



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, 2016 and 2015



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2016 AND 2015

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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, 2016 and 2015, and 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, 2016 and 2015, 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
November 3, 2016

SB & Company, LLC

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

**Statements of Financial Position
As of June 30, 2016 and 2015**

ASSETS	2016	2015
Cash	\$ 158,834	\$ 127,931
Investments	3,850,699	3,255,642
Accounts receivables, net	38,176	60,029
Pledges receivable, net	1,438,798	122,746
Property, plant, and equipment, net	298,563	463,483
Other assets	53,549	100,873
Total Assets	\$ 5,838,619	\$ 4,130,704
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 139,701	\$ 32,715
Accrued benefits	31,445	33,217
Deferred revenue	574,777	579,124
Grant payable	160,315	351,685
Deferred rent and lease incentive	60,059	99,022
Total Liabilities	966,297	1,095,763
Net Assets		
Unrestricted	1,045,226	1,037,419
Temporarily restricted	3,018,682	1,191,353
Permanently restricted	808,414	806,169
Total Net Assets	4,872,322	3,034,941
Total Liabilities and Net Assets	\$ 5,838,619	\$ 4,130,704

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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Revenue and Support		
Annual conference	\$ 2,080,104	\$ 1,990,038
Membership dues	920,723	914,235
Publications	114,506	107,095
Contributions	178,006	219,338
Investment income	37,156	38,238
Continuing education	59,341	23,525
Other income	156,880	182,145
Total Revenue	<u>3,546,716</u>	<u>3,474,614</u>
Support		
Net assets released from restrictions	1,018,743	847,269
Total Revenue and Support	<u>4,565,459</u>	<u>4,321,883</u>
Expenses		
Program services:		
Members conference	1,762,314	1,833,641
Members professional development	1,268,014	952,220
Public affairs and communications	489,469	530,679
Other membership services	527,378	465,161
Total program services	<u>4,047,175</u>	<u>3,781,701</u>
Supporting services:		
General and administrative	477,428	503,672
Fundraising	33,049	29,887
Total supporting services	<u>510,477</u>	<u>533,559</u>
Total Expenses	<u>4,557,652</u>	<u>4,315,260</u>
Change in Unrestricted Net Assets	<u>7,807</u>	<u>6,623</u>
TEMPORARILY RESTRICTED NET ASSETS		
Grants	2,874,585	679,941
Investment loss	(28,513)	(6,555)
Net assets released from restrictions	(1,018,743)	(847,269)
Change in Temporarily Restricted Net Assets	<u>1,827,329</u>	<u>(173,883)</u>
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	2,245	3,000
Changes in net assets	1,837,381	(164,260)
Net assets, beginning of year	3,034,941	3,199,201
Net Assets, End of Year	<u>\$ 4,872,322</u>	<u>\$ 3,034,941</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, 2016, with Comparative Fiscal Year 2015 Totals

	2016				2015 Totals
	Program	Management and General	Fundraising	Total	
Salaries and benefits	\$ 1,111,896	\$ 281,493	\$ 14,074	\$ 1,407,463	\$ 1,454,446
Payroll taxes	70,398	17,822	892	89,112	91,234
Grants and assistance	289,766	-	-	289,766	101,300
Honorarium	249,959	-	-	249,959	182,614
Professional services	28,269	6,786	340	35,395	37,051
Consulting	146,520	6,206	689	153,415	118,325
Editors	47,505	2,012	223	49,740	49,741
Conference services	358,881	15,200	1,688	375,769	347,032
Information technology	148,152	24,140	1,207	173,499	136,069
Office expenses	126,498	6,943	2,185	135,626	138,789
Other services	25,414	1,074	124	26,612	18,598
Occupancy	264,107	66,863	3,343	334,313	331,883
Travel	230,708	1,402	5,909	238,019	199,473
Hotel and catering	287,401	-	-	287,401	275,984
Depreciation	137,112	34,712	1,736	173,560	199,832
Insurance	19,238	2,484	124	21,846	22,860
Equipment rental	201,447	1,703	85	203,235	304,063
Print art	109,589	-	-	109,589	117,304
Bank and credit card fees	150,423	8,588	430	159,441	149,249
Commission	43,892	-	-	43,892	39,163
Miscellaneous	-	-	-	-	250
	<u>\$ 4,047,175</u>	<u>\$ 477,428</u>	<u>\$ 33,049</u>	<u>\$ 4,557,652</u>	<u>\$ 4,315,260</u>

