace with the relentless change that all of us face and need to manage.

The Board takes particular satisfaction in the launch of the Research and Policy Center, a testament to our commitment to lifting the body of thought leadership produced for our members and the industry at large. Our research and standards serve as crucial guides, foreshadowing the industry's needs and providing actionable frameworks.

The initiatives mentioned — expanding the CFA Program, developing new certificates, and launching the Research and Policy Center — are integral components of the strategy set in motion three years ago. The Board remains steadfast in its belief that a well-executed good strategy trumps a poorly executed great one.

Local societies are indispensable partners in strategy execution, offering invaluable insights into global market dynamics. Their role in member engagement, industry knowledge dissemination, and advocacy aligns seamlessly with our mission.

On behalf of the Board, I extend heartfelt thanks to our societies and other volunteers for their tireless efforts. Their dedication contributes to fostering a principled industry on a global scale.

As we navigate uncharted waters in a world influenced by the opportunities and threats of generative AI, I urge you to uphold the CFA Institute's mission in your daily decisions. This is something our Board deems critical and is the lens through which we consider decisions that may alter our futures. While it is certain that our industry and our profession will be disrupted like never before, we must remain focused on our mission, which is: **To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.** Our mission is our guiding star, ensuring high-quality decisions aligned with our collective interests.

In closing, as the Board Chair, I express gratitude for your efforts in harnessing our collective energy and expertise. Together, let us continue to lead the investment industry at large toward a brighter future.

Thank you for your support.

Mark Lazberger, CFA
Chair, Board of Governors

Overview

Message from our President and CEO

Dear colleagues:

Thank you for taking the time to read our FY2023 annual report.

The past fiscal year was a pivotal one for our organization, and I am pleased to have the opportunity to recount some of our accomplishments.

In 2023, geopolitical uncertainty gripped the globe. As we continue to grapple with the impact of the past year's world events, we hope for peace in all corners of the world and for prosperity for those in need.

In the financial services industry, we once again witnessed the unrelenting pace of change. It's clear that the evolution of our industry, and specifically the impact of technology, will change the way that we live and work forever.

While the topic of automation and the impact of technology has long been a point of discussion at CFA Institute, 2023 marked the year in which leading-edge applications became a reality with increased accessibility to large-language models like ChatGPT. Whether you believe that AI poses an existential threat or that it's the next major revolution in our industry, generative AI left its mark in 2023 and will play an even larger role in 2024.

At CFA Institute, we are devoting significant research and resources to helping our community and the industry at large understand the implications of technology and AI for investment management. This includes how to leverage AI to optimize or support research, investment decisions, and client interactions, as well as understanding the inherent risks and ethical considerations we must incorporate into our practices.

As innovation continues to proliferate, we too continue to evolve. In March of 2023, we introduced the most ambitious set of enhancements to the CFA Program since its inception in 1963. June of 2023 marked the 60th anniversary of the very first CFA Program exam, and it seemed particularly fitting to announce our Program changes in this year too.

We announced practical-skills modules for all three levels of the Program, which will teach candidates on-the-job applications of what they learn in the Program. The new modules are self-contained, 10-to-15-hour courses with highly practical, real-world training. They focus on applying knowledge learned in the Program in a work-like setting, and they respond to a real market need from both candidates and employers.

We also announced new pathways for Level III of the CFA Program. Beginning with the exams in 2025, we will introduce specialized pathways for private wealth and private markets, while retaining the traditional portfolio management path. Our candidates seek greater expertise in these areas, and we see significant employer demand for professionals with quality training in these subjects as well.

These three learning paths will have a common core, while each chosen path at Level III will teach candidates application of their skills through a lens most relevant to their area of interest in the industry. Of course, the rigor of the study experience and exam difficulty will be identical across the pathways.

We are confident that these pathways will enable candidates to focus on areas of the market that interest them most at Level III, all in pursuit of one globally recognized distinction: the CFA charter.

These are just two examples of the suite of enhancements we introduced in 2023, and we have received extremely positive feedback to date. We're excited to hear from candidates about how these changes support them in their quest to become charterholders as the first tranche of changes – practical skills modules – comes to life in 2024.

Beyond the CFA Program, we've continued to expand our educational offerings, creating a growing suite of learning products to help investment professionals skill, reskill, and upskill over the course of their careers. A career in investment management is a lifelong learning experience, particularly given the pace of change. We at CFA Institute want to provide professionals with the educational tools and resources they need to stay ahead.

These include new certificates in: Data Science for Investment Professionals; Private Markets and Alternative Investments; and Climate Risk, Valuation, and Investing. These certificates address knowledge and skills gaps that we know exist in growing and critical areas of investment management.

I want to touch for a moment on our approach to ESG and sustainable investing. At our core, we educate financial professionals; that is our fundamental reason for being. When it comes to ESG, climate change, and other sustainability-related approaches, we have developed a host of offerings to better educate those in the industry who seek such expertise. The decision to overlay some framework of screening, deeper impact analysis, or social/corporate responsibility remains a choice that belongs to clients and those designing products to meet market needs. We seek to equip financial professionals with the education and tools

to consider what may be material to fundamental investment analysis. Remaining true to our Standards of Professional Conduct requires our charterholders to consider all material information, whether it be ESG-related or otherwise. This is our duty to clients. I encourage each of you to explore our statement on ESG to learn more about our views and considerations.

Another way that we advanced our mission to educate investment professionals was through the launch of our new Research and Policy Center (RPC). We created the RPC to influence positive change in the global investment industry, transforming insights into action that strengthen markets, advance ethics, and improve investor outcomes for the ultimate benefit of society.

We launched the Research and Policy Center in conjunction with one of our flagship reports: Future State of the Investment Industry, which explores what we believe represent the most significant developments that will affect the investment industry in the next five to 10 years. In FY24, there will be many more meaningful pieces of content released, and I encourage

Overview

our members and charterholders to engage and sign up to receive the latest RPC research when it is released.

With respect to our Codes and Standards, FY23 saw the first Canadian pension fund adopt our Asset Manager Code (AMC™), and more than 150 leading financial firms signed on to our voluntary DEI Code for the United States and Canada, covering nearly 20 percent of the world's assets under management. With respect to the latter, we recently launched our next phase of this effort to develop a voluntary code for the United Kingdom, with more countries to come.

Our Codes and Standards continue to lead the industry in terms of best practices. Each year, more and more organizations claim compliance with the Global Investment Performance Standards (GIPS®). Our GIPS Standards Sponsors voluntarily advocate for adoption in their markets, and FY23 saw Sweden and Israel join the list of markets in which an organization claims compliance. And the GIPS standards team and its volunteers have been hard at work on developing proposed guidance for Outsourced CIOs, an area that has seen much growth. We issued a draft Guidance Statement on OCIO Strategies and received more than 30 comment letters.

I'd be remiss if I did not mention the meaningful contributions of our volunteers, members, and charterholders in 2023. I continue to be so impressed by the collective impact of our community on a global scale. Our societies serve as influential forces in their regions, helping to establish more ethically oriented and transparent capital markets. I'm so grateful for each volunteer, member, and charterholder; your efforts bring our mission to life every day. I saw that first-hand in my travels in the past year, and I am always so energized by the work on the ground that I have the privilege of witnessing.

I also want to thank our staff at CFA Institute for their efforts in FY23. The demands on them were great given all the initiatives we undertook this year, in addition to the myriad efforts behind the scenes that propelled our organization forward during the year.

The hard work of FY23 paid off financially. We recorded $345 million in revenues and an operating profit of $63 million, for an operating margin of 18 percent. As Mark noted, our financial reserves remain strong at $512 million.

We've made much progress since the depths of the pandemic. While still below pre-pandemic peaks from an overall perspective, candidate volumes have picked up in many parts of the world, while other markets still lag. We do see the impact of an uncertain economy and geopolitical tensions in some countries around the world, which we expect to persist in FY24.

We recognize that candidates' learning objectives are changing, and our introduction of new certificates helps fill a need for those who may not have the time or inclination to take on the full CFA Program; this is consistent with our mission to provide vital and relevant financial education for the betterment of the industry at large.

