



Association of Performing Arts Presenters

## **Financial Statements**

*For the Years Ended June 30, 2006 and 2005*



**and  
Report Thereon**





**RAFFA**

## **INDEPENDENT AUDITOR'S REPORT**

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

CONSULTING

ACCOUNTING

TECHNOLOGY

*Certified Public  
Accountants*

We have audited the accompanying statements of financial position of the Association of Performing Arts Presenters, Inc. (Arts Presenters) as of June 30, 2006 and 2005, and the related statement of activities and cash flows for the years then ended. These financial statements are the responsibility of Arts Presenters' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts Presenters as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Raffa, P.C.*

**RAFFA, P.C.**

Washington, D.C.  
September 1, 2006

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2006 and 2005

ASSETS	2006	2005
Cash	\$ 8,880	\$ 100,416
Investments	3,280,986	2,741,352
Accounts receivable, net	69,663	39,955
Pledges receivable	1,517,145	629,918
Other current assets	58,158	65,723
Property and equipment, net	48,265	40,217
<b>TOTAL ASSETS</b>	<b>\$ 4,983,097</b>	<b>\$ 3,617,581</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 31,520	\$ 8,960
Accrued benefits	54,963	43,291
Deferred sponsorship revenue	15,500	-
Deferred dues revenue	394,895	418,457
Grants payable	60,365	-
Capital lease payable	28,372	-
<b>TOTAL LIABILITIES</b>	<b>585,615</b>	<b>470,708</b>
Net Assets		
Unrestricted	937,927	881,244
Temporarily restricted	2,724,238	1,539,163
Permanently restricted	735,317	726,466
<b>TOTAL NET ASSETS</b>	<b>4,397,482</b>	<b>3,146,873</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,983,097</b>	<b>\$ 3,617,581</b>

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

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2006 Total</u>
<b>REVENUE AND SUPPORT</b>				
Grants	\$ -	\$ 2,155,603	\$ -	\$ 2,155,603
Annual Conference	1,272,396	-	-	1,272,396
Membership dues	837,233	-	-	837,233
Publications	242,808	-	-	242,808
Contributions	182,457	-	8,851	191,308
Other income	110,712	-	-	110,712
Investment income	56,802	32,863	-	89,665
Continuing education	31,924	-	-	31,924
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>1,003,391</u>	<u>(1,003,391)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>3,737,723</u>	<u>1,185,075</u>	<u>8,851</u>	<u>4,931,649</u>
<b>EXPENSES</b>				
Program services:				
Members conference	1,074,479	-	-	1,074,479
Professional development	1,072,250	-	-	1,072,250
External and government affairs	553,329	-	-	553,329
Membership services	<u>321,504</u>	<u>-</u>	<u>-</u>	<u>321,504</u>
Total Program Services	<u>3,021,562</u>	<u>-</u>	<u>-</u>	<u>3,021,562</u>
Supporting services:				
General and administrative services	383,810	-	-	383,810
Fundraising	<u>275,668</u>	<u>-</u>	<u>-</u>	<u>275,668</u>
Total Supporting Services	<u>659,478</u>	<u>-</u>	<u>-</u>	<u>659,478</u>
<b>TOTAL EXPENSES</b>	<u>3,681,040</u>	<u>-</u>	<u>-</u>	<u>3,681,040</u>
<b>CHANGE IN NET ASSETS</b>	56,683	1,185,075	8,851	1,250,609
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>881,244</u>	<u>1,539,163</u>	<u>726,466</u>	<u>3,146,873</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 937,927</u>	<u>\$ 2,724,238</u>	<u>\$ 735,317</u>	<u>\$ 4,397,482</u>

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of these financial statements.

