ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Financial Statements Together with Report of Independent Public Accountants

For the Years Ended June 30, 2020 and 2019

JUNE 30, 2020 AND 2019

CONTENTS

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the
Association of Performing Arts Professionals, Inc.

Report on the Financial Statements

We have audited the statements of financial position of the Association of Performing Arts Professionals, Inc. (the Association) as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1200 G Street, NW • Suite 821 • Washington • District of Columbia 20005 • P 202.434.8884 • F 202.434.4512

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, D.C.
December 4, 2020

SB & Company, LLC

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Statements of Financial Position
As of June 30, 2020 and 2019

ASSETS	2020	2019
Cash	**$ 379,266**	$ 396,470
Investments	**2,914,204**	2,839,465
Accounts receivable, net	**31,789**	17,288
Pledges and grants receivable	**786**	204,200
Property and equipment, net	**130,211**	121,489
Other assets	**69,742**	78,970
Total Assets	**$ 3,525,998**	$ 3,657,882
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 14,985**	$ 42,210
Accrued benefits	**36,235**	26,522
Deferred revenue	**358,306**	564,903
Grants payable	**61,818**	203,071
Deferred rent and lease incentive	**153,118**	145,203
Loan payable	**212,800**	-
Total Liabilities	**837,262**	981,909
Net Assets		
Without donor restrictions	**1,064,437**	1,060,502
With donor restrictions	**1,624,299**	1,615,471
Total Net Assets	**2,688,736**	2,675,973
Total Liabilities and Net Assets	**$ 3,525,998**	$ 3,657,882

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Annual conference	$ 2,181,868	$ 2,125,898
Membership dues	927,963	913,561
Publications	167,682	194,080
Contributions	312,848	190,205
Investment income, net	62,125	61,503
Continuing education	25,545	14,219
Other income	11,361	24,412
Total Revenue	3,689,392	3,523,878
Net assets released from restrictions	406,676	802,356
Total Revenue and Support	4,096,068	4,326,234
Expenses		
Program services:		
Membership services	555,255	500,971
Conference	2,042,688	1,907,173
Professional development	619,089	873,109
Public affairs and communications	282,465	333,554
Total program services	3,499,497	3,614,807
Supporting services:		
Management and general	531,727	646,994
Fundraising	60,909	57,572
Total supporting services	592,636	704,566
Total Expenses	4,092,133	4,319,373
Change in Net Assets Without Donor Restrictions	3,935	6,861
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	456,335	268,255
Investment (loss) income, net	(40,831)	2,036
Net assets released from restrictions	(406,676)	(802,356)
Change in Net Assets With Donor Restrictions	8,828	(532,065)
Changes in net assets	12,763	(525,204)
Net assets, beginning of year	2,675,973	3,201,177
Net Assets, End of Year	$ 2,688,736	$ 2,675,973

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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2020, with Comparative Totals for 2019

	2020									
	Program Services					Supporting Services				
	Membership Services	Conference	Professional Development	Public Affairs and Communications	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	2019 Totals
Salaries and benefits	$ 351,784	$ 550,619	$ 183,540	$ 61,180	$ 1,147,123	$ 351,784	$ 30,590	$ 382,374	$ 1,529,497	$ 1,501,004
Payroll taxes	24,394	38,182	12,727	4,244	79,547	24,394	2,121	26,515	106,062	98,883
Grants and assistance	-	1,000	64,045	-	65,045	-	-	-	65,045	85,898
Honorarium	-	6,350	48,300	4,825	59,475	-	-	-	59,475	56,197
Professional services	8,899	13,929	4,643	1,548	29,019	8,899	774	9,673	38,692	36,728
Consulting	3,922	88,288	41,295	41,032	174,537	8,922	13,072	21,994	196,531	261,710
Magazine editors	-	-	-	8,620	8,620	-	-	-	8,620	9,740
Conference services	-	320,040	-	-	320,040	-	-	-	320,040	317,169
Information technology	24,884	43,524	22,183	25,861	116,452	28,889	2,164	31,053	147,505	162,816
Office expenses	11,874	43,405	26,344	20,411	102,034	3,826	1,065	4,891	106,925	139,301
Other services	14,483	27,668	77,698	2,519	122,368	9,483	1,259	10,742	133,110	131,257
Occupancy	52,644	82,400	27,466	9,156	171,666	52,644	4,578	57,222	228,888	227,037
Travel	7,770	48,144	63,444	838	120,196	2,506	1,775	4,281	124,477	241,315
Hotel and catering	13,695	256,085	17,082	187	287,049	1,076	94	1,170	288,219	272,273
Depreciation	21,038	32,928	10,976	3,659	68,601	21,038	1,829	22,867	91,468	135,312
Insurance	3,062	16,979	1,598	534	22,173	3,062	266	3,328	25,501	26,485
Equipment rental	5,936	245,354	12,260	1,033	264,583	5,936	516	6,452	271,035	261,326
Print art	1,602	36,072	653	55,984	94,311	-	-	-	94,311	105,926
Bank and credit card fees	9,268	130,996	4,835	5,324	150,423	9,268	806	10,074	160,497	162,607
Advertising commission	-	60,725	-	35,510	96,235	-	-	-	96,235	86,389
Total	$ 555,255	$ 2,042,688	$ 619,089	$ 282,465	$ 3,499,497	$ 531,727	$ 60,909	$ 592,636	$ 4,092,133	$ 4,319,373

