

# **CFA Institute Research Foundation**

## **Financial Statements**

**As of 31 August 2018 and 2017**

**And Independent Auditor's Report**

# **CFA Institute Research Foundation**

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## **Report of Independent Auditors**

To the Board of Trustees of CFA Institute Research Foundation:

We have audited the accompanying financial statements of CFA Institute Research Foundation, which comprise the balance sheets as of August 31, 2018 and August 31, 2017, and the related statements of activities and cash flows for the years then ended.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CFA Institute Research Foundation as of August 31, 2018 and August 31, 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

McLean, Virginia  
December 12, 2018

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**CFA Institute Research Foundation**  
**Statements of Financial Position**  
**As of 31 August 2018 and 2017**

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*(Rounded to nearest hundred)*

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 27,800	\$ 82,800
Accounts receivable, net	200	1,300
Advances to/receivable from affiliated organization	40,900	45,600
Prepaid expenses and other assets	-	1,400
Publication inventory	164,400	128,700
Total current assets	<u>233,300</u>	<u>259,800</u>
<b>Non-current assets</b>		
Investments, at fair value	15,259,500	14,235,900
<b>Total assets</b>	<u><u>\$ 15,492,800</u></u>	<u><u>\$ 14,495,700</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 55,600	\$ 50,600
Funds held for others	100	200
Total current liabilities	<u>55,700</u>	<u>50,800</u>
<b>Total liabilities</b>	<u><u>55,700</u></u>	<u><u>50,800</u></u>
<b>Net assets</b>		
Undesignated	14,115,000	13,021,900
Designated - September Memorial Scholarship Fund	297,100	383,000
Designated - research grants	75,000	90,000
Designated - other	950,000	950,000
<b>Total net assets</b>	<u>15,437,100</u>	<u>14,444,900</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 15,492,800</u></u>	<u><u>\$ 14,495,700</u></u>

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

**CFA Institute Research Foundation**  
**Statements of Activities**  
**For the years ended 31 August 2018 and 2017**

*(Rounded to nearest hundred)*

	<b>2018</b>	<b>2017</b>
	<b>Consolidated</b>	<b>Consolidated</b>
<b>Change in net assets</b>		
Operating revenues		
Member value programs	\$ 6,100	\$ 17,900
Contributions		
Public	314,900	308,500
Cash - affiliated organization (CFA Institute)	202,400	229,900
Non-cash - affiliated organization (CFA Institute)	653,100	527,500
Total operating revenues	<u>1,176,500</u>	<u>1,083,800</u>
Operating expenses		
Program services		
Member value programs	229,700	233,600
Industry engagement	178,300	160,300
Scholarships - 11 September Memorial Fund	85,000	78,500
Program services provided by affiliated organization (CFA Institute)	391,000	267,800
Support services		
Fundraising	6,900	13,300
Financial operations and executive	145,900	137,300
Support services provided by affiliated organization (CFA Institute)	303,100	309,400
Total operating expenses	<u>1,339,900</u>	<u>1,200,200</u>
Loss from operations	<u>(163,400)</u>	<u>(116,400)</u>
Realized gains, interest and dividends (net)	607,300	345,700
Change in net assets from operations	<u>443,900</u>	<u>229,300</u>
Other changes		
Unrealized gains on investments (net)	548,300	1,148,400
<b>Change in net assets</b>	<u>992,200</u>	<u>1,377,700</u>
Net assets, beginning of year	14,444,900	13,067,200
Net assets, end of year	<u>\$ 15,437,100</u>	<u>\$ 14,444,900</u>

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

**CFA Institute Research Foundation**  
**Statement of Cash Flows**  
**31 August 2018 and 2017**

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*(Rounded to nearest hundred)*

	<b>2018</b>	<b>2017</b>
<b>Reconciliation of change in net assets to net cash</b>		
Change in net assets	\$ 992,200	\$ 1,377,700
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gains on investments	(548,200)	(1,148,400)
Realized gains on investments	(250,500)	(14,500)
Changes in:		
Accounts receivable	1,100	2,800
Advances to/from affiliated organizations	4,700	(37,200)
Prepaid expenses and other assets	1,400	4,900
Publication inventory	(35,700)	(31,800)
Accounts payable and accrued liabilities	5,000	40,500
Deferred revenue	-	-
Employee related liabilities	-	-
Funds held for others	(100)	-
Interest payable	-	-
Net cash provided by (used in) operating activities	<u>169,900</u>	<u>194,000</u>
<b>Cash flows provided by (used in) investing activities</b>		
Purchases of investments	(872,400)	(420,100)
Proceeds from investments	<u>647,500</u>	<u>229,500</u>
Net cash provided by (used in) investing activities	<u>(224,900)</u>	<u>(190,600)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(55,000)	3,400
Cash and cash equivalents, beginning of year	<u>82,800</u>	<u>79,400</u>
Cash and cash equivalents, end of year	<u><u>27,800</u></u>	<u><u>82,800</u></u>

