

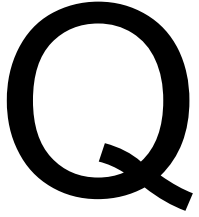
THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE

Audited Financial Statements

Year Ended December 31, 2016

With report of Independent Auditor

THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE



Audited Financial Statements

Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
The Institute for Quantitative Research in Finance

Report on the Financial Statements

I have audited the accompanying financial statements of The Institute for Quantitative Research in Finance ("The Q-Group") which comprise the statements of financial positions as of December 31, 2016 and 2015, and related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respect, the financial position of "The Q-Group" as of December 31, 2016 and 2015, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

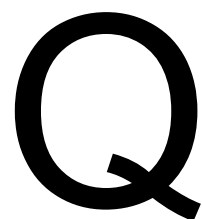
Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules beginning on page 10 through 12 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of "The Q-Group's" management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Frank Megale CPA". The signature is written in a cursive style with a large, stylized "M" for Megale.

FRANK MEGALE, CPA
NORTH VALLEY STREAM, NEW YORK
March 30, 2017

**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 and 2015**



Statements
of
Financial
Position

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and Cash Equivalents - Schedule 1	\$1,227,154	\$1,210,264
Accounts Receivable (Note 2)	22,750	9,750
Prepaid Expenses - Schedule 2	84,656	23,375
Security Deposit	<u>-0-</u>	<u>286</u>
TOTAL ASSETS	<u>\$1,334,560</u>	<u>\$1,243,675</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Commitments & Liabilities		
Deferred Revenue - Sponsor Dues	\$ 481,000	\$ 497,250
Commitments - Schedule 3	52,000	65,000
Miscellaneous Payable	-0-	1,000
Accrued Expenses - Schedule 4	<u>36,169</u>	<u>17,191</u>
TOTAL LIABILITIES	569,169	580,441
Net Assets		
General Fund	555,391	453,234
Unrestricted Reserve Fund (Note 3)	<u>210,000</u>	<u>210,000</u>
TOTAL NET ASSETS	<u>765,391</u>	<u>663,234</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$1,334,560</u>	<u>\$1,243,675</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**



Statements
of
Activities

	<u>2016</u>	<u>2015</u>
REVENUES		
Sponsor Dues	\$ 984,750	\$ 991,250
Seminar Fees - Schedule 5	130,000	83,750
Interest & Dividends	<u>906</u>	<u>1,096</u>
TOTAL REVENUE	1,115,656	1,076,096
COMMITMENTS & EXPENSES		
Programs - Schedules 6,7,8 and 9	732,459	652,839
Management & Administration - Schedule 10	272,090	265,283
Professional Fees - Schedule 11	<u>28,950</u>	<u>28,500</u>
TOTAL COMMITMENTS & EXPENSES	1,033,499	946,622
Increase (Decrease) In Net Assets From Operations	82,157	129,474
Canceled Research Project (Note 4a)	18,000	12,000
Prior Period Adjustment (Note 5)	<u>2,000</u>	<u>-0-</u>
Change In Net Assets	102,157	141,474
NET ASSETS - BEGINNING OF YEAR	<u>663,234</u>	<u>521,760</u>
NET ASSETS - END OF YEAR	<u>\$ 765,391</u>	<u>\$ 663,234</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	
<div style="font-size: 48px; font-weight: bold; margin-bottom: 10px;">Q</div> <p style="margin: 0;">Statements of Cash Flows</p>	CASH FLOWS FROM OPERATING ACTIVITIES		
	Change in net assets	\$ 102,157	\$ 41,474
	Adjustments to reconcile change in net asset to net cash provided by operating activities:		
	(Increase) decrease in Accounts Receivable	(13,000)	16,250
	(Increase) decrease in Other Receivable	-0-	26
	(Increase) decrease in Prepaid Expenses	(61,281)	29,052
	(Increase) decrease in Security Deposit	286	-0-
	Increase (decrease) in Deferred Revenue - Sponsor Dues	(16,250)	(9,750)
	Increase (decrease) in Research Commitments	(18,000)	(24,000)
	Increase (decrease) in Accrued Expenses	18,978	(5,063)
	Increase (decrease) in Summary of Proceedings	5,000	5,000
	Increase (decrease) in Miscellaneous Payable	<u>(1,000)</u>	<u>1,000</u>
	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	16,890	153,989
	CASH & CASH EQUIVALENTS - BEGINNING	<u>1,210,264</u>	<u>1,056,275</u>
	CASH & CASH EQUIVALENTS - END	<u><u>\$1,227,154</u></u>	<u><u>\$1,210,264</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
NOTES TO FINANCIAL STATEMENTS**



