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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of April 22, 2016, there were 42,911,386 shares of the Company's common stock, no par value, outstanding.

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

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## Morningstar, Inc. and Subsidiaries

## Unaudited Condensed Consolidated Statements of Income

(in millions except per share amounts)	Three months ended March 31	
	2016	2015
Revenue	\$192.1	\$189.8
Operating expense:		
Cost of revenue	85.3	78.7
Sales and marketing	22.3	25.4
General and administrative	25.6	26.1
Depreciation and amortization	16.6	15.1
Total operating expense	149.8	145.3
Operating income	42.3	44.5
Non-operating income (expense):		
Interest income, net	0.2	0.2
Loss on sale of investments, reclassified from other comprehensive income	(0.1)	—
Other income (expense), net	0.4	(0.6)
Non-operating income (expense), net	0.5	(0.4)
Income before income taxes and equity in net income of unconsolidated entities	42.8	44.1
Equity in net income of unconsolidated entities	0.5	0.5
Income tax expense	14.6	14.8
Consolidated net income	28.7	29.8
Net income attributable to noncontrolling interest	—	(0.1)
Net income attributable to Morningstar, Inc.	\$28.7	\$29.7
Net income per share attributable to Morningstar, Inc.:		
Basic	\$0.67	\$0.67
Diluted	\$0.67	\$0.67
Dividends per common share:		
Dividends declared per common share	\$0.22	\$0.19
Dividends paid per common share	\$0.22	\$0.19
Weighted average shares outstanding:		
Basic	43.0	44.3
Diluted	43.1	44.5

See notes to unaudited condensed consolidated financial statements.



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## Morningstar, Inc. and Subsidiaries

## Unaudited Condensed Consolidated Statements of Comprehensive Income

(in millions)	Three months ended March 31	
	2016	2015
Consolidated net income	\$28.7	\$29.8
Other comprehensive income (loss):		
Foreign currency translation adjustment	4.5	(19.8 )
Unrealized gains (losses) on securities, net of tax:		
Unrealized holding gains arising during period	0.5	0.1
Reclassification losses included in net income	0.1	—
Other comprehensive income (loss)	5.1	(19.7 )
Comprehensive income	33.8	10.1
Comprehensive income attributable to noncontrolling interest	—	(0.1 )
Comprehensive income attributable to Morningstar, Inc.	\$33.8	\$10.0

See notes to unaudited condensed consolidated financial statements.

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## Morningstar, Inc. and Subsidiaries

## Unaudited Condensed Consolidated Balance Sheets

	As of March 31	As of December 31
(in millions except share amounts)	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$185.2	\$ 207.1
Investments	41.5	41.5
Accounts receivable, less allowance of \$1.5 and \$1.8, respectively	148.1	139.3
Other current assets	25.6	22.0
Total current assets	400.4	409.9
Property, equipment, and capitalized software, less accumulated depreciation and amortization of \$180.8 and \$169.8, respectively	134.0	134.5
Investments in unconsolidated entities	49.3	35.6
Goodwill	367.9	364.2
Intangible assets, net	70.3	74.2
Other assets	10.8	10.6
Total assets	\$1,032.7	\$ 1,029.0
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$41.3	\$ 39.2
Accrued compensation	38.9	80.9
Deferred revenue	161.0	140.7
Short-term debt	75.0	35.0
Other current liabilities	7.6	8.6
Total current liabilities	323.8	304.4
Accrued compensation	9.4	8.9
Deferred tax liability, net	17.7	19.8
Deferred rent	24.6	25.4
Other long-term liabilities	26.7	29.9
Total liabilities	402.2	388.4
Equity:		
Morningstar, Inc. shareholders' equity:		
Common stock, no par value, 200,000,000 shares authorized, of which 42,911,386 and 43,403,076 shares were outstanding as of March 31, 2016 and December 31, 2015, respectively	—	—
Treasury stock at cost, 9,976,234 and 9,478,449 shares as of March 31, 2016 and December 31, 2015, respectively	(658.6	) (619.8
Additional paid-in capital	579.9	575.5
Retained earnings	758.4	739.2
Accumulated other comprehensive loss:		
Currency translation adjustment	(49.0	) (53.5
Unrealized loss on available-for-sale investments	(0.5	) (1.1
Total accumulated other comprehensive loss	(49.5	) (54.6
Total Morningstar, Inc. shareholders' equity	630.2	640.3



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Noncontrolling interest	0.3	0.3
Total equity	630.5	640.6
Total liabilities and equity	\$1,032.7	\$ 1,029.0

See notes to unaudited condensed consolidated financial statements.

