

U S GLOBAL INVESTORS INC
Form 10-Q
November 05, 2014

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 September 30, 2014

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)
(210) 308-1234

78229-1234
(Zip Code)

(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, or 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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a 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

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On October 28, 2014, there were 13,866,421 shares of Registrant's class A nonvoting common stock issued and 13,347,783 shares of Registrant's class A nonvoting common stock issued and outstanding, no shares of Registrant's class B nonvoting common shares outstanding, and 2,069,127 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

	September 30, 2014 (UNAUDITED)	June 30, 2014
Assets		
(dollars in thousands)		
Current Assets		
Cash and cash equivalents	\$4,734	\$5,910
Trading securities, at fair value	17,586	17,817
Receivables	2,270	2,513
Prepaid expenses	344	525
Deferred tax asset	147	51
Total Current Assets	25,081	26,816
Net Property and Equipment	2,954	3,024
Other Assets		
Deferred tax asset, long term	419	298
Investment securities available-for-sale, at fair value	5,552	6,196
Other investments	2,413	1,413
Intangible assets, net	75	86
Other assets, long term	12	13
Total Other Assets	8,471	8,006
Total Assets	\$36,506	\$37,846
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$141	\$219
Accrued compensation and related costs	430	581
Dividends payable	232	232
Other accrued expenses	876	1,064
Total liabilities held related to discontinued operations	—	47
Total Current Liabilities	1,679	2,143
Commitments and Contingencies		
Shareholders' Equity		
Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,866,421 and 13,866,361 shares at September 30, 2014, and June 30, 2014, respectively	347	347
Common stock (class B) - \$0.025 par value; nonvoting; authorized, 4,500,000 shares; no shares issued	—	—
Convertible common stock (class C) - \$0.025 par value; voting; authorized, 3,500,000 shares; issued, 2,069,127 and 2,069,187 shares at September 30, 2014, and June 30, 2014, respectively	52	52
Additional paid-in-capital	15,678	15,669
Treasury stock, class A shares at cost; 508,659 and 501,518 shares at September 30, 2014, and June 30, 2014, respectively	(1,314	) (1,280
Accumulated other comprehensive income, net of tax	430	906
Retained earnings	19,017	19,376

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Total U.S. Global Investors, Inc. Shareholders' Equity	34,210	35,070
Non-Controlling Interest in Subsidiary	617	633
Total Shareholders' Equity	34,827	35,703
Total Liabilities and Shareholders' Equity	\$36,506	\$37,846

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

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30,	
(dollars in thousands, except per share data)	2014	2013
Operating Revenues		
Mutual fund advisory fees	\$2,420	\$2,089
Distribution fees	463	531
Shareholder services fees	206	261
Administrative services fees	208	171
	3,297	3,052
Operating Expenses		
Employee compensation and benefits	1,578	1,882
General and administrative	1,178	1,541
Platform fees	680	509
Advertising	94	133
Depreciation and amortization	83	63
	3,613	4,128
Operating Loss	(316	) (1,076
Other Income		
Investment income	220	1,060
Equity in earnings of Galileo	—	(7
	220	1,053
Loss from Continuing Operations Before Income Taxes	(96	) (23
Provision for Federal Income Taxes		
Tax benefit	(7	) (14
Loss from Continuing Operations	(89	) (9
Discontinued Operations (Note 13)		
Loss from operations of discontinued transfer agent	—	(43
Tax benefit	—	(15
Loss from Discontinued Operations	—	(28
Net Loss	(89	) (37
Less: Net Income Attributable to Non-Controlling Interest	39	—
Net Loss Attributable to U.S. Global Investors, Inc.	\$(128	) \$(37
Basic Net Loss per Share		
Loss from continuing operations	\$(0.01	) \$0.00
Loss from discontinued operations	\$0.00	\$0.00
Net loss	\$(0.01	) \$0.00
Diluted Net Loss per Share		
Loss from continuing operations	\$(0.01	) \$0.00
Loss from discontinued operations	\$0.00	\$0.00
Net loss	\$(0.01	) \$0.00
Basic weighted average number of common shares outstanding	15,429,327	15,471,268
Diluted weighted average number of common shares outstanding	15,429,327	15,471,268

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(dollars in thousands)	Three Months Ended September 30,		
	2014	2013	
Net Loss	\$ (89	) \$ (37)
Other Comprehensive Income (Loss), Net of Tax:			
Unrealized gains (losses) on available-for-sale securities arising during period	(231	) 379)
Less: reclassification adjustment for gains/losses included in net income	(195	) (578)
Net change from available-for-sale investments, net of tax	(426	) (199)
Foreign currency translation adjustment	(78) —)
Other Comprehensive Loss	(504	) (199)
Comprehensive Loss	(593	) (236)
Less: Comprehensive Income Attributable to Non-Controlling Interest	11	—)
Comprehensive Loss Attributable to U.S. Global Investors, Inc.	\$ (604	) \$ (236)

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollars in thousands)	Three Months Ended September 30,	
	2014	2013
Cash Flows from Operating Activities:		
Net loss	\$(89	) \$(37
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	83	64
Net loss on disposal of property and equipment	26	—
Net recognized gain on securities	(295	) (875
Net loss from equity method investment	—	7
Provision for deferred taxes	3	307
Stock bonuses	3	3
Stock-based compensation expense	—	1
Changes in operating assets and liabilities:		
Accounts receivable	226	(125
Prepaid expenses	179	211
Trading securities	231	(109
Accounts payable and accrued expenses	(477	) 112
Total adjustments	(21	) (404
Net cash used in operating activities	(110	) (441
Cash Flows from Investing Activities:		
Purchase of property and equipment	(35) —
Purchase of available-for-sale securities	(62	) (500
Purchase of other investments	(1,000) —
Proceeds on sale of available-for-sale securities	351	1,903
Return of capital on investment	6	—
Net cash provided by (used in) investing activities	(740	) 1,403
Cash Flows from Financing Activities:		
Issuance of common stock	32	44
Repurchases of common stock	(59	) (37
Dividends paid	(232	) (232
Net cash used in financing activities	(259	) (225
Effect of exchange rate changes on cash and cash equivalents	(67) —
Net increase (decrease) in cash and cash equivalents	(1,176	) 737
Beginning cash and cash equivalents	5,910	18,085
Ending cash and cash equivalents	\$4,734	\$18,822
Supplemental Disclosures of Cash Flow Information:		
Cash paid for income taxes	\$—	\$—

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, 2014.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, United Shareholder Services, Inc. ("USSI"), U.S. Global Investors (Guernsey) Limited ("USGG") (on August 3, 2013, USGG was dissolved), 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% interest in Galileo Global Equity Advisor Inc. ("Galileo").

The Company's evaluation for consolidation includes whether entities in which it has an interest are variable interest entities ("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 power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of or right to receive benefits from the VIE that could potentially be significant to the VIE. If the VIE qualifies for the investment company deferral, 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.

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, the funds it advises. The Company has determined that these entities qualify for the Investment Company deferral in ASC 810-10-65-2 (aa) and thus determines whether it is the primary beneficiary of these entities by virtue of its exposure to the expected losses and expected residual returns of the entity. The Company's interests in these entities consist of the Company's direct ownership therein, which in each case is insignificant to the total ownership of the fund, and any fees earned but uncollected. 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 5 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 managed entities 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 of these VIEs.

Prior to March 31, 2014, the Company classified investments in private and venture capital companies as available-for-sale Level 3 securities. Since these equity investments do not have readily determinable fair values, these investments should have been classified as "other investments" on the Consolidated Balance Sheets and accounted for under the cost method of accounting rather than at fair value. The Company determined that the difference between the fair value and the value using the cost method of accounting for these securities is not material to "accumulated other comprehensive income (loss)" or "other comprehensive income (loss)" and did not affect net income or earnings per share. To correct this balance sheet misclassification, the Company has reclassified these investments as "other investments" on the face of the balance sheet at cost adjusted for impairments. This reclassification was not material to

"accumulated other comprehensive income (loss)" or "other comprehensive income (loss)" and did not affect net income or earnings per share.

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 three months ended September 30, 2014, 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.

