ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Financial Statements Together with
Report of Independent Public Accountants

For the Years Ended June 30, 2019 and 2018

SB & COMPANY, LLC
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JUNE 30, 2019 AND 2018

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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 accompanying statements of financial position of the Association of Performing Arts Professionals, Inc. (the Association) as of June 30, 2019 and 2018, 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, 2019 and 2018, 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.
October 29, 2019

SB & Company, LLC

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Statements of Financial Position
As of June 30, 2019 and 2018

ASSETS	2019	2018
Cash	**$ 396,470**	$ 393,976
Investments	**2,839,465**	3,557,119
Accounts receivable, net	**17,288**	8,179
Pledges and grants receivable	**204,200**	107,550
Property and equipment, net	**121,489**	252,414
Other assets	**78,970**	75,705
Total Assets	**$ 3,657,882**	$ 4,394,943
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 42,210**	$ 57,543
Accrued benefits	**26,522**	37,239
Deferred revenue	**564,903**	571,290
Grants payable	**203,071**	395,617
Deferred rent and lease incentive	**145,203**	132,077
Total Liabilities	**981,909**	1,193,766
Net Assets		
Without donor restrictions	**1,060,502**	1,053,641
With donor restrictions	**1,615,471**	2,147,536
Total Net Assets	**2,675,973**	3,201,177
Total Liabilities and Net Assets	**$ 3,657,882**	$ 4,394,943

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, 2019 and 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Annual conference	$ 2,125,898	$ 2,114,076
Membership dues	913,561	899,044
Publications	194,080	185,714
Contributions	190,205	181,728
Investment income, net	61,503	47,455
Continuing education	14,219	89,493
Other income	24,412	76,839
Total Revenue	3,523,878	3,594,349
Net assets released from restrictions	802,356	744,463
Total Revenue and Support	4,326,234	4,338,812
Expenses		
Program services:		
Membership services	500,971	593,202
Conference	1,907,173	1,589,832
Professional development	873,109	935,550
Public affairs and communications	333,554	447,217
Total program services	3,614,807	3,565,801
Supporting services:		
Management and general	646,994	709,385
Fundraising	57,572	59,981
Total supporting services	704,566	769,366
Total Expenses	4,319,373	4,335,167
Change in Net Assets Without Donor Restrictions	6,861	3,645
NET ASSETS WITH DONOR RESTRICTIONS		
Grants	268,160	464,228
Investment income, net	2,036	43,835
Contributions	95	1,160
Net assets released from restrictions	(802,356)	(744,463)
Change in Net Assets With Donor Restrictions	(532,065)	(235,240)
Changes in net assets	(525,204)	(231,595)
Net assets, beginning of year	3,201,177	3,432,772
Net Assets, End of Year	$ 2,675,973	$ 3,201,177

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, 2019, with Comparative Fiscal Year 2018 Totals

	2019								
	Membership Services	Conference	Professional Development	Public Affairs and Communications	Total Program	Management and General	Fundraising	Total	2018 Totals
Salaries and benefits	$ 315,211	$ 495,331	$ 150,100	$ 75,050	$ 1,035,692	$ 435,291	$ 30,021	$ 1,501,004	$ 1,464,092
Payroll taxes	20,765	32,631	9,888	4,944	68,228	28,676	1,979	98,883	93,881
Grants and assistance	-	1,000	84,898	-	85,898	-	-	85,898	135,845
Honorarium	-	4,850	45,755	5,592	56,197	-	-	56,197	65,179
Professional services	6,328	9,557	10,417	1,448	27,750	8,399	579	36,728	37,201
Consulting	7,140	79,970	128,310	40,250	255,670	1,160	4,880	261,710	383,213
Magazine editors	-	-	-	9,740	9,740	-	-	9,740	9,741
Conference services	-	317,169	-	-	317,169	-	-	317,169	291,469
Information technology	21,868	44,672	29,519	34,477	130,536	30,198	2,082	162,816	156,134
Office expenses	12,320	45,011	34,645	34,892	126,868	10,263	2,170	139,301	126,417
Other services	782	7,607	121,471	236	130,096	1,080	81	131,257	26,502
Occupancy	47,678	74,922	22,704	11,352	156,656	65,841	4,540	227,037	290,241
Travel	8,802	54,657	169,436	1,196	234,091	3,661	3,563	241,315	163,536
Hotel and catering	12,014	235,057	25,012	26	272,109	153	11	272,273	288,856
Depreciation	28,416	44,653	13,531	6,766	93,366	39,240	2,706	135,312	175,530
Insurance	2,976	16,989	1,417	709	22,091	4,110	284	26,485	25,456
Equipment rental	5,494	224,957	21,455	1,308	253,214	7,587	525	261,326	243,457
Print art	2,969	37,630	642	61,318	102,559	-	3,367	105,926	106,772
Bank and credit card fees	8,208	132,023	3,909	6,348	150,488	11,335	784	162,607	166,114
Advertising commission	-	48,487	-	37,902	86,389	-	-	86,389	84,531
Bad debt	-	-	-	-	-	-	-	-	1,000
	$ 500,971	$ 1,907,173	$ 873,109	$ 333,554	$ 3,614,807	$ 646,994	$ 57,572	$ 4,319,373	$ 4,335,167