1. The Organization

a) Nature of Operations

The Institute for Quantitative Research in Finance (“The Q-Group”) is a not-for-profit organization formed in 1966 and incorporated on December 31, 2000 in the State of Delaware. “The Q-Group” conducts various programs in the field of quantitative analysis and finance, including grants for research, spring and fall seminars and a prize competition for best presentations at the seminars. Total full membership at the end of 2016 is 139 sponsors.

Two Seat Sponsor	(Full year)	-	11	@	\$13,000	-	\$143,000
One Seat Sponsor	(Full year)	-	128	@	\$ 6,500	-	\$832,000
One Seat Sponsor	(Half year)	-	3	@	\$ 3,250	-	\$ 9,750

2. Summary of Significant Accounting Principles

a) Cash and Cash Equivalents

For purposes of the statement of cash flows, “The Q-Group” considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

b) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

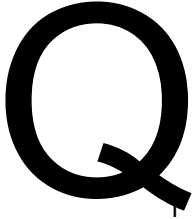
c) Accounts Receivable

Accounts receivables are recorded at the amount “The Q-Group” expects to collect on balances outstanding at year end. Accounts that are deemed uncollectible are written off in the period that collection efforts are deemed exhausted and the accounts become worthless.

The 2016 accounts receivable is from the Fall 2016 seminar; \$3,250 is additional member firm seat and \$19,500 is guest seats. None of the 2016 \$22,750 accounts receivable have been collected as of March 30, 2017

*Notes
to the
Financial
Statements*

**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
NOTES TO FINANCIAL STATEMENTS**



2. Summary of Significant Accounting Principles - Continued

d) Federal Income Tax - continued

“The Q-Group” is exempt from federal income tax under Section 501 (c) (6) of the internal Revenue Code. Accordingly, it is not required to pay taxes except as set forth in Section 511 of the code on unrelated business income. “The Q-Group” has thus far incurred no tax liability.

“The Q-Group”'s Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2013, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

e) Lobbying and Political Expenditures

The by-laws of “The Q-Group” do not authorize lobbying and/or political expenditures. “The Q-Group” has never made any lobbying or political expenditures.

f) 5 Year Summary of Proceedings

The printing of the “5 Year Summary of Proceedings” occurs once every five years covering 10 seminars. The cost of this printing is allocated and accrued to each of the years in the summary.

g) Office Equipment

“The Q-Group” capitalizes office equipment costing more than \$2,500. These assets are stated at cost and will be depreciated over their useful life (usually 3 years) using the straight line method of depreciation.

h) Concentration of Credit Risk

“The Q-Group” maintains its cash balances at the financial institutions of JPMorgan Chase Bank, and JPMorgan Funds. Only the balances maintained at JPMorgan Chase Bank are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures only the first \$250,000 of funds in member banks. At times, account balances may exceed the federally insured limit. “The Q-Group” has not experienced any losses on these accounts, and management believes “The Q-Group” is not exposed to any significant risk on cash accounts. At December 31, 2016 and 2015, “The Q-Group” had \$977,154 and \$960,264, respectively, in uninsured cash balances.

**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
NOTES TO FINANCIAL STATEMENTS**

2. Summary of Significant Accounting Principles - Continued

i) Deferred Revenue

Deferred revenue represents sponsor dues, sponsor additional seat fees, and guest fees for the subsequent year.

