



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, 2009 and 2008



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

June 30, 2009 and 2008

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SB & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying statement of financial position of the Association of Performing Arts Presenters, Inc. (the Association) as of June 30, 2009, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Association as of and for the year ended June 30, 2008, were audited by other auditors whose report dated October 15, 2008, expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Washington, DC
October 9, 2009

SB & Company, LLC

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

**Statements of Financial Position
As of June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 88,108	\$ 77,806
Investments	3,468,557	3,646,034
Accounts receivable, net	27,178	132,763
Pledges receivable, net	1,961,768	527,736
Property and equipment, net	263,910	276,115
Other assets	147,985	127,690
Total Assets	<u>\$ 5,957,506</u>	<u>\$ 4,788,144</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 57,978	\$ 114,744
Accrued benefits	79,221	76,874
Deferred revenue	530,357	412,524
Grants payable, net	271,061	485,355
Deferred rent and lease incentive	141,555	119,446
Capital lease payable	11,901	17,779
Total Liabilities	<u>1,092,073</u>	<u>1,226,722</u>
Net Assets		
Unrestricted	1,005,847	1,000,014
Temporarily restricted	3,081,591	1,795,982
Permanently restricted	777,995	765,426
Total Net Assets	<u>4,865,433</u>	<u>3,561,422</u>
Total Liabilities and Net Assets	<u>\$ 5,957,506</u>	<u>\$ 4,788,144</u>

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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
UNRESTRICTED NET ASSET		
Revenue and Other Support		
Annual conference	\$ 1,618,620	\$ 1,705,385
Membership dues	879,037	818,834
Publications	313,078	289,327
Contributions	197,639	246,630
Investment income	68,281	142,458
Continuing education	20,940	25,952
Other income	85,495	64,871
Total Revenue and Other Support	<u>3,183,090</u>	<u>3,293,457</u>
Satisfaction of Program Restrictions		
Net asset released from restrictions	<u>1,430,619</u>	<u>1,251,484</u>
Total Revenue	<u>4,613,709</u>	<u>4,544,941</u>
Expenses		
Program services:		
Members conference	1,600,195	1,519,528
Professional development	1,168,636	1,268,554
External and government affairs	602,979	527,802
Membership services	450,050	406,406
Total program services	<u>3,821,860</u>	<u>3,722,290</u>
Supporting services:		
General and administrative	561,443	560,134
Fundraising	224,573	222,049
Total supporting services	<u>786,016</u>	<u>782,183</u>
Total Expenses	<u>4,607,876</u>	<u>4,504,473</u>
Changes in Unrestricted Net Asset	<u>5,833</u>	<u>40,468</u>
TEMPORARILY RESTRICTED NET ASSET		
Grants	2,867,494	1,355,949
Investment loss	(151,266)	(99,453)
Net assets released from restrictions	<u>(1,430,619)</u>	<u>(1,251,484)</u>
Changes in Temporarily Restricted Net Asset	<u>1,285,609</u>	<u>5,012</u>
PERMANENTLY RESTRICTED NET ASSET		
Contributions	<u>12,569</u>	<u>13,481</u>
Changes in net assets	1,304,011	58,961
Net assets, beginning of year	<u>3,561,422</u>	<u>3,502,461</u>
Net Assets, End of Year	<u>\$ 4,865,433</u>	<u>\$ 3,561,422</u>

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

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,304,011	\$ 58,961
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	75,190	61,256
Net realized and unrealized loss on investments	163,045	79,913
Effect from changes in non-cash operating assets and liabilities:		
Accounts receivable, net	105,585	(85,696)
Pledges receivable, net	(1,434,032)	310,094
Other assets	(20,295)	(38,196)
Accounts payable and accrued expenses	(56,766)	(6,905)
Accrued benefits	2,347	31,894
Deferred revenue	117,833	(17,840)
Grants payable, net	(214,294)	(138,584)
Deferred rent and lease incentive	22,109	119,446
Net Cash from Operating Activities	<u>64,733</u>	<u>374,343</u>
Cash Flows from Investing Activities		
Purchases of investments	(2,249,810)	(2,276,325)
Proceeds from sale of investments	2,264,242	2,489,686
Purchases of property and equipment	(62,985)	(300,833)
Net Cash from Investing Activities	<u>(48,553)</u>	<u>(87,472)</u>
Cash Flows from Financing Activities		
Principal payments on capital lease obligations	(5,878)	(5,481)
Book overdraft	-	(203,584)
Net Cash from Financing Activities	<u>(5,878)</u>	<u>(209,065)</u>
Net change in cash and cash equivalents	10,302	77,806
Cash and cash equivalents, beginning of year	77,806	-
Cash and Cash Equivalents, End of Year	<u>\$ 88,108</u>	<u>\$ 77,806</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	<u>\$ 6,311</u>	<u>\$ 13,064</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, 2009 and 2008

