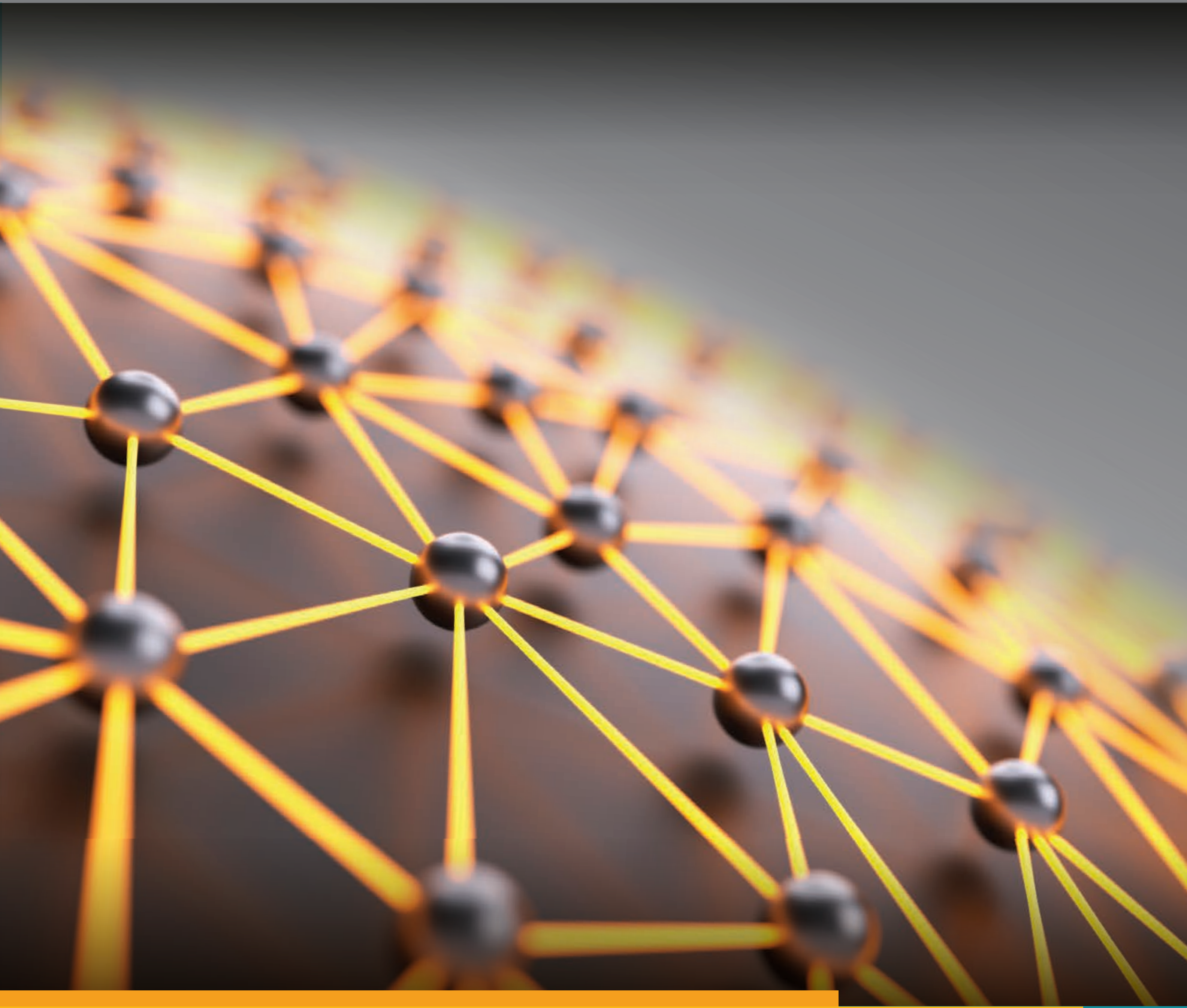
Project Management Institute

2014 Consolidated Financial Statements



Project Management Institute

Project Management Institute and Subsidiaries

Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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 December 31, 2014, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We 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; 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 December 31, 2014. Those statements were audited by other auditors whose reports have been furnished to us, and our 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. 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit and the reports of the other auditors, the consolidated 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 December 31, 2014, 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.

