

CFA Institute
Research Foundation
Financial Statements
As of 31 August 2016 and 2015
And Independent Auditor's Report

CFA Institute Research Foundation
Table of Contents

	Page
Independent Auditor's Report	1
Statements of Financial Position As of 31 August 2016 and 2015.....	2
Statements of Activities For the years ended 31 August 2016 and 2015	3
Statements of Cash Flow For the years ended 31 August 2016 and 2015	4
Notes to Financial Statements 31 August 2016 and 2015	5



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 statements of financial position as of August 31, 2016 and August 31, 2015, 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.

Auditor's 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, 2016 and August 31, 2015, 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
22 November 2016

CFA Institute Research Foundation
Statements of Financial Position
As of 31 August 2016 and 2015

(Rounded to nearest hundred)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 79,400	\$ 64,600
Accounts receivable, net	4,100	1,400
Accounts receivable - affiliated organization (CFA Institute)	8,400	26,600
Prepaid expenses	6,300	-
Publication inventory	96,900	75,600
Total current assets	195,100	168,200
Investments at fair value	12,882,300	12,219,800
Total assets	\$ 13,077,400	\$ 12,388,000
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,100	\$ 8,000
Funds held for others	100	100
Total current liabilities	10,200	8,100
Total liabilities	10,200	8,100
Commitments and contingencies (note 6)		
Net assets		
Unrestricted		
Undesignated	11,596,400	10,847,100
Designated - 11 September Memorial Scholarship Fund	460,800	517,800
Designated - research grants	60,000	65,000
Designated - other	950,000	950,000
Total net assets	13,067,200	12,379,900
Total liabilities and net assets	\$ 13,077,400	\$ 12,388,000

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

CFA Institute Research Foundation
Statements of Activities
For the years ended 31 August 2016 and 2015

(Rounded to nearest hundred)

	<u>2016</u>	<u>2015</u>
Change in net assets		
Operating revenues		
Educational products	\$ 12,000	\$ 11,300
Contributions		
Public	258,800	271,400
Cash - affiliated organization (CFA Institute)	156,800	121,800
Non-cash - affiliated organization (CFA Institute)	597,000	752,000
Total operating revenues	<u>1,024,600</u>	<u>1,156,500</u>
Operating expenses		
Program services		
Educational content and products	50,700	13,900
Standards and advocacy	306,400	191,800
Marketing and communications	-	19,000
Scholarships - 11 September Memorial Fund	72,800	74,200
Program service provided by affiliated organization (CFA Institute)	365,000	383,000
Total program services	<u>794,900</u>	<u>681,900</u>
Support services		
Fundraising	18,200	28,100
Financial operations and executive	114,900	219,800
Support service provided by affiliated organization (CFA Institute)	269,000	369,000
Total support services	<u>402,100</u>	<u>616,900</u>
Total operating expenses	<u>1,197,000</u>	<u>1,298,800</u>
Loss from operations	(172,400)	(142,300)
Realized gains, interest and dividends (net)	<u>298,800</u>	<u>317,100</u>
Change in net assets from operations	126,400	174,800
Other changes		
Unrealized gains (losses) on investments (net)	<u>560,900</u>	<u>(801,500)</u>
Change in net assets	687,300	(626,700)
Net assets, beginning of year	<u>12,379,900</u>	<u>13,006,600</u>
Net assets, end of year	<u>\$ 13,067,200</u>	<u>\$ 12,379,900</u>

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

CFA Institute Research Foundation
Statements of Cash Flow
31 August 2016 and 2015

(Rounded to nearest hundred)