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2005 Total</u>
<b>REVENUE AND SUPPORT</b>				
Annual Conference	\$ 1,125,639	\$ -	\$ -	\$ 1,125,639
Membership dues	869,020	-	-	869,020
Grants	-	1,575,000	-	1,575,000
Contributions	196,521	-	327,155	523,676
Publications	181,714	-	-	181,714
Investment income	51,893	31,670	-	83,563
Other income	101,184	-	-	101,184
Continuing education	28,737	-	-	28,737
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>860,909</u>	<u>(860,909)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>3,415,617</u>	<u>745,761</u>	<u>327,155</u>	<u>4,488,533</u>
<b>EXPENSES</b>				
Program services:				
Members conference	994,134	-	-	994,134
Professional development	727,537	-	-	727,537
External and government affairs	678,852	-	-	678,852
Membership services	<u>392,910</u>	<u>-</u>	<u>-</u>	<u>392,910</u>
Total Program Services	<u>2,793,433</u>	<u>-</u>	<u>-</u>	<u>2,793,433</u>
Supporting services:				
General and administrative services	394,731	-	-	394,731
Fundraising	<u>160,739</u>	<u>-</u>	<u>-</u>	<u>160,739</u>
Total Supporting Services	<u>555,470</u>	<u>-</u>	<u>-</u>	<u>555,470</u>
<b>TOTAL EXPENSES</b>	<u>3,348,903</u>	<u>-</u>	<u>-</u>	<u>3,348,903</u>
<b>CHANGE IN NET ASSETS</b>	66,714	745,761	327,155	1,139,630
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>814,530</u>	<u>793,402</u>	<u>399,311</u>	<u>2,007,243</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 881,244</u>	<u>\$ 1,539,163</u>	<u>\$ 726,466</u>	<u>\$ 3,146,873</u>

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

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**STATEMENT OF CASH FLOWS**  
**For the Years Ended June 30, 2006 and 2005**  
**Increase (Decrease) in Cash**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,250,609	\$ 1,139,630
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,142	24,495
Bad debt expense	2,872	8,210
Discount on pledges receivable	24,398	-
Net realized and unrealized loss (gain) on investments	10,401	(8,813)
Changes in assets and liabilities:		
Accounts receivable	(32,580)	20,063
Pledges receivable	(911,625)	(230,260)
Other current assets	7,565	3,229
Accounts payable and accrued expenses	22,560	(36,641)
Accrued compensation and benefits	11,672	(3,545)
Deferred sponsorship revenue	15,500	-
Deferred dues revenue	(23,562)	(636)
Grants payable	60,365	(35,000)
	<u>459,317</u>	<u>880,732</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(6,720)
Proceeds from sales of investments	1,714,436	1,799,363
Purchases of investments	(2,264,471)	(2,692,702)
	<u>(550,035)</u>	<u>(900,059)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(818)</u>	<u>-</u>
	<u>(818)</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	(91,536)	(19,327)
CASH, BEGINNING OF YEAR	<u>100,416</u>	<u>119,743</u>
CASH, END OF YEAR	<u>\$ 8,880</u>	<u>\$ 100,416</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment purchased under a capital lease	\$ (29,190)	\$ -
Obligation incurred under a capital lease	29,190	-
Net Cash Outlay	<u>\$ -</u>	<u>\$ -</u>

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

# **ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2006 and 2005**

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### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

The Association of Performing Arts Presenters, Inc. (Arts Presenters) is a membership organization, dedicated to bringing performing artists and audiences together in every place and way imaginable. To fulfill this mission, Arts Presenters' goals are to advance the field of presenting; expand the knowledge and shape thinking about increased participation in the performing arts; ensure sustainability of performing Arts Presenters; and promote global cultural exchange through the performing arts. Arts Presenters achieves its goal by providing visionary thinking, professional development, resource sharing and advocacy, in support of its members and all those who create and disseminate the performing arts. These activities are funded primarily through membership dues, the annual conference, grants, contributions and publications.

#### **Cash**

Arts Presenters considers all checking accounts and demand deposits to be cash. Money market accounts are held for investment purposes and are therefore included in investments in the accompanying financial statements.

#### **Investments**

Investments are comprised of mutual funds, certificate of deposits, corporate bonds and money market funds and are recorded in the accompanying financial statements at fair value based on quoted market prices.