Prior Period Financial Statements

The financial statements as of December 31, 2013 and for the year then ended were audited by Elko & Associates Ltd, who merged with Wipfli LLP as of January 1, 2015, and whose report dated May 27, 2014, 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, or PMI Project Management Technology Co., Ltd, a wholly-owned foreign enterprise in Beijing, China, which statements report total assets of approximately $2,190,000 as of December 31, 2013. Those statements were audited by other auditors whose reports were furnished to Elko & Associates Ltd, and their opinion, insofar as it relates to the amounts included for PMI Organization Centre Private Ltd, and PMI Project Management Technology Co., Ltd, is based solely on the reports of the other auditors.

Wipfli LLP

Media, Pennsylvania
April 23, 2015

PROJECT MANAGEMENT INSTITUTE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2014	December 31, 2013*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 14,293,151	$ 21,257,638
Cash in escrow	-	482,302
Investments (Note B)	363,873,988	319,210,636
Accounts receivable and other receivables–net	6,507,892	2,930,108
Prepaid expenses	2,999,154	2,354,211
Inventory	1,061,318	949,145
Deferred tax asset – current (Note M)	164,981	69,325
Total Current Assets	388,900,484	347,253,365
PROPERTY AND EQUIPMENT		
Land	792,689	792,689
Buildings and improvements	3,928,185	3,928,185
Leasehold improvements	6,792,387	6,794,491
Office furniture and equipment	1,955,310	1,538,771
Computer software and equipment	14,850,903	26,212,813
Software development in process	5,718,236	1,229,232
Subtotal	34,037,710	40,496,181
Less accumulated depreciation and amortization	(15,564,943)	(23,617,281)
Net Property and Equipment	18,472,767	16,878,900
LONG-TERM ASSETS		
Deposits and other assets	336,122	324,411
Investments – long-term (Note B)	2,022,008	1,904,032
Intangible assets, net of accumulated amortization of $611,831 and $63,293, respectively (Note D)	5,347,876	5,951,814
Goodwill (Note D)	1,540,909	1,540,909
Deferred tax asset – long-term (Note M)	350,612	199,084
Total Long-term Assets	9,597,527	9,920,250
TOTAL ASSETS	$ 416,970,778	$ 374,052,515
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 10,531,695	$ 10,218,301
Unearned revenue	37,514,724	36,415,567
Accrued expenses	5,333,928	5,878,873
Accrued salaries and payroll taxes	2,230,555	3,365,462
Grants payable – current (Note G)	796,641	352,978
Deferred compensation (Note R)	276,413	-
Deferred tax liability – current (Note M)	53,318	68,168
Total Current Liabilities	56,737,274	56,299,349
LONG-TERM LIABILITIES		
Grants payable – long-term (Note G)	-	89,328
Deferred rent liability	1,388,854	1,800,708
Deferred tax liability – long-term (Note M)	617,667	796,931
Total Long-Term Liabilities	2,006,521	2,686,967
Total Liabilities	58,743,795	58,986,316
NET ASSETS		
Unrestricted net assets	355,771,845	312,768,065
Temporarily restricted net assets (Note H)	602,403	542,515
Permanently restricted net assets (Note H and I)	1,852,735	1,755,619
Total Net Assets	358,226,983	315,066,199
TOTAL LIABILITIES AND NET ASSETS	$ 416,970,778	$ 374,052,515

** Restated, See Note A*

The accompanying Notes are an integral part of these statements.

PROJECT MANAGEMENT INSTITUTE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For the years ended December 31, 2014	2013*
REVENUES		
Brand Management	$ 14,876,852	$ 12,664,859
Practitioner Markets	146,623,348	153,924,416
Organizational Markets	8,439,669	7,001,106
Academic and Educational Programs	285,180	86,552
PMI Educational Foundation	870,576	1,000,147
Finance and Administration	16,961,573	33,281,860
Total Revenues	188,057,198	207,958,940
PROGRAM EXPENSES		
Brand Management	30,490,880	26,651,000
Practitioner Markets	66,143,747	70,405,901
Organizational Markets	25,356,712	23,835,542
Academic and Educational Programs	4,455,481	3,326,213
Information Technology	1,216,549	966,950
PMI Educational Foundation	3,162,732	3,118,832
Finance and Administration	9,901,268	10,855,137
Total Program Expenses	140,727,369	139,159,575
GOVERNANCE	1,791,220	1,745,601
EXECUTIVE	2,377,825	1,884,429
Total Expenses	144,896,414	142,789,605
CHANGE IN NET ASSETS	43,160,784	65,169,335
NET ASSETS – BEGINNING OF YEAR	315,066,199	249,896,864
NET ASSETS – END OF YEAR	$ 358,226,983	$ 315,066,199