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Morningstar, Inc. and Subsidiaries  
 Unaudited Condensed Consolidated Statement of Equity  
 For the three months ended March 31, 2016

(in millions, except share amounts)	Morningstar, Inc. Shareholders' Equity							Total Equity
	Common Stock Shares Outstanding	Par Value	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	
Balance as of December 31, 2015	43,403,076	\$ —	\$(619.8)	\$ 575.5	\$ 739.2	\$ (54.6 )	\$ 0.3	\$ 640.6
Net income		—	—	—	28.7	—	—	28.7
Other comprehensive income (loss):								
Unrealized gain on available-for-sale investments, net of income tax of \$0.3		—	—	—	—	0.5	—	0.5
Reclassification of adjustments for losses included in net income		—	—	—	—	0.1	—	0.1
Foreign currency translation adjustment, net		—	—	—	—	4.5	—	4.5
Other comprehensive income (loss), net		—	—	—	—	5.1	—	5.1
Issuance of common stock related to stock-option exercises	6,095	—	—	0.4	—	—	—	0.4
Stock-based compensation		—	—	4.0	—	—	—	4.0
Common shares repurchased	(497,785 )	—	(38.8 )	—	—	—	—	(38.8 )
Dividends declared		—	—	—	(9.5 )	—	—	(9.5 )
Balance as of March 31, 2016	42,911,386	\$ —	\$(658.6)	\$ 579.9	\$ 758.4	\$ (49.5 )	\$ 0.3	\$ 630.5

See notes to unaudited condensed consolidated financial statements.

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## Morningstar, Inc. and Subsidiaries

## Unaudited Condensed Consolidated Statements of Cash Flows

(in millions)	Three months ended March 31	
	2016	2015
Operating activities		
Consolidated net income	\$28.7	\$29.8
Adjustments to reconcile consolidated net income to net cash flows from operating activities:		
Depreciation and amortization	16.6	15.1
Deferred income taxes	(2.2 )	(1.6 )
Stock-based compensation expense	4.0	4.3
Provision for (recoveries of) bad debts	(0.2 )	0.3
Equity in net income of unconsolidated entities	(0.5 )	(0.5 )
Excess tax benefits from stock-option exercises and vesting of restricted stock units	—	(1.1 )
Other, net	(0.3 )	0.6
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(7.8 )	(8.6 )
Other assets	(5.2 )	(0.5 )
Accounts payable and accrued liabilities	2.2	2.2
Accrued compensation	(41.2 )	(36.4 )
Income taxes—current	(1.4 )	13.9
Deferred revenue	19.3	17.4
Deferred rent	(0.8 )	0.1
Other liabilities	0.2	—
Cash provided by operating activities	11.4	35.0
Investing activities		
Purchases of investments	(9.2 )	(5.5 )
Proceeds from maturities and sales of investments	10.2	5.9
Capital expenditures	(13.5 )	(14.4 )
Acquisitions, net of cash acquired	(2.5 )	—
Purchases of equity- and cost-method investments	(13.1 )	—
Other, net	—	(0.1 )
Cash used for investing activities	(28.1 )	(14.1 )
Financing activities		
Common shares repurchased	(38.8 )	(2.3 )
Dividends paid	(9.5 )	(8.4 )
Proceeds from short-term debt	40.0	15.0
Proceeds from stock-option exercises	0.4	1.8
Excess tax benefits from stock-option exercises and vesting of restricted stock units	—	1.1
Other, net	—	(0.2 )
Cash provided by (used for) financing activities	(7.9 )	7.0
Effect of exchange rate changes on cash and cash equivalents	2.7	(8.5 )
Net increase (decrease) in cash and cash equivalents	(21.9 )	19.4
Cash and cash equivalents—beginning of period	207.1	185.2

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Cash and cash equivalents—end of period	\$185.2	\$204.6
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$18.2	\$2.5
Cash paid for interest	\$0.2	\$0.1
Supplemental information of non-cash investing and financing activities:		
Unrealized gain on available-for-sale investments	\$0.8	\$0.2
Software obtained under long-term financing arrangement	\$—	\$1.3

See notes to unaudited condensed consolidated financial statements.

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MORNINGSTAR, INC. AND SUBSIDIARIES  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation of Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of Morningstar, Inc. and subsidiaries (Morningstar, we, our, the company) have been prepared to conform to the rules and regulations of the Securities and Exchange Commission (SEC). The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue, and expenses. Actual results could differ from those estimates. In the opinion of management, the statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly our financial position, results of operations, equity, and cash flows. These financial statements and notes are unaudited and should be read in conjunction with our Audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 26, 2016.

The acronyms that appear in the Notes to our Unaudited Condensed Consolidated Financial Statements refer to the following:

ASU: Accounting Standards Update

FASB: Financial Accounting Standards Board

2. Summary of Significant Accounting Policies

We discuss our significant accounting policies in Note 2 of our Audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 26, 2016.

