SEI INVESTMENTS CO
Form 10-Q
April 20, 2016

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

FORM 10-Q

(Mark One)*
ý Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended March 31, 2016
or
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from to
0-10200
(Commission File Number)

SEI INVESTMENTS COMPANY
(Exact name of registrant as specified in its charter)

Pennsylvania	23-1707341
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

1 Freedom Valley Drive, Oaks, Pennsylvania 19456-1100
(Address of principal executive offices)
(Zip Code)
(610) 676-1000
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 ý No ¨
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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
The number of shares outstanding of the registrant's common stock as of April 19, 2016 was 161,993,066.

SEI Investments Company

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

SEI Investments Company
Consolidated Balance Sheets
(unaudited)
(In thousands, except par value)

	March 31, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$638,253	$ 679,661
Restricted cash	5,500	5,500
Receivables from investment products	51,633	48,098
Receivables, net of allowance for doubtful accounts of $700 and $649	229,558	223,023
Securities owned	21,264	21,235
Other current assets	28,829	26,207
Total Current Assets	975,037	1,003,724
Property and Equipment, net of accumulated depreciation of $266,022 and $259,501	141,790	143,977
Capitalized Software, net of accumulated amortization of $270,313 and $259,358	289,044	290,522
Investments Available for Sale	78,356	81,294
Investments in Affiliated Funds, at fair value	4,183	4,039
Investment in Unconsolidated Affiliates	44,247	49,580
Deferred Income Taxes	4,117	—
Other Assets, net	14,072	15,492
Total Assets	$1,550,846	$ 1,588,628

Liabilities and Equity		
Current Liabilities:		
Accounts payable	$4,354	$4,511
Accrued liabilities	165,005	217,587
Deferred revenue	2,936	2,385
Total Current Liabilities	172,295	224,483
Deferred Income Taxes	66,410	63,028
Other Long-term Liabilities	11,676	11,397
Total Liabilities	250,381	298,908
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, $.01 par value, 750,000 shares authorized; 161,908 and 163,733 shares issued and outstanding	1,619	1,637
Capital in excess of par value	912,506	910,513
Retained earnings	408,684	402,860
Accumulated other comprehensive loss, net	(22,344)	(25,290)
Total Shareholders' Equity	1,300,465	1,289,720
Total Liabilities and Shareholders' Equity	$1,550,846	$1,588,628

The accompanying notes are an integral part of these consolidated financial statements.

SEI Investments Company
Consolidated Statements of Operations
(unaudited)
(In thousands, except per share data)

	Three Months Ended March 31, 2016	2015
Revenues:		
Asset management, administration and distribution fees	$251,437	$246,768
Information processing and software servicing fees	73,399	70,653
Transaction-based and trade execution fees	9,427	8,023
Total revenues	334,263	325,444
Expenses:		
Subadvisory, distribution and other asset management costs	39,195	38,517
Software royalties and other information processing costs	7,748	7,509
Brokerage commissions	7,108	5,972
Compensation, benefits and other personnel	101,931	94,186
Stock-based compensation	3,789	3,750
Consulting, outsourcing and professional fees	38,506	35,628
Data processing and computer related	15,718	13,400
Facilities, supplies and other costs	15,997	17,059
Amortization	11,012	10,358
Depreciation	6,447	5,995
Total expenses	247,451	232,374
Income from operations	86,812	93,070
Net (loss) gain from investments	(126)	250
Interest and dividend income	1,083	969
Interest expense	(114)	(113)
Equity in earnings of unconsolidated affiliates	29,192	34,033
Gain on sale of subsidiary	2,791	2,791
Income before income taxes	119,638	131,000
Income taxes	42,141	46,389
Net income	77,497	84,611
Basic earnings per common share	$0.48	$0.51
Shares used to compute basic earnings per share	163,013	166,695
Diluted earnings per common share	$0.47	$0.50
Shares used to compute diluted earnings per share	166,145	170,703

The accompanying notes are an integral part of these consolidated financial statements.

