



Association of Performing Arts Presenters

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Years Ended June 30, 2017 and 2016**



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**JUNE 30, 2017 AND 2016**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

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

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of the Association of Performing Arts Presenters, Inc. (the Association) as of June 30, 2017 and 2016, the related statements of activities and changes in net assets, statements of 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 control 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 control 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 control. 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.



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*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, 2017 and 2016, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hunt Valley, Maryland  
January 2, 2018

*SB & Company, LLC*

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**Statements of Financial Position  
As of June 30, 2017 and 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Cash	\$ 147,700	\$ 158,834
Investments	3,104,142	3,850,699
Accounts receivable, net	66,189	38,176
Pledges and grants receivable, net	1,026,322	1,438,798
Property, plant, and equipment, net	372,457	298,563
Other assets	130,128	53,549
<b>Total Assets</b>	<b>\$ 4,846,938</b>	<b>\$ 5,838,619</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 66,733	\$ 139,701
Accrued benefits	31,060	31,445
Deferred revenue	530,799	574,777
Grants payable	773,129	160,315
Deferred rent and lease incentive	12,445	60,059
<b>Total Liabilities</b>	<b>1,414,166</b>	<b>966,297</b>
<b>Net Assets</b>		
Unrestricted	1,049,996	1,045,226
Temporarily restricted	1,573,237	3,018,682
Permanently restricted	809,539	808,414
<b>Total Net Assets</b>	<b>3,432,772</b>	<b>4,872,322</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,846,938</b>	<b>\$ 5,838,619</b>

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

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Revenue and Support</b>		
Annual conference	\$ 2,106,352	\$ 2,080,104
Membership dues	905,704	920,723
Publications	172,816	114,506
Contributions	173,757	178,006
Investment income	43,368	37,156
Continuing education	87,450	59,341
Other income	119,321	156,880
<b>Total Revenue</b>	<u>3,608,768</u>	<u>3,546,716</u>
<b>Support</b>		
Net assets released from restrictions	2,189,331	1,018,743
<b>Total Revenue and Support</b>	<u>5,798,099</u>	<u>4,565,459</u>
<b>Expenses</b>		
Program services:		
Members conference	1,761,222	1,762,314
Members professional development	2,427,880	1,268,014
Public affairs and communications	473,192	489,469
Other membership services	552,722	527,378
Total program services	<u>5,215,016</u>	<u>4,047,175</u>
Supporting services:		
Management and general	545,993	477,428
Fundraising	32,320	33,049
Total supporting services	<u>578,313</u>	<u>510,477</u>
<b>Total Expenses</b>	<u>5,793,329</u>	<u>4,557,652</u>
<b>Change in Unrestricted Net Assets</b>	<u>4,770</u>	<u>7,807</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Grants	640,862	2,874,585
Investment income (loss)	103,024	(28,513)
Net assets released from restrictions	(2,189,331)	(1,018,743)
<b>Change in Temporarily Restricted Net Assets</b>	<u>(1,445,445)</u>	<u>1,827,329</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	1,125	2,245
Changes in net assets	(1,439,550)	1,837,381
Net assets, beginning of year	4,872,322	3,034,941
<b>Net Assets, End of Year</b>	<u>\$ 3,432,772</u>	<u>\$ 4,872,322</u>

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

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2017, with Comparative Fiscal Year 2016 Totals**

