COHEN & STEERS INC
Form 10-Q
May 10, 2018

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, 2018

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	14-1904657
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
280 Park Avenue New York, NY	10017
(Address of Principal Executive Offices)	(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
	Smaller reporting company o
Non-accelerated filer o (Do not check if a smaller reporting company)	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 at May 1, 2018 was 46,747,310.

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 other 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, 2017 (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, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$168,644	$ 193,452
Investments ($529 and $414) [(1)] ($99,811 and $68,101) [(2)]	139,435	108,106
Accounts receivable	63,016	53,854
Due from brokers ($9,593 and $5,410) [(2)]	11,790	6,429
Property and equipment—net	14,939	15,040
Goodwill and intangible assets—net	20,625	20,379
Deferred income tax asset—net	1,794	5,812
Other assets ($1,773 and $931) [(2)]	8,698	7,053
Total assets	$428,941	$ 410,125
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accrued compensation	$10,156	$ 41,370
Distribution and service fees payable	6,774	6,231
Income tax payable	23,001	19,892
Due to brokers ($7,107 and $3,203) [(2)]	7,137	3,282
Deferred rent	5,934	5,994
Other liabilities and accrued expenses ($338 and $291) [(2)]	10,492	10,025
Total liabilities	63,494	86,794
Commitments and contingencies (See Note 11)		
Redeemable noncontrolling interest	81,604	47,795
Stockholders' equity:		
Common stock, $0.01 par value; 500,000,000 shares authorized; 51,793,732 and 51,104,593 shares issued at March 31, 2018 and December 31, 2017, respectively	518	511
Additional paid-in capital	577,169	570,486
Accumulated deficit	(125,293)	(137,972)
Accumulated other comprehensive loss, net of tax	(4,228)	(3,671)
Less: Treasury stock, at cost, 5,048,878 and 4,789,608 shares at March 31, 2018 and December 31, 2017, respectively	(164,323)	(153,818)
Total stockholders' equity	283,843	275,536
Total liabilities and stockholders' equity	$428,941	$ 410,125

(1) Pledged as collateral attributable to the consolidated balances of the Cohen & Steers Active Commodities Strategy Fund, Inc. at March 31, 2018 and December 31, 2017, respectively.

(2) Asset and liability amounts in parentheses represent the aggregated balances at March 31, 2018 and December 31, 2017 attributable to the Cohen & Steers SICAV Global Listed Infrastructure Fund, the Cohen & Steers Co-Investment Partnership, L.P. and the Cohen & Steers SICAV Global Preferred Securities Fund, 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, 2018	2017 [1]
Revenue:		
Investment advisory and administration fees	$84,434	$79,608
Distribution and service fees	7,400	7,396
Portfolio consulting and other	2,630	2,737
Total revenue	94,464	89,741
Expenses:		
Employee compensation and benefits	31,156	29,383
Distribution and service fees	12,842	13,163
General and administrative	12,185	10,556
Depreciation and amortization	1,062	1,111
Total expenses	57,245	54,213
Operating income	37,219	35,528
Non-operating income (loss):		
Interest and dividend income	1,801	499
Gain (loss) from investments—net	(4,502)	19
Other gains (losses)—net	2,502	(291)
Total non-operating income (loss)	(199)	227
Income before provision for income taxes	37,020	35,755
Provision for income taxes	8,096	12,811
Net income	28,924	22,944
Less: Net (income) loss attributable to redeemable noncontrolling interest	(1,338)	41
Net income attributable to common stockholders	$27,586	$22,985
Earnings per share attributable to common stockholders:		
Basic	$0.59	$0.50
Diluted	$0.59	$0.49
Dividends declared per share	$0.33	$0.28
Weighted average shares outstanding:		
Basic	46,683	46,243
Diluted	47,152	46,603

(1) Certain amounts have been recast to reflect the Company's adoption of the new revenue recognition accounting standard on January 1, 2018.