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

# **CFA Institute Research Foundation**

## **Notes to Financial Statements**

### **31 August 2018 and 2017**

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#### **1. Organization**

CFA Institute Research Foundation (the Foundation) is a not-for-profit organization based in Charlottesville, Virginia, incorporated in Virginia, and qualifies as a tax-exempt organization under Internal Revenue Code (IRC) § 501(c)(3). The Foundation is a wholly-owned and controlled subsidiary of CFA Institute 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. The purpose of the Foundation is to sponsor, publish, and distribute research on topics that contribute to or improve the global investment community 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 individual excellence in contributions to the global investment community through the James R. Vertin Award.

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

#### **2. Summary of significant accounting policies**

##### **Basis of accounting**

The accompanying 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).

##### **Use of estimates**

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

##### **Measure of operations**

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

##### **Net assets**

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

Temporarily restricted net assets are contributions with donor-imposed program restrictions. Temporarily restricted net assets become unrestricted when the funds are used for their restricted purposes and are then reported in the statements of activities as net assets released from restrictions. Temporarily restricted contributions, whose restrictions are satisfied in the same fiscal year that the contributions are received, are reported in the statements of activities as both temporarily restricted contributions and as net assets released from restrictions. The program restrictions relate to the Scholarship Fund. As of 31 August 2018 and 2017, the Foundation had no temporarily restricted net assets.

# CFA Institute Research Foundation

## Notes to Financial Statements

31 August 2018 and 2017

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Permanently restricted net assets represent donor-restricted endowments to be held in perpetuity. Investment income from both temporarily and permanently restricted net assets is recorded as unrestricted income unless otherwise restricted by the donor. As of 31 August 2018 and 2017, the Foundation had no permanently restricted net assets.

### Designated net assets

In 1990, the Association for Investment and Research (AIMR, now CFA Institute) was formed as a result of the combination of the Institute of Chartered Financial Analysts (ICFA) and the Financial Analysts Federation (FAF). Prior to the combination, ICFA contributed \$950,000 to the Foundation. These net assets are shown on the Statements of Financial Position as designated – other net assets.

CFA Institute contributed \$1,000,000 to the Scholarship Fund in October 2001. This contribution is designated solely for scholarship funding. Because of the control relationship between CFA Institute and the Foundation, this contribution is reported as a designated net asset rather than restricted.

The Foundation grants partial initial funding to authors for their proposed research projects. Upon completion and final approval of the research product, the remaining grant funding is paid. During the year ended 31 August 2014, the board approved designating net assets for the amount of committed and unpaid research grants in the statements of financial position. Total designated grants are \$75,000 and \$90,000 as of 31 August 2018 and 2017, respectively.

### Cash flow reporting

The consolidated statements of cash flow are prepared using the indirect method.

In order to eliminate undue costs and efforts related to the preparation of the consolidated statement of cash flows under the direct method while still providing equivalent value and information to the users of the financial statements, the Foundation began preparing the consolidated statement of cash flows using the indirect method during the year ended 31 August 2018. As such, the comparative consolidated statement of cash flows for the year ended 31 August 2017 has been presented under the indirect method.

### 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 and consist of the following at 31 August 2018 and 2017 (rounded to nearest hundred):

	2018	2017
The Foundation	\$ 14,900	\$ 66,900
The Scholarship Fund	12,900	15,900
Total cash and cash equivalents	<u>\$ 27,800</u>	<u>\$ 82,800</u>

### Investments

The Foundation records its investments at fair value and any change is reflected in the statements of activities. Gains and losses are determined using the weighted average per share cost basis.

### Publication inventory

Inventory, which consists primarily of publications, is stated at the lower of cost or market determined by the first-in, first-out method.

### Revenue

The Foundation earns its revenue from product sales, public contributions and CFA Institute



# CFA Institute Research Foundation

## Notes to Financial Statements

31 August 2018 and 2017

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intercompany contributions. Revenue is recognized at the time in which it is both realized or realizable and has been earned.

