Project Management Institute
and Subsidiaries

Consolidated Financial Statements

31 DECEMBER 2019 & 2018

Project Management Institute

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Consolidated Statement of Financial Position

	Years Ended 31 December 2019	2018
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	$ 19,718,123	$ 24,306,803
Investments (Notes 2 and 3)	520,396,795	492,196,781
Accounts and other receivables, net	18,565,578	4,424,994
Prepaid expenses and other current assets	6,710,783	4,027,135
Inventory, net	1,403,231	1,049,791
Total current assets	**566,794,510**	**526,005,504**
Property and equipment, net (Note 4)	8,395,995	7,406,128
LONG-TERM ASSETS:		
Deposits and other assets	1,292,546	392,071
Investments - long-term (Notes 2 and 3)	21,043,041	21,271,614
Intangible assets, net (Notes 3 and 6)	3,971,595	812,676
Goodwill (Notes 3 and 6)	11,203,621	189,400
Deferred tax asset - long-term (Note 15)	414,586	620,687
Total long-term assets	**37,925,389**	**23,286,448**
Total assets	**$ 613,115,894**	**$ 556,698,080**
Liabilities and Net Assets		
CURRENT LIABILITIES:		
Accounts payable (Note 7)	$ 21,338,697	$ 3,205,802
Unearned revenue (Note 8)	55,341,769	43,151,584
Accrued expenses	38,201,045	29,699,881
Accrued salaries and payroll taxes	7,020,963	7,255,605
Grants payable - current (Note 9)	1,067,434	825,163
Total current liabilities	**122,969,908**	**84,138,035**
LONG-TERM LIABILITIES:		
Grants payable - long-term (Note 9)	1,582,354	186,738
Deferred rent liability	520,804	542,287
Total long-term liabilities	**2,103,158**	**729,025**
Total liabilities	**125,073,066**	**84,867,060**
Commitments and contingencies (Notes 17 and 20)		
NET ASSETS (NOTE 10):		
Without donor restrictions	485,475,338	469,568,275
With donor restrictions	2,567,490	2,262,745
Total net assets	**488,042,828**	**471,831,020**
Total liabilities and net assets	**$ 613,115,894**	**$ 556,698,080**

See notes to consolidated financial statements.

Consolidated Statement of Activities

	Years Ended 31 December 2019	2018
Changes in Net Assets Without Donor Restrictions		
REVENUE AND SUPPORT:		
Dues and professional examination fees	$ 225,276,657	$ 203,532,837
Conferences, seminars and professional development	22,156,217	18,487,085
Book sales and advertising	13,822,168	16,991,354
Other	607,282	1,717,394
Net investment (loss) return	67,521,447	(21,275,308)
Contributions	455,346	614,106
Net assets released from restrictions	251,050	121,285
Total revenue and support	**330,090,167**	**220,188,753**
EXPENSES AND LOSSES:		
PROGRAM EXPENSES:		
Certification	80,559,520	65,638,312
Membership	14,857,240	15,715,804
Other programs	108,252,530	88,293,290
PMI Educational Foundation	6,609,215	5,490,296
Total program expenses	**210,278,505**	**175,137,702**
SUPPORTING EXPENSES:		
Management and general	38,548,700	32,767,355
Transformation	58,330,093	28,453,036
Total supporting expenses	**96,878,793**	**61,220,391**
Total expenses	**307,157,298**	**236,358,093**
Change in net assets without donor restrictions	**$ 22,932,869**	**$ (16,169,340)**
Changes in Net Assets With Donor Restrictions		
Contributions	$ 57,400	$ 65,100
Net assets released from restrictions	(251,050)	(121,285)
Net investment return (loss)	498,395	(179,575)
Change in net assets with donor restrictions	**304,745**	**(235,760)**
Change in net assets	**$ 23,237,614**	**$ (16,405,100)**
Net Assets		
Beginning	$ 471,831,020	$ 488,236,120
Cumulative effect of adoption of ASU 2014-09 (Note 19)	(7,025,806)	-
Ending	$ 488,042,828	$ 471,831,020

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

	Years Ended 31 December 2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 23,237,614	$ (16,405,100)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH:		
PROVIDED BY OPERATING ACTIVITIES:		
Cumulative effect of adoption of ASC 606	(7,025,806)	-
Depreciation and amortization	3,562,604	4,109,148
Amortization of intangible assets	655,887	112,504
Realized and unrealized loss (gain) on investments	(42,552,353)	32,452,762
Contributions restricted for endowment	-	(2,100)
Loss on sales and abandonment of property and equipment	-	(757,838)
Loss on abandonment of software development	745	-
Provision for uncollectible accounts	649	2,938
(Recovery of) provision for inventory obsolescence	69,814	(109,236)
Deferred rent liability	(23,889)	(55,496)
Deferred tax benefit	206,261	(152,796)
Loss on translation adjustments	52,989	224,075
CHANGES IN ASSETS AND LIABILITIES:		
(Increase) Decrease in Assets:		
Accounts and other receivables	(13,884,213)	6,770,496
Inventory	(423,344)	409,917
Prepaid expenses	(2,685,882)	196,441
Deposits and other assets	(897,534)	(24,722)
Increase (Decrease) in Liabilities:		
Accounts payable	18,068,829	(1,821,836)
Unearned revenue	12,189,855	1,650,222
Accrued expenses	8,513,071	9,057,205
Accrued salaries and payroll taxes	(231,346)	2,375,893
Grants payable	1,637,887	(75,791)
Deferred compensation	-	(590,224)
Net cash provided by operating activities	**$ 471,838**	**$ 37,366,462**

Cash Flows from Investing Activities		
Purchase of investments	$ (118,999,770)	$ (112,461,289)
Proceeds from sale of investments	133,531,210	80,475,633
Acquisition of Discpilined Agile, Inc. and Net Objectives, Inc.	(14,993,578)	-
Purchase of property and equipment	(4,549,871)	(3,115,017)
Proceeds from sale of land and building	-	3,680,000
Net cash used in investing activities	**$ (5,012,009)**	**$ (31,420,673)**

