

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

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

For the Years Ended June 30, 2018 and 2017



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2018 AND 2017

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to the Financial Statements	8



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, 2018 and 2017, 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.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2018 and 2017, 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.

Washington, D.C.
October 29, 2018

SB & Company, LLC

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Statements of Financial Position
As of June 30, 2018 and 2017**

ASSETS	2018	2017
Cash	\$ 393,976	\$ 147,700
Investments	3,557,119	3,104,142
Accounts receivable, net	8,179	66,189
Pledges and grants receivable, net	107,550	1,026,322
Property, plant, and equipment, net	252,414	372,457
Other assets	75,705	130,128
Total Assets	\$ 4,394,943	\$ 4,846,938
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 57,543	\$ 66,733
Accrued benefits	37,239	31,060
Deferred revenue	571,290	530,799
Grants payable	395,617	773,129
Deferred rent and lease incentive	132,077	12,445
Total Liabilities	1,193,766	1,414,166
Net Assets		
Unrestricted	1,053,641	1,049,996
Temporarily restricted	1,336,837	1,573,237
Permanently restricted	810,699	809,539
Total Net Assets	3,201,177	3,432,772
Total Liabilities and Net Assets	\$ 4,394,943	\$ 4,846,938

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
Revenue and Support		
Annual conference	\$ 2,114,076	\$ 2,106,352
Membership dues	899,044	905,704
Publications	185,714	172,816
Contributions	181,728	173,757
Investment income	47,455	43,368
Continuing education	89,493	87,450
Other income	76,839	119,321
Total Revenue	<u>3,594,349</u>	<u>3,608,768</u>
Support		
Net assets released from restrictions	744,463	2,189,331
Total Revenue and Support	<u>4,338,812</u>	<u>5,798,099</u>
Expenses		
Program services:		
Membership services	593,202	627,362
Conference	1,589,832	1,525,531
Professional development	935,550	2,479,926
Public affairs and communications	447,217	500,772
Total program services	<u>3,565,801</u>	<u>5,133,591</u>
Supporting services:		
Management and general	709,385	624,026
Fundraising	59,981	35,712
Total supporting services	<u>769,366</u>	<u>659,738</u>
Total Expenses	<u>4,335,167</u>	<u>5,793,329</u>
Change in Unrestricted Net Assets	<u>3,645</u>	<u>4,770</u>
TEMPORARILY RESTRICTED NET ASSETS		
Grants	464,228	640,862
Investment income	43,835	103,024
Net assets released from restrictions	(744,463)	(2,189,331)
Change in Temporarily Restricted Net Assets	<u>(236,400)</u>	<u>(1,445,445)</u>
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	1,160	1,125
Changes in net assets	(231,595)	(1,439,550)
Net assets, beginning of year	3,432,772	4,872,322
Net Assets, End of Year	<u>\$ 3,201,177</u>	<u>\$ 3,432,772</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, 2018, with Comparative Fiscal Year 2017 Totals**

	2018								
	Membership Services	Conference	Professional Development	Public Affairs and Communications	Total Program	Management and General	Fundraising	Total	2017 Totals
Salaries and benefits	\$ 307,457	\$ 424,587	\$ 175,692	\$ 131,768	\$ 1,039,504	\$ 395,305	\$ 29,283	\$ 1,464,092	\$ 1,471,221
Payroll taxes	19,714	27,226	11,266	8,449	66,655	25,348	1,878	93,881	93,322
Grants and assistance	-	1,500	134,345	-	135,845	-	-	135,845	1,472,270
Honorarium	-	8,950	51,379	4,850	65,179	-	-	65,179	247,550
Professional services	9,339	9,444	3,908	5,066	27,757	8,792	652	37,201	39,826
Consulting	4,000	87,424	246,358	40,994	378,776	1,931	2,506	383,213	205,720
Editors	2,045	2,825	1,169	877	6,916	2,630	195	9,741	14,739
Conference services	61,209	84,526	34,976	26,232	206,943	78,697	5,829	291,469	349,673
Information technology	21,719	36,070	34,212	34,137	126,138	27,927	2,069	156,134	175,595
Office expenses	13,595	46,826	18,329	35,603	114,353	10,513	1,551	126,417	135,365
Other services	5,565	7,686	3,181	2,385	18,817	7,156	529	26,502	25,186
Occupancy	60,950	84,170	34,829	26,122	206,071	78,364	5,806	290,241	342,967
Travel	10,761	33,425	110,874	2,870	157,930	2,152	3,454	163,536	193,498
Hotel and catering	16,716	239,841	31,787	121	288,465	364	27	288,856	284,982
Depreciation	36,860	50,904	21,064	15,798	124,626	47,393	3,511	175,530	156,119
Insurance	2,782	16,049	1,590	1,192	21,613	3,577	266	25,456	24,837
Equipment rental	6,236	211,106	14,829	2,673	234,844	8,019	594	243,457	243,167
Print art	5,619	38,300	828	61,901	106,648	115	9	106,772	109,177
Bank and credit card fees	8,635	132,816	4,934	7,805	154,190	11,102	822	166,114	159,351
Commission	-	46,157	-	38,374	84,531	-	-	84,531	47,829
Bad debt	-	-	-	-	-	-	1,000	1,000	935
	<u>\$ 593,202</u>	<u>\$ 1,589,832</u>	<u>\$ 935,550</u>	<u>\$ 447,217</u>	<u>\$ 3,565,801</u>	<u>\$ 709,385</u>	<u>\$ 59,981</u>	<u>\$ 4,335,167</u>	<u>\$ 5,793,329</u>

