



Financial Statements and  
Independent Auditor's Report

June 30, 2018 and 2017

PROFESSIONAL ASSOCIATION FOR SQL SERVER

TABLE OF CONTENTS

---

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to the Financial Statements	5 - 9

## 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, 2018 and 2017, 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, 2018 and 2017, 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  
October 16, 2018

## PROFESSIONAL ASSOCIATION FOR SQL SERVER

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<b>ASSETS</b>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,441,531	\$ 1,047,382
Investments	1,162,526	1,159,911
Accounts receivable	212,407	202,304
Prepaid expenses	619,468	314,267
Deferred income taxes	<u>200,000</u>	<u>203,000</u>
	<u>\$ 3,635,932</u>	<u>\$ 2,926,864</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 290,849	\$ 268,972
Deferred revenue	<u>3,313,313</u>	<u>2,255,365</u>
	3,604,162	2,524,337
<b>NET ASSETS</b>	<u>31,770</u>	<u>402,527</u>
	<u>\$ 3,635,932</u>	<u>\$ 2,926,864</u>

The accompanying notes are an integral part of these statements.

## PROFESSIONAL ASSOCIATION FOR SQL SERVER

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>REVENUE AND SUPPORT</b>		
Membership education and services:		
Conferences and seminars	\$ 7,712,868	\$ 8,022,521
Charter and Founder member support	-	96,000
Advertising	250,952	247,018
Global Alliance Partner dues	45,000	51,250
Investment return	2,693	2,614
Miscellaneous	57,586	31,268
	<u>8,069,099</u>	<u>8,450,671</u>
<b>EXPENSES</b>		
Program:		
Membership education and services:		
Conferences and seminars	4,072,555	4,211,285
Marketing	494,185	518,955
Advertising sales	291,193	427,536
Community programs	105,811	138,758
Special projects	89,676	121,112
Regional users groups	43,011	64,836
Special interest groups	59,769	46,555
Volunteer support	15,433	9,881
Global initiatives	21,935	8,483
Audience development	58,220	-
Educational content	20,809	-
	<u>5,272,597</u>	<u>5,547,401</u>
Total program expenses		
General and administrative:		
Headquarters administration	2,164,139	2,496,719
Technology support	769,508	807,457
Board support	230,612	235,845
	<u>3,164,259</u>	<u>3,540,021</u>
Total general and administrative expenses		
Total expenses	<u>8,436,856</u>	<u>9,087,422</u>
<b>CHANGE IN NET ASSETS BEFORE INCOME TAXES</b>	( 367,757)	( 636,751)
<b>BENEFIT FROM (PROVISION FOR) INCOME TAXES</b>	<u>( 3,000)</u>	<u>208,314</u>
<b>CHANGE IN NET ASSETS</b>	( 370,757)	( 428,437)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>402,527</u>	<u>830,964</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 31,770</u>	<u>\$ 402,527</u>

The accompanying notes are an integral part of these statements.

## PROFESSIONAL ASSOCIATION FOR SQL SERVER

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$( 370,757)	\$( 428,437)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized losses on investments	10,061	12,023
Deferred income taxes	3,000	( 208,000)
Changes in operating assets and liabilities		
Accounts receivable	( 10,103)	28,801
Prepaid expenses	( 305,201)	9,628
Refundable income taxes	-	29,000
Accounts payable	21,877	( 195,945)
Deferred revenue	<u>1,057,948</u>	<u>( 183,265)</u>
Net Cash Provided By (Used In) Operating Activities	406,825	( 936,195)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	<u>( 12,676)</u>	<u>( 14,558)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	394,149	( 950,753)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,047,382</u>	<u>1,998,135</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,441,531</u></u>	<u><u>\$ 1,047,382</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Income taxes refunded	<u><u>\$ -</u></u>	<u><u>\$( 29,314)</u></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 as of June 30, 2018 and 2017.