### **Fundraising expenses**

Fundraising expenses for the Foundation were \$6,900 and \$13,300 for fiscal years ended 31 August 2018 and 2017, respectively, and are included in support services expenses on the statement of activities. No fundraising expenses were incurred on behalf of the Scholarship Fund in fiscal years 2018 and 2017.

### **Income taxes**

The Foundation is exempt from US federal income taxes under IRC § 501(c)(3) and Virginia state income taxes, except for unrelated business income. The Foundation has no unrelated business income, therefore, no income taxes are payable for the years ended 31 August 2018 and 2017.

The Foundation has performed an evaluation of its tax positions and has maintained its tax-exempt status. The Foundation determined that it has adequately provided for all open tax years and has no uncertain tax positions.

### **New accounting pronouncements adopted**

On 1 September 2017, the Foundation adopted Accounting Standards Update (ASU) No. 2017-02, Not-for-Profit Entities-Consolidation, Clarifying When a Not-For-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity. The new guidance clarifies the consolidation guidance for Not-For-Profits by retaining the consolidation guidance that existed prior to the issuance of ASU 2015-02, Consolidation. As the ASU retained current accounting requirements, there is no adoption impact on either the current or prior period consolidated financial statements.

On 1 September 2017, the Foundation adopted ASU No. 2015-07, Fair Value Measurement. The new guidance removes the requirement to categorize, within the fair value hierarchy, all investments for which fair value is measured using the practical expedient of net assets value (NAV). As the foundation does not hold any such investments, there is no adoption impact on either the current or prior period fair value hierarchy.

### **New accounting pronouncements issued but not adopted**

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

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

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows, Classification of Certain Cash Receipts and Cash Payments. The new guidance provides clarification on eight specific cash flow issues on which there has been diversity in practice regarding presentation and classification on the statement of cash flows. The Foundation is required to adopt the ASU on 1 September 2019, with early application permitted. The Foundation is evaluating the impact of this standard on its consolidated financial statements.

**CFA Institute Research Foundation**  
**Notes to Financial Statements**  
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In August 2016, the FASB issued ASU No. 2016-14, Not-For-Profit Entities, Presentation of Financial Statements of Not-For-Profit Entities. The new guidance primarily reduces the number of asset classes on the statement of financial position from three to two-assets with donor restrictions and assets without donor restrictions. Additionally, the ASU requires any change between asset classes to be presented on the face of the statement of activities. The Foundation is required to adopt the ASU on 1 September 2018, with early adoption permitted. As the Foundation provides consolidated financial statements on an annual basis, it is still fully evaluating the presentation impact of adopting the standard.

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. The Foundation is required to adopt the ASU on 1 September 2021 but expects minimal impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new guidance requires that all leases be recognized at inception as a right-to-use lease asset and a corresponding lease liability. The Foundation is required to adopt the ASU on 1 September 2020, with early adoption permitted. The Foundation is evaluating the impact of the guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The new guidance amends certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The main provisions require investments in equity securities to be measured at fair value through change in net assets. If an equity investment does not have a readily determinable fair value it may be recognized at cost minus impairment, if any, and must be adjusted for any changes in observable price changes occurring in orderly transactions. The Foundation is required to adopt the ASU on 1 September 2019. The Foundation currently recognizes changes in the fair value of its equity investments in the statement of activities and does not expect any material impact on the consolidated financial statements.

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

### **3. Investments**

Investments, at fair value (see Note 4) as of 31 August 2018 and 2017, consist of the following (rounded to nearest hundred):

	<b>2018</b>	<b>2017</b>
The Foundation	\$ 14,975,300	\$ 13,868,800
The Scholarship Fund	284,200	367,100
Total investments	<u>\$ 15,259,500</u>	<u>\$ 14,235,900</u>

# CFA Institute Research Foundation

## Notes to Financial Statements

### 31 August 2018 and 2017

As of 31 August 2018 and 2017, investments at fair value consisted of US registered mutual funds that invest in global equity, fixed-income, inflation-protected and US government securities. The following table details the fair value and cost for the major types of investments of the Foundation and the Scholarship Fund (rounded to nearest hundred):

	2018		2017	
	Fair value	Cost	Fair value	Cost
Global equity	\$ 10,711,600	\$ 6,816,600	\$ 10,032,500	\$ 6,838,600
Global fixed-income	2,841,100	2,853,200	2,612,200	2,513,300
Inflation-protected securities	1,422,600	1,417,900	1,224,100	1,183,300
US government securities	284,200	289,900	367,100	367,100
Total investments	\$ 15,259,500	\$ 11,377,600	\$ 14,235,900	\$ 10,902,300