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, 2017**

	Membership Services	Conference	Professional Development	Public Affairs and Communications	Total Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 323,669	\$ 382,517	\$ 250,108	\$ 161,834	\$ 1,118,128	\$ 338,381	\$ 14,712	\$ 1,471,221
Payroll taxes	20,531	24,264	15,865	10,265	70,925	21,464	933	93,322
Grants and assistance	-	500	1,471,770	-	1,472,270	-	-	1,472,270
Honorarium	300	6,950	236,300	4,000	247,550	-	-	247,550
Professional services	9,143	10,228	6,687	4,327	30,385	9,048	393	39,826
Consulting	2,521	100,816	55,903	40,911	200,151	545	5,024	205,720
Editors	3,243	3,832	2,506	1,621	11,202	3,390	147	14,739
Conference services	74,948	97,575	57,914	37,474	267,911	78,355	3,407	349,673
Information technology	28,241	37,376	39,523	39,646	144,786	29,525	1,284	175,595
Office expenses	15,210	45,387	25,894	35,711	122,202	11,460	1,703	135,365
Other services	-	-	25,186	-	25,186	-	-	25,186
Occupancy	75,453	89,171	58,304	37,727	260,655	78,882	3,430	342,967
Travel	8,486	32,242	144,839	3,462	189,029	2,006	2,463	193,498
Hotel and catering	14,645	236,791	33,478	22	284,936	44	2	284,982
Depreciation	34,346	40,591	26,540	17,173	118,650	35,908	1,561	156,119
Insurance	2,813	15,375	2,174	1,406	21,768	2,941	128	24,837
Equipment rental	1,756	220,808	17,811	877	241,252	1,835	80	243,167
Print art	2,449	43,475	1,567	61,273	108,764	396	17	109,177
Bank and credit card fees	9,418	123,936	7,278	8,445	149,077	9,846	428	159,351
Commission	-	13,697	279	33,853	47,829	-	-	47,829
Bad debt	190	-	-	745	935	-	-	935
	<u>\$ 627,362</u>	<u>\$ 1,525,531</u>	<u>\$ 2,479,926</u>	<u>\$ 500,772</u>	<u>\$ 5,133,591</u>	<u>\$ 624,026</u>	<u>\$ 35,712</u>	<u>\$ 5,793,329</u>

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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (231,595)	\$ (1,439,550)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	175,530	156,119
Loss on disposals	-	11,286
Unrealized gain on investments	(48,870)	(84,136)
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable, net	58,010	(28,013)
Pledges and grants receivable, net	918,772	412,476
Other assets	54,423	(76,579)
Accounts payable and accrued expenses	(9,190)	(72,968)
Accrued benefits	6,179	(385)
Deferred revenue	40,491	(43,978)
Grants payable	(377,512)	612,814
Deferred rent and lease incentive	119,632	(47,614)
Net Cash from Operating Activities	<u>705,870</u>	<u>(600,528)</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,313,541)	(1,075,245)
Proceeds from sale of investments	909,435	1,905,938
Purchase of property and equipment	(55,488)	(241,299)
Net Cash from Investing Activities	<u>(459,594)</u>	<u>589,394</u>
Net change in cash	246,276	(11,134)
Cash, beginning of year	147,700	158,834
Cash, End of Year	<u>\$ 393,976</u>	<u>\$ 147,700</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, 2018 and 2017

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, 2018, the Association had 1,675, 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 PROFESSIONALS, INC.

