

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

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

For the Years Ended June 30, 2023 and 2022

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

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

JUNE 30, 2023 AND 2022

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE FINANCIAL STATEMENTS

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

Opinion

We have audited the statements of financial position of Association of Performing Arts Professionals, Inc. (the Association), as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the financial statements are available for issuance.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Association's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern one year after the issuance date or the date the financial statements are available for issuance.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

Washington, D.C.
December 13, 2023

SB & Company, LLC

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Statements of Financial Position
As of June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 2,109,187	\$ 1,710,431
Investments	1,954,671	2,060,326
Accounts receivable, net	40,218	7,444
Pledges and grants receivable	276,091	451,231
Prepaid expenses and other assets	72,351	70,977
Property and equipment, net	16,039	63,901
Right-of-use-asset - operating	1,527,772	1,749,838
Total Assets	<u>\$ 5,996,329</u>	<u>\$ 6,114,148</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 496,224	\$ 113,882
Deferred revenue	412,647	294,372
Grants payable	57,950	438,679
Lease payable - operating	1,773,323	1,994,990
Total Liabilities	<u>2,740,144</u>	<u>2,841,923</u>
Net Assets		
Without donor restrictions	1,273,201	807,203
With donor restrictions	1,982,984	2,465,022
Total Net Assets	<u>3,256,185</u>	<u>3,272,225</u>
Total Liabilities and Net Assets	<u>\$ 5,996,329</u>	<u>\$ 6,114,148</u>

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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Grants and contributions	\$ 361,047	\$ 3,043,173
Annual conference	1,861,037	382,417
Membership dues	728,911	492,473
Federal grant - forgiveness of PPP loan	-	271,292
Investment income, net	34,096	20,972
Other income	93,989	89,027
Total Revenue	<u>3,079,080</u>	<u>4,299,354</u>
Net assets released from restrictions	825,831	270,915
Total Revenue and Support	<u>3,904,911</u>	<u>4,570,269</u>
Expenses		
Program services:		
Membership services	381,279	454,517
Conference	1,318,770	958,774
Professional development	511,896	466,556
Public affairs and communications	128,621	109,324
Arts forward	453,499	2,269,110
Total program services	<u>2,794,065</u>	<u>4,258,281</u>
Supporting services:		
Management and general	598,119	565,585
Fundraising	46,729	27,031
Total supporting services	<u>644,848</u>	<u>592,616</u>
Total Expenses	<u>3,438,913</u>	<u>4,850,897</u>
Change in Net Assets Without Donor Restrictions	<u>465,998</u>	<u>(280,628)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	225,150	1,181,132
Investment income (loss), net	118,643	(215,881)
Net assets released from restrictions	(825,831)	(270,915)
Change in Net Assets With Donor Restrictions	<u>(482,038)</u>	<u>694,336</u>
Changes in net assets	(16,040)	413,708
Net assets, beginning of year	3,272,225	2,858,517
Net Assets, End of Year	<u>\$ 3,256,185</u>	<u>\$ 3,272,225</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, 2023, with Comparative Totals for 2022**