See notes to condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2018	2017
Net income	$28,924	$22,944
Less: Net (income) loss attributable to redeemable noncontrolling interest	(1,338)	41
Net income attributable to common stockholders	27,586	22,985
Other comprehensive income (loss), net of tax:		
Foreign currency translation income (loss)	538	487
Net unrealized gain (loss) from available-for-sale investments [1]	—	414
Reclassification to statements of operations of (gain) loss from available-for-sale investments [1]	—	(35)
Other comprehensive income (loss)	538	866
Total comprehensive income attributable to common stockholders	$28,124	$23,851

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(1) Due to the adoption and application of the amendments to the financial instruments accounting standard on January 1, 2018, realized and unrealized gains (losses) from equity investments at fair value are recognized through earnings rather than through other comprehensive income. See Notes 2 and 4 for further discussion of the Company's recently adopted accounting pronouncements and investments, respectively.

See notes to condensed consolidated financial statements

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND REDEEMABLE NONCONTROLLING INTEREST (Unaudited)
For the Three Months Ended March 31, 2018 and 2017
(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
January 1, 2017	$ 504	$ 543,829	$ (127,957)	$ (5,885)	$ (144,677)	$ 265,814	$ 853	45,890
Dividends	—	—	(13,406)	—	—	(13,406)	—	—
Issuance of common stock	7	250	—	—	—	257	—	664
Repurchase of common stock	—	—	—	—	(9,040)	(9,040)	—	(262)
Issuance of restricted stock units	—	596	—	—	—	596	—	—
Amortization of restricted stock units—net	—	5,578	(285)	—	—	5,293	—	—
Forfeitures of restricted stock units	—	(4)	—	—	—	(4)	—	—
Net income (loss)	—	—	22,985	—	—	22,985	(41)	—
Other comprehensive income (loss), net of tax	—	—	—	866	—	866	—	—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	174	—
Distributions to redeemable noncontrolling interest	—	—	—	—	—	—	(11)	—
March 31, 2017	$ 511	$ 550,249	$ (118,663)	$ (5,019)	$ (153,717)	$ 273,361	$ 975	46,292
January 1, 2018	$ 511	$ 570,486	$ (137,972)	$ (3,671)	$ (153,818)	$ 275,536	$ 47,795	46,315
Cumulative-effect adjustment due to the adoption of the new financial instruments accounting standard	—	—	1,095	(1,095)	—	—	—	—
Dividends	—		(16,002)	—	—	(16,002)	—	—
Issuance of common stock	7	250	—	—	—	257	—	689
Repurchase of common stock	—	—	—	—	(10,505)	(10,505)	—	(259)
Issuance of restricted stock units	—	733	—	—	—	733	—	—
Amortization of restricted stock units—net	—	5,700	—	—	—	5,700	—	—

Forfeitures of restricted stock units	—	—	—	—	—	—	—	—
Net income (loss)	—	—	27,586	—	—	27,586	1,338	—
Other comprehensive income (loss), net of tax	—	—	—	538	—	538	—	—
Contributions from redeemable noncontrolling interest	—	—	—	—	—	—	34,423	—
Distributions to redeemable noncontrolling interest	—	—	—	—	—	—	(1,952)	—
March 31, 2018	$ 518	$ 577,169	$ (125,293)	$ (4,228)	$ (164,323)	$ 283,843	$ 81,604	46,745

