COHEN & STEERS INC
Form 10-Q
May 06, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001-32236

COHEN & STEERS, INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	14-1904657 (I.R.S. Employer Identification No.)
280 Park Avenue New York, NY (Address of Principal Executive Offices)	10017 (Zip Code)

(212) 832-3232
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of shares of the registrant's common stock, par value $0.01 per share, outstanding as of May 3, 2016 was 45,866,291.

COHEN & STEERS, INC. AND SUBSIDIARIES
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* Items other than those listed above have been omitted because they are not applicable.

Forward-Looking Statements

This report and other documents filed by us contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect management's current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “may,” “should,” “seeks,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative versions of these words or comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these forward-looking statements. We believe that these factors include, but are not limited to, the risks described in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2015 (the Form 10-K), which is accessible on the Securities and Exchange Commission’s website at www.sec.gov and on our website at www.cohenandsteers.com. These factors are not exhaustive and should be read in conjunction with the other cautionary statements that are included in this report, the Form 10-K and our other filings with the Securities and Exchange Commission. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

PART I—Financial Information

Item 1. Financial Statements

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(in thousands, except share data)

	March 31, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$122,914	$ 142,728
Trading investments ($423 and $566) (1) ($7,368 and $6,850) (2)	12,778	37,169
Equity method investments	31,914	16,974
Available-for-sale investments	18,144	17,191
Accounts receivable	54,488	44,559
Due from broker ($414 and $383) (2)	964	6,104
Property and equipment—net	10,070	9,783
Goodwill and intangible assets—net	19,968	19,498
Deferred income tax asset—net	595	5,551
Other assets ($36 and $53) (2)	6,445	5,765
Total assets	$278,280	$ 305,322
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accrued compensation	$6,941	$ 30,503
Distribution and service fees payable	5,793	6,192
Income tax payable	12,981	6,780
Due to broker ($49 and $12) (2)	49	4,369
Deferred rent	6,410	6,368
Other liabilities and accrued expenses ($83 and $55) (2)	7,829	8,000
Total liabilities	40,003	62,212
Commitments and contingencies (See Note 11)		
Redeemable noncontrolling interest	689	11,334
Stockholders' equity:		
Common stock, $0.01 par value; 500,000,000 shares authorized; 50,352,262 and 49,690,562 shares issued at March 31, 2016 and December 31, 2015, respectively	503	497
Additional paid-in capital	526,017	519,855
Accumulated deficit	(142,266)	(148,096)
Accumulated other comprehensive loss, net of tax	(2,654)	(3,843)
Less: Treasury stock, at cost, 4,508,617 and 4,250,476 shares at March 31, 2016 and December 31, 2015, respectively	(144,012)	(136,637)
Total stockholders' equity	237,588	231,776
Total liabilities and stockholders' equity	$278,280	$ 305,322

(1) Pledged as collateral attributable to the consolidated balances of Cohen & Steers Active Commodities Strategy Fund, Inc. as of March 31, 2016 and December 31, 2015, respectively.
(2) Asset and liability amounts in parentheses represent the aggregated balances at March 31, 2016 and December 31, 2015 attributable to Cohen & Steers SICAV Global Listed Infrastructure Fund and Cohen & Steers Co-Investment Partnership, L.P., which were variable interest entities as of March 31, 2016 and December 31, 2015, respectively.
See notes to condensed consolidated financial statements

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COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Revenue:		
Investment advisory and administration fees	$73,088	$77,752
Distribution and service fees	4,233	3,906
Portfolio consulting and other	2,360	2,157
Total revenue	79,681	83,815
Expenses:		
Employee compensation and benefits	28,040	25,983
Distribution and service fees	8,702	9,251
General and administrative	12,735	12,463
Depreciation and amortization	1,897	1,569
Total expenses	51,374	49,266
Operating income	28,307	34,549
Non-operating income:		
Interest and dividend income—net	542	299
Loss from trading investments—net	(207)	(451)
Equity in earnings (losses) of affiliates	427	(1,081)
(Loss) gain from available-for-sale investments—net	(30)	100
Other losses	(89)	(419)
Total non-operating income (loss)	643	(1,552)
Income before provision for income taxes	28,950	32,997
Provision for income taxes	11,083	12,226
Net income	17,867	20,771
Less: Net loss attributable to redeemable noncontrolling interest	216	45
Net income attributable to common stockholders	$18,083	$20,816
Earnings per share attributable to common stockholders:		
Basic	$0.39	$0.46
Diluted	$0.39	$0.45
Dividends declared per share	$0.26	$0.25
Weighted average shares outstanding:		
Basic	45,808	45,241
Diluted	46,195	45,980

See notes to condensed consolidated financial statements

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COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(in thousands)