3. Unrestricted Reserve Fund

Management has set aside a certain portion of the net assets of "The Q-Group" into the unrestricted reserve fund. The purpose is to have an adequate reserve available to "The Q-Group" for liquidation of all future financial commitments without requesting additional monies from Sponsors. There are three primary sources of future financial commitments:

a) Research project commitments

b) Hotel contract cancellations

c) Operating expense overruns

Additionally, management has set aside \$10,000 of the net assets of "The Q-Group" into the unrestricted reserve fund. The purpose is to provide for the future purchase of necessary office and audio-visual equipment.

4. Contingencies

"The Q-Group" could realize revenue in future periods from the cancellation of commitments as described below:

a) Research Grants - Each research grant has performance requirements that must be fulfilled. If the research committee determines that these requirements have not been met, the grant can be cancelled in whole or in part, and the unpaid balance would be added to revenues in the year of the cancellation.

**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
NOTES TO FINANCIAL STATEMENTS**

4. Contingencies - continued

In 2016, the remaining balance of the research grants awarded to Guedj & Huang in 2008 of \$6,000; to Routledge, Sagi & Smith in 2008 of 6,000 and Acharya & Engle in 2009 of \$6,000 have been canceled.

In 2015, the remaining balance of the research grants awarded to Boudoukh, Richardson, Stanton & Whitelaw in 2006 of \$6,000 and to Berndt & Ritchken in 2010 of \$6,000 have been canceled.

The amounts committed to researchers as of December 31 are:

<u>RESEARCHER</u>	<u>YEAR</u>	<u>2016</u>	<u>2015</u>
Guedj & Huang	2008	-0-	6,000
Kogan Routledge Sagi Smith	2008	-0-	6,000
Acharya & Engle	2009	-0-	6,000
Aguilar & Ringgenberg	2011	6,000	6,000
Kelly & Weller	2013	<u>6,000</u>	<u>6,000</u>
		<u>\$12,000</u>	<u>\$30,000</u>

b) Prizes - Although the Prize Committee intends to award prizes for seminar presentations, if they determine that no one has made a presentation worthy of the prize, the commitment could be canceled and the amount not awarded would be added to the subsequent year's revenues.

5. Prior Period Adjustment

A check issued for a 2013 spring seminar honoraria of \$1,000 was never presented to the bank for payment and has been canceled. The 2015 miscellaneous income was understated by \$1,000.

6. Evaluation of Subsequent Events

"The Q-Group's" management has evaluated subsequent events through March 30, 2017, the date which the financial statements were available to be issued.

**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
STATEMENTS OF FINANCIAL POSITION - SCHEDULES
DECEMBER 31, 2016 and 2015**



Statements
of
Financial
Position
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Schedules

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS - Schedule 1		
JPMorgan Chase Checking	\$ 74,369	\$ 87,855
JPMorgan Chase Money Market	1,152,785	1,120,409
JPMorgan Money Market	<u>-0-</u>	<u>2,000</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$1,227,154</u>	<u>\$1,210,264</u>
PREPAID EXPENSES - Schedule 2		
Seminar - Site Deposit	\$ 76,500	\$ 4,500
Seminar - Supplies & Gifts	1,512	8,146
Promotional Material	1,003	2,406
Insurance	5,641	3,773
Storage	<u>-0-</u>	<u>4,550</u>
TOTAL PREPAID EXPENSES	<u>\$ 84,656</u>	<u>\$ 23,375</u>
<u>LIABILITIES</u>		
COMMITMENTS - Schedule 3		
Research Commitments (Note 4a)	\$ 12,000	\$ 30,000
Prize Commitments	10,000	10,000
5 Year Summary of Proceedings Commitments	<u>30,000</u>	<u>25,000</u>
TOTAL COMMITMENTS	<u>\$ 52,000</u>	<u>\$ 65,000</u>
ACCRUED EXPENSES - Schedule 4		
Accounting & Audit	\$ 4,050	\$ 4,000
General & Administrative	3,159	6,229
Seminar	-0-	540
Membership Committee	28,960	6,000
Program Committee	<u>-0-</u>	<u>422</u>
TOTAL ACCRUED EXPENSES	<u>\$ 36,169</u>	<u>\$ 17,191</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
STATEMENTS OF ACTIVITIES - SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