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, 2018

	Membership Services	Conference	Professional Development	Public Affairs and Communications	Total Program	Management and General	Fundraising	Total
Salaries and benefits	$ 307,457	$ 424,587	$ 175,692	$ 131,768	$ 1,039,504	$ 395,305	$ 29,283	$ 1,464,092
Payroll taxes	19,714	27,226	11,266	8,449	66,655	25,348	1,878	93,881
Grants and assistance	-	1,500	134,345	-	135,845	-	-	135,845
Honorarium	-	8,950	51,379	4,850	65,179	-	-	65,179
Professional services	9,339	9,444	3,908	5,066	27,757	8,792	652	37,201
Consulting	4,000	87,424	246,358	40,994	378,776	1,931	2,506	383,213
Editors	2,045	2,825	1,169	877	6,916	2,630	195	9,741
Conference services	61,209	84,526	34,976	26,232	206,943	78,697	5,829	291,469
Information technology	21,719	36,070	34,212	34,137	126,138	27,927	2,069	156,134
Office expenses	13,595	46,826	18,329	35,603	114,353	10,513	1,551	126,417
Other services	5,565	7,686	3,181	2,385	18,817	7,156	529	26,502
Occupancy	60,950	84,170	34,829	26,122	206,071	78,364	5,806	290,241
Travel	10,761	33,425	110,874	2,870	157,930	2,152	3,454	163,536
Hotel and catering	16,716	239,841	31,787	121	288,465	364	27	288,856
Depreciation	36,860	50,904	21,064	15,798	124,626	47,393	3,511	175,530
Insurance	2,782	16,049	1,590	1,192	21,613	3,577	266	25,456
Equipment rental	6,236	211,106	14,829	2,673	234,844	8,019	594	243,457
Print art	5,619	38,300	828	61,901	106,648	115	9	106,772
Bank and credit card fees	8,635	132,816	4,934	7,805	154,190	11,102	822	166,114
Commission	-	46,157	-	38,374	84,531	-	-	84,531
Bad debt	-	-	-	-	-	-	1,000	1,000
	$ 593,202	$ 1,589,832	$ 935,550	$ 447,217	$ 3,565,801	$ 709,385	$ 59,981	$ 4,335,167

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	**$ (525,204)**	$ (231,595)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	**135,312**	175,530
Unrealized gain on investments	**(14,378)**	(48,870)
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable, net	**(9,109)**	58,010
Pledges and grants receivable	**(96,650)**	918,772
Other assets	**(3,265)**	54,423
Accounts payable and accrued expenses	**(15,333)**	(9,190)
Accrued benefits	**(10,717)**	6,179
Deferred revenue	**(6,387)**	40,491
Grants payable	**(192,546)**	(377,512)
Deferred rent and lease incentive	**13,126**	119,632
Net Cash from Operating Activities	**(725,151)**	705,870
Cash Flows from Investing Activities		
Purchase of investments	**(206,675)**	(1,313,541)
Proceeds from sale of investments	**938,707**	909,435
Purchase of property and equipment	**(4,387)**	(55,488)
Net Cash from Investing Activities	**727,645**	(459,594)
Net change in cash	**2,494**	246,276
Cash, beginning of year	**393,976**	147,700
Cash, End of Year	**$ 396,470**	$ 393,976

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 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, 2019, the Association had 1,659 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, 2019 and 2018.

Pledges and Grants Receivable

Pledges and grants receivable represent grants from individuals and foundations. No allowance was recorded as of June 30, 2019 and 2018, 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, 2019 and 2018, there was $804,677 and $1,336,837, 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 and $810,699, to be held in perpetuity as of June 30, 2019 and 2018.

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 without donor restrictions are reported as revenue in the year in which the payments are received and/or unconditional promises are made.

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 expense 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, 2019 and 2018, 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, 2019, the statute of limitations for fiscal years 2016 through 2019 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.

	2019
Cash	$ 396,470
Investments	2,839,465
Accounts receivable, net	17,288
Pledges and grants receivable	204,200
	3,457,423
Less: net assets with donor restrictions not expected to be satisfied in one year	
Purpose Restricted	470,614
Restricted in Perpetuity	810,794
Financial assets available to meet cash needs for general expenses within one year	$ 2,176,015

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 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.

Implemented Accounting Pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implemented Accounting Pronouncements (continued)

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017. The Association implemented ASU 2016-14 for the year ended June 30, 2019. The adoption of this standard resulted in certain reclassifications of prior year amounts.