* Restated, See Note A

PROJECT MANAGEMENT INSTITUTE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31, 2014	2013*
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 43,160,784	$ 65,169,335
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,998,888	6,532,502
Amortization of intangible assets	548,538	63,292
Realized gain on investments	(4,508,929)	(3,268,260)
Unrealized gain on investments	(1,444,343)	(21,295,969)
(Gain) loss on sales and abandonment of property and equipment	968	(130)
Valuation loss on impairment of intangible asset	55,400	-
Provision for uncollectible accounts	21,854	12,995
Deferred rent liability	(411,550)	(342,163)
Deferred tax benefit	(388,659)	(179,177)
Loss on translation adjustments	37,103	64,372
(Increase) decrease in assets		
Accounts receivable	(3,639,856)	4,721,941
Inventory	(112,705)	(381,229)
Prepaid expenses	(657,546)	(141,403)
Deposits and other assets	(15,508)	57,201
Increase (decrease) in liabilities		
Accounts payable	345,145	2,887,774
Unearned revenue	1,122,788	2,399,691
Accrued expenses	(540,470)	(2,836,800)
Accrued salaries and payroll taxes	(1,131,946)	576,520
Grants payable	354,335	442,306
Deferred compensation	276,413	(363,642)
Net Cash Provided by Operating Activities	39,070,704	54,119,156
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(218,332,368)	(100,227,136)
Proceeds from sale of investments	179,495,009	72,623,720
Acquisition of Human Systems International, net of cash acquired	-	(3,202,387)
Acquisition of Gantthead.com, Inc., net of cash acquired	-	(2,933,902)
Disbursement from (to) escrow account	482,302	(482,302)
Purchase of property and equipment	(7,594,418)	(7,433,953)
Net Cash Used in Investing Activities	(45,949,475)	(41,655,960)
EFFECT OF UNREALIZED EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(85,716)	14,312
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,964,487)	12,477,508
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	21,257,638	8,780,130
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 14,293,151	$ 21,257,638

* Restated, See Note A

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013

NON-CASH INVESTING ACTIVITIES:		
Acquisition of Human Systems International:		
Fair value of assets acquired	$	4,074,414
Goodwill		262,786
Liabilities assumed		(696,473)
Less: cash acquired		(438,340)
Net cash paid	$	3,202,387
Acquisition of Gantthead.com, Inc.:		
Fair value of assets acquired	$	2,832,500
Goodwill		267,500
Less: cash acquired		(166,098)
Net cash paid	$	2,933,902
Contingent consideration included in accounts payable and goodwill	$	206,623
Net deferred taxes included in goodwill from acquisitions		804,000

PROJECT MANAGEMENT INSTITUTE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A – Summary of 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 454,000 members and 679,000 credential holders in 195 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. The Institute's headquarters are located in Newtown Square, Pennsylvania. In addition, the Institute operates internationally through contract service centers located in Brussels, Lelystad, New Delhi and Singapore that provide local chapter support, marketing and customer care services, as well as through subsidiaries located in Mumbai, Beijing, Dubai and Singapore that conduct advocacy programs with regional organizations and foster regional chapter development. 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; 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. 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.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

NOTE A – Summary of Significant Accounting Policies *(continued)*

Level 1: 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: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

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. The carrying amounts approximate fair value because of the short maturity of those financial instruments. As of December 31, 2014 and 2013, balances included in cash and cash equivalents of $214,207 and $194,485, respectively, are restricted for endowment use.

Cash in Escrow – Cash held in escrow represents amounts restricted for the possible future funding of the contingent consideration negotiated in the Human Systems International business combination (please refer to Note C – Business Combinations) which was paid in 2014.

Investments – The Institute carries all investments in marketable securities at fair value, based on quoted prices in active markets (Level 1 measurements), in the statements of financial position. Realized and unrealized gains and losses are reported in the change in net assets. All marketable securities at December 31, 2014 and 2013 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 Receivable and Other Receivables – Accounts receivable 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 $162,925 and $158,866 at December 31, 2014 and 2013, respectively.