	2023						2022				
	Program Services						Supporting Services				
	Membership Services	Conference	Professional Development	Public Affairs and Communications	Arts Forward	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	2022 Totals
Salaries and benefits	\$ 210,627	\$ 277,645	\$ 156,756	\$ 19,148	\$ 72,138	\$ 736,314	\$ 277,645	\$ 19,148	\$ 296,793	\$ 1,033,107	\$ 987,160
Payroll taxes	13,288	17,515	24,092	1,208	-	56,103	17,515	1,208	18,723	74,826	72,396
Regranting	-	-	-	-	-	-	-	-	-	-	2,065,000
Other services	1,023	-	109,629	93	52,024	162,769	1,348	93	1,441	164,210	192,717
Hotel and catering	963	136,059	5,839	88	25,323	168,272	1,269	88	1,357	169,629	291,691
Occupancy	56,912	75,020	41,391	5,174	-	178,497	75,020	5,174	80,194	258,691	243,186
Information technology	23,995	116,562	17,451	50,586	425	209,019	31,630	2,181	33,811	242,830	203,368
Conference services	-	247,843	-	-	-	247,843	-	-	-	247,843	140,105
Consulting	24,849	54,006	61,294	25,084	127,357	292,590	32,756	15,047	47,803	340,393	289,021
Honorarium	374	493	26,721	5,034	10,822	43,444	493	34	527	43,971	90,725
Professional services	-	27,125	-	-	-	27,125	110,358	-	110,358	137,483	70,490
Depreciation	10,530	13,880	7,658	957	-	33,025	13,880	957	14,837	47,862	56,843
Bank and credit card fees	11,164	74,909	8,120	3,140	-	97,333	14,717	1,015	15,732	113,065	55,203
Office expenses	11,415	18,614	10,133	16,372	61,703	118,237	8,847	610	9,457	127,694	50,380
Equipment rental	4,734	187,226	13,193	430	22,676	228,259	6,241	430	6,671	234,930	21,079
Insurance	2,906	15,467	2,113	264	-	20,750	3,830	264	4,094	24,844	11,993
Print art	940	5,617	553	636	32	7,778	-	-	-	7,778	5,028
Travel	7,559	50,789	26,953	407	80,999	166,707	2,570	480	3,050	169,757	4,512
Total	\$ 381,279	\$ 1,318,770	\$ 511,896	\$ 128,621	\$ 453,499	\$ 2,794,065	\$ 598,119	\$ 46,729	\$ 644,848	\$ 3,438,913	\$ 4,850,897

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, 2022**

	Program Services					Supporting Services			Total	
	Membership Services	Conference	Professional Development	Public Affairs and Communications	Arts Forward	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and benefits	\$ 276,405	\$ 266,533	\$ 128,331	\$ 19,743	\$ -	\$ 691,012	\$ 286,276	\$ 9,872	\$ 296,148	\$ 987,160
Payroll taxes	20,271	19,547	9,411	1,448	-	50,677	20,995	724	21,719	72,396
Regranting	-	-	-	-	2,065,000	2,065,000	-	-	-	2,065,000
Other services	8,993	-	103,590	1,642	-	114,225	78,171	321	78,492	192,717
Hotel and catering	4,202	286,068	813	38	-	291,121	551	19	570	291,691
Occupancy	68,092	65,660	31,614	4,864	-	170,230	70,524	2,432	72,956	243,186
Information technology	32,671	38,204	33,939	63,550	-	168,364	33,837	1,167	35,004	203,368
Conference services	-	140,105	-	-	-	140,105	-	-	-	140,105
Consulting	518	35,300	37,847	37	204,110	277,812	537	10,672	11,209	289,021
Honorarium	-	-	90,725	-	-	90,725	-	-	-	90,725
Professional services	592	37,747	275	42	-	38,656	31,813	21	31,834	70,490
Depreciation	15,917	15,348	7,390	1,137	-	39,792	16,483	568	17,051	56,843
Bank and credit card fees	8,021	31,670	3,724	3,195	-	46,610	8,307	286	8,593	55,203
Office expenses	8,131	9,271	11,402	12,934	-	41,738	8,040	602	8,642	50,380
Equipment rental	5,902	5,691	2,740	422	-	14,755	6,113	211	6,324	21,079
Insurance	3,358	3,238	1,559	240	-	8,395	3,478	120	3,598	11,993
Print art	-	3,963	1,065	-	-	5,028	-	-	-	5,028
Travel	1,444	429	2,131	32	-	4,036	460	16	476	4,512
Total	\$ 454,517	\$ 958,774	\$ 466,556	\$ 109,324	\$ 2,269,110	\$ 4,258,281	\$ 565,585	\$ 27,031	\$ 592,616	\$ 4,850,897

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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (16,040)	\$ 413,708
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	47,862	56,843
Unrealized (gain) loss on investments	(112,000)	255,785
Interest and dividends reinvested	(44,116)	(77,387)
Change in the measurement of leases	399	245,152
PPP loan forgiveness	-	(271,292)
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable, net	(32,774)	8,140
Pledges and grants receivable	175,140	(346,804)
Prepaid expenses and other assets	(1,374)	(4,730)
Accounts payable and accrued expenses	382,342	61,527
Deferred revenue	118,275	91,861
Grants payable	(380,729)	410,282
Deferred rent and lease incentive	-	(236,705)
Net Cash from Operating Activities	<u>136,985</u>	<u>606,380</u>
Cash Flows from Investing Activities		
Purchase of investments	(3,151)	(5,287)
Proceeds from sale of investments	264,922	234,719
Net Cash from Investing Activities	<u>261,771</u>	<u>229,432</u>
Net change in cash and cash equivalents	398,756	835,812
Cash and cash equivalents, beginning of year	1,710,431	874,619
Cash and Cash Equivalents, End of Year	<u>\$ 2,109,187</u>	<u>\$ 1,710,431</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, 2023 and 2022