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The original effective date for ASU 2014-09 would have required the Company to adopt beginning on January 1, 2017. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date, which defers the effective date of ASU 2014-09 for one year and permits early adoption as early as the original effective date of ASU 2014-09. The new standard is effective for us on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU No. 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

On March 17, 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which provides guidance on assessing whether an entity is a principal or an agent in a revenue transaction and whether an entity reports revenue on a gross or net basis. On April 14, 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing, which provides guidance on identifying performance obligations and accounting for licenses of intellectual property. The effective date and transition requirements for ASU No. 2016-08 and ASU No. 2016-10 are the same as the effective date and transition requirements of ASU No. 2014-09. We are evaluating the effect that ASU No. 2016-08 and ASU No. 2016-10 will have on our consolidated financial statements and related disclosures.

On February 25, 2016, the FASB issued ASU No. 2016-02, Leases, which will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. The new standard is effective for us on January 1, 2019. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. We are evaluating the effect that ASU No. 2016-02 will have on our consolidated financial statements and related disclosures.

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On March 15, 2016, the FASB issued ASU No. 2016-07, Simplifying the Transition to the Equity Method of Accounting, which eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. The new standard is effective for us on January 1, 2017. Early adoption is permitted. The new standard should be applied prospectively for investments that qualify for the equity method of accounting after the effective date. We elected to early adopt ASU No. 2016-07 in the quarter ended March 31, 2016. The adoption of ASU No. 2016-07 did not have a material effect on our consolidated financial statements.

On March 30, 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which includes amendments to accounting for income taxes at settlement, forfeitures, and net settlements to cover withholding taxes. The new standard is effective for us on January 1, 2017. Early adoption is permitted but requires all elements of the amendments to be adopted at once rather than individually. We are evaluating the effect that ASU No. 2016-09 will have on our consolidated financial statements and related disclosures.

### 3. Credit Arrangements

In March 2016, we increased our single-bank revolving credit facility from \$75.0 million to \$100.0 million. We drew on the credit facility during the first quarter of 2016 and had an outstanding principal balance of \$75.0 million at an interest rate of LIBOR plus 100 basis points as of March 31, 2016, leaving borrowing availability of \$25.0 million.

### 4. Acquisitions, Goodwill, and Other Intangible Assets

#### Acquisitions

On March 31, 2016, we acquired RequiSight, LLC, which does business as RightPond, a provider of business intelligence data and analytics on defined contribution and defined benefit plans for financial services firms. We began consolidating the financial results of RightPond in our Consolidated Financial Statements on March 31, 2016.

#### Goodwill

The following table shows the changes in our goodwill balances from December 31, 2015 to March 31, 2016:

	(in millions)
Balance as of December 31, 2015	\$ 364.2
Acquisitions and foreign currency translation	3.7
Balance as of March 31, 2016	\$ 367.9

We did not record any impairment losses in the first three months of 2016 or 2015. We perform our annual impairment reviews in the fourth quarter.

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## Intangible Assets

The following table summarizes our intangible assets:

(in millions)	As of March 31, 2016				As of December 31, 2015			
	Gross	Accumulated Amortization	Net	Weighted Average Useful Life (years)	Gross	Accumulated Amortization	Net	Weighted Average Useful Life (years)
Intellectual property	\$28.6	\$ (27.5)	) \$1.1	9	\$28.3	\$ (26.7)	) \$1.6	9
Customer-related assets	138.4	(95.1)	) 43.3	12	137.5	(92.3)	) 45.2	12
Supplier relationships	0.2	(0.1)	) 0.1	20	0.2	(0.1)	) 0.1	20
Technology-based assets	90.0	(66.3)	) 23.7	8	89.5	(64.4)	) 25.1	8
Non-competition agreements	4.7	(2.6)	) 2.1	5	4.6	(2.4)	) 2.2	5
Total intangible assets	\$261.9	\$ (191.6)	) \$70.3	10	\$260.1	\$ (185.9)	) \$74.2	10

The following table summarizes our amortization expense related to intangible assets:

(in millions)	Three months ended March 31	
	2016	2015
Amortization expense	\$5.1	\$5.5

We amortize intangible assets using the straight-line method over their expected economic useful lives.

We expect intangible amortization expense for the remainder of 2016 and subsequent years as follows:

	(in millions)
Remainder of 2016 (from April 1 through December 31)	\$ 12.8
2017	13.0
2018	10.9
2019	8.4
2020	4.8
Thereafter	20.4

Our estimates of future amortization expense for intangible assets may be affected by acquisitions, divestitures, changes in the estimated average useful life, and foreign currency translation.



