

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

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

For the Years Ended June 30, 2021 and 2020



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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.



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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, 2021 and 2020, 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.
November 10, 2021

SB & Company, LLC

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Statements of Financial Position
As of June 30, 2021 and 2020**

ASSETS	2021	2020
Cash and cash equivalents	\$ 874,619	\$ 1,081,890
Investments	2,468,156	2,211,580
Accounts receivable, net	15,584	31,789
Pledges and grants receivable	104,427	786
Property and equipment, net	120,744	130,211
Other assets	66,247	69,742
Total Assets	\$ 3,649,777	\$ 3,525,998
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 21,164	\$ 14,985
Accrued benefits	31,191	36,235
Deferred revenue	202,511	358,306
Grants payable	28,397	61,818
Deferred rent and lease incentive	236,705	153,118
Loan payable	271,292	212,800
Total Liabilities	791,260	837,262
Net Assets		
Without donor restrictions	1,087,831	1,064,437
With donor restrictions	1,770,686	1,624,299
Total Net Assets	2,858,517	2,688,736
Total Liabilities and Net Assets	\$ 3,649,777	\$ 3,525,998

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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Annual conference	\$ 260,680	\$ 2,181,868
Membership dues	558,875	927,963
Federal grant - PPP funds	212,800	-
Publications	58,691	167,682
Contributions	216,003	312,848
Investment income, net	627	62,125
Continuing education	9,200	25,545
Other income	21,937	11,361
Total Revenue	<u>1,338,813</u>	<u>3,689,392</u>
Net assets released from restrictions	747,142	406,676
Total Revenue and Support	<u>2,085,955</u>	<u>4,096,068</u>
Expenses		
Program services:		
Membership services	383,170	555,255
Conference	579,807	2,042,688
Professional development	421,025	619,089
Public affairs and communications	128,680	282,465
Total program services	<u>1,512,682</u>	<u>3,499,497</u>
Supporting services:		
Management and general	508,983	531,727
Fundraising	40,896	60,909
Total supporting services	<u>549,879</u>	<u>592,636</u>
Total Expenses	<u>2,062,561</u>	<u>4,092,133</u>
Change in Net Assets Without Donor Restrictions	<u>23,394</u>	<u>3,935</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	552,080	456,335
Investment income (loss), net	341,449	(40,831)
Net assets released from restrictions	(747,142)	(406,676)
Change in Net Assets With Donor Restrictions	<u>146,387</u>	<u>8,828</u>
Changes in net assets	169,781	12,763
Net assets, beginning of year	2,688,736	2,675,973
Net Assets, End of Year	<u>\$ 2,858,517</u>	<u>\$ 2,688,736</u>

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, 2021, with Comparative Totals for 2020**

	2021										2020 Totals
	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	\$ 239,063	\$ 249,457	\$ 155,911	\$ 51,970	\$ 696,401	\$ 322,216	\$ 20,788	\$ 343,004	\$ 1,039,405	\$ 1,529,497	
Payroll taxes	18,144	18,933	11,833	3,944	52,854	24,455	1,578	26,033	78,887	106,062	
Grants and assistance	-	1,100	-	-	1,100	-	-	-	1,100	65,045	
Honorarium	-	-	49,450	-	49,450	-	-	-	49,450	59,475	
Professional services	8,987	13,398	5,861	1,954	30,200	12,114	782	12,896	43,096	38,692	
Consulting	6,342	22,658	39,475	9,379	77,854	4,208	7,409	11,617	89,471	196,531	
Magazine editors	-	-	-	-	-	-	-	-	-	8,620	
Conference services	-	117,718	-	-	117,718	-	-	-	117,718	320,040	
Information technology	25,184	29,222	29,908	30,135	114,449	33,944	2,190	36,134	150,583	147,505	
Office expenses	6,559	23,731	29,827	13,205	73,322	8,242	1,382	9,624	82,946	106,925	
Other services	1,262	1,317	48,834	274	51,687	1,036	110	1,146	52,833	133,110	
Occupancy	53,378	55,698	34,811	11,604	155,491	71,944	4,642	76,586	232,077	228,888	
Travel	-	-	-	-	-	-	-	-	-	124,477	
Hotel and catering	74	77	48	16	215	100	6	106	321	288,219	
Depreciation	10,460	10,486	6,554	2,185	29,685	13,132	874	14,006	43,691	91,468	
Insurance	3,305	9,778	1,722	574	15,379	3,558	230	3,788	19,167	25,501	
Equipment rental	5,315	5,547	3,467	1,156	15,485	7,164	462	7,626	23,111	271,035	
Print art	-	2,165	-	-	2,165	-	-	-	2,165	94,311	
Bank and credit card fee:	5,097	14,322	3,324	2,173	24,916	6,870	443	7,313	32,229	160,497	
Advertising commission	-	4,200	-	111	4,311	-	-	-	4,311	96,235	
Total	\$ 383,170	\$ 579,807	\$ 421,025	\$ 128,680	\$ 1,512,682	\$ 508,983	\$ 40,896	\$ 549,879	\$ 2,062,561	\$ 4,092,133	