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, 2018	2017
Cash flows from operating activities:		
Net income	$28,924	$22,944
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Stock-based compensation expense	5,738	5,328
Amortization of deferred commissions	473	954
Depreciation and amortization	1,062	1,111
Deferred rent	(60)	(57)
(Gain) loss from investments—net	4,502	(19)
Deferred income taxes	3,988	5,406
Foreign currency (gain) loss	(1,136)	1,452
Changes in operating assets and liabilities:		
Accounts receivable	(8,026)	(13,840)
Due from brokers	(5,361)	(580)
Deferred commissions	(348)	(443)
Investments within consolidated funds	(34,057)	(2,200)
Other assets	(1,737)	(44)
Accrued compensation	(31,188)	(25,770)
Distribution and service fees payable	543	(4)
Due to brokers	3,855	—
Income tax payable	3,109	6,531
Other liabilities and accrued expenses	647	(2,581)
Net cash provided by (used in) operating activities	(29,072)	(1,812)
Cash flows from investing activities:		
Distributions from equity method investments	26	—
Purchases of investments	(3,856)	(9,545)
Proceeds from sales of investments	1,993	6,746
Purchases of property and equipment	(906)	(649)
Net cash provided by (used in) investing activities	(2,743)	(3,448)
Cash flows from financing activities:		
Issuance of common stock	219	219
Repurchase of common stock	(10,505)	(9,040)
Dividends to stockholders	(15,445)	(12,979)
Distributions to redeemable noncontrolling interest	(1,952)	(11)
Contributions from redeemable noncontrolling interest	34,423	174
Net cash provided by (used in) financing activities	6,740	(21,637)
Net increase (decrease) in cash and cash equivalents	(25,075)	(26,897)
Effect of foreign exchange rate changes on cash and cash equivalents	267	348
Cash and cash equivalents, beginning of the period	193,452	183,234
Cash and cash equivalents, end of the period	$168,644	$156,685

See notes to condensed consolidated financial statements

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

Supplemental disclosures of cash flow information:
During the three months ended March 31, 2018 and 2017, the Company paid taxes, net of tax refunds, of approximately $1,144,000 and $989,000, 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 approximately $176,000 and $168,000 for the three months ended March 31, 2018 and 2017, respectively. For the three months ended March 31, 2018 and 2017, the Company recorded restricted stock unit dividend equivalents, net of forfeitures, in the amount of approximately $557,000 and $427,000, respectively.
During the three months ended March 31, 2018, the Company's proportionate ownership interest in the Cohen & Steers Funds ICAV (ICAV), an Irish alternative investment fund, increased and, as a result, the Company consolidated the assets and liabilities and the results of operations of ICAV.

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, 2017.

The Company reclassified certain prior period amounts in the condensed consolidated financial statements to conform with the current period presentation.

Recently Adopted Accounting Pronouncements—In May 2017, the FASB issued new guidance for modification accounting related to share-based payment transactions in order to provide clarity and to reduce current diversity in practice. This new guidance does not fundamentally change the notion of a modification. Instead, the amendments clarify which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments became effective on January 1, 2018 and required prospective application. The Company's adoption of the new guidance did not have a material effect on its condensed consolidated financial statements and related disclosures.

In August 2016, the FASB amended the current guidance on the classification of certain cash receipts and payments in the statement of cash flows. This guidance is intended to unify the currently diverse presentations and classifications, including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The Company evaluated the eight issues and concluded that only distributions received from equity method investees is applicable to the Company. This amended guidance became effective on January 1, 2018 and was adopted retrospectively. The Company made an accounting policy election to use the Cumulative Earnings Approach when determining whether distributions received from equity method investments should be classified as either operating or investing activities within its condensed consolidated statements of cash flows. The Company's adoption and application of the new guidance did not have a material effect on its condensed consolidated financial statements and related disclosures.

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

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 became effective on January 1, 2018 and required the Company to recognize a cumulative-effect adjustment to the beginning retained earnings of approximately $1,095,000, net of tax. Furthermore, changes in the fair value of the Company's equity investments carried at fair value are now reported through earnings rather than through other comprehensive income. Additionally, due to the required cumulative-effect method of adoption applied, certain disclosures for prior periods have not been recast to conform with the current period presentation. Lastly, upon adoption of the new guidance, the Company reclassified certain investments previously classified as available-for-sale to trading investments or equity investments at fair value. See Notes 4 and 5 for further discussion about the Company's investments.