The accompanying notes are an integral part of this financial statement.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services					Supporting Services			
	Membership Services	Conference	Professional Development	Public Affairs and Communications	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits	$ 315,211	$ 495,331	$ 150,100	$ 75,050	$ 1,035,692	$ 435,291	$ 30,021	$ 465,312	$ 1,501,004
Payroll taxes	20,765	32,631	9,888	4,944	68,228	28,676	1,979	30,655	98,883
Grants and assistance	-	1,000	84,898	-	85,898	-	-	-	85,898
Honorarium	-	4,850	45,755	5,592	56,197	-	-	-	56,197
Professional services	6,328	9,557	10,417	1,448	27,750	8,399	579	8,978	36,728
Consulting	7,140	79,970	128,310	40,250	255,670	1,160	4,880	6,040	261,710
Magazine editors	-	-	-	9,740	9,740	-	-	-	9,740
Conference services	-	317,169	-	-	317,169	-	-	-	317,169
Information technology	21,868	44,672	29,519	34,477	130,536	30,198	2,082	32,280	162,816
Office expenses	12,320	45,011	34,645	34,892	126,868	10,263	2,170	12,433	139,301
Other services	782	7,607	121,471	236	130,096	1,080	81	1,161	131,257
Occupancy	47,678	74,922	22,704	11,352	156,656	65,841	4,540	70,381	227,037
Travel	8,802	54,657	169,436	1,196	234,091	3,661	3,563	7,224	241,315
Hotel and catering	12,014	235,057	25,012	26	272,109	153	11	164	272,273
Depreciation	28,416	44,653	13,531	6,766	93,366	39,240	2,706	41,946	135,312
Insurance	2,976	16,989	1,417	709	22,091	4,110	284	4,394	26,485
Equipment rental	5,494	224,957	21,455	1,308	253,214	7,587	525	8,112	261,326
Print art	2,969	37,630	642	61,318	102,559	-	3,367	3,367	105,926
Bank and credit card fees	8,208	132,023	3,909	6,348	150,488	11,335	784	12,119	162,607
Advertising commission	-	48,487	-	37,902	86,389	-	-	-	86,389
Total	$ 500,971	$ 1,907,173	$ 873,109	$ 333,554	$ 3,614,807	$ 646,994	$ 57,572	$ 704,566	$ 4,319,373

The accompanying notes are an integral part of this financial statement.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Changes in net assets	**$ 12,763**	$ (525,204)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	**91,468**	135,312
Unrealized gain on investments	**(75,421)**	(14,378)
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable, net	**(14,501)**	(9,109)
Pledges and grants receivable	**203,414**	(96,650)
Other assets	**9,228**	(3,265)
Accounts payable and accrued expenses	**(27,225)**	(15,333)
Accrued benefits	**9,713**	(10,717)
Deferred revenue	**(206,597)**	(6,387)
Grants payable	**(141,253)**	(192,546)
Deferred rent and lease incentive	**7,915**	13,126
Net Cash from Operating Activities	**(130,496)**	(725,151)
Cash Flows from Investing Activities		
Purchase of investments	**(1,598,932)**	(206,675)
Proceeds from sale of investments	**1,599,614**	938,707
Purchase of property and equipment	**(100,190)**	(4,387)
Net Cash from Investing Activities	**(99,508)**	727,645
Cash Flows from Financing Activities		
Proceeds from loan payable	**212,800**	-
Net change in cash	**(17,204)**	2,494
Cash, beginning of year	**396,470**	393,976
Cash, End of Year	**$ 379,266**	$ 396,470