	<u>2016</u>	<u>2015</u>
Cash flows provided by operating activities:		
Cash inflows		
Educational products	\$ 100	\$ 200
Contributions - public	8,200	9,900
Affiliated organization (CFA Institute)	244,500	250,300
Interest and dividends	272,000	287,900
Total cash inflows	<u>524,800</u>	<u>548,300</u>
Cash outlays		
Program services		
Educational content and products	22,600	(7,200)
Standards and advocacy	280,000	191,800
Marketing and communications	1,200	6,500
Scholarships - 11 September Memorial Fund	72,800	74,200
Support services		
Fundraising	19,300	131,300
Financial operations and executive	39,300	22,400
Total cash outlays	<u>435,200</u>	<u>419,000</u>
Net cash provided by operating activities	<u>89,600</u>	<u>129,300</u>
Cash flows used in investing activities:		
Purchases of investments	(370,400)	(392,700)
Proceeds from investments	295,600	229,800
Net cash used in investing activities	<u>(74,800)</u>	<u>(162,900)</u>
Net increase (decrease) in cash and cash equivalents	14,800	(33,600)
Cash and cash equivalents, beginning of year	64,600	98,200
Cash and cash equivalents, end of year	<u>\$ 79,400</u>	<u>\$ 64,600</u>
Reconciliation of net income to net cash provided by operating activities		
Change in net assets	\$ 687,300	\$ (626,700)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized (gains) losses on investments (net)	(560,900)	801,500
Realized gains on investments (net)	(26,800)	(29,200)
Changes in		
Accounts receivable	(2,700)	9,800
Prepaid expenses	(6,300)	2,700
Publication inventory	(21,300)	(10,800)
Accounts payable and accrued liabilities	2,100	2,100
Advances to/from affiliated organization	18,200	(20,100)
Net cash provided by operating activities	<u>\$ 89,600</u>	<u>\$ 129,300</u>

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

CFA Institute Research Foundation

Notes to Financial Statements

31 August 2016 and 2015

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-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 accounting principles generally accepted in the US requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from 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 2016 and 2015, the Foundation had no temporarily restricted net assets.

CFA Institute Research Foundation

Notes to Financial Statements

31 August 2016 and 2015

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 2016 and 2015, 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 required by the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), to be 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 \$60,000 and \$65,000 as of 31 August 2016 and 2015, respectively.

Reclassifications and revisions

Certain reclassifications related to the prior year have been made within program services categories to conform to the current year presentation.

Cash flow reporting

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

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 2016 and 2015 (rounded to nearest hundred):

	2016	2015
The Foundation	\$ 75,600	\$ 60,300
The Scholarship Fund	3,800	4,300
Total cash and cash equivalents	<u>\$ 79,400</u>	<u>\$ 64,600</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.

CFA Institute Research Foundation

Notes to Financial Statements

31 August 2016 and 2015

Revenue

The Foundation earns its revenue from product sales, public contributions and CFA Institute intercompany contributions. Revenue is recognized pursuant to the Revenue topic of the FASB ASC.

Fundraising expenses

Fundraising expenses for the Foundation were \$18,200 and \$28,100 for fiscal years ended 31 August 2016 and 2015, 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 2016 and 2015.

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 2016 and 2015.

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 under the Income Taxes topic of the FASB ASC and has no uncertain tax positions.

New accounting pronouncements

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

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

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

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

In May 2015, FASB issued ASU No. 2015-07, *Fair Value Measurement*. The new guidance applies to

CFA Institute Research Foundation
Notes to Financial Statements
31 August 2016 and 2015

reporting entities that elect to measure the fair value of an investment using the practical expedient net asset value per unit available in the fair value measurement standard. The amendments in the ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the practical expedient of net assets per share. The amendments in the ASU are effective for fiscal years beginning after December 15, 2016, with early application permitted. The Foundation expects this guidance to have an impact on the fair value disclosure in its financial statements.

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

In August 2014, FASB issued ASU No. 2014-15, *Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This new guidance requires management to assess the Company's ability to continue as a going concern and to provide related disclosures in certain circumstances. This guidance is effective for fiscal years ending after December 15, 2016, with early adoption permitted. The Foundation does not expect this guidance to have an impact on its financial statements.