Conditional Promises to Give – The Foundation has received conditional promises to give (in-kind services, primarily related to educational programs and scholarships) up to a value of $2,066,000 in connection with a capital campaign. 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, commercial publications and gift items held for sale. Inventory is stated at the lower of cost or market, average cost method.

Property and Equipment – Capital additions 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 $11,988,662 and $21,337,333 at December 31, 2014 and 2013, respectively. Software development in process includes capitalized software development costs not yet placed into service.

NOTE A – Summary of Significant Accounting Policies *(continued)*

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.

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.

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. Revenues are reported net of sales taxes.

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 December 31, 2014 and 2013 was $1,561,361 and $2,235,504, respectively.

Income Taxes – The Institute is exempt from U.S. federal income taxes under Section 501(c)(6) and the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organizations are 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 December 31, 2014 and 2013, there was no unrelated business income tax due.

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 balance sheets. 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.

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.

NOTE A – Summary of Significant Accounting Policies *(continued)*

The federal income tax returns of the Institute and the Foundation for 2011, 2012 and 2013 are subject to examination by the federal, state and local taxing jurisdictions, generally for three years after they were filed.

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 – activities and offerings include 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, Institute published and other project management titles offered through the Institute's online marketplace, and comprehensive access to knowledge resources, tools, networks and broader perspectives to project, program and portfolio managers worldwide.
>
> Practitioner Markets – activities and offerings include membership to the Institute, seven certifications that recognize knowledge and competency, a wide range of professional development opportunities, and opportunities to join more than 286 geographic chapters and 33 industry or interest based communities of practice.
>
> Organizational Markets – activities and offerings include global standards for project, program and portfolio management, talent management and knowledge assessment tools for organizations, membership 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, global accreditation for organizations that offer training in project management and issue professional development units ("PDU"s) to meet the continuing education requirements needed by the Institute's credential holders, benchmarking and assessment offerings, and worldwide advocacy programs to promote the strategic organizational value of project management.
>
> Academic and Educational Programs – activities and offerings include the most extensive research program in the field that advances the science, practice and profession of project management, expands project management's body of knowledge, and worldwide outreach programs to promote the academic value of project management.
>
> PMI Educational Foundation – activities include carrying out the charitable purposes of PMI and fostering project management research, education and application throughout society on a global basis by providing educational resources, grants, scholarships and awards.

Supporting services for the Institute include Information Technology, Finance and Administration, Governance and Executive.

Restatement – The 2013 financial statements have been restated to include the Foundation. The effect of the restatement was an increase in 2013 revenues and expenses of $1,000,147 and $3,118,832, respectively, an increase in assets and liabilities of $2,798,964 and $684,724, respectively, and an increase in beginning net assets of $2,301,926.

NOTE B – Investments

At December 31, 2014, all investments are stated at fair value based on quoted market prices in active markets for identical securities (Level 1 measurements) and are summarized as follows:

	Cost	Fair Value
Money Market Funds held for reinvestment	$ 17,133,356	$ 17,133,356
Certificate 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

NOTE B – Investments *(continued)*

The following schedule summarizes investments as of December 31, 2014:

U.S. Equities	34%
International Equities	11%
Fixed Income	43%
Real Estate Investment Trust	4%
Cash and Equivalents	4%
Other	4%
	100%

At December 31, 2013, all investments are stated at fair value based on quoted market prices in active markets for identical securities (Level 1 measurements) and are summarized as follows:

	Cost	Fair Value
Money Market Funds held for reinvestment	$ 17,729,408	$ 17,729,408
Certificate of Deposit	538,095	538,129
Equities	76,859,876	92,578,691
Exchange Traded Funds	42,419,570	59,455,054
Mutual Funds	150,585,880	150,813,386
Total	$ 288,132,829	$ 321,114,668
Investments	$ 286,485,326	$ 319,210,636
Investments – long-term	1,647,503	1,904,032
Total	$ 288,132,829	$ 321,114,668

The following schedule summarizes investments as of December 31, 2013:

U.S. Equities	35%
International Equities	13%
Fixed Income	40%
Real Estate Investment Trust	4%
Cash and Equivalents	4%
Other	4%
	100%

The following schedule summarizes the components of investment return which are contained in Finance and Administration and PMI Educational Foundation revenues reported in the consolidated statements of activities:

	For the Years Ended December 31, 2014	2013
Interest and dividend income	$ 10,923,647	$ 8,238,864
Net unrealized gain	1,444,343	21,295,969
Net realized gain	4,508,929	3,268,260
Total Investment Income	$ 16,876,919	$ 32,803,093

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 C – Business Combinations

■ Human Systems International

On May 3, 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 August 7, 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 September 26, 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 source will accelerate the Institute's ability to develop relevant and credible thought leadership positions, content resources, and knowledge sharing among members and other key stakeholders. The results of HSI's operations have been included in the consolidated financial statements from the date acquired.

