COHEN & STEERS INC
Form 10-Q
November 06, 2015

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 SEPTEMBER 30, 2015

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 November 3, 2015 was 45,436,698.

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 c 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, 2014 (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)

	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$146,247	$124,938
Trading investments [1]	12,851	9,509
Equity method investments	6,309	28,550
Available-for-sale investments	30,531	21,269
Accounts receivable	52,225	43,392
Due from broker	6,111	1,805
Income tax receivable	4,033	56
Property and equipment—net	9,894	11,189
Goodwill and intangible assets—net	19,798	20,732
Deferred income tax asset—net	2,941	15,108
Other assets	5,083	4,173
Total assets	$296,023	$280,721
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accrued compensation	$22,175	$28,300
Deferred rent	6,089	5,728
Due to broker	4,497	5
Income tax payable	1,508	4,141
Other liabilities and accrued expenses	15,092	13,959
Total liabilities	49,361	52,133
Commitments and contingencies (See Note 11)		
Redeemable noncontrolling interest	720	607
Stockholders' equity:		
Common stock, $0.01 par value; 500,000,000 shares authorized; 49,684,690 and 48,593,812 shares issued at September 30, 2015 and December 31, 2014, respectively	497	486
Additional paid-in capital	512,943	489,266
Accumulated deficit	(118,914)	(142,786)
Accumulated other comprehensive loss, net of tax	(11,947)	(1,582)
Less: Treasury stock, at cost, 4,250,476 and 3,800,920 shares at September 30, 2015 and December 31, 2014, respectively	(136,637)	(117,403)
Total stockholders' equity	245,942	227,981
Total liabilities and stockholders' equity	$296,023	$280,721

(1) Includes $535 and $650 held as collateral attributable to the consolidated balances of Cohen & Steers Active Commodities Strategy Fund, Inc. (CDF) as of September 30, 2015 and December 31, 2014, respectively.
See notes to condensed consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue:				
Investment advisory and administration fees	$73,487	$75,210	$228,460	$215,681
Distribution and service fees	3,961	3,738	11,881	10,952
Portfolio consulting and other	2,219	1,897	6,643	5,459
Total revenue	79,667	80,845	246,984	232,092
Expenses:				
Employee compensation and benefits	25,892	26,679	80,270	76,590
Distribution and service fees	8,578	9,048	27,354	26,608
General and administrative	12,175	11,313	37,463	34,471
Depreciation and amortization	1,545	1,478	4,700	4,832
Total expenses	48,190	48,518	149,787	142,501
Operating income	31,477	32,327	97,197	89,591
Non-operating income:				
Interest and dividend income—net	291	610	1,040	1,441
(Loss) gain from seed investments—net	(2,993)	(3,501)	(2,815)	3,736
Other losses	(270)	(666)	(952)	(563)
Total non-operating (loss) income	(2,972)	(3,557)	(2,727)	4,614
Income before provision for income taxes	28,505	28,770	94,470	94,205
Provision for income taxes	11,541	10,733	35,961	33,644
Net income	16,964	18,037	58,509	60,561
Less: Net loss (income) attributable to redeemable noncontrolling interest	129	147	163	(749)
Net income attributable to common stockholders	$17,093	$18,184	$58,672	$59,812
Earnings per share attributable to common stockholders:				
Basic	$0.38	$0.41	$1.29	$1.34
Diluted	$0.37	$0.40	$1.28	$1.31
Dividends declared per share	$0.25	$0.22	$0.75	$0.66
Weighted average shares outstanding:				
Basic	45,500	44,839	45,402	44,766
Diluted	45,830	45,689	45,873	45,568

See notes to condensed consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$16,964	$18,037	$58,509	$60,561
Less: Net loss (income) attributable to redeemable noncontrolling interest	129	147	163	(749)
Net income attributable to common stockholders	17,093	18,184	58,672	59,812
Foreign currency translation loss (net of tax of $0)	(748)	(2,256)	(1,292)	(2,105)
Net unrealized (loss) gain from available-for-sale investments (net of tax of $0)	(6,859)	254	(9,122)	1,835
Reclassification to statements of operations of loss (gain) from available-for-sale investments (net of tax of $0)	469	(760)	49	(1,888)
Other comprehensive loss	(7,138)	(2,762)	(10,365)	(2,158)
Total comprehensive income attributable to common stockholders	$9,955	$15,422	$48,307	$57,654