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. The FASB issued a number of amendments and revisions to the new standard in order to provide more detailed guidance and clarifications. This new guidance became effective on January 1, 2018 and the Company elected to adopt the standard using the retrospective method, which required the recasting of prior period amounts. The adoption of the new standard did not have a material impact on the timing of recognition for the Company's revenue but did affect the presentation of certain revenue and expenses on either a gross or net basis.

The adoption of the new revenue recognition standard resulted in the following changes to the Company's previously reported results for the three months ended March 31, 2017 (in thousands):

	As Previously Reported	Net Adjustments Due to New Revenue Standard	As Recasted
Revenue:			
Investment advisory and administration fees	$ 81,903	$ (2,295)	$ 79,608
Distribution and service fees	5,046	2,350	7,396
Total	$ 86,949	$ 55	$ 87,004
Expenses:			
Distribution and service fees	$ 9,780	$ 2,429	$ 12,209
General and administrative	12,930	(2,374)	10,556
Total	$ 22,710	$ 55	$ 22,765

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 disclosure 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.

Consolidation of Company-sponsored Funds—Investments in Company-sponsored funds and management fees are evaluated at inception and thereafter, if there is a reconsideration event, in order to determine whether to apply the Variable Interest Entity (VIE) model or the Voting Interest Entity (VOE) model. In performing this analysis, all of the Company's management fees are presumed to be commensurate and at market and are therefore not considered variable interests.

A VIE is an entity in which either (i) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (ii) the group of holders of the equity investment at risk lack certain

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

characteristics of a controlling financial interest. The primary beneficiary is the entity that has (i) the power to direct the activities of the VIE that most significantly affect its performance and (i) 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. 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 funds for which the Company's ownership is less than 100%.

Cash and Cash Equivalents—Cash and cash equivalents are on deposit with three major financial institutions and 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 Brokers—Company-sponsored funds that are consolidated transact with brokers for certain investment activities. The clearing and custody operations for these investment activities are performed pursuant to contractual agreements. The due from/to brokers balance represents cash and cash equivalents balances at brokers/custodians and/or receivables and payables for unsettled securities transactions.

Investments—Management of the Company determines the appropriate classification of its investments at the time of purchase and re-evaluates such determination on an ongoing basis and at each statement of financial condition date. At March 31, 2018, the Company's investments were comprised of equity investments at fair value, trading investments and equity method investments. Realized and unrealized gains and losses on equity investments at fair value, trading investments and equity method investments are recorded in gain (loss) from 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 affiliated 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 affiliated investee fund net income or loss for the period which is recorded as gain (loss) from investments—net in the Company's condensed consolidated statements of operations. At March 31, 2018, the
Company's equity method investment consisted of an interest in a Company-sponsored limited partnership which measures its underlying investments at fair value based on quoted market prices or NAV (or its equivalent) as a practical expedient and reports a net asset value on a recurring basis. The carrying amount of this investment approximated its fair value.

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 and futures contracts. These instruments are measured at fair value based on their settlement price at the close of trading on the associated commodities exchange or board of trade with gains and losses recorded as gain (loss) from 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 on the Company's condensed consolidated statements of financial condition. At March 31, 2018, 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 (loss) 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 on the Company's condensed consolidated statements of financial condition.

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

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.

Redeemable Noncontrolling Interest—Redeemable noncontrolling interest represents third-party interests in the Company's consolidated funds. 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 average 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 when earned and is recorded net of any fund reimbursements. The investment advisory and administration contracts each include a single performance obligation as the services provided are not separately identifiable and, therefore, is accounted for as a series satisfied over time using a time-based method (days elapsed). Additionally, investment advisory and administration fees represent variable consideration, as fees are based on average assets under management which fluctuate due to changes in the financial markets.

Distribution and Service Fee Revenue—Distribution and service fee revenue is based on the average daily net assets of certain share classes of the Company's sponsored open-end funds distributed by CSS.