The Institute made an initial cash payment of $3,640,727. The agreement also includes a maximum earn out provision of approximately $482,000 (contingent consideration) for the period September 27, 2013 through September 26, 2014 and is 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 include 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 has been recorded in Organizational Markets expense in the Institute's statement of activities for the year ended December 31, 2014.

The Institute accounted for the business combination by applying the acquisition method, and accordingly, the purchase price was allocated to the tangible assets acquired and liabilities assumed based upon their fair values at the acquisition date. The fair value measurement was based on significant inputs that are not observable in the market. Key assumptions include a discount rate of 19%, revenue growth equal to 60% of total projected membership growth, long-term growth rates of 3%, royalty rates of 1% on trademarks and tradenames, implied attrition rates of 6.45% on member relationships, an obsolescence factor of 6.67% of developed technology and peak expected revenue losses of 10–20% on non-compete agreements. The excess of the purchase price over the net tangible assets and liabilities of $1,351,509, was recorded as goodwill, which is tax deductible and is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of the established workforce, and expected cost synergies. 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.

Acquisition-related costs incurred approximated $1,853,000 and are included in Organization Markets expense in the Institute's statement of activities for the year ended December 31, 2013.

The total purchase price is summarized as follows:

	December 31, 2013
Cash consideration	$ 3,640,727
Contingent consideration	206,623
	$ 3,847,350

NOTE C – Business Combinations *(continued)*

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition.

Net tangible assets acquired (liabilities assumed)	$	(836,765)
Finite life intangible assets acquired:		
Member relationships		1,153,937
Developed Technology		1,511,878
Non-Compete Agreements		444,713
Trademarks/Tradenames		222,078
Goodwill		1,351,509
	$	3,847,350

The acquired intangible assets with finite lives are being amortized on a straight-line basis over their estimated useful lives as follows:

	Years
Member Relationships	15
Developed Technology	15
Non-Compete Agreements	6

Trademarks/Tradenames and Goodwill are not subject to amortization, rather, will be assessed for impairment at least annually.

■ Gantthead.com, Inc.

On December 31, 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 April 10, 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 Institute accounted for the business combination by applying the acquisition method, and accordingly, the purchase price was allocated to the tangible assets acquired and liabilities assumed based upon their fair values at the acquisition date. The fair value measurement is based on significant inputs that are not observable in the market. The key assumptions included a discount rate of 17%, long-term growth rates of 2.5%, royalty rates of 4% on trademarks and tradenames, and implied attrition rates of 13% on advertiser relationships. The excess of the purchase price over the net tangible assets and liabilities, approximately $267,000, was recorded as goodwill, which is tax deductible.

Acquisition-related costs of approximately $325,000 were expensed and are included in Finance and Administration expenses in the Institute’s statement of activities for the year ended December 31, 2013.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition.

Net tangible assets acquired	$	228,100
Finite life intangible assets acquired:		
Member relationships		83,100
Trademarks/Tradenames		904,100
Advertiser relationships		1,695,300
Goodwill		189,400
	$	3,100,000

NOTE C – Business Combinations *(continued)*

The acquired intangible assets with finite lives are being amortized on a straight-line basis over their estimated useful lives as follows:

	Years
Member relationships	3
Trademarks/Tradenames	20
Advertiser relationships	7

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 Gantthead's established workforce, and expected cost synergies.