In FY23, credentialing offerings brought in $276 million in revenue, with certificates and courses garnering around $13 million of the total revenue. In FY24, we expect the latter to contribute even more to the bottom line, thus further diversifying our revenues.

In closing, yes, the world remains a volatile and uncertain place. We all at times wish we could do more to help. At CFA Institute, we believe our members and charterholders and all of those in our ecosystem can and do indeed play a positive role; they work tirelessly with their clients to achieve their investment objectives. And they do so with the highest level of professionalism and ethics. I stand proud as a charterholder, and I know our members do too.

I look forward with optimism to the year ahead, and I thank you for your engagement with CFA Institute.

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

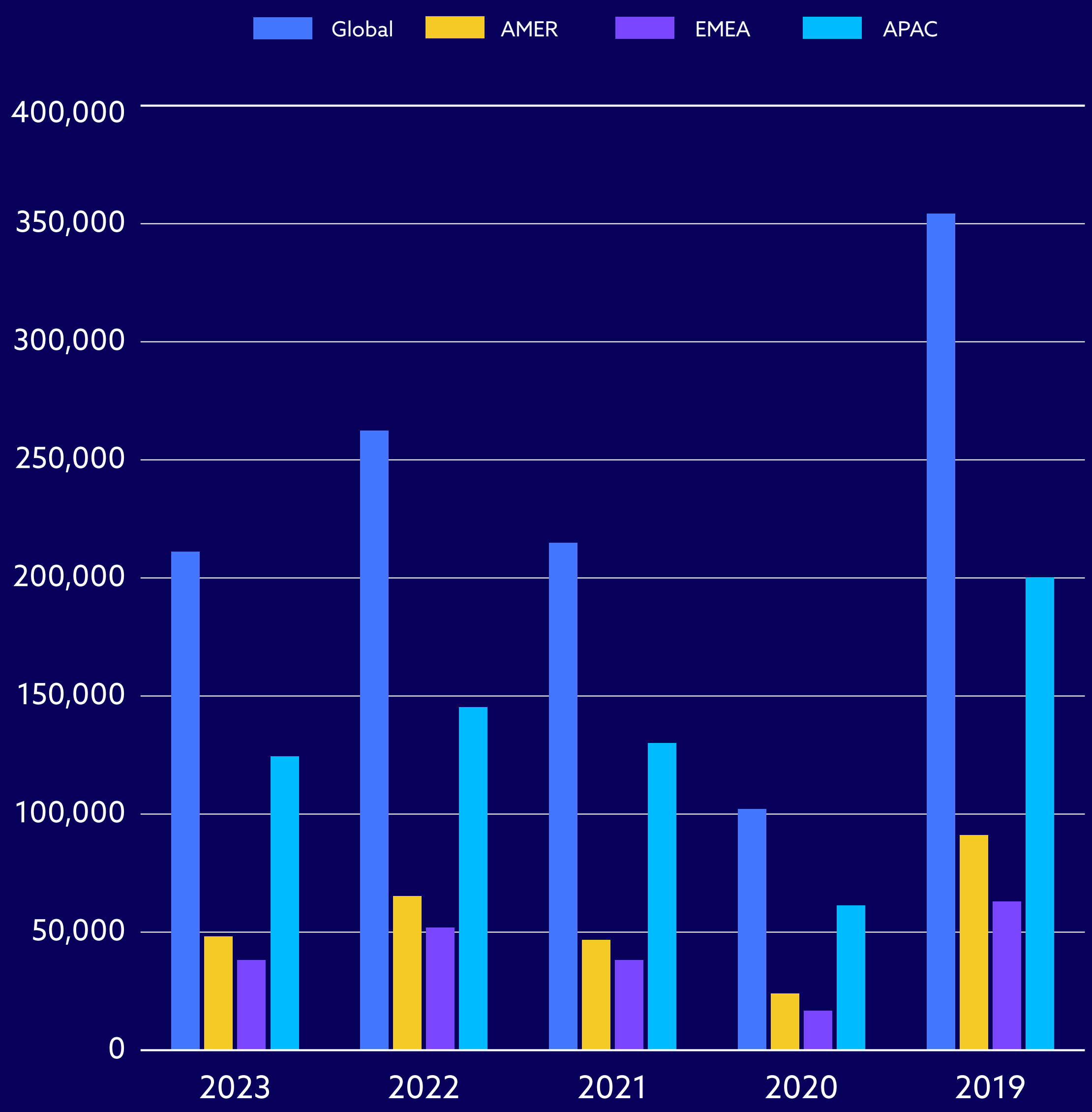
Exams and members overview

Credentialing Exam Administrations and Registrations by Region [1]

CFA Program Exam Administrations [2]	FY2023	FY2022	FY2021	FY2020	FY2019
Global	211,100	262,400	214,900	102,200	354,300
AMER	48,300	65,200	46,700	24,100	91,100
EMEA	38,300	51,900	38,200	16,800	63,000
APAC	124,500	145,300	130,000	61,300	200,200
CIPM Program Exam Administrations	**FY2023**	**FY2022**	**FY2021**	**FY2020**	**FY2019**
Global	800	900	1,500	950	1,600
AMER	300	400	700	400	700
EMEA	300	300	500	250	500
APAC	200	200	300	300	400
Certificate in ESG Investing Registrations [3]	**FY2023**	**FY2022**	**FY2021**	**FY2020**	**FY2019**
Global	17,000	13,600	—	—	—
AMER	2,800	3,300	—	—	—
EMEA	5,800	6,500	—	—	—
APAC	8,400	3,800	—	—	—

AMER = Americas; APAC = Asia Pacific; EMEA = Europe, Middle East, and Africa
[1] Numbers are rounded.
[2] Administrations are defined as exam registrations for which we recognize revenue, realized net of adjustments.
[3] The Certificate in ESG Investing is owned, administered, and awarded globally by CFA Institute having previously been developed and awarded by CFA Society UK. ESG Certificates are reported in number of registrations, not administrations.

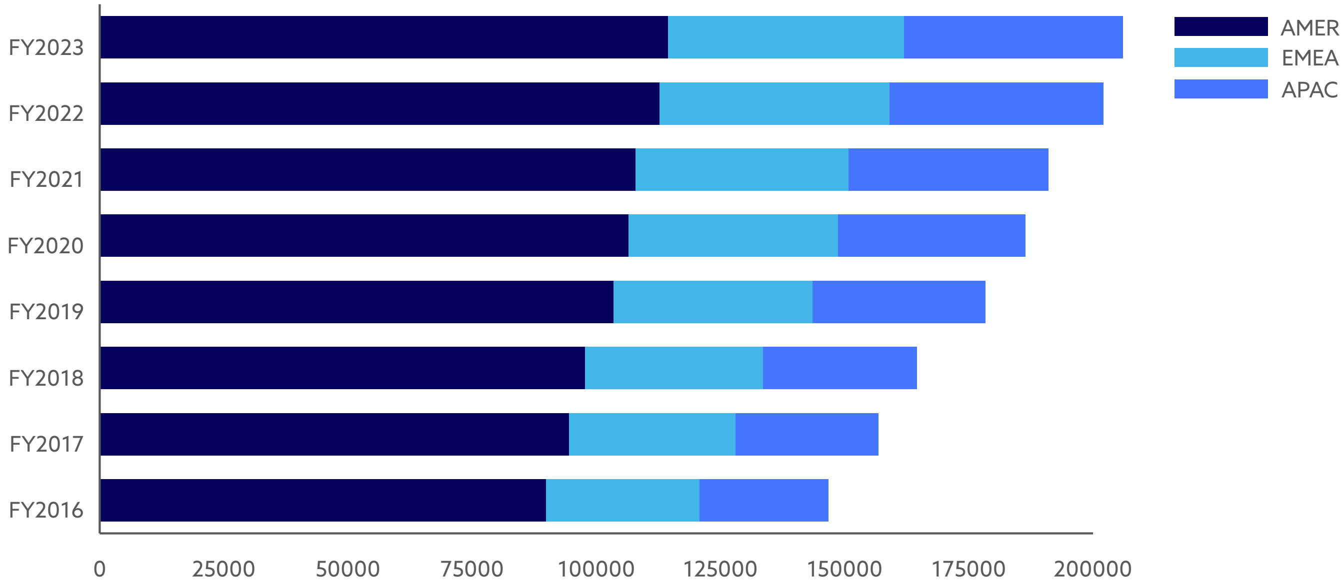
CFA Program Exam Administrations by Region