#### **Accounts Receivable**

Accounts receivable are primarily from advertising fees. Arts Presenters uses the allowance method to reserve for uncollectible accounts.

#### **Inventory**

Inventory consists of publications for resale and is valued at the lower of cost or market value using the first-in, first-out basis of inventory valuation. Inventory is included in other current assets in the accompanying statements of financial position.

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# **ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2006 and 2005**

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Property and Equipment**

Property and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives of three to five years, with no salvage value. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed as incurred.

#### **Classification of Net Assets**

The net assets of Arts Presenters are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of Arts Presenters' operations. Arts Presenters' designates and maintains a portion of its unrestricted net assets as a reserve fund with a minimum, maximum, and target reserve amount established annually by the Board of Directors.
- Temporarily restricted net assets are specifically restricted by donors for various programs.
- Permanently restricted net assets represent funds that require the principal to be maintained in perpetuity.

#### **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.

Arts Presenters reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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

**Continued**

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2006 and 2005**

1. Organization and Summary of Significant Accounting Policies (continued)

**Allocation of Expenses**

The costs of providing the various programs and activities have been summarized by program and supporting services in the accompanying statements of activities. Expenses which are not directly charged to a program or supporting service are allocated among the programs and supporting services based upon salaries.

**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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

2. Investments

As of June 30, 2006 and 2005, investments consisted of the following fair market values:

	<u>2006</u>	<u>2005</u>
Fixed income mutual funds	\$ 297,188	\$1,098,343
Money market funds	1,560,303	1,345,382
Corporate bonds	-	297,627
Certificate of deposits	941,776	-
Equity mutual funds	<u>481,719</u>	<u>-</u>
Total investments	<u>\$ 3,280,986</u>	<u>\$2,741,352</u>

For the years ended June 30, 2006 and 2005, investment income, including interest earned on Arts Presenters' cash accounts, consisted of the following:

	<u>2006</u>	<u>2005</u>
Dividends and interest	\$ 100,066	\$ 74,750
Realized and unrealized gains (losses)	<u>(10,401)</u>	<u>8,813</u>
Total investment income	<u>\$ 89,665</u>	<u>\$ 83,563</u>

Continued

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2006 and 2005**

3. Pledges Receivable

Pledges receivable represent grants from individuals, foundations and the federal government and are due to be received as follows:

	<u>2006</u>	<u>2005</u>
Within one year	\$ 1,032,843	\$ 541,918
One to five years	<u>508,700</u>	<u>88,000</u>
Subtotal	1,541,543	629,918
Less: present value discount	<u>(24,398)</u>	<u>-</u>
Total	<u>\$ 1,517,145</u>	<u>\$ 629,918</u>

Pledges receivable are deemed to be fully collectible. Approximately 84% and 81% of pledges receivable as of June 30, 2006 and 2005 are due from one contributor. A discount rate of 5.1% was used to determine the present value discount.

4. Property and Equipment and Related Depreciation and Amortization

As of June 30, 2006 and 2005, Arts Presenters held the following property and equipment:

	<u>2006</u>	<u>2005</u>
Office equipment and furniture	\$ 26,830	\$ 26,830
Office equipment under capital lease	29,190	-
Computer equipment	73,462	73,462
Computer software	<u>20,327</u>	<u>20,327</u>
Total	149,809	120,619
Less: accumulated depreciation and amortization	<u>(101,544)</u>	<u>(80,402)</u>
Net furniture, equipment and software	<u>\$ 48,265</u>	<u>\$ 40,217</u>

Depreciation and amortization expense for the years ended June 30, 2006 and 2005 was \$21,142 and \$24,495, respectively.

Continued

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2006 and 2005**

5. Capital Lease

During 2006 Arts Presenters 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 \$973, as of June 30, 2006. Depreciation expense for the equipment acquired through the capital lease was \$973 for the year ended June 30, 2006.