3. Investments

Investments, at fair value (see Note 4) as of 31 August 2016 and 2015, consist of the following (rounded to nearest hundred):

	<u>2016</u>	<u>2015</u>
The Foundation	\$ 12,425,300	\$ 11,706,300
The Scholarship Fund	457,000	513,500
Total investments	<u>\$ 12,882,300</u>	<u>\$ 12,219,800</u>

As of 31 August 2016 and 2015, 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 as of 31 August (rounded to nearest hundred):

	<u>2016</u>		<u>2015</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
Global equity	\$ 8,610,400	\$ 6,668,500	\$ 8,117,700	\$ 6,593,400
Global fixed-income	2,683,400	2,521,200	2,563,600	2,491,300
Inflation-protected securities	1,222,500	1,144,800	1,172,900	1,146,500
US government securities	366,000	362,800	365,600	364,400
Total investments	<u>\$ 12,882,300</u>	<u>\$ 10,697,300</u>	<u>\$ 12,219,800</u>	<u>\$ 10,595,600</u>

CFA Institute Research Foundation
Notes to Financial Statements
31 August 2016 and 2015

Investment gains (losses), interest and dividends (net) consist of the following (rounded to nearest hundred):

	<u>2016</u>	<u>2015</u>
Realized gains		
Global equity	\$ 23,900	\$ 27,100
Global fixed-income	2,500	1,900
Inflation-protected securities	400	200
Total realized gains (net)	<u>26,800</u>	<u>29,200</u>
Interest and dividends		
Global equity	190,500	196,100
Global fixed-income	66,800	71,200
Inflation-protected securities	10,400	16,900
US government securities	4,300	3,700
Total interest and dividends	<u>272,000</u>	<u>287,900</u>
Total realized gains, interest and dividends (net)	<u>298,800</u>	<u>317,100</u>
Unrealized gains (losses)		
Global equity	417,900	(712,100)
Global fixed-income	89,800	(40,300)
Inflation-protected securities	51,300	(49,900)
US government securities	1,900	800
Total unrealized gains (losses) (net)	<u>560,900</u>	<u>(801,500)</u>
Total gains (losses), interest and dividends (net)	<u>\$ 859,700</u>	<u>\$ (484,400)</u>

Description of major investments that represent more than 5% of total investments as of 31 August 2016:

- a. Vanguard Total Bond Market Index Fund Institutional Shares (included in global fixed-income) – Seeks to track the performance of a broad, market-weighted bond index. Invests in more than 8,300 bonds, including a wide spectrum of public, investment-grade, taxable, fixed income securities in the US with maturities of greater than one year.
- b. Vanguard Total Stock Market Index Fund Institutional Shares (included in global equity) – Seeks to track the performance of an index that measures the investment return of the overall US stock market. Invests in more than 3,600 stocks, including large-, mid-, small-, and micro-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 developed and emerging markets, excluding the US. Invests in more than 6,000 stocks of companies located in 46 countries.
- 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 40 bonds.

CFA Institute Research Foundation
Notes to Financial Statements
31 August 2016 and 2015

4. Fair value measurements

The Fair Value Measurements topic of the FASB ASC established a framework for measuring fair value. Per this topic, a fair value measurement is determined based on the assumptions that a market participant would use in pricing an asset or liability. This topic also established a three-tiered hierarchy that draws a distinction between market participant assumptions based on: (i) observable inputs such as quoted prices in active markets (Level 1), (ii) significant inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2), and (iii) significant, 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 whose fair value is measured primarily using information obtained from independent third parties. This third party information is subject to review by management as part of a validation process, which includes obtaining an understanding of the underlying assumptions and the level of market participant information used to support those assumptions.