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

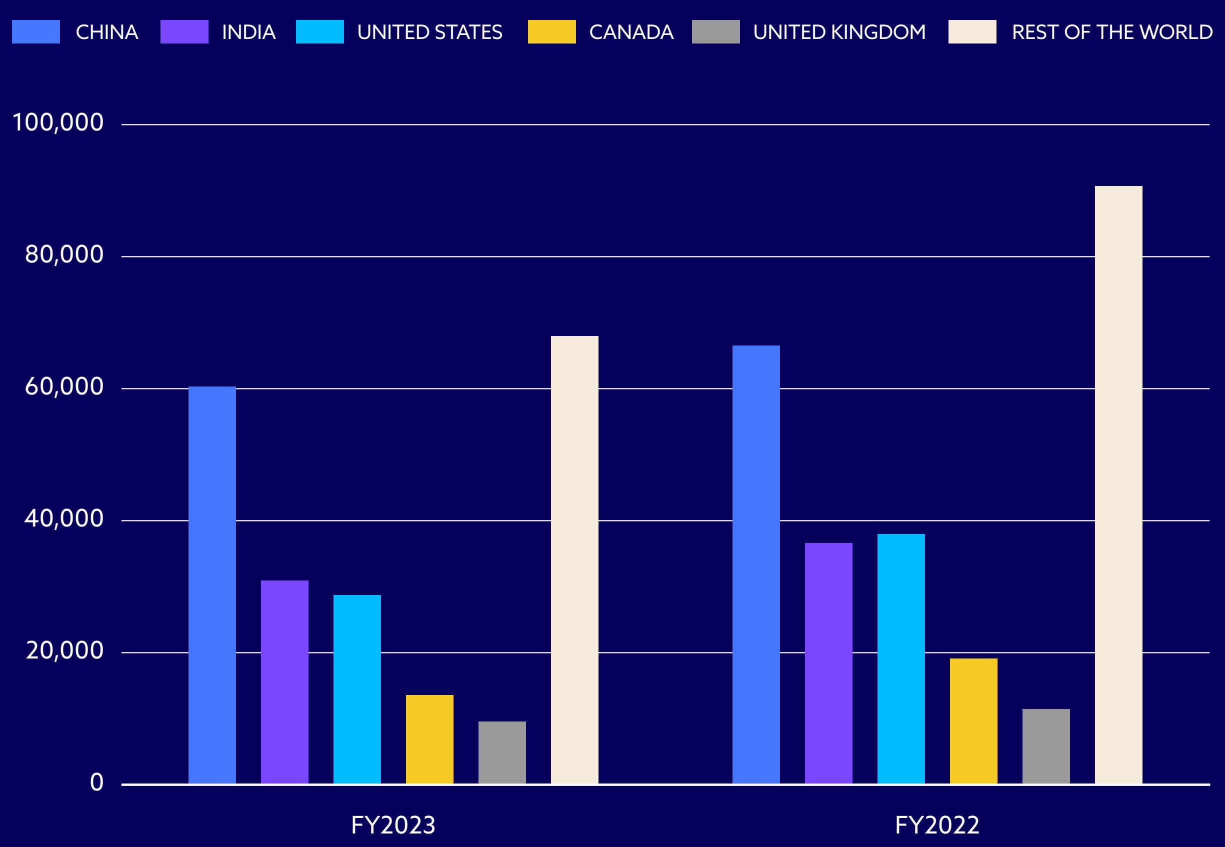
Overview

CFA Institute Membership by Region

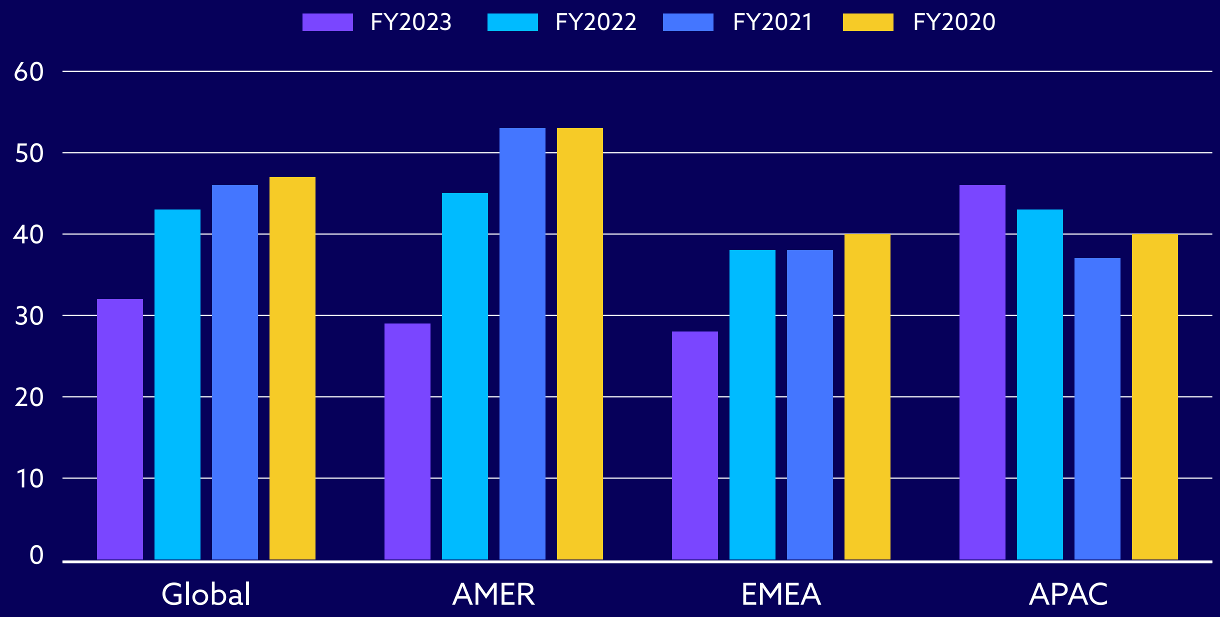


AMER = Americas; EMEA = Europe, Middle East, and Africa; APAC = Asia Pacific

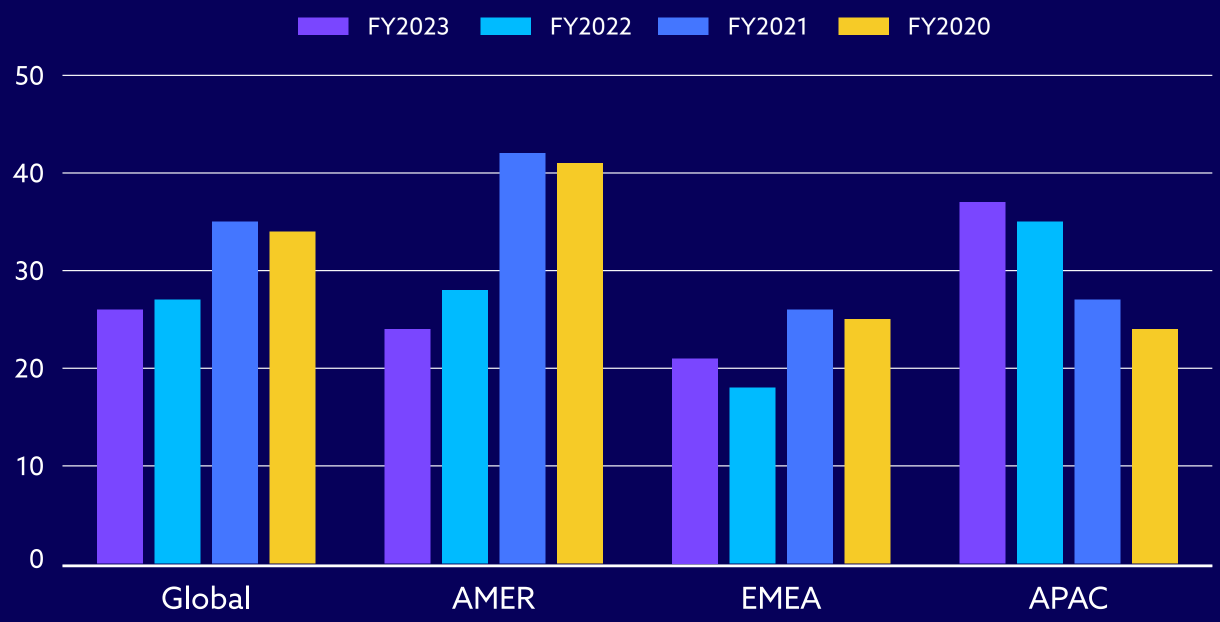
CFA Program Exam Administrations: Top Markets