1. ORGANIZATION

The Association of Performing Arts Presenters (the Association), exists to develop and support a robust performing arts presenting field and the professionals who work within it. The Association envisions a world where all people experience the transformative power of live performance. The performing arts presenting field is strong and vibrant - a world where performing artists are integral to all communities, where ideas circulate vigorously and freely, and where people from all cultures affirm and understand themselves and each other through the arts. To this end, the Association provides physical and virtual opportunities for meaningful, focused communication and sharing among professional peers; supports both long-established formal networks and self-identified unstructured networks; and activates networking and relationship building to create an efficient marketplace. The Association also provides people and organizations with capacity-building opportunities, so that they have or can attract the resources they need – knowledge, opportunities, funding, audiences – to build effective organizations; identifies and researches topics of interest for the field and disseminates results, as well as providing avenues for thought leadership to emerge from the field and be heard; and places the performing arts presenting field within the arena of public discourse and at the policy-making table, so as to influence public- and private-sector decision makers, arts supporters, and the general public in their civic deliberations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Guidance

In September 2006, the Financial Accounting Standards Board (FASB) Issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 provides a common definition of fair value to be applied to existing accounting principles generally accepted in the United States of America requiring the use of fair value measures, establishes a framework for measuring fair value and enhances disclosure about fair value measures under other accounting pronouncements, but does not change existing guidance as to whether or not an asset or liability is carried at fair value. SFAS No.157 is effective for fiscal years beginning after November 15, 2008, and, as such, will be adopted by the Association in 2009.

In August 2008, the FASB issued FASB Staff Position No. 117-1 (FSP FAS No. 117-1), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds*. It provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. FSP FAS 117-1 is effective for fiscal years ending after December 15, 2008, and, as such, will be adopted by the Association in 2009.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investment funds, which have a maturity of 90 days or less. Cash equivalents as of June 30, 2009 and 2008, consisted of money markets.

Fair Value Measurement

SFAS No. 157 establishes 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 FASB Statement No. 157 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;
 - 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.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

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 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 for the years ended June 30, 2009 and 2008, respectively.

Pledges Receivable

Pledges receivable represent grants from individuals, foundations and the Federal government. Pledges receivable are deemed to be fully collectible. A discount rate of 1.64% and 3.9% was used to determine the present value discount as of June 30, 2009 and 2008, respectively.

Property and Equipment

Property and equipment over \$1,500 are recorded at cost and depreciated using the straight-line method over estimated useful lives. 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 has 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. 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) are reported as unrestricted net assets.

Permanently restricted net assets are those that are restricted by donors to be maintained by the Association in perpetuity.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily 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 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 dues revenue in the accompanying statements of financial position.

Revenue and the related costs of the conference and continuing education are recognized in the year in which the conference or seminars are held. Accordingly, sponsorships paid by sponsors in advance of the conference year are reported as deferred sponsorship 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.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Association is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. The Association receives unrelated business income from advertising that is subject to the unrelated business income tax. For the years ended June 30, 2009 and 2008, the Association incurred \$6,464 and \$3,511, respectively, for unrelated business income taxes.

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, 2009.

Mutual funds: Valued at the net asset value (NAV) of shares held at year-end.

Certificate of deposit and money market funds: Valued at the relative fair value of the underlying market value of investments.

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, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposits	\$ 380,196	\$ -	\$ -	\$ 380,196
Money market funds	2,395,665	-	-	2,395,665
Mutual funds	692,696	-	-	692,696
Total	\$ 3,468,557	\$ -	\$ -	\$ 3,468,557

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2009 and 2008

3. INVESTMENTS (continued)

As of June 30, 2009 and 2008, investments consisted of the following fair values:

	<u>2009</u>	<u>2008</u>
Certificate of deposits	\$ 380,196	\$ 468,202
Money market funds	2,395,665	2,328,082
Fixed income mutual funds	164,146	331,121
Equity mutual funds	528,550	518,629
Total investments	<u>\$ 3,468,557</u>	<u>\$ 3,646,034</u>

For the years ended June 30, 2009 and 2008, investment income consisted of the following:

	<u>2009</u>	<u>2008</u>
Dividends and interest	\$ 80,060	\$ 122,918
Realized and unrealized losses	(163,045)	(79,913)
Total investment income	<u>\$ (82,985)</u>	<u>\$ 43,005</u>

The Board of Directors have a Target Reserve goal for the Association. That reserve balance is established annually. The Target Reserve goal for June 30, 2009 and 2008, was \$760,000 and \$705,000, respectively. The Association's Target Reserve funds are invested in certificates of deposit and money market funds, which represents approximately \$1,127,957 and \$1,090,090 of the total invested funds as of June 30, 2009 and 2008, respectively.

4. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2009 and 2008, include the following unconditional promises to give:

	<u>2009</u>	<u>2008</u>
Amounts due in:		
Less than one year	\$ 1,376,325	\$ 9,287
One to five years	643,500	560,000
	<u>2,019,825</u>	<u>569,287</u>
Less: Present value discount	(58,057)	(41,551)
Pledges receivable, net	<u>\$ 1,961,768</u>	<u>\$ 527,736</u>

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2009 and 2008

5. PROPERTY AND EQUIPMENT

As of June 30, 2009 and 2008, property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>	<u>Useful Lives</u>
Website platform	\$ 133,168	\$ 97,658	3 to 5 years
Office equipment and furniture	99,413	98,021	3 to 5 years
Leasehold improvements	67,998	67,998	Term of lease
Computer equipment	57,277	57,277	3 years
Computer software	39,409	35,809	3 years
CRM database	22,483	-	5 years
	<u>419,748</u>	<u>356,763</u>	
Less: Accumulated depreciation	<u>(155,838)</u>	<u>(80,648)</u>	
Property and equipment, net	<u><u>\$ 263,910</u></u>	<u><u>\$ 276,115</u></u>	

Depreciation expense for the years ended June 30, 2009 and 2008, was \$75,190 and \$61,256, respectively.

6. GRANTS PAYABLE

Grants payable includes grants awarded under the Creative Campus Innovations Grants Program, Ensemble Theatre Initiative Grants and Cultural Exchange Fund. As of June 30, 2009 and 2008, grants payable are due as follows:

	<u>2009</u>	<u>2008</u>
Within one year	\$ 271,061	\$ 343,150
One to five years	-	180,471
Subtotal	<u>271,061</u>	<u>523,621</u>
Less: present value discount	-	(38,266)
Total grants payable, net	<u><u>\$ 271,061</u></u>	<u><u>\$ 485,355</u></u>

Balances are fully payable upon the satisfaction of the programmatic requirement. Approximately 78% and 80% of the grants payable as of June 30, 2009 and 2008, respectively, represents the Creative Campus re-granting awards with final payment scheduled for fiscal year 2010. Creative Campus Innovations Grant Program is a competitive re-granting program that provides support to college and university presenters for a variety of campus-based activities that fully integrate the work of presenters into the life of the academy and the community. The Cultural Exchange Fund is a travel subsidy program that assists presenting professionals to build cross-cultured partnerships and collaborations with artists from outside the United States of America that lead to expanded presenting and touring opportunities for deserving work. The program will also support long term international cultural exchange projects, residencies and commissions

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2009 and 2008

7. ENDOWMENT

The Association's endowment consists of two funds established for programs. Its endowment includes donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), 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 State Prudent Management of Institutional Funds Act (SPMIFA) 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 SPMIFA.

In accordance with SPMIFA, 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 organization 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, 2009 and 2008

7. 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 SPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in temporarily restricted net assets were \$96,571 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board.