Consolidated Statement of Cash Flows *(continued)*

	Years Ended 31 December	
	2019	2018
Cash Flows from Financing Activities		
Proceeds from contributions restricted for endowment	$ -	$ 69,718
Net cash provided by financing activities	**-**	**69,718**
Effect on Unrealized Exchange Rate Changes on Cash and cash equivalents	(48,509)	(87,473)
Net (decrease) increase in cash and cash equivalents	**$ (4,588,680)**	**$ 5,928,034**
Cash and Cash Equivalents		
Beginning	24,306,803	18,378,769
Ending	**$ 19,718,123**	**$ 24,306,803**
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	**$ 9,449**	**$ 97,808**
Supplemental Schedule of Non-cash Investing and Financing Activities		
Leasehold improvements via deferred lease incentive	**$ -**	**$ 556,336**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NOTE 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Project Management Institute, Inc. (the Institute) is the world's leading not-for-profit membership association for the project management profession, with more than 590,000 members and 1,087,000 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, conferences and seminars, and book sales and advertising. The Institute's headquarters are located in Newtown Square, Pennsylvania. In addition, the Institute operates internationally through contract service centers located in Dundalk, Ireland, New Delhi, India and Singapore that provide local customer care services, as well as through subsidiaries located in Beijing, Brussels, Dubai, London, Mumbai and Singapore that provide local marketing services, conduct advocacy programs with regional organizations and academia and foster regional chapter development activities. The 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.

A summary of significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when notification of the contribution is received; revenue is recognized when earned, and expenses are recognized when incurred.

Basis of presentation: The Institute reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

All contributions are available for use without donor restrictions unless specifically restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 20 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; PMI Management Europe (PMI Belgium), a wholly owned subsidiary in Brussels, Belgium; and PMI Canada, a wholly owned subsidiary in Vancouver, Canada. 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, Canadian Dollars and the Euro. All statements of financial position accounts have been translated using the exchange rate in effect on the statements of financial position dates. Statements of activities amounts have been translated using a monthly average exchange rate prevailing during the respective period.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

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.

Investments: The Institute carries all investments in marketable securities at fair value measured as more fully described in Note 3. The Institute measures its alternative investments using net asset value (NAV) per share (or its equivalent) as a practical expedient for fair value. Net investment return (loss) consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. Net investment return (loss) is reported in the statements of activities as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or law. All marketable securities at 31 December 2019 and 2018, are managed by an investment advisor.

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 $121,084 and $128,664 at 31 December 2019 and 2018, respectively.

Inventory: Inventory consists of Institute and Foundation publications and commercial publications held for sale, and paper stock for future production of Institute publications. Inventory is stated at the lower of cost or net realizable value, with cost being determined by the 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 $333,055 and $263,240 at 31 December 2019 and 2018, respectively.

Property and equipment: Property and equipment are stated at cost less accumulated depreciation. The Institute capitalizes all expenditures for property in excess of $25,000 with useful lives greater than one year. The Institute capitalizes all expenditures for equipment in excess of $5,000 with useful lives greater than one year. 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 five years; computer equipment three to five 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 are included in property and equipment. The costs are amortized over three years. Computer software and equipment includes capitalized software development costs which were $3,200,964 and $865,450 at 31 December 2019 and 2018, respectively. Software development in process includes capitalized software development costs not yet placed into service.

Goodwill and intangible assets: As of 1 January 2019, the Institute elected to make the Private Company Counsel (PCC) election and adopt the accounting alternatives for not-for-profit Companies for Topic 350 and Topic 805. The Institute adopted the PCC election as described in Accounting Standards Update (ASU) 2019-06. This election was originally issued as ASU 2014-18, but excluded not-for-profit companies. ASU 2019-06 extended the original guidance to not-for-profit entities and provides additional clarification. All Goodwill is amortized over 10 years. See Note 6.

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: advertiser relationships – 7 years; and trademarks and trade names – 20 years to indefinite. 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. During 2019 and 2018, the Institute recognized no losses related to the impairment of goodwill and intangible assets.

Impairments of long-lived assets: If 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 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 than 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.

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: In 2019, the Institute adopted the Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606 or the New Revenue Standard), in accordance with U.S. GAAP and has elected to implement a modified retrospective approach transition method. The core principle of the New Revenue Standard is that an entity recognizes revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services. The new standard recognizes revenue according to the following five-step model: (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when the performance obligation is satisfied.

The Institute performed an impact assessment to identify the effects of adopting the New Revenue Standard. This impact assessment included holding discussions with key stakeholders within the Institute, performing detailed contract reviews and identifying potential impacts within the Institute's core revenue streams. The analysis included determining any changes to the timing of revenue recognition, policies and processes, and annual financial statement disclosure requirements. The culmination of this assessment allowed the Institute to determine an overall approach to appropriately adopt ASC 606 effective as of 1 January 2019.

The analysis identified new application fees in two areas that were impacted, (new certification exam applications of $205/each and new membership applications of $10/each) that had previously been recognized immediately at the time of application. Under the New Revenue Standard, new certification application fees are being recognized when the exam is taken or if there is a no show for the exam after 12 months from the date of application. New membership application fee revenue is being recognized ratably over the one-year membership period. As a result, the Institute recorded transition adjustments of $6,194,680 and $831,126 for certification and membership application fees, respectively, which represent the amount of application fees that should have been deferred at 1 January 2019 under the New Revenue Standard. See Note 19.

Dues and professional exam fees on the statement of activities include memberships and certifications. Membership dues and application fees generally have a term of one year and provides various instructional tools, such as the *PMBOK® Guide*, events and webinars to members. These are generally satisfied over the membership term and considered one performance obligation. Application fees are nonrefundable. Both membership dues and application fees are recognized ratably over time on the input method based on the applicable membership period as the benefits are typically provided evenly over the term of the membership. Payment is due upon purchase.

Certification revenues include fees for applying for eligibility to sit for a certification exam. Application processing fees are nonrefundable. Certification exam fees are charged for taking the certification exams. Both certification application and exam fees are considered one performance obligation and revenue is recognized at a point in time when the applicant sits for the exam or if there is a no-show for the exam after 12 months from the date of the application. Payment is due upon the customer's registration for the certification exam.

Book sales and advertising include any hardcopy publications and advertising related to any entity requesting to reach the Institute's diverse global audience for print or digital avenues. Book sales and advertising are recognized at the point in time when a customer takes delivery of the publication or service. Revenue is recorded as net of sales tax.

Conferences, seminars and professional development include registrations for various events or access to the Institute's eLearning website. Performance obligations are generally satisfied for these revenue streams at a point in time when such events occur or services provided. Payment is due upon registration or application acceptance.