CFA Institute Membership NPS [1]

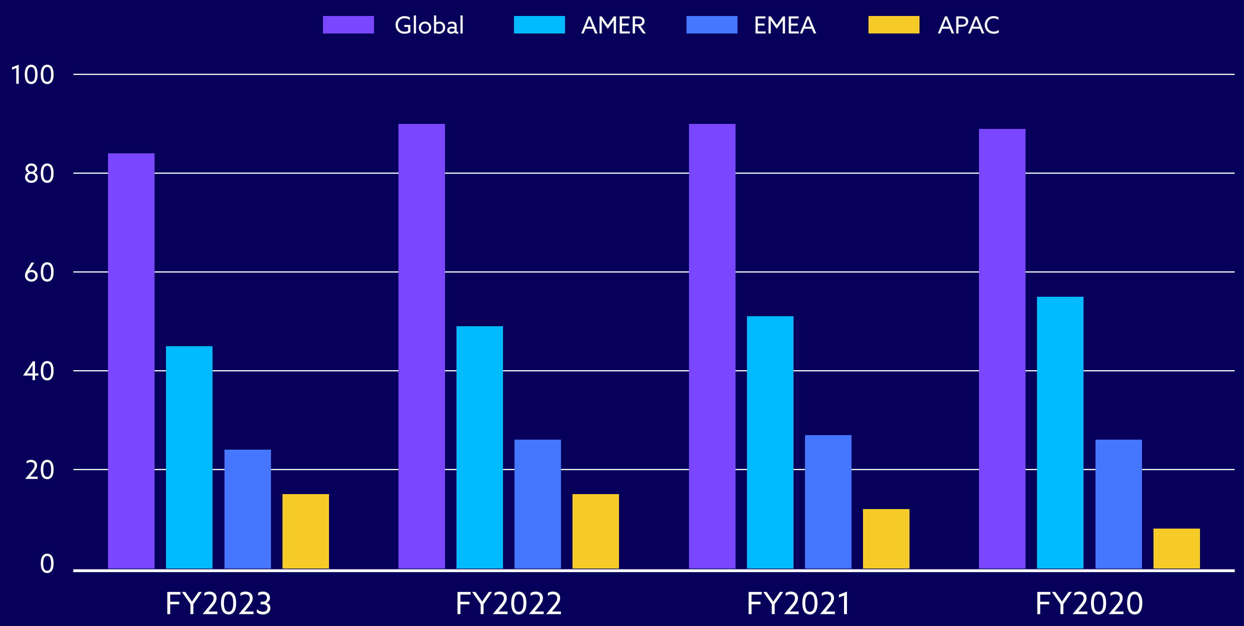


CFA Society NPS



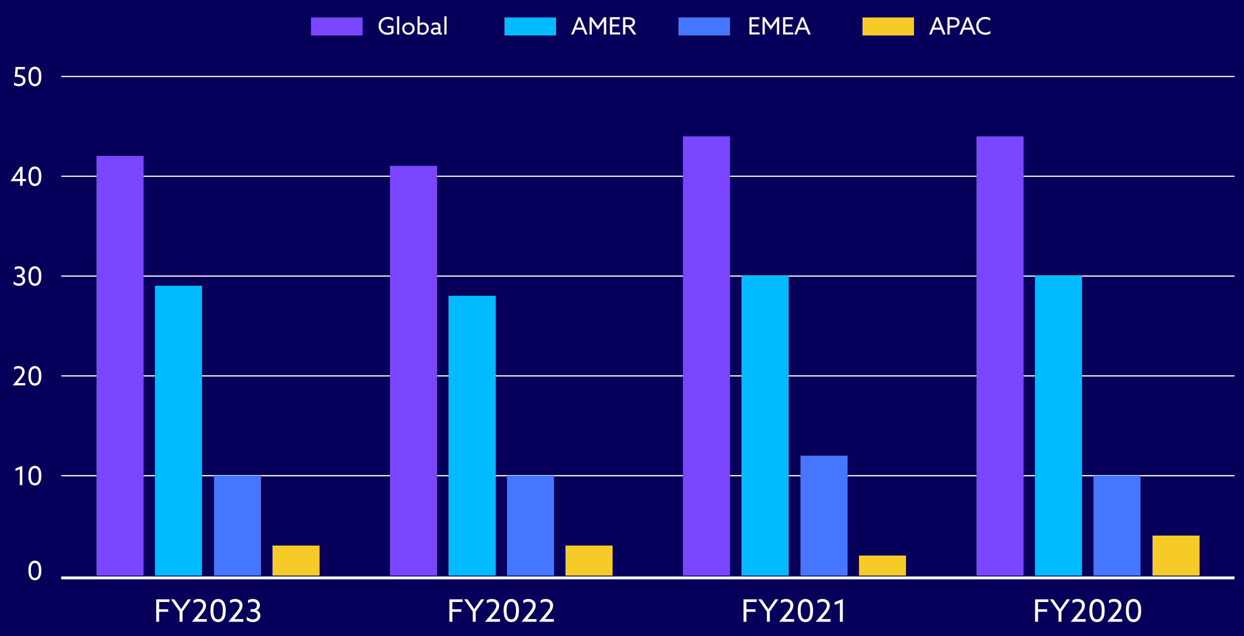
[1] Net Promoter Score (NPS) is a common metric used to measure customer loyalty. The question "How likely is it that you would recommend the product or service to a friend or colleague?" has a 0-10 scale, where 0 is not at all likely and 10 is extremely likely. Those responding 0-6 are categorized as "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 2023 and 2022

	FY2023	FY2022
Members and Exams		
CFA Institute Members	206,000	202,200
CFA Program Administrations [1]	211,100	262,400
CIPM Program Administrations [1]	800	900
Certificate in ESG Investing Registrations [2]	17,000	13,600
Financial Performance (*$ in millions*) [3]	**FY2023**	**FY2022**
Operating revenues	$345.1	$336.1
Operating expenses	282.0	283.6
Income from operations	**63.1**	**52.5**
Other changes	35.8	(74.6)
Change in net assets without donor restrictions	**$98.9**	**$(22.1)**

[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. The Certificate in ESG Investing is reported in number of registrations while prior reporting was in administrations.
[3] Numbers are rounded.

Revenues

Revenues for Fiscal Years Ended 31 August 2023 and 2022

(US $ IN MILLIONS) [1]	FY2023	FY2022
Credentialing and certificate programs, net [2]	$276.0	$280.1
Member value programs [2]	51.8	50.0
Industry engagement and other	13.3	0.3
Contributions of cash and other financial assets	0.2	0.6
Contributions of nonfinancial assets	3.8	5.1
Total operating revenues	**$345.1**	**$336.1**

[1] Numbers are rounded.
[2] Reclassed .6 from member value programs to credentialing and certificate programs, net FY2022.

Expenses

Expenses for Fiscal Years Ended 31 August 2023 and 2022

(US $ IN MILLIONS) [1]	FY2023	FY2022
Operating expenses		
Program services		
Credentialing and certificate programs [2]	$105.6	$102.3
Member value programs [2]	73.8	76.5
Industry engagement	21.3	18.8
Scholarships—11 September Memorial Fund	—	0.1
Management and general	81.3	85.9
Total operating expenses	**$282.0**	**$283.6**

[1] Numbers are rounded.
[2] Reclassed 5.7 from member value programs to credentialing and certificate programs, net FY2022.