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

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2015**

	Program	Management and General	Fundraising	Total
	\$	\$	\$	\$
Salaries and benefits	1,134,468	305,434	14,544	1,454,446
Payroll taxes	71,163	19,159	912	91,234
Grants and assistance	101,300	-	-	101,300
Honorarium	182,614	-	-	182,614
Professional services	30,019	6,712	320	37,051
Consulting	113,992	4,136	197	118,325
Editors	47,919	1,739	83	49,741
Conference services	334,324	12,130	578	347,032
Information technology	114,507	20,582	980	136,069
Office expenses	129,846	6,602	2,341	138,789
Other services	17,917	650	31	18,598
Occupancy	258,869	69,695	3,319	331,883
Travel	192,945	2,612	3,916	199,473
Hotel and catering	275,584	382	18	275,984
Depreciation	155,869	41,965	1,998	199,832
Insurance	20,123	2,613	124	22,860
Equipment rental	301,079	2,848	136	304,063
Print art	117,304	-	-	117,304
Bank and credit card fees	142,446	6,413	390	149,249
Commission	39,163	-	-	39,163
Miscellaneous	250	-	-	250
	<u>\$ 3,781,701</u>	<u>\$ 503,672</u>	<u>\$ 29,887</u>	<u>\$ 4,315,260</u>

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

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,837,381	\$ (164,260)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	173,560	199,791
Unrealized loss	61,937	37,751
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivables, net	21,853	(38,962)
Pledges receivable, net	(1,316,052)	529,908
Other assets	47,324	(12,221)
Accounts payable and accrued expenses	106,986	(5,231)
Accrued benefits	(1,772)	(7,538)
Deferred revenue	(4,347)	20,265
Grant payable	(191,370)	(441,543)
Deferred rent and lease incentive	(38,963)	(30,525)
Net Cash from Operating Activities	<u>696,537</u>	<u>87,435</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,893,346)	(747,000)
Proceeds from sale of investments	1,236,352	777,648
Purchase of property and equipment	(8,640)	(130,036)
Net Cash from Investing Activities	<u>(665,634)</u>	<u>(99,388)</u>
Net change in cash	30,903	(11,953)
Cash, beginning of year	127,931	139,884
Cash, End of Year	<u>\$ 158,834</u>	<u>\$ 127,931</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, 2016 and 2015

1. DESCRIPTION OF THE ORGANIZATION

In 1957, 35 campus presenting professionals founded the organization. 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 annual 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, 2016, 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, 2016 and 2015

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, 2016 and 2015.

Pledges Receivable

Pledges receivable represent grants, individual contributions, foundations, and the Federal government. No allowance was recorded as of June 30, 2016 and 2015, as all pledges receivable were deemed to be fully collectible. A discount of \$11,265 was recorded for amounts due in more than one year as of June 30, 2016. There was no discount recorded as of June 30, 2015, as all amounts are due within one year.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2016 and 2015

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, 2016 and 2015

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 Tax

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, 2016 and 2015, 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, 2016, the statute of limitations for fiscal years 2013 through 2016 remain 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, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Pronouncements

In February 2016 the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02 *Leases* effective for years ends beginning on or after December 15, 2019. This update was issued to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statement of financial position. Management is reviewing the effects of this pronouncement.

Reclassification

Certain amounts have been reclassified from their prior year presentation to conform to the current year presentation. This reclassification has had no effect on the statement of revenue, expenses, and changes in net assets.

Subsequent Events

The Association evaluated the accompanying financial statements for subsequent events and transactions through November 3, 2016, the date these financial statements were available for issue and have 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, 2016 and 2015, for corporate stock and 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.

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.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

**Notes to the Financial Statements
June 30, 2016 and 2015**

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, 2016 and 2015.

	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>
	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,353,122	\$ -	\$ -	\$ 1,353,122
Certificate of deposit	747,191	-	-	747,191
Fixed income mutual funds:				
Short-term	233,040	-	-	233,040
High yield	91,833	-	-	91,833
Government	42,824	-	-	42,824
International	36,143	-	-	36,143
Equity mutual funds:				
Large value	290,282	-	-	290,282
Large growth	169,299	-	-	169,299
Foreign	140,174	-	-	140,174
Emerging markets	25,025	-	-	25,025
Mid-cap growth	67,426	-	-	67,426
Small-cap growth	59,283	-	-	59,283
	<u>\$ 3,255,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,255,642</u>

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

**Notes to the Financial Statements
June 30, 2016 and 2015**

3. INVESTMENTS (continued)

As of June 30, 2016 and 2015, investments consisted of the following fair values:

	June 30, 2016		
	Cost	Unrealized Gain/(Loss)	Market Value
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>