**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, 2018 and 2017.

**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, 2018 and 2017.

**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.

**Recent Accounting Pronouncements.** In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires an Organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 to reporting periods beginning after December 15, 2018. Early adoption is permitted for reporting periods beginning after December 15, 2016. Organizations may use either a full retrospective or a modified retrospective approach to adopt this ASU. Management is currently evaluating this standard, including which transition approach to use.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB’s improvements to net asset classification requirements and the information presented about a not-for-profit entity’s liquidity, financial performance, and cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Earlier adoption is permitted. Management is currently evaluating this standard.

**NOTE 2 – INVESTMENTS**

PASS has accounts at two investment management companies. As of and for the years ended June 30, 2018 and 2017, 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, 2019. Interest on amounts borrowed on the line is payable at a variable rate based on daily LIBOR plus 2.5 percentage points (approximately 5.00% as of June 30, 2018). 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, 2018 and 2017.



## PROFESSIONAL ASSOCIATION FOR SQL SERVER

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 4 – CONFERENCE AND SEMINAR REVENUES AND EXPENSES

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

	<u>2018</u>	<u>2017</u>
Revenues:		
Summit conference	\$ 6,641,990	\$ 6,908,541
Summit exhibit	1,027,590	983,300
Business analytics events	-	71,305
Virtual events	<u>43,288</u>	<u>59,375</u>
Total revenues	<u>\$ 7,712,868</u>	<u>\$ 8,022,521</u>
Expenses:		
Summit conference	\$ 3,231,951	\$ 3,330,375
Summit exhibit	736,452	747,493
Business analytics events	45,955	86,116
Virtual events	<u>58,197</u>	<u>47,301</u>
Total expenses	<u>\$ 4,072,555</u>	<u>\$ 4,211,285</u>

## 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 \$4,200,000 and \$4,380,000 for the years ended June 30, 2018 and 2017, respectively.

## NOTE 6 – INCOME TAXES

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

	<u>2018</u>	<u>2017</u>
Current	\$ -	\$ 314
Deferred	<u>( 3,000)</u>	<u>208,000</u>
	<u>\$ ( 3,000)</u>	<u>\$ 208,314</u>

(Continued)

**PROFESSIONAL ASSOCIATION FOR SQL SERVER**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 – INCOME TAXES** (Concluded)

Following is a reconciliation of the provision for (benefit from) income taxes to the income tax benefit computed by applying the federal corporate tax rate to the decrease in net assets for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Decrease in net assets before provision for income tax	<u>\$ ( 367,757)</u>	<u>\$ ( 636,751)</u>
Tax benefit at statutory rate	\$( 125,000)	\$( 216,000)
Change in tax rate	124,000	-
Other	<u>4,000</u>	<u>7,686</u>
	<u>\$ 3,000</u>	<u>\$ ( 208,314)</u>

The Tax Cuts and Jobs Act of 2017, signed into law on December 22, 2017, adjusted the federal corporate tax rate to 21 percent. GAAP requires deferred tax assets and liabilities to be measured at the enacted rate expected to apply when temporary differences are realized or settled. Accordingly, PASS remeasured its deferred tax asset and reduced it by \$124,000, with a corresponding adjustment to deferred tax expense during the year ended June 30, 2018.

The tax effects of temporary differences and carryforwards included in the net deferred tax liability as of June 30, 2018 and 2017 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Tax effects:		
Net operating loss carryforward	\$ 235,000	\$ 283,000
Prepaid expenses	( 39,000)	( 83,000)
Other	<u>4,000</u>	<u>3,000</u>
	<u>\$ 200,000</u>	<u>\$ 203,000</u>

PASS has tax operating losses carried forward of approximately \$1,120,000 as of June 30, 2018 which will expire for federal tax purposes in various years from Fiscal 2035 through Fiscal 2038. 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, 2018.

**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 \$527,000 and \$599,000 for the years ended June 30, 2018 and 2017, 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, 2018.

**PROFESSIONAL ASSOCIATION FOR SQL SERVER**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated all known subsequent events from June 30, 2018 through October 16, 2018, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.