Performance

Financial condition

Financial Position as of 31 August 2023 and 2022

(US $ IN MILLIONS) [1]	FY2023	FY2022
Cash and cash equivalents	$222.2	$157.0
Short-term certificates of deposit	5.0	—
Other current assets	12.0	9.1
Total current assets	239.2	166.1
Noncurrent investments, at fair value	511.5	482.1
Other noncurrent assets	49.8	59.3
Total noncurrent assets	561.3	541.4
Total assets	**$800.5**	**$707.5**
Accounts payable and accrued liabilities	$25.5	$23.6
Deferred revenue	273.0	268.6
Other current liabilities	26.3	28.6
Total current liabilities	324.8	320.8
Accrued liabilities	—	1.5
Deferred revenue	33.7	48.7
Other noncurrent liabilities	18.4	11.8
Total noncurrent liabilities	52.1	62.0
Total liabilities	376.9	382.8
Net assets	423.6	324.7
Total liabilities and net assets	**$800.5**	**$707.5**

[1] Numbers are rounded.

Cash and investment detail

Cash and Investment Portfolio Balance as of 31 August 2023 and 2022

(US $ IN MILLIONS) [1]	FY2023	FY2022
Cash and cash equivalents	$222.2	$157.0
Short-term certificates of deposit	5.0	—
Noncurrent investments, at fair value	511.5	482.1
Total cash and noncurrent investments	**$738.7**	**$639.1**

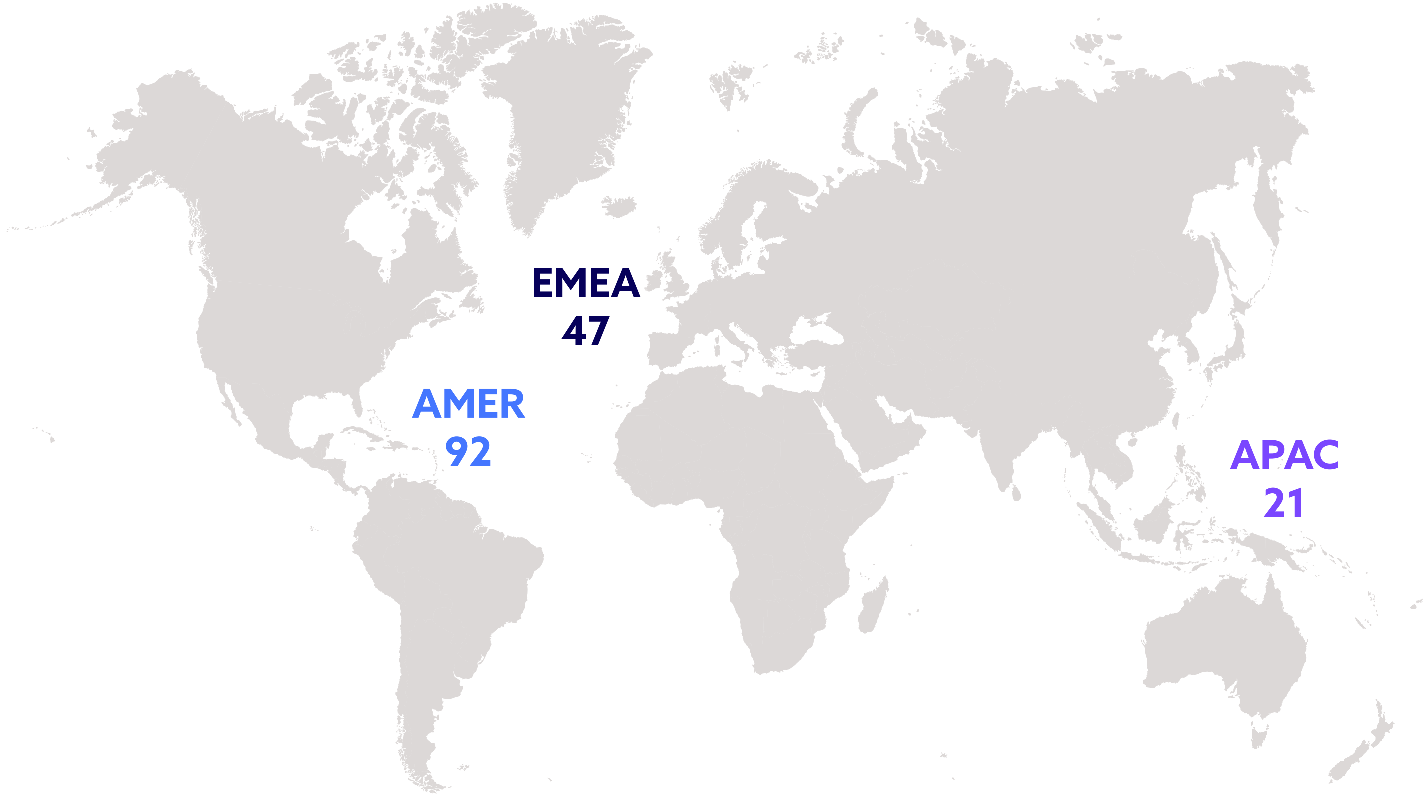
[1] Numbers are rounded.

Cash Flows for Fiscal Years Ended 31 August 2023 and 2022

(US $ IN MILLIONS) [1]	FY2023	FY2022
Change in net assets	$98.9	$(22.1)
Noncash items	3.7	101.0
Changes in assets and liabilities	(16.7)	(59.8)
Net cash provided by operating activities	85.9	19.1
Capital receipts and expenditures, net	1.9	(8.9)
Maturities and purchases of investments, net	(19.0)	(15.7)
Net cash used in investing activities	(17.1)	(24.6)
Receipts and payments on borrowings, net	(3.6)	(1.5)
Net cash used in financing activities	(3.6)	(1.5)
Net increase (decrease) in cash and cash equivalents	65.2	(7.0)
Cash and cash equivalents, beginning of year	157.0	164.0
Cash and cash equivalents, end of year	**$222.2**	**$157.0**

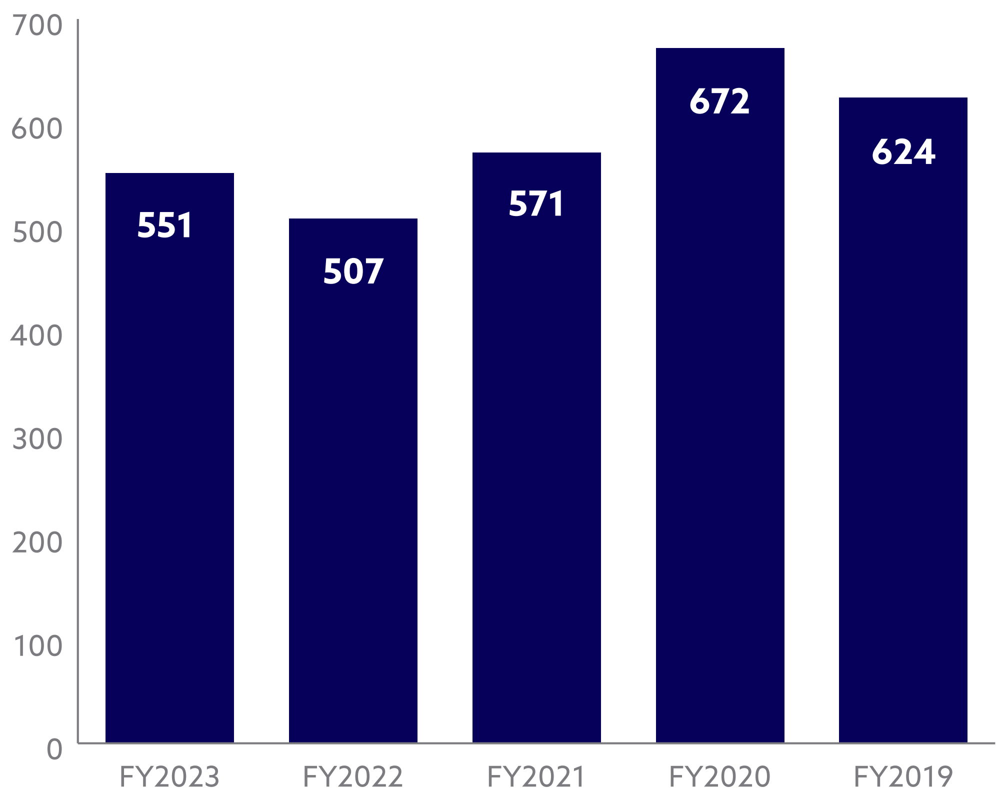
[1] Numbers are rounded.