NOTE D – Goodwill and Other Intangible Assets

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

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

	2014		2013	
	Gross Assets	Accumulated Amortization	Gross Assets	Accumulated Amortization
Advertiser relationships	$ 1,695,300	$ 242,186	$ 1,695,300	$ -
Member relationships	1,181,638	116,707	1,237,037	19,086
Developed technology	1,511,878	121,284	1,511,878	25,713
Trademarks/Tradenames	1,126,178	45,205	1,126,178	-
Non-compete agreements	444,713	86,449	444,713	18,494
	$ 5,959,707	$ 611,831	$ 6,015,106	$ 63,293

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

2015	$ 540,540
2016	540,540
2017	540,540
2018	540,540
2019	521,878

Aggregate amortization expense for the years ended December 31, 2014 and 2013 was $548,538 and $63,293, 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 writedown of $55,400, which is included in Brand Management expense in the accompanying statements of activities.

NOTE E – 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 December 31, 2014 and 2013 were $849,303 and $1,014,833, respectively.

NOTE F – Unearned Revenue

	December 31, 2014	December 31, 2013
Unearned membership dues	$ 27,905,576	$ 27,297,809
Unearned certification test fees	6,690,495	6,237,158
Unearned registered education provider fees	1,645,796	1,631,193
Advance seminar registration fees, booth sales and others	1,272,857	1,249,407
Total	$ 37,514,724	$ 36,415,567

NOTE G – Grants Payable

Grants payable include amounts that will be paid more than one year after the date of the financial statements. The fair values of grants payable, using a discount rate equal to the risk-free rate of return on the date of grant approval, were as follows:

	December 31, 2014	December 31, 2013
Payable in one year or less	$ 796,641	$ 352,978
Payable in one year to five years	-	90,583
Total amount granted	796,641	443,561
Unamortized discount (.7%)	-	(1,255)
Grants Payable	$ 796,641	$ 442,306

NOTE H – Net Assets

Temporarily restricted net assets are available to provide scholarships, awards, board approved educational initiatives and employee welfare benefits to employees in Beijing, China. 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 Company. Net assets restricted under this rule were $69,966 and $49,177 as of December 31, 2014 and 2013, respectively, and are included as temporarily restricted net assets in the statements of financial position.

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.

For the year ended December 31, 2014, the change in the three classes of net assets were: unrestricted net assets $43,003,780, temporarily restricted net assets $59,888 and permanently restricted net assets $97,116.

For the year ended December 31, 2013, the change in the three classes of net assets were: unrestricted net assets $65,032,515, temporarily restricted net assets $55,423 and permanently restricted net assets $81,397.

NOTE I – Endowment Fund

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 December 31, 2014, Pennsylvania has not adopted UPMIFA. The following disclosures are made as required by the accounting standards.

NOTE I – Endowment Fund *(continued)*

The endowment of the Foundation consists of approximately 30 funds established for various purposes. Its endowment includes donor-restricted endowment funds. 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:

(1) the duration and preservation of the fund
(2) the purposes of the Foundation and the donor-restricted endowment fund
(3) general economic conditions
(4) the possible effect of inflation and deflation
(5) the expected total return from income and the appreciation of the investments
(6) other resources of the Foundation
(7) the investment policies of the Foundation

Composition of Endowment Net Assets

Endowment net assets composition by type of fund at December 31, 2014 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 293,672	$ 1,825,949	$ 2,119,621

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 263,693	$ 1,674,810	$ 1,938,503
Contributions	-	144,539	144,539
Investment income	83,962	-	83,962
Net realized and unrealized appreciation	12,362	-	12,362
Amounts appropriated for expenditure	(66,345)	-	(66,345)
Transfers	-	6,600	6,600
Endowment net assets, end of year	$ 293,672	$ 1,825,949	$ 2,119,621

Endowment net assets composition by type of fund at December 31, 2013 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 263,693	$ 1,674,810	$ 1,938,503

NOTE I – Endowment Fund *(continued)*

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 332,351	$ 1,521,149	$ 1,853,500
Contributions	-	153,661	153,661
Investment income	59,722	-	59,722
Net realized and unrealized appreciation	114,814	-	114,814
Amounts appropriated for expenditure	(58,490)	-	(58,490)
Transfers	(184,704)	-	(184,704)
Endowment net assets, end of year	$ 263,693	$ 1,674,810	$ 1,938,503

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 temporarily restricted net assets, which were zero as of December 31, 2014 and 2013. 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 J – Financial Instruments

Generally Accepted Accounting Principles require disclosure of an estimate of fair value of certain financial instruments. The Institute's significant financial instruments are cash and cash equivalents, accounts receivable, investments, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

NOTE K – Concentration of Credit Risk

The Institute maintains cash and money market fund balances at financial institutions in accounts insured by the Federal Deposit Insurance Corporation (FDIC insured) and the Securities Investor Protection Corporation (SIPC insured). As of December 31, 2014, the uninsured balance was approximately $27,000,000. 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 money market fund balances.