	Three Months Ended March 31, 2016	2015
Net income	$17,867	$20,771
Less: Net loss attributable to redeemable noncontrolling interest	216	45
Net income attributable to common stockholders	18,083	20,816
Foreign currency translation gain (loss) (net of tax of $0)	372	(2,078)
Net unrealized gain (loss) from available-for-sale investments (net of tax of $0)	787	(15)
Reclassification to statements of operations of loss (gain) from available-for-sale investments (net of tax of $0)	30	(100)
Other comprehensive income (loss)	1,189	(2,193)
Total comprehensive income attributable to common stockholders	$19,272	$18,623

See notes to condensed consolidated financial statements

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COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND REDEEMABLE NONCONTROLLING INTEREST (Unaudited)
Three Months Ended March 31, 2016 and 2015
(in thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), Net of Tax	Treasury Stock	Total Stockholders Equity	Redeemable Noncontrolling Interest	Shares of Common Stock, Net
Beginning balance, January 1, 2015	$ 486	$489,266	$(142,786)	$ (1,582)	$(117,403)	$227,981	$ 607	44,793
Dividends	—	—	(11,604)	—	—	(11,604)	—	—
Issuance of common stock	10	221	—	—	—	231	—	1,037
Repurchase of common stock	—	—	—	—	(18,709)	(18,709)	—	(436)
Tax benefits associated with restricted stock units—net	—	4,790	—	—	—	4,790	—	—
Issuance of restricted stock units	—	375	—	—	—	375	—	—
Amortization of restricted stock units—net	—	5,952	—	—	—	5,952	—	—
Net income (loss)	—	—	20,816	—	—	20,816	(45)	—
Other comprehensive loss, net of tax	—	—	—	(2,193)	—	(2,193)	—	—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	235	—
Ending balance, March 31, 2015	$ 496	$500,604	$(133,574)	$ (3,775)	$(136,112)	$227,639	$ 797	45,394
Beginning balance, January 1, 2016	$ 497	$519,855	$(148,096)	$ (3,843)	$(136,637)	$231,776	$ 11,334	45,440
Dividends	—	—	(12,253)	—	—	(12,253)	—	—
Issuance of common stock	6	237	—	—	—	243	—	662
Repurchase of common stock	—	—	—	—	(7,375)	(7,375)	—	(258)
Tax deficiency associated with restricted stock units—net	—	(1,517)	—	—	—	(1,517)	—	—
Issuance of restricted stock units	—	408	—	—	—	408	—	—
Amortization of restricted stock units—net	—	7,063	—	—	—	7,063	—	—
Forfeitures of restricted stock units	—	(29)	—	—	—	(29)	—	—

Net income (loss)	—	—	18,083	—	—	18,083	(216)	—
Other comprehensive income, net of tax	—	—	—	1,189	—	1,189	—	—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	3,734	—
Distributions to redeemable noncontrolling interest	—	—	—	—	—	—	(127)	—
Transfer of redeemable noncontrolling interest in consolidated entity	—	—	—	—	—	—	(14,036)	—
Ending balance, March 31, 2016	$ 503	$ 526,017	$ (142,266)	$ (2,654)	$ (144,012)	$ 237,588	$ 689	45,844

See notes to condensed consolidated financial statements

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	$17,867	$20,771
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Stock compensation expense	7,072	5,990
Depreciation and amortization	1,897	1,569
Deferred rent	42	(51)
Loss from trading investments—net	207	451
Equity in (earnings) losses of affiliates	(427)	1,081
Loss (gain) from available-for-sale investments—net	30	(100)
Deferred income taxes	4,066	12,879
Foreign currency gain	(1,635)	(852)
Changes in operating assets and liabilities:		
Accounts receivable	(8,294)	(10,691)
Due from broker	(646)	490
Deferred commissions	(954)	(668)
Trading investments	(4,470)	(337)
Other assets	(763)	(7,087)
Accrued compensation	(23,537)	(21,624)
Distribution and service fees payable	(399)	1,739
Due to broker	1,820	—
Income tax payable	5,578	(402)
Other liabilities and accrued expenses	15	(2,816)
Net cash (used in) provided by operating activities	(2,531)	342
Cash flows from investing activities:		
Proceeds from redemptions of equity method investments—net	51	4
Purchases of available-for-sale investments	(2,128)	(1,409)
Proceeds from sales of available-for-sale investments	1,942	1,366
Purchases of property and equipment	(1,448)	—
Net cash used in investing activities	(1,583)	(39)
Cash flows from financing activities:		
Excess tax benefits associated with restricted stock units	—	4,674
Issuance of common stock	206	200
Repurchase of common stock	(7,375)	(18,709)
Dividends to stockholders	(11,970)	(11,354)
Distributions to redeemable noncontrolling interest	(127)	—
Contributions from redeemable noncontrolling interest	3,734	235
Net cash used in financing activities	(15,532)	(24,954)
Net decrease in cash and cash equivalents	(19,646)	(24,651)
Effect of foreign exchange rate changes on cash and cash equivalents	(168)	(794)
Cash and cash equivalents, beginning of the period	142,728	124,938
Cash and cash equivalents, end of the period	$122,914	$99,493