	<b>2017</b>				<b>2016 Totals</b>
	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	
Salaries and benefits	\$ 1,118,128	\$ 338,381	\$ 14,712	\$ 1,471,221	\$ 1,407,463
Payroll taxes	70,925	21,464	933	93,322	89,112
Grants and assistance	1,472,270	-	-	1,472,270	289,766
Honorarium	247,550	-	-	247,550	249,959
Professional services	30,385	9,048	393	39,826	35,395
Consulting	200,151	545	5,024	205,720	153,415
Editors	14,740	-	-	14,740	49,740
Conference services	322,751	-	-	322,751	375,769
Information technology	144,786	29,525	1,284	175,595	173,499
Office expenses	115,671	11,461	1,703	128,835	135,626
Other services	48,234	3,712	162	52,108	26,612
Occupancy	260,655	78,882	3,430	342,967	334,313
Travel	189,029	2,006	2,463	193,498	238,019
Hotel and catering	284,936	44	2	284,982	287,401
Depreciation	118,651	35,907	1,561	156,119	173,560
Insurance	21,768	2,941	128	24,837	21,846
Equipment rental	241,252	1,835	80	243,167	203,235
Print art	115,293	396	17	115,706	109,589
Bank and credit card fees	149,077	9,846	428	159,351	159,441
Commission	47,829	-	-	47,829	43,892
Bad debt	935	-	-	935	-
	<b>\$ 5,215,016</b>	<b>\$ 545,993</b>	<b>\$ 32,320</b>	<b>\$ 5,793,329</b>	<b>\$ 4,557,652</b>

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

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**Statements of Cash Flows**

**For the Years Ended June 30, 2017 and 2016**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 1,111,896	\$ 281,493	\$ 14,074	\$ 1,407,463
Payroll taxes	70,398	17,822	892	89,112
Grants and assistance	289,766	-	-	289,766
Honorarium	249,959	-	-	249,959
Professional services	28,269	6,786	340	35,395
Consulting	146,520	6,206	689	153,415
Editors	47,505	2,012	223	49,740
Conference services	358,881	15,200	1,688	375,769
Information technology	148,152	24,140	1,207	173,499
Office expenses	126,498	6,943	2,185	135,626
Other services	25,414	1,074	124	26,612
Occupancy	264,107	66,863	3,343	334,313
Travel	230,708	1,402	5,909	238,019
Hotel and catering	287,401	-	-	287,401
Depreciation	137,112	34,712	1,736	173,560
Insurance	19,238	2,484	124	21,846
Equipment rental	201,447	1,703	85	203,235
Print art	109,589	-	-	109,589
Bank and credit card fees	150,423	8,588	430	159,441
Commission	43,892	-	-	43,892
	<u>\$ 4,047,175</u>	<u>\$ 477,428</u>	<u>\$ 33,049</u>	<u>\$ 4,557,652</u>

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



ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Statements of Cash Flows  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (1,439,550)	\$ 1,837,381
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	156,119	173,560
Loss on disposals	11,286	-
Unrealized (gain) loss on investments	(84,136)	61,937
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable, net	(28,013)	21,853
Pledges and grants receivable, net	412,476	(1,316,052)
Other assets	(76,579)	47,324
Accounts payable and accrued expenses	(72,968)	106,986
Accrued benefits	(385)	(1,772)
Deferred revenue	(43,978)	(4,347)
Grants payable	612,814	(191,370)
Deferred rent and lease incentive	(47,614)	(38,963)
<b>Net Cash from Operating Activities</b>	<u>(600,528)</u>	<u>696,537</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(1,075,245)	(1,893,346)
Proceeds from sale of investments	1,905,938	1,236,352
Purchase of property and equipment	(241,299)	(8,640)
<b>Net Cash from Investing Activities</b>	<u>589,394</u>	<u>(665,634)</u>
Net change in cash	(11,134)	30,903
Cash, beginning of year	158,834	127,931
<b>Cash, End of Year</b>	<u>\$ 147,700</u>	<u>\$ 158,834</u>

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

# **ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

## **Notes to the Financial Statements**

**June 30, 2017 and 2016**

### **1. DESCRIPTION OF THE ORGANIZATION**

In 1957, thirty five campus presenting professionals founded the Association of College and University Concert Mangers. 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 (the Association) in 1988. 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 APAP 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, 2017, the Association had 1,738 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 below:

# ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

## Notes to the Financial Statements June 30, 2017 and 2016

### 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, 2017 and 2016.

#### Pledges and Grants Receivable

Pledges and grants receivable represent grants from individuals and foundations. No allowance was recorded as of June 30, 2017 and 2016, as all pledges receivable were deemed to be fully collectible. A discount of \$2,178 and \$11,265, was recorded for amounts due in more than one year as of June 30, 2017 and 2016, respectively.

# ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

## Notes to the Financial Statements June 30, 2017 and 2016

### 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**

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose use by the Association have been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets are those that are restricted by donors to be maintained by the Association in perpetuity.

#### **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and change in net assets as net assets released from restrictions.

#### **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.

# ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

## Notes to the Financial Statements

June 30, 2017 and 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue Recognition (continued)

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.

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

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the Association.

#### 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, 2017 and 2016, 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, 2017, the statute of limitations for fiscal years 2014 through 2017 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.

# ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

## Notes to the Financial Statements June 30, 2017 and 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Recent Pronouncements

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-15, *Presentation of Financial Statements – Going Concern* (Subtopic 205-40): *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 requires management to assess an entity's ability to continue as a going concern. Management should evaluate whether there exist 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. Management implemented this pronouncement for the annual reporting period ending June 30, 2017.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, that creates a singular reporting model for leases. This standard will be effective for periods beginning after December 15, 2019. In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, that provides updated guidance on the reporting model for not-for-profits and the statement of cash flows. These standards are effective for periods beginning after December 15, 2017 and December 15, 2018, respectively. Management is evaluating the effects of these pronouncements on the financial statements, and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

#### Subsequent Events

The Association evaluated the accompanying financial statements for subsequent events and transactions through January 2, 2017, the date these financial statements were available for issue, and has determined that, except as noted in Note 9, 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, 2017 and 2016, for mutual funds and certificate of deposit.

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

*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.

# ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

## Notes to the Financial Statements June 30, 2017 and 2016

### 3. INVESTMENTS (continued)

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

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.

The following table sets forth, by level, the fair value hierarchy of the Association's investments at fair value as of June 30, 2017 and 2016.

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,192,947	\$ -	\$ -	\$ 1,192,947
Certificate of deposit	590,221	-	-	590,221
Fixed income mutual funds:				
Short-term	362,065	-	-	362,065
High yield	107,075	-	-	107,075
Government	41,965	-	-	41,965
Equity mutual funds:				
Large value	331,124	-	-	331,124
Large growth	178,694	-	-	178,694
Foreign	152,944	-	-	152,944
Emerging markets	25,805	-	-	25,805
Mid-cap growth	58,623	-	-	58,623
Small-cap growth	62,679	-	-	62,679
	<u>\$ 3,104,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,104,142</u>

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,974,460	\$ -	\$ -	\$ 1,974,460
Certificate of deposit	781,061	-	-	781,061
Fixed income mutual funds:				
Short-term	230,666	-	-	230,666
High yield	85,513	-	-	85,513
Government	43,043	-	-	43,043
International	38,689	-	-	38,689
Equity mutual funds:				
Large value	291,563	-	-	291,563
Large growth	156,684	-	-	156,684
Foreign	128,811	-	-	128,811
Emerging markets	21,125	-	-	21,125
Mid-cap growth	52,171	-	-	52,171
Small-cap growth	46,913	-	-	46,913
	<u>\$ 3,850,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,850,699</u>

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**Notes to the Financial Statements  
June 30, 2017 and 2016**

**3. INVESTMENTS (continued)**

As of June 30, 2017 and 2016, investments consisted of the following fair values:

	<b>June 30, 2017</b>		
	<b>Cost</b>	<b>Unrealized Gain/(Loss)</b>	<b>Market Value</b>
Money market funds	\$ 1,192,947	\$ -	\$ 1,192,947
Certificate of deposit	589,892	329	590,221
Fixed income mutual funds:	529,739	(18,634)	511,105
Equity mutual funds:	613,256	196,613	809,869
	<u>\$ 2,925,834</u>	<u>\$ 178,308</u>	<u>\$ 3,104,142</u>