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

1. DESCRIPTION OF THE ORGANIZATION

In 1957, thirty-five campus presenting professionals founded the Association of College and University Concert Managers. It expanded to include all presenting professionals, touring artists and their collaborators in the early 1980's, and the organization was renamed the Association of Performing Arts Presenters in 1988 and renamed the Association of Performing Arts Professionals (hereafter the Association) in January 2017. The Association's mission is to develop and support all aspects of the presenting field and the professionals who work within it. This is accomplished through the annual Association of Performing Arts Professionals NYC conference each January in New York City, year-round workshops, webinars, forums, resources, publications, in-depth leadership training, travel-based opportunities, innovative practice grants, and online opportunities for professionals to gain knowledge and guidance to improve their work and advance the presenting industry. The membership includes presenters, touring artists, producers, educators, artist managers, agents, and presenting support organizations. As of June 30, 2020, the Association had 1,539 members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Accounting principles generally accepted in the United States of America provides a fair value framework. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described on the next page:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Accounts Receivable

Accounts receivable are primarily from advertising fees and are recorded at their estimated net realizable value. The Association records an allowance for doubtful accounts equal to estimated losses that will be incurred in the collection of receivables. The estimated losses are based on historical collection experience and the review of the current status of existing receivables. Management has recorded an allowance of $1,000, as of June 30, 2020 and 2019.

Pledges and Grants Receivable

Pledges and grants receivable represent grants from individuals and foundations. No allowance was recorded as of June 30, 2020 and 2019, as all pledges and grants receivable were deemed to be fully collectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment purchases in excess of $1,500 with an estimated useful life of more than one year are capitalized at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed as incurred.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors, or for which restrictions have expired.

Net assets with donor restrictions are those whose use by the Association has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. As June 30, 2020 and 2019, there was $813,505 and $804,677, respectively, in net assets with donor restrictions for a specific time period or purpose.

Net assets with donor restrictions also consist of contributions received from donors to be maintained by the Association in perpetuity. Included in net assets with donor restrictions, the Association had $810,794, to be held in perpetuity as of June 30, 2020 and 2019.

Revenue and Support

Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donations for which the Association may spend the interest earnings but, must maintain the principal in perpetuity are recorded as net assets with donor restrictions in perpetuity.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restriction. Revenue from special events is recognized upon the occurrence of the event.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Membership dues are recognized as revenue in the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying statements of financial position.

Revenue and the related costs of the conference and continuing education are recognized in the year in which the conference or seminars are held. Accordingly, sponsorships paid by sponsors in advance of the conference year are reported within deferred revenue in the accompanying statements of financial position.

Contributions and grants are reported as revenue in the year in which the payments are received and/or unconditional promises are made.

Publication revenue is recorded in the year the publication is delivered to the purchaser.

Functional Allocation of Expenses

In the accompanying statements of activities and changes in net assets and statements of functional expenses, costs are inclusive of direct and allocated costs reflecting shared expenses. The statements of functional expenses are based on the Association's allocation methodology of management and general costs that provide overall support of joint objectives. Employee time/salary allocation is considered a representative measure of the organizational effort applied to joint objectives and serve as the basis for allocation of shared expenses.

Income Taxes

The Association is exempt from the payment of income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code.

