



Association of Performing Arts Presenters

## **Financial Statements**

*For the Years Ended June 30, 2007 and 2006*



**and  
Report Thereon**





## INDEPENDENT AUDITOR'S REPORT

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

CONSULTING  
ACCOUNTING  
TECHNOLOGY

We have audited the accompanying statements of financial position of the Association of Performing Arts Presenters, Inc. (Arts Presenters) as of June 30, 2007 and 2006, 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.

*Certified Public  
Accountants*

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, 2007 and 2006, 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.  
October 5, 2007

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2007 and 2006**

ASSETS	2007	2006
Cash	\$ -	\$ 8,880
Investments	3,939,308	3,280,986
Accounts receivable, net	47,067	69,663
Pledges receivable	837,830	1,517,145
Other current assets	89,494	58,158
Property and equipment, net	36,538	48,265
<b>TOTAL ASSETS</b>	<b>\$ 4,950,237</b>	<b>\$ 4,983,097</b>
LIABILITIES AND NET ASSETS		
Book overdraft	\$ 203,584	\$ -
Accounts payable and accrued expenses	121,649	31,520
Accrued benefits	44,980	54,963
Deferred sponsorship revenue	30,000	15,500
Deferred dues revenue	400,364	394,895
Grants payable	623,939	60,365
Capital lease payable	23,260	28,372
<b>TOTAL LIABILITIES</b>	<b>1,447,776</b>	<b>585,615</b>
Net Assets		
Unrestricted	959,546	937,927
Temporarily restricted	1,790,970	2,724,238
Permanently restricted	751,945	735,317
<b>TOTAL NET ASSETS</b>	<b>3,502,461</b>	<b>4,397,482</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,950,237</b>	<b>\$ 4,983,097</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, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total
<b>REVENUE AND SUPPORT</b>				
Grants	\$ -	\$ 1,235,898	\$ -	\$ 1,235,898
Annual conference	1,499,565	-	-	1,499,565
Membership dues	798,712	-	-	798,712
Publications	267,209	-	-	267,209
Contributions	262,310	-	16,628	278,938
Other income	88,859	-	-	88,859
Investment income	154,143	110,101	-	264,244
Continuing education	36,538	-	-	36,538
Net assets released from restrictions:				
Satisfaction of program restrictions	2,279,267	(2,279,267)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>5,386,603</b>	<b>(933,268)</b>	<b>16,628</b>	<b>4,469,963</b>
<b>EXPENSES</b>				
Program services:				
Members conference	1,280,118	-	-	1,280,118
Professional development	2,412,737	-	-	2,412,737
External and government affairs	656,455	-	-	656,455
Membership services	352,670	-	-	352,670
<b>Total Program Services</b>	<b>4,701,980</b>	<b>-</b>	<b>-</b>	<b>4,701,980</b>
Supporting services:				
General and administrative	421,527	-	-	421,527
Fundraising	241,477	-	-	241,477
<b>Total Supporting Services</b>	<b>663,004</b>	<b>-</b>	<b>-</b>	<b>663,004</b>
<b>TOTAL EXPENSES</b>	<b>5,364,984</b>	<b>-</b>	<b>-</b>	<b>5,364,984</b>
<b>CHANGE IN NET ASSETS</b>	<b>21,619</b>	<b>(933,268)</b>	<b>16,628</b>	<b>(895,021)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>937,927</b>	<b>2,724,238</b>	<b>735,317</b>	<b>4,397,482</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 959,546</b>	<b>\$ 1,790,970</b>	<b>\$ 751,945</b>	<b>\$ 3,502,461</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	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>