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 2019 and 2018, was $3,797,671 and $6,498,303, respectively.

Hedging activity: The Institute entered into an agreement with Wells Fargo National Association dated 2 October 2019, with the intent to hedge risk and/or minimize the Institute's financial exposure due to any Chinese foreign currency fluctuations (CNY) related to accounts receivable. As of 30 September 2019, the stated notional amount of the accounts receivable was $4.4 million at a rate of 7.140306 CNY per United States Dollar (USD) or 31,621,500 Chinese Renminbi (CNY) with a contract settlement date of 5 November 2019. U.S. GAAP considers this a non-deliverable forward contract with short term duration (about 35 days) ending on 5 November 2019. On contract settlement date of 5 November 2019, the final rate was 7.0437 CNY/USD resulting in a realized loss of $60,739 for the year ended 31 December 2019.

Income taxes: The Institute is exempt from U.S. federal income taxes under Section 501(c)(6) Internal Revenue Code (IRC) and 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.

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the IRC 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 2019 and 2018.

Management evaluated the Institute's and Foundation's tax positions and concluded that the Institute and Foundation had taken no uncertain tax positions that required adjustment to the financial statements.

Consequently, no accrual for interest and penalties was deemed necessary for the years ended 31 December 2019 and 2018. 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 2016.

The Institute's for-profit subsidiaries that are subject to income taxes include provisions for 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 noncurrent 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.

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 based on 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 certain common costs of the Institute which have been allocated based on estimates made by management. Rent and utilities and other are allocated to program and supporting services benefitted based on headcount. Allocated information technology expenses are allocated to program and supporting services benefitted based on headcount and the related revenue. Business value-added taxes are considered program expenses based on related revenue. Activities include the following major program areas:

Certification: Certification costs include those supporting 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; 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 meeting continuing education requirements; 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.

Membership: Membership management costs include the core operating cost to maintain existing members and add new members to the Institute.

Other Program Cost: Other program costs include: those for development of global standards for project, program and portfolio management; for publication of monthly periodicals for the members of the Institute related to the practice; bookstore publications, eLearning, advertising, event registration, 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. Additionally, this element of cost includes coalition building cost and events to conduct professional and academic research and strategy cost that related to the Institute's elite community of government project directors and thought leaders who influence and advance the project and program management professions; and to conduct worldwide advocacy programs that promote the strategic organizational 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 – adopted:
On 1 January 2019, the Institute adopted 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 Institute applied a modified retrospective approach, which resulted in a cumulative effect adjustment of $7,025,806 to reduce net assets on 1 January 2019 for the deferral of application fees for certifications and memberships. Under this method, prior periods are not adjusted to reflect the application of Topic 606, but rather a cumulative effect adjustment directly to net assets is recorded as of the date of initial adoption. The Institute elected to apply the standards only to contracts that were not completed at the date of initial adoption. In addition, the Institute elected to apply the guidance to contracts as modified as of the initial application date for purposes of identifying or determining the following at a ppoint in time: (a) the

performance obligations and which of them as satisfied or unsatisfied, (b) the transaction price and (c) the amount of the transaction price that should be allocated to each of the satisfied and unsatisfied performance obligations identified. See Note 19.

In addition, on 1 January 2019, the Institute adopted the portion of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received to assist entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions; and (2) determining whether a contribution is conditional. The Institute applied a modified prospective approach to agreements entered into after 1 January 2019. There was not a material impact on the 2019 consolidated financial statements.

On 1 January 2019, the Institute adopted ASU 2019-06, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958).* The purpose of this ASU is to extend the private company accounting alternatives on goodwill and certain intangible assets to not-for- profit entities and allows not-for-profit entities to elect the PCC election and amortize goodwill over 10 years. The Institute prospectively applied ASU 2019-06 to the 2019 consolidated financial statements.

Under this election, the Institute amortized $419,807 of goodwill for the year ended 31 December 2019, which is not deemed to be a material impact on the 2019 consolidated financial statements.

Recent accounting pronouncements – not yet adopted: In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions made to assist entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions; and (2) determining whether a contribution made is conditional. For an entity that serves as the resource provider, this portion of the standard is effective for fiscal years beginning after 15 December 2019. The Institute is currently evaluating the effect that this guidance will have on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*. This ASU is part of the disclosure framework project, which focuses on improving the effectiveness of disclosures for fair value measurements. This standard is effective for fiscal years beginning after 15 December 2019. The Institute is currently evaluating the effect that this guidance will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which 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 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 greater than 12 months regardless of classification. Leases with a term of 12 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 2020, with early adoption permitted. The impact of adopting ASU on the Institute's consolidated financial statements for subsequent periods has not yet been determined.

Reclassifications: Certain reclassifications were made to the 2018 consolidated financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or net assets previously reported. The 2018 consolidated statement of functional expenses was reclassified to reflect changes to the Institute's allocations, which resulted in an increase of $3,290,500 more for program expenses and a corresponding decrease in management and general expenses.

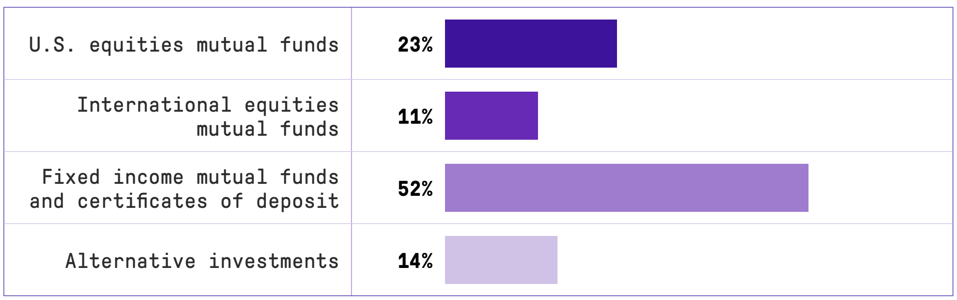
NOTE 2. Investments

At 31 December 2019, investments consist of the following:

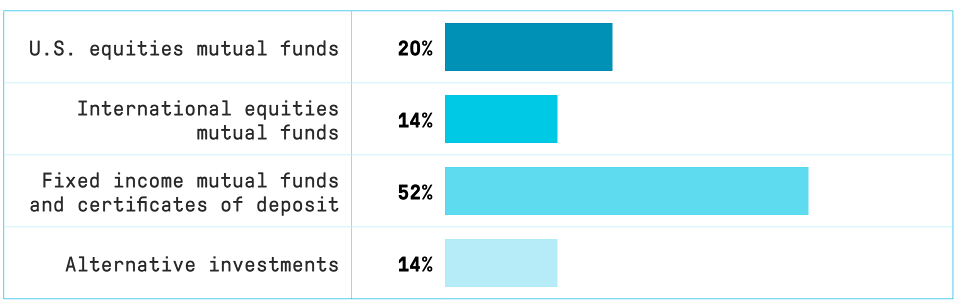
	2019		2018	
	COST	FAIR VALUE/NET ASSET VALUE	COST	FAIR VALUE/NET ASSET VALUE
Certificates of deposit	$ 1,191,649	$ 1,191,649	$ 1,056,442	$ 1,056,442
Mutual funds	466,489,176	463,154,032	480,015,294	438,689,954
Alternative investments (a)	72,400,000	77,094,155	72,400,000	73,721,999
Total	**$ 540,080,825**	**$ 541,439,836**	**$ 553,471,736**	**$ 513,468,395**
Investments	$ 517,438,804	$ 520,396,795	$ 530,722,796	$ 492,196,781
Investments - long-term	22,642,021	21,043,041	22,748,940	21,271,614
Total	**$ 540,080,825**	**$ 541,439,836**	**$ 553,471,736**	**$ 513,468,395**

(a) Alternative investments are measured using net asset value as a practical expedient to fair value.

The following schedule summarizes the asset classes of investments as of 31 December 2019:



The following schedule summarizes the asset classes of investments as of 31 December 2018:



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*. 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.

Investments measured at net asset value: The Institute measures its alternative investments using NAV per share (or its equivalent) as a practical expedient for fair value, and as such, the alternative investments have been excluded from the fair value hierarchy.

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all the Institute's financial assets that are carried at fair value as of 31 December 2019 and 2018.

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:

2019	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	INVESTMENTS VALUED AT NAV
Assets					
Certificates of deposit	$ 1,191,649	$ -	$ 1,191,649	$ -	$ -
Mutual funds	463,154,032	463,154,032	-	-	-
Alternative investments	77,094,155	-	-	-	77,094,155
Total investments	**$ 541,439,836**	**$ 463,154,032**	**$ 1,191,649**	**$ -**	**$ 77,094,155**

2018	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	INVESTMENTS VALUED AT NAV
Assets					
Certificates of deposit	$ 1,056,442	$ -	$ 1,056,442	$ -	$ -
Mutual funds	438,689,954	438,689,954	-	-	-
Alternative investments	73,721,999	-	-	-	73,721,999
Total investments	**$ 513,468,395**	**$ 438,689,954**	**$ 1,056,442**	**$ -**	**$ 73,721,999**

There was no change in the valuation techniques used to measure fair value of investments in the years ended 31 December 2019 and 2018.

Alternative investments represent the following as of 31 December 2019 and 2018.

	2019 NET ASSET VALUE	2018 NET ASSET VALUE	UNFUNDED COMMITMENTS	FREQUENCY (IF CURRENTLY ELIGIBLE)	REDEMPTION NOTICE PERIOD
Alternative Investments					
Offshore Opportunity Fund (a)	$ 25,683,906	$ 24,219,378	$ -	Quarterly	95 days
Energy Debt Fund (b)	17,510,321	18,150,010	-	Semiannual	95 days
Structured Credit Segregated Fund (c)	16,706,449	15,259,754	-	Quarterly	65 days
Core Property Fund (d)	17,193,479	16,092,857	-	Quarterly	95 days
Total	**$ 77,094,155**	**$ 73,721,999**	**$ -**		

(a) Investment fund investing in a fund of hedge funds that invest in equity hedge, global macro, relative value, and event-driven strategies. There are no restrictions on redemption of the investment as of 31 December 2019 or 2018; however, if the Institute were to redeem its investment, 10% of the value of the redemption may be held in escrow until the completion of the fund's audit.

(b) A U.S. limited partnership that invests in bonds and debt securities of U.S. and international energy companies. The investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption for the first three years after acquisition. At 31 December 2019, the remaining restriction period for these investments is two years. At 31 December 2018, the remaining restriction period for these investments was one year and 10 months.

(c) Investment fund investing primarily in equity and debt securities of collateralized debt obligations and other structured credit investments. The investments in this class cannot be redeemed because the investments include restrictions that do not allow for redemption for the first two years after acquisition. There was no restriction at 31 December 2019. The remaining restriction period for these investments was 10 months at 31 December 2018.

(d) A U.S. limited partnership that invests in real estate funds of U.S. commercial real estate, including the office, multi-family, retail and industrial sectors. There are no restrictions on redemption of the investment as of 31 December 2019 and 2018; however, if the Institute were to redeem its investment, 10% of the value of the redemption may be held in escrow until the completion of the fund's audit.

Fair value on a nonrecurring basis: Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments were not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the assets carried on the statement of financial position by caption and by level within the fair value hierarchy (as described above) as of 31 December:

2019	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Goodwill	$ 11,203,621	$ -	$ -	$ 11,203,621
Intangible Assets				
Advertiser relationships	67,300	-	-	67,300
Trademarks/trade names	1,374,670	-	-	1,374,670
Intellectual property	2,529,625	-	-	2,529,625
	$ 3,971,595	**$ -**	**$ -**	**$ 3,971,595**

2018	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Goodwill	$ 189,400	$ -	$ -	$ 189,400
Intangible Assets				
Advertiser relationships	134,600	-	-	134,600
Trademarks/trade names	678,076	-	-	678,076
	$ 812,676	**$ -**	**$ -**	**$ 812,676**

NOTE 4. Property and Equipment

Property and equipment at 31 December are as follows:

Property and Equipment	2019	2018
Leasehold improvements	$ 7,369,041	$ 7,301,975
Office furniture and equipment	5,572,850	5,110,700
Computer software and equipment	32,516,379	32,542,188
Software development in process	3,200,964	865,450
	48,659,234	**45,820,313**
Less accumulated depreciation and amortization	(40,263,239)	(38,414,185)
Net property and equipment	**$ 8,395,995**	**$ 7,406,128**

In 2018, the Institute recorded a gain of $757,838 from the sale of land and building, which is included in other income on the statement of activities for the year ended 31 December 2018.

