



Financial Statements and
Independent Auditor's Report

June 30, 2019 and 2018

PROFESSIONAL ASSOCIATION FOR SQL SERVER

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, 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 audits 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, 2019 and 2018, 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 30, 2019

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	ASSETS	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,281,457	\$ 1,441,531
Investments	1,189,583	1,162,526
Accounts receivable	72,123	212,407
Prepaid expenses	688,419	619,468
Deferred income taxes	<u>179,000</u>	<u>200,000</u>
	<u>\$ 3,410,582</u>	<u>\$ 3,635,932</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 343,403	\$ 290,849
Deferred revenue	<u>2,969,915</u>	<u>3,313,313</u>
	3,313,318	3,604,162
NET ASSETS	<u>97,264</u>	<u>31,770</u>
	<u>\$ 3,410,582</u>	<u>\$ 3,635,932</u>

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
Membership education and services: Conferences and seminars	\$ 7,551,415	\$ 7,712,868
Advertising	266,813	250,952
Global Alliance Partner dues	55,000	45,000
Investment return	27,095	2,693
Miscellaneous	<u>102,100</u>	<u>57,586</u>
Total revenue and support	<u>8,002,423</u>	<u>8,069,099</u>
EXPENSES		
Program:		
Membership education and services:		
Conferences and seminars	3,536,262	4,072,555
Marketing	587,231	494,185
Advertising sales	258,302	291,193
Special projects	218,724	89,676
Community programs	126,683	105,811
Virtual user groups	77,904	59,769
Regional user groups	60,541	43,011
Other	<u>37,708</u>	<u>116,397</u>
Total program expenses	<u>4,903,355</u>	<u>5,272,597</u>
General and administrative:		
Headquarters administration	2,225,794	2,164,139
Technology support	495,408	769,508
Board support	<u>291,372</u>	<u>230,612</u>
Total general and administrative expenses	<u>3,012,574</u>	<u>3,164,259</u>
Total expenses	<u>7,915,929</u>	<u>8,436,856</u>
CHANGE IN NET ASSETS BEFORE INCOME TAXES	86,494	(367,757)
PROVISION FOR INCOME TAXES	<u>(21,000)</u>	<u>(3,000)</u>
CHANGE IN NET ASSETS	65,494	(370,757)
NET ASSETS - BEGINNING OF YEAR	<u>31,770</u>	<u>402,527</u>
NET ASSETS - END OF YEAR	<u>\$ 97,264</u>	<u>\$ 31,770</u>

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

EXPENSE	Program									Administrative			Total	
	Conferences and Seminars	Marketing	Advertising Sales	Special Projects	Community Programs	Virtual User Groups	Regional User Groups	Other Programs	Total Program Expenses	Headquarters Administration	Technology Support	Board Support		Total Administrative Expenses
Management/overhead	\$ 661,907	\$ 392,797	\$ 223,756	\$ 137,797	\$ 70,236	\$ 43,322	\$ 46,327	\$ 27,399	\$ 1,603,541	\$ 2,143,237	\$ 392,963	\$ 186,543	\$ 2,722,743	\$ 4,326,284
Summit attendee food and beverage	848,410	-	-	-	-	-	-	-	848,410	-	-	-	-	848,410
Summit operational	800,615	-	-	-	940	246	1,086	9,985	812,872	16,736	-	532	17,268	830,140
Summit sponsor/exhibitor	318,337	363	-	41,640	-	-	-	-	360,340	-	-	-	-	360,340
Information technology tools	7,465	47,792	-	37,034	20,588	19,425	7,128	-	139,432	2,434	98,555	5,537	106,526	245,958
Bank charges/credit card processing	222,247	-	-	-	-	-	-	-	222,247	9,442	-	-	9,442	231,689
Summit speaker	221,282	-	-	-	-	-	-	-	221,282	-	-	-	-	221,282
Audio/visual	151,467	-	-	-	-	-	-	-	151,467	-	-	4,327	4,327	155,794
Summit registration	150,281	-	-	-	-	-	-	-	150,281	-	-	-	-	150,281
Travel/hotel/meals (board meetings included)	41,548	-	1,123	-	4,620	-	-	-	47,291	1,477	-	91,516	92,993	140,284
Sales commission	71,827	-	31,857	-	69	3,801	-	-	107,554	-	-	-	-	107,554
Marketing advertising/consulting	-	72,796	-	-	-	-	-	-	72,796	-	-	-	-	72,796
Professional services	-	3,183	-	-	-	-	-	-	3,183	39,316	-	-	39,316	42,499
Design/graphic	-	32,189	-	-	-	-	-	-	32,189	-	-	-	-	32,189
SQL Saturday sponsorship	-	-	-	-	26,990	-	-	-	26,990	-	-	-	-	26,990
Multi media	-	25,870	-	-	-	-	-	-	25,870	-	-	-	-	25,870
Insurance	18,039	-	-	-	-	-	-	-	18,039	5,840	-	-	5,840	23,879
Miscellaneous printing/postage/telephone	14,379	-	129	-	6	-	-	41	14,555	4,316	5	2,261	6,582	21,137
Community incentive programs	-	11,084	-	-	3,234	731	6,000	-	21,049	-	-	-	-	21,049
Training/education/networking	-	1,157	1,437	2,253	-	-	-	-	4,847	2,996	3,885	-	6,881	11,728
Virtual groups sponsorship share	-	-	-	-	-	10,379	-	-	10,379	-	-	-	-	10,379
Volunteer gifts/awards	8,458	-	-	-	-	-	-	283	8,741	-	-	656	656	9,397
	<u>\$ 3,536,262</u>	<u>\$ 587,231</u>	<u>\$ 258,302</u>	<u>\$ 218,724</u>	<u>\$ 126,683</u>	<u>\$ 77,904</u>	<u>\$ 60,541</u>	<u>\$ 37,708</u>	<u>\$ 4,903,355</u>	<u>\$ 2,225,794</u>	<u>\$ 495,408</u>	<u>\$ 291,372</u>	<u>\$ 3,012,574</u>	<u>\$ 7,915,929</u>