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, 2007 and 2006**  
**Increase (Decrease) in Cash**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (895,021)	\$ 1,250,609
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,747	21,142
Bad debt expense	-	2,872
Discount on pledges receivable	(24,398)	24,398
Discount on grants payable	(42,966)	-
Net realized and unrealized loss (gain) on investments	(117,680)	10,401
Changes in assets and liabilities:		
Accounts receivable	22,596	(32,580)
Pledges receivable	703,713	(911,625)
Other current assets	(31,336)	7,565
Accounts payable and accrued expenses	90,128	22,560
Accrued compensation and benefits	(9,983)	11,672
Deferred sponsorship revenue	14,500	15,500
Deferred dues revenue	5,469	(23,562)
Grants payable	606,540	60,365
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>342,309</u>	<u>459,317</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(9,020)	-
Proceeds from sales of investments	217,761	1,714,436
Purchases of investments	(758,402)	(2,264,471)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(549,661)</u>	<u>(550,035)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligation	(5,112)	(818)
Book overdraft	203,584	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>198,472</u>	<u>(818)</u>
<b>NET DECREASE IN CASH</b>	<u>(8,880)</u>	<u>(91,536)</u>
<b>CASH, BEGINNING OF YEAR</b>	<u>8,880</u>	<u>100,416</u>
<b>CASH, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 8,880</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Equipment purchased under a capital lease	\$ -	\$ (29,190)
Obligation incurred under a capital lease	-	29,190
<b>Net Cash Outlay</b>	<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, 2007 and 2006**

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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 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, 2007 and 2006**

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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.

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

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2007 and 2006**

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, 2007 and 2006, investments consisted of the following fair market values:

	<u>2007</u>	<u>2006</u>
Certificate of deposits	\$ 744,674	\$ 941,776
Money market funds	2,300,375	1,560,303
Fixed income mutual funds	313,492	297,188
Equity mutual funds	<u>580,767</u>	<u>481,719</u>
Total investments	<u>\$ 3,939,308</u>	<u>\$3,280,986</u>

For the years ended June 30, 2007 and 2006, investment income, including interest earned on Arts Presenters' cash accounts, consisted of the following:

	<u>2007</u>	<u>2006</u>
Dividends and interest	\$ 146,564	\$ 100,066
Realized and unrealized gains (losses)	<u>117,680</u>	<u>(10,401)</u>
Total investment income	<u>\$ 264,244</u>	<u>\$ 89,665</u>

Arts Presenters Target Reserve funds are invested in certificates of deposit and money market funds, which represents approximately \$857,000 of the total invested funds at June 30, 2007.

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

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2007 and 2006**

3. Pledges Receivable

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

	<u>2007</u>	<u>2006</u>
Within one year	\$ 802,980	\$1,032,843
One to five years	<u>34,850</u>	<u>508,700</u>
Subtotal	837,830	1,541,543
Less: present value discount	<u>-</u>	<u>(24,398)</u>
Total	<u>\$ 837,830</u>	<u>\$1,517,145</u>

Pledges receivable are deemed to be fully collectible. Approximately 60% and 84% of pledges receivable as of June 30, 2007 and 2006 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, 2007 and 2006, Arts Presenters held the following property and equipment:

	<u>2007</u>	<u>2006</u>
Office equipment and furniture	\$ 29,325	\$ 26,830
Office equipment under capital lease	29,190	29,190
Computer equipment	60,093	73,462
Computer software	<u>21,202</u>	<u>20,327</u>
Total	139,810	149,809
Less: accumulated depreciation and amortization	<u>(103,272)</u>	<u>(101,544)</u>
Net property and equipment	<u>\$ 36,538</u>	<u>\$ 48,265</u>

Depreciation and amortization expense for the years ended June 30, 2007 and 2006 was \$20,747 and \$21,142, respectively.

Continued

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

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2007 and 2006**

5. Capital Lease

During 2007 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 \$6,811, as of June 30, 2007. Depreciation expense for the equipment acquired through the capital lease was \$5,838 for the year ended June 30, 2007.