NOTE 5. Business Combinations

Disciplined Agile: DAI, the parent of Disciplined Agile Consortium, (DAC) is the governing body for certification in The Disciplined Agile Toolkit – A Foundation for Business Agility. DAC was founded in 2012 and is based in Calgary, Canada. DAC provides information technology services for individuals and teams to make informed choices, improve their way of working, and help organizations streamline agile and lean strategies to make better decisions. DAC is the governing body for certification in Disciplined Agile. As such, DAC offers training and certification services to those requesting to become certified instructors, coaches, and partners. DAC provides information on curriculum, certification, access to certified members and resources to support Disciplined Agile activities. The Disciplined Agile Toolkit enables better decision making when customizing approaches for adopting agile within the context of an organization and its projects. The transaction allowed PMI the ability to offer the existing training and certification of Disciplined Agile to its existing training and certification portfolio and market the offering to its existing customer base.

On 31 July 2019, the Institute and Disciplined Agile, Inc. entered into an Asset Purchase Agreement (the DA Agreement). Under the terms of the DA Agreement, the Institute acquired certain assets and liabilities of the Disciplined Agile, Inc. The assets acquired primarily consist of intangible assets, accounts receivable and other assets as of 31 July 2019. Acquired liabilities primarily consist of those directly relating to the acquired assets. Total consideration was approximately $10 million, including cash of $9 million and escrow payments of $1 million. In addition, the DA Agreement included a deferred proceeds note for $8 million to the former owners of Disciplined Agile, Inc. to be split into three equal installment payments in 2020, 2021 and 2022. These payments are based on the former owners' continuing employment with the Institute; therefore, the deferred proceeds note is not included in the consideration transferred for the Disciplined Agile, Inc. business combination. See Note 17.

The Disciplined Agile, Inc. transaction was accounted for as a business combination under the acquisition method of accounting. Accordingly, the tangible and identifiable assets acquired and liabilities assumed were recorded at fair value as of 31 July 2019, with the remaining purchase price recorded as goodwill.

The goodwill is attributable primarily to strategic opportunities related to leveraging the Institute's existing customer base when offering the Disciplined Agile certification program.

The following table summarizes the fair values of the assets acquired and liabilities assumed at 31 July 2019:

Fair Value of Assets Acquired	
CURRENT ASSETS:	
Accounts receivables, net	$ 232,751
Prepaid expenses	1,991
Total current assets	**234,742**
INTANGIBLE ASSETS:	
Trade names	675,000
Proprietary intellectual property	2,253,000
Total intangible assets	**2,928,000**
Total assets acquired	**$ 3,162,742**

Fair Value of Liabilities Assumed	
Accounts payable and accrued expenses	$ 70,192
Total identifiable net assets	**3,092,550**
Fair value of consideration transferred	9,993,550
Goodwill	**$ 6,901,000**

The following table summarizes the fair values of the assets acquired and liabilities assumed at 25 September 2019:

Fair Value of Assets Acquired	
INTANGIBLE ASSETS:	
Trade names	$ 87,000
Proprietary intellectual property	380,000
Total intangible assets	**467,000**
Total assets acquired	**467,000**
Fair value of consideration transferred	5,000,028
Goodwill	**$ 4,533,028**

The fair values of intangible assets, including trade names and proprietary intellectual property, were determined using variations of the income approach including the relief from royalty approach, and the cost approach. Varying discount rates were also applied to the projected net cash flows. The Institute believes the assumptions are representative of those a market participant would use in estimating fair value.

Net Objectives: Net Objectives, Inc. (Net Objectives) is the governing body for certification in Flex – Flow for Enterprise Transformation. Net Objectives offers training and certification services to those requesting to become certified instructors and coaches. Net Objectives is an approach based on lean thinking and patterns that improve an organization's ability to achieve business agility – the ability to quickly realize value predictably, sustainably and with high quality. This transaction allows PMI the ability to offer this exciting training and certification of Flex to its existing training and certification portfolio and market the offering to its existing customer base.

On 25 September 2019, the Institute and Net Objectives entered into an Intellectual Property Purchase Agreement (the Net Objectives Agreement). Under the terms of the Net Objectives Agreement, the Institute acquired certain assets from Net Objectives. The assets acquired primarily consist of intellectual property, acquired contracts and tangible personal property. The Institute notes that the tangible personal property was deemed immaterial by the Institute. Specific excluded assets and liabilities are noted in the Net Objectives Agreement. Total consideration was $4.5 million paid as cash plus $0.5 million of funds deposited in escrow subject to an escrow agreement. A portion of the cash purchase price was used to pay expenses of Net Objectives.

The Net Objectives transaction was accounted for as a business combination under the acquisition method of accounting. Accordingly, the identifiable intangible assets acquired were recorded at fair value as of 25 September 2019, with the remaining purchase price recorded as goodwill. No liabilities were assumed in the Net Objectives Agreement. The goodwill recognized is attributable primarily to strategic opportunities related to leveraging the Institute's existing customer base when offering the Net Objectives certification program.

The fair values of intangible assets, including trade names and proprietary intellectual property, was determined using variations of the income approach including the relief from royalty approach and the cost approach. Varying discount rates were also applied to the projected net cash flows. The Institute believes the assumptions are representative of those a market participant would use in estimating fair value.

In 2019, the Institute elected to account for the DA and Net Objective Agreements under the accounting alternatives offered to not-for-profit entities extended in ASU 2019-06, commonly known as the PCC election. The PCC election has two primary aspects, first under Topic 350, a not-for-profit entity should amortize goodwill on a straight-line basis over 10 years. Secondly, under the amendments to the accounting alternative in Topic 805, for transactions occurring after adoption of the alternative, a not-for-profit entity should subsume into goodwill and amortize customer-related intangible assets that are not capable of being sold or licensed independently from the other assets of a business and all noncompetition agreements acquired. By electing the accounting alterative under Topic 805, the Institute is required to make the election under Topic 350. As a part of the making the election, the Institute included in goodwill the acquired customer relationships. Also, the Institute will amortize all acquired and previously recognized goodwill on a straight-line basis over 10 years.

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 IRC 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 now delivers 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.

Goodwill of $189,400 as of 31 December 2019 and 2018, is the result of the acquisition of Gantthead. The excess of the purchase price over the net tangible assets and liabilities of $189,400 was recorded as goodwill. Effective 1 January 2019, the goodwill associated with the Gantthead acquisition is now being amortized over 10 years upon the Institute's adoption of ASU 2019-06.

