



Financial Statements and
Independent Auditor's Report

June 30, 2016 and 2015



PROFESSIONAL ASSOCIATION FOR SQL SERVER

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Professional Association for SQL Server

We have audited the accompanying financial statements of Professional Association for SQL Server (an Illinois not-for-profit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Professional Association for SQL Server as of June 30, 2016 and 2015, 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.

FGMK, LLC

Bannockburn, Illinois
November 9, 2016

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	ASSETS	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,998,135	\$ 2,152,874
Investments	1,157,376	1,138,761
Accounts receivable	231,105	52,088
Prepaid expenses	323,895	314,257
Refundable income taxes	<u>29,000</u>	<u>64,000</u>
	<u>\$ 3,739,511</u>	<u>\$ 3,721,980</u>
	LIABILITIES AND NET ASSETS	
LIABILITIES		
Accounts payable	\$ 464,917	\$ 332,476
Deferred revenue	2,438,630	2,247,810
Deferred income taxes	<u>5,000</u>	<u>65,000</u>
	2,908,547	2,645,286
NET ASSETS	<u>830,964</u>	<u>1,076,694</u>
	<u>\$ 3,739,511</u>	<u>\$ 3,721,980</u>

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT		
Membership education and services:		
Conferences and seminars	\$ 8,625,088	\$ 8,047,440
Charter and Founder member support	174,000	78,000
Advertising	237,315	65,998
Global Alliance Partner dues	65,000	103,037
Investment return	21,916	4,604
Miscellaneous	15,895	10,368
	<u>9,139,214</u>	<u>8,309,447</u>
EXPENSES		
Program:		
Membership education and services:		
Conferences and seminars	4,817,339	4,926,275
Marketing	730,669	662,778
Advertising sales	365,187	-
Community programs	271,167	158,002
Regional users groups	82,475	98,514
Special projects	78,059	172,508
Special interest groups	30,231	30,498
Global initiatives	29,233	12,423
Volunteer support	8,514	17,719
	<u>6,412,874</u>	<u>6,078,717</u>
Total program expenses		
General and administrative:		
Headquarters administration	2,087,828	1,714,324
Technology support	719,971	562,658
Board support	243,856	215,067
	<u>3,051,655</u>	<u>2,492,049</u>
Total general and administrative expenses		
Total expenses	<u>9,464,529</u>	<u>8,570,766</u>
CHANGE IN NET ASSETS BEFORE PROVISION FOR INCOME TAXES	<u>(325,315)</u>	<u>(261,319)</u>
BENEFIT FROM INCOME TAXES	<u>79,585</u>	<u>69,189</u>
CHANGE IN NET ASSETS	<u>(245,730)</u>	<u>(192,130)</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,076,694</u>	<u>1,268,824</u>
NET ASSETS - END OF YEAR	<u>\$ 830,964</u>	<u>\$ 1,076,694</u>

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(245,730)	\$(192,130)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Foreign currency losses	3,223	40,963
Unrealized losses (gains) on investments	(11,021)	5,740
Deferred income taxes	(60,000)	(21,000)
Changes in operating assets and liabilities		
Accounts receivable	(179,017)	12,899
Prepaid expenses	(9,638)	261,805
Refundable income taxes	35,000	(50,140)
Accounts payable	132,441	75,980
Deferred revenue	190,820	(116,976)
Net Cash Provided By (Used In) Operating Activities	(143,922)	17,141
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,817)	(160,265)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(154,739)	(143,124)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,152,874	2,295,998
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,998,135	\$ 2,152,874
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid (refunded)	\$(54,585)	\$ 1,951

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER**NOTES TO THE FINANCIAL STATEMENTS****NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities. The Professional Association for SQL Server (“PASS” or “Association”) is an international not-for-profit organization which supports data professionals throughout the world. PASS facilitates member networking, education and information exchange through local and virtual chapters, online, local and regional events and annual international conferences. With an ever expanding scope to meet today’s increasing data demands, PASS has moved beyond a specific focus of software and tools to incorporate ideas, techniques and approaches that broadly impact the spectrum of data professionals. As PASS continues to grow, it endeavors to meet not just technical training needs but to meet all professional training needs of data professionals.

Basis of Accounting. PASS reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no temporarily or permanently restricted net assets at June 30, 2016 and 2015.

Management Estimates and Assumptions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these financial statements change as new events occur, as more experience is required, as additional information is obtained and the operating environment changes.

Cash and Cash Equivalents. PASS considers all highly liquid securities purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude funds held in investment accounts. PASS regularly maintains cash balances that exceed Federal Deposit Insurance Corporation limits.

Investments. Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement for these assets are all level 1 inputs, defined as unadjusted quoted prices in active markets for identical assets or liabilities that PASS has the ability to access.

Accounts Receivable. Accounts receivable are stated at the amount PASS expects to collect from balances outstanding at year-end. PASS performs in-house collection efforts as necessary based on its assessment of the current status of individual accounts. Bad debts, which are typically minimal, are charged to expense as incurred. Management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2016 and 2015.