Recent 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 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. In July 2019, the FASB has postponed the implementation of this pronouncement.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard is effective for periods beginning after December 15, 2019.

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 October 29, 2019, the date these financial statements were available for issue, and has determined that 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, 2019 and 2018.

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.

The following table sets forth, by level, the fair value hierarchy of the Association's investments at fair value as of June 30, 2019 and 2018.

	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)

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,427,062	$ -	$ -	$ 1,427,062
Certificates of deposit	774,459	-	-	774,459
Fixed income mutual funds:				
Short-term	319,418	-	-	319,418
High yield	109,510	-	-	109,510
Government	40,865	-	-	40,865
Equity mutual funds:				
Large value	345,539	-	-	345,539
Large growth	204,303	-	-	204,303
Foreign	165,145	-	-	165,145
Emerging markets	26,871	-	-	26,871
Mid-cap growth	61,606	-	-	61,606
Small-cap growth	82,341	-	-	82,341
	$ 3,557,119	$ -	$ -	$ 3,557,119

As of June 30, 2019 and 2018, investments consisted of the following fair values:

	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**

	June 30, 2018		
	Cost	Unrealized Gain/(Loss)	Market Value
Money market funds	$ 1,427,062	$ -	$ 1,427,062
Certificates of deposit	775,050	(591)	774,459
Fixed income mutual funds	495,809	(26,016)	469,793
Equity mutual funds	632,020	253,785	885,805
	$ 3,329,941	$ 227,178	$ 3,557,119

3. INVESTMENTS (continued)

For the years ended June 30, 2019 and 2018, investment income consisted of the following:

		2019		2018
Dividends and interest, net	**$**	**74,785**	$	48,248
Realized and unrealized (loss) gain		**(11,246)**		43,042
	$	**63,539**	$	91,290

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, 2019 and 2018, was $903,614 and $894,898, respectively. The Association's Target Reserve funds are invested in certificates of deposit and money market funds, which represent $917,288 and $873,373 of the total invested funds as of June 30, 2019 and 2018, respectively.

4. PROPERTY AND EQUIPMENT

As of June 30, 2019 and 2018, property and equipment consisted of the following:

		2019		2018	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		**3,648**		3,648	3 years
AMS database		**378,938**		374,551	5 years
		783,123		778,736	
Less: accumulated depreciation		**661,634**		526,322	
Property and Equipment, Net	**$**	**121,489**	$	252,414	

Depreciation expense was $135,312 and $175,530, for the years ended June 30, 2019 and 2018, respectively.

5. 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

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.

5. ENDOWMENT FUNDS (continued)

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, 2019 and 2018.

Composition of the Endowment by Net Assets

As of June 30, 2019 and 2018, the composition of the endowment funds was as follows:

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

	2018		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Donor-restricted endowment funds	$ 318,079	$ 810,699	$ 1,128,778

5. ENDOWMENT FUNDS (continued)

Changes in Endowment Net Assets

For the years ended June 30, 2019 and 2018, the changes in endowment net assets were as follows:

	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**

	2018		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Endowment net assets, beginning of year	$ 274,244	$ 809,539	$ 1,083,783
Contributions	-	1,160	1,160
Investment return:			
Investment income	10,262	-	10,262
Net appreciation (realized and unrealized)	71,067	-	71,067
Appropriation of endowment assets for expenditure	(37,494)	-	(37,494)
Endowment Net Assets, End of Year	$ 318,079	$ 810,699	$ 1,128,778

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2019 and 2018, consisted of the following:

	2019	2018
National Organization Initiative	**$ 162,653**	$ 296,641
Cultural Exchange	**106,174**	218,823
Endowment Earnings	**320,114**	318,079
Building Bridges	**-**	323,995
Communications Partnership	**200,000**	122,537
Other Programs	**15,736**	56,762
Total	**$ 804,677**	$ 1,336,837

As of June 30, 2019 and 2018, the Association held the following net assets with donor restriction in perpetuity:

	2019	2018
Classical Connections	**$ 644,434**	$ 644,389
William Dawson Fund	**166,360**	166,310
Total	**$ 810,794**	$ 810,699

7. 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, DC. 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, 2019 and 2018, was $227,037 and $290,241, respectively.

7. COMMITMENTS AND CONTINGENCIES (continued)

Future minimum lease payments under the agreement as of June 30, 2019, were as follows:

Years Ending June 30,		Amount
2020	$	213,655
2021		218,997
2022		224,472
2023		232,521
2024		239,146
Thereafter		973,620
Total	**$**	**2,102,412**

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, 2019, the maximum possible amount of liquidation damages per year is listed below:

Years Ending June 30,		Amount
2020	$	802,249
2021		607,155
2022		324,206
2023		258,382
2024		258,382
Thereafter		103,353
Total	**$**	**2,353,727**

8. 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, 2019 and 2018, total pension expense was $61,725 and $48,831, respectively.