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

The following tables present information about assets and liabilities required to be carried at fair value on a recurring basis as of 31 August 2016 and 2015 (rounded to nearest hundred):

	Fair value as of 31 August 2016	Fair value measurements as of 31 August 2016 Using:		
		Quoted market prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Global equity funds (note 3)	\$ 8,610,400	\$ 8,610,400	\$ -	\$ -
Fixed-income funds (note 3)	2,683,400	2,683,400	-	-
Inflation-protected securities (note 3)	1,222,500	1,222,500	-	-
U.S. government securities (note 3)	366,000	366,000	-	-
Total assets subject to fair value measurement	<u>\$ 12,882,300</u>	<u>\$ 12,882,300</u>	<u>\$ -</u>	<u>\$ -</u>

CFA Institute Research Foundation
Notes to Financial Statements
31 August 2016 and 2015

	Fair value as of 31 August 2015	Fair value measurements as of 31 August 2015 Using:		
		Quoted market prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Global equity funds (note 3)	\$ 8,117,700	\$ 8,117,700	\$ -	\$ -
Fixed-income funds (note 3)	2,563,600	2,563,600	-	-
Inflation-protected securities (note 3)	1,172,900	1,172,900	-	-
U.S. government securities (note 3)	365,600	365,600	-	-
Total assets subject to fair value measurement	\$ 12,219,800	\$ 12,219,800	\$ -	\$ -

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. Corresponding contributions are made by CFA Institute to cover these allocated expenses in their entirety. These contributions consist primarily of contributed goods and services. 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.

	2016	2015
CFA Institute contributions (rounded to nearest hundred)		
Contribution for Foundation program and support expenses	\$ 740,300	\$ 867,700
Contribution for the Scholarship Fund support expenses	13,500	6,100
Total contributions from CFA Institute	753,800	873,800
CFA Institute allocated operating expenses (non-cash)	597,000	752,000
Net cash contributions from CFA Institute	\$ 156,800	\$ 121,800

	2016	2015
Expenses paid by the contributions (rounded to nearest hundred)		
Program - the Foundation	\$ 354,000	\$ 383,000
Support - the Foundation	237,000	360,000
Products for use by members and others	139,300	105,700
Support - the Scholarship Fund	6,000	9,000
Other - the Scholarship Fund	7,500	6,100
Total expenses paid by the contributions	\$ 743,800	\$ 863,800

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.

CFA Institute Research Foundation
Notes to Financial Statements
31 August 2016 and 2015

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 \$60,000 and \$65,000 as of 31 August 2016 and 2015, 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 six grants totaling \$101,000 and four grants totaling \$85,000 for years ended 31 August 2016 and 2015, 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 anyone killed or permanently disabled in the attacks, and who will pursue university-level education in finance, economics, accounting, or business ethics.

Contributions to the Scholarship Fund, which is a twenty-year, self-liquidating fund, are recorded as temporarily restricted, except for the contribution from CFA Institute. According to the Not-for-Profit Entities topic of the FASB ASC, the contribution by CFA Institute is not temporarily restricted because of the control relationship between CFA Institute and the Foundation (see 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 2016 and 2015 was as follows (rounded to nearest hundred):

	<u>2016</u>	<u>2015</u>
Designated net assets, beginning of year	\$ 517,800	\$ 589,200
Realized gains, interest and dividends (net)	21,600	28,900
Unrealized gains (losses) on investments (net)	(5,800)	(26,100)
Scholarships awarded	(72,800)	(74,200)
Designated net assets, end of year	<u>\$ 460,800</u>	<u>\$ 517,800</u>

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

	<u>2016</u>	<u>2015</u>
Designated net assets	<u>\$ 460,800</u>	<u>\$ 517,800</u>
Net assets, end of year	<u>\$ 460,800</u>	<u>\$ 517,800</u>

CFA Institute Research Foundation
Notes to Financial Statements
31 August 2016 and 2015

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):

	<u>2016</u>	<u>2015</u>
Fundraising	\$ 18,200	\$ 28,100
Financial operations and executive	107,400	213,700
Other support services	263,000	360,000
Total support services	<u>\$ 388,600</u>	<u>\$ 601,800</u>

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

	<u>2016</u>	<u>2015</u>
Financial operations and executive	\$ 7,500	\$ 6,100
Other support services	6,000	9,000
Total support services	<u>\$ 13,500</u>	<u>\$ 15,100</u>

9. Subsequent events

The Foundation has assessed the impact of subsequent events through 22 November 2016, 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.