

PROFESSIONAL ASSOCIATION FOR SQL SERVER

FINANCIAL STATEMENTS

JUNE 30, 2011

PROFESSIONAL ASSOCIATION FOR SQL SERVER

FINANCIAL STATEMENTS

JUNE 30, 2011

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION June 30, 2011 and 2010	2
STATEMENTS OF ACTIVITIES Years Ended June 30, 2011 and 2010	3
STATEMENTS OF CASH FLOWS Years Ended June 30, 2011 and 2010	4
NOTES TO THE FINANCIAL STATEMENTS	5 - 8

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, 2011 and 2010, 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, 2011 and 2010, 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
November 14, 2011

2801 Lakeside Drive
3rd Floor
Bannockburn, IL 60015

847 374 0400 v
847 374 0420 f

www.fgmk.net

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 2,184,034	\$ 1,137,532
Investments	354,096	348,926
Accounts receivable	42,482	57,573
Refundable income taxes	-	1,800
Prepaid expenses	176,088	275,718
Website development costs, net	50,812	91,462
	\$ 2,807,512	\$ 1,913,011
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 191,953	\$ 136,104
Income taxes payable	61,000	-
Deferred revenue	1,665,881	1,190,585
Deferred income taxes	66,000	20,000
	1,984,834	1,346,689
NET ASSETS	822,678	566,322
	\$ 2,807,512	\$ 1,913,011

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUE AND SUPPORT		
Membership education and services:		
Conferences and seminars	\$ 4,087,498	\$ 3,244,611
Charter and Founder member support	203,263	230,710
Investment return	5,401	(1,084)
Advertising	78,575	90,277
Miscellaneous	44,971	(6,480)
	<u>4,419,708</u>	<u>3,558,034</u>
EXPENSES		
Program:		
Membership education and services:		
Conferences and seminars	2,296,282	2,178,778
Marketing	240,492	264,978
Regional users groups	97,821	68,656
Community programs	68,590	55,963
Special projects	33,321	13,749
Special interest groups	12,542	14,620
Volunteer support	5,171	6,396
Member services	2,304	2,532
Magazine	173	17,355
	<u>2,756,696</u>	<u>2,623,027</u>
Total program expenses		
General and administrative:		
Headquarters administration	941,454	734,238
Technology support	188,405	118,180
Board support	137,997	71,184
	<u>1,267,856</u>	<u>923,602</u>
Total general and administrative expenses		
Total expenses	<u>4,024,552</u>	<u>3,546,629</u>
CHANGE IN NET ASSETS BEFORE		
PROVISION FOR (BENEFIT FROM) INCOME TAXES	395,156	11,405
PROVISION FOR (BENEFIT FROM) INCOME TAXES	<u>138,800</u>	<u>(4,258)</u>
CHANGE IN NET ASSETS	256,356	15,663
NET ASSETS - BEGINNING OF YEAR	<u>566,322</u>	<u>550,659</u>
NET ASSETS - END OF YEAR	<u>\$ 822,678</u>	<u>\$ 566,322</u>

The accompanying notes are an integral part of these statements.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 256,356	\$ 15,663
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	40,650	30,488
Unrealized losses on investments	(1,957)	1,575
Reinvested interest income	(3,213)	(252)
Deferred income taxes	46,000	(17,000)
Changes in operating assets and liabilities		
Accounts receivable	15,091	(28,424)
Refundable income taxes	1,800	41,777
Prepaid expenses	99,630	(68,864)
Accounts payable	55,849	54,907
Registration refunds payable	-