NOTE 6. Goodwill and Other Intangible Assets

The gross carrying amount and accumulated amortization of goodwill at 31 December are as follows:

	2019	2018
Goodwill		
Gross Assets	**$ 11,623,428**	**$ 189,400**
Accumulated Amortization	419,807	-
Net Book Value	$ 11,203,621	$ 189,400
Useful Life	10 years	N/A

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

2019	GROSS ASSETS	ACCUMULATED AMORTIZATION	NET BOOK VALUE	USEFUL LIFE
Intangible Assets				
Advertiser relationships	$ 1,170,643	$ 1,103,343	$ 67,300	7 years
Trademarks/trade names	1,666,100	291,430	1,374,670	15-20 years
Intellectual property	2,633,000	103,375	2,529,625	10 years
	$ 5,469,743	**$ 1,498,148**	**$ 3,971,595**	

2018	GROSS ASSETS	ACCUMULATED AMORTIZATION	NET BOOK VALUE	USEFUL LIFE
Intangible Assets				
Advertiser relationships	$ 1,170,643	$ 1,036,043	$ 134,600	7 years
Trademarks/trade names	904,100	226,025	678,075	20 years
	$ 2,074,743	**$ 1,262,068**	**$ 812,675**	

The Institute acquired these intangibles as a result of the acquisitions described in Note 5. Estimated aggregate amortization expense for goodwill of $11,203,621 and the remaining identified intangible assets of $3,971,595, shown to the right, for the years ending 31 December:

Remaining Assets (estimate)		
2020	$	655,887
2021		588,587
2022		588,587
2023		588,587
2024		588,587
Thereafter		12,164,981
	$	**15,175,216**

Aggregate amortization expense was $655,887 and $112,504 in the years ended 31 December 2019 and 2018, respectively.

NOTE 7. Chapter Dues 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 2019 and 2018, were $1,275,138 and $1,269,855, respectively.

NOTE 8. Unearned Revenue

Unearned revenues at 31 December are as follows:

		2019		2018
Unearned membership dues	$	37,641,969	$	34,530,344
Unearned professional examination fees		15,710,965		6,247,947
Unearned registered education provider membership dues		1,351,937		1,442,525
Advance seminar registration fees, booth sales and others		636,898		930,768
	$	**55,341,769**	**$**	**43,151,584**

NOTE 9. Grants Payable

Grants payable include amounts that will be paid more than one year after the date of the consolidated 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:

		2019		2018
Payable in one year or less	$	1,067,434	$	825,163
Payable in one year to five years		1,631,787		196,000
Total amount granted		**2,699,221**		**1,021,163**
Unamortized discount		(49,433)		(9,262)
Grants payable	**$**	**2,649,788**	**$**	**1,011,901**

NOTE 10. Net Assets

Net assets without donor restrictions at 31 December consist of the following:

Net Assets without Donor Restrictions	2019	2018
Undesignated	$ 270,543,308	$ 268,109,293
BOARD DESIGNATED:		
Required reserve funds	174,450,120	153,881,953
Surplus reserve funds	39,300,000	46,700,000
Restricted foreign earnings	241,515	191,405
Endowment fund (Note 11)	677,921	685,624
Opportunity reserve (board designated endowment) (Note 11)	120,162	-
Operating reserve	116,312	-
Professional development	26,000	-
	214,932,030	**201,458,982**
	$ 485,475,338	**$ 469,568,275**

Required reserve funds: The Institute maintains required reserve funds to assist in the event of an unanticipated major crisis, catastrophic loss, or severe economic shortfall or for opportunity building. The board-designated reserve fund is calculated as 85% of the three-year average of operating expenses, comprised of the previous two years' actual operating expenses and the current year budgeted operating expenses.

Surplus reserve funds: Surplus reserve funds are for Coalition Building and Transformation, which are based on business plans approved by the Board of Directors.

Restricted foreign earnings: 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 $241,515 and $191,405 as of December 31, 2019 and 2018, respectively, and are included in net assets without restrictions in the statements of financial position.

Operating reserve: The Foundation's operating reserve is intended to be used in situations of financial shortfall, with the long-term target to supply funding for up to one year of ongoing operation of the Foundation. Effective 1 January 2019, certain accounts are board-designated as the initial funding for the operating reserve. The targeted reserve amount is to supply funding for up to one year of limited operations of the Foundation, particularly to assure the Foundation can meet its outstanding grant commitments and commitments for endowed scholarships. The targeted reserve amount is calculated at a percentage of three years' average operating expenses augmented by anticipated budget growth plus total outstanding grant liabilities. The operating reserve plans to be funded to the targeted reserve amount of approximately $4.7 million over a period not to exceed 15 years.

Opportunity reserve: The Foundation's opportunity reserve is intended to provide additional funds for unexpected opportunities to build the Foundation's reputation or capability to deliver its mission. The opportunity reserve is to be used to fund innovative growth and expansion in a way that does not create large disruptions in normal operating budgets. Effective 1 January 2019, the quasi-endowment balance is board-designated as the initial funding for the opportunity reserve. The minimum target of the opportunity reserve is $500,000; however, there will be no further funding of the opportunity reserve until the operating reserve is fully funded. The opportunity reserve will be tracked and invested as part of the endowment fund until such time as further funding begins, at which point it will be maintained in a separate investment account, governed by specific direction to be created at that time.

Board-designated for professional development: Effective June 2019, the Foundation's Board approved the creation of the PMI Educational Foundation Professional Development Scholarship, an endowed fund for professional development scholarships.

Net assets with donor restrictions at 31 December consist of the following:

Net Assets with Donor Restrictions	2019	2018
SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE:		
Scholarships and awards	$ 55,560	59,587
ENDOWMENTS:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for scholarships and awards	489,952	191,526
SUBJECT TO ENDOWMENT SPENDING POLICY AND APPROPRIATION:		
Endowments for scholarships and awards	2,021,978	2,021,978
Underwater endowments	-	(10,346)
Total endowments	**2,511,930**	**2,203,158**
	$ 2,567,490	**$ 2,262,745**

Net assets with restrictions contain endowment fund assets to be held in perpetuity. The income from these assets is to be used to provide scholarships and awards.

