



Financial Statements and  
Independent Auditor's Report

June 30, 2014 and 2013



# 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 nonprofit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, 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, 2014 and 2013, 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 21, 2014

**PROFESSIONAL ASSOCIATION FOR SQL SERVER**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2014 AND 2013**

	<b>ASSETS</b>	
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 2,295,998	\$ 2,554,279
Investments	1,025,199	847,169
Accounts receivable	64,987	35,347
Prepaid expenses	576,062	385,890
Prepaid income taxes	<u>13,860</u>	<u>2,337</u>
	<u>\$ 3,976,106</u>	<u>\$ 3,825,022</u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>		
Accounts payable	\$ 256,496	\$ 169,831
Deferred revenue	2,364,786	2,338,761
Deferred income taxes	<u>86,000</u>	<u>90,000</u>
	2,707,282	2,598,592
<b>NET ASSETS</b>	<u>1,268,824</u>	<u>1,226,430</u>
	<u>\$ 3,976,106</u>	<u>\$ 3,825,022</u>

The accompanying notes are an integral part of these statements.

**PROFESSIONAL ASSOCIATION FOR SQL SERVER**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>REVENUE AND SUPPORT</b>		
Membership education and services:		
Conferences and seminars	\$ 7,258,611	\$ 7,265,269
Charter and Founder member support	142,106	143,210
Investment return	5,978	513
Advertising	72,460	33,600
Miscellaneous	<u>56,049</u>	<u>25,055</u>
 Total revenue and support	 <u>7,535,204</u>	 <u>7,467,647</u>
 <b>EXPENSES</b>		
Program:		
Membership education and services:		
Conferences and seminars	4,362,569	4,407,210
Marketing	621,704	677,824
Regional users groups	159,186	149,556
Community programs	155,733	143,545
Special projects	46,521	24,019
Special interest groups	38,788	29,023
Volunteer support	30,561	8,770
Global initiatives	<u>13,540</u>	<u>73,509</u>
 Total program expenses	 <u>5,428,602</u>	 <u>5,513,456</u>
General and administrative:		
Headquarters administration	1,388,891	1,317,438
Technology support	396,886	263,525
Board support	<u>263,615</u>	<u>195,403</u>
 Total general and administrative expenses	 <u>2,049,392</u>	 <u>1,776,366</u>
 Total expenses	 <u>7,477,994</u>	 <u>7,289,822</u>
 <b>CHANGE IN NET ASSETS BEFORE PROVISION FOR INCOME TAXES</b>	 57,210	 177,825
 <b>PROVISION FOR INCOME TAXES</b>	 <u>14,816</u>	 <u>64,768</u>
 <b>CHANGE IN NET ASSETS</b>	 42,394	 113,057
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 <u>1,226,430</u>	 <u>1,113,373</u>
 <b>NET ASSETS - END OF YEAR</b>	 <u>\$ 1,268,824</u>	 <u>\$ 1,226,430</u>

The accompanying notes are an integral part of these statements.

**PROFESSIONAL ASSOCIATION FOR SQL SERVER**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 42,394	\$ 113,057
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization	-	10,162
Unrealized foreign currency gains	( 12,052)	( 9,276)
Unrealized gains on investments	917	( 368)
Reinvested interest income	( 6,895)	-
Deferred income taxes	( 4,000)	5,000
Changes in operating assets and liabilities		
Accounts receivable	( 29,640)	( 27,817)
Prepaid expenses	( 190,172)	( 65,926)
Prepaid income taxes	( 11,523)	( 2,337)
Accounts payable	86,665	3,354
Income taxes payable	-	( 58,074)
Deferred revenue	<u>26,025</u>	<u>532,466</u>
Net Cash Provided By (Used In) Operating Activities	( 98,281)	500,241
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net transfers to investment accounts	<u>( 160,000)</u>	<u>( 275,000)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	( 258,281)	225,241
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>2,554,279</u>	<u>2,329,038</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,295,998</u>	<u>\$ 2,554,279</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Income taxes paid	<u>\$ 30,339</u>	<u>\$ 120,179</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 who use the Microsoft data platform. PASS also facilitates member networking, information exchange through local and virtual chapters, online events, local and regional events and international conferences for professionals using any Microsoft data technology.

***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, 2014 and 2013.

***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, thus are quoted prices (unadjusted) 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 expensed as incurred. Management has determined that an allowance for doubtful accounts was not necessary at June 30, 2014 and 2013.

***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. Original payments received from founding members are amortized evenly over fifteen years.

***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 non-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)**

***Income Taxes (Concluded).*** GAAP requires management to evaluate tax positions taken by PASS and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other tax authorities. Management has analyzed the tax positions taken by PASS and has concluded that as of June 30, 2014 and 2013, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. PASS is subject to routine audit by the Internal Revenue Service or other tax authorities, generally for three years after the tax returns are filed; however, there are currently no audits for any tax periods in progress.

***Foreign Currency Translation.*** Transactions denominated in foreign currencies are converted to U.S. currency at the rate prevailing on the transaction dates and gains and losses on subsequent settlement are included in revenue or expense. Assets and liabilities denominated in foreign currency at year end are converted to U. S. dollars using the conversion rate as of year-end.

***Contributed Services.*** PASS relies significantly on volunteer effort 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, 2014 and 2013.

***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.

**NOTE 2 – INVESTMENTS**

PASS has accounts at two investment management companies. As of and for the years ended June 30, 2014 and 2013, 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. Amortization expense was \$10,162 and \$40,650 for the years ended June 30, 2014 and 2013, respectively. Accumulated amortization was \$121,950 and \$121,950 as of June 30, 2014 and 2013, respectively.

**NOTE 4 – LINE OF CREDIT**

PASS has a revolving line of credit for \$250,000 with a bank that expires on February 28, 2015. Interest on amounts borrowed on the line is payable at a variable rate based on daily LIBOR plus 5.25 percentage points (approximately 5.5% as of June 30, 2014). Amounts borrowed by PASS under the line are collateralized by a security interest in all of its assets. PASS did not borrow on the line of credit during the years ended June 30, 2014 and 2013.

**PROFESSIONAL ASSOCIATION FOR SQL SERVER**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – CONFERENCE AND SEMINAR REVENUES AND EXPENSES**

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

	<u>2014</u>	<u>2013</u>
Revenues:		
Summit conference	\$ 5,161,793	\$ 5,077,962
Summit exhibit	693,500	581,600
BA Conference	1,340,018	1,568,907
Virtual events	<u>63,300</u>	<u>36,800</u>
Total revenues	<u>\$ 7,258,611</u>	<u>\$ 7,265,269</u>
Expenses:		
Summit conference	\$ 2,605,626	\$ 2,716,170
Summit exhibit	464,727	376,185
BA Conference	1,216,355	1,260,500
SQL Rally - Global	43,718	32,641
Virtual events	<u>32,143</u>	<u>21,714</u>
Total expenses	<u>\$ 4,362,569</u>	<u>\$ 4,407,210</u>

**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 \$2,370,000 and \$1,975,000 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 7 – INCOME TAXES**

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

	<u>2014</u>	<u>2013</u>
Current	\$ 18,816	\$ 59,768
Deferred	<u>(4,000)</u>	<u>5,000</u>
	<u>\$ 14,816</u>	<u>\$ 64,768</u>

Current income tax charges for the years ended June 30, 2014 and 2013 arise from taxable income for those years. 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.

**PROFESSIONAL ASSOCIATION FOR SQL SERVER****NOTES TO THE FINANCIAL STATEMENTS****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 \$560,000 and \$850,000 for the years ended June 30, 2014 and 2013, 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 material exposure to such penalties as of June 30, 2014.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated all known subsequent events from June 30, 2014 through November 21, 2014, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.