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)
Nine Months Ended September 30, 2015 and 2014
(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, 2014	$ 477	$ 457,138	$ (131,366)	$ 2,989	$ (105,681)	$ 223,557	$ 207	44,254
Dividends	—	—	(30,229)	—	—	(30,229)	—	—
Issuance of common stock	9	467	—	—	—	476	—	851
Repurchase of common stock	—	—	—	—	(11,685)	(11,685)	—	(318)
Tax benefits associated with restricted stock units—net	—	2,849	—	—	—	2,849	—	—
Issuance of restricted stock units	—	920	—	—	—	920	—	—
Amortization of restricted stock units—net	—	18,461	—	—	—	18,461	—	—
Net income	—	—	59,812	—	—	59,812	749	—
Other comprehensive income, net of tax	—	—	—	(2,158)	—	(2,158)	—	—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	23,977	—
Distributions to redeemable noncontrolling interest	—	—	—	—	—	—	(4,958)	—
Transfer of redeemable noncontrolling interest in consolidated entity	—	—	—	—	—	—	(209)	—
Ending balance, September 30, 2014	$ 486	$ 479,835	$ (101,783)	$ 831	$ (117,366)	$ 262,003	$ 19,766	44,787
Beginning balance, January 1, 2015	$ 486	$ 489,266	$ (142,786)	$ (1,582)	$ (117,403)	$ 227,981	$ 607	44,793
Dividends	—	—	(34,800)	—	—	(34,800)	—	—
	11	519	—	—	—	530	—	1,091

Issuance of common stock								
Repurchase of common stock	—	—	—	—	(19,234)	(19,234)	—	(450)
Tax benefits associated with restricted stock units—net	—	5,065	—	—	—	5,065	—	—
Issuance of restricted stock units	—	1,047	—	—	—	1,047	—	—
Amortization of restricted stock units—net	—	17,046	—	—	—	17,046	—	—
Net income (loss)	—	—	58,672	—	—	58,672	(163)	—
Other comprehensive loss, net of tax	—	—	—	(10,365)	—	(10,365)		—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	283	—
Distributions to redeemable noncontrolling interest	—	—	—	—	—	—	(7)	—
Ending balance, September 30, 2015	$ 497	$ 512,943	$ (118,914)	$ (11,947)	$ (136,637)	$ 245,942	$ 720	45,434

See notes to condensed consolidated financial statements

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

	Nine Months Ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	$58,509	$60,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock compensation expense	17,123	18,535
Depreciation and amortization	4,700	4,832
Deferred rent	361	1,434
Loss (gain) from seed investments—net	2,815	(3,736)
Deferred income taxes	9,897	647
Foreign currency (gain) loss	(187)	1,798
Changes in operating assets and liabilities:		
Accounts receivable	(8,646)	(11,860)
Due from broker	(4,306)	(2,157)
Deferred commissions	(1,812)	(1,426)
Trading investments	(4,974)	(42,653)
Income tax receivable	(3,977)	106
Other assets	(200)	(573)
Accrued compensation	(6,100)	(4,049)
Due to broker	4,492	—
Income tax payable	(41)	(3,850)
Other liabilities and accrued expenses	700	1,312
Net cash provided by operating activities	68,354	18,921
Cash flows from investing activities:		
Proceeds from redemptions of equity method investments—net	4	10,894
Purchases of available-for-sale investments	(4,106)	(6,051)
Proceeds from sales of available-for-sale investments	6,956	10,969
Purchases of property and equipment	(1,640)	(4,889)
Net cash provided by investing activities	1,214	10,923
Cash flows from financing activities:		
Excess tax benefits associated with restricted stock units	4,736	2,537
Issuance of common stock	450	405
Repurchase of common stock	(19,234)	(11,685)
Dividends to stockholders	(34,078)	(29,562)
Distributions to redeemable noncontrolling interest	(7)	(4,958)
Contributions from redeemable noncontrolling interest	283	23,977
Net cash used in financing activities	(47,850)	(19,286)
Net increase in cash and cash equivalents	21,718	10,558
Effect of foreign exchange rate changes on cash and cash equivalents	(409)	(1,028)
Cash and cash equivalents, beginning of the period	124,938	128,277
Cash and cash equivalents, end of the period	$146,247	$137,807

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 nine months ended September 30, 2015 and 2014, the Company paid taxes, net of tax refunds, of approximately $25,307,000 and $34,209,000, respectively.
Supplemental disclosures of non-cash investing and financing activities:
In connection with its stock incentive plan, for the nine months ended September 30, 2015 and 2014, the Company issued fully vested restricted stock units in the amount of $325,000 and $252,000, respectively. For the nine months ended September 30, 2015 and 2014, the Company recorded dividend equivalent restricted stock units, net of forfeitures, in the amount of $722,000 and $667,000, respectively.
As further described in Note 4, during the nine months ended September 30, 2015, the Company's proportionate ownership interest in Cohen & Steers MLP & Energy Opportunity Fund, Inc. (MLO) decreased and the Company recorded a non-cash reclassification of $21,103,000, which represented the Company's proportionate share of MLO, from equity method investments into available-for-sale 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, 2014.