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

Net Assets Released from Restrictions	2019	2018
PURPOSE RELEASE:		
Scholarships and awards	$ 251,050	$ 121,285

NOTE 11. Endowment Funds

Accounting standards for the classification and disclosure of endowments of nonprofit 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 2019, 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 U.S. GAAP, 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 net assets with donor restrictions for endowment: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the 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 net assets with donor restrictions for endowment is classified as net assets with donor restrictions for scholarships and awards or net assets without donor restrictions, based on the existence of donor restrictions or by law. Net assets with donor restrictions for scholarships and awards are classified as such, 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 deciding to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the foundation and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of the investments
- Other resources of the foundation
- Investment policies of the foundation

Composition of endowment net assets: Endowment funds as of 31 December 2019, and changes therein during the year then ended are as follows:

2019	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment Net Assets			
Donor-restricted endowment funds	$ 116,004	$ 2,511,930	$ 2,627,934
BOARD DESIGNATED ENDOWMENT FUNDS:			
Opportunity reserve	120,162	-	120,162
Other	677,921	-	677,921
	914,087	**2,511,930**	**3,426,017**

Endowment net assets, beginning of year	769,871	2,203,158	2,973,029
Net investment return	156,143	392,892	549,035
Amounts appropriated for expenditure	(11,927)	(84,120)	(96,047)
Endowment net assets, end of year	$ **914,087**	**$ 2,511,930**	**$ 3,426,017**

Endowment funds as of 31 December 2018, and changes therein during the year then ended are as follows:

2018	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment Net Assets			
Donor-restricted endowment funds	$ 84,247	$ 2,203,158	$ 2,287,405
Board designated endowment funds	685,624	-	685,624
	769,871	**2,203,158**	**2,973,02**

Endowment net assets, beginning of year	817,428	2,360,361	3,177,789
Contributions	26,024	69,718	95,742
Net investment return	(54,440)	(143,690)	(198,130)
Amounts appropriated for expenditure	(19,141)	(83,231)	(102,372)
Endowment net assets, end of year	**$ 769,871**	**$ 2,203,158**	**$ 2,973,029**

Amounts classified as net assets with restrictions as of 31 December are as follows:

	2019	2018
Endowment Fund Classified as Net Assets with Donor Restrictions		
The portion of the perpetual endowment fund that is required to be retained permanently either by explicit donor stipulation or by State law	$ 2,021,978	$ 2,021,978
The portion of the perpetual endowment fund subject to purpose restrictions	489,952	181,180
	$ 2,511,930	**$ 2,203,158**

Funds with donor restrictions 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.

There were no deficiencies of this nature at 31 December 2019. However, deficiencies of such nature existed in three endowment funds with donor restrictions and were reported in net assets with donor restrictions at December 31, 2018. Together, these funds had an original gift value of $175,000, a fair value of $164,654 and a deficiency of $10,346 as of 31 December 2018. Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by management. The Foundation's investment and spending policy permits management to assess prudent spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. In the event of significant anticipated underwater endowments due to continued appropriation for certain programs, the Foundation would pay out scholarships through funding from general operations.

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 with and without restrictions, before gifts. This objective should be achieved over a three to five-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 6.1%.

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's average value over the prior three years 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. Liquidity and Availability of Financial Assets

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2019	2018
Financial Assets		
Cash and cash equivalents	$ 19,718,123	$ 24,306,803
Receivables without donor restrictions due in one year or less	18,565,578	4,424,994
Investment balances, short-term	520,396,795	492,196,781
Endowment spending-rate distributions and appropriations	115,117	176,811
Less: appropriations required under foreign law	(241,515)	(191,405)
Less: required reserve funds not available for general expenditures	(174,450,120)	(153,881,953)
Less: surplus reserve funds not available for general expenditures	(39,300,000)	(46,700,000)
Financial assets available to meet cash needs for general expenditures within one year	**$ 344,803,978**	**$ 320,332,031**

Financial assets of the Institute were reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions and board designations. As described in Note 11, the endowment fund has a spending policy of 4%. Appropriations for 2020 from the endowment fund will be available within the next 12 months and are included in financial assets available above.

The Institute regularly monitors its cash available to meet its operating needs and other contractual commitments. The Institute has various sources of liquidity at its disposal, including cash and cash equivalents, marketable mutual funds and certificates of deposit. The Institute maintains reserve funds to assist in the event of an unanticipated major crisis, catastrophic loss, or severe economic shortfall or for opportunity building. If the Institute has surplus reserve funds, use of these funds may be authorized by the Board of Directors in support of a written business plan. In 2019 and 2018, the Board of Directors approved the use of surplus reserve funds for the following year's spending for coalition building and strategic plan refresh.

NOTE 13. 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) to $250,000 per account. The Institute also holds cash at overseas locations which are not subject to FDIC insurance, but which in some cases may be partially covered by local country deposit protection schemes. As of 31 December 2019, uninsured balances were approximately $17,200,000. 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 cash equivalents and its investment balances.

NOTE 14. Non-U.S. Operations and Assets

Operations outside the United States are currently conducted by subsidiaries in Beijing, China; Brussels, Belgium; Dubai, UAE; London, United Kingdom; Mumbai, India; Singapore; and Sydney, Australia. 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 1% of the Institute's total net assets and consist mainly of cash, accounts receivable, property and equipment, and deferred tax assets, less accounts payable, accrued expenses, and accrued salaries and payroll taxes. Total non-U.S. assets equaled approximately $5.7 million, which represented less than 1% of the Institute's total assets.

The wholly owned foreign subsidiary (WOFE) in China has a requirement to fund $650,000 USD in registered capital and is included in net assets without donor restrictions. As the funding requirement was satisfied in previous years, no further funding is required as of 31 December 2019 or 2018.

NOTE 15. 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; 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 these 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. As noted in Note 1, PEL's subsidiaries in London, United Kingdom were formally dissolved on 17 April 2018 and PEL's subsidiary in Sydney, Australia was formally dissolved on 8 August 2018. PEL is treated as a controlled foreign corporation for United States income tax purposes.

As of 31 December 2019, the Institute has federal income tax net operating loss (NOL) carryforwards of $1,190,403, which have no expiration date. The Institute's foreign subsidiaries have NOL carryforwards that will expire at various dates from 2028 through 2035. The current provision reflects a deferred benefit and corresponding deferred tax asset of $414,586 related to such NOLs.