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, 2020**

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

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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 169,781	\$ 12,763
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	43,691	91,468
Unrealized gain on investments	(278,568)	(75,421)
PPP loan forgiveness	(212,800)	-
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable, net	16,205	(14,501)
Pledges and grants receivable	(103,641)	203,414
Other assets	3,495	9,228
Accounts payable and accrued expenses	6,179	(27,225)
Accrued benefits	(5,044)	9,713
Deferred revenue	(155,795)	(206,597)
Grants payable	(33,421)	(141,253)
Deferred rent and lease incentive	83,587	7,915
Net Cash from Operating Activities	<u>(466,331)</u>	<u>(130,496)</u>
Cash Flows from Investing Activities		
Purchase of investments	(142,872)	(1,598,932)
Proceeds from sale of investments	164,864	1,688,318
Purchase of property and equipment	(34,224)	(100,190)
Net Cash from Investing Activities	<u>(12,232)</u>	<u>(10,804)</u>
Cash Flows from Financing Activities		
Proceeds from loan payable	<u>271,292</u>	<u>212,800</u>
Net change in cash and cash equivalents	(207,271)	71,500
Cash and cash equivalents, beginning of year	1,081,890	1,010,390
Cash and cash equivalents, End of Year	<u>\$ 874,619</u>	<u>\$ 1,081,890</u>

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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements

June 30, 2021 and 2020

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, 2021, 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investment funds, which have a maturity of 90 days or less. Cash equivalents as of June 30, 2021 and 2020, consisted of money market funds.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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, 2021 and 2020.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges and Grants Receivable

Pledges and grants receivable represent grants from individuals and foundations. 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. No allowance was recorded as of June 30, 2021 and 2020, as management deemed all pledges and grants receivable to be fully collectible.

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, 2021 and 2020, there was \$959,792 and \$813,505, 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 \$810,894 and \$810,794, to be held in perpetuity as of June 30, 2021 and 2020, respectively.

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.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Support (continued)

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

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.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021 and 2020, 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, 2021, the statute of limitations for fiscal years 2018 through 2021 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.

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 and cash equivalents	\$ 874,619
Investments	2,468,156
Accounts receivable, net	15,584
Pledges and grants receivable	<u>104,427</u>
	3,462,786
Less: net assets with donor restrictions not expected to be satisfied in one year	
Purpose restricted	959,792
Restricted in perpetuity	<u>810,894</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,692,100</u>

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued)

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.

Reclassifications

Certain accounts and amounts reported in the 2020 financial statements have been reclassified to conform to the 2021 presentation. The reclassification had no effect on the changes in the net assets as of June 30, 2021.

Implemented Accounting Pronouncements

In September 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-13, *Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)*. The recognition of revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Association adopted this ASU for the fiscal year ended June 30, 2021. The adoption of this ASU did not have a material effect on the accompanying financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the entity 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. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provide further clarity and transition options for adoption of FASB ASU No. 2016-02. These standards will be effective for periods beginning after December 15, 2020.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard will require the presentation of contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash or other financial assets. This standard will be effective for periods beginning after June 15, 2021, and interim periods within periods beginning after June 15, 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 November 10, 2021, 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, 2021 and 2020.

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.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Notes to the Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020.

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 685,800	\$ -	\$ -	\$ 685,800
Fixed income mutual funds:				
Short-term	500,384	-	-	500,384
High yield	81,451	-	-	81,451
Government	28,330	-	-	28,330
Equity mutual funds:				
Large value	454,076	-	-	454,076
Large growth	165,838	-	-	165,838
Foreign	113,196	-	-	113,196
Emerging markets	97,030	-	-	97,030
Mid-cap growth	250,448	-	-	250,448
Small-cap growth	91,603	-	-	91,603
Total	<u>\$ 2,468,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,468,156</u>

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 62,113	\$ -	\$ -	\$ 62,113
Certificate 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
	<u>\$ 2,211,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,211,580</u>

As of June 30, 2021, investments consisted of the following fair values:

	June 30, 2021		
	Cost	Unrealized Gain/(Loss)	Market Value
Money market funds	\$ 685,800	\$ -	\$ 685,800
Fixed income mutual funds	616,142	(5,977)	610,165
Equity mutual funds	753,277	418,914	1,172,191
	<u>\$ 2,055,219</u>	<u>\$ 412,937</u>	<u>\$ 2,468,156</u>

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

3. INVESTMENTS (continued)

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

	June 30, 2020		
	Cost	Unrealized Gain/(Loss)	Market Value
Money market funds	\$ 62,113	\$ -	\$ 62,113
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
	<u>\$ 2,074,201</u>	<u>\$ 137,379</u>	<u>\$ 2,211,580</u>

For the years ended June 30, 2021 and 2020, investment income consisted of the following:

	2021	2020
Dividends and interest, net	<u>\$ 28,780</u>	<u>\$ 65,735</u>
Realized and unrealized gain (loss)	<u>313,296</u>	<u>(44,441)</u>
	<u><u>\$ 342,076</u></u>	<u><u>\$ 21,294</u></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, 2021 and 2020, was \$803,507 and \$916,346, respectively. The Association's Target Reserve funds are invested in certificates of deposit and money market funds, which represent \$1,535,180 and \$1,529,786 of the total invested funds as of June 30, 2021 and 2020, respectively.

