2015

Project Management Institute

Consolidated Financial Statements

Project Management Institute

2015

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Project Management Institute
Newtown Square, Pennsylvania

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Project Management Institute (a not-for-profit organization) and Subsidiaries which comprise the consolidated statement of financial position as of 31 December 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 these financial statements based on our audit. We conducted our audit 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 Project Management Institute (a not-for-profit organization) and Subsidiaries as of 31 December 2015 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – 2014 Financial Statements
The financial statements of Project Management Institute and Subsidiaries as of 31 December 2014 and for the year then ended were audited by Wipfli LLP whose report dated 23 April 2015 expressed an unmodified opinion on those statements, based on their audit and the reports of other auditors. Their audit report stated that they did not audit the financial statements of PMI Organization Centre Private Ltd, a majority-owned subsidiary in Mumbai, India; PMI Project Management Technology Co., Ltd, a wholly-owned foreign enterprise in Beijing, China; PMI Europe Limited, a wholly-owned subsidiary in the United Kingdom; and Human Systems Ltd., Human Systems International Ltd and Human Systems Europe Ltd, subsidiaries of PMI Europe Limited; which statements report total assets of approximately $3,336,000 as of 31 December 2014. Those statements were audited by other auditors whose reports were furnished to Wipfli LLP, and their opinion, insofar as it relates to the amounts included for PMI Organization Centre Private Ltd, PMI Project Management Technology Co., Ltd, PMI Europe Limited, Human Systems Ltd, Human Systems International Ltd and Human Systems Europe Ltd, is based solely on the reports of the other auditors.

RSM US LLP
Blue Bell, Pennsylvania
26 April 2016

	31 December, 2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,597,408	$ 14,293,151
Investments (Note 2)	391,662,132	363,873,988
Accounts and other receivables, net	9,671,276	6,507,892
Prepaid expenses	2,350,455	2,999,154
Inventory, net	521,490	1,061,318
Deferred tax asset, current, net (Note 14)	140,782	111,663
Total current assets	419,943,543	388,847,166
Property and equipment, net (Note 4)	18,033,248	18,472,767
Long-term assets:		
Deposits and other assets	353,937	336,122
Investments - long-term (Note 2)	2,586,307	2,022,008
Intangible assets, net (Note 6)	4,790,585	5,347,876
Goodwill (Note 6)	1,540,909	1,540,909
Deferred tax asset - long-term, net (Note 14)	14,092	–
Total long-term assets	9,285,830	9,246,915
Total assets	$ 447,262,621	$ 416,566,848
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable (Note 7)	$ 8,544,616	$ 10,531,695
Unearned revenue (Note 8)	40,058,396	37,514,724
Accrued expenses	6,686,813	5,333,928
Accrued salaries and payroll taxes	3,728,509	2,230,555
Grants payable - current (Note 9)	412,265	796,641
Deferred compensation (Note 19)	–	276,413
Total current liabilities	59,430,599	56,683,956
Long-term liabilities:		
Grants payable - long-term (Note 9)	76,405	–
Deferred rent liability	1,071,617	1,388,854
Deferred tax liability - long-term, net (Note 14)	–	267,055
Total long-term liabilities	1,148,022	1,655,909
Total liabilities	60,578,621	58,339,865
Commitments and contingencies (Note 17)		
Net assets:		
Unrestricted net assets	384,401,465	355,771,845
Temporarily restricted net assets (Note 10)	420,994	602,403
Permanently restricted net assets (Note 10 and 11)	1,861,541	1,852,735
Total net assets	386,684,000	358,226,983
Total liabilities and net assets	$ 447,262,621	$ 416,566,848

See notes to consolidated financial statements

	Years Ended 31 December,	
	2015	2014
Changes in unrestricted net assets:		
Revenue and support:		
Dues and professional examination fees	$ 157,714,499	$ 135,655,165
Conferences, seminars and professional development	16,489,900	18,095,597
Publications and advertising	13,516,834	14,907,102
Other	1,490,865	1,758,395
Investment (loss) income, net	(3,615,344)	16,785,335
Contributions	568,678	585,418
Net assets released from restrictions	251,175	138,481
Total revenue and support	186,416,607	187,925,493
Expenses:		
Program expenses:		
Brand management	36,379,748	30,505,705
Practitioner markets	74,019,968	66,143,747
Organization markets	24,771,275	25,346,397
Academic and educational programs	4,508,076	4,455,481
PMI Educational Foundation	3,144,418	3,162,732
Total program expenses	142,823,485	129,614,062
Support expenses:		
Finance and administration	9,517,800	9,901,268
Executive	2,715,148	2,377,825
Governance	1,930,138	1,791,220
Information technology	800,416	1,216,549
Total support expenses	14,963,502	15,286,862
Total expenses	157,786,987	144,900,924
Increase in unrestricted net assets	28,629,620	43,024,569
Changes in temporarily restricted net assets:		
Contributions	120,600	58,818
Recovery of uncollectible losses	-	22,438
Net assets released from restrictions	(251,175)	(138,481)
Investment (loss) income, net	(50,834)	96,324
(Decrease) increase in temporarily restricted net assets	(181,409)	39,099
Changes in permanently restricted net assets:		
Contributions	8,806	74,802
Recovery of uncollectible losses	-	22,314
Increase in permanently restricted net assets	8,806	97,116
Increase in net assets	28,457,017	43,160,784
Net assets, beginning of year	358,226,983	315,066,199
Net assets, end of year	$ 386,684,000	$ 358,226,983