As of 31 August 2018 and 2017, investment gains (losses), interest and dividends (net) consist of the following (rounded to nearest hundred):

	2018	2017
<b>Realized gains</b>		
Global equity	\$ 250,300	\$ 9,000
Global fixed-income	100	5,300
Inflation-protected securities	-	200
Total realized gains (net)	250,400	14,500
<b>Interest and dividends</b>		
Global equity	232,500	217,400
Global fixed-income	76,400	65,000
Inflation-protected securities	43,100	43,400
US government securities	4,900	5,400
Total interest and dividends	356,900	331,200
Total realized gains, interest and dividends (net)	607,300	345,700
<b>Unrealized gains (losses)</b>		
Global equity	701,100	1,251,800
Global fixed-income	(111,000)	(63,300)
Inflation-protected securities	(36,100)	(37,000)
US government securities	(5,700)	(3,100)
Total unrealized gains (net)	548,300	1,148,400
Total gains, interest and dividends (net)	\$ 1,155,600	\$ 1,494,100

Description of major investments that represent more than 5% of total investments as of 31 August 2018:

- Vanguard Total Bond Market Index Fund Institutional Shares (included in global fixed-income)- Seeks to track the performance of a broad, market-weighted bond index. Invests in over 8,500 bonds, including a wide spectrum of public, investment-grade, taxable, fixed-income securities in the US with maturities of greater than one year.

# **CFA Institute Research Foundation**

## **Notes to Financial Statements**

**31 August 2018 and 2017**

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- b. Vanguard Total Stock Market Index Fund Institutional Shares (included in global equity)-Seeks to track the performance of an index that measures the investment return of the U.S. equity market. Invests in over 3,600 stocks, including large-, mid-, and small-cap stocks regularly traded on the NYSE and NASDAQ.
- c. Vanguard Total International Stock Index Fund Institutional Shares (included in global equity)-Seeks to track the performance of an index that measures the investment return of stocks issued by companies located in major developed and emerging equity markets, excluding the US. The fund invests in more than 6,000 stocks.
- d. Vanguard Inflation-Protected Securities Fund Institutional Shares (included in inflation-protection securities)-Seeks to provide investors with inflation protection and income consistent with investment in inflation-indexed securities. Invests primarily in high-quality inflation-indexed bonds issued by the US Treasury, government agencies, and domestic corporations. The fund invests in over 50 bonds.

#### **4. Fair value measurements**

Fair market 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 market 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.

The Foundation has no assets or liabilities classified as Level 2 or Level 3.

The following tables present information about assets and liabilities required to be carried at fair value on a recurring basis as of 31 August 2018 and 2017 (rounded to nearest hundred):

	Fair value as of 31 August 2018	<b>Fair value measurements as of 31 August 2018 Using:</b>		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Global equity funds	\$ 10,711,600	\$ 10,711,600	\$ -	\$ -
Fixed-income funds	2,841,100	2,841,100	-	-
Inflation-protected securities	1,422,600	1,422,600	-	-
U.S. government securities	284,200	284,200	-	-
Total assets subject to fair value measurement	<u>\$ 15,259,500</u>	<u>\$ 15,259,500</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair value as of 31 August 2017	<b>Fair value measurements as of 31 August 2017 Using:</b>		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Global equity funds	\$ 10,032,500	\$ 10,032,500	\$ -	\$ -
Fixed-income funds	2,612,200	2,612,200	-	-
Inflation-protected securities	1,224,100	1,224,100	-	-
U.S. government securities	367,100	367,100	-	-
Total assets subject to fair value measurement	<u>\$ 14,235,900</u>	<u>\$ 14,235,900</u>	<u>\$ -</u>	<u>\$ -</u>

**CFA Institute Research Foundation**  
**Notes to Financial Statements**  
**31 August 2018 and 2017**

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**5. Major contributions**

CFA Institute allocates certain operating expenses to the Foundation and the Scholarship Fund based on time spent by CFA Institute personnel on the respective activities. These contributions consist primarily of contributed goods and services. Corresponding contributions are made by CFA Institute to cover these allocated expenses in their entirety. CFA Institute also reimburses the Foundation for Products for the Use of Members and Others (PUMO) program services as well as the Scholarship Fund for support services. CFA Institute's contributions and the Foundation's associated expenses for the year ended 31 August 2018 and 2017, respectively, are as follows (rounded to the hundred):