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Association performed an evaluation of uncertain tax positions as of June 30, 2020 and 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2020, the statute of limitations for fiscal years 2017 through 2020 remains open with the U.S. Federal jurisdiction or the state and local jurisdiction in which the Association files tax returns. It is the Association's policy to recognize interest and/or penalties related to uncertain tax positions, if any, as income tax expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources

The following reflects the Association's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

Cash	$	**379,266**
Investments		**2,914,204**
Accounts receivable, net		**31,789**
Pledges and grants receivable		**786**
		3,326,045
Less: net assets with donor restrictions not expected to be satisfied in one year		
Purpose Restricted		**813,505**
Restricted in Perpetuity		**810,794**
Financial assets available to meet cash needs for general expenses within one year	**$**	**1,701,746**

The Association operates within certain guidelines to ensure financial stability and adequate liquid resources to fund general expenses.

The Association manages its liquidity requirements through various methods:

1. Management monitors the Association's cash balance by performing a monthly cash analysis. This analysis reviews changes in liquid cash, short/long-term investments, restricted net assets with donor restrictions as related to net income, future usage, and anticipated expenditures.

2. The Association maintains a board mandated reserve fund governed by a statement of investment policy specifically designed to address liquidity, risks, operating deficits, capital initiatives, and investment income to support operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implemented Accounting Pronouncement

In June 2018, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The Association adopted this pronouncement for the fiscal year ended June 30, 2020. The adoption of this standard did not have a material effect on the accompanying financial statements.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the Association to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. This standard will be effective for periods beginning after December 15, 2021. The amendments in this ASU are effective for the Association for fiscal years beginning July1, 2022.

Management is evaluating the effects of this pronouncement on the financial statements and will implement this pronouncement by its effective date. Management does not believe the adoption of this pronouncement will have a material effect on the financial statements.

Subsequent Events

The Association evaluated the accompanying financial statements for subsequent events and transactions through December 4, 2020, the date these financial statements were available for issue, and has determined that other than the paragraph noted in Note 8 – Contract, no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. INVESTMENTS

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2020 and 2019.

Money market funds: Valued at the closing price of the underlying market value of investments.

Certificates of deposit: Valued at the cost of the certificates of deposit plus accrued interest.

Equity and fixed income mutual funds: Valued at the fair value of the investments based on the price per the active market on which the securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

3. INVESTMENTS (continued)

The following table sets forth, by level, the fair value hierarchy of the Association's investments at fair value as of June 30, 2020 and 2019.

	June 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	**$ 764,737**	**$ -**	**$ -**	**$ 764,737**
Certificates of deposit	**765,049**	**-**	**-**	**765,049**
Fixed income mutual funds:				
Short-term	**414,983**	**-**	**-**	**414,983**
High yield	**65,124**	**-**	**-**	**65,124**
Government	**28,798**	**-**	**-**	**28,798**
Equity mutual funds:				
Large value	**321,517**	**-**	**-**	**321,517**
Large growth	**130,891**	**-**	**-**	**130,891**
Foreign	**108,091**	**-**	**-**	**108,091**
Emerging markets	**25,935**	**-**	**-**	**25,935**
Mid-cap growth	**194,086**	**-**	**-**	**194,086**
Small-cap growth	**94,993**	**-**	**-**	**94,993**
Total	**$ 2,914,204**	**$ -**	**$ -**	**$ 2,914,204**

	June 30, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 720,065	$ -	$ -	$ 720,065
Certificates of deposit	818,610	-	-	818,610
Fixed income mutual funds:				
Short-term	303,188	-	-	303,188
High yield	95,998	-	-	95,998
Government	41,984	-	-	41,984
Equity mutual funds:				
Large value	339,048	-	-	339,048
Large growth	190,286	-	-	190,286
Foreign	159,725	-	-	159,725
Emerging markets	28,080	-	-	28,080
Mid-cap growth	54,789	-	-	54,789
Small-cap growth	87,692	-	-	87,692
	$ 2,839,465	$ -	$ -	$ 2,839,465

3. INVESTMENTS (continued)

As of June 30, 2020 and 2019, investments consisted of the following fair values:

	June 30, 2020		
	Cost	Unrealized Gain/(Loss)	Market Value
Money market funds	**$ 764,737**	**$ -**	**$ 764,737**
Certificates of deposit	**760,690**	**4,359**	**765,049**
Fixed income mutual funds	**524,923**	**(16,018)**	**508,905**
Equity mutual funds	**726,475**	**149,038**	**875,513**
	$ 2,776,825	**$ 137,379**	**$ 2,914,204**