NOTE L – 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.

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 December 31, 2014.

In 2013, the Institute formed a wholly-owned foreign subsidiary in Dubai, United Arab Emirates, through its wholly-owned subsidiary, PMI Australasia. Project Management Institute Khaleeji FZ-LLC ("PMI Khaleeji") is wholly-owned by PMI Australasia, and was established as a Free Zone Company with Limited Liability in the Dubai Technology & Media Free Zone. The primary purpose of this entity will be to promote and support the project management profession in the Middle East and Africa by providing education and training and to foster chapter development activities in the region.

On February 28, 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.

On December 29, 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 will be to promote and support the project management profession in Europe by fostering regional chapter development and conducting advocacy programs with regional organizations.

NOTE M – 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.

NOTE M – Income Taxes *(continued)*

As of December 31, 2014, the Institute has federal income tax net operating loss (NOL) carryforwards of $547,843, 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.

As of December 31, 2013, the Institute has federal income tax net operating loss (NOL) carryforwards of $238,676, which will expire at various dates from 2022 through 2029. The 2013 provision reflects a deferred benefit and corresponding deferred tax asset of approximately $102,870 related to such NOLs.

The provision for taxes on income earned in India, China, Australia, the United Kingdom, Singapore and the United States is reported in the accompanying consolidated statements of activities in Brand Management and Organizational Markets program expenses and consists of the following:

	For the Years Ended December 31, 2014	2013
Current provision	$ 222,315	$ 188,532
Deferred benefit	(390,727)	(181,421)
Provision (Benefit) for Income Taxes	$ (168,412)	$ 7,111

The net deferred tax assets are reported in the accompanying consolidated statements of financial position as follows:

	December 31, 2014	2013
Current:		
Deferred tax asset	$ 164,981	$ 69,325
Deferred tax liabilities	(53,318)	(68,168)
Net deferred tax assets-current portion	111,663	1,157
Non-current		
Deferred tax assets	350,612	199,084
Deferred tax liabilities	(617,667)	(796,931)
Net deferred tax liabilities – non-current portion	(267,055)	(597,847)
Total net deferred tax liabilities	$ (155,392)	$ (596,690)

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 December 31, 2014 and 2013 were $92,590 and $150,449, respectively.

NOTE N – 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.

NOTE N – Foreign Currency Translation Adjustments *(continued)*

The accumulated foreign currency translation adjustments are as follows:

	For the Years Ended December 31, 2014	2013
Balance at beginning of year	$ (172,582)	$ (108,210)
Foreign currency translation adjustments loss	(37,103)	(64,372)
Balance at end of year	$ (209,685)	$ (172,582)

NOTE O – 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 December 31, 2014 and 2013 are as follows:

	2014	2013
Honorariums	$ 1,123,067	$ 1,068,510
Royalties	8,117	10,804

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 $51,269 and $42,692 of their remaining assets to the Institute during the years ended December 31, 2014 and 2013, respectively. The donation revenue is included in program revenues for Practitioner Markets in the consolidated statements of activities.

NOTE P – 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 Brussels, Belgium, 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 increasing annually from $1,700,000 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 December 31 is presented below:

Year	Amount
2015	$ 2,613,931
2016	2,208,918
2017	2,142,888
2018	297,127
2019	34,114
Thereafter	5,686
	$ 7,302,664

NOTE P – Commitments and Contingencies *(continued)*

Rent expense for office space and equipment was $2,095,392 and $1,983,327 for the years ended December 31, 2014 and 2013, 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 Q - Leasing Activities

The Institute leases office space to a tenant under a noncancelable operating lease. Rental income for December 31, 2014 and 2013 totaled $238,037 and $687,082, respectively.

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

NOTE R – 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 December 31, 2014 and 2013, the Institute contributed $1,676,048 and $1,461,825, respectively, to the plan.

The Institute had a deferred compensation plan for its current President & CEO which vested on December 31, 2013. The President & CEO elected to receive a distribution for this plan upon reaching the vesting date. The final benefit amount of $665,664 was paid in the form of a lump sum distribution on December 31, 2013.