See notes to condensed consolidated financial statements

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COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(UNAUDITED)

Supplemental disclosures of cash flow information:
For the three months ended March 31, 2016 and 2015, the Company paid taxes, net of tax refunds, of approximately $1,526,000 and $805,000, respectively.
Supplemental disclosures of non-cash investing and financing activities:
In connection with its stock incentive plan, the Company issued fully vested restricted stock units in the amount of $125,000 for both the three month periods ended March 31, 2016 and 2015. For the three months ended March 31, 2016 and 2015, the Company recorded restricted stock unit dividend equivalents, net of forfeitures, in the amount of $283,000 and $250,000, respectively.
As further described in Note 4, during the three months ended March 31, 2016, the Company's proportionate ownership interest in Cohen & Steers Low Duration Preferred and Income Fund, Inc. (LPX) decreased and the Company deconsolidated the assets and liabilities of LPX resulting in a non-cash reduction of $14,036,000 from redeemable noncontrolling interest and a non-cash increase of $14,550,000 to equity method investments.

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Description of Business

Cohen & Steers, Inc. (CNS) was organized as a Delaware corporation on March 17, 2004. CNS is the holding company for its direct and indirect subsidiaries, including Cohen & Steers Capital Management, Inc. (CSCM), Cohen & Steers Securities, LLC (CSS), Cohen & Steers Asia Limited (CSAL), Cohen & Steers UK Limited (CSUK) and Cohen & Steers Japan, LLC (collectively, the Company).

The Company is a global investment manager specializing in liquid real assets, including real estate securities, listed infrastructure, commodities and natural resource equities, as well as preferred securities and other income solutions. Founded in 1986, the Company is headquartered in New York City, with offices in London, Hong Kong, Tokyo and Seattle.

2. Basis of Presentation and Significant Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The condensed consolidated financial statements set forth herein include the accounts of CNS and its direct and indirect subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements of the Company included herein are unaudited and have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the interim results have been made. The Company’s condensed consolidated financial statements and the related notes should be read together with the consolidated financial statements and the related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

New Accounting Pronouncements Adopted—In February 2015, the Financial Accounting Standards Board (FASB) revised the guidance applicable to consolidation of legal entities. The revised rules include guidance for evaluating (a) limited partnership and similar entities, (b) the impact of decision maker or service provider fees on the consolidation analysis, (c) the impact of interests held by related parties on the consolidation analysis and (d) consolidation of certain investment funds. The Company adopted this guidance effective January 1, 2016 using a full retrospective method. In connection with the adoption of this guidance, the Company reevaluated all of its sponsored funds under the new guidance. The Company concluded that certain entities that were not previously considered Variable Interest Entities (VIEs) would be considered VIEs under the revised guidance. See Note 4 for further discussion of the Company's seed investments.

In May 2015, the FASB issued new guidance related to the disclosure of certain investments that calculate net asset value per share (NAV) as a practical expedient. This guidance removes the requirement to categorize such investments within the fair value hierarchy table. The Company adopted this guidance on January 1, 2016 on a retrospective basis to all periods presented. As a result of adoption, $6.6 million and $6.5 million of NAV investments at March 31, 2016 and December 31, 2015, respectively, are no longer classified within Level 2 and Level 3 within the fair value hierarchy. The fair value amounts presented in Note 5 are intended to permit reconciliation of the investments included in the fair value hierarchy to the amounts presented on the condensed consolidated statement of financial position.

Accounting Estimates—The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Management believes the estimates used in preparing the condensed consolidated financial statements are reasonable and prudent. Actual results could differ from those estimates.

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year presentation. On the condensed consolidated statements of operations and the condensed consolidated statements of cash flows, the captions “depreciation and amortization” and “amortization of deferred commission” have been combined into a single caption

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

"depreciation and amortization." On the condensed consolidated statements of cash flows, the captions "distribution and service fees payable" and "due to broker" have been broken out from "other liabilities and accrued expenses."

Consolidation of Company-sponsored Funds—The Company consolidates entities, including sponsored funds, that are deemed to be voting interest entities (VOE) when it has financial control over the entity which is generally when the Company owns a majority of the outstanding voting interest. Investments in Company-sponsored funds are evaluated at inception and subsequently if there is a reconsideration event to determine if the fund is VIE or VOE and which consolidation model to apply. VIEs for which the Company is deemed to be the primary beneficiary are consolidated. Investments in Company-sponsored funds that are determined to be VOEs are consolidated when the Company's ownership interest is greater than 50% of the outstanding voting interests of the fund or when the Company is the general partner of the fund and the limited partners do not have substantive kick-out or participating rights in the fund. The Company records noncontrolling interests in consolidated subsidiaries for which the Company's ownership is less than 100 percent.