Notes to the Financial Statements

June 30, 2018 and 2017

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, 2018 and 2017.

Pledges and Grants Receivable

Pledges and grants receivable represent grants from individuals and foundations. No allowance was recorded as of June 30, 2018 and 2017, as all pledges and grants receivable were deemed to be fully collectible. No discount was recorded as of June 30, 2018. A discount of \$2,178, was recorded for amounts due in more than one year as of June 30, 2017.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements

June 30, 2018 and 2017

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 changes 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 PROFESSIONALS, INC.

Notes to the Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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

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

Functional Allocation of Expenses

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

Income Taxes

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

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Association performed an evaluation of uncertain tax positions as of June 30, 2018 and 2017, 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, 2018, the statute of limitations for fiscal years 2015 through 2018 remains open with the U.S. Federal jurisdiction or the state and local jurisdiction in which the Association files tax returns. It is the Association's policy to recognize interest and/or penalties related to uncertain tax positions, if any, as income tax expense.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, that 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 N. 2016-02. These standards will be effective for periods beginning after December 15, 2019.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No 2016-14 provides updated guidance on the reporting model for not-for-profits and is effective for periods beginning after December 15, 2018. ASU No. 2016-15 provides guidance on the statement of cash flows and is effective for periods beginning after December 15, 2017.

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition* (Topic 605), *Revenue from Contracts with Customers* (Topic 606), *Leases* (Topic 840), and *Leases* (Topic 842), that provides clarification on certain topics related to these topics. These standards are effective when the related previous amended standards become effective.

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 enterprise. 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.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. This reclassification did not have an effect on the statement of activities and changes in net assets.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The Association evaluated the accompanying financial statements for subsequent events and transactions through October 29, 2018, 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, 2018 and 2017.

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 certificates of deposit plus accrued interest.

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

The following table sets forth, by level, the fair value hierarchy of the Association's investments at fair value as of June 30, 2018 and 2017.

	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
	<u>\$ 3,557,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,557,119</u>

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Notes to the Financial Statements
June 30, 2018 and 2017**

3. INVESTMENTS (continued)

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

As of June 30, 2018 and 2017, investments consisted of the following fair values:

	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
	<u>\$ 3,329,941</u>	<u>\$ 227,178</u>	<u>\$ 3,557,119</u>

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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2018 and 2017

3. INVESTMENTS (continued)

For the years ended June 30, 2018 and 2017, investment income consisted of the following:

	<u>2018</u>	<u>2017</u>
Dividends and interest, net	\$ 48,248	\$ 34,622
Realized and unrealized gain	43,042	111,770
	<u>\$ 91,290</u>	<u>\$ 146,392</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, 2018 and 2017, was \$894,898 and \$869,891, respectively. The Association's Target Reserve funds are invested in certificates of deposit and money market funds, which represent \$873,373 and \$700,773 of the total invested funds as of June 30, 2018 and 2017, respectively.

4. PLEDGES AND GRANTS RECEIVABLE

Pledges receivable as of June 30, 2018 and 2017, included the following unconditional promises to give:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 107,550	\$ 810,678
Two to five years	-	217,822
	<u>107,550</u>	<u>1,028,500</u>
Less: discount at 1.01%	-	2,178
Total	<u>\$ 107,550</u>	<u>\$ 1,026,322</u>

5. PROPERTY AND EQUIPMENT

As of June 30, 2018 and 2017, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>	<u>Useful Life</u>
Website platform	\$ 317,021	\$ 315,846	3 to 5 years
Office equipment and furniture	81,772	79,945	3 to 5 years
Leasehold improvements	-	67,998	Term of lease
Computer equipment	1,744	65,743	3 years
Computer software	3,648	10,018	3 years
AMS database	<u>374,551</u>	<u>374,551</u>	5 years
	<u>778,736</u>	<u>914,101</u>	
Less: accumulated depreciation	<u>526,322</u>	<u>541,644</u>	
Property, Plant, and Equipment, Net	<u>\$ 252,414</u>	<u>\$ 372,457</u>	

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2018 and 2017

5. PROPERTY AND EQUIPMENT (continued)

Depreciation expense was \$175,530 and \$156,119, for the years ended June 30, 2018 and 2017, respectively.