	<b>2018</b>	<b>2017</b>
<b>CFA Institute contributions</b>		
Contribution for Foundation program and support expenses	\$ 837,300	\$ 740,000
Contribution for the Scholarship Fund support expenses	18,200	17,400
Total contributions from CFA Institute	855,500	757,400
CFA Institute allocated operating expenses (non-cash)	653,100	527,500
Net cash contributions from CFA Institute	<u>\$ 202,400</u>	<u>\$ 229,900</u>
	<b>2018</b>	<b>2017</b>
<b>Expenses paid by the contributions</b>		
Program - the Foundation	\$ 378,700	\$ 255,900
Support - the Foundation	264,000	261,500
Products for use by members and others	194,600	222,600
Support - the Scholarship Fund	10,400	10,100
Other - the Scholarship Fund	7,700	7,300
Total expenses paid by the contributions	<u>\$ 855,400</u>	<u>\$ 757,400</u>

CFA Institute receives third party contributions and other receipts as well as disburses payments, both on behalf of the Foundation. CFA Institute settles the net amount (receipts less disbursements on the behalf of the Foundation) with the Foundation on a regular basis. This amount is included in the Statements of Cash Flow as an intercompany transaction under affiliated organization.

**6. Commitments and contingencies**

The Foundation awards grants to individuals subject to completion of their respective research projects. Unpaid grants, subject to this condition, totaled \$75,000 and \$90,000 as of 31 August 2018 and 2017, respectively. Due to the conditional nature of these unpaid grants, they are not accrued for in the accompanying statements of financial position. The Foundation issued eight grants totaling \$49,000 and seven grants totaling \$81,000 for years ended 31 August 2018 and 2017, respectively. (See Note 2, designated net assets).

**7. 11 September Memorial Scholarship Fund**

CFA Institute established the Scholarship Fund 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 Scholarship Fund.

College and university scholarships of up to \$25,000 each are awarded to individuals who were permanently disabled in the attacks, or who were the spouses, domestic partners or dependents of

# CFA Institute Research Foundation

## Notes to Financial Statements

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anyone killed or permanently disabled in the attacks, and who will pursue university-level education in finance, economics, accounting, or business ethics.

Contributions to the Scholarship Fund, which is a twenty-year, self-liquidating fund, are recorded as temporarily restricted, except for the contribution from CFA Institute. The contribution by CFA Institute is not temporarily restricted because of the control relationship between CFA Institute and the Foundation (see Note 1). The contribution from CFA Institute is designated to fund scholarships granted by the Scholarship Fund. All of the Scholarship Fund's contributions and investment income are available to meet scholarship funding requirements. CFA Institute reimburses the Scholarship Fund for all other expenses (see Note 5).

The activity in the Scholarship Fund for the years ended 31 August 2018 and 2017 was as follows (rounded to nearest hundred):

	<b>2018</b>	<b>2017</b>
Designated net assets, beginning of year	\$ 383,000	\$ 460,800
Realized gains, interest and dividends (net)	4,900	12,200
Unrealized losses on investments (net)	(5,800)	(11,500)
Scholarships awarded	(85,000)	(78,500)
Designated net assets, end of year	<u>\$ 297,100</u>	<u>\$ 383,000</u>

Net assets for the Scholarship Fund are shown on the Statements of Financial Position as follows (rounded to nearest hundred):

	<b>2018</b>	<b>2017</b>
Designated net assets	<u>\$ 297,100</u>	<u>\$ 383,000</u>
Net assets, end of year	<u>\$ 297,100</u>	<u>\$ 383,000</u>

### 8. Support services

Support services as shown on the Statements of Activities relating to general operations of the Foundation are as follows (rounded to the nearest hundred):

	<b>2018</b>	<b>2017</b>
Fundraising	\$ 6,900	\$ 13,300
Financial operations and executive	138,200	130,000
Other support services	292,700	299,300
Total support services	<u>\$ 437,800</u>	<u>\$ 442,600</u>

Support services as shown on the Statements of Activities relating to the Scholarship Fund are as follows (rounded to the nearest hundred):

	<b>2018</b>	<b>2017</b>
Financial operations and executive	\$ 7,700	\$ 7,300
Other support services	10,400	10,100
Total support services	<u>\$ 18,100</u>	<u>\$ 17,400</u>

**CFA Institute Research Foundation**  
**Notes to Financial Statements**  
**31 August 2018 and 2017**

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**9. Subsequent events**

The Foundation has assessed the impact of subsequent events through 12 December 2018, the date the audited financial statements were issued, and has concluded that no such events require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.