Distribution fee agreements include a single performance obligation that is satisfied at a point in time when an investor purchases shares in a Company-sponsored open-end fund. Distribution fees represent variable consideration, as fees are based on average assets under management which fluctuate due to changes in the financial markets. For both the three months ended March 31, 2018 and 2017, a portion of the distribution fee revenue recognized in the current period may relate to performance obligations satisfied (or partially satisfied) in prior periods. Service fee agreements include a single performance obligation as the services provided are not separately identifiable and, therefore, is accounted for as a series satisfied over time using a time-based method (days elapsed). Service fees represent variable consideration, as fees are based on average assets under management which fluctuate due to changes in the financial markets.

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. Revenue is earned pursuant to the terms of the underlying contracts and the fee schedules for these relationships vary based on the type of services the Company provides for each relationship. The majority of the Company's revenue from portfolio consulting and other is recognized over time and represents variable consideration, as fees are based on average assets under advisement which fluctuate due to changes in the financial markets. Commission income and contingent deferred sales charge (CDSC) fees, which are earned pursuant to specific transactions such as a purchase or sale of fund shares, are recognized at a point in time.

Distribution and Service Fee Expense—Distribution and service fee expense includes distribution fees, shareholder servicing fees and intermediary assistance payments. Distribution and service fee expense is recorded on an accrual basis.

Distribution fee expense represents payments made to qualified intermediaries 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 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

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(Rule 12b-1). The Company pays distribution fee expense based on the average daily net assets under management of certain share classes of certain of the funds.

Shareholder servicing fee expense represents payments made to qualified intermediaries for shareholder account service and maintenance. These services are provided pursuant to written agreements with such qualified institutions. The Company pays shareholder servicing fee expense generally based on the average assets under management or the number of accounts being serviced. The Company previously recognized certain distribution and service fee revenue and expense on a net basis; however, upon adoption of the new revenue guidance, the Company recognizes such revenue and expense on a gross basis.

Intermediary assistance payments represent payments to qualified intermediaries for activities related to distribution, shareholder servicing and marketing and support of the Company's 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.

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. Forfeitures are recorded as incurred.

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 tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across the Company's 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. The Company records potential interest and penalties related to uncertain tax positions in the provision for income taxes in the condensed consolidated statements of operations.

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 $(4,228,000) and $(4,781,000) at March 31, 2018 and December 31, 2017, respectively. Gains or losses resulting from non-U.S. dollar currency transactions are included in other non-operating income (loss) 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 and amounts attributable to foreign currency translation gain (loss), net of tax.

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Recently Issued Accounting Pronouncements—In February 2018, the FASB issued new guidance allowing entities to reclassify certain tax effects related to the enactment of the Tax Cuts and Jobs Act (the Tax Act) from accumulated other comprehensive income (AOCI) to retained earnings. Prior to the issuance of the new guidance, a portion of the previously recognized deferred tax effects recorded in AOCI was "left stranded" in AOCI as the effect of remeasuring the deferred taxes using the reduced federal corporate income tax rate was required to be recorded through income. The new guidance allows these stranded tax effects to be reclassified from AOCI to retained earnings. The new guidance will be effective on January 1, 2019, with early adoption permitted and is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. The Company is still assessing which adoption method it will choose but it does not expect either method to have a material effect on its condensed consolidated financial statements and related disclosures.

In August 2017, the FASB issued new guidance amending the accounting for hedging activities. The new guidance (i) expands hedge accounting for nonfinancial and financial risk components and amends measurement methodologies to more closely align hedge accounting with an entity's risk management activities, (ii) decreases the complexity of preparing and understanding hedge results through eliminating the separate measurement and reporting of hedge ineffectiveness, (iii) enhances transparency, comparability and understandability of hedge results through enhanced disclosures and changing the presentation of hedge results to align the effects of the hedging instrument and the hedged item and (iv) reduces the cost and complexity of applying hedge accounting by simplifying the manner in which assessments of hedge effectiveness may be performed. The new guidance will be effective on January 1, 2019, with early adoption permitted. The Company does not expect the adoption of the new guidance to have a material effect on its condensed consolidated financial statements and related disclosures.