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 “gain (loss) from trading investments—net”, “gain (loss) from available-for-sale investments—net” and “equity in earnings (losses) of affiliates” have been combined into a single caption “gain (loss) from seed investments—net”. The breakdown of these amounts is provided in Note 4, Investments.

Consolidation—The Company consolidates operating entities deemed to be voting interest entities if the Company owns a majority of the voting interest. The Company also consolidates any variable interest entities (VIEs) in which the Company is the primary beneficiary. The Company records noncontrolling interests in consolidated subsidiaries for which the Company’s ownership is less than 100 percent. The equity method of accounting is used for investments in affiliates in which the Company’s ownership ranges from 20 to 50 percent, or instances in which the Company is able to exercise significant influence but not control.

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 the obligation to absorb a majority of the expected losses or the right to receive the majority of the residual returns. 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 entities in which it has an interest are VIEs upon initial involvement and at each reporting date. The Company assesses whether it is the primary beneficiary of any VIEs identified

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

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 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 seed investments—net in the Company's condensed consolidated statements of operations.

Investments classified as equity method investments represent seed investments that are accounted for using the equity method, under which the Company recognizes its respective share of the investee's net income or loss for the period as gain (loss) from seed investments—net in the Company's condensed consolidated statements of operations. As of September 30, 2015, 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 mutual funds. 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 seed 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 seed 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 September 30, 2015, 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

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

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 mutual funds 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 mutual funds 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 mutual 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 mutual funds, CSS receives distribution fees of up to 25bps for Class A shares, 75bps for Class C shares and 50bps for Class R shares. CSS also receives shareholder servicing fees of up to 10bps on Class A shares, 25bps on Class C shares and 15bps on Class Z shares, pursuant to shareholder servicing plans with the funds. Effective October 1, 2014, the Company no longer receives shareholder servicing fees on Class Z 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 mutual funds' shares and (ii) for other expenses such as advertising costs and 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, 75bps on Class C shares and 50bps on Class R 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, 25bps on Class C shares and 15bps on Class Z shares. Effective October 1, 2014, the Company no longer pays shareholder service fees on Class Z 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 mutual 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

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

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.

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 $(2,738,000) and $(1,446,000) as of September 30, 2015 and December 31, 2014, 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 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 May 2015, the Financial Accounting Standards Board (FASB) issued new guidance amending the current disclosure requirement for investments in certain entities that calculate net asset value per share. The guidance requires investments for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy. Instead, those investment amounts shall be provided as a separate item to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the statement of financial position. This new guidance will be effective for the Company’s first quarter of 2016. The Company does not anticipate that the adoption of this new guidance will have a material impact on its condensed consolidated financial statements.

In February 2015, the FASB issued new guidance amending the current accounting for consolidation of certain legal entities. These amendments modify the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminate the presumption that a general partner should consolidate a limited partnership, affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and provide a scope exception from consolidation guidance for reporting entities with interests in certain investment funds. This new guidance will be effective for the Company’s first quarter of 2016. The Company is currently evaluating the potential impact on its condensed consolidated financial statements and related disclosures.

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.

COHEN & STEERS, INC. AND SUBSIDIARIES
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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.

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 September 30, 2015 and December 31, 2014, goodwill was approximately $18,252,000 and $19,120,000, respectively. The Company’s goodwill decreased by $868,000 for the nine months ended September 30, 2015 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 September 30, 2015 and December 31, 2014 (in thousands):

	Remaining Amortization Period (in months)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
September 30, 2015:				
Amortized intangible assets:				
Client relationships	39	$1,543	$(1,247)	$296
Non-amortized intangible assets:				
Mutual fund management contracts	—	1,250	—	1,250
Total		$2,793	$(1,247)	$1,546
December 31, 2014:				
Amortized intangible assets:				
Client relationships	48	$1,543	$(1,181)	$362
Non-amortized intangible assets:				
Mutual fund management contracts	—	1,250	—	1,250
Total		$2,793	$(1,181)	$1,612

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

Amortization expense related to the intangible assets was approximately $22,000 for both the three months ended September 30, 2015 and 2014, respectively, and approximately $66,000 for both the nine months ended September 30, 2015 and 2014, respectively. Estimated future amortization expense is as follows (in thousands):

Periods Ending December 31,	Estimated Amortization Expense
2015	$23
2016	89
2017	89
2018	95
2019	—
Total	$296

4. Investments
The following is a summary of the Company's investments as of September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Trading investments	$12,851	$9,509
Equity method investments	6,309	28,550
Available-for-sale investments	30,531	21,269

Gain (loss) from seed investments for the three and nine months ended September 30, 2015 and 2014 are summarized below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,
	2015	2014	