PRINCIPAL FINANCIAL GROUP INC
Form 10-Q
May 03, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

1-16725

(Commission file number)

PRINCIPAL FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**42-1520346**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

711 High Street, Des Moines, Iowa 50392

(Address of principal executive offices)

(515) 247-5111

(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 ý No o

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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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. (Check one):

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

The total number of shares of the registrant s Common Stock, $0.01 par value, outstanding as of April 26, 2017, was 288,218,100.

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PRINCIPAL FINANCIAL GROUP, INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Principal Financial Group, Inc.

Consolidated Statements of Financial Position

	March 31, 2017 (Unaudited)	December 31, 2016
	(in millions)	
Assets		
Fixed maturities, available-for-sale (2017 and 2016 include $242.3 million and $232.5 million related to consolidated variable interest entities)	**$ 56,989.1**	$ 54,846.1
Fixed maturities, trading (2017 and 2016 include $0.0 million and $82.4 million related to consolidated variable interest entities)	**278.0**	398.4
Equity securities, available-for-sale	**114.0**	98.9
Equity securities, trading (2017 and 2016 include $752.8 million and $721.9 million related to consolidated variable interest entities)	**1,506.3**	1,413.4
Mortgage loans	**13,388.1**	13,230.2
Real estate (2017 and 2016 include $314.4 million and $305.7 million related to consolidated variable interest entities)	**1,433.3**	1,368.8
Policy loans	**819.6**	823.8
Other investments (2017 and 2016 include $142.0 million and $89.8 million related to consolidated variable interest entities and $87.4 million and $86.2 million measured at fair value under the fair value option)	**3,283.6**	3,655.9
Total investments	**77,812.0**	75,835.5
Cash and cash equivalents	**1,534.7**	2,719.6
Accrued investment income	**625.2**	580.6
Premiums due and other receivables	**1,447.0**	1,361.9
Deferred acquisition costs	**3,430.8**	3,380.2
Property and equipment	**718.8**	699.0
Goodwill	**1,032.9**	1,020.8
Other intangibles	**1,322.6**	1,325.3
Separate account assets (2017 and 2016 include $37,956.8 million and $35,844.1 million related to consolidated variable interest entities)	**146,374.7**	139,832.6
Other assets	**1,197.3**	1,258.8
Total assets	**$ 235,496.0**	$ 228,014.3
Liabilities		
Contractholder funds (2017 and 2016 include $363.9 million and $358.7 million related to consolidated variable interest entities)	**$ 38,074.1**	$ 37,953.6
Future policy benefits and claims	**29,690.5**	29,000.7
Other policyholder funds	**922.7**	890.4
Short-term debt	**59.5**	51.4
Long-term debt	**3,126.2**	3,125.7
Income taxes currently payable	**15.0**	12.9
Deferred income taxes	**1,048.1**	972.4
Separate account liabilities (2017 and 2016 include $37,956.8 million and $35,844.1 million related to consolidated variable interest entities)	**146,374.7**	139,832.6
Other liabilities (2017 and 2016 include $261.5 million and $284.1 million related to consolidated variable interest entities, of which $0.0 million and $59.9 million are measured at fair value under the fair value option)	**5,405.2**	5,783.3
Total liabilities	**224,716.0**	217,623.0

Redeemable noncontrolling interest (2017 and 2016 include $57.6 million $58.8 million related to consolidated variable interest entities)		**95.1**		97.5
Stockholders equity				
Common stock, par value $.01 per share 2,500.0 million shares authorized, 471.9 million and 469.2 million shares issued, and 288.1 million and 287.7 million shares outstanding in 2017 and 2016		**4.7**		4.7
Additional paid-in capital		**9,780.5**		9,686.0
Retained earnings		**7,937.4**		7,720.4
Accumulated other comprehensive loss		**(455.1)**		(675.2)
Treasury stock, at cost (183.8 million and 181.5 million shares in 2017 and 2016)		**(6,651.4)**		(6,508.6)
Total stockholders equity attributable to Principal Financial Group, Inc.		**10,616.1**		10,227.3
Noncontrolling interest		**68.8**		66.5
Total stockholders equity		**10,684.9**		10,293.8
Total liabilities and stockholders equity	**$**	**235,496.0**	$	228,014.3

See accompanying notes.

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Principal Financial Group, Inc.

Consolidated Statements of Operations

(Unaudited)

	For the three months ended March 31, 2017	2016
	(in millions, except per share data)	
Revenues		
Premiums and other considerations	**$ 1,248.0**	$ 1,282.4
Fees and other revenues	**940.6**	855.9
Net investment income	**877.4**	761.7
Net realized capital gains, excluding impairment losses on available-for-sale securities	**12.2**	184.7
Net other-than-temporary impairment losses on available-for-sale securities	**(27.3)**	(55.6)
Other-than-temporary impairment losses on fixed maturities, available-for-sale reclassified to (from) other comprehensive income	**(1.5)**	7.5
Net impairment losses on available-for-sale securities	**(28.8)**	(48.1)
Net realized capital gains (losses)	**(16.6)**	136.6
Total revenues	**3,049.4**	3,036.6
Expenses		
Benefits, claims and settlement expenses	**1,657.3**	1,658.5
Dividends to policyholders	**34.9**	38.8
Operating expenses	**943.2**	899.5
Total expenses	**2,635.4**	2,596.8
Income before income taxes	**414.0**	439.8
Income taxes	**60.4**	70.6
Net income	**353.6**	369.2
Net income attributable to noncontrolling interest	**4.7**	1.2
Net income attributable to Principal Financial Group, Inc.	**$ 348.9**	$ 368.0
Earnings per common share		
Basic earnings per common share	**$ 1.21**	$ 1.26
Diluted earnings per common share	**$ 1.19**	$ 1.25
Dividends declared per common share	**$ 0.45**	$ 0.38

See accompanying notes.

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Principal Financial Group, Inc.

Consolidated Statements of Comprehensive Income

(Unaudited)

	For the three months ended March 31, 2017	For the three months ended March 31, 2016
	(in millions)	
Net income	**$ 353.6**	$ 369.2
Other comprehensive income, net:		
Net unrealized gains on available-for-sale securities	**163.9**	404.4
Noncredit component of impairment losses on fixed maturities, available-for-sale	**0.7**	(4.2)
Net unrealized gains (losses) on derivative instruments	**(12.2)**	1.3
Foreign currency translation adjustment	**64.4**	129.7
Net unrecognized postretirement benefit obligation	**4.3**	8.0
Other comprehensive income	**221.1**	539.2
Comprehensive income	**574.7**	908.4
Comprehensive income attributable to noncontrolling interest	**5.7**	4.7
Comprehensive income attributable to Principal Financial Group, Inc.	**$ 569.0**	$ 903.7

See accompanying notes.

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Principal Financial Group, Inc.

Consolidated Statements of Stockholders Equity

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Noncontrolling interest	Total stockholders equity
				(in millions)			
Balances as of January 1, 2016	$ 4.7	$ 9,544.8	$ 6,875.9	$ (882.5)	$ (6,231.3)	$ 65.8	$ 9,377.4
Common stock issued		10.0					10.0
Stock-based compensation and additional related tax benefits		25.1	(1.7)			0.1	23.5
Treasury stock acquired, common					(105.6)		(105.6)
Dividends to common stockholders			(110.4)				(110.4)
Distributions to noncontrolling interest						(0.8)	(0.8)
Contributions from noncontrolling interest						0.1	0.1
Purchase of subsidiary shares from noncontrolling interest (1)		15.1		(9.3)			5.8
Adjustments to redemption amount of redeemable noncontrolling interest		3.1					3.1
Net income (1)			368.0			1.4	369.4
Other comprehensive income (1)				535.7		1.4	537.1
Balances as of March 31, 2016	$ 4.7	$ 9,598.1	$ 7,131.8	$ (356.1)	$ (6,336.9)	$ 68.0	$ 10,109.6
Balances as of January 1, 2017	**$ 4.7**	**$ 9,686.0**	**$ 7,720.4**	**$ (675.2)**	**$ (6,508.6)**	**$ 66.5**	**$ 10,293.8**
Common stock issued		**70.8**					**70.8**
Stock-based compensation		**24.2**	**(1.9)**			**0.1**	**22.4**
Treasury stock acquired, common					**(142.8)**		**(142.8)**
Dividends to common stockholders			**(130.0)**				**(130.0)**
Distributions to noncontrolling interest						**(1.0)**	**(1.0)**
Contributions from noncontrolling interest						**0.9**	**0.9**
Adjustments to redemption amount of redeemable noncontrolling interest		**(0.5)**					**(0.5)**
Net income (1)			**348.9**			**1.9**	**350.8**
Other comprehensive income (1)				**220.1**		**0.4**	**220.5**
Balances as of March 31, 2017	**$ 4.7**	**$ 9,780.5**	**$ 7,937.4**	**$ (455.1)**	**$ (6,651.4)**	**$ 68.8**	**$ 10,684.9**

(1) Excludes amounts attributable to redeemable noncontrolling interest. See Note 9, Stockholders Equity, for further details.

See accompanying notes.

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Principal Financial Group, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	For the three months ended March 31, 2017	2016
	(in millions)	
Operating activities		
Net income	**$ 353.6**	$ 369.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred acquisition costs	**52.3**	99.6
Additions to deferred acquisition costs	**(104.4)**	(103.2)
Accrued investment income	**(44.6)**	(34.7)
Net cash flows for trading securities	**109.0**	(11.9)
Premiums due and other receivables	**(44.1)**	124.2
Contractholder and policyholder liabilities and dividends	**429.8**	617.1
Current and deferred income taxes	**50.3**	57.1
Net realized capital (gains) losses	**16.6**	(136.6)
Depreciation and amortization expense	**48.1**	45.8
Real estate acquired through operating activities	**(10.7)**	(12.8)
Real estate sold through operating activities	**0.4**	0.1
Stock-based compensation	**22.1**	22.3
Other	**(355.5)**	(140.7)
Net adjustments	**169.3**	526.3
Net cash provided by operating activities	**522.9**	895.5
Investing activities		
Available-for-sale securities:		
Purchases	**(4,307.0)**	(3,558.6)
Sales	**333.7**	205.5
Maturities	**2,460.8**	1,616.0
Mortgage loans acquired or originated	**(473.8)**	(475.9)
Mortgage loans sold or repaid	**329.3**	479.3
Real estate acquired	**(90.8)**	(44.5)
Real estate sold	**47.1**	15.0
Net purchases of property and equipment	**(43.8)**	(44.2)
Net change in other investments	**(86.5)**	(45.9)
Net cash used in investing activities	**(1,831.0)**	(1,853.3)
Financing activities		
Issuance of common stock	**70.8**	10.0
Acquisition of treasury stock	**(142.8)**	(105.6)
Proceeds from financing element derivatives	**0.1**	
Payments for financing element derivatives	**(20.9)**	(21.3)
Excess tax benefits from share-based payment arrangements		5.0
Purchase of subsidiary shares from noncontrolling interest		(2.3)
Dividends to common stockholders	**(130.0)**	(110.4)
Issuance of long-term debt		3.2
Net proceeds from (repayments of) short-term borrowings	**7.6**	(59.9)
Investment contract deposits	**2,629.1**	3,976.3
Investment contract withdrawals	**(2,303.9)**	(3,166.3)
Net increase in banking operation deposits	**6.8**	4.0

Other		**6.4**		3.2
Net cash provided by financing activities		**123.2**		535.9
Net decrease in cash and cash equivalents		**(1,184.9)**		(421.9)
Cash and cash equivalents at beginning of period		**2,719.6**		2,564.8
Cash and cash equivalents at end of period	**$**	**1,534.7**	$	2,142.9

See accompanying notes.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements

March 31, 2017
(Unaudited)

1. Nature of Operations and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of Principal Financial Group, Inc. (PFG) have been prepared in conformity with accounting principles generally accepted in the U.S. (U.S. GAAP) for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2017, are not necessarily indicative of the results that may be expected for the year ended December 31, 2017. These interim unaudited consolidated financial statements should be read in conjunction with our annual audited financial statements as of December 31, 2016, included in our Form 10-K for the year ended December 31, 2016, filed with the United States Securities and Exchange Commission (SEC). The accompanying consolidated statement of financial position as of December 31, 2016, has been derived from the audited consolidated statement of financial position but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Consolidation

We have relationships with various special purpose entities and other legal entities that must be evaluated to determine if the entities meet the criteria of a variable interest entity (VIE) or a voting interest entity (VOE). This assessment is performed by reviewing contractual, ownership and other rights, including involvement of related parties, and requires use of judgment. First, we determine if we hold a variable interest in an entity by assessing if we have the right to receive expected losses and expected residual returns of the entity. If we hold a variable interest, then the entity is assessed to determine if it is a VIE. An entity is a VIE if the equity at risk is not sufficient to support its activities, if the equity holders lack a controlling financial interest or if the entity is structured with non-substantive voting rights. In addition to the previous criteria, if the entity is a limited partnership or similar entity, it is a VIE if the limited partners do not have the power to direct the entity s most significant activities through substantive kick-out rights or participating rights. A VIE is evaluated to determine the primary beneficiary. The primary beneficiary of a VIE is the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (2) 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. When we are the primary beneficiary, we are required to consolidate the entity in our financial statements. We reassess our involvement with VIEs on a quarterly basis. For further information about VIEs, refer to Note 2, Variable Interest Entities.

If an entity is not a VIE, it is considered a VOE. VOEs are generally consolidated if we own a greater than 50% voting interest. If we determine our involvement in an entity no longer meets the requirements for consolidation under either the VIE or VOE models, the entity is deconsolidated. Entities in which we have significant management influence over the operating and financing decisions but are not required to consolidate, other than investments accounted for at fair value under the fair value option, are reported using the equity method.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements (continued)
March 31, 2017
(Unaudited)

Recent Accounting Pronouncements

Description	Date of adoption	Effect on our consolidated financial statements or other significant matters
Standards not yet adopted:		
Goodwill impairment testing This authoritative guidance simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 (which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit s goodwill to the carrying amount of that goodwill) from the goodwill impairment test. A goodwill impairment loss will be the amount by which a reporting unit s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. Early adoption is permitted.	January 1, 2020	We are currently evaluating the impact this guidance will have on our consolidated financial statements.
Credit losses This authoritative guidance requires entities to use a current expected credit loss (CECL) model to measure impairment for most financial assets that are not recorded at fair value through net income. Under the CECL model, an entity will estimate lifetime expected credit losses considering available relevant information about historical events, current conditions and reasonable and supportable forecasts. The CECL model does not apply to available-for-sale debt securities. This guidance also expands the required credit loss disclosures and will be applied using a modified retrospective approach by recording a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. Early adoption is permitted.	January 1, 2020	We are currently evaluating the impact this guidance will have on our consolidated financial statements. We believe estimated credit losses under the CECL model will generally result in earlier loss recognition for loans and other receivables.
Premium amortization on purchased callable debt securities This authoritative guidance applies to entities that hold certain non-contingently callable debt securities, where the amortized cost basis is at a premium to the price repayable by the issuer at the earliest call date. Under the guidance the premium will be amortized to the first call date. This guidance requires adoption through a cumulative-effect adjustment to retained earnings as of	January 1, 2019	We are currently evaluating the impact this guidance will have on our consolidated financial statements.

the beginning of the period of adoption. Early adoption is permitted.		
Leases This authoritative guidance requires lessee recognition of lease assets and lease liabilities on the balance sheet. The concept of an operating lease, where the lease assets and liabilities are off balance sheet, is eliminated under the new guidance. For lessors, the guidance modifies lease classification criteria and accounting for certain types of leases. Other key aspects of the guidance relate to the removal of the current real estate-specific guidance and new presentation and disclosure requirements. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes certain optional practical expedients that may be elected. Early adoption is permitted.	January 1, 2019	We have primarily focused our implementation efforts on identifying our leases that are within the scope of the guidance and will be added to our balance sheet. We are currently evaluating other impacts this guidance will have on our consolidated financial statements.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements (continued)
March 31, 2017
(Unaudited)

Description	Date of adoption	Effect on our consolidated financial statements or other significant matters
Nonfinancial asset derecognition and partial sales of nonfinancial assets This authoritative guidance clarifies the scope of the recently established guidance on nonfinancial asset derecognition and the accounting for partial sales of nonfinancial assets. The guidance conforms the derecognition guidance on nonfinancial assets with the model for transactions in the new revenue recognition standard.	January 1, 2018	We are currently evaluating the impact this guidance will have on our consolidated financial statements.
Presentation of net periodic pension cost and net periodic postretirement benefit cost This authoritative guidance requires that an employer disaggregate the service cost component from the other components of net benefit cost. The guidance also provides explicit guidance on the presentation of the service cost component and the other components of net benefit cost in the income statement and allows only the service cost component of net benefit cost to be eligible for capitalization.	January 1, 2018	We are currently evaluating the impact this guidance will have on our consolidated financial statements.
Definition of a business This authoritative guidance clarifies the definition of a business to assist with evaluating when transactions involving an integrated set of assets and activities (a set) should be accounted for as acquisitions or disposals of assets or businesses. The guidance requires that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The guidance also requires a set to include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output to be considered a business. Lastly, the guidance removes the evaluation of whether a market participant could replace missing elements and narrows the definition of outputs by more closely aligning it with how outputs are described in the revenue recognition guidance. The guidance will be applied prospectively. Early application is permitted in certain circumstances.	January 1, 2018	We are currently evaluating the impact this guidance will have on our consolidated financial statements.
Financial instruments - recognition and measurement This authoritative guidance addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The primary focus of this guidance is to supersede the guidance to classify equity securities with readily determinable fair values into different categories (trading or available-for-sale) and requires equity securities to be measured at fair value with changes in the fair value recognized through net income. This	January 1, 2018	As of March 31, 2017, we did not hold material equity securities accounted for at fair value through other comprehensive income that will be accounted for at fair value through net income under the updated guidance. We continue to evaluate the impact of this standard; however, this change is not expected to have a material impact

guidance requires adoption through a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption.		on our consolidated financial statements.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements (continued)
March 31, 2017
(Unaudited)

Description	Date of adoption	Effect on our consolidated financial statements or other significant matters
Revenue recognition This authoritative guidance replaces all general and most industry specific revenue recognition guidance (excluding insurance) currently prescribed by U.S. GAAP. The core principle is that an entity recognizes revenue to reflect the transfer of a promised good or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for that good or service. This guidance also provides clarification on when an entity is a principal or an agent in a transaction. In addition, the guidance updates the accounting for certain costs associated with obtaining and fulfilling a customer contract. The guidance may be applied using one of the following two methods: (1) retrospectively to each prior reporting period presented, or (2) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.	January 1, 2018	Only a portion of our total revenues, less than 20%, are subject to this guidance as it does not apply to revenue on contracts accounted for under the financial instruments or insurance contracts standards. Our evaluation process is ongoing and includes, but is not limited to, identifying contracts within the scope of the guidance, reviewing and documenting our accounting for these contracts, identifying and determining the accounting for any related contract costs, and preparing the required financial statement disclosures. To date, the impacts we have identified primarily relate to deferring and amortizing certain sales compensation related to obtaining customer contracts. We have not identified material changes in the timing of our revenue recognition. We plan to adopt the guidance on January 1, 2018, using the modified retrospective application; however, we continue to evaluate the impact of the standard and our adoption method is subject to change.
Income tax - intra-entity transfers of assets This authoritative guidance requires entities to recognize current and deferred income tax resulting from an intra-entity asset transfer when the transfer occurs. Prior to issuance of this guidance, U.S. GAAP did not allow recognition of income tax consequences until the asset had been sold to a third party. This guidance requires adoption through a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption with early adoption permitted.	January 1, 2018	We are currently evaluating the impact this guidance will have on our consolidated financial statements.

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Principal Financial Group, Inc.
Notes to Consolidated Financial Statements (continued)
March 31, 2017
(Unaudited)

Description	Date of adoption	Effect on our consolidated financial statements or other significant matters
Standards adopted:		
Employee share-based payment accounting This authoritative guidance changes certain aspects of accounting for and reporting share-based payments to employees including changes related to the income tax effects of share-based payments, tax withholding requirements and accounting for forfeitures. Various transition methods will apply depending on the situation being addressed.	January 1, 2017	The guidance was adopted prospectively as indicated by the guidance for each area of change and did not have a material impact on our consolidated financial statements.
Short-duration insurance contracts This authoritative guidance requires additional disclosures related to short-duration insurance contracts.	December 31, 2016	The disclosure requirements of this guidance were adopted retrospectively.
Net asset value per share as a practical expedient for fair value This authoritative guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.	January 1, 2016	The guidance was adopted retrospectively and did not have a material impact on our consolidated financial statements. See Note 10, Fair Value Measurements, for further details.