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## 5. Income Per Share

The following table shows how we reconcile our net income and the number of shares used in computing basic and diluted net income per share:

(in millions, except per share amounts)	Three months ended March 31	
	2016	2015
Basic net income per share attributable to Morningstar, Inc.:		
Net income attributable to Morningstar, Inc.	\$28.7	\$29.7
Weighted average common shares outstanding	43.0	44.3
Basic net income per share attributable to Morningstar, Inc.	\$0.67	\$0.67
Diluted net income per share attributable to Morningstar, Inc.:		
Net income attributable to Morningstar, Inc.	\$28.7	\$29.7
Weighted average common shares outstanding	43.0	44.3
Net effect of dilutive stock options, restricted stock units, and performance share awards	0.1	0.2
Weighted average common shares outstanding for computing diluted income per share	43.1	44.5
Diluted net income per share attributable to Morningstar, Inc.	\$0.67	\$0.67

The following table shows the number of weighted average restricted stock units and performance share awards excluded from our calculation of diluted earnings per share because their inclusion would have been anti-dilutive:

(in thousands)	Three months ended March 31	
	2016	2015
Weighted average restricted stock units	25	32
Weighted average performance share awards	2	18
Total	27	50

## 6. Segment and Geographical Area Information

## Segment Information

We report our results in a single reportable segment, which reflects how our chief operating decision maker allocates resources and evaluates our financial results.

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Because we have one reportable segment, all required financial segment information can be found directly in the Unaudited Condensed Consolidated Financial Statements.

The accounting policies for our single reportable segment are the same as those described in “Note 2. Summary of Significant Accounting Policies” included in our Annual Report on Form 10-K for the year ended December 31, 2015. We evaluate the performance of our reporting segment based on revenue and operating income.

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## Geographical Area Information

The tables below summarize our revenue and long-lived assets by geographical area:

## External revenue by geographical area

(in millions)	Three months ended March 31	
	2016	2015
United States	\$141.8	\$140.9
United Kingdom	15.3	14.6
Continental Europe	15.5	14.3
Australia	6.9	7.7
Canada	6.6	7.0
Asia	5.1	4.4
Other	0.9	0.9
Total International	50.3	48.9
Consolidated revenue	\$192.1	\$189.8

## Long-lived assets by geographical area

(in millions)	As of March 31		As of December 31
	2016	2015	
United States	\$117.5	\$	116.9
United Kingdom	7.9	8.6	
Continental Europe	2.1	2.2	
Australia	0.9	0.9	
Canada	0.7	0.7	
Asia	4.8	5.2	
Other	0.1	—	
Total International	16.5	17.6	
Consolidated property, equipment, and capitalized software, net	\$134.0	\$	134.5

## 7. Investments and Fair Value Measurements

We classify our investments into three categories: available-for-sale, held-to-maturity, and trading securities. Our investment portfolio consists of stocks, bonds, options, mutual funds, money market funds, or exchange-traded products that replicate the model portfolios and strategies created by Morningstar. These investment accounts may also include exchange-traded products where Morningstar is an index provider. We classify our investment portfolio as shown below:

As of December 31

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	As of	
	March	
	31	
(in millions)	2016	2015
Available-for-sale	\$ 25.9	\$ 17.3
Held-to-maturity	14.2	15.3
Trading securities	1.4	8.9
Total	\$ 41.5	\$ 41.5

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The following table shows the cost, unrealized gains (losses), and fair value of investments classified as available-for-sale and held-to-maturity:

(in millions)	As of March 31, 2016				As of December 31, 2015			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Available-for-sale:								
Equity securities and exchange-traded funds	\$24.7	\$ 1.1	\$ (1.6 )	\$24.2	\$17.4	\$ 0.3	\$ (1.6 )	\$16.1
Mutual funds	1.7	0.1	(0.1 )	1.7	1.3	—	(0.1 )	1.2
Total	\$26.4	\$ 1.2	\$ (1.7 )	\$25.9	\$18.7	\$ 0.3	\$ (1.7 )	\$17.3
Held-to-maturity:								
Certificates of deposit	\$14.2	\$ —	\$ —	\$14.2	\$15.3	\$ —	\$ —	\$15.3

As of March 31, 2016 and December 31, 2015, investments with unrealized losses for greater than a 12-month period were not material to the Unaudited Condensed Consolidated Balance Sheets and were not deemed to have other than temporary declines in value.

The table below shows the cost and fair value of investments classified as available-for-sale and held-to-maturity based on their contractual maturities as of March 31, 2016 and December 31, 2015. The expected maturities of certain fixed-income securities may differ from their contractual maturities because some of these holdings have call features that allow the issuers the right to prepay obligations without penalties.

(in millions)	As of March 31, 2016		As of December 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale:				
Equity securities, exchange-traded funds, and mutual funds	\$26.4	\$ 25.9	\$18.7	\$ 17.3
Total	\$26.4	\$ 25.9	\$18.7	\$ 17.3