



Financial Statements and
Independent Auditor's Report

June 30, 2017 and 2016



PROFESSIONAL ASSOCIATION FOR SQL SERVER

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to the Financial Statements	5 - 8

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, 2017 and 2016, 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, 2017 and 2016, 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 29, 2017

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	ASSETS	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,047,382	\$ 1,998,135
Investments	1,159,911	1,157,376
Accounts receivable	202,304	231,105
Prepaid expenses	314,267	323,895
Refundable income taxes	-	29,000
Deferred income taxes	<u>203,000</u>	<u>-</u>
	<u><u>\$ 2,926,864</u></u>	<u><u>\$ 3,739,511</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 268,972	\$ 464,917
Deferred revenue	2,255,365	2,438,630
Deferred income taxes	<u>-</u>	<u>5,000</u>
	2,524,337	2,908,547
NET ASSETS	<u>402,527</u>	<u>830,964</u>
	<u><u>\$ 2,926,864</u></u>	<u><u>\$ 3,739,511</u></u>

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT		
Membership education and services:		
Conferences and seminars	\$ 8,022,521	\$ 8,625,088
Charter and Founder member support	96,000	174,000
Advertising	247,018	237,315
Global Alliance Partner dues	51,250	65,000
Investment return	2,614	21,916
Miscellaneous	31,268	15,895
	<u>8,450,671</u>	<u>9,139,214</u>
EXPENSES		
Program:		
Membership education and services:		
Conferences and seminars	4,211,285	4,842,757
Marketing	518,955	730,669
Advertising sales	427,536	365,187
Community programs	138,758	245,749
Special projects	121,112	78,059
Regional users groups	64,836	82,475
Special interest groups	46,555	30,231
Volunteer support	9,881	8,514
Global initiatives	8,483	29,233
	<u>5,547,401</u>	<u>6,412,874</u>
Total program expenses		
General and administrative:		
Headquarters administration	2,496,719	2,087,828
Technology support	807,457	719,971
Board support	235,845	243,856
	<u>3,540,021</u>	<u>3,051,655</u>
Total general and administrative expenses		
Total expenses	<u>9,087,422</u>	<u>9,464,529</u>
CHANGE IN NET ASSETS BEFORE PROVISION FOR INCOME TAXES	(636,751)	(325,315)
BENEFIT FROM INCOME TAXES	<u>208,314</u>	<u>79,585</u>
CHANGE IN NET ASSETS	(428,437)	(245,730)
NET ASSETS - BEGINNING OF YEAR	<u>830,964</u>	<u>1,076,694</u>
NET ASSETS - END OF YEAR	<u>\$ 402,527</u>	<u>\$ 830,964</u>

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(428,437)	\$(245,730)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Foreign currency losses	-	3,223
Unrealized losses (gains) on investments	12,023	(11,021)
Deferred income taxes	(208,000)	(60,000)
Changes in operating assets and liabilities		
Accounts receivable	28,801	(179,017)
Prepaid expenses	9,628	(9,638)
Refundable income taxes	29,000	35,000
Accounts payable	(195,945)	132,441
Deferred revenue	(183,265)	190,820
Net Cash Used In Operating Activities	(936,195)	(143,922)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(14,558)	(10,817)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(950,753)	(154,739)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,998,135</u>	<u>2,152,874</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,047,382</u>	<u>\$ 1,998,135</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes refunded	<u>\$(29,314)</u>	<u>\$(54,585)</u>

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, 2017 and 2016.

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, 2017 and 2016.

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.

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 or receivable plus deferred taxes related primarily to timing differences in expense recognition between financial statement and income tax reporting and the potential tax benefits of tax losses carried forward to future years. Deferred income tax assets and liabilities represent the future tax return consequences of those items.

(Continued)

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, 2017 and 2016.

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 program expense amounts in the 2016 financial statements have been reclassified in order to conform to the 2017 presentation.

NOTE 2 – INVESTMENTS

PASS has accounts at two investment management companies. As of and for the years ended June 30, 2017 and 2016, investments consisted entirely of certificates of deposit and money market funds.

NOTE 3 – LINE OF CREDIT

PASS has a revolving line of credit for \$250,000 with a bank that expires on March 20, 2018. Interest on amounts borrowed on the line is payable at a variable rate based on daily LIBOR plus 3 percentage points (approximately 4.00 % as of June 30, 2017). 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, 2017 and 2016.

NOTE 4 – CONFERENCE AND SEMINAR REVENUES AND EXPENSES

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

	2017	2016
Revenues:		
Summit conference	\$ 6,908,541	\$ 6,594,618
Summit exhibit	983,300	1,039,088
Business analytics conference	-	944,819
Business analytics events	71,305	-
Virtual events	59,375	46,563
	<u>\$ 8,022,521</u>	<u>\$ 8,625,088</u>
Expenses:		
Summit conference	\$ 3,330,375	\$ 3,289,518
Summit exhibit	747,493	684,208
Business analytics conference	-	819,150
Business analytics events	86,116	25,418
Virtual events	47,301	24,463
	<u>\$ 4,211,285</u>	<u>\$ 4,842,757</u>

PROFESSIONAL ASSOCIATION FOR SQL SERVER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – 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 \$4,380,000 and \$3,920,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 – INCOME TAXES

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

	<u>2017</u>	<u>2016</u>
Current	\$ 314	\$ 19,585
Deferred	<u>208,000</u>	<u>60,000</u>
	<u>\$ 208,314</u>	<u>\$ 79,585</u>

The net deferred tax asset (liability) consisted of the following components as of June 30:

	<u>2017</u>	<u>2016</u>
Operating loss carryforwards	\$ 283,000	\$ 75,000
Prepaid expenses	(83,000)	(79,000)
Other	<u>3,000</u>	<u>(1,000)</u>
	<u>\$ 203,000</u>	<u>\$ (5,000)</u>

PASS has tax operating losses carried forward for federal tax purposes of approximately \$830,000 as of June 30, 2017 which will expire in approximately 20 years. Management anticipates that PASS will have sufficient taxable income in future years to fully utilize those losses and accordingly, has not recorded a valuation allowance against the deferred tax asset as of June 30, 2017.

NOTE 7 – 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 \$599,000 and \$753,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 – 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, 2017.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated all known subsequent events from June 30, 2017 through November 29, 2017 the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.