See notes to consolidated financial statements

	Years Ended 31 December, 2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 28,457,017	$ 43,160,784
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,478,056	5,998,888
Amortization of intangible assets	539,231	548,538
Realized gain on investments	(13,335,266)	(4,508,929)
Unrealized loss (gain) on investments	29,990,817	(1,444,343)
Contributions restricted for endowment	(9,579)	(72,742)
(Gain) loss on sales and abandonment of property and equipment	(17,292)	968
Valuation loss on impairment of intangible asset	-	55,400
Provision for uncollectible accounts	153,405	21,854
Provision for inventory obsolescence	357,421	-
Deferred rent liability	(317,887)	(411,550)
Deferred tax benefit	(280,423)	(388,659)
Loss on translation adjustments	147,169	37,103
(Increase) decrease in assets:		
Accounts and other receivables	(3,405,573)	(3,718,254)
Inventory	182,139	(112,705)
Prepaid expenses	631,016	(657,546)
Deposits and other assets	(24,660)	(15,508)
Increase (decrease) in liabilities:		
Accounts payable	(1,951,614)	345,145
Unearned revenue	2,569,465	1,122,788
Accrued expenses	1,368,898	(540,470)
Accrued salaries and payroll taxes	1,504,040	(1,131,946)
Grants payable	(307,971)	354,335
Deferred compensation	(276,413)	276,413
Net cash provided by operating activities	53,451,996	38,919,564
Cash flows from investing activities:		
Purchase of investments	(191,684,507)	(218,332,368)
Proceeds from sale of investments	146,641,092	179,495,009
Disbursement from escrow account	-	482,302
Purchase of property and equipment	(7,020,996)	(7,594,418)
Net cash used in investing activities	(52,064,411)	(45,949,475)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	19,579	151,140
Net cash provided by financing activities	19,579	151,140
Effect on unrealized exchange rate changes on cash and cash equivalents	(102,907)	(85,716)
Net increase (decrease) in cash and cash equivalents	1,304,257	(6,964,487)
Cash and cash equivalents, beginning of year	14,293,151	21,257,638
Cash and cash equivalents, end of year	$ 15,597,408	$ 14,293,151

See notes to consolidated financial statements

PROJECT MANAGEMENT INSTITUTE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER, 2015 AND 2014

Note 1. Organization and Significant Accounting Policies

Organization and nature of activities: Project Management Institute (the Institute) is the world's leading not for profit membership association for the project management profession, with more than 478,000 members and 742,000 credential holders in over 200 countries. The Institute's worldwide advocacy for project management is supported by its globally recognized standards and credentials, its extensive research program, and its professional development opportunities. Its products and services are the basis of greater recognition and acceptance of project management's successful role in governments, organizations, academia and industries. Primary sources of revenue include dues, professional examination fees and publications. The Institute's headquarters are located in Newtown Square, Pennsylvania. In addition, the Institute operates internationally through contract service centers located in Lelystad, New Delhi, and Singapore that provide local customer care services, as well as through subsidiaries located in Mumbai, Beijing, Dubai, Singapore, and Brussels that provide local marketing services, conduct advocacy programs with regional organizations and academia, and foster regional chapter development activities. Project Management Institute is affiliated with domestic and international chapters. Chapters are separate, independent operating entities and, therefore, the consolidated financial statements do not include the accounts of these operating entities. The Institute also provides benchmarking and assessment services through subsidiaries in London and Sydney.

Principles of consolidation: The consolidated financial statements include accounts of Project Management Institute Educational Foundation (PMI Educational Foundation or the Foundation), PMI Organization Centre Private Ltd, a majority owned subsidiary in Mumbai, Republic of India (PMI India); PMI (Beijing) Project Management Technology Co., Ltd, a wholly owned foreign enterprise in Beijing, People's Republic of China (PMI China), which has a limited contractual obligation of twenty years; Project Management Institute Australasia PTY LTD (PMI Australasia), a proprietary limited company in Sydney, Australia and subsidiary, Project Management Institute Khaleeji FZ-LLC (PMI Khaleeji), in Dubai, United Arab Emirates; PMI Europe Limited and subsidiaries (PEL), a wholly owned subsidiary in the United Kingdom with subsidiaries in the United Kingdom and Australia; PMI Management Singapore Pte. Ltd, (PMI Singapore), a wholly owned subsidiary in Singapore; and PMI Management Europe (PMI Belgium), a wholly owned subsidiary in Brussels, Belgium. All significant intercompany transactions and balances have been eliminated in consolidation.

Foreign currency translation: The functional currencies of the Institute's foreign subsidiaries are their local currencies, Indian Rupees, Chinese Renminbi, British Pounds, United Arab Emirates Dirham, Australian Dollars, Singapore Dollars, and the Euro. All statements of financial position accounts have been translated using the exchange rate in effect at the statements of financial position dates. Statements of activities amounts have been translated using a monthly average exchange rate prevailing during the respective period.

Basis of presentation: The Institute reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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.

Note 1. Organization and Significant Accounting Policies *(continued)*

Cash and cash equivalents: For the purpose of the statements of cash flows, cash equivalents include all highly liquid investments with an initial maturity of three months or less that are not held in a brokerage account for reinvestment. As of 31 December 2015 and 2014, balances included in cash and cash equivalents of $115,536 and $214,207, respectively, are restricted for endowment.

Investments: The Institute carries all investments in marketable securities at fair value measured as more fully described in Note 3. Interest and dividend income is recognized when earned. Realized and unrealized gains and losses are reported in the change in net assets. All marketable securities at 31 December 2015 and 2014 are managed by an investment advisor.

Net investment income: Net investment income is reported as an increase in unrestricted net assets unless its use is restricted by explicit donor stipulation or law.

Accounts and other receivables: Accounts and other receivables are stated at the amount management expects to collect from balances outstanding at year-end. The carrying amount of accounts receivable is reduced by an allowance for credit losses that reflects management's best estimate of the amounts that will not be collected. Each customer balance is individually reviewed when all or a portion of the balance exceeds 90 days from the invoice date. Based on management's reserve policy, an estimate is made of 50% of outstanding balances between 91 to 120 days and 100% of outstanding balances over 120 days of the balance that will not be collected. The allowance for uncollectible accounts was $303,774 and $162,925 at 31 December 2015 and 2014, respectively.