	June 30, 2019		
	Cost	Unrealized Gain/(Loss)	Market Value
Money market funds	$ 720,065	$ -	$ 720,065
Certificates of deposit	813,679	4,931	818,610
Fixed income mutual funds	462,042	(20,872)	441,170
Equity mutual funds	630,879	228,741	859,620
	$ 2,626,665	$ 212,800	$ 2,839,465

For the years ended June 30, 2020 and 2019, investment income consisted of the following:

	2020	2019
Dividends and interest, net	**$ 65,735**	$ 74,785
Realized and unrealized loss	**(44,441)**	(11,246)
	$ 21,294	$ 63,539

The Board of Directors has a Target Reserve goal for the Association. That reserve balance is established annually. The Target Reserve goal as of June 30, 2020 and 2019, was $916,346 and $903,614, respectively. The Association's Target Reserve funds are invested in certificates of deposit and money market funds, which represent $929,975 and $917,288 of the total invested funds as of June 30, 2020 and 2019, respectively.

4. PROPERTY AND EQUIPMENT

As of June 30, 2020 and 2019, property and equipment consisted of the following:

	2020	2019	Useful Life
Website platform	**$ 317,021**	$ 317,021	3 to 5 years
Office equipment and furniture	**81,772**	81,772	3 to 5 years
Computer equipment	**1,744**	1,744	3 years
Computer software	**103,838**	3,648	3 years
AMS database	**378,938**	378,938	5 years
	883,313	783,123	
Less: accumulated depreciation	**753,102**	661,634	
Property and Equipment, Net	**$ 130,211**	$ 121,489	

Depreciation expense was $91,468 and $135,312, for the years ended June 30, 2020 and 2019, respectively.

5. LOAN PAYABLE

During the year ended June 30, 2020, the Association received a Paycheck Protection Program (PPP) loan in the amount of $212,800. The terms of the loan require the proceeds to be spent on eligible expenses, which are primarily payroll related costs. Part or all may be forgiven based on meeting certain conditions as set forth in the loan agreement. Any portion of the PPP loan that is not forgiven must be repaid over two years after a six-month deferral period at an interest rate of 1%.

The PPP loan was received from the U.S Federal government under the Coronavirus Aid, Relief and Economic Security (CARES) Act passed by Congress. Subsequent to year end, the Association believes it has met the conditions to have the entire loan forgiven, however, they have not filed the application or had the loan forgiveness approved. As such, as of June 30, 2020, the Association has recorded the loan as a liability.

6. ENDOWMENT FUNDS

The Association's endowment consists of two funds established for its programs. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles in the United States, net assets associated with endowment funds, including funds designated by the Board of Directors, to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for appropriation until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by endowment guidelines.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund,
- the purposes of the Association and the donor-restricted endowment fund,
- general economic conditions,
- the possible effect of inflation and deflation,
- the expected total return from income and the appreciation of investments,
- other resources of the Association, and
- the investment policies of the Association

6. ENDOWMENT FUNDS (continued)

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity. Under this policy, as approved by the Board of Directors, the primary objective in the investment management for fund assets is the preservation of purchasing power after spending to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of fund assets. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy, in accordance with the endowment guidelines, of appropriating for the distribution up to 5% of its donor-restricted endowment fund's portfolio value. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow at the rate of inflation annually. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide real growth through new gifts and investment return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). For donor-restricted endowments, the Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no deficiencies as of June 30, 2020 and 2019.

6. ENDOWMENT FUNDS (continued)

Composition of the Endowment by Net Assets

As of June 30, 2020 and 2019, the composition of the endowment funds was as follows:

	2020		
	With Donor Restrictions - For Appropriations	**With Donor Restrictions - Held in Perpetuity**	**Total**
Donor-restricted endowment funds	**$ 279,286**	**$ 810,794**	**$ 1,090,080**

	2019		
	With Donor Restrictions - For Appropriations	**With Donor Restrictions - Held in Perpetuity**	**Total**
Donor-restricted endowment funds	$ 320,114	$ 810,794	$ 1,130,908

6. ENDOWMENT FUNDS (continued)

Changes in Endowment Net Assets

For the years ended June 30, 2020 and 2019, the changes in endowment net assets were as follows:

	2020		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Endowment net assets, beginning of year	$ 320,114	$ 810,794	$ 1,130,908
Investment return:			
Investment income	41,528	-	41,528
Net depreciation (realized and unrealized)	(38,831)	-	(38,831)
Appropriation of endowment assets for expenditure	(43,525)	-	(43,525)
Endowment Net Assets, End of Year	$ 279,286	$ 810,794	$ 1,090,080

	2019		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Endowment net assets, beginning of year	$ 318,079	$ 810,699	$ 1,128,778
Contributions	-	95	95
Investment return:			
Investment income	14,112	-	14,112
Net appreciation (realized and unrealized)	24,954	-	24,954
Appropriation of endowment assets for expenditure	(37,031)	-	(37,031)
Endowment Net Assets, End of Year	$ 320,114	$ 810,794	$ 1,130,908

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2020 and 2019:

	2020	2019
Communications Partnership	**$ 86,533**	$ 200,000
COVID-19	**46,875**	-
Cultural Exchange	**13,836**	106,174
Endowment Earnings	**279,288**	320,114
National Organization Initiative	**385,653**	162,653
Other Programs	**1,320**	15,736
Total	**$ 813,505**	$ 804,677

As of June 30, 2020 and 2019, the Association held the following net assets with donor restriction in perpetuity:

	2020	2019
Classical Connections	**$ 644,434**	$ 644,434
William Dawson Fund	**166,360**	166,360
Total	**$ 810,794**	$ 810,794

8. COMMITMENTS AND CONTINGENCIES

Operating Lease

On October 1, 2017, the Association entered into a lease agreement of intent to lease office space in the downtown business district of Washington, D.C. The ten-year six-month lease expires on March 31, 2028 and included a 7-month abatement at the start. The lease provides for annual rent increases of 2.4% over the term of the lease.

In accordance with generally accepted accounting principles in the United States, all rental payments, including fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the rent expense and the required lease payment is reflected as deferred rent and lease incentive in the accompanying statements of financial position. Rent expense for the years ended June 30, 2020 and 2019, was $228,888 and $227,037, respectively.

8. COMMITMENTS AND CONTINGENCIES (continued)

Future minimum lease payments under the agreement as of June 30, 2020, were as follows:

Years Ending June 30,	Amount
2021	$ 218,997
2022	224,472
2023	232,521
2024	239,146
2025	245,125
Thereafter	728,495
Total	**$ 1,888,756**

Contracts

The Association has entered into agreements with hotels to provide conference facilities and room accommodations for its annual conference through 2025. The agreements contain various clauses whereby the Association is liable for liquidated damages in the event of cancellation or lower than anticipated attendance. Management of the Association does not believe that any losses will be incurred under these contracts. As of June 30, 2020, the maximum possible amount of liquidation damages per year is listed below:

Years Ending June 30,	Amount
2021	$ 921,964
2022	648,975
2023	310,058
2024	251,389
2025	155,029
Total	**$ 2,287,415**

As of November 9, 2020, the Association has been released from all hotel liability for fiscal year 2021.

Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. As a result, widespread shutdowns of states, cities, schools, and businesses began to take place, impacting the United States as the number of people infected grows at an unprecedented rate.

8. COMMITMENTS AND CONTINGENCIES (continued)

Pandemic (continued)

Most critical to the business model of the Association is that live events have ceased indefinitely, thus significantly decimating the performing arts industry. As of April 2020, industry losses were estimated at $4.5 billion.

The lack of a vaccine and the pandemic's impact has resulted in restrictions on public gatherings and travel which have required the Association to begin looking at how best to activate two of its strategic priorities that were approved by the Board a year before the pandemic – (1) creating new business models and (2) establishing year-round professional development programming. Through the use of innovative digital platforms to execute a virtual conference, APAP is moving in this direction. APAP also continues to explore new revenue streams and maintains the option to draw upon its usable reserve fund to support an operational shortfall.

9. PENSION PLAN

The Association has a tax-deferred annuity plan available to employees who have completed one year of service and are scheduled to work twenty hours or more per week. Under this plan, the Association contributes 5% of the eligible employee's annual salary to the annuity program. Employees are 100% vested in employer contributions. For the years ended June 30, 2020 and 2019, total pension expense was $54,869 and $61,725, respectively.