Society Locations by Region



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

Total Number of CFA Institute Staff



Accompanying consolidated information

Independent auditors' report and audited financial statements

CFA Institute

Consolidated Financial Statements

and Accompanying Consolidating Information
As of 31 August 2023 and 2022
and Independent Auditors' Report

CFA Institute
Table of Contents

Page(s)

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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2023, the Company adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (*Topic 842). Our opinion is not modified with respect to this matter.

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 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.

KPMG LLP

Richmond, Virginia
December 7, 2023

CFA Institute
Consolidated Statements of Financial Position
As of 31 August 2023 and 2022

(in thousands)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 222,187	$ 156,980
Short-term certificates of deposit	5,000	—
Accounts receivable, net	1,454	631
Prepaid expenses and other assets	10,544	8,473
Total current assets	239,185	166,084
Non-current assets		
Investments, at fair value	511,523	482,147
Derivative contract	—	446
Prepaid expenses and other assets	6,855	7,346
Operating lease, right-of-use assets, net	9,955	—
Property and equipment, net	14,926	36,232
Intangibles, net	18,016	15,210
Total non-current assets	561,275	541,381
Total assets	$ 800,460	$ 707,465
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	$ 25,502	$ 23,560
Deferred revenue	273,021	268,577
Employee-related liabilities	17,962	19,704
Refund liability	2,399	4,812
Funds held for others	2,552	2,528
Finance liability	230	—
Operating lease liability	3,116	—
Notes payable	—	1,580
Interest payable	—	10
Total current liabilities	324,782	320,771
Non-current liabilities		
Accrued liabilities	—	1,534
Deferred revenue	33,669	48,666
Employee-related liabilities	2,215	2,137
Finance liability	6,925	—
Operating lease liability	9,284	—
Notes payable	—	9,712
Total non-current liabilities	52,093	62,049
Total liabilities	376,875	382,820
Net assets		
Net assets without donor restrictions		
Undesignated	422,625	323,690
Designated	960	955
Total net assets	423,585	324,645
Total liabilities and net assets	$ 800,460	$ 707,465

See accompanying notes to consolidated financial statements.

CFA Institute
Consolidated Statements of Activities
For the Years Ended 31 August 2023 and 2022

(in thousands)

	2023	2022
Change in net assets without donor restrictions		
Operating revenues		
Credentialing and certificate programs, net	$ 276,041	$ 280,105
Member value programs	51,755	50,054
Industry engagement and other	13,261	288
Contributions of cash and other financial assets	205	641
Contributions of nonfinancial assets	3,863	5,043
Total operating revenues	345,125	336,131
Operating expenses		
Program services		
Credentialing and certificate programs	105,601	102,359
Member value programs	73,765	76,488
Industry engagement	21,276	18,858
Scholarships - 11 September Memorial Fund	—	58
Supporting services		
Management and general	81,334	85,862
Total operating expenses	281,976	283,625
Income from operations	63,149	52,506
Interest and dividends, net	20,313	16,060
Change in net assets without donor restrictions from operations	83,462	68,566
Other changes		
Gains (losses) on investments, net	15,337	(91,780)
Gain on derivative contract	141	1,089
Change in net assets without donor restrictions	98,940	(22,125)
Net assets, beginning of year	324,645	346,770
Net assets, end of year	$ 423,585	$ 324,645

See accompanying notes to consolidated financial statements.

CFA Institute

Consolidated Statements of Cash Flows

For the Years Ended 31 August 2023 and 2022

(in thousands)

	2023	2022
Cash flows provided by operating activities		
Reconciliation of change in net assets without donor restrictions to net cash provided by operating activities		
Change in net assets	$ 98,940	$ (22,125)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	11,069	10,220
Losses on disposition of property and equipment	6,383	116
Losses on disposition of intangible assets	37	—
(Gains) losses on investments, net	(15,337)	91,780
Gain on derivative contract	(141)	(1,089)
Change in operating lease, right-of-use assets/operating lease liability	1,697	—
Changes in:		
Accounts receivable, net	(823)	1,288
Prepaid expenses and other assets	(1,580)	111
Accounts payable and accrued liabilities	281	(5,238)
Deferred revenue	(10,553)	(52,979)
Employee-related liabilities	(1,664)	(2,092)
Refund liability	(2,413)	(380)
Funds held for others	24	(521)
Interest payable	(10)	(1)
Net cash provided by operating activities	85,910	19,090
Cash flows used in investing activities		
Purchases of property and equipment	(430)	(1,001)
Proceeds from property and equipment	13,941	—
Purchases of intangible assets	(11,624)	(7,833)
Purchases of investments	(19,440)	(26,537)
Proceeds from investments	400	10,805
Net cash used in investing activities	(17,153)	(24,566)
Cash flows used in financing activities		
Finance liability proceeds	7,250	—
Finance liability principal repayments	(95)	—
Loan repayments	(10,705)	(1,533)
Net cash used in financing activities	(3,550)	(1,533)
Net increase (decrease) in cash and cash equivalents	65,207	(7,009)
Cash and cash equivalents, beginning of year	156,980	163,989
Cash and cash equivalents, end of year	$ 222,187	$ 156,980

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 206,000 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 provides 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, 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 2023 and 2022 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 2023 and 2022, 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):

	2023	2022
ICFA contribution	$ 950	$ 950
Unpaid research grants	10	5
Total designated net assets	$ 960	$ 955

Contributed nonfinancial assets

For the years ended 31 August 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included (in thousands):

	2023	2022
Services	$ 3,863	$ 4,877
Facilities	—	166
Total contributed nonfinancial assets	$ 3,863	$ 5,043

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 15 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.

Certificates of deposit with an original maturity greater than 90 days and a remaining maturity of less than 365 days are included in certificates of deposit on the consolidated statement of financial position.

Derivative contract

CFA Institute was 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 was mitigated through the use of a pay fixed receive float interest rate swap that economically hedged the exposure associated with variable-rate debt. The objective of CFA Institute was 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 paid 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 was no prepayment penalty on the variable-rate loan, and the swap could 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. CFA Institute paid off the loan and exited the swap during the year ended 31 August 2023.

CFA Institute's derivative financial instrument was recognized in the consolidated statements of financial position at its fair value. The change in fair value was recognized as a gain in the consolidated statements of activities and was $141,000 and $1,089,000 for the years ended 31 August 2023 and 31 August 2022, respectively. The settlement of the swap at the time of the loan pay off is reflected in financing activities on the consolidated statement of cash flows for the year ended 31 August 2023.

Leases

CFA Institute applies Accounting Standards Codification (ASC) 842, Leases, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property or equipment for a period of time in excess of twelve months in exchange for consideration. CFA Institute defines control of the asset as the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. CFA Institute determined all the existing leases are operating leases that are included in right-of-use assets and lease liabilities on the accompanying consolidated statements of financial position. Right-of-use assets represent the organization's right to use leased assets over the lease term. Lease liabilities represent the organization's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. The lease liability is subsequently measured at amortized cost using the effective interest method. Right-of-use assets are calculated as the present value of the future lease payments adjusted by any deferred rent liability and lease incentives. Right-of-use assets and lease liabilities are recognized at the lease commencement date. CFA Institute uses the rate implicit in the lease if it is determinable. When the implicit rate is not determinable, CFA Institute used the risk-free rate, a practical expedient allowed for private entities, at the lease commencement date to determine the present value of the future lease payments. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. CFA Institute does not separate lease and non-lease components.

Right-of-use assets for leases can occasionally be reduced by impairment losses. CFA Institute monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding right-of-use asset unless doing so would reduce the carrying amount of the right-of-use asset to an amount less than zero. In that case, the right-of-use asset is reduced to zero and the remainder of the adjustment is recorded in profit or loss. There were no impairments for the year ended 31 August 2023.

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	10 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 2023 and 2022, 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 2023 consisted of $6,484,000 gross costs less accumulated amortization of $1,824,000. 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 years ended 31 August 2023 and 2022 was $1,434,000 and $390,000, respectively.