Conditional promises to give: The Foundation has received conditional promises to give (in-kind services, primarily related to educational programs) up to a value of $70,786. The promises are conditional upon obtaining the required enrollment for the scholarships. Conditional promises to give are not recognized until they become unconditional; that is, in the period in which the conditions on which they depend are substantially met.

Inventory: Inventory consists of Institute publications and commercial publications held for sale. Inventory is stated at the lower of cost or market, average cost method. The carrying amount of inventory is reduced by a reserve for obsolescence that reflects management's best estimate of inventory that may be obsolete and may not be sold. Based on management's reserve policy, an estimate is recorded at varying percentages of the value of inventory on hand in excess of one year's sales based on the age of the inventory and historical obsolescence percentages. The reserve for inventory obsolescence was $357,421 and $0 at 31 December 2015 and 2014, respectively.

Property and equipment: Property and equipment are stated at cost. Maintenance, repairs and minor improvements are charged to operations as incurred. Depreciation is provided over the estimated useful lives of the assets by the straight line method. The estimated useful lives are as follows: buildings and improvements 5 to 40 years; office furniture and equipment 5 years; computer equipment 3 to 5 years and leasehold improvements 5 to 10 years or over the term of the lease.

Software development costs: The Institute expenses costs associated with the planning phase as well as costs related to the operating phase that do not significantly enhance the software. Costs incurred during the development stage are capitalized and amortized over three years. Computer software and equipment includes capitalized software development costs of $19,682,433 and $11,988,662 at 31 December 2015 and 2014, respectively. Software development in process includes capitalized software development costs not yet placed into service.

Goodwill and intangible assets: Goodwill is reviewed annually for impairment to ensure that the fair value is greater than or equal to the carrying value. Any excess of carrying value over the fair value is charged to operations in the period in which impairment is determined.

Intangible assets with finite lives are amortized on a straight line basis over the estimated residual life of the asset. Estimated asset lives are as follows: member relationships - 3 to 15 years; advertiser relationships - 7 years; developed technology - 15 years; trademarks and tradenames - 20 years to indefinite; and non-compete agreements - 6 years. The estimated useful lives of intangible assets are reviewed annually to determine if events or circumstances warrant a change in the remaining useful life of an asset. In addition, intangible assets are reviewed for impairment when events or circumstances indicate their carrying amount may not be recoverable.

Note 1. Organization and Significant Accounting Policies *(continued)*

Impairments of long-lived assets: In the event that facts and circumstances indicate that the carrying value of property and equipment or other noncurrent assets may be impaired, an evaluation of recoverability is performed in order to determine if an impairment exists. If an evaluation is required, the Institute estimates future undiscounted cash flows associated with the asset. If the total expected future undiscounted cash flows are less the carrying value for the asset, an impairment loss would be recognized. The impairment loss would be measured by the amount that the carrying value of the asset exceeds its fair value. No such losses were recognized in 2015 or 2014 as management did not believe any impairment existed for these periods.

Grants payable: Unconditional grants are recorded as expense during the year of approval. Grants subject to certain conditions are recorded as expense during the year in which the conditions are substantially met, or the possibility that the conditions will not be met is remote, as determined by management. Grants payable within one year are recorded at fair value at the date of authorization. Grants payable in more than one year are recorded at the present value of the future cash outflows using a risk free rate of return.

Unearned revenue: Unearned revenue represents gross membership and other fees less the amount earned by the Institute under normal revenue recognition procedures.

Revenue recognition: Membership dues are recorded in income commensurate with the term of the membership. Certification fee revenue is recognized as services are provided. Advertising revenues are recognized as income in the period of publication or display on website. Revenues are reported net of sales taxes. Revenue from the sale of books is recognized when shipped to the customer.

Advertising: The Institute uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended 31 December 2015 and 2014 was $2,442,529 and $1,561,361, respectively.

Income taxes: The Institute is exempt from U.S. federal income taxes under Section 501(c)(6) Internal Revenue Code and also exempt from Pennsylvania income taxes. Revenue generated from the Institute's advertising and sales of membership mailing lists are not considered program activity revenue by the Internal Revenue Service. This type of income is classified as unrelated business income and may be subject to income tax. For the years ended 31 December 2015 and 2014, there was no unrelated business income tax due.

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and generally exempt from federal and state taxes. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation had no net unrelated business income for the years ended 31 December 2015 and 2014.

Management evaluated the Institute's and Foundation's tax positions and concluded that the Institute and Foundation had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the years ended 31 December 2015 and 2014. The Institute and Foundation file tax returns in the U.S. federal jurisdiction. Generally, the Institute and Foundation are no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2012.

The Institute's for-profit subsidiaries that are subject to income taxes, include income tax expense and deferred tax assets and liabilities which are calculated using management's best assessment of estimated future taxes to be paid. As part of the process of preparing the consolidated financial statements, the Institute is required to estimate income taxes in each of the tax jurisdictions in which it operates. This process involves estimating the actual current tax obligations together with assessing temporary differences resulting from differing treatment of certain items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included within the consolidated statements of financial position. The Institute then assesses the likelihood that the deferred tax assets will be recovered from future taxable income. The Institute recognizes deferred tax assets to the extent that the Institute believes these assets are more likely than not to be realized. In making such a determination, the Institute considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. Actual results could differ from this assessment if adequate taxable income is not generated in future periods.

Note 1. Organization and Significant Accounting Policies *(continued)*

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on the Institute's results of operations, cash flows, or financial position.

The Institute considers the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and the Institute's specific plans for reinvestment of those subsidiary earnings. Should the Institute decide to repatriate the foreign earnings, the Institute would need to adjust the income tax provision in the period that it was determined that the earnings will no longer be indefinitely invested outside the United States.