6. ENDOWMENT FUNDS

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

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 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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements

June 30, 2018 and 2017

6. ENDOWMENT FUNDS (continued)

Return Objectives and Risk Parameters

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Strategies Employed for Achieving Objectives

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no deficiencies as of June 30, 2018 and 2017.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Notes to the Financial Statements
June 30, 2018 and 2017**

6. ENDOWMENT FUNDS (continued)

Composition of the Endowment by Net Assets

As of June 30, 2018 and 2017, the composition of the endowment funds was as follows:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 318,079</u>	<u>\$ 810,699</u>	<u>\$ 1,128,778</u>
	2017		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 274,244</u>	<u>\$ 809,539</u>	<u>\$ 1,083,783</u>

Changes in Endowment Net Assets

For the years ended June 30, 2018 and 2017, the changes in endowment net assets are as follows:

	2018		
	Temporarily Restricted	Permanently Restricted	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	<u>(37,494)</u>	<u>-</u>	<u>(37,494)</u>
Endowment Net Assets, End of Year	<u>\$ 318,079</u>	<u>\$ 810,699</u>	<u>\$ 1,128,778</u>

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Notes to the Financial Statements
June 30, 2018 and 2017**

6. ENDOWMENT FUNDS (continued)

Changes in Endowment Net Assets (continued)

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 171,218	\$ 808,414	\$ 979,632
Contributions	-	1,125	1,125
Investment return:			
Investment income	8,671	-	8,671
Net appreciation (realized and unrealized)	131,133	-	131,133
Appropriation of endowment □ assets for expenditure	(36,778)	-	(36,778)
Endowment Net Assets, End of Year	\$ 274,244	\$ 809,539	\$ 1,083,783

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017, consisted of the following:

	2018	2017
National Organization Initiative	\$ 296,641	\$ 87,622
Cultural Exchange	218,823	375,000
Endowment Earnings	318,079	274,244
Building Bridges	323,995	598,994
Communications Partnership	122,537	192,000
Other Programs	56,762	45,377
Total	\$ 1,336,837	\$ 1,573,237

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2018 and 2017

8. PERMANENTLY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, the Association held the following permanently restricted net assets:

	<u>2018</u>	<u>2017</u>
Classical Connections	\$ 644,389	\$ 644,229
William Dawson Fund	166,310	165,310
Total	<u>\$ 810,699</u>	<u>\$ 809,539</u>

9. COMMITMENTS AND CONTINGENCIES

Operating Lease

During the year ended June 30, 2017, the Association signed a letter of intent to lease office space in the downtown business district of Washington, DC. The ten-year six-month lease was set to commence on October 1, 2017 and expires March 31, 2028, and include 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, 2018 and 2017, was \$290,241 and \$342,967, respectively.

Future minimum lease payments under the agreement as of June 30, 2018, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 208,444
2020	213,655
2021	218,997
2022	224,472
2023	232,521
2024-2027	993,059
2028	219,707
Total	<u>\$ 2,310,856</u>

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2018 and 2017

9. COMMITMENTS AND CONTINGENCIES (continued)

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, 2018, the maximum possible amount of liquidation damages per year is listed below:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 655,015
2020	470,386
2021	350,926
2022	280,760
2023	155,029
Thereafter	155,029
Total	<u>\$ 2,067,145</u>

10. RELATED PARTY TRANSACTIONS

The Association entered into an agreement, effective April 19, 2004, with the Performing Arts Alliance, Inc. (PAA), formerly known as American Arts Alliance, whereby the Association provides services as required by the PAA, a nonprofit organization. The executive director of the Association is an active member of the Board of Directors of the PAA. The Association and PAA ended this relationship during the year ended June 30, 2018.

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. There was no fees earned from the PAA for the years ended June 30, 2018. The Association earned \$104,911, for the year ended June 30, 2017, and included this amount in other income in the accompanying statements of activities and changes in net assets.

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, 2018 and 2017, total pension expense was \$48,831 and \$49,849, respectively.