A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the group of holders of the equity investment at risk lack certain characteristics of a controlling financial interest. The primary beneficiary is the entity that has (a) the power to direct the activities of the VIE that most significantly affect its performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. Investments and redemptions or amendments to the governing documents of the respective entities could affect an entity's status as a VIE or the determination of the primary beneficiary. The Company assesses whether it is the primary beneficiary of any VIEs identified by evaluating its economic interests in the entity held either directly by the Company and its affiliates or indirectly through employees. See Note 4 for further discussion about the Company's seed investments.

Cash and Cash Equivalents—Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash and have original maturities of three months or less.

Due from/to Broker—The Company conducts business, primarily with respect to its consolidated seed investments, with brokers for certain of its investment activities. The clearing and custody operations for these investment activities are performed pursuant to contractual agreements. The due from/to broker balance represents cash and cash equivalents balances at brokers/custodians and/or net receivables and payables for unsettled security transactions.

Investments—Management of the Company determines the appropriate classification of its investments at the time of purchase and re-evaluates such determination at each statement of financial condition date.

Investments classified as trading represent securities held within the affiliated funds that the Company consolidates and are measured at fair value based on quoted market prices, market prices obtained from independent pricing services engaged by management or as determined by the Company's valuation committee. Unrealized gains and losses are recorded as gain (loss) from trading investments—net in the Company's condensed consolidated statements of operations.

Investments classified as equity method investments represent seed investments in which the Company owns between 20-50% of the outstanding voting interests in the fund or when it is determined that the Company is able to exercise significant influence but not control over the investments. When using the equity method, the Company recognizes its respective share of the investee's net income or loss for the period which is recorded as equity in earnings (losses) of affiliates in the Company's condensed consolidated statements of operations. As of March 31, 2016, the Company's equity method investments consisted of interests in affiliated funds which measure their underlying investments at fair value and report a net asset value on a recurring basis. The carrying amounts of these investments approximate their fair value.

Investments classified as available-for-sale are comprised of equity securities, investment-grade preferred instruments and investments in Company-sponsored open-end funds where the Company has neither control nor the ability to exercise significant influence. These investments are carried at fair value based on quoted market prices or market prices obtained from independent pricing services engaged by management, with unrealized gains and losses, net of tax, reported in accumulated other comprehensive income. The Company periodically reviews each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other than temporary. If the Company believes an impairment of a security position is other than temporary, based on available quantitative and qualitative information as of the report date, the loss will be recognized as gain (loss) from available-for-sale investments—net in the Company’s condensed consolidated statements of operations.

From time to time, the affiliated funds consolidated by the Company enter into derivative contracts to gain exposure to the underlying commodities markets or to hedge market and credit risks of the underlying portfolios utilizing options, total return swaps, credit default swaps and futures contracts. These instruments are measured at fair value with gains and losses recorded as gain (loss) from trading investments—net in the Company's condensed consolidated statements of operations. The fair values of these instruments are recorded in other assets or other liabilities and accrued expenses in the Company's condensed consolidated statements of financial condition. As of March 31, 2016, none of the outstanding derivative contracts were subject to a master netting agreement or other similar arrangement.

Additionally, from time to time, the Company enters into foreign exchange contracts to hedge its currency exposure related to certain client receivables. These instruments are measured at fair value with gains and losses recorded in other non-operating income in the Company's condensed consolidated statements of operations. The fair values of these contracts are recorded in other assets or other liabilities and accrued expenses in the Company's condensed consolidated statements of financial condition.

Goodwill and Intangible Assets—Goodwill represents the excess of the cost of the Company’s investment in the net assets of an acquired company over the fair value of the underlying identifiable net assets at the date of acquisition. Goodwill and indefinite lived intangible assets are not amortized but are tested at least annually for impairment by comparing the fair value to their carrying amounts. Finite lived intangible assets are amortized over their useful lives and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. See Note 3 for further discussion about the Company’s goodwill and intangible assets.

Redeemable Noncontrolling Interest—Redeemable noncontrolling interest represents third-party interests in the Company's consolidated entities. This interest is redeemable at the option of the investors and therefore is not treated as permanent equity. Redeemable noncontrolling interest is remeasured at redemption value which approximates the fair value at each reporting period.

Investment Advisory and Administration Fees—The Company earns revenue by providing asset management services to institutional accounts and to Company-sponsored open-end and closed-end funds. Investment advisory fees are earned pursuant to the terms of investment management agreements, and are based on a contractual fee rate applied to the assets in the portfolio. The Company also earns administration fees from certain Company-sponsored open-end and closed-end funds pursuant to the terms of underlying administration contracts. Administration fees are based on the average assets under management of such funds. Investment advisory and administration fee revenue is recognized as such fees are earned.