Composition of the Endowment by Net Assets

As of June 30, 2009, the composition of the endowment is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ (96,571)</u>	<u>\$ 777,995</u>	<u>\$ 681,424</u>

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

**Notes to the Financial Statements
June 30, 2009 and 2008**

7. ENDOWMENT (continued)

Changes in Endowment Net Assets

For the year ended June 30, 2009, the changes in endowment net assets are the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 54,695	\$ 765,426	\$ 820,121
Investment return:			
Investment income	11,779	-	11,779
Net depreciation (realized and unrealized)	<u>(163,045)</u>	<u>-</u>	<u>(163,045)</u>
Total investment return	(151,266)	-	(151,266)
Contributions	-	12,569	12,569
Endowment Net Assets, End of Year	<u>\$ (96,571)</u>	<u>\$ 777,995</u>	<u>\$ 681,424</u>

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2009</u>	<u>2008</u>
National Organization Initiative	\$ 617,927	\$ 988,449
Creative Campus	2,096,856	336,075
Ensemble Theater Initiative	16,750	238,479
Other Programs	254,350	150,000
Cultural Exchange	192,279	28,284
Endowment Earnings	<u>(96,571)</u>	54,695
Total	<u>\$ 3,081,591</u>	<u>\$ 1,795,982</u>

9. PERMANENTLY RESTRICTED NET ASSETS

As of June 30, 2009 and 2008, the Association held the following permanently restricted net assets:

	<u>2009</u>	<u>2008</u>
Classical Connections	\$ 621,800	\$ 621,800
William Dawson Fund	<u>156,195</u>	<u>143,626</u>
Total	<u>\$ 777,995</u>	<u>\$ 765,426</u>

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2009 and 2008

10. COMMITMENTS AND CONTINGENCIES

Operating Lease

During the fiscal 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 will expire September 30, 2017. The lease provides for annual rent increases of 2.5% over the term of the lease.

Additionally, under the terms of this lease, the Association received from the landlord an incentive to enter into the lease agreement, which amount is included in accounts receivable as of June 30, 2008, in the accompanying statement of financial position. Under GAAP, 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 GAAP rent expense and the required lease payment is reflected as deferred rent and lease incentive in the accompanying statements of financial position.

As of June 30, 2009, future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2010	\$ 292,030
2011	299,331
2012	306,814
2013	319,610
2014	329,309
2015 and thereafter	1,127,353
Total	\$ 2,674,447

Capital Lease

During 2007, the Association leased a copier under a lease that is classified as a capital lease for financial reporting purposes. The lease expires April 30, 2011. The leased equipment is included in property and equipment at a cost of \$29,190 with accumulated depreciation of \$18,487 and \$12,649, as of June 30, 2009 and 2008, respectively.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements June 30, 2009 and 2008

10. COMMITMENTS AND CONTINGENCIES (continued)

Capital Lease (continued)

As of June 30, 2009, future minimum payments under the capital lease are as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2010	\$ 6,936
2011	5,780
Total future lease commitments	12,716
Less: Lease amount representing interest	(815)
Present value of minimum lease payments	\$ 11,901

Contracts

The Association has entered into agreements with hotels to provide conference facilities and room accommodations for its annual conference through 2015. 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, 2009, the maximum possible amount of liquidation damages is listed in the total below:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2010	\$ 709,186
2011	569,085
2012	479,430
2013	515,593
2014	553,589
2015	593,452
Total	\$ 3,420,335

11. RELATED PARTY TRANSACTIONS

The Association entered into an agreement, effective April 19, 2004, with the American Arts Alliance, formerly known as Performing Arts Alliance, Inc. (PAA) whereby the Association provides the services as required by the PAA, a nonprofit organization. The executive director of the Association is the secretary 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, 2009 and 2008, were \$72,670 and \$49,124, respectively, and are included in other income in the accompanying statements of activities and changes in net assets.

ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.

Notes to the Financial Statements

June 30, 2009 and 2008

11. RELATED PARTY TRANSACTIONS (continued)

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. For the years ended June 30, 2009 and 2008, the Association awarded \$41,200 to organizations represented by members of its Board. The Association's Board adopted a conflict of interest to address any perceived conflicts.

12. 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, 2009 and 2008, total pension expense was \$32,768 and \$32,897, respectively.