

PROFESSIONAL ASSOCIATION FOR SQL SERVER

FINANCIAL STATEMENTS

JUNE 30, 2010

PROFESSIONAL ASSOCIATION FOR SQL SERVER

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Professional Association for SQL Server

We have audited the accompanying statements of financial position of Professional Association for SQL Server (the "Association") as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

FGMK, LLC

Bannockburn, Illinois
June 3, 2011

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PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 1,137,532	\$ 444,784
Investments	348,926	350,249
Accounts receivable	57,573	29,149
Refundable income taxes	1,800	43,577
Prepaid expenses	275,718	206,854
Website development costs, net	91,462	121,950
	<u>\$ 1,913,011</u>	<u>\$ 1,196,563</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 136,104	\$ 81,197
Registration refunds payable	-	9,690
Deferred revenue	1,190,585	518,017
Deferred income taxes	20,000	37,000
	<u>1,346,689</u>	<u>645,904</u>
NET ASSETS	<u>566,322</u>	<u>550,659</u>
	<u>\$ 1,913,011</u>	<u>\$ 1,196,563</u>

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUE AND SUPPORT		
Membership education and services:		
Conferences and seminars	\$ 3,218,111	\$ 3,546,137
Charter and Founder member support	230,710	193,210
Investment return	(1,084)	7,956
Advertising	90,277	19,308
Miscellaneous	20,020	(11,154)
	<u>3,558,034</u>	<u>3,755,457</u>
EXPENSES		
Program:		
Membership education and services:		
Conferences and seminars	2,122,264	2,380,620
Marketing	264,978	322,919
Special projects	70,263	38,759
Regional users groups	68,656	66,504
Community programs	55,963	-
Magazine	17,355	17,426
Special interest groups	14,620	21,161
Volunteer support	6,396	25,478
Member services	2,532	7,959
	<u>2,623,027</u>	<u>2,880,826</u>
General and administrative:		
Headquarters administration	734,238	570,508
Technology support	118,180	189,393
Board support	71,184	98,618
	<u>923,602</u>	<u>858,519</u>
Total program expenses	<u>2,623,027</u>	<u>2,880,826</u>
Total general and administrative expenses	<u>923,602</u>	<u>858,519</u>
Total expenses	<u>3,546,629</u>	<u>3,739,345</u>
CHANGE IN NET ASSETS BEFORE		
PROVISION FOR (BENEFIT FROM) INCOME TAXES	11,405	16,112
PROVISION FOR (BENEFIT FROM) INCOME TAXES	<u>(4,258)</u>	<u>9,107</u>
CHANGE IN NET ASSETS	15,663	7,005
NET ASSETS - BEGINNING OF YEAR	<u>550,659</u>	<u>543,654</u>
NET ASSETS - END OF YEAR	<u>\$ 566,322</u>	<u>\$ 550,659</u>

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,663	\$ 7,005
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization	30,488	-
Unrealized losses on investments	1,575	105
Reinvested interest income	(252)	(2,574)
Deferred income taxes	(17,000)	37,000
Changes in operating assets and liabilities		
Accounts receivable	(28,424)	(6,017)
Refundable income taxes	41,777	77,623
Refundable value added taxes	-	8,376
Prepaid expenses	(68,864)	(36,737)
Accounts payable	54,907	5,380
Registration refunds payable	(9,690)	(5,010)
Deferred revenue	<u>672,568</u>	<u>(516,923)</u>
Net Cash Provided By (Used In) Operating Activities	<u>692,748</u>	<u>(431,772)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for website development costs	-	(121,950)
Purchase of investments	<u>-</u>	<u>(79,000)</u>
Net Cash Used In Investing Activities	<u>-</u>	<u>(200,950)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	692,748	(632,722)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>444,784</u>	<u>1,077,506</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,137,532</u>	<u>\$ 444,784</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Tax refunds received	<u>\$ 29,035</u>	<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, non-profit organization which provides an independent forum for users of SQL Server and users and vendors of products and services that are of interest to users of SQL Server. PASS provides educational opportunities and other member services to the SQL Server community.

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, 2010 and 2009.

Management Estimates and Assumptions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 excludes 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 process (unadjusted) in active markets for identical assets or liabilities that PASS has the ability to access. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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, 2010 and 2009.

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. 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 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 income tax under applicable federal and state tax 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.

Accounting principles generally accepted in the United States of America require 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 the PASS and has concluded that as of June 30, 2010, 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.

(Continued)

PROFESSIONAL ASSOCIATION FOR SQL SERVER

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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 current period.

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 an investment account at an investment management company. As of June 30, 2010 and 2009, investments consisted 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. The new website was placed in service in September 2009 and amortization expense was \$31,848 for the year ended June 30, 2010.

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>2010</u>	<u>2009</u>
Revenues:		
Summit conference	\$ 2,344,757	\$ 2,887,905
Summit exhibit	457,310	428,400
European conference	<u>416,044</u>	<u>229,832</u>
Total revenues	<u>\$ 3,218,111</u>	<u>\$ 3,546,137</u>
Expenses:		
Summit conference	\$ 1,416,647	\$ 1,870,041
Summit exhibit	320,345	286,525
European conference	<u>385,272</u>	<u>224,054</u>
Total expenses	<u>\$ 2,122,264</u>	<u>\$ 2,380,620</u>

PROFESSIONAL ASSOCIATION FOR SQL SERVER

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

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 \$1,070,000 and \$860,000 for the years ended June 30, 2010 and 2009, respectively.

NOTE 6 – INCOME TAXES

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

	2010	2009
Current	\$ 12,742	\$(27,893)
Deferred	(17,000)	37,000
	\$(4,258)	\$ 9,107

Current income tax charges for the year ended June 30, 2010 arise from taxable income for the year. The current income tax benefit for the year ended June 30, 2009 arises from operating losses for the year which were carried back to federal taxes paid in prior years and obtain a refund of those taxes. The provision for (benefit from) deferred income taxes for both years primarily relates to the difference between the basis of capitalized website development costs for financial statement and income tax reporting purposes.

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 \$807,000 and \$520,000 for the years ended June 30, 2010 and 2009, 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 exposure to such penalties as of June 30, 2010.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated all known subsequent events from June 30, 2010 through June 3, 2011, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.