Distribution and Service Fee Revenue—CSS acts as the principal distributor of the Company’s sponsored open-end funds which may offer the following classes: Class A (initial sales load), Class C (back end sales load), Class R (load retirement) and Class Z (no load retirement). Effective May 2007, the Company suspended sales of Class B shares and all remaining Class B shares converted to Class A shares in 2015. Distribution and service fee revenue is based on the average daily net assets of the funds as detailed below. Distribution and service fee revenue is earned daily and is recorded gross of any third-party distribution and service fee expense for applicable share classes.

Pursuant to distribution plans with the Company's sponsored open-end funds, CSS receives distribution fees of up to 25bps for Class A shares and 75bps for Class C shares. CSS also receives shareholder servicing fees of up to 10bps on Class A shares and 25bps on Class C shares, pursuant to shareholder servicing plans with the funds.

CSS receives combined distribution and shareholder servicing fees of up to 50bps for Class R shares.

Distribution and Service Fee Expense—Distribution and service fee expense includes distribution fees, service fees and intermediary assistance payments. Distribution and service fee expense is recorded as incurred.

Distribution fee expense represents payments made to qualified dealers/institutions for (i) assistance in connection with the distribution of the Company's sponsored open-end funds' shares and (ii) for other expenses such as advertising costs and

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COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

printing and distribution of prospectuses to investors. Such amounts may also be used to pay financial intermediaries for services as specified in the terms of written agreements complying with Rule 12b-1 of the Investment Company Act of 1940 (Rule 12b-1). CSS pays distribution fee expense based on the average daily net assets under management of up to 25bps on Class A shares and 75bps on Class C shares.

Shareholder servicing fee expense represents payments made to qualified dealers/institutions for shareholder account service and maintenance. These services are provided pursuant to written agreements with such qualified institutions. CSS pays service fee expenses based on the average daily net assets under management of up to 10bps on Class A shares and 25bps on Class C shares.

CSS pays combined distribution and service fee expenses based on the average daily net assets under management of up to 50bps on Class R shares.

Intermediary assistance payments represent payments to qualified dealers/institutions for activities related to distribution, shareholder servicing and marketing and support of Company-sponsored open-end funds and are incremental to those described above. Intermediary assistance payments are generally based on the average assets under management or the number of accounts being serviced.

Portfolio Consulting and Other—The Company earns portfolio consulting and other fees by: (i) providing portfolio consulting services in connection with model-based strategy accounts; (ii) earning a licensing fee for the use of the Company's proprietary indexes; and (iii) providing portfolio monitoring services related to a number of unit investment trusts. This revenue is earned pursuant to the terms of the underlying contract, and the fee schedules for these relationships vary based on the type of services the Company provides for each relationship. This revenue is recognized as such fees are earned.

Stock-based Compensation—The Company recognizes compensation expense for the grant-date fair value of awards of equity instruments to employees. This expense is recognized over the period during which employees are required to provide service. The Company also estimates forfeitures.

Income Taxes—The Company records the current and deferred tax consequences of all transactions that have been recognized in the condensed consolidated financial statements in accordance with the provisions of the enacted tax laws. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years at tax rates that are expected to apply in those years. Deferred tax liabilities are recognized for temporary differences that will result in taxable income in future years at tax rates that are expected to apply in those years. The Company records a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not will be realized. The effective tax rate for interim periods represents the Company’s best estimate of the effective tax rate expected to be applied to the full fiscal year.

The calculation of the tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

Currency Translation and Transactions—Assets and liabilities of subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the applicable condensed consolidated statement of financial condition date. Revenue and expenses of such subsidiaries are translated at average exchange rates during the period. The gains or losses resulting from translating non-U.S. dollar functional currency into U.S. dollars are included in the Company's condensed consolidated statements of comprehensive income. The cumulative translation adjustment was $(3,536,000) and $(3,908,000) as of March 31, 2016 and December 31, 2015, respectively. Gains or losses resulting from non-U.S. dollar currency transactions are included in other non-operating income in the condensed consolidated statements of operations.

Comprehensive Income—The Company reports all changes in comprehensive income in the condensed consolidated statements of comprehensive income. Comprehensive income includes net income or loss attributable to common stockholders, foreign currency translation gain and loss (net of tax), unrealized gain and loss from available-for-sale

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investments (net of tax) and reclassification to statements of operations of gain and loss from available-for-sale investments (net of tax).

Recently Issued Accounting Pronouncements—In March 2016, the FASB issued new guidance amending the current accounting for an investment that becomes qualified for the equity method of accounting. The guidance requires that the cost of acquiring an additional interest in the entity, if any, that resulted in the investment qualifying for the equity method be added to the carrying value of the investment. The equity method will then be applied from that point forward without any retroactive application or adjustment. This new guidance will be effective for the Company's first quarter of 2017. The Company is currently evaluating the potential impact on its condensed consolidated financial statements and related disclosures.

In March 2016, the FASB issued new guidance which simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, excess tax benefits, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. This new guidance will be effective for the Company's first quarter of 2017. The Company is currently evaluating the potential impact on its condensed consolidated financial statements and related disclosures.

In March 2016, the FASB issued revised guidance which amends the principal versus agent implementation guidance and illustrations in the Board's new revenue standard. This revised guidance clarifies the guidance related to (a) determining the appropriate unit of account under the revenue standard's principle versus agent guidance and (b) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard's control principle. This revised guidance will be effective concurrent with the effective date of the revenue standard in the Company's first quarter of 2018. The Company is currently evaluating the potential effect of this revised guidance on its condensed consolidated financial statements and related disclosures.

In February 2016, the FASB issued guidance introducing a new lease model which requires all operating leases to be recorded on the balance sheet as right of use assets and offsetting lease liability obligations. The guidance requires disclosures by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This new guidance will be effective for the Company's first quarter of 2019. The Company is currently evaluating the potential impact on its condensed consolidated financial statements and related disclosures.

In January 2016, the FASB issued new guidance amending the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. This new guidance will be effective for the Company's first quarter of 2018. The Company does not anticipate that the adoption of this new guidance will have a material impact on its condensed consolidated financial statements.

In August 2014, the FASB issued new guidance regarding disclosure of going concern uncertainties in the financial statements. The guidance requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued at each annual and interim reporting period. This new guidance will be effective for the Company's first quarter of 2017. The Company does not anticipate that the adoption of this new guidance will have a material impact on its condensed consolidated financial statements.

In May 2014, the FASB issued new guidance which outlined a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new guidance will be effective for the Company's first quarter of 2018 and requires either a retrospective or a modified retrospective approach to adoption. The Company is currently evaluating the potential impact on its condensed consolidated financial statements and related disclosures, as well as the available transition methods.

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3. Goodwill and Intangible Assets
Goodwill
Goodwill represents the excess of purchase price over the net tangible assets and identifiable intangible assets of an acquired business. At March 31, 2016 and December 31, 2015, goodwill was approximately $18,467,000 and $17,975,000, respectively. The Company’s goodwill increased by $492,000 for the three months ended March 31, 2016 as a result of foreign currency revaluation.
Intangible Assets
The following table details the gross carrying amounts and accumulated amortization for the intangible assets at March 31, 2016 and December 31, 2015 (in thousands):

	Remaining Amortization Period (in months)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
March 31, 2016:				
Amortized intangible assets:				
Client relationships	33	$ 1,543	$ (1,292)	$ 251
Non-amortized intangible assets:				
Fund management contracts	—	1,250	—	1,250
Total		$ 2,793	$ (1,292)	$ 1,501
December 31, 2015:				
Amortized intangible assets:				
Client relationships	36	$ 1,543	$ (1,270)	$ 273
Non-amortized intangible assets:				
Fund management contracts	—	1,250	—	1,250
Total		$ 2,793	$ (1,270)	$ 1,523

Amortization expense related to the intangible assets was approximately $22,000 for both the three months ended March 31, 2016 and 2015, respectively. Estimated future amortization expense is as follows (in thousands):

Periods Ending December 31,	Estimated Amortization Expense
2016	$ 67
2017	89
2018	95
2019	—
Total	$ 251

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4. Investments

The following is a summary of the Company's investments as of March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
Trading investments	$ 12,778	$ 37,169
Equity method investments	31,914	16,974
Available-for-sale investments	18,144	17,191

Gain (loss) from seed investments for the three months ended March 31, 2016 and 2015 are summarized below (in thousands):

	Three Months Ended March 31, 2016	2015
Loss from trading investments—net[(1)]	$(207)	$(451)
Equity in earnings (losses) of affiliates	427	(1,081)
(Loss) gain from available-for-sale investments—net	(30)	100
Total gain (loss) from seed investments—net	$190	$(1,432)
Number of new funds seeded	—	—

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(1) Includes net income/(loss) attributable to redeemable noncontrolling interest for the periods presented.

The Cohen & Steers Low Duration Preferred and Income Fund, Inc. (LPX), launched by the Company in December 2015, is an open-end fund for which the Company is the investment adviser. LPX is a VOE and the Company owned the majority of the outstanding voting interests in the fund through February 29, 2016. Accordingly, the underlying assets and liabilities and results of operations of LPX had been included in the Company's consolidated financial statements with the third-party interests classified as redeemable noncontrolling interest. As a result of additional third-party subscriptions into the fund, effective March 1, 2016, the Company no longer owned the majority of the outstanding voting interest in LPX, however it was determined that the Company has significant influence over the financial decisions of LPX and therefore records its investment in LPX using the equity method of accounting. As of March 31, 2016, the Company's ownership in LPX was approximately 48%.