As of 31 December 2018, the Institute has federal income tax net operating loss (NOL) carryforwards of $1,840,926, which have no expiration date. The Institute's foreign subsidiaries have NOL carryforwards that will expire at various dates from 2027 through 2034. The current provision reflects a deferred benefit and corresponding deferred tax asset of $620,687 related to such NOLs.

The provision for taxes on income earned in Australia, Belgium, China, India, Singapore, the United Kingdom, and the United States for the years ended 31 December were as follows:

	2019	2018
Current provision	$ 369,036	$ 386,941
Deferred provision (benefit)	208,528	(163,916)
Income tax provision, net	**$ 577,564**	**$ 223,025**

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

	2019	2018
Deferred tax assets	$ 414,586	$ 620,687
Valuation allowance	-	-
Net deferred tax assets	414,586	620,687
Deferred tax liabilities	-	-
Total net deferred tax assets	**$ 414,586**	**$ 620,687**

Deferred income taxes result from transactions which are recognized in different periods for financial and tax reporting purposes and relate primarily to differences in the bad debts written off for tax purposes, 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 2019 and 2018, were $9,449 and $97,808, respectively.

NOTE 16. 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 is included in net assets without restrictions in the consolidated statements of financial position.

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

	2019	2018
Balance, beginning of year	$ (475,195)	$ (251,120)
Foreign currency translation adjustments	(52,989)	(224,075)
Balance, end of year	**$ (528,184)**	**$ (475,195**

NOTE 17. Commitments and Contingencies

The Institute has operating lease agreements for office space located in Newtown Square, Pennsylvania and Washington, D.C., USA; Beijing, Shenzhen and Shanghai, China; Mumbai, New Delhi and Bangalore, India; Dubai, UAE; Singapore and Belgium, Brussels, for which obligations end at various dates through 2023.

The Institute has a lease for office space for its Global Headquarters (GHQ) in Newtown Square, Pennsylvania, USA. The original 10-year lease ended in January 2018. The lease was renewed and amended to extend its term for an additional five years. The amended lease has total lease payments of approximately $9,400,000 and annual minimum lease payments starting at $1,800,000 that increase annually over the lease term to amounts up to $1,950,000 per year through January 2023. The lease amendment included a tenant improvement allowance of $556,336, which was recorded as deferred rent liability. The Institute amortizes the deferred rent on a straight-line basis over the lease.

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

The primary component of the Institute's future obligations summarized below is the office rent expense for GHQ. 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:

2020	$	2,542,517
2021		2,323,140
2022		1,950,090
2023		162,265
	$	**6,978,012**

Rent expense for office space and equipment was $2,632,640 and $2,508,018 for the years ended 31 December 2019 and 2018, respectively.

As noted in Note 5, the DA Agreement included a deferred proceeds note for $8,000,000 to the former owners of Disciplined Agile, Inc. to be split into three equal payment in 2020, 2021 and 2022.

The Institute has certain claims and legal proceedings incident to the course of business. The Institute's management, after consulting with legal counsel, believes the ultimate resolution of the proceedings will not have a material adverse effect on the Institute's financial position or changes in net assets.

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. 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, 2019 and 2018, the Institute contributed $2,663,180 and $2,338,396, respectively, to the plan.

The Institute had a deferred compensation plan for its previous President and CEO. There was no liability for benefits under this plan as of 31 December 2019 and 2018. In 2019 and 2018, the Institute recognized $0 and $281,531, respectively, in compensation expense related to the plan.

NOTE 19. Adoption of ASU 2014-09, *Revenue from Contracts with Customer (Topic 606)*

During the year ended 31 December 2019, the Institute adopted ASU 2014-09 using the modified retrospective approach. As a result, the revenue recognition was changed for the recognition of certain program services which are included in the revenue line items for membership and certification revenues. Previously, application fees for memberships and certifications were recognized immediately. Now, application fees for certification revenue are recognized at a point in time when the exam is taken or if there is a no show for the exam after 12 months from the date of application. Also, application fees for membership revenue is now recognized over time on the input method based on the one-year membership period.

The following presents the effect of the adoption of ASU 2014-09 on the statement of financial position as of 1 January 2019:

	1 January 2019		
	31 DECEMBER 2018	**ADOPTION OF ASU 2014-09**	**1 JANUARY 2019**
Unearned revenue	$ 43,151,584	$ 7,025,806	$ 50,177,390
Total liabilities	84,867,060	7,025,806	91,892,866
Net assets without donor restrictions	469,568,275	(7,025,806)	462,542,469
Total net assets	**$ 471,831,020**	**$ (7,025,806)**	**$ 464,805,21**

The following presents the impact of adoption of ASU 2014-09 to the statement of financial position as of 31 December 2019:

	31 December 2019		
	AS REPORTED	BALANCES WITHOUT ADOPTION OF ASU 2014-09	EFFECT OF CHANGE – HIGHER (LOWER)
Unearned revenue	$ 55,341,769	$ 46,823,279	$ 8,518,490
Total liabilities	125,073,066	116,554,576	8,518,490
Net assets without donor restrictions	485,475,338	493,993,828	(8,518,490)
Total net assets	**$ 488,042,828**	**$ 496,561,318**	**$ (8,518,490)**

The following presents the impact of adoption of ASU 2019-09 to the statement of activities for the year ended 31 December 2019:

	31 December 2019		
	AS REPORTED	BALANCES WITHOUT ADOPTION OF ASU 2014-09	EFFECT OFCHANGE – HIGHER (LOWER)
Dues and professional examination fees	$ 225,276,657	$ 226,769,341	$ (1,492,684)
Total support and revenue	330,090,167	331,582,851	(1,492,684)
Change in net assets without donor restrictions	22,932,869	24,425,553	(1,492,684)
Change in net assets	23,237,614	24,730,298	(1,492,684)
Total net assets beginning	464,805,214	471,831,020	(7,025,806)
Total net assets ending	**$ 488,042,828**	**$ 496,561,318**	**(8,518,490)**

Adoption of ASU 2014-09 had no impact on total cash from or used in operating, financing or investing on the statement of cash flows for the year ended 31 December 2019.

NOTE 20. Subsequent Events

In preparing these consolidated financial statements, management has evaluated events and transactions for potential recognition or disclosure through 30 April 2020, the date the consolidated financial statements were available to be issued.

On 30 January 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on 10 March 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The Institute's business could be susceptible to changes in client demand and may experience a varying degree of business interruption due to this outbreak. The extent to which the coronavirus impacts the Institute results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

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