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 14).

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 2023 and 2022, the gross medical claims liability consisted of claims incurred but not reported of $339,000 and $307,000, respectively, and claims paid by a third party administrator and not yet paid by CFA Institute of $133,000 and $115,000, respectively, resulting in a medical claims liability of $472,000 and $422,000, 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 as of 31 August 2022 relates to the loan utilized to construct the Charlottesville, VA premises. The loan was paid off during the year ended 31 August 2023.

Finance liability

Finance liability 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 finance liability relates to failed sale and partial leaseback transaction of the Charlottesville headquarters building (see Note 13).

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 $11,716,000 and $7,106,000 for the year ended 31 August 2023 and 2022, 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 14 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 2023 and 2022, CFA Institute provided direct operational, growth and partnership funding in the amount of $14,326,000 and $16,840,000, 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 2023 and 2022, current accounts payable and accrued liabilities included accrued grants in the amount of $557,000 and $1,328,000, respectively.

Advertising costs

Advertising costs are expensed as incurred. Total advertising expense was $4,216,000 and $13,859,000 for the years ended 31 August 2023 and 2022, 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 $81,000 and $14,000 for the years ended 31 August 2023 and 2022, respectively. The Foundation had no unrelated business income for the years ended 31 August 2023 and 2022, 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 $1,625,000 and $1,456,000 in taxable income for the periods ended 31 December 2022 and 2021, respectively. Federal income tax estimated payments made by Holdings were $128,000 and $418,000 for the years ended 31 August 2023 and 2022, respectively.

Interest costs

CFA Institute incurred interest costs for the note payable of $257,000 and $353,000 for the years ended 31 August 2023 and 2022, respectively. CFA Institute incurred interest costs for the finance liability of $178,000 for the year ended 31 August 2023. 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 reclassified $593,000 of operating revenues and $5,744,000 of operating expenses related to certain courses and certificates from member value programs to credentialing and certificate programs on the accompanying consolidated statements of activities. This reclassification results in no changes to the consolidated statements of financial position or the consolidated statements of cash flows. CFA Institute reclassified $942,000 of operating expenses related to creative fees and video production costs from professional and contract services to advertising. The reclassification resulted in changes to the advertising costs disclosure in Note 2 and Note 15. The reclassification results in no changes to the accompanying consolidated statements of financial position, consolidated statements of activities or the consolidated statements of cash flows.

New accounting pronouncements adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). The new guidance requires that all leases be recognized at inception as a right-of-use lease asset and a corresponding lease liability and disclose key quantitative and qualitative information about lease contracts. Under the modified retrospective approach, the adoption of Topic 842 resulted in the recognition of right-of-use lease assets and lease liabilities of $10,046,000 and $12,551,000, respectively, as of 1 September 2022. For leases existing at transition, CFA Institute applied the package of three practical expedients and did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. There was no cumulative effect adjustment to the net assets without donor restrictions at the transition date. The adoption had a material affect on CFA Institute's consolidated statement of financial position, but did not materially affect net assets or the consolidated statements of activities or cash flows.

New accounting pronouncements issued but not adopted

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 2023 and 2022 consisted of the following (in thousands):

	2023	2022
Accounts receivable	$ 1,479	$ 840
Allowance for bad debt	(25)	(209)
Total accounts receivable	$ 1,454	$ 631

4. Investments

Investments, at fair value (see Note 5) as of 31 August 2023 and 2022 consisted of the following (in thousands):

	2023	2022
CFA Institute	$ 492,808	$ 464,572
The Foundation – Endowment	18,715	17,575
Total investments	$ 511,523	$ 482,147

As of 31 August 2023 and 2022, 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, and inflation-protected 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):

	2023		2022	
	Fair value	**Cost**	**Fair value**	**Cost**
Global equity	$ 247,730	$164,673	$ 218,472	$ 159,742
Global fixed-income	106,588	123,463	107,460	120,379
Inflation-protected securities	91,316	100,010	93,044	95,821
High-yield corporate bonds	25,944	28,821	24,343	27,371
Emerging market debt	23,240	23,178	20,989	23,178
Global real estate investment trusts	16,705	18,610	17,839	18,164
Total investments	$ 511,523	$458,755	$ 482,147	$ 444,655

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

	2023	2022
Interest and dividends	$ 20,562	$ 16,325
Investment expenses	(249)	(265)
Total interest and dividends, net	20,313	16,060
Investment gains (losses), net	15,337	(91,780)
Total investment gains (losses), interest and dividends, net	$ 35,650	$ (75,720)

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 2023 and 2022 (in thousands):

	Fair value as of 31 Aug 2023	Fair value measurements as of 31 August 2023 using: Level 1	Level 2	Level 3
Assets:				
Global equity	247,730	247,730	—	—
Global fixed-income	106,588	106,588	—	—
Inflation-protected securities	91,316	91,316	—	—
High-yield corporate bonds	25,944	25,944	—	—
Global real estate investment trusts	16,705	16,705	—	—
Emerging market debt (NAV) (1)	23,240	—	—	—
Investments, at fair value	511,523	488,283	—	—
Mutual funds - IRC § 457 accounts	2,215	2,215	—	—
Liabilities:				
Deferred compensation (see Note 11)	(2,215)	(2,215)	—	—
Net assets and liabilities subject to fair value measurement	$ 511,523	$ 488,283	$ —	$ —

	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	$ —

(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 2023 and 2022. 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 2023 and 2022 consisted of the following (in thousands):

	2023	2022
Land	$ —	$ 3,487
Buildings	14,805	36,807
Computer hardware and equipment	8,137	11,785
Furniture and fixtures	2,207	3,870
Leasehold improvements	5,737	4,336
Total property and equipment	30,886	60,285
Accumulated depreciation and amortization	(15,960)	(24,053)
Property and equipment, net	$ 14,926	$ 36,232

Buildings represents the value of the Charlottesville headquarters building leased back as part of the July 2023 sale and partial leaseback transaction. CFA Institute determined the portion of the transaction related to the leased back portion of the building did not meet the requirements for a sale under the failed sale leaseback accounting model. CFA Institute is deemed to own this part of the building and reflects it on the consolidated statement of financial position in property and equipment, net and will continue to depreciate the asset over the lease term (see Note 13).

Construction in progress, included in the schedule above, as of 31 August 2023 and 2022 consisted of the following (in thousands):

	2023	2022
Computer hardware and equipment	$ 137	$ —
Leasehold improvements	136	2
Total construction in progress	$ 273	$ 2

Depreciation expense was $2,218,000 and $2,210,000 for the years ended 31 August 2023 and 2022, respectively.

Property and equipment assets of $31,032,000 and $3,245,000 were disposed during the years ended 31 August 2023 and 2022, respectively. Loss on disposition of property and equipment assets were $6,383,000 and $116,000 for the years ended 31 August 2023 and 2022, respectively, and are shown in operating expenses on the consolidated statements of activities.

7. Intangibles

Intangibles, including work in process, as of 31 August 2023 and 2022 consisted of the following (in thousands):

	2023	2022
Computer software (developed)	$ 36,090	$ 36,913
Computer software (website development)	544	8,105
Computer software (packaged)	1,289	4,178
Other intangibles	22,083	13,755
Total intangibles	60,006	62,951
Accumulated amortization	(41,990)	(47,741)
Intangibles, net	$ 18,016	$ 15,210

Work in process, included in the schedule above, as of 31 August 2023 and 2022 consisted of the following (in thousands):

	2023	2022
Computer software (developed)	$ 75	$ 328
Other intangibles	1,838	1,543
Total work in process	$ 1,913	$ 1,871

Amortization expense was $8,851,000 and $8,010,000 for the years ended 31 August 2023 and 2022, 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 $14,639,000 and $2,868,000 were disposed during the years ended 31 August 2023 and 2022, respectively. Loss on disposition of intangible assets were $37,000 and $0 for the years ended 31 August 2023 and 2022, respectively.

For the following fiscal years, future intangible amortization for assets placed in service as of 31 August 2023 is as follows (in thousands):

	Intangible amortization
2024	$ 7,116
2025	5,320
2026	2,651
2027	1,016
Total intangible amortization	$ 16,103

8. Leases

CFA Institute has entered into various operating leases with original terms ranging from one to thirteen 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. Some leases contain early termination or renewal options, which CFA Institute is not reasonably certain to exercise.