1. DESCRIPTION OF THE ORGANIZATION

In 1957, thirty-five campus presenting professionals founded the Association of College and University Concert Managers. It expanded to include all presenting professionals, touring artists and their collaborators in the early 1980's, and the organization was renamed the Association of Performing Arts Presenters in 1988 and renamed the Association of Performing Arts Professionals (hereafter, the Association) in January 2017. The Association's mission is to develop and support all aspects of the presenting field and the professionals who work within it. This is accomplished through the annual Association of Performing Arts Professionals NYC conference each January in New York City, year-round workshops, webinars, forums, resources, publications, in-depth leadership training, travel-based opportunities, innovative practice grants, and online opportunities for professionals to gain knowledge and guidance to improve their work and advance the presenting industry. The membership includes presenters, touring artists, producers, educators, artist managers, agents, and presenting support organizations. As of June 30, 2023, the Association had 1,617 members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Association 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 assumptions 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, support, and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investment funds, which have a maturity of 90 days or less. Cash equivalents as of June 30, 2023 and 2022, consisted of money market funds.

The Association maintains its cash in a bank deposit account, which, at times, may exceed Federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per institution. As of June 30, 2023 and 2022, the Association has \$1,851,806 and \$1,457,787, respectively, in excess of FDIC insured limits. The Association has not experienced any losses in their bank deposit accounts.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. 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 generally accepted accounting principles are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial instruments consist of investments, receivables, and payables. The carrying value of the Association's financial instruments approximates their respective fair values as of June 30, 2023 and 2022.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable, Net

Accounts receivable are primarily amounts due from vendors 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. Based on management's review of uncollectible accounts receivables, an allowance for doubtful accounts was established in the amount of \$1,000 for years ended June 30, 2023 and 2022, respectively.

Pledges and Grants Receivable

Pledges and grants receivable represent grants from individuals and foundations. The Association records an allowance for doubtful accounts equal to estimated losses that will be incurred in the collection of receivables. The estimated losses are based on historical collection experience and the review of the current status of existing receivables. No allowance was recorded as of June 30, 2023 and 2022, as management deemed all pledges and grants receivable to be fully collectible.

Property and Equipment

Property and equipment purchased in excess of \$1,500, with an estimated useful life of more than one year are capitalized at cost. Donated property and equipment are capitalized at the estimated fair market value on the date received. Depreciation is recognized using the straight-line method over the estimated useful life of the assets. 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 limited 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. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

Net assets with donor restrictions also consist of contributions received from donors to be maintained by the Association in perpetuity.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Support

The Association recognizes grants and contributions when an unconditional promise to give is received. Conditional promises to give, with measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been met.

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

The Association recognizes revenue from membership dues over the membership period. The performance obligation consists of a number of services, programming, and connection to develop and support the performing arts industry. Accordingly, dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying statements of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among the program, management and general, and fundraising services that benefit from those costs. Management and general and fundraising 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. Employee time/salary allocation is considered a representative measure of the organizational effort applied to joint objectives and serve as the basis for allocation of shared expenses.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Association is a not-for-profit organization exempt from Federal income tax, other than net unrelated business income taxes, under the provisions of Section 501(c)(3) of the Internal Revenue Code and is recognized as such by the Internal Revenue Service.

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, 2023 and 2022, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status.

As of June 30, 2023, the statute of limitations for fiscal years 2020 through 2023 remains open with the U.S. Federal jurisdiction or the various 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 in the statements of activities and changes in net assets.

Liquidity and Availability of Resources

The following reflects the Association's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,109,187	\$ 1,710,431
Investments	1,954,671	2,060,326
Accounts receivable, net	40,218	7,444
Pledges and grants receivable	276,091	451,231
Financial assets, at year-end	<u>4,380,167</u>	<u>4,229,432</u>
Less: those unavailable for general expenditures within one year, due to:		
Purpose restricted	1,171,870	1,653,908
Restricted in perpetuity	811,114	811,114
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 2,397,183</u>	<u>\$ 1,764,410</u>

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements

June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued)

The Association operates within certain guidelines to ensure financial stability and adequate liquid resources to fund general expenses. The Association manages its liquidity requirements through the following 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, net assets with and without donor restrictions as related to net income, future usage, and anticipated expenditures.
2. The Association maintains a Board mandated reserve fund governed by a statement of investment policy specifically designed to address liquidity, risks, operating deficits, capital initiatives, and investment income to support operations.

Subsequent Events

The Association's management evaluated the accompanying financial statements for subsequent events and transactions through December 13, 2023, 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, 2023 and 2022.

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.

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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2023 and 2022

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, 2023 and 2022.

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 811,004	\$ -	\$ -	\$ 811,004
Fixed income mutual funds:				
Short-term	105,993	-	-	105,993
High yield	59,510	-	-	59,510
Government	24,554	-	-	24,554
Equity mutual funds:				
Large value	456,288	-	-	456,288
Large growth	77,502	-	-	77,502
Foreign	92,780	-	-	92,780
Emerging markets	75,854	-	-	75,854
Mid-cap growth	215,004	-	-	215,004
Small-cap growth	36,182	-	-	36,182
Total	\$ 1,954,671	\$ -	\$ -	\$ 1,954,671

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 713,558	\$ -	\$ -	\$ 713,558
Fixed income mutual funds:				
Short-term	377,550	-	-	377,550
High yield	68,896	-	-	68,896
Government	25,824	-	-	25,824
Equity mutual funds:				
Large value	407,535	-	-	407,535
Large growth	89,345	-	-	89,345
Foreign	78,963	-	-	78,963
Emerging markets	73,693	-	-	73,693
Mid-cap growth	191,150	-	-	191,150
Small-cap growth	33,812	-	-	33,812
Total	\$ 2,060,326	\$ -	\$ -	\$ 2,060,326

Earnings on investments for the years ended June 30, 2023 and 2022, were as follows:

	2023	2022
Dividends and interest	\$ 55,661	\$ 78,643
Realized and unrealized gain (loss)	112,000	(255,785)
Less: investment management fees	(14,922)	(17,767)
	\$ 152,739	\$ (194,909)

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2023 and 2022

3. INVESTMENTS (continued)

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, 2023 and 2022, was \$475,829 and \$738,420, respectively. The Association's Target Reserve funds are invested in certificates of deposit and money market funds, which represent \$675,067 and \$902,037, respectively, of the total invested funds as of June 30, 2023 and 2022.

4. PROPERTY AND EQUIPMENT, NET

As of June 30, 2023 and 2022 property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>Useful Life</u>
Website platform	\$ 317,021	\$ 317,021	3 to 5 years
Office equipment and furniture	81,772	81,772	3 to 5 years
Computer equipment	1,744	1,744	3 years
Computer software	138,063	138,063	3 years
AMS database	378,938	378,938	5 years
	<u>917,538</u>	<u>917,538</u>	
Less: accumulated depreciation	901,499	853,637	
Property and Equipment, Net	<u><u>\$ 16,039</u></u>	<u><u>\$ 63,901</u></u>	

Depreciation expense was \$47,862 and \$56,845, for the years ended June 30, 2023 and 2022, respectively.

5. OPERATING LEASE LIABILITY

On October 1, 2017, the Association entered into a lease agreement of intent to lease office space in the downtown business district of Washington, D.C. The ten-year and six-month lease was set to expire on March 31, 2028 and included a 7-month abatement at the start. In December 2020, the Association renewed the lease, extending the term of the lease for an additional period of three years and four months. The lease now expires on August 31, 2031 and included a 4-month abatement starting on the renewal date. The lease provides for annual rent increases of 2.5% over the term of the lease.

In connection with this lease, the Association recorded a right of use asset and a corresponding operating lease liability using an interest rate of 3.10%. The right-of-use asset and operating lease liability are being amortized over the life of the lease agreement. As of June 30, 2023 and 2022, the unamortized right-of-use asset was \$1,527,772 and \$1,749,838 respectively, and the unamortized operating lease liability was \$1,773,323 and \$1,994,990 respectively.

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2023 and 2022

5. OPERATING LEASE LIABILITY (continued)

Future minimum lease payments under the agreement as of June 30, 2023, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 239,146
2025	245,125
2026	251,253
2027	257,535
2028	265,077
Thereafter	<u>889,586</u>
Total	2,147,722
Less: present value discount	<u>(374,399)</u>
Total	<u>\$ 1,773,323</u>

6. ENDOWMENT FUNDS

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.

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 PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2023 and 2022

6. ENDOWMENT FUNDS (continued)

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund;
- the purposes of the Association and the donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the Association; and
- the investment policies of the Association.

Return Objectives and Risk Parameters

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Strategies Employed for Achieving Objectives

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

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Notes to the Financial Statements
June 30, 2023 and 2022**

6. ENDOWMENT FUNDS (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no deficiencies as of June 30, 2023 and 2022.

Composition of the Endowment by Net Assets

As of June 30, 2023 and 2022, the composition of the endowment funds was as follows:

	2023		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Donor-restricted endowment funds	\$ 467,442	\$ 811,114	\$ 1,278,556
	2022		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Donor-restricted endowment funds	\$ 361,329	\$ 811,114	\$ 1,172,443

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements
June 30, 2023 and 2022

6. ENDOWMENT FUNDS (continued)

Changes in Endowment Net Assets

For the years ended June 30, 2023 and 2022, the changes in endowment net assets were as follows:

	2023		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 361,329	\$ 811,114	\$ 1,172,443
Contributions	150	-	150
Investment return:			
Investment income	7,573	-	7,573
Net depreciation (realized and unrealized)	111,070	-	111,070
Appropriation of endowment assets for expenditure	(12,680)	-	(12,680)
Endowment Net Assets, End of Year	\$ 467,442	\$ 811,114	\$ 1,278,556
	2022		
	With Donor Restrictions - For Appropriations	With Donor Restrictions - Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 577,210	\$ 810,894	\$ 1,388,104
Contributions	-	220	220
Investment return:			
Investment income	58,892	-	58,892
Net depreciation (realized and unrealized)	(255,558)	-	(255,558)
Appropriation of endowment assets for expenditure	(19,215)	-	(19,215)
Endowment Net Assets, End of Year	\$ 361,329	\$ 811,114	\$ 1,172,443

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

Notes to the Financial Statements June 30, 2023 and 2022

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Communications Partnership	\$ -	\$ 11,382
Endowment Earnings	467,442	361,329
National Organization Initiative	261,885	362,685
Other Programs	2,545	23,545
Arts Forward	-	481,452
Capacity Building	314,998	413,515
Technology projects	125,000	-
Total	\$ 1,171,870	\$ 1,653,908

As of June 30, 2023 and 2022, the Association held the following net assets with donor restriction in perpetuity:

	<u>2023</u>	<u>2022</u>
Classical Connections	\$ 644,544	\$ 644,544
William Dawson Fund	166,570	166,570
Total	\$ 811,114	\$ 811,114

8. COMMITMENTS AND CONTINGENCIES

Contracts

The Association has entered into an agreement with the New York Hilton Midtown to provide conference facilities and room accommodations for its annual conference through 2025. The agreement contains various clauses whereby the Association is liable for liquidated damages in the event of cancellation or lower than anticipated attendance. The Management of the Association does not believe any losses will be incurred under this contract.. As of June 30, 2023, the maximum possible amount of liquidation damages per year is listed below:

<u>Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 622,965
2025	465,087
Total	\$ 1,088,052

ASSOCIATION OF PERFORMING ARTS PROFESSIONALS, INC.

**Notes to the Financial Statements
June 30, 2023 and 2022**

9. PENSION PLAN

The Association has a tax-deferred annuity plan available to employees who have completed one year of service and are scheduled to work twenty hours or more per week. Under this plan, the Association contributes 5% of the eligible employee's annual salary to the annuity program. Employees are 100% vested in employer contributions. For the years ended June 30, 2023 and 2022, no employer contributions were made to the plan.