The accompanying notes are an integral part of this statement.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 65,494	\$(370,757)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized losses on investments	(13,156)	10,061
Deferred income taxes	21,000	3,000
Changes in operating assets and liabilities		
Accounts receivable	140,284	(10,103)
Prepaid expenses	(68,951)	(305,201)
Accounts payable	52,554	21,877
Deferred revenue	(343,398)	1,057,948
Net Cash Provided By (Used In) Operating Activities	(146,173)	406,825
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(13,901)	(12,676)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(160,074)	394,149
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,441,531</u>	<u>1,047,382</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,281,457</u>	<u>\$ 1,441,531</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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. There were no net assets with donor restrictions as of or for the years ended June 30, 2019 and 2018.

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, 2019 and 2018.

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.

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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, 2019 and 2018.

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.

Liquidity and Availability. PASS has approximately \$2.5 million of financial assets available within one year of June 30, 2019 to meet cash needs for general expenditures. None of the financial assets are subject to other contractual restricted that make them unavailable for general expenditure within one year of operation.

Adoption of New Accounting Pronouncement. In 2019, PASS adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profits*. The ASU amends the reporting model for not-for-profit organizations and enhances the required disclosures. Major changes include requiring presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor imposed restrictions”, new disclosures regarding liquidity and the availability of resources, a requirement for a statement of expenses by both nature and classification, and disclosures related to the functional allocation of expenses were expanded.

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 a company 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 annual reporting periods beginning after December 15, 2018, and interim reporting periods with annual reporting periods beginning after December 15, 2019. Early adoption is permitted for reporting periods beginning after December 15, 2016. Companies 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.

Reclassification. Certain amounts in the 2018 financial statements have been reclassified in order to conform with the 2019 presentation.

NOTE 2 – INVESTMENTS

PASS has accounts at two investment management companies. As of and for the years ended June 30, 2019 and 2018, 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 30, 2020. Interest on amounts borrowed on the line is payable at a variable rate based on daily LIBOR plus 2.5 percentage points (approximately 4.90% as of June 30, 2019). 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, 2019 and 2018.

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>2019</u>	<u>2018</u>
Revenues:		
Summit conference	\$ 6,538,199	\$ 6,641,990
Summit exhibit	977,837	1,027,590
Virtual events	<u>35,379</u>	<u>43,288</u>
Total revenues	<u>\$ 7,551,415</u>	<u>\$ 7,712,868</u>
Expenses:		
Summit conference	\$ 2,856,535	\$ 3,231,951
Summit exhibit	639,403	736,452
Business analytics events	-	45,955
Virtual events	<u>40,324</u>	<u>58,197</u>
Total expenses	<u>\$ 3,536,262</u>	<u>\$ 4,072,555</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 \$4,300,000 and \$4,200,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 6 – INCOME TAXES

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

	<u>2019</u>	<u>2018</u>
Current	\$ -	\$ -
Deferred	<u>(21,000)</u>	<u>(3,000)</u>
	<u>\$ (21,000)</u>	<u>\$ (3,000)</u>

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

	<u>2019</u>	<u>2018</u>
Change in net assets before income taxes	<u>\$ 86,494</u>	<u>\$ (367,757)</u>
Tax expense (benefit) at statutory rate	\$ 18,000	\$(125,000)
Change in tax rate	-	124,000
Other	<u>3,000</u>	<u>4,000</u>
	<u>\$ 21,000</u>	<u>\$ 3,000</u>

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PROFESSIONAL ASSOCIATION FOR SQL SERVER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – INCOME TAXES (Concluded)

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, 2019 and 2018 are summarized as follows:

	2019	2018
Tax effects:		
Net operating loss carryforward	\$ 235,000	\$ 235,000
Prepaid expenses	(57,000)	(39,000)
Other	1,000	4,000
	\$ 179,000	\$ 200,000

PASS has tax operating losses carried forward of approximately \$1,120,000 as of June 30, 2019 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, 2019.

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 \$357,000 and \$527,000 for the years ended June 30, 2019 and 2018, 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, 2019.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated all known subsequent events from June 30, 2019 through October 30, 2019, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.