Functional classification of expenses: Costs of providing the Institute's various programs and other activities have been summarized on a functional basis. Accordingly, the expenses directly related to the programs are combined with allocations of certain common costs of the Institute which have been allocated based on estimates made by management. Activities include the following major program areas:

Brand management: Brand management costs include those for the publication of monthly periodicals for the members of the Institute related to the practice and advancement of project management and current developments in the project management community; for Institute-published and other project management titles offered through the Institute's online marketplace; and for providing comprehensive access to knowledge resources, tools, networks, and broader perspectives to project, program, and portfolio managers worldwide through thought leadership publications and the Institute's PMI.org and ProjectManagement.com websites.

Practitioner markets: Practitioner market costs include those related to the delivery of membership benefits to members of the Institute; for delivery of examinations for the eight credentials offered by the Institute that recognize knowledge and competency; for delivery of a wide range of professional development offerings; and to foster and support chapter development activities in more than 290 geographic chapters around the world.

Organization markets: Organization markets costs include those related to the development of global standards for project, program and portfolio management; for development of talent management and knowledge assessment tools for organizations; for programs related to the Institute's elite community of industry and government project management directors and thought leaders who influence and advance the project and program management professions; for global accreditation programs for organizations that offer training in project management and issue professional development units (PDUs) needed by the Institute's credential holders to meet continuing education requirements; to provide benchmarking and assessment offerings; and to conduct worldwide advocacy programs that promote the strategic organizational value of project management.

Academic and educational programs: Academic and educational programs costs include those for the most extensive research program in the field that advances the science, practice, and profession of project management and expands project management's body of knowledge; and to conduct worldwide outreach programs to promote the academic value of project management.

PMI Educational Foundation: PMI Educational Foundation costs include those related to carrying out the charitable purposes of the Institute and fostering project management research, education and application throughout society on a global basis by providing educational resources, grants, scholarships and awards.

Recent accounting pronouncements: In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2016-01 includes a number of amendments that address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. One of the amendments eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The amendments in this update are effective for the Institute for fiscal years beginning after 15 December 2018, and interim periods within fiscal years beginning after 15 December 2019. The Institute has elected to adopt the amendment described above during the year ended 31 December 2015. The Institute has not yet determined the effect on the financial statements of adopting the other amendments included in ASU 2016-01.

Note 1. Organization and Significant Accounting Policies *(continued)*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB voted to delay the effective date of the proposed standard (ASU 2015-14, *Revenue from Contracts with Customers, Deferral of the Effective Date).* The updated standard will be effective for annual reporting periods beginning after 15 December 2018. The impact of adopting ASU on the Institute's financial statements for subsequent periods has not yet been determined.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the presentation of deferred income taxes by eliminating the requirement for entities to separate deferred tax liabilities and assets into current and noncurrent amounts in classified balance sheets. Instead, it requires deferred tax assets and liabilities be classified as noncurrent in the balance sheet. ASU 2015-17 is effective for financial statements issued for annual periods beginning after 15 December 2017. Early adoption is permitted, and this ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Institute has not yet selected a transition method and is currently evaluating the impact of the adoption of this standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. Lessor accounting is mostly unchanged from the current model, but updated to align with certain changes to the lessee accounting model and the new revenue recognition standard. The ASU is effective for annual reporting periods beginning after 15 December 2019, with early adoption permitted. The impact of adopting ASU on the Institute's financial statements for subsequent periods has not yet been determined.

Reclassifications: Certain reclassifications were made to the 2014 consolidated financial statements to conform to the current year presentation.

Note 2. Investments

At 31 December 2015, investments consist of the following:

	Cost	Fair Value
Money market funds held for reinvestment	$ 5,886,823	$ 5,886,823
Certificates of deposit	850,347	850,347
Equities	115,568,024	118,807,434
Mutual funds	205,803,799	194,744,512
Exchange traded funds	61,704,066	73,959,323
Total	$ 389,813,059	$ 394,248,439
Investments	$ 387,335,871	$ 391,662,132
Investments – long-term	2,477,188	2,586,307
Total	$ 389,813,059	$ 394,248,439

Note 2. Investments *(continued)*

The following schedule summarizes the asset classes of investments as of 31 December 2015:

U.S. equities	26%
International equities	19%
Fixed income	41%
Real estate investment trust	6%
Cash and equivalents	0%
Other	7%
	100%

At 31 December 2014, investments consist of the following:

	Cost	Fair Value
Money market funds held for reinvestment	$ 17,133,356	$ 17,133,356
Certificates of deposit	611,609	611,609
Equities	87,559,587	101,882,246
Mutual funds	181,894,432	181,259,675
Exchange traded funds	44,270,830	65,009,110
Total	$ 331,469,814	$ 365,895,996
Investments	$ 329,681,063	$ 363,873,988
Investments – long-term	1,788,751	2,022,008
Total	$ 331,469,814	$ 365,895,996

The following schedule summarizes the asset classes of investments as of 31 December 2014:

U.S. equities	34%
International equities	11%
Fixed income	43%
Real estate investment trust	4%
Cash and equivalents	4%
Other	4%
	100%

The following schedule summarizes the components of investment return which are reported in the consolidated statements of activities for the years ended 31 December:

	2015	2014
Interest and dividend income	$ 13,040,207	$ 10,832,063
Net unrealized (loss) gain	(29,990,817)	1,444,343
Net realized gain	13,335,266	4,508,929
Investment (loss) income, net - unrestricted	$ (3,615,344)	$ 16,785,335

	2015	2014
Interest and dividend income	$ 101,738	$ 83,962
Net unrealized (loss) gain	(109,489)	37,436
Net realized (loss)	(43,083)	(25,074)
Investment (loss) income, net - temporarily restricted	$ (50,834)	$ 96,324

Note 2. Investments *(continued)*

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Note 3. Fair Value Measurements

Valuation of investments: The fair value of each investment is determined at the statement of financial position date in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures.* Accordingly, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts and fair value measurements are separately disclosed by level within the fair value hierarchy. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of the Institute's financial assets that are carried at fair value as of 31 December 2015 and 2014.