Revenue Recognition. Conference revenue is recognized in the year the event occurs. Conference revenues received in advance of conferences are accounted for as deferred revenue at year end. Sponsorship and other revenues are recognized when earned.

Website Development Costs. Website development costs are accounted for as capital assets and amortized on a straight-line method over their estimated useful life of three years. Costs related to the planning stage of website development projects as well as ongoing website operating and support costs are expensed as incurred. Upon sale or retirement, website development costs and related accumulated amortization are eliminated from their respective accounts and the resulting gain or loss is included in the statement of activities.

Expense Recognition. Conference costs are recognized as expenses in the period the conference occurs. Costs incurred or paid in advance of the conference are accounted for as prepaid expenses at year-end.

Income Taxes. PASS is a not-for-profit corporation under Illinois law, but is subject to taxes on its income under applicable federal and state laws. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of assets and liabilities for financial and income tax reporting. Deferred income tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

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PROFESSIONAL ASSOCIATION FOR SQL SERVER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Contributed Services. PASS relies significantly on volunteer efforts by Board and Committee members. Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. There were no contributed services meeting those criteria during the years ended June 30, 2016 and 2015.

Allocation of Expenses. The costs of providing various programs and services are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services on the basis of management estimates.

Reclassification. Certain amounts in the 2015 financial statements have been reclassified in order to conform to the 2016 presentation.

NOTE 2 – INVESTMENTS

PASS has accounts at two investment management companies. As of and for the years ended June 30, 2016 and 2015, investments consisted entirely of certificates of deposit and money market funds.

NOTE 3 – WEBSITE DEVELOPMENT COSTS

PASS incurred website development costs of \$121,950 during the fiscal year ended June 30, 2009. Accumulated amortization was \$121,950 as of June 30, 2016 and 2015.

NOTE 4 – LINE OF CREDIT

PASS has a revolving line of credit for \$250,000 with a bank that expires on February 28, 2017. Interest on amounts borrowed on the line is payable at a variable rate based on daily LIBOR plus 3 percentage points (approximately 3.50 % as of June 30, 2016). Amounts borrowed by PASS under the line are collateralized by a security interest in substantially all of its assets. PASS did not borrow on the line of credit during the years ended June 30, 2016 and 2015.

NOTE 5 – CONFERENCE AND SEMINAR REVENUES AND EXPENSES

Conference and seminar revenues and expenses consisted of the following for the years ended June 30:

	2016	2015
Revenues:		
Summit conference	\$ 6,594,618	\$ 6,298,576
Summit exhibit	1,039,088	782,300
Business analytics conference	944,819	936,176
Virtual events	46,563	30,388
	<u>\$ 8,625,088</u>	<u>\$ 8,047,440</u>
Expenses:		
Summit conference	\$ 3,289,518	\$ 3,271,238
Summit exhibit	684,208	645,570
Business analytics conference	819,150	960,635
SQL Rally – Global	-	24,444
Virtual events	24,463	24,388
	<u>\$ 4,817,339</u>	<u>\$ 4,926,275</u>

PROFESSIONAL ASSOCIATION FOR SQL SERVER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – MANAGEMENT AGREEMENT

PASS contracts with a management company on an annual basis to manage its operations. The management company agreements provide for general management and headquarters services as well as conference management, marketing and operations support services. The related charges are included in various line items on the statement of activities. PASS incurred management company expenses of approximately \$3,920,000 and \$3,070,000 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 – INCOME TAXES

The benefit from income taxes consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Current	\$ 19,585	\$ 48,189
Deferred	60,000	21,000
	<u>\$ 79,585</u>	<u>\$ 69,189</u>

Current income tax benefits for the years ended June 30, 2016 and 2015 arise from carryback of operating losses incurred to recover taxes previously paid for the years ended June 30, 2014 and 2013, respectively. The provision for deferred income taxes and related deferred income tax liabilities reported on the statements of financial position relate primarily to expenses which are deducted for tax purposes but recorded as prepaid expense assets for financial reporting purposes as well the tax benefit of net operating losses carried forward.

NOTE 8 – CONCENTRATIONS

PASS has a significant volume of transactions with Microsoft Corporation (“Microsoft”) including community support, event sponsorships, conference attendance by Microsoft personnel and expense reimbursements. Approximate revenues generated from Microsoft were \$753,000 and \$523,000 for the years ended June 30, 2016 and 2015, respectively.

NOTE 9 – COMMITMENTS

PASS has entered into hotel contracts for services and accommodations for future conferences. These contracts include penalty clauses which would require PASS to pay certain amounts if a conference was to be cancelled, or if attendance was less than the original commitment. Management estimates that PASS had no significant exposure to such penalties as of June 30, 2016.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated all known subsequent events from June 30, 2016 through November 9, 2016, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.