In January 2017, the FASB issued guidance to simplify the goodwill impairment test by removing the requirement to perform a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This new guidance will be effective on January 1, 2020. The Company does not expect the adoption of the new guidance to have a material effect on its condensed consolidated financial statements and related disclosures.

In February 2016, the FASB issued guidance introducing a new lease model which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new guidance establishes a right-of-use model (ROU) that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The new guidance also requires disclosures by lessees and lessors to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The new guidance is effective on January 1, 2019, with early adoption permitted. The Company expects to adopt the new guidance on its effective date. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While the Company is continuing to assess the effect of adoption, it currently believes the most significant change relates to the recognition of new ROU assets and lease liabilities on its condensed consolidated statements of financial condition for its office space and other operating leases. The Company does not expect a significant change in its leasing activity between now and adoption. The Company is still assessing which of the available practical expedients it plans to elect upon adoption.

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3. Revenue

The following tables summarize revenue recognized from contracts with customers by client domicile and revenue by vehicle for all periods presented (in thousands):

	Three Months Ended March 31, 2018	2017
Client domicile:		
North America	$79,707	$73,380
Japan	9,093	11,125
Asia excluding Japan	3,035	2,647
Europe	2,629	2,589
Total	$94,464	$89,741

	Three Months Ended March 31, 2018	2017
Vehicle:		
Open-end funds [1]	$47,452	$43,954
Closed-end funds	19,177	18,880
Institutional accounts	25,205	24,170
Portfolio consulting and other	2,630	2,737
Total	$94,464	$89,741

(1) Included distribution and service fees of $7.4 million for both the three months ended March 31, 2018 and 2017.

4. Investments

The following tables summarize the Company's investments for the periods presented (in thousands):

	March 31, 2018
Equity investments at fair value	$43,615
Trading investments	95,785
Equity method investments	35
Total investments	$139,435

	December 31, 2017
Trading investments	$74,856
Equity method investments	6,176
Available-for-sale investments	27,074
Total investments	$108,106

Equity investments at fair value—represents equity investments held within the affiliated funds that the Company consolidates, individual investments held directly for the purposes of establishing performance track records and seed

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investments in Company-sponsored funds. These investments include 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. Investments in equity securities are measured at fair value generally based on quoted market prices, market prices obtained from independent pricing services engaged by management or as determined by management and approved by the Company's valuation committee.

Trading investments—represents fixed income investments held within the affiliated funds that the Company consolidates and individual fixed income investments held directly for the purposes of establishing performance track records. Fixed income investments are carried at fair value based on quoted market prices or market prices obtained from independent pricing services engaged by management.

Equity method investments—represents an interest in a Company-sponsored limited partnership measured at NAV (or its equivalent) as a practical expedient reported on a recurring basis. The carrying amount of this investment approximated its fair value.

The Company seeded one new fund during the three months ended March 31, 2017.

The following tables summarize gain (loss) from investments for the for the periods presented (in thousands):

	Three Months Ended March 31, 2018
Gain (loss) from investments—net[1]	
Net realized gains (losses) during the period	$155
Net unrealized gains (losses) during the period on investments still held at the end of the period	(4,657)
Gain (loss) from investments—net	$(4,502)

(1) Includes net income (loss) attributable to redeemable noncontrolling interest.

	Three Months Ended March 31, 2017
Gain (loss) from trading investments—net[1]	$ 273
Equity in earnings (losses) of affiliates—net	(289)
Gain (loss) from available-for-sale investments—net	35
Total gain (loss) from investments	$ 19

(1) Includes net income (loss) attributable to redeemable noncontrolling interest.