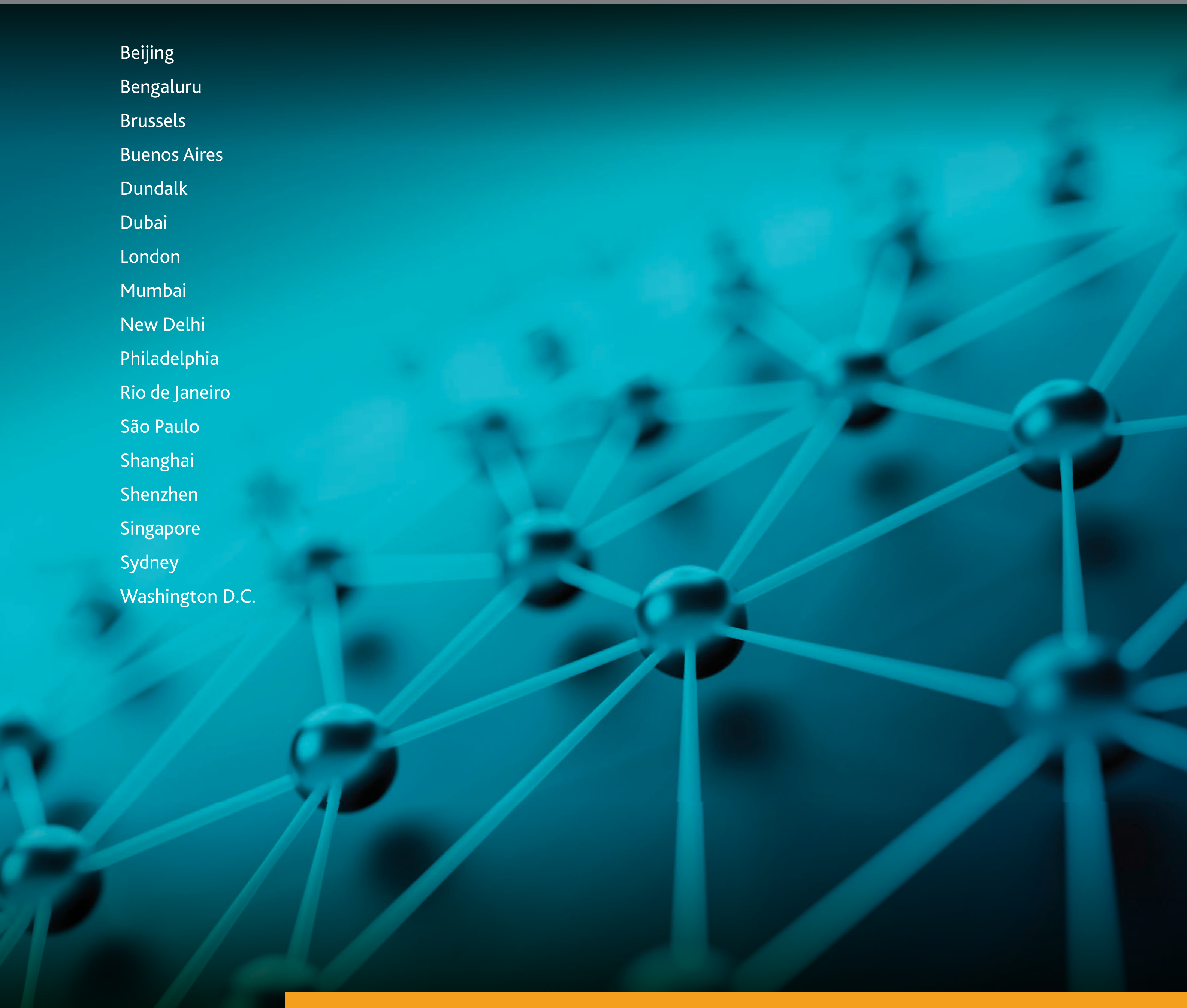
During 2013, an updated deferred compensation plan was signed for its current President & CEO which vests on December 31, 2015 and is conditional on his continuous employment through December 31, 2015. The liability for this benefit was $276,413 at December 31, 2014.

In 2014 and 2013, the Institute recognized $276,413 and $292,022, respectively, in compensation expense related to the plans.

NOTE S – Subsequent Events

In preparing these consolidated financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 23, 2015, the date the consolidated financial statements were available to be issued.

Project Management Institute



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