SEI Investments Company
Consolidated Statements of Comprehensive Income
(unaudited)
(In thousands)

	Three Months Ended March 31,	
	2016	2015
Net income	$77,497	$84,611
Other comprehensive gain (loss), net of tax:		
Foreign currency translation adjustments	2,429	(8,783)
Unrealized gain (loss) on investments:		
Unrealized gains during the period, net of income taxes of $(191) and $(25)	330	7
Less: reclassification adjustment for losses (gains) realized in net income, net of income taxes of $(103) and $52	187 517	(94) (87)
Total other comprehensive gain (loss), net of tax	2,946	(8,870)
Comprehensive income	$80,443	$75,741

The accompanying notes are an integral part of these consolidated financial statements.

SEI Investments Company
Consolidated Condensed Statements of Cash Flows
(unaudited)
(In thousands)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	$77,497	$84,611
Adjustments to reconcile net income to net cash provided by operating activities (See Note 1)	524	(6,681)
Net cash provided by operating activities	78,021	77,930
Cash flows from investing activities:		
Additions to restricted cash	—	(4)
Additions to property and equipment	(4,609)	(7,386)
Additions to capitalized software	(9,477)	(7,989)
Purchases of marketable securities	(8,652)	(4,107)
Prepayments and maturities of marketable securities	12,090	7,375
Sales of marketable securities	185	—
Receipt of contingent payment from sale of SEI AK	2,791	2,791
Other investing activities	200	(1,000)
Net cash used in investing activities	(7,472)	(10,320)
Cash flows from financing activities:		
Purchase and retirement of common stock	(78,372)	(67,534)
Proceeds from issuance of common stock	6,476	19,209
Tax benefit on stock options exercised	624	3,268
Payment of dividends	(42,677)	(40,178)
Net cash used in financing activities	(113,949)	(85,235)
Effect of exchange rate changes on cash and cash equivalents	1,992	(6,561)
Net decrease in cash and cash equivalents	(41,408)	(24,186)
Cash and cash equivalents, beginning of period	679,661	667,446
Cash and cash equivalents, end of period	$638,253	$643,260

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
(all figures are in thousands except share and per share data)

Note 1. Summary of Significant Accounting Policies
Nature of Operations
SEI Investments Company (the Company), a Pennsylvania corporation, provides investment processing, investment management, and investment operations solutions to financial institutions, financial advisors, institutional investors, investment managers and ultra-high-net-worth families in the United States, Canada, the United Kingdom, continental Europe and various other locations throughout the world. Investment processing solutions consist of application and business process outsourcing services, professional services and transaction-based services. Revenues from investment processing solutions are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations, except for fees earned associated with trade execution services which are recognized in Transaction-based and trade execution fees.
Investment management programs consist of mutual funds, alternative investments and separate accounts. These include a series of money market, equity, fixed-income and alternative investment portfolios, primarily in the form of registered investment companies. The Company serves as the administrator and investment advisor for many of these products. Revenues from investment management programs are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.
Investment operations solutions offer investment managers support for traditional investment products such as mutual funds, collective investment trusts, exchange-traded funds, and institutional and separate accounts, by providing outsourcing services including fund and investment accounting, administration, reconciliation, investor servicing and client reporting. These solutions also provide support to managers focused on alternative investments who manage hedge funds, funds of hedge funds, private equity funds and real estate funds, across registered, partnership and separate account structures domiciled in the United States and overseas. Revenues from investment operations solutions are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.
Basis of Presentation
The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain financial information and accompanying note disclosure normally included in the Company's Annual Report on Form 10-K have been condensed or omitted. The interim financial information is unaudited but reflects all adjustments (consisting of only normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of financial position of the Company as of March 31, 2016, the results of operations for the three months ended March 31, 2016 and 2015, and cash flows for the three month periods ended March 31, 2016 and 2015. These interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.
There have been no significant changes in significant accounting policies during the three months ended March 31, 2016 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 with the exception of the adoption of Accounting Standards Update (ASU) No. 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis (See Note 3) and ASU No. 2015-07, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (See Note 5).
Cash and Cash Equivalents
Cash and cash equivalents includes $402,910 and $448,957 at March 31, 2016 and December 31, 2015, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds. The SEI-sponsored mutual funds are Level 1 assets.
Restricted Cash
Restricted cash includes $5,000 at March 31, 2016 and December 31, 2015 segregated for regulatory purposes related to trade-execution services conducted by SEI Investments (Europe) Limited. Restricted cash also includes $500 at

March 31, 2016 and December 31, 2015, respectively, segregated in special reserve accounts for the benefit of customers of the Company’s broker-dealer subsidiary, SEI Investments Distribution Co. (SIDCO), in accordance with certain rules established by the Securities and Exchange Commission for broker-dealers.

Capitalized Software

The Company capitalized $9,477 and $7,989 of software development costs during the three months ended March 31, 2016 and 2015, respectively. The Company's software development costs primarily relate to the continued development of the SEI Wealth Platform[SM] (the Platform). The Company capitalized $7,645 and $7,330 of software development costs for significant enhancements to the Platform during the three months ended March 31, 2016 and 2015, respectively. As of March 31, 2016, the net book value of the Platform was $282,311. The Platform has an estimated useful life of 15 years and a weighted average remaining life of 6.3 years. Amortization expense for the Platform was $10,955 and $10,301 during the three months ended March 31, 2016 and 2015, respectively. The Company also capitalized $1,832 and $659 of software development costs during the three months ended March 31, 2016 and 2015, respectively, related to new technological capabilities for the Investment Managers segment.

Earnings per Share

The calculations of basic and diluted earnings per share for the three months ended March 31, 2016 and 2015 are:

	For the Three Months Ended March 31, 2016		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	$77,497	163,013,000	$ 0.48
Dilutive effect of stock options	—	3,132,000	
Diluted earnings per common share	$77,497	166,145,000	$ 0.47

	For the Three Months Ended March 31, 2015		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	$84,611	166,695,000	$ 0.51
Dilutive effect of stock options	—	4,008,000	
Diluted earnings per common share	$84,611	170,703,000	$ 0.50

Employee stock options to purchase 10,506,000 and 10,051,000 shares of common stock, with an average exercise price of $34.05 and $30.02, were outstanding during the three months ended March 31, 2016 and 2015, respectively, but not included in the computation of diluted earnings per common share because either the performance conditions have not been satisfied or would have been satisfied if the reporting date was the end of the contingency period or the option's exercise price was greater than the average market price of the Company's common stock and the effect on diluted earnings per common share would have been anti-dilutive.

Statements of Cash Flows

For purposes of the Consolidated Statements of Cash Flows, the Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents.

The following table provides the details of the adjustments to reconcile net income to net cash provided by operating activities for the three months ended March 31:

	2016	2015
Net income	$77,497	$84,611
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,447	5,995
Amortization	11,012	10,358
Equity in earnings of unconsolidated affiliates	(29,192)	(34,033)
Distributions received from unconsolidated affiliate	34,525	37,003
Stock-based compensation	3,789	3,750
Provision for losses on receivables	51	(117)
Deferred income tax expense	(1,029)	(102)
Gain from sale of SEI AK	(2,791)	(2,791)
Net loss (gain) from investments	126	(250)
Change in other long-term liabilities	279	464
Change in other assets	1,099	100
Other	676	(1,628)
Change in current asset and liabilities		
Decrease (increase) in		
Receivables from investment products	(3,535)	1,387
Receivables	(6,585)	(6,137)
Other current assets	(2,622)	(6,835)
Increase (decrease) in		
Accounts payable	(157)	(3,902)
Accrued liabilities	(12,120)	(11,812)
Deferred revenue	551	1,869
Total adjustments	524	(6,681)
Net cash provided by operating activities	$78,021	$77,930

New Accounting Pronouncements

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The updated standard permits the use of either the retrospective or cumulative effect transition method. ASU 2014-09 currently becomes effective for the Company during the first quarter 2018. The Company is currently evaluating the transition method that will be elected and the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (ASU 2016-08), that amends the principal versus agent guidance in ASU 2014-09. ASU 2016-08 clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer. ASU 2016-08 also provides additional guidance about how to apply the control principle when services are provided and when goods or services are combined with other goods or services. The effective date of the standard for the Company will coincide with ASU 2014-09 during the first quarter 2018. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In April 2016, the FASB issued ASU No. 2016-10, Identifying Performance Obligations and Licensing (ASU 2016-10) that amends the revenue guidance in ASU 2014-09 on identifying performance obligations and accounting for licenses of intellectual property. ASU 2016-10 changed the FASB's previous proposals on renewals of right-to-use licenses and contractual restrictions. The effective date of the standard for the Company will coincide with ASU 2014-09 during the first quarter 2018. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01) that will significantly change the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. ASU 2016-01 becomes effective for the Company during the first quarter 2018. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASU 2016-02) requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model. Lessors will continue to classify leases as operating, direct financing or sales-type leases. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. The updated standard is effective for the Company beginning in the first quarter of 2019. Early adoption is permitted. The Company is currently evaluating the transition method that will be elected and the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09) requiring an entity to record all excess tax benefits and tax deficiencies as an income tax benefit or expense in the income statement. ASU 2016-09 will also require an entity to elect an accounting policy to either estimate the number of forfeitures or account for forfeitures when they occur. ASU 2016-09 becomes effective for the Company during the first quarter 2017. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 2. Investment in Unconsolidated Affiliates

LSV Asset Management

The Company has an investment in LSV Asset Management (LSV), a registered investment advisor that provides investment advisory services primarily to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a limited number of SEI-sponsored mutual funds. The Company accounts for its interest in LSV using the equity method because of its less than 50 percent ownership. The Company's interest in the net assets of LSV is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheets and its interest in the earnings of LSV is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

At March 31, 2016, the Company's total investment in LSV was $44,247. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distributions from LSV of $34,525 and $37,003 in the three months ended March 31, 2016 and 2015, respectively.

The Company's proportionate share in the earnings of LSV was $29,192 and $34,345 during the three months ended March 31, 2016 and 2015, respectively.

The following table contains the condensed financial operations of LSV for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Revenues	$92,653	$105,895
Net income	74,457	87,425

As of March 31, 2016, the Company's total partnership interest in LSV was approximately 39.2 percent. In April 2016, LSV provided an interest in the partnership to select key employees which reduced the ownership percentage of each existing partner on a pro-rata basis. As a result, the Company's total partnership interest in LSV was reduced to approximately 38.9 percent.

Guaranty Agreement with LSV Employee Group III

In October 2012, LSV Employee Group III purchased a portion of the partnership interest of three existing LSV employees for $77,700, of which $69,930 was financed through two syndicated term loan facilities contained in a credit agreement with The PrivateBank and Trust Company. The Company provided an unsecured guaranty for $45,000 of the obligations of LSV Employee Group III to the lenders through a guaranty agreement. The lenders have the right to seek payment from the Company in the event of a default by LSV Employee Group III. LSV agreed to provide an unsecured guaranty for $24,930 of the obligations of LSV Employee Group III to the lenders through a separate guaranty agreement.

The Company’s direct interest in LSV was unchanged as a result of this transaction. The Company has determined that LSV Employee Group III is a VIE; however, the Company is not considered the primary beneficiary because it does not have the power to direct the activities that most significantly impact the economic performance of LSV Employee Group III either directly or through any financial responsibility from the guaranty.

In September 2014, LSV Employee Group III made the final principal payment related to the term loan guaranteed by LSV. As of April 19, 2016, the remaining unpaid principal balance of the term loan guaranteed by the Company was $16,915. LSV Employee Group III has met all financial obligations to date regarding the scheduled repayment of the term loans since origination. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group III and, furthermore, fully expects that LSV Employee Group III will meet all of their future obligations regarding the term loan.

Note 3. Variable Interest Entities – Investment Products

The Company or its affiliates have created numerous investment products for its clients in various types of legal entity structures. The Company serves as the Manager, Administrator and Distributor for these investment products and may also serve as the Trustee for some of the investment products. The Company receives asset management, distribution, administration and custodial fees for these services. Clients are the equity investors and participate in proportion to their ownership percentage in the net income or loss and net capital gains or losses of the products, and, on liquidation, will participate in proportion to their ownership percentage in the remaining net assets of the products after satisfaction of outstanding liabilities.

The Company has adopted the amendments contained in ASU No. 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis (ASU 2015-02) during the first quarter 2016. ASU 2015-02 amends the current guidance for both the VIE and the voting interest entity (VOE) consolidation models. This guidance rescinds the indefinite deferral of the VIE guidance for investment companies that permitted application of the risks and rewards based approach.

The Company has concluded that it is not the primary beneficiary of the entities and; therefore, is not required to consolidate any of the pooled investment vehicles for which it receives asset management, distribution, administration and custodial fees under the VIE model. The entities either do not meet the definition of a VIE or the Company does not hold a variable interest in the entities. The entities either qualify for the money market scope exception, or are entities in which the Company’s asset management, distribution, administration and custodial fees are commensurate with the services provided and include fair terms and conditions, or are entities that are limited partnerships which have substantive kick-out rights. The Company acts as a fiduciary and does not hold any other interests other than insignificant seed money investments in the pooled investment vehicles. For this reason, the Company also concluded that it is not required to consolidate the pooled investment vehicles under the VOE model.

The Company is a party to expense limitation agreements with certain SEI-sponsored money market funds subject to Rule 2a-7 of the Investment Company Act of 1940 which establish a maximum level of ordinary operating expenses incurred by the fund in any fiscal year including, but not limited to, fees of the administrator or its affiliates. Under the terms of these agreements, the Company waived $12,477 and $10,719 in fees during the three months ended

March 31, 2016 and 2015, respectively.

Note 4. Composition of Certain Financial Statement Captions

Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	March 31, 2016	December 31, 2015
Trade receivables	$58,817	$ 47,179
Fees earned, not billed	162,493	154,919
Other receivables	8,948	21,574
	230,258	223,672
Less: Allowance for doubtful accounts	(700)	(649)
	$229,558	$ 223,023

Fees earned, not billed represents receivables earned but unbilled and results from timing differences between services provided and contractual billing schedules. These billing schedules generally provide for fees to be billed on a quarterly basis. In addition, certain fees earned from investment operations services are calculated based on assets under administration that have a prolonged valuation process which delays billings to clients.

Receivables from investment products on the accompanying Consolidated Balance Sheets primarily represent fees receivable for distribution, investment advisory, and administration services to various regulated investment companies and other investment products sponsored by SEI.

Property and Equipment

Property and Equipment on the accompanying Consolidated Balance Sheets consists of:

	March 31, 2016	December 31, 2015
Buildings	$151,623	$ 151,604
Equipment	89,605	86,941
Land	10,030	10,003
Purchased software	122,561	122,433
Furniture and fixtures	17,248	16,143
Leasehold improvements	15,756	15,393
Construction in progress	989	961
	407,812	403,478
Less: Accumulated depreciation	(266,022)	(259,501)
Property and Equipment, net	$141,790	$ 143,977

The Company recognized $6,447 and $5,995 in depreciation expense related to property and equipment for the three months ended March 31, 2016 and 2015, respectively.

Accrued Liabilities

Accrued liabilities on the accompanying Consolidated Balance Sheets consist of:

	March 31, 2016	December 31, 2015
Accrued employee compensation	$24,863	$ 74,687
Accrued consulting, outsourcing and professional fees	25,999	21,575
Accrued sub-advisory, distribution and other asset management fees	32,837	32,674
Accrued dividend payable	—	42,625
Accrued income taxes	38,492	3,505
Other accrued liabilities	42,814	42,521
Total accrued liabilities	$165,005	$ 217,587

Note 5. Fair Value Measurements

The fair value of the Company’s financial assets and liabilities, except for the Company's investment funds sponsored by LSV, is determined in accordance with the fair value hierarchy. The fair value of the Company’s Level 1 financial assets consist mainly of investments in open-ended mutual funds that are quoted daily. Level 2 financial assets consist of Government National Mortgage Association (GNMA) mortgage-backed securities held by the Company's wholly-owned limited purpose federal thrift subsidiary, SEI Private Trust Company (SPTC), Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes and investment grade commercial paper held by SIDCO. The financial assets held by SIDCO were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The financial assets held by SPTC are debt securities issued by GNMA and are backed by the full faith and credit of the U.S. government. These securities were purchased for the sole purpose of satisfying applicable regulatory requirements and have maturity dates which range from 2020 to 2041.

The Company has retrospectively adopted ASU No. 2015-07, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (ASU 2015-07) during the first quarter 2016 for all periods presented. The fair value of the Company's investment funds sponsored by LSV is measured using the net asset value per share (NAV) as a practical expedient. The NAVs of the funds are calculated by the funds' independent custodian and are derived from the fair values of the underlying investments as of the reporting date. The funds allow for investor redemptions at the end of each calendar month. In accordance with ASU 2015-07, this investment has not been classified in the fair value hierarchy.

The valuation of the Company's Level 2 financial assets held by SIDCO and SPTC are based upon securities pricing policies and procedures utilized by third-party pricing vendors.

The pricing policies and procedures applied during the three months ended March 31, 2016 were consistent with those as described in our Annual Report on Form 10-K at December 31, 2015. The Company had no Level 3 financial assets or liabilities at March 31, 2016 or December 31, 2015. There were no transfers of financial assets between levels within the fair value hierarchy during the three months ended March 31, 2016.

The fair value of certain financial assets and liabilities of the Company was determined using the following inputs:

		Fair Value Measurements at the End of the Reporting Period Using	
Assets	March 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity available-for-sale securities	$10,560	$10,560	$ —
Fixed income available-for-sale securities	67,796	—	67,796
Fixed income securities owned	21,264	—	21,264
Investment funds sponsored by LSV (1)	4,183		
	$103,803	$10,560	$ 89,060

Fair Value Measurements at the End of the Reporting Period Using

Assets	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity available-for-sale securities	$ 10,657	$10,657	$ —
Fixed income available-for-sale securities	70,637	—	70,637
Fixed income securities owned	21,235	—	21,235
Investment funds sponsored by LSV (1)	4,039		
	$ 106,568	$10,657	$ 91,872

(1) The fair value amount presented in this table is intended to permit reconciliation of the fair value hierarchy to the amounts presented on the accompanying Consolidated Balance Sheets.

Note 6. Marketable Securities

Investments Available for Sale

Investments available for sale classified as non-current assets consist of:

	At March 31, 2016			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	$8,351	$ 17	$ (702)	$7,666
Equities and other mutual funds	2,755	139	—	2,894
Debt securities	66,784	1,012	—	67,796
	$77,890	$ 1,168	$ (702)	$78,356

	At December 31, 2015			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	$8,474	$ —	$ (742)	$7,732
Equities and other mutual funds	2,857	68	—	2,925
Debt securities	70,308	329	—	70,637
	$81,639	$ 397	$ (742)	$81,294

Net unrealized gains (losses) at March 31, 2016 and December 31, 2015 were $215 (net of income tax expense of $251) and $(302) (net of income tax benefit of $43), respectively. These net unrealized gains and losses are reported as a separate component of Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets.

There were gross realized gains of $13 and gross realized losses of $303 from available-for-sale securities during the three months ended March 31, 2016. There were gross realized gains of $288 and gross realized losses of $142 from available-for-sale securities during the three months ended March 31, 2015. Gains and losses from available-for-sale securities, including amounts reclassified from accumulated comprehensive income, are reflected in Net (loss) gain from investments on the accompanying Consolidated Statements of Operations.

Investments in Affiliated Funds

The Company has an investment in investment funds sponsored by LSV. The Company records this investment on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these funds are recognized in Net (loss) gain from investments on the accompanying Consolidated Statements of Operations.

The investment primarily consist of U.S. dollar denominated funds that invest primarily in securities of Canadian, Australian and Japanese companies as well as various other global securities. The underlying securities held by the funds are translated into U.S. dollars within the funds. The funds had a fair value of $4,183 and $4,039 at March 31, 2016 and December 31, 2015, respectively. The Company recognized gross realized gains of $144 and gross realized losses of $69, during the three months ended March 31, 2016 and 2015, respectively, from the change in fair value of the funds.

Securities Owned

The Company’s broker-dealer subsidiary, SIDCO, has investments in U.S. government agency and commercial paper securities with maturity dates less than one year. These investments are reflected as Securities owned on the accompanying Consolidated Balance Sheets. Due to specialized accounting practices applicable to investments by broker-dealers, the securities are reported at fair value and changes in fair value are recorded in current period earnings. The securities had a fair value of $21,264 and $21,235 at March 31, 2016 and December 31, 2015, respectively. There were no material net gains or losses from the change in fair value of the securities during the three months ended March 31, 2016 and 2015.

Note 7. Line of Credit

The Company has a five-year $300,000 Credit Agreement (the Credit Facility) with Wells Fargo Bank, National Association, and a syndicate of other lenders. The Credit Facility is scheduled to expire in February 2017, at which time any aggregate principal amount of loans outstanding becomes payable in full. Any borrowings made under the Credit Facility will accrue interest at 1.25 percent above LIBOR. There is also a commitment fee equal to 0.15 percent per annum on the daily unused portion of the facility. The aggregate amount of the Credit Facility may be increased by an additional $100,000 under certain conditions set forth in the agreement. The Credit Facility contains covenants that restrict the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the Credit Facility, the Company would also be restricted from paying dividends on, or repurchasing, its common stock without the approval of the lenders. None of the covenants of the Credit Facility negatively affect the Company's liquidity or capital resources. Both the interest rate and commitment fee prices may increase if the Company's leverage ratio reaches certain levels. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events of default constituting an event of default under the Credit Facility, all loans outstanding may be declared immediately due and payable and all commitments under the agreement may be terminated. The Company had no borrowings under the Credit Facility at March 31, 2016. The Company was in compliance with all covenants of the Credit Facility during the three months ended March 31, 2016.

Note 8. Shareholders' Equity

Stock-Based Compensation

The Company has only non-qualified stock options outstanding under its equity compensation plans. All outstanding stock options have performance-based vesting provisions specific to each option grant that tie the vesting of the applicable stock options to the Company's financial performance. The Company's stock options vest at a rate of 50 percent when specified diluted earnings per share targets are achieved, and the remaining 50 percent when secondary, higher specified diluted earnings per share targets are achieved. Options do not vest due to the passage of time but solely as a result of achievement of the financial vesting targets. The amount of stock-based compensation expense is based upon management's estimate of when the earnings per share targets may be achieved.

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in the three months ended March 31, 2016 and 2015, respectively, as follows:

	Three Months Ended March 31,	
	2016	2015
Stock-based compensation expense	$3,789	$3,750
Less: Deferred tax benefit	(1,299)	(1,308)
Stock-based compensation expense, net of tax	$2,490	$2,442

As of March 31, 2016, there was approximately $53,221 of unrecognized compensation cost remaining, adjusted for estimated forfeitures, related to unvested employee stock options that management expects will vest and is being amortized.

The Company issues new common shares associated with the exercise of stock options. The total intrinsic value of options exercised during the three months ended March 31, 2016 was $3,679. The total options exercisable as of March 31, 2016 had an intrinsic value of $174,765. The total intrinsic value for options exercisable is calculated as the difference between the market value of the Company's common stock as of March 31, 2016 and the weighted average exercise price of the shares. The market value of the Company's common stock as of March 31, 2016 was $43.05 as reported by the Nasdaq Stock Market, LLC. The weighted average exercise price of the options exercisable as of March 31, 2016 was $21.97. Total options that were outstanding and exercisable as of March 31, 2016 were 18,797,000 and 8,291,000, respectively.

Common Stock Buyback

The Company's Board of Directors, under multiple authorizations, has authorized the repurchase of the Company's common stock on the open market or through private transactions. The Company purchased 2,073,000 shares at a total cost of $80,586 during the three months ended March 31, 2016. The cost of stock purchases during the period includes the cost of certain transactions that settled in the following quarter. As of March 31, 2016, the Company had approximately $32,540 of authorization remaining for the purchase of common stock under the program. On April 19, 2016, the Company's Board of Directors approved an increase in the stock repurchase program by an additional $200,000, increasing the available authorization to approximately $232,540.

The Company immediately retires its common stock when purchased. Upon retirement, the Company reduces Capital in excess of par value for the average capital per share outstanding and the remainder is charged against Retained earnings. If the Company reduces its Retained earnings to zero, any subsequent purchases of common stock will be charged entirely to Capital in excess of par value.

Note 9. Accumulated Other Comprehensive Loss

The components of Accumulated other comprehensive loss, net of tax, are as follows:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Investments	Accumulated Other Comprehensive Loss
Balance, January 1, 2016	$ (24,988)	$ (302)	$ (25,290)
Other comprehensive gain before reclassifications	2,429	330	2,759
Amounts reclassified from accumulated other comprehensive income	—	187	187
Net current-period other comprehensive gain	2,429	517	2,946
Balance, March 31, 2016	$ (22,559)	$ 215	$ (22,344)

Note 10. Business Segment Information

The Company's reportable business segments are:

Private Banks – provides investment processing and investment management programs to banks and trust institutions, independent wealth advisers and financial advisors worldwide;

Investment Advisors – provides investment management programs to affluent investors through a network of independent registered investment advisors, financial planners and other investment professionals in the United States;

Institutional Investors – provides investment management programs and administrative outsourcing solutions to retirement plan sponsors, hospitals and not-for-profit organizations worldwide;

Investment Managers – provides investment operations outsourcing solutions to fund companies, banking institutions and both traditional and non-traditional investment managers worldwide; and

Investments in New Businesses – focuses on providing investment management programs to ultra-high-net-worth families residing in the United States; developing internet-based investment services and advice solutions; entering new markets; and conducting other research and development activities.

The information in the following tables is derived from the Company's internal financial reporting used for corporate management purposes. There are no inter-segment revenues for the three months ended March 31, 2016 and 2015. Management evaluates Company assets on a consolidated basis during interim periods. The accounting policies of the reportable business segments are the same as those described in Note 1 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

The following tables highlight certain financial information about each of the Company's business segments for the three months ended March 31, 2016 and 2015.

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Three Months Ended March 31, 2016					
Revenues	$113,361	$ 76,679	$ 72,897	$ 69,918	$ 1,408	$334,263
Expenses	103,741	44,774	35,382	45,275	5,232	234,404
Operating profit (loss)	$9,620	$ 31,905	$ 37,515	$ 24,643	$ (3,824)	$99,859
Gain on sale of subsidiary	2,791	—	—	—	—	2,791
Segment profit (loss)	$12,411	$ 31,905	$ 37,515	$ 24,643	$ (3,824)	$102,650

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Three Months Ended March 31, 2015					
Revenues	$111,213	$ 74,015	$ 73,548	$ 65,367	$ 1,301	$325,444
Expenses	99,256	39,059	35,211	40,623	4,866	219,015
Operating profit (loss)	$11,957	$ 34,956				