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Recent Accounting Pronouncements

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). ASU 2013-11 became effective for the Company on July 1, 2014. The adoption of ASU 2013-11 was not material to the consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). ASU 2014-08 will become effective for the Company on July 1, 2015. Management is evaluating the ASU and its potential impact on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, 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). Management is currently evaluating the impact of the pending adoption of ASU 2014-09 on the consolidated financial statements and has not yet determined the method by which the Company will adopt the standard in 2017.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). This update requires an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). When conditions or events raise substantial doubts about an entity's ability to continue as a going concern, management shall disclose: i) the principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern; ii) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations; and iii) management's plans that are intended to mitigate the conditions or events - and whether or not those plans alleviate the substantial doubt about the entity's ability to continue as a going concern. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and early application is permitted. Management does not currently anticipate that this update will have any impact on the Company's financial statement disclosures.

NOTE 2. INVESTMENTS

As of September 30, 2014, the Company held investments with a fair value of approximately \$23.1 million and a cost basis of approximately \$22.9 million. In addition, the Company held other investments of \$2.4 million. Total investments are approximately 70.0 percent of the Company's total assets.

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, 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.

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 equity investments are accounted for under the cost method of accounting and evaluated 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 an equity security is determined to be other-than-temporary, the impairment is recognized in earnings.

In December 2013, the shareholders of the U.S. Government Securities Savings Fund approved a proposal resulting in the conversion of the fund from a money market fund to a U.S. Government ultra-short bond fund that is not a money market fund. The fund was renamed U.S. Government Securities Ultra-Short Bond Fund ("Government Fund"). Prior to the conversion, while the fund was a money market fund, the amount held in the fund was classified as a cash equivalent. After the conversion, the amount held in

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the fund is classified as a trading mutual fund investment. The amount held in the fund by the Company as of the conversion date was \$14.1 million.

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 as fair value as of September 30, 2014, and June 30, 2014.

	September 30, 2014			
(dollars in thousands)	Cost	Gross Unrealized Gains	(Losses)	Fair Value
Trading securities ¹				
Offshore fund	\$1,184	\$—	\$(390)	) \$794
Mutual funds - Fixed income	16,241	79	(2)	) 16,318
Mutual funds - Domestic equity	535	—	(85)	) 450
Other	107	—	(83)	) 24
Total trading securities	\$18,067	\$79	\$(560)	) \$17,586
Available-for-sale securities ²				
Common stock - Domestic	\$496	\$605	\$(3)	) \$1,098
Common stock - International	652	383	(8)	) 1,027
Corporate debt	1,700	6	(287)	) 1,419
Mutual funds - Fixed income	1,228	14	(11)	) 1,231
Mutual funds - Domestic equity	543	5	—	) 548
Other	232	1	(4)	) 229
Total available-for-sale securities ³	\$4,851	\$1,014	\$(313)	) \$5,552
	June 30, 2014			
(dollars in thousands)	Cost	Gross Unrealized Gains	(Losses)	Fair Value
Trading securities ¹				
Offshore fund	\$1,184	\$—	\$(186)	) \$998
Mutual funds - Fixed income	16,241	92	—	) 16,333
Mutual funds - Domestic equity	535	—	(76)	) 459
Other	107	—	(80)	) 27
Total trading securities	\$18,067	\$92	\$(342)	) \$17,817
Available-for-sale securities ²				
Common stock - Domestic	\$535	\$586	\$(3)	) \$1,118
Common stock - International	607	802	—	) 1,409
Corporate debt	1,706	—	(74)	) 1,632
Mutual funds - Fixed income	1,228	21	(2)	) 1,247
Mutual funds - Domestic equity	543	7	—	) 550
Other	232	9	(1)	) 240
Total available-for-sale securities ³	\$4,851	\$1,425	\$(80)	) \$6,196

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 Net unrealized gains on available-for-sale securities gross and net of tax as of September 30, 2014, are \$701 and \$462, respectively, and as of June 30, 2014, are \$1,345 and \$888, respectively.