Q

Statements
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Schedules

	<u>2016</u>	<u>2015</u>
SEMINAR FEES - Schedule 5		
Seminar Fees - Sponsors' Additional Seats	\$ 94,250	\$ 71,500
Seminar Fees - Guest Seats	<u>35,750</u>	<u>12,250</u>
TOTAL SEMINAR FEES	<u>\$130,000</u>	<u>\$ 83,750</u>
 PROGRAM EXPENSES - SCHEDULES 6, 7, 8, and 9		
SEMINAR - Schedule 6		
Hotel Catering	\$320,911	\$322,693
Hotel Meeting Room Expenses	74,617	34,058
Hotel Rooms	50,643	60,224
Hotel Miscellaneous	6,271	3,756
Travel	30,415	31,293
Honoraria	20,000	23,000
Summary	15,000	15,000
Supplies & Other	35,305	26,648
Print Materials	12,560	51,914
Material Design & Mailing Production	8,994	5,000
Speaker Gifts	-0-	365
Website Cost	14,366	3,188
Special Events - 50 th Anniversary	<u>72,312</u>	<u>-0-</u>
TOTAL SEMINAR	<u>\$661,394</u>	<u>\$577,139</u>
 PRIZE COMPETITION - Schedule 7		
Roger F. Murray - Prize Awards	\$ 10,000	\$ 10,000
Jack L. Treynor Prize Expenses	12,722	11,143
Committee Expense & Travel	<u>290</u>	<u>326</u>
TOTAL PRIZE COMPETITION	<u>\$ 23,012</u>	<u>\$ 21,469</u>
 RESEARCH - Schedule 8		
Coordinator Fee	\$ 20,000	\$ 20,000
Committee Expense	92	377
Website Cost	<u>1,300</u>	<u>4,850</u>
TOTAL RESEARCH	<u>\$ 21,392</u>	<u>\$ 25,227</u>

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**THE INSTITUTE FOR QUANTITATIVE RESEARCH IN FINANCE
STATEMENTS OF ACTIVITIES - SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

Q

Statements
of
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Schedules

	<u>2016</u>	<u>2015</u>
OTHER PROGRAM EXPENSES - Schedule 9		
5 Year Summary of Proceedings	\$ 5,000	\$ 5,000
Program Committee	<u>21,661</u>	<u>24,004</u>
TOTAL OTHER PROGRAM EXPENSES	<u>\$ 26,661</u>	<u>\$ 29,004</u>
TOTAL PROGRAM EXPENSES - SCHEDULES 6, 7, 8, AND 9	 <u>\$ 732,459</u>	 <u>\$ 652,839</u>
MANAGEMENT & ADMINISTRATION - Schedule 10		
Administrative Fees & Payroll Taxes	\$ 214,597	\$ 195,454
Insurance	4,412	4,471
Annual Report	1,400	7,710
Travel Site Selection	-0-	1,692
Promotional Material	1,403	1,604
Board Committee	4,993	3,279
Administrative Committee	437	376
Membership Committee	13,461	14,716
Files Storage	10,296	5,110
Clerical & Office	<u>21,091</u>	<u>30,871</u>
TOTAL MANAGEMENT & ADMINISTRATION	 <u>\$ 272,090</u>	 <u>\$ 265,283</u>
PROFESSIONAL FEES - Schedule 11		
Accounting & Auditing	<u>\$ 28,950</u>	<u>\$ 28,500</u>
TOTAL PROFESSIONAL FEES	 <u>\$ 28,950</u>	 <u>\$ 28,500</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS