U S GLOBAL INVESTORS INC
Form 10-Q
May 10, 2018

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

FORM 10-Q

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

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 0-13928

U.S. GLOBAL INVESTORS, INC.
(Exact name of registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation or organization)	74-1598370 (IRS Employer Identification No.)
7900 Callaghan Road San Antonio, Texas (Address of principal executive offices)	78229 (Zip Code)

(210) 308-1234
(Registrant’s telephone number, including area code)

Not Applicable
(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 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 No

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 definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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.

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

On April 27, 2018, there were 13,866,691 shares of Registrant’s class A nonvoting common stock issued and 13,075,705 shares of Registrant’s class A nonvoting common stock issued and outstanding; no shares of Registrant’s class B nonvoting common shares outstanding; and 2,068,857 shares of Registrant’s class C voting common stock issued and outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Assets (dollars in thousands)	March 31, 2018 (UNAUDITED)	June 30, 2017
Current Assets		
Cash and cash equivalents	$ 4,057	$ 3,958
Restricted cash	1,000	1,000
Investment securities - trading, at fair value	7,147	9,720
Accounts and other receivables	754	520
Note receivable	2,007	1,952
Prepaid expenses	355	315
Total Current Assets	15,320	17,465
Net Property and Equipment	2,030	2,212
Other Assets		
Investment securities - available-for-sale, at fair value	12,951	3,401
Other investments	2,217	2,130
Equity method investments	1,160	-
Note receivable, long term	216	234
Other assets, long term	40	78
Total Other Assets	16,584	5,843
Total Assets	$ 33,934	$ 25,520
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 134	$ 118
Accrued compensation and related costs	329	390
Dividends payable	114	114
Other accrued expenses	917	544
Total Current Liabilities	1,494	1,166
Long-Term Liabilities		
Deferred tax liability	1,564	-
Total Long-Term Liabilities	1,564	-
Total Liabilities	3,058	1,166
Commitments and Contingencies (Note 11)		
Shareholders' Equity		
Common stock (class A) - $0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,866,691 shares and 13,866,601 shares at March 31, 2018, and June 30, 2017, respectively	347	347
Common stock (class B) - $0.025 par value; nonvoting; authorized, 4,500,000 shares; no shares issued	-	-
	52	52

Convertible common stock (class C) - $0.025 par value; voting; authorized, 3,500,000 shares; issued, 2,068,857 shares and 2,068,947 shares at March 31, 2018, and June 30, 2017, respectively		
Additional paid-in-capital	15,648	15,646
Treasury stock, class A shares at cost; 790,986 and 751,303 shares at March 31, 2018, and June 30, 2017, respectively	(1,880)	(1,760)
Accumulated other comprehensive income, net of tax	6,189	264
Retained earnings	9,938	9,321
Total U.S. Global Investors Inc. Shareholders' Equity	30,294	23,870
Non-Controlling Interest in Subsidiary	582	484
Total Shareholders' Equity	30,876	24,354
Total Liabilities and Shareholders' Equity	$ 33,934	$ 25,520

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

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Nine Months Ended March 31,		Three Months Ended March 31,	
(dollars in thousands, except per share data)	2018	2017	2018	2017
Operating Revenues				
Advisory fees	$4,713	$5,064	$1,351	$1,604
Administrative services fees	187	228	66	65
	4,900	5,292	1,417	1,669
Operating Expenses				
Employee compensation and benefits	3,024	2,818	983	932
General and administrative	2,785	2,569	923	836
Advertising	126	108	40	28
Depreciation and amortization	183	191	61	64
	6,118	5,686	2,007	1,860
Operating Loss	(1,218)	(394)	(590)	(191)
Other Income (Loss)				
Investment income	727	663	275	161
Income (loss) from equity method investments	1,804	-	(927)	-
Other income	26	-	9	-
	2,557	663	(643)	161
Income (Loss) Before Income Taxes	1,339	269	(1,233)	(30)
Provision for Income Taxes				
Tax expense (benefit)	284	13	(168)	3
Net Income (Loss)	1,055	256	(1,065)	(33)
Less: Net Income (Loss) Attributable to Non-Controlling Interest	96	18	(5)	-
Net Income (Loss) Attributable to U.S. Global Investors, Inc.	$959	$238	$(1,060)	$(33)
Earnings Per Share Attributable to U.S. Global Investors, Inc.				
Basic	$0.06	$0.02	$(0.07)	$-
Diluted	$0.06	$0.02	$(0.07)	$-
Basic weighted average number of common shares outstanding	15,162,570	15,220,134	15,144,068	15,200,280
Diluted weighted average number of common shares outstanding	15,162,597	15,220,134	15,144,068	15,200,280

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Nine Months Ended March 31		Three Months Ended March 31	
(dollars in thousands)	2018	2017	2018	2017
Net Income (Loss) Attributable to U.S. Global Investors, Inc.	$959	$238	$(1,060)	$(33)
Other Comprehensive Income (Loss), Net of Tax:				
Unrealized gains (losses) on available-for-sale securities arising during period	6,000	175	(7,417)	(194)
Less: reclassification adjustment for gains/losses included in net income	(31)	(15)	-	-
Net change from available-for-sale investments, net of tax	5,969	160	(7,417)	(194)
Foreign currency translation adjustment	(42)	(42)	(113)	12
Other Comprehensive Income (Loss)	5,927	118	(7,530)	(182)
Comprehensive Income (Loss)	6,886	356	(8,590)	(215)
Less: Comprehensive Income (Loss) Attributable to Non-Controlling Interest	2	(15)	(16)	4
Comprehensive Income (Loss) Attributable to U.S. Global Investors, Inc.	$6,884	$371	$(8,574)	$(219)

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended March 31,	
(dollars in thousands)	2018	2017
Cash Flows from Operating Activities:		
Net income	$1,055	$256
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	183	191
Net recognized (gain) loss on securities	660	(15)
Investment basis adjustment	(118)	-
Net income from equity method investment	(1,804)	-
Foreign currency transaction gain	(39)	-
Provision for deferred taxes	76	-
Stock bonuses	17	4
Changes in operating assets and liabilities:		
Accounts and notes receivable	(275)	(42)
Prepaid and other assets	-	(34)
Trading securities	1,837	384
Accounts payable and accrued expenses	328	(248)
Total adjustments	865	240
Net cash provided by operating activities	1,920	496
Cash Flows from Investing Activities:		
Purchase of equity method investment	(826)	-
Purchase of available-for-sale securities	(2,420)	(518)
Purchase of other investments	-	(776)
Proceeds on sale of available-for-sale securities	401	649
Proceeds on sale of equity method investment	1,462	-
Return of capital on investment	32	63
Net cash used in investing activities	(1,351)	(582)
Cash Flows from Financing Activities:		
Issuance of common stock	5	4
Repurchases of common stock	(139)	(97)
Dividends paid	(341)	(342)
Net cash used in financing activities	(475)	(435)
Effect of exchange rate changes on cash and cash equivalents	5	(38)
Net increase (decrease) in cash and cash equivalents	99	(559)
Beginning cash and cash equivalents	3,958	3,993
Ending cash and cash equivalents	$4,057	$3,434
Supplemental Disclosures of Cash Flow Information		
Cash paid for income taxes	$-	$12
Reinvestment of capital distribution from equity method investment	$32	$-

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

U.S. Global Investors, Inc. (the "Company" or "U.S. Global") has prepared the consolidated financial statements pursuant to accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the United States Securities and Exchange Commission ("SEC") that permit reduced disclosure for interim periods. The financial information included herein reflects all adjustments (consisting solely of normal recurring adjustments), which are, in management's opinion, necessary for a fair presentation of results for the interim periods presented. The Company has consistently followed the accounting policies set forth in the notes to the consolidated financial statements in the Company's Form 10-K for the fiscal year ended June 30, 2017, except for the adoption of new accounting pronouncements discussed below.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, U.S. Global Brokerage, Inc., U.S. Global Investors (Bermuda) Limited, U.S. Global Investors (Canada) Limited ("USCAN"), and U.S. Global Indices, LLC, and its 65 percent interest in Galileo Global Equity Advisors Inc. ("Galileo"). U.S. Global Brokerage, Inc. ceased operations in December 2015.

Galileo is consolidated with the operations of the Company. The non-controlling interest in this subsidiary is included in "Non-Controlling Interest in Subsidiary" in the equity section of the Consolidated Balance Sheets. Frank Holmes, CEO, and Susan McGee, President and General Counsel, serve as directors of Galileo.

There are two primary consolidation models in U.S. GAAP, the variable interest entity ("VIE") and voting interest entity models. The Company's evaluation for consolidation includes whether entities in which it has an interest or from which it receives fees are VIEs and whether the Company is the primary beneficiary of any VIEs identified in its analysis. A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the group of holders of the equity investment at risk lack certain characteristics of a controlling financial interest. The primary beneficiary is the entity that has the obligation to absorb a majority of the expected losses or the right to receive the majority of the residual returns and consolidates the VIE on the basis of having a controlling financial interest.

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain funds it advises, specifically, certain funds in U.S. Global Investors Funds ("USGIF" or the "Funds") and, until November 2017, one of the offshore funds. The Company's interests in these VIEs consist of the Company's direct ownership therein and any fees earned but uncollected. See further information about these funds in Notes 2 and 3. In the ordinary course of business, the Company may choose to waive certain fees or assume operating expenses of the funds it advises for competitive, regulatory or contractual reasons (see Note 3 for information regarding fee waivers). The Company has not provided financial support to any of these entities outside the ordinary course of business. The Company's risk of loss with respect to these VIEs is limited to the carrying value of its investments in, and fees receivable from, the entities. The Company does not consolidate these VIEs because it is not the primary beneficiary. The Company's total exposure to unconsolidated VIEs, consisting of the carrying value of investment securities and receivables for fees, was $8.6 million at March 31, 2018, and $11.3 million at June 30, 2017.

The Company holds variable interests in two funds advised by Galileo, but these funds do not qualify as VIEs. Since the funds are not VIEs, the Company evaluated if it should consolidate the funds under the voting interest entity model. Under the voting interest model, for legal entities other than partnerships, the usual condition for control is ownership, directly or indirectly, of more than 50 percent of the outstanding voting shares over an entity. The Company does not have control of the funds and, therefore, does not consolidate the funds. However, the Company owns approximately 26 percent of one fund and 20 percent of the other fund at March 31, 2018, and is considered to have the ability to exercise significant influence. Thus, the investments are accounted for under the equity method of accounting. See further information about these investments in Note 2.

All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts have been reclassified for comparative purposes. The results of operations for the nine months ended March 31, 2018, are not necessarily indicative of the results to be expected for the entire year.

The unaudited interim financial information in these condensed financial statements should be read in conjunction with the consolidated financial statements contained in the Company's annual report.

Recent Accounting Pronouncements and Developments

Accounting Pronouncements Adopted During the Period

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 includes provisions intended to simplify various aspects related to how share-based payments are accounted for and disclosed. ASU 2016-09 is effective for public business entities for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods. The Company adopted this guidance on July 1, 2017, without a material impact to the consolidated financial statements.

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Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Early adoption is permitted, but the Company currently does not expect to implement the new standard before the required effective date. Additional ASUs have been issued to clarify certain aspects of ASU 2014-09. ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net) amends ASU 2014-09 to clarify that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer. ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, clarifies the guidance related to identifying performance obligations and the licensing guidance in ASU 2014-09. ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, and ASU 2016-20, Technical Corrections and Improvements in Topic 606 Revenue from Contracts with Customers, provide additional clarification to a number of topics addressed in ASU No. 2014-09. These ASUs are effective in conjunction with the adoption of ASU 2014-09. The Company expects to adopt the guidance in the first quarter of fiscal year 2019 on a modified retrospective basis. The Company is in the process of evaluating its contracts using the prescribed five-step process to determine the impact of this standard and does not currently expect the adoption to have a material impact on its consolidated financial statements. While the Company continues to evaluate the impact of the revenue recognition guidance and cannot currently quantify the impact of the guidance, the Company has begun a preliminary assessment of the impact. The assessment includes a detailed review of the investment management agreements, establishing which agreements are expected to be in place, and understanding when revenue would be recognized under those agreements. The Company anticipates completing its evaluation in the year ending June 30, 2018.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). ASU 2016-01 amends the guidance on the classification and measurement of investments in equity securities. It also amends certain presentation and disclosure requirements. Under the amended guidance, all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification (changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values. ASU 2016-01 is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. In February 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10) (“ASU 2018-03”) to clarify certain aspects of the guidance in ASU 2016-01. ASU 2018-03 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018; U.S. Global intends to adopt ASU 2018-03 at the same time as ASU 2016-01. To adopt the amendments, entities will be required to make a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year in which the guidance is effective. As indicated, when this standard is adopted, changes in the fair value of the Company’s equity investments classified as available-for-sale will no longer be reported through other comprehensive income, but rather through earnings, causing investment income (loss) to be more volatile. As a significant amount of the Company’s assets are in available-for-sale equity investments, the effect of adoption is currently expected to be material to the Company’s consolidated financial statements. The Company is currently evaluating other potential impacts of this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (“ASU 2016-02”). ASU 2016-02 introduces a lessee model that brings most leases on the balance sheet by recording a lease asset and a lease liability. The new guidance will be effective for public business entities for annual periods beginning after December 15, 2018, and interim periods therein. Early adoption is permitted. The Company’s current leases are primarily for equipment and for office space for the Canadian subsidiary. The Company does not expect that adoption will have a material impact on its consolidated statements of operations because its leases are currently classified as operating leases, which under the guidance will continue to be recognized as expense on a straight-line basis. The adoption, however, will result in a gross up in total assets and total liabilities on the Company’s consolidated balance sheets.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 adds to U.S. GAAP an impairment model (known as the current expected credit loss model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. ASU 2016-13 is effective for public business entities that are SEC filers for fiscal years beginning after December 15, 2019, including interim periods within those years. Earlier application is permitted only for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

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In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 may change how an entity classifies certain cash receipts and cash payments on its statement of cash flows to reduce existing diversity in practice. The guidance will generally be applied retrospectively and is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted, and the Company is in the process of determining whether the standard will be early adopted. The Company is currently evaluating the potential impact of this standard but does not currently expect the adoption to have a material impact on the consolidated statements of cash flows.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”). Under ASU 2016-18, restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The guidance will be applied retrospectively, and early adoption is permitted. The Company is in the process of determining whether the standard will be early adopted but does not currently expect the adoption to have a material impact on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“ASU 2018-02”). ASU 2018-02 allows entities the option to reclassify tax effects resulting from recording the effects of the Tax Cuts and Jobs Act enacted in December 2017 from accumulated other comprehensive income to retained earnings. The guidance is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. An entity that adopts the guidance in an annual or interim period after the period of enactment will be able to choose whether to apply the amendments retrospectively to each period in which the effect of the Act is recognized or to apply the amendments in the period of adoption. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

Other Recent Accounting Developments

In December 2017, the Securities and Exchange Commission (“SEC” or “Commission”) issued Staff Accounting Bulletin No. 118 (“SAB 118”) which expresses the Commission’s views regarding application of FASB’s ASC Topic 740 “Income Taxes” in the reporting period that includes December 22, 2017. The Commission indicated that The Tax Cuts and Jobs Act (“the Act”), which was enacted on December 22, 2017, affects companies’ reporting because of the Act’s changes that impact U.S. corporate tax rates, business-related exclusions, and deductions and credits. ASC Topic 740 provides accounting and disclosure guidance on accounting for income taxes under U.S. GAAP. This guidance addresses the recognition of taxes payable or refundable for the current year and the recognition of deferred tax liabilities and deferred tax assets for the future tax consequences of events that have been recognized in an entity’s financial statements or tax returns. ASC Topic 740 also addresses the accounting for income taxes upon a change in tax laws or tax rates. The income tax accounting effect of a change in tax laws or tax rates includes, for example, adjusting (or re-measuring) deferred tax liabilities and deferred tax assets, as well as evaluating whether a valuation allowance is needed for deferred tax assets. The Commission issued SAB 118 to address situations where the accounting under ASC Topic 740 is incomplete for certain income tax effects of the Act upon issuance of an entity’s financial statements for the reporting period in which the Act was enacted. A company’s financial statements that include the reporting period in which the Act was enacted must first reflect the income tax effects of the Act in which the accounting under ASC Topic 740 is complete. These completed amounts would not be provisional amounts. The company would then also report provisional amounts for those specific income tax effects of the Act for which the accounting under ASC Topic 740 will be incomplete but a reasonable estimate can be determined. For any specific income tax effects of the Act for which a reasonable estimate cannot be determined, the company would not report provisional amounts and would continue to apply ASC Topic 740 based on the provisions of the tax laws that were in effect immediately prior to the Act being enacted. For those income tax effects for which the company was not able to determine a reasonable estimate (such that no related provisional amount was reported for the reporting period in which the Act was enacted), the company would report provisional amounts in the first reporting period in which a reasonable estimate can be determined. U.S. Global has revalued its deferred tax assets and liabilities as of the date of enactment and has considered the provisions of SAB 118 related to incomplete or provisional amounts. See further discussion in Note 8.

NOTE 2. INVESTMENTS

As of March 31, 2018, the Company held investments with a fair value of approximately $20.1 million and a cost basis of approximately $12.4 million. The fair value of these investments is approximately 59.2 percent of the Company’s total assets. In addition, the Company held other investments of $2.2 million accounted for under the cost method of accounting and investments of approximately $1.2 million accounted for under the equity method of accounting.

Investments in securities classified as trading are reflected as current assets on the Consolidated Balance Sheets at their fair value. Unrealized holding gains and losses on trading securities are included in earnings in the Consolidated Statements of Operations.

Investments in securities classified as available-for-sale, which may not be readily marketable but have readily determinable fair values, are reflected as non-current assets on the Consolidated Balance Sheets at their fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income as a separate component of shareholders’ equity until realized.

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Other investments consist of equity investments in entities over which the Company is unable to exercise significant influence and which do not have readily determinable fair values. These investments are accounted for under the cost method of accounting and evaluated periodically for impairment.

The Company considers many factors in determining impairment, including the severity and duration of the decline in value below cost, the Company's interest and ability to hold the security for a period of time sufficient for an anticipated recovery in value, and the financial condition and specific events related to the issuer. When an impairment of a security is determined to be other than temporary, the impairment is recognized as a loss in the Company's earnings.

Investments classified as equity method consist of investments in companies in which the Company is able to exercise significant influence but not control. Under the equity method of accounting, the investment is initially recorded at cost, then the Company's proportional share of investee's underlying net income or loss is recorded as a component of "other income" with a corresponding increase or decrease to the carrying value of the investment. Distributions received from the investee reduce the Company's carrying value of the investment. These investments are evaluated for impairment if events or circumstances arise that indicate that the carrying amount of such assets may not be recoverable.

The Company records security transactions on trade date. Realized gains (losses) from security transactions are calculated on the first-in/first-out cost basis, unless otherwise identifiable, and are recorded in earnings on the date of sale.

The following details the components of the Company's investments recorded at fair value as of March 31, 2018, and June 30, 2017.

	March 31, 2018			
(dollars in thousands)	Cost	Gains	(Losses)	Fair Value
Trading securities[1]				
Mutual funds - Fixed income	$6,785	$18	$ (30)	$6,773
Mutual funds - Domestic equity	535	-	(161)	374
Other	45	-	(45)	-
Offshore fund	-	-	-	-
Total trading securities	7,365	18	(236)	7,147
Available-for-sale securities[2]				
Common stock - Domestic	-	-	-	-
Common stock - International	2,554	7,361	(76)	9,839
Corporate debt[3]	1,086	625	-	1,711
Mutual funds - Fixed income	1,000	-	(14)	986
Mutual funds - Domestic equity	394	21	-	415
Other	-	-	-	-
Total available-for-sale securities[4]	5,034	8,007	(90)	12,951
Total securities at fair value	$12,399	$8,025	$ (326)	$20,098

	June 30, 2017			
(dollars in thousands)	Cost	Gains	(Losses)	Fair Value
Trading securities[1]				
Mutual funds - Fixed income	$8,884	$50	$ (7)	$8,927

Mutual funds - Domestic equity	535	-	(157)	378
Other	45	-	(45)	-
Offshore fund	1,184	-	(769)	415
Total trading securities	10,648	50	(978)	9,720
Available-for-sale securities[2]				
Common stock - Domestic	109	4	-	113
Common stock - International	191	12	-	203
Corporate debt[3]	1,042	427	-	1,469
Mutual funds - Fixed income	1,148	1	(5)	1,144
Mutual funds - Domestic equity	394	12	-	406
Other	56	10	-	66
Total available-for-sale securities[4]	2,940	466	(5)	3,401
Total securities at fair value	$13,588	$516	$ (983)	$13,121

1 Unrealized and realized gains and losses on trading securities are included in earnings in the statement of operations.

2 Unrealized gains and losses on available-for-sale securities are excluded from earnings and recorded in other comprehensive income as a separate component of shareholders’ equity until realized.

3 Corporate debt has stated maturity in 2024, but issuer has issued notice that it intends to redeem early, as discussed below and in Note 12, Subsequent Events.

4 Net unrealized gains (losses) on available-for-sale securities gross and net of tax as of March 31, 2018, are $7,917 and $6,430, respectively, and as of June 30, 2017, are $461 and $461, respectively.

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On March 31, 2018, the Company had $8.5 million at fair value invested in USGIF. These investments were included in the Consolidated Balance Sheets and the table above as “trading securities” and “available-for-sale securities.”

The Company had an available-for-sale investment in corporate debt securities valued at approximately $1.7 million as of March 31, 2018, based on a quoted price on the reporting date, and scheduled to mature in 2024. Subsequent to March 31, 2018, the issuer of the corporate debt issued notice that it intends to redeem these debt securities early at par value in May 2018. See further discussion in Note 12, Subsequent Events.

Investment income can be volatile and varies depending on market fluctuations, the Company’s ability to participate in investment opportunities, and timing of transactions. The Company expects that gains and losses will continue to fluctuate in the future.

Investment income (loss) from the Company’s investments includes:

• realized gains and losses on sales of securities;
• unrealized gains and losses on trading securities;
• realized foreign currency gains and losses;
• other-than-temporary impairments on available-for-sale securities;
• other-than-temporary impairments on held-at-cost securities; and
• dividend and interest income.

The following summarizes investment income (loss) reflected in earnings for the periods discussed:

(dollars in thousands)	Nine Months Ended March 31,		Three Months Ended March 31,	
Investment Income	2018	2017	2018	2017
Realized gains on sales of available-for-sale securities	$31	$31	$-	$-
Realized losses on sales of trading securities	(736)	-	-	-
Unrealized gains (losses) on trading securities	710	16	(36)	42
Realized foreign currency gains (losses)	(15)	(25)	4	(20)
Other-than-temporary declines in available-for-sale securities	-	(16)	-	-
Dividend and interest income	737	657	307	139
Total Investment Income	$727	$663	$275	$161

Proceeds from the sales of available-for-sale investments were approximately $401,000 and $649,000, for the nine months ended March 31, 2018, and March 31, 2017, respectively. There were no sales of available-for-sale investments for the three months ended March 31, 2018, or March 31, 2017, respectiv