As of June 30, 2006, future minimum payments under the capital lease are as follows:

For the Years Ending <u>June 30,</u>	
2007	\$ 6,936
2008	6,936
2009	6,936
2010	6,936
2011	<u>5,780</u>
Total future lease commitments	33,524
Lease amount representing interest	<u>(5,152)</u>
Present value of minimum lease payments	<u>\$ 28,372</u>

6. Temporarily Restricted Net Assets

As of June 30, 2006 and 2005, Arts Presenters held the following temporarily restricted net assets:

	<u>2006</u>	<u>2005</u>
Ensemble Theater Initiative	\$ 975,112	\$1,280,636
Professional Development/Annual Conference	52,000	75,218
Arts Accessibility Awards	-	50,000
Dance Leadership	-	30,000
Creative Campus	1,561,179	-
Arts Education	50,000	6,000
Other Programs	12,049	48,277
Endowment Earnings	<u>73,898</u>	<u>49,032</u>
Total	<u>\$2,724,238</u>	<u>\$1,539,163</u>

Continued

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

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7. Permanently Restricted Net Assets

As of June 30, 2006 and 2005, Arts Presenters held the following permanently restricted net assets:

	<u>2006</u>	<u>2005</u>
Classical Connections	\$ 622,500	\$ 620,300
William Dawson Fund	<u>112,817</u>	<u>106,166</u>
Total	<u>\$ 735,317</u>	<u>\$ 726,466</u>

8. Risks and Commitments

**Concentration of Credit Risk**

Arts Presenters' cash is comprised of amounts in accounts at two financial institutions. While amounts at a given bank at times exceed the amount guaranteed by federal agencies and, therefore, bear some risk, Arts Presenters has not experienced, nor does it anticipate, any losses on its funds. As of June 30, 2006, and 2005, the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit of \$100,000 was \$1,473,912 and \$959,600, respectively.

**Office Lease**

Arts Presenters entered into a non-cancelable operating lease, which expires in September 2006, for its current office space. The lease is subject to an annual escalation of 3% and operating expenses and real estate taxes. As of June 30, 2006, future minimum rental payments under this lease are \$39,467. Arts Presenters is currently in negotiations on a new lease at its present location.

Rent expense for the years ended June 30, 2006 and 2005 was \$156,954 and \$157,441, respectively.

**Contracts**

Arts Presenters has entered into agreements with several hotels to provide conference facilities and room accommodations for its annual conference through 2010. The agreements contain various clauses whereby Arts Presenters is liable for liquidated damages in the event of cancellation or lower than anticipated attendance. Management of Arts Presenters does not believe that any losses will be incurred under these contracts. As of June 30, 2006 the maximum possible amount of liquidation damages was approximately \$259,000. However, Arts Presenters has purchased an insurance policy to mitigate any potential losses.

**ASSOCIATION OF PERFORMING ARTS PRESENTERS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2006 and 2005**

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9. Related Party

Arts Presenters entered into an agreement, effective April 19, 2004, with the American Arts Alliance, Inc. (“AAA”) whereby Arts Presenters provides the services of the Arts Presenters’ staff as required by the AAA, a nonprofit organization. The executive director of Arts Presenters is the secretary of the Board of Directors of the AAA. The AAA pays Arts Presenters for the actual direct and indirect costs incurred by Arts Presenters in performing services for the AAA, which includes salaries, fringe benefits, rent, and utilities. Fees earned from the AAA for the years ended June 30, 2006 and 2005 were \$72,940 and \$72,289, respectively, which includes \$64,419 and \$59,755 for salary and fringe benefits, respectively, and are included in other income in the accompanying statement of activities.

10. Pension Plan

Arts Presenters 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, Arts Presenters contributes 5% of the eligible employee’s annual salary to an annuity program. Employees are 100% vested in employer contributions. For the years ended June 30, 2006 and 2005, total pension expense was \$48,066 and \$35,686, respectively.

11. Income Taxes

Arts Presenters 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. Arts Presenters receives unrelated business income from advertising that is subject to the unrelated business income tax. For the years ended June 30, 2006 and 2005, no provision for income taxes was required as Arts Presenters had no net unrelated business income.