Investments: The fair value of securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1). When listed prices or quotes are not available, fair value is based upon quoted market prices for similar or identical assets or other observable inputs (Level 2) or significant management judgment or estimation based upon unobservable inputs due to limited or no market activity of the instrument (Level 3).

Fair value on a recurring basis: The tables below present the balance of assets measured at fair value on a recurring basis as of 31 December:

2015	Total	Level 1	Level 2	Level 3
Money market funds held for reinvestment	$ 5,886,823	$ 5,886,823	$ –	$ –
Certificates of deposit	850,347	850,347	–	–
Equities	118,807,434	118,807,434	–	–
Mutual funds	194,744,512	194,744,512	–	–
Exchange traded funds	73,959,323	73,959,323	–	–
Total investments	$ 394,248,439	$ 394,248,439	$ –	$ –

2014	Total	Level 1	Level 2	Level 3
Money market funds held for reinvestment	$ 17,133,356	$ 17,133,356	$ –	$ –
Certificates of deposit	611,609	611,609	–	–
Equities	101,882,246	101,882,246	–	–
Mutual funds	181,259,675	181,259,675	–	–
Exchange traded funds	65,009,110	65,009,110	–	–
Total investments	$ 365,895,996	$ 365,895,996	$ –	$ –

Note 3. Fair Value Measurements *(continued)*

There was no change in the valuation techniques used to measure fair value of investments in the years ended 31 December 2015 and 2014.

At 31 December 2015 and 2014, the Institute did not have any financial instruments that are recorded at fair value on a nonrecurring basis.

Note 4. Property and Equipment

Property and equipment at 31 December are as follows:

	2015	2014
Land	$ 792,689	$ 792,689
Buildings and improvements	3,928,185	3,928,185
Leasehold improvements	6,866,078	6,792,387
Office furniture and equipment	3,252,198	1,955,310
Computer software and equipment	23,893,320	14,850,903
Software development in process	1,966,500	5,718,236
	40,698,970	34,037,710
Less accumulated depreciation and amortization	(22,665,722)	(15,564,943)
Net property and equipment	$ 18,033,248	$ 18,472,767

Note 5. Business Combinations

Human Systems International: On 3 May 2013, the Institute formed a wholly owned foreign subsidiary in the United Kingdom, PMI Europe Limited (PEL). PEL is a private limited holding company established for purposes of the acquisitions described in the following paragraphs. On 7 August 2013, PEL formed a wholly owned foreign subsidiary in Australia, PMI Holdings Pty Ltd. (PHPL). PHPL is a private limited company also established as a holding company for acquisition purposes.

On 26 September 2013, PEL and PHPL purchased 100% of the ownership of the Human Systems International group companies (HSI) through a series of concurrent acquisitions. HSI is a group of for-profit assessment and benchmarking companies with offices in London, United Kingdom and Sydney, Australia. HSI developed the world's largest and most robust database that highlights organizational project and program management best practices; using the insights assembled from this rich data sources will accelerate the Institute's ability to develop relevant and credible thought leadership positions, content resources, and knowledge and sharing among members and other key stakeholders.

The Institute made an initial cash payment of $3,640,727. The agreement also included a maximum earn out provision of approximately $482,000 (contingent consideration) for the period 27 September 2013 through 26 September 2014 and was based on the achievement of certain new membership targets, assessment revenue and gross margin goals as defined in the agreement. The fair value of the contingent consideration arrangement of $206,623 was estimated by applying the income approach, which is based on significant inputs not observable in the market. Key assumptions included a discount rate range of 1.3% - 3.4% depending on location (UK or Australia), metric goals and metric forecasts, and asset volatility of 35%. Additional consideration paid to the sellers under this arrangement after the measurement period was $164,315; the change in fair value for this liability between the acquisition date and payment date was recorded in organizational markets expense in the statement of activities for the year ended 31 December 2014.

The excess of the purchase price over the net tangible assets and liabilities of $1,351,509 was recorded as goodwill. The Institute believes the acquisition will further enable advancement of the project management profession and raise awareness of the value project, program, and portfolio management can deliver as strategic business values.

Note 5. Business Combinations *(continued)*

Gantthead.com, Inc.: On 31 December 2013, the Institute purchased 100% of the ownership interests of Gantthead.com, Inc. (Gantthead or the Entity), a taxable entity incorporated in Delaware, for $3,100,000. On 10 April 2014, the Institute's Board of Directors adopted a resolution to dissolve the Entity in accordance with Delaware General Corporation Law and to file an election under Internal Revenue Code Section 338(h)(10) to liquidate the Entity. All assets, liabilities and intellectual property of the Entity were effectively transferred to the Institute as of the acquisition date.

Through the acquisition of Gantthead, the Institute acquired two websites, ProjectManagement.com and Projects@Work.com. As a result, the Institute will now deliver the most comprehensive access to knowledge resources, tools, networks, and broader perspectives to project, program, and portfolio managers worldwide. Both sites focus on generating content through use of industry experts, and facilitating global networking and knowledge sharing among practitioners at all levels, across all regions and industries.

The excess of the purchase price over the net tangible assets and liabilities of $189,400 was recorded as goodwill.

Note 6. Goodwill and Other Intangible Assets

Goodwill is not subject to amortization, rather, will be assessed for impairment at least annually and is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of the established workforce, and expected cost synergies.

Goodwill of $1,540,909 is the result of the acquisitions of HSI and Gantthead described in Note 5. There were no impairments to goodwill for the years ended 31 December 2015 or 2014.

The gross carrying amount and accumulated amortization of intangible assets at 31 December, are as follows:

2015	Gross Assets	Accumulated Amortization	Net Book Value	Useful Life
Advertiser relationships	$ 1,695,300	$ 484,371	$ 1,210,929	7 years
Member relationships	1,181,638	200,790	980,848	15 years
Developed technology	1,511,878	226,782	1,285,096	15 years
Trademarks/tradenames	222,078	–	222,078	Indefinite
Trademarks/tradenames	904,100	90,410	813,690	20 years
Non-compete agreements	444,713	166,769	277,944	6 years
	$ 5,959,707	$ 1,169,122	$ 4,790,585	

2014	Gross Assets	Accumulated Amortization	Net Book Value	Useful Life
Advertiser relationships	$ 1,695,300	$ 242,186	$ 1,453,114	7 years
Member relationships	1,181,638	116,707	1,064,931	3-15 years
Developed technology	1,511,878	121,284	1,390,594	15 years
Trademarks/tradenames	222,078	–	222,078	Indefinite
Trademarks/tradenames	904,100	45,205	858,895	20 years
Non-compete agreements	444,713	86,449	358,264	6 years
	$ 5,959,707	$ 611,831	$ 5,347,876	

Note 6. Goodwill and Other Intangible Assets *(continued)*

The Institute acquired these intangibles as a result of the acquisitions described in Note 5. Estimated aggregate amortization expense for the remaining identified intangible assets are as follows for the years ending 31 December:

2016	$ 539,231
2017	539,231
2018	539,231
2019	520,700
2020	465,112

Aggregate amortization expense for the years ended 31 December 2015 and 2014 was $539,231 and $548,538, respectively. Because of a change in the delivery model for ProjectManagement.com memberships during the year and a shortfall in membership revenue as compared to the projections in the 2013 valuation, during 2014 the Institute determined that the carrying value of one of its member relationship intangibles will not be recovered. Accordingly, the Institute recorded a write-down of $55,400, which is included in Brand management expense in the accompanying statement of activities for the year ended 31 December 2014.

Note 7. Accounts Payable

Accounts payable include amounts due to local chapters for dues collected by the Institute on their behalf. Amounts due to chapters as of 31 December 2015 and 2014 were $917,488 and $849,303, respectively.

Note 8. Unearned Revenue

Unearned revenues at 31 December are as follows:

	2015	2014
Unearned membership dues	$ 29,982,546	$ 27,905,576
Unearned professional examination fees	7,602,435	6,652,870
Unearned registered education provider fees	1,513,950	1,577,046
Advanced seminar registration fees, booth sales and others	959,465	1,379,232
	$ 40,058,396	$ 37,514,724

Note 9. Grants Payable

Grants payable include amounts that will be paid more than one year after the date of the financial statements, which are discounted to present value using a discount rate equal to the risk-free rate of return on the date of grant approval. Grants payable at 31 December are as follows:

	2015	2014
Payable in one year or less	$ 412,265	$ 796,641
Payable in one year to five years	76,650	–
Total amount granted	488,915	796,641
Unamortized discount (.16%)	(245)	–
Grants payable	$ 488,670	$ 796,641

Note 10. Net Assets

The Institute's wholly owned foreign enterprise in Beijing, China is required to appropriate not less than 10% of its profit after tax for employee welfare benefit usage according to foreign invested enterprises law in the People's Republic of China. Annual appropriation of earnings is required until the accumulated restricted earnings balance is at least 50% of the registered capital of the Institute. Net assets appropriated under this rule were $94,073 and $69,966 as of 31 December 2015 and 2014, respectively, and are included in unrestricted net assets in the statements of financial position.

Note 10. Net Assets *(continued)*

Temporarily restricted net assets at 31 December consist of the following:

	2015	2014
Purpose release:		
Other	$ –	$ 69,966
Scholarships and awards	420,994	532,437
	$ 420,994	$ 602,403

Net assets were released from restrictions by satisfying purpose restrictions during the years ended 31 December as follows:

	2015	2014
Purpose release:		
Other	$ 69,966	$ –
Scholarships and awards	181,209	138,481
	$ 251,175	$ 138,481

Permanently restricted net assets consist of endowment fund assets to be held in perpetuity. The income from these assets is to be used to provide scholarships and awards.

Note 11. Endowment Funds

Accounting standards for the classification and disclosure of endowments of not-for-profit organizations provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and disclosures about an organization's endowment funds. As of 31 December 2015, Pennsylvania has not adopted UPMIFA.

The endowment of the Foundation consists of approximately 30 funds established for various purposes (donor-restricted endowment funds) and a board designated fund that was established in 2015 to support general operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Management has interpreted Pennsylvania law for investment of trust funds (PA Law) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment that is not classified in permanently restricted assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by PA Law. In accordance with PA Law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- the duration and preservation of the fund
- the purposes of the Foundation and the donor-restricted endowment fund
- general economic conditions
- the possible effect of inflation and deflation
- the expected total return from income and the appreciation of the investments
- other resources of the Foundation
- the investment policies of the Foundation

Note 11. Endowment Funds *(continued)*

Composition of endowment net assets: Endowment funds as of 31 December 2015 and changes therein during the year then ended are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 36,218	$ 193,349	$ 1,845,528	$ 2,075,095
Board designated endowment funds	551,025	–	–	551,025
	$ 587,243	$ 193,349	$ 1,845,528	$ 2,626,120

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 58,311	$ 293,672	$ 1,825,949	$ 2,177,932
Contributions	49,842	–	19,579	69,421
Transfer to board designated endowment	502,000	–	–	502,000
Investment income	8,741	101,738	–	110,479
Net realized and unrealized losses	(11,872)	(152,572)	–	(164,444)
Amounts appropriated for expenditure	–	(69,268)	–	(69,268)
Transfers	(19,779)	19,779	–	–
Endowment net assets, end of year	$ 587,243	$ 193,349	$ 1,845,528	$ 2,626,120

Endowment funds as of 31 December 2014 and changes therein during the year then ended are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 58,311	$ 293,672	$ 1,825,949	$ 2,177,932

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 49,508	$ 293,693	$ 1,674,810	$ 1,988,011
Contributions	–	–	144,539	144,539
Investment income	7,915	83,962	–	91,877
Net realized and unrealized appreciation	888	12,362	–	13,250
Amounts appropriated for expenditure	–	(66,345)	–	(66,345)
Transfers	–	–	6,600	6,600
Endowment net assets, end of year	$ 58,311	$ 293,672	$ 1,825,949	$ 2,177,932

Amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) as of 31 December are as follows:

	2015	2014
<u>Endowment funds classified as permanently restricted net assets</u>		
The portion of the perpetual endowment fund that is required to be retained permanently either by explicit donor stipulation or by State law	$ 1,845,528	$ 1,825,949
<u>Endowment funds classified as temporarily restricted net assets</u>		
The portion of the perpetual endowment fund subject to purpose restrictions	$ 193,349	$ 293,672

Note 11. Endowment Funds *(continued)*

Permanently restricted funds with deficiencies: At times, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level that the donor or PA Law requires the Foundation to retain as a fund of perpetual duration.

Deficiencies of this nature are reported in unrestricted net assets and were $19,779 and $0 as of 31 December 2015 and 2014, respectively. Deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

Return objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a source of funding for specific program activities of the Foundation, including Scholarships and Awards, while attempting to maintain the purchasing power of the endowment assets. Endowment assets include those assets that the Foundation must hold in perpetuity or for a donor-specified period of time. The primary long term management objective is to preserve the real (inflation adjusted) purchasing power of the endowment, both restricted and unrestricted, before gifts. This objective should be achieved over a 3-5 year period.

Strategies employed for achieving objectives: To satisfy its long term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The primary investment objective of the endowment is to earn an average real total return of 8.3%.

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considers the long-term expected return on its endowment.

The target spending rate is that which, as part of the total return, satisfies these conditions - (a) Permits reinvestment of enough total return to preserve the real purchasing power of current funds (b) permits a level of consistency and stability in the scholarship, academic and humanitarian programs of the Foundation (c) is sustainable over time regardless of periodic variations in the levels required to satisfy (a) and (d) recognizes that circumstances may preclude achievement of all three objectives in any one year.

Note 12. Concentration of Credit Risk

The Institute maintains cash and cash equivalent balances at financial institutions in accounts insured by the Federal Deposit Insurance Corporation (FDIC insured). The Institute also holds cash at overseas locations which are not subject to FDIC insurance. As of 31 December 2015, the uninsured balance was approximately $18,650,603. The Institute has not experienced any loss in such accounts. The Institute's management believes it is not exposed to any significant credit risk on its cash and cash equivalents balances.

Note 13. Non-U.S. Operations

Operations outside the United States are currently conducted by subsidiaries in Mumbai, India; Beijing, China; Sydney, Australia; London, United Kingdom; Dubai, UAE; Singapore; and Brussels, Belgium. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. Currency exchange controls and restrictions on the export of currency by certain countries may negatively impact the cash flows of the Institute. For example, there are currently existing currency exchange controls and restrictions on the RMB, the currency of China. Net assets of foreign subsidiaries are less than 2% of the Institute's total net assets and consist mainly of cash, accounts receivable, property and equipment, and intangible assets less accounts payable, accrued expenses, and deferred revenue.

Note 13. Non-U.S. Operations *(continued)*

The wholly owned foreign subsidiary (WOFE) in China has a requirement to fund $650,000 USD in registered capital. As the funding requirement was satisfied in previous years, no further funding is required as of 31 December 2015.

On 28 February 2014, the Institute formed a wholly owned foreign subsidiary in Singapore, PMI Management Singapore Pte. Ltd. (PMI Singapore). PMI Singapore is a private limited company whose primary purpose will be to promote and support the project management profession and to foster chapter development activities in the Asia Pacific region. The subsidiary began operations in July 2014.

On 29 December 2014, the Institute formed a wholly owned foreign subsidiary in Brussels, Belgium, PMI Management Europe (PMI Belgium). PMI Belgium is a private limited company whose primary purpose is to promote and support the project management profession in Europe by fostering regional chapter development and conducting advocacy programs with academic institutions. The subsidiary began operations in July 2015.

Note 14. Income Taxes

The Institute has a 99.9% interest in a foreign for-profit subsidiary, PMI Organization Centre Private Ltd, Mumbai, India. In addition, the Institute has a wholly owned foreign enterprise, PMI Project Management Technology Co., Ltd, Beijing, China; Project Management Institute Australasia PTY LTD, a proprietary limited company in Sydney, Australia, and Project Management Institute Khaleeji FZ LLC, a limited liability company in Dubai, UAE; PMI Management Singapore, a private limited company in Singapore; and PMI Management Europe, a private limited company in Brussels, Belgium. The Institute has elected to treat the foreign subsidiaries as pass-through entities for U.S. income tax purposes. The earnings from the investments in the subsidiaries are included in taxable income in a manner consistent with the financial reporting results. The majority of the earnings of the subsidiaries are derived through a cost-plus-fee arrangement with the Institute. The terms of the fee arrangements were established by independent transfer pricing studies. All of the earnings are wholly related to the tax exempt purpose of the Institute and are, therefore, not subject to unrelated business income tax in the United States.

The Institute has 100% interest in a foreign for-profit subsidiary, PMI Europe Limited (PEL), London, United Kingdom. PEL has ownership of subsidiaries in London, United Kingdom and Sydney, Australia. PEL is treated as a controlled foreign corporation for United States income tax purposes. The earnings from the investment in this subsidiary are derived from benchmarking and assessment consulting services.

As of 31 December 2015, the Institute has federal income tax net operating loss (NOL) carryforwards of $899,764, which will expire at various dates from 2024 through 2031. The current provision reflects a deferred benefit and corresponding deferred tax asset of approximately $306,000 related to such NOLs.

As of 31 December 2014, the Institute has federal income tax net operating loss (NOL) carryforwards of $746,769, which will expire at various dates from 2023 through 2030. The current provision reflects a deferred benefit and corresponding deferred tax asset of approximately $207,960 related to such NOLs.

The provision for taxes on income earned in India, China, Australia, the United Kingdom, Singapore, Belgium and the United States is reported in the consolidated statements of activities in brand management, practitioner markets, and organization markets program expenses and consists of the following for the years ended 31 December:

	2015	2014
Current provision	$ 119,740	$ 222,315
Deferred benefit	(274,497)	(390,727)
Income tax (benefit) provision	$ (154,757)	$ (168,412)

Note 14. Income Taxes *(continued)*

The net deferred tax assets (liabilities) are reported in the consolidated statements of financial position at 31 December as follows:

		2015		2014
Current:				
Deferred tax assets	$	190,088	$	164,981
Deferred tax liabilities		(49,306)		(53,318)
Net deferred tax assets - current portion		140,782		111,663
Non-current:				
Deferred tax assets		526,829		350,612
Deferred tax liabilities		(512,737)		(617,667)
Net deferred tax assets (liabilities) - non-current portion		14,092		(267,055)
Total net deferred tax assets (liabilities)	$	154,874	$	(155,392)

Deferred income taxes result from transactions which are recognized in different periods for financial and tax reporting purposes and relate primarily to the period of deduction for goodwill and intangible assets, certain accrued expenses, and different depreciation methods. Deferred income taxes are recognized for the tax consequences of these differences by applying enacted statutory rates expected to be in effect when taxes are actually paid or recovered.

Cash paid for foreign income taxes for the years ended 31 December 2015 and 2014 were $209,166 and $92,590, respectively.

Note 15. Foreign Currency Translation Adjustments

Foreign currency translation adjustments associated with consolidating the accounts of the Institute's majority owned for profit subsidiaries are reported in the consolidated statements of activities. The amount of accumulated translation adjustments are included in unrestricted net assets in the consolidated statements of financial position.

The accumulated foreign currency translation adjustments are as follows for the years ended 31 December:

		2015		2014
Balance, beginning of year	$	(209,685)	$	(172,582)
Foreign currency translation adjustment loss		(147,169)		(37,103)
Balance, end of year	$	(356,854)	$	(209,685)

Note 16. Related Party Transactions

The Institute contracts with individual members of the Institute to conduct seminars or training sessions, or to contribute to or write books for the Institute.

The amounts paid to members for the years ended 31 December are as follows:

		2015		2014
Honorariums	$	906,701	$	1,123,067
Royalties		5,380		8,117

Effective in 2011, the Institute assumed responsibility for providing core operational support services for its former Specific Interest Groups (SIGs) and Colleges. These communities operate primarily in a virtual environment. Transitioned SIGs donated $0 and $51,269 of their remaining assets to the Institute during the years ended 31 December 2015 and 2014, respectively.

Note 17. Commitments and Contingencies

The Institute has operating lease agreements for office space located in Newtown Square, Pennsylvania and Washington, DC, USA; Beijing, Shenzhen and Shanghai, China; Mumbai, New Delhi and Bangalore, India; London, United Kingdom; Sydney, Australia; Dubai, UAE; Singapore and Belgium, Brussels, which obligations end at various dates through 2020.

The Institute has a 10-year lease for office space with total lease payments of approximately $18,600,000 and annual minimum lease payments starting at $1,700,000 that increase annually over the lease term to amounts up to $2,000,000 per year. The lease agreement included a rent holiday of three months and provision for renewal periods at the Institute's option. The Institute recorded amounts related to rent holiday periods, scheduled rent increases and a tenant improvement allowance of $2,150,000 as deferred rent liability. The Institute amortizes the deferred rent on a straight line basis over the lease term beginning with the date the Institute took possession of the leased space.

Additionally, the Institute has lease agreements for various office equipment.

The primary component of the Institute's future obligations summarized below is the office rent expense for PMI headquarters located in Newtown Square, Pennsylvania. The summary of the minimum future obligations related to the office space and office equipment leases for each of the fiscal years ending 31 December is presented below:

Year ending 31 December:	
2016	$ 2,629,106
2017	2,449,225
2018	548,547
2019	111,100
2020	75,394
	$ 5,813,372

Rent expense for office space and equipment was $2,232,814 and $2,095,392 for the years ended 31 December 2015 and 2014, respectively.

The Institute enters into contracts with various hotels for blocks of rooms for future events. The commitments require the Institute to pay an attrition fee if the actual number of room nights used by the Institute is less than an agreed upon percentage of the initial room occupancy. The attrition fee represents the hotel's exclusive remedy for the Institute's failure to generate the agreed upon room block revenue and shall only be paid after management's review and approval.

Note 18. Leasing Activities

The Institute leased office space to a tenant under a non-cancelable operating lease. Rental income for 31 December 2015 and 2014 totaled $0 and $238,037, respectively.

The lease expired on 30 April 2014 and was not renewed.

Note 19. Retirement Plans

The Institute has a defined contribution savings plan for the benefit of its employees. Under the plan, a contribution based on compensation is made for each covered employee. The plan allows employees to make elective salary deferrals and the Institute will make matching contributions based on the employees' elective salary deferrals. For the years ended 31 December 2015 and 2014, the Institute contributed $1,849,165 and $1,676,048, respectively, to the plan.

Note 19. Retirement Plans *(continued)*

The Institute had a deferred compensation plan for its current President & CEO which vested on 31 December 2015. The President & CEO elected to receive a distribution for this plan upon reaching the vesting date. The liability for this benefit as of 31 December 2015 and 2014 was $0 and $276,413, respectively. The final benefit amount of $562,500 was paid in the form of a lump sum distribution on 31 December 2015.

In 2015 and 2014, the Institute recognized $286,087 and $276,413, respectively, in compensation expense related to the plan.

Note 20. Subsequent Events

In preparing these consolidated financial statements, management has evaluated events and transactions for potential recognition or disclosure through 26 April 2016, the date the consolidated financial statements were available to be issued.

Project Management Institute

Beijing

Bengaluru

Brussels

Buenos Aires

Dubai

Dundalk

London

Mumbai

New Delhi

Philadelphia

Rio de Janeiro

São Paulo

Shanghai

Shenzhen

Singapore

Sydney

Washington, D.C.