Lease expenses from operating leases were approximately $2,965,000 for the year ended 31 August 2023. Rental expense for the year ended 31 August 2022, which was accounted for in accordance with ASC 840, was approximately $4,244,000. Sublease rental income was $74,000 each for the years ended 31 August 2023 and 2022.

Lease liability maturities as of 31 August 2023 are as follows (in thousands):

	Lease payments
2024	$ 3,490
2025	3,187
2026	2,375
2027	1,312
2028	1,169
Thereafter	1,948
Total undiscounted lease payments	13,481
Less imputed interest	1,081
Total lease liability	$ 12,400

The weighted average remaining lease term and discount rate related to the organization's lease liabilities as of 31 August 2023 were 4.91 years and 3.51%.

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 thirteen mutual fund alternatives offered by the Plan. Contribution expense for the 401(k) Plan totaled $6,849,000 and $6,830,000 for the years ended 31

August 2023 and 2022, respectively. Plan forfeitures of $300 and $600 were netted against contribution expenses for the years ended 31 August 2023 and 2022, respectively. CFA Institute accrues for incentive compensation and the related 401(k) contribution. Accruals for the related 401(k) contribution of $953,000 and $807,000 were made for the years ended 31 August 2023 and 2022, respectively.

CFA Institute also has defined contribution plans for employees in its international operations. Contribution expense for these defined contribution plans totaled $1,713,000 and $1,659,000 for the years ended 31 August 2023 and 2022, 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 for the year ended 31 August 2022. CFA Institute contributed $7,000 to cover operating expenses of the Scholarship Fund for the year ended 31 August 2022 . 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 year ended 31 August 2022 was as follows (in thousands):

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

11. Deferred compensation

CFA Institute maintains a deferred compensation program for participating key employees. Liabilities for the deferred compensation program of $2,215,000 and $2,137,000 were recorded as of 31 August 2023 and 2022, 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 was the unconditional guarantor of the term note. 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. CFA Institute paid off the loan and exited the swap during the year ended 31 August 2023.

13. Finance liability

In July 2023, CFA Institute completed a sale and partial leaseback transaction of its Charlottesville headquarters building for net proceeds of $21,191,000. The organization leased back select floors for a ten year term. CFA Institute assessed whether a contract existed and whether there was a performance obligation to transfer control of the asset when determining whether the transfer of the property shall be accounted for as a sale of the asset. CFA Institute determined the portion of the transaction related to the land and the portion of the building it will not lease back met the criteria to be accounted for as a sale. CFA Institute disposed of assets of $25,488,000. Loss on sale was $6,255,000 and is shown in operating expenses on the accompanying consolidated statements of activities. CFA Institute determined the portion of the transaction related to the leased back portion of the building did not meet the requirements for a sale under the failed sale leaseback accounting model. For accounting purposes, CFA Institute is therefore deemed to own this part of the building and reflects it on the consolidated statement of financial position in property and equipment, net and will continue to depreciate the asset over the lease term. CFA Institute recorded a liability for the amount received related to the partial leaseback and has imputed an interest rate of 14.80% so the net carrying amount of the finance liability and remaining asset will be zero at the end of the lease term.

Minimum principal payments are as follows (in thousands):

	2023
2024	$ 230
2025	301
2026	384
2027	480
2028	593
Thereafter	5,167
Total principal payments	$ 7,155

14. 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 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 and certificate 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 $2,399,000 and $4,812,000 as of 31 August 2023 and 2022, of which $2,146,000 and $4,197,000 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 2023 and 2022 (in thousands):

	2023	2022
Performance obligations satisfied at a point in time	$ 196,421	$ 195,045
Performance obligations satisfied over time	132,208	135,402
Total operating revenues from contracts with customers	$ 328,629	$ 330,447

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 elected 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 2023 and 2022 consist of contract liabilities.

15. Functional expenses

Expenses by functional classification for the years ended 31 August 2023 and 2022 consisted of the following (in thousands):

	Program Services			Supporting Services	
	Credentialing and Certificates	Member Value	Industry Engagement	Management and General	FY 2023 Total
Salaries, Wages and Benefits	$ 24,801	$ 25,510	$ 13,781	$ 39,295	$ 103,387
Cost of Sales	5,620	1	132	—	5,753
Professional and Contract Services	56,511	18,385	4,381	24,361	103,638
Facility and Equipment	815	1,613	514	2,341	5,283
Travel Expenses	809	2,930	656	1,834	6,229
Grants and Sponsorships	—	14,883	323	120	15,326
Advertising	—	2,838	—	1,378	4,216
Bank Charges and Merchant Fees	8,395	2,476	15	197	11,083
Postage, Printing and Supplies	163	969	86	357	1,575
Utilities	323	396	159	954	1,832
Depreciation and Amortization	6,716	1,871	363	2,119	11,069
Insurance, Taxes, Interest, and Other	1,448	1,893	866	8,378	12,585
Total	$ 105,601	$ 73,765	$ 21,276	$ 81,334	$ 281,976

	Program Services				Supporting Services	
	Credentialing and Certificates	Member Value	Industry Engagement	Scholarships - 11 September Memorial Fund	Management and General	FY 2022 Total
Salaries, Wages and Benefits	$ 24,856	$ 29,195	$ 12,503	$ —	$ 38,763	$ 105,317
Cost of Sales	5,572	—	145	—	—	5,717
Professional and Contract Services	57,135	15,948	4,313	—	25,272	102,668
Facility and Equipment	1,129	2,001	517	—	3,361	7,008
Travel Expenses	568	383	68	—	674	1,693
Grants and Sponsorships	1	16,983	380	58	211	17,633
Advertising	188	5,219	20	—	8,432	13,859
Bank Charges and Merchant Fees	7,335	2,199	9	—	298	9,841
Postage, Printing and Supplies	168	841	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	653	850	304	—	4,466	6,273
Total	$ 102,359	$ 76,488	$ 18,858	$ 58	$ 85,862	$ 283,625

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
Information Technology	Headcount
Travel Support and Event Management	Virtual and In Person Meetings
Global Contact Center	Contacts by Customer

16. 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 and certificates of deposit 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 2023 and 2022 for general expenditures are as follows (in thousands):

	2023	2022
Cash and cash equivalents	$ 222,187	$ 156,980
Short-term certificates of deposit	5,000	—
Investments	511,523	482,147
Receivables, net	1,454	631
Total financial assets available to meet cash needs for general expenditures within one year	$ 740,164	$ 639,758

17. Supplemental disclosure of cash flows information

Supplemental cash flows information for the years ended 31 August 2023 and 2022 consisted of the following (in thousands):

	2023	2022
Cash paid during the year for interest	$ 445	$ 354
Cash paid during the year for income taxes	$ 514	$ 575
Purchases of property and equipment included in accounts payable	$ 57	$ —
Purchases of intangible assets included in accounts payable	$ 1,453	$ 1,382
Noncash recognition of operating lease right-of-use assets upon adoption of ASC 842	$ 10,046	$ —
Noncash recognition of operating lease right-of-use assets in exchange for new operating lease liabilities	$ 2,473	$ —
Cash paid for amounts included in the measurement of operating lease liabilities	$ 2,922	$ —

18. Commitments and contingencies

The Foundation awards grants to individuals subject to completion of their respective research projects. Unpaid grants, subject to this condition, totaled $10,000 and $5,000 as of 31 August 2023 and 2022, 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. There were no outstanding borrowings at 31 August 2023 or 2022. 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. Under the financial covenants of the line of credit, CFA Institute must maintain unrestricted and unencumbered liquidity of $125,000,000. CFA Institute is in compliance with all line of credit covenants.

19. 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 in subsequent fiscal years 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 offered refunds to candidates impacted by two exam cancellations. See Note 14 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 received $12,428,000 related to the insurance policy during the year ended 31 August 2023. The receipt is included in other operating revenues in the accompanying consolidated statement of activities. The remainder of the claim remains under review at 31 August 2023.

20. Subsequent events

CFA Institute has assessed the impact of subsequent events through 07 December 2023, 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.

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