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The following tables summarize the condensed consolidated statements of financial condition attributable to the Company's consolidated VIEs, which included the Cohen & Steers SICAV Global Listed Infrastructure Fund (GLI SICAV), the Cohen & Steers Co-Investment Partnership, L.P. (GRP-CIP) and the Cohen & Steers SICAV Global Preferred Securities Fund (SICAV Preferred) for the periods presented (in thousands):

	March 31, 2018			
	GLI SICAV	GRP-CIP	SICAV Preferred	Total
Assets [1]				
Investments	$5,648	$ 723	$93,440	$99,811
Due from brokers	190	191	9,212	9,593
Other assets	186	—	1,587	1,773
Total assets	$6,024	$ 914	$104,239	$111,177
Liabilities [1]				
Due to brokers	$50	$ —	$7,057	$7,107
Other liabilities and accrued expenses	99	5	234	338
Total liabilities	$149	$ 5	$7,291	$7,445

	December 31, 2017			
	GLI SICAV	GRP-CIP	SICAV Preferred	Total
Assets [1]				
Investments	$5,961	$ 1,330	$ 60,810	$68,101
Due from brokers	285	202	4,923	5,410
Other assets	32	—	899	931
Total assets	$6,278	$ 1,532	$ 66,632	$74,442
Liabilities [1]				
Due to brokers	$35	$ —	$ 3,168	$3,203
Other liabilities and accrued expenses	87	5	199	291
Total liabilities	$122	$ 5	$ 3,367	$3,494

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(1) The assets may only be used to settle obligations of each VIE and the liabilities are the sole obligation of each VIE, for which creditors do not have recourse to the general credit of the Company.

The following table summarizes the cost, gross unrealized gains, gross unrealized losses and fair value of available-for-sale investments at December 31, 2017 (in thousands):

	December 31, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses [1]	Fair Value
Common stocks	$6,782	$ 639	$ (183)	$7,238
Company-sponsored funds	13,376	1,269	(13)	14,632
Fixed income	3,966	15	(20)	3,961

Preferred securities	1,100	29	(5)	1,124
Other	100	19	—	119
Total available-for-sale investments	$25,324	$ 1,971	$ (221)	$27,074

(1) At December 31, 2017, there were no investments with material unrealized losses continuously for a period of more than 12 months.

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Available-for-sale investments with a fair value of approximately $6,086,000 at December 31, 2017 were in an unrealized loss position.

At December 31, 2017, unrealized losses on available-for-sale investments were generally caused by changes in 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 issuers. Furthermore, the Company determined that it had the ability and intent to hold the remaining available-for-sale investments for which no other-than-temporary impairment has occurred until a recovery of fair value. Accordingly, impairment of these investments, if any, was considered temporary.

The following table summarizes sales proceeds, gross realized gains and losses from available-for-sale investments for the three months ended March 31, 2017 (in thousands):

	Three Months Ended March 31, 2017
Proceeds from sales	$6,886
Gross realized gains	98
Gross realized losses	(63)

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.
- 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 at the end of the reporting period. There were no transfers between level 1 and level 2 during the period ended March 31, 2018.

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The following table presents fair value measurements at March 31, 2018 (in thousands):

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Cash equivalents	$159,008	$—	$ —	$ —	$159,008
Equity investments at fair value					
Common stocks	$13,668	$—	$ —	$ —	$13,668
Company-sponsored funds	14,063	—	—	—	14,063
Limited partnership interests	623	—	—	723	1,346
Preferred securities	13,883	546	—	—	14,429
Other	—	—	—	109	109
Total	$42,237	$546	$ —	$ 832	$43,615
Trading investments					
Fixed income	$3,966	$91,819	$ —	$ —	$95,785
Total	$3,966	$91,819	$ —	$ —	$95,785
Equity method investments	$—	$—	$ —	$ 35	$35