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The following tables show the gross unrealized losses and fair values of available-for-sale investment securities with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

(dollars in thousands)	September 30, 2014					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Common stock - Domestic	\$106	\$(3)	\$—	\$—	\$106	\$(3)
Common stock - International	140	(8)	—	—	140	(8)
Corporate debt	1,168	(287)	—	—	1,168	(287)
Mutual funds - Fixed income	218	(11)	—	—	218	(11)
Other	63	(4)	—	—	63	(4)
Total available-for-sale securities	\$1,695	\$(313)	\$—	\$—	\$1,695	\$(313)

(dollars in thousands)	June 30, 2014					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Common stock - Domestic	\$125	\$(3)	\$—	\$—	\$125	\$(3)
Corporate debt	1,382	(74)	—	—	1,382	(74)
Mutual funds - Fixed income	151	(2)	—	—	151	(2)
Other	118	(1)	—	—	118	(1)
Total available-for-sale securities	\$1,776	\$(80)	\$—	\$—	\$1,776	\$(80)

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; and
- dividend and interest income.

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

(dollars in thousands)	Three Months Ended September 30,	
Investment Income (Loss)	2014	2013
Realized gains on sales of available-for-sale securities	\$295	\$875
Unrealized gains (losses) on trading securities	(231)	109

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Realized foreign currency gains	20	5
Dividend and interest income	136	71
Total Investment Income	\$220	\$1,060

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NOTE 3. FAIR VALUE DISCLOSURES

Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., Levels 1, 2, and 3 inputs, as defined below). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities at the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, value of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets for which not all significant inputs are observable, directly or indirectly. Corporate debt securities valued in accordance with the evaluated price supplied by an independent service are categorized as Level 2 in the hierarchy. Other securities categorized as Level 2 include securities valued at the mean between the last reported bid and ask quotation.

Level 3 – Valuations based on inputs that are unobservable and significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with the investing in those securities. Because of the inherent uncertainties of valuation, the values reflected may materially differ from the values received upon actual sale of those investments.

For actively traded securities, the Company values investments using the closing price of the securities on the exchange or market on which the securities principally trade. If the security is not traded on the last business day of the quarter, it is generally valued at the mean between the last bid and ask quotation. Mutual funds, which include open- and closed-end funds, exchange-traded funds, and offshore funds, are valued at net asset value or closing price, as applicable. Certain corporate debt securities are valued by an independent pricing service using an evaluated quote based on such factors as institutional-size trading in similar groups of securities, yield, quality maturity, coupon rate, type of issuance and individual trading characteristics and other market data. As part of its independent price verification process, the Company reviews the fair value provided by the pricing service using information such as transactions in these investments, broker quotes, market transactions in comparable investments, general market conditions and the issuer's financial condition. Debt securities that are not valued by an independent pricing service are valued based on review of similarly structured issuances in similar jurisdictions, when possible. The Company also takes into consideration numerous other factors that could affect valuation such as overall market conditions, liquidity of the security and bond structure. Securities for which market quotations are not readily available are valued at their fair value as determined by the portfolio management team. The portfolio management team includes representatives from the investment, accounting and legal/compliance departments. The portfolio management team meets periodically to consider a number of factors in determining a security's fair value, including the security's trading volume, market values of similar class issuances, investment personnel's judgment regarding the market experience of the issuer, financial status of the issuer, the issuer's management, and back testing, as appropriate. The fair values may differ from what may have been used had a broader market for these securities existed. The portfolio management team reviews inputs and assumptions and reports material items to the board of directors.

Prior to March 31, 2014, the Company classified investments that were valued using the mean between the last reported bid ask quotation as Level 1 investments. The Company has determined that it is reasonable to classify these securities as Level 2 investments. This reclassification does not affect balance sheet presentation, net income or earnings per share.

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The following presents fair value measurements, as of September 30, 2014, and June 30, 2014, for the major categories of U.S. Global's investments measured at fair value on a recurring basis:

(dollars in thousands)	Fair Value Measurement using September 30, 2014			Total
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Trading securities				
Offshore fund	\$—	\$794	\$—	\$794
Mutual funds - Fixed income	16,319	—	—	16,319
Mutual funds - Domestic equity	450	—	—	450
Other	23	—	—	23
Total trading securities	16,792	794	—	17,586
Available-for-sale securities				
Common stock - Domestic	1,098	—	—	1,098
Common stock - International	1,024	3	—	1,027
Corporate debt	192	977	250	