  

	<b>June 30, 2016</b>		
	<b>Cost</b>	<b>Unrealized Gain/(Loss)</b>	<b>Market Value</b>
Money market funds	\$ 1,974,460	\$ -	\$ 1,974,460
Certificate of deposit	747,000	34,061	781,061
Fixed income mutual funds	421,817	(23,906)	397,911
Equity mutual funds:	613,250	84,017	697,267
	<u>\$ 3,756,527</u>	<u>\$ 94,172</u>	<u>\$ 3,850,699</u>

For the years ended June 30, 2017 and 2016, investment income consisted of the following:

	<b>2017</b>	<b>2016</b>
Dividends and interest	\$ 34,622	\$ 44,039
Realized and unrealized gain (loss)	111,770	(35,396)
	<u>\$ 146,392</u>	<u>\$ 8,643</u>

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, 2017 and 2016, was \$869,891 and \$847,324, respectively. The Association's Target Reserve funds are invested in certificates of deposit and money market funds, which represent \$700,773 and \$881,112 of the total invested funds as of June 30, 2017 and 2016, respectively.



## ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

### Notes to the Financial Statements June 30, 2017 and 2016

#### 4. PLEDGES AND GRANTS RECEIVABLE

Pledges receivable as of June 30, 2017 and 2016, included the following unconditional promises to give:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 810,678	\$ 530,063
Two to five years	217,822	920,000
	<u>1,028,500</u>	<u>1,450,063</u>
Less: discount at 1.01%	2,178	11,265
<b>Total</b>	<u><u>\$ 1,026,322</u></u>	<u><u>\$ 1,438,798</u></u>

#### 5. PROPERTY AND EQUIPMENT

As of June 30, 2017 and 2016, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>	<u>Useful Life</u>
Website platform	\$ 315,846	\$ 591,726	3 to 5 years
Office equipment and furniture	79,945	99,404	3 to 5 years
Leasehold improvements	67,998	67,998	Term of lease
Computer equipment	65,743	65,743	3 years
Computer software	10,018	10,018	3 years
AMS database	374,551	374,551	5 years
	<u>914,101</u>	1,209,440	
Less: accumulated depreciation	541,644	910,877	
Property, Plant, and Equipment, Net	<u><u>\$ 372,457</u></u>	<u><u>\$ 298,563</u></u>	

Depreciation expense was \$156,119 and \$173,560, for the years ended June 30, 2017 and 2016, respectively.

#### 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.

## **ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

### **Notes to the Financial Statements**

**June 30, 2017 and 2016**

#### **6. ENDOWMENT FUNDS (continued)**

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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

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
- the investment policies of the Association

#### **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 or for a donor-specified period(s). 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.

# ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

## Notes to the Financial Statements June 30, 2017 and 2016

### 6. ENDOWMENT FUNDS (continued)

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for the distribution of 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, 2017 and 2016.

#### Composition of the Endowment by Net Assets

As of June 30, 2017 and 2016, the composition of the endowment funds was as follows:

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 274,244	\$ 809,539	\$ 1,083,783
	2016		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 171,218	\$ 808,414	\$ 979,632

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements  
June 30, 2017 and 2016

6. ENDOWMENT FUNDS(continued)

Changes in Endowment Net Assets

For the years ended June 30, 2017 and 2016, the changes in endowment net assets are as follows:

	<b>2017</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 171,218	\$ 808,414	\$ 979,632
Contributions	-	1,125	1,125
Investment return:			
Investment income	8,671	-	8,671
Net appreciation (realized and unrealized)	131,133	-	131,133
Appropriation of endowment □ assets for expenditure	(36,778)	-	(36,778)
<b>Endowment Net Assets, End of Year</b>	<b>\$ 274,244</b>	<b>\$ 809,539</b>	<b>\$ 1,083,783</b>
	<b>2016</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 231,199	\$ 806,169	\$ 1,037,368
Contributions	-	2,245	2,245
Investment return:			
Investment income	5,857	-	5,857
Net depreciation (realized and unrealized)	(34,370)	-	(34,370)
Appropriation of endowment □ assets for expenditure	(31,468)	-	(31,468)
<b>Endowment Net Assets, End of Year</b>	<b>\$ 171,218</b>	<b>\$ 808,414</b>	<b>\$ 979,632</b>

## ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

### Notes to the Financial Statements June 30, 2017 and 2016

#### 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
National Organization Initiative	\$ 87,622	\$ 247,995
Cultural Exchange	375,000	82,225
Endowment Earnings	274,244	171,218
Building Bridges	598,994	2,298,895
Leadership Fellows Program	-	38,858
Communications Partnership	192,000	101,428
Other Programs	45,377	78,063
<b>Total</b>	<b><u>\$ 1,573,237</u></b>	<b><u>\$ 3,018,682</u></b>

#### 8. PERMANENTLY RESTRICTED NET ASSETS

As of June 30, 2017 and 2016, the Association held the following permanently restricted net assets:

	<u>2017</u>	<u>2016</u>
Classical Connections	\$ 644,229	\$ 644,204
William Dawson Fund	165,310	164,210
<b>Total</b>	<b><u>\$ 809,539</u></b>	<b><u>\$ 808,414</u></b>

#### 9. COMMITMENTS AND CONTINGENCIES

##### Operating Lease

During the year ended June 30, 2008, the Association entered into a ten year non-cancelable operating lease for its current office space located in the downtown business district of Washington, DC. The lease commenced on October 1, 2007, and expires September 30, 2017. The lease provides for annual rent increases of 2.5% 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, 2017 and 2016, was \$342,967 and \$334,313, respectively.

## ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

### Notes to the Financial Statements June 30, 2017 and 2016

#### 9. COMMITMENTS AND CONTINGENCIES (continued)

##### Operating Lease (continued)

Future minimum lease payments under the agreement as of June 30, 2017, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2018	\$ 89,202

During the year ended June 30, 2017, the Association signed a letter of intent to lease office space in the downtown business district of Washington, DC. The ten-year six-month lease was set to commence on October 1, 2017, and expires March 31, 2028.

##### Contracts

The Association has entered into agreements with hotels to provide conference facilities and room accommodations for its annual conference through 2022. 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, 2017, the maximum possible amount of liquidation damages per year is listed below:

<u>Years Ending June 30,</u>	<u>Amount</u>
2018	\$ 861,522
2019	522,705
2020	384,854
2021	271,725
2022	271,725
<b>Total</b>	<u><u>\$ 2,312,531</u></u>

#### 10. RELATED PARTY TRANSACTIONS

The Association entered into an agreement, effective April 19, 2004, with the Performing Arts Alliance, Inc. (PAA), formerly known as American Arts Alliance, whereby the Association provides services as required by the PAA, a nonprofit organization. The executive director of the Association is an active member of the Board of Directors of the PAA. The PAA pays for the actual direct and indirect costs incurred by the Association in performing services for the PAA, which includes salaries, fringe benefits, rent and utilities. Fees earned from the PAA for the years ended June 30, 2017 and 2016, were \$104,911 and \$101,097, respectively, and are included in other income in the accompanying statements of activities and changes in net assets.

# **ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

## **Notes to the Financial Statements June 30, 2017 and 2016**

### **10. RELATED PARTY TRANSACTIONS (continued)**

The Association was created to provide information and services to the presenting field. As a service to the field, the Association may periodically undertake the administration of competitive funding programs. This policy covers programs in which applicants compete for funding. No awards were made for the years ended June 30, 2017 and 2016. The Association's Board adopted a conflict of interest policy to address any perceived conflicts.

### **11. 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, 2017 and 2016, total pension expense was \$49,849 and \$47,993, respectively.