As of June 30, 2007, future minimum payments under the capital lease are as follows:

For the Years Ending <u>June 30,</u>	
2008	\$ 6,936
2009	6,936
2010	6,936
2011	<u>5,780</u>
Total future lease commitments	26,588
Lease amount representing interest	<u>(3,328)</u>
Present value of minimum lease payments	<u>\$ 23,260</u>

6. Grants Payable

Grants payable represents Creative Campus Innovations Grants Program and Ensemble Theatre Initiative Grants payable as follows:

Within one year	\$ 166,905
One to five years	<u>500,000</u>
Subtotal	666,905
Less: present value discount	<u>(42,966)</u>
Total	<u>\$ 623,939</u>

Balances are fully payable upon the satisfaction of the programmatic requirement. Approximately 95% of the grants payable as of June 30, 2007 represents the Creative Campus re-granting awards with final payment scheduled for August 2009. Creative Campus Innovations Grant Program is a competitive re-granting program that provides support to

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

**NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2007 and 2006**

6. Grants Payable (continued)

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. Grants were awarded in February 2007 to support eight unique projects that will be administered over a two-year period. The Ensemble Theatre Collaborations Grant and Travel Subsidy Program is a two-year, \$1.3 million pilot program with three complimentary components: project grants, travel subsidies and Under the Radar Festival and Symposium. Approximately \$34,000 of pilot program travel grants are payable at June 30, 2007.

7. Temporarily Restricted Net Assets

As of June 30, 2007 and 2006, Arts Presenters held the following temporarily restricted net assets:

	<u>2007</u>	<u>2006</u>
Ensemble Theater Initiative	\$1,071,070	\$ 975,112
Professional Development/Annual Conference	-	52,000
Creative Campus	415,655	1,561,179
Arts Education	-	50,000
Other Programs	150,097	12,049
Endowment Earnings	<u>154,148</u>	<u>73,898</u>
Total	<u>\$1,790,970</u>	<u>\$2,724,238</u>

Arts Presenters has secured additional funding to continue the Ensemble Theatre Initiative through June 30, 2008.

8. Permanently Restricted Net Assets

As of June 30, 2007 and 2006, Arts Presenters held the following permanently restricted net assets:

	<u>2007</u>	<u>2006</u>
Classical Connections	\$ 621,800	\$ 622,500
William Dawson Fund	<u>130,145</u>	<u>112,817</u>
Total	<u>\$ 751,945</u>	<u>\$ 735,317</u>

Continued

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

## **NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2007 and 2006**

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### 9. Risks and Commitments

#### **Concentration of Credit Risk**

Arts Presenters' cash and money market fund investments are 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, 2007, and 2006, the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit of \$100,000 was \$2,005,126 and \$1,473,912, respectively.

#### **Office Lease**

In October 2006, Arts Presenters entered into a six year operating lease expiring in September 2012 for its current office space. Arts Presenters had the right to terminate the lease effective on September 30, 2007, and exercised its option to terminate during the fiscal year ended June 30, 2007. As of June 30, 2007, the future minimum rental payment under lease and subsequent addendum is \$63,077.

Subsequent to the fiscal year ended June 30, 2007, Arts Presenters entered into a lease for new office space located in Washington, DC. The lease commences October 1, 2007 and will expire September 30, 2017. The lease provides for annual rent increases over the term of the lease.

Rent expense for the years ended June 30, 2007 and 2006 was \$178,335 and \$156,954, respectively.

#### **Contracts**

Arts Presenters has entered into agreements with 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, 2007 the maximum possible amount of liquidation damages was approximately \$966,000. 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, 2007 and 2006**

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10. 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, 2007 and 2006 were \$76,514 and \$72,940, respectively, which includes \$66,115 and \$64,419 for salary and fringe benefits, respectively, and are included in other income in the accompanying statement of activities.

11. 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, 2007 and 2006, total pension expense was \$39,632 and \$48,066, respectively.

12. 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, 2007 and 2006, Arts Presenters’ paid \$3,285 and \$0, respectively for unrelated business income taxes.