4. PROPERTY AND EQUIPMENT

As of June 30, 2021 and 2020, property and equipment consisted of the following:

	2021	2020	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	138,062	103,838	3 years
AMS database	378,938	378,938	5 years
	<u>917,537</u>	<u>883,313</u>	
Less: accumulated depreciation	<u>796,793</u>	<u>753,102</u>	
Property and Equipment, Net	<u><u>\$ 120,744</u></u>	<u><u>\$ 130,211</u></u>	

Depreciation expense was \$43,691 and \$91,468, for the years ended June 30, 2021 and 2020, respectively.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

5. LOAN PAYABLE

During the years ended June 30, 2021 and 2020, the Association received Paycheck Protection Program (PPP) loans in the amount of \$271,292 and \$212,800, respectively. The PPP loans were received from the U.S Federal government under the Coronavirus Aid, Relief and Economic Security (CARES) Act passed by Congress. The terms of the loans 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 accounting for these funds were in accordance with the treatment of contributions under ASC 958. Under this model, the timing of recognition for a contribution received depends on whether the contribution is conditional or not. If conditional, the contribution is not recognized until the conditions are substantially met or explicitly waived. Specifically, the Association initially recorded the cash inflow from the PPP loans as a loan payable.

During fiscal year 2021, the Association submitted its application for forgiveness for the \$212,800 PPP loan to the financial institution issuing the loan and received full forgiveness. The Association recognized the entire PPP funds received of \$212,800 as a Federal grant related to eligible expenses incurred. As of June 30, 2021, the Association had not filed the application or had the loan forgiveness approved for its second PPP loan of \$271,292. As such, as of June 30, 2021, 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.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements

June 30, 2021 and 2020

6. ENDOWMENT FUNDS (continued)

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

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.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Notes to the Financial Statements
June 30, 2021 and 2020**

6. ENDOWMENT FUNDS (continued)

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, 2021 and 2020.

Composition of the Endowment by Net Assets

As of June 30, 2021 and 2020, the composition of the endowment funds was as follows:

	2021		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Donor-restricted endowment funds	\$ 577,210	\$ 810,894	\$ 1,388,104
	2020		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Donor-restricted endowment funds	\$ 279,286	\$ 810,794	\$ 1,090,080

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements
June 30, 2021 and 2020

6. ENDOWMENT FUNDS (continued)

Changes in Endowment Net Assets

For the years ended June 30, 2021 and 2020, the changes in endowment net assets were as follows:

	2021		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 279,286	\$ 810,794	\$ 1,090,080
Contributions	-	100	100
Investment return:			
Investment income	27,036	-	27,036
Net appreciation (realized and unrealized)	314,413	-	314,413
Appropriation of endowment assets for expenditure	(43,525)	-	(43,525)
Endowment Net Assets, End of Year	\$ 577,210	\$ 810,894	\$ 1,388,104
	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
Contributions	-	-	-
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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Communications Partnership	\$ 11,382	\$ 86,533
COVID-19	125,000	46,875
Cultural Exchange	-	13,838
Endowment Earnings	577,210	279,286
National Organization Initiative	211,500	385,653
Other Programs	34,700	1,320
Total	\$ 959,792	\$ 813,505

As of June 30, 2021 and 2020, the Association held the following net assets with donor restriction in perpetuity:

	<u>2021</u>	<u>2020</u>
Classical Connections	\$ 644,534	\$ 644,434
William Dawson Fund	166,360	166,360
Total	\$ 810,894	\$ 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 was set to expire on March 31, 2028 and included a 7-month abatement at the start. In December 2020, the Association renewed the lease, extending the term of the lease for an additional period of three-years and four months. The lease now expires on August 31, 2031 and included a 4-month abatement starting on the renewal date. 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, 2021 and 2020, was \$232,076 and \$228,888, respectively.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2021 and 2020

8. COMMITMENTS AND CONTINGENCIES (continued)

Future minimum lease payments under the agreement as of June 30, 2021, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 224,472
2023	232,521
2024	239,146
2025	245,125
2026	251,253
Thereafter	1,412,197
Total	\$ 2,604,715

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 November 9, 2020, the Association has been released from all hotel liability for fiscal year 2021. As of June 30, 2021, the maximum possible amount of liquidation damages per year is listed below:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	568,037
2023	465,086
2024	310,057
2025	258,381
Total	\$ 1,601,561

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.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements

June 30, 2021 and 2020

8. COMMITMENTS AND CONTINGENCIES (continued)

Pandemic (continued)

This year, the Association will engage the beginning of its strategic planning process and look closely at how best to activate two of its strategic priorities (1) creating new business models and (2) establishing year-round professional development programming. Last year we engaged innovative digital platforms to execute a virtual conference and this year, we are planning a hybrid experience with both in-person and online options. The Association 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, 2021 and 2020, total pension expense was \$3,505 and \$54,869, respectively.