	June 30, 2015		
	Cost	Unrealized Gain/(Loss)	Market Value
Money market funds	\$ 1,353,122	\$ -	\$ 1,353,122
Certificate of deposit	747,000	191	747,191
Fixed income mutual funds	421,987	(18,147)	403,840
Equity mutual funds:	612,491	138,998	751,489
	<u>\$ 3,134,600</u>	<u>\$ 121,042</u>	<u>\$ 3,255,642</u>

For the years ended June 30, 2016 and 2015, investment income consisted of the following:

	2016	2015
Dividends and interest	\$ 44,039	\$ 69,434
Realized and unrealized loss	(35,396)	(37,751)
	<u>\$ 8,643</u>	<u>\$ 31,683</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, 2016 and 2015, was \$847,324 and \$815,578, respectively. The Association's Target Reserve funds are invested in certificates of deposit and money market funds, which represent \$881,112 and \$832,350 of the total invested funds as of June 30, 2016 and 2015, respectively.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2016 and 2015

4. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2016 and 2015, included the following unconditional promises to give:

	<u>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 530,063	\$ 122,746
One to five years	920,000	-
	<u>1,450,063</u>	<u>122,746</u>
Less: discount at 1.01%	11,265	-
Total	<u>\$ 1,438,798</u>	<u>\$ 122,746</u>

5. PROPERTY AND EQUIPMENT

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>	<u>Useful Life</u>
Website platform	\$ 591,726	\$ 583,086	3 to 5 years
Office equipment and furniture	99,404	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>1,209,440</u>	<u>1,200,800</u>	
Less: accumulated depreciation	910,877	737,317	
Property, Plant, and Equipment, Net	<u>\$ 298,563</u>	<u>\$ 463,483</u>	

Depreciation expense was \$173,560 and \$199,791, for the years ended June 30, 2016 and 2015, respectively.

6. ENDOWMENT

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, 2016 and 2015

6. ENDOWMENT (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, 2016 and 2015

6. ENDOWMENT (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, 2016 and 2015.

Composition of the Endowment by Net Assets

As of June 30, 2016 and 2015, the composition of the endowment was as follows:

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 171,218</u>	<u>\$ 808,414</u>	<u>\$ 979,632</u>
	2015		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 231,199</u>	<u>\$ 806,169</u>	<u>\$ 1,037,368</u>

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements
June 30, 2016 and 2015

6. ENDOWMENT (continued)

Changes in Endowment Net Assets

For the years ended June 30, 2016 and 2015, the changes in endowment net assets are as follows:

	2016		
	Temporarily Restricted	Permanently Restricted	Total
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)
Endowment Net Assets, End of Year	\$ 171,218	\$ 808,414	\$ 979,632
	2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 269,933	\$ 803,169	\$ 1,073,102
Contributions	-	3,000	3,000
Investment return:			
Investment income	32,986	-	32,986
Net depreciation (realized and unrealized)	(39,540)	-	(39,540)
Appropriation of endowment □ assets for expenditure	(32,180)	-	(32,180)
Endowment Net Assets, End of Year	\$ 231,199	\$ 806,169	\$ 1,037,368

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2016 and 2015

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
National Organization Initiative	\$ 247,995	\$ 12,495
Cultural Exchange	82,225	250,000
Endowment Earnings	171,218	231,199
Building Bridges	2,298,895	305,445
Leadership Fellows Program	38,858	100,020
Communications Partnership	101,428	200,000
Other Programs	78,063	92,194
Total	\$ 3,018,682	\$ 1,191,353

8. PERMANENTLY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015, the Association held the following permanently restricted net assets:

	<u>2016</u>	<u>2015</u>
Classical Connections	\$ 644,204	\$ 643,969
William Dawson Fund	164,210	162,200
Total	\$ 808,414	\$ 806,169

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, 2016 and 2015, were \$334,313 and \$331,883, respectively.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2016 and 2015

9. COMMITMENTS AND CONTINGENCIES (continued)

Operating Lease (continued)

Future minimum lease payments under the agreement as of June 30, 2016, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 354,632
2018	89,202
Total	\$ 443,834

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, 2016, the maximum possible amount of liquidation damages per year is listed below:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 1,610,192
2018	1,181,709
2019	734,964
2020	675,882
2021	271,724
2022	271,724
Total	\$ 4,746,195

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 the 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, 2016 and 2015, were \$101,097 and \$95,507, respectively, and are included in other income in the accompanying statements of activities and changes in net assets.

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, 2016 and 2015. The Association's Board adopted a conflict of interest policy to address any perceived conflicts.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

**Notes to the Financial Statements
June 30, 2016 and 2015**

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, 2016 and 2015, total pension expense was \$47,993 and \$56,488, respectively.