The Cohen & Steers SICAV Global Listed Infrastructure Fund (GLI SICAV), a Luxembourg-domiciled undertaking for collective investments in transferable securities (UCITS), was launched by the Company in September 2015, and meets the definition of an investment company. The Company is the investment adviser of GLI SICAV for which it receives a management fee. GLI SICAV is a VIE and the Company is the primary beneficiary. As of March 31, 2016, the Company was the only investor in the fund and therefore, the Company would absorb all of the expected losses and residual returns of GLI SICAV. Accordingly, the underlying assets and liabilities and results of operations of GLI SICAV have been included in the Company's condensed consolidated financial statements.

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The following represents the portion of the condensed consolidated statements of financial condition attributable to the consolidated GLI SICAV as of March 31, 2016 and December 31, 2015. The assets may only be used to settle obligations of GLI SICAV and the liabilities are the sole obligation of GLI SICAV, for which creditors do not have recourse to the general credit of the Company (in thousands):

	March 31, 2016	December 31, 2015
Assets:		
Trading investments	$ 5,180	$ 4,719
Due from broker	185	176
Other assets	36	53
Total assets	$ 5,401	$ 4,948
Liabilities:		
Due to broker	$ 49	$ 12
Other liabilities and accrued expenses	78	50
Total liabilities	$ 127	$ 62

The Cohen & Steers Active Commodities Strategy Fund, Inc. (CDF), launched by the Company in May 2014, is an open-end fund for which the Company is the investment adviser. CDF is a VOE and the Company owned the majority of the outstanding voting interest in the fund as of March 31, 2016. Accordingly, the underlying assets and liabilities and results of operations of CDF have been included in the Company's condensed consolidated financial statements with the third-party interests classified as redeemable noncontrolling interest.

The Cohen & Steers Active Commodities Fund, LP (ACOM), launched by the Company in April 2013, is structured as a partnership. The Company is the investment adviser of ACOM for which it is entitled to receive a management fee. The Company owned all of the voting interest in ACOM through September 30, 2014. Accordingly, the underlying assets and liabilities and results of operations of ACOM had been included in the Company's condensed consolidated financial statements. As a result of third-party investments into the fund, effective October 1, 2014, the Company no longer held a controlling financial interest in ACOM. The Company determined that ACOM was not a VIE as the limited partners, unaffiliated with the Company, have the ability to liquidate the fund with a majority vote. As a result, the Company does not have financial control and ACOM is not consolidated into the Company's condensed consolidated financial statements. The Company's equity interest in ACOM represents a seed investment to launch the fund, adjusted for the Company's proportionate share of the fund's earnings. As of March 31, 2016, the Company's ownership in ACOM was approximately 11%; however, as the general partner, the Company has significant influence over the financial decisions of ACOM and therefore records its investment in ACOM using the equity method of accounting.

Cohen & Steers Global Realty Partners III-TE, L.P. (GRP-TE), which had its closing in October 2011, is structured as a partnership. The Company is the general partner and investment adviser of GRP-TE, for which it receives a management fee and is entitled to receive an incentive distribution, if earned. GRP-TE is a VIE and the Company is not the primary beneficiary. As the general partner, the Company has significant influence over the financial decisions of GRP-TE and therefore records its investment using the equity method of accounting. The Company's equity interest in GRP-TE represents a seed investment to launch the fund, adjusted for the Company's proportionate share of the fund's earnings. As of March 31, 2016, the Company's ownership in GRP-TE was approximately 0.2%. The Company's risk with respect to its investment in GRP-TE is limited to its equity ownership and any uncollected management fees. In conjunction with the launch of GRP-TE, the Company established Cohen & Steers

Co-Investment Partnership, L.P. (GRP-CIP), which is used by the Company to fulfill its contractual commitment to co-invest with GRP-TE. See Note 11 for further discussion regarding the Company's co-investment commitment. As of March 31, 2016, GRP-CIP is a VIE and the Company is the primary beneficiary as it owns all of the voting interest in GRP-CIP. Accordingly, the underlying assets and liabilities and results of operations of GRP-CIP have been included in the Company's condensed consolidated financial statements.

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The following represents the portion of the condensed consolidated statements of financial condition attributable to the consolidated GRP-CIP as of March 31, 2016 and December 31, 2015. The assets may only be used to settle obligations of GRP-CIP and the liabilities are the sole obligation of GRP-CIP, for which creditors do not have recourse to the general credit of the Company (in thousands):

	March 31, 2016	December 31, 2015
Assets:		
Trading investments	$ 2,188	$ 2,131
Due from broker	229	207
Other assets	—	—
Total assets	$ 2,417	$ 2,338
Liabilities:		
Due to broker	$ —	$ —
Other liabilities and accrued expenses	5	5
Total liabilities	$ 5	$ 5

The Cohen & Steers MLP & Energy Opportunity Fund, Inc. (MLO), launched by the Company in December 2013, is an open-end fund for which the Company is the investment adviser. MLO is a VOE and the Company owned the majority of the outstanding voting interest in MLO through October 31, 2014. Accordingly, the underlying assets and liabilities and results of operations of MLO had been included in the Company's condensed consolidated financial statements with the third-party interests classified as redeemable noncontrolling interest. Effective November 1, 2014, as a result of additional third-party subscriptions into the fund, the Company no longer owned the majority of the outstanding voting interest in MLO, however it was determined that the Company has significant influence over the financial decisions of MLO and therefore records its investment in MLO using the equity method of accounting. As of March 31, 2016, the Company's ownership in MLO was approximately 22%.

Cohen & Steers Real Assets Fund, Inc. (RAP), launched by the Company in January 2012, is an open-end fund for which the Company is the investment adviser. RAP is a VOE. During the period August 1, 2013 through September 30, 2014, the Company did not hold a controlling financial interest in RAP, however it was determined that the Company had significant influence over RAP. Accordingly, the Company recorded its investment in RAP using the equity method of accounting. Effective September 30, 2014, the Company's ownership interest in RAP fell below 20% and the Company no longer has significant influence over RAP. Accordingly, the Company began recording its investment in RAP as an available-for-sale investment.

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The following is a summary of the fair value of trading investments and equity method investments as of March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016		December 31, 2015	
	Trading Investments	Equity Method Investments	Trading Investments	Equity Method Investments
ACOM	$—	$ 5,700	$—	$ 5,624
CDF	5,410	—	5,606	—
GLI SICAV	5,180	—	4,719	—
GRP-CIP	2,188	—	2,131	—
GRP-TE	—	92	—	92
LPX	—	14,745	24,713	—
MLO	—	11,377	—	11,258
Total	$12,778	$ 31,914	$37,169	$ 16,974

Gain (loss) from trading investments—net for the three months ended March 31, 2016 and 2015, which represent realized and unrealized gains and losses recorded by the funds the Company consolidates, are summarized below (in thousands):

	Three Months Ended March 31,	
	2016	2015
CDF	$100	$(463)
GLI SICAV	392	—
GRP-CIP	70	12
LPX	(769)	—
Total loss from trading investments—net	$(207)	$(451)

Equity in earnings (losses) of affiliates for the three months ended March 31, 2016 and 2015 are summarized below (in thousands):

	Three Months Ended March 31,	
	2016	2015
ACOM	$76	$(438)
GRP-TE	(14)	2
MLO	119	(645)
LPX	246	—
Total equity in earnings (losses) of affiliates	$427	$(1,081)

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The following is a summary of the cost, gross unrealized gains, gross unrealized losses and fair value of available-for-sale investments as of March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Fair Value
Preferred securities	$1,175	$ 56	$ (3)	$1,228
Common stocks	3,911	416	(242)	4,085
Company-sponsored funds	12,184	651	(4)	12,831
Total available-for-sale investments	$17,270	$ 1,123	$ (249)	$18,144

(1) At March 31, 2016, there were no securities with unrealized losses continuously for a period of more than 12 months.

	December 31, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Fair Value
Preferred securities	$1,115	$ 66	$ (3)	$1,178
Common stocks	3,828	288	(282)	3,834
Company-sponsored funds	12,184	1	(6)	12,179
Total available-for-sale investments	$17,127	$ 355	$ (291)	$17,191

(1) At December 31, 2015, there were no securities with unrealized losses continuously for a period of more than 12 months.

Available-for-sale investments with a fair value of approximately $1,543,000 and $1,779,000 at March 31, 2016 and December 31, 2015, respectively, were in an unrealized loss position.

Unrealized losses on available-for-sale investments as of March 31, 2016 were generally caused by market conditions. When evaluating whether an unrealized loss on an available-for-sale investment is other than temporary, the Company reviews such factors as the extent and duration of the loss, as well as qualitative and quantitative information about the financial condition and near term prospects of the funds. As of March 31, 2016, the Company determined that it had the ability and intent to hold the remaining investments for which no other-than-temporary impairment has occurred until a recovery of fair value. Accordingly, impairment of these investments is considered temporary.

Sales proceeds, gross realized gains and losses from available-for-sale investments for the three months ended March 31, 2016 and 2015 are summarized below (in thousands):

	Three Months Ended March 31,	
	2016	2015
Proceeds from sales	$1,955	$1,390
Gross realized gains	150	169
Gross realized losses	(180)	(69)

5. Fair Value

Accounting Standards Codification Topic 820, Fair Value Measurement (ASC 820) specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels listed below:

• Level 1—Unadjusted quoted prices for identical instruments in active markets.

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- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable.
- Level 3—Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Company defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Company performed a detailed analysis of the assets and liabilities that are subject to ASC 820. Transfers among levels, if any, are recorded as of the beginning of the reporting period.

The following table presents fair value measurements as of March 31, 2016 (in thousands):

	Level 1	Level 2	Level 3	Investments Measured at NAV [2]	Total
Cash equivalents [1]	$51,200	$ —	$ —	$ —	$51,200
Trading investments					
Common stocks	$5,180	$ —	$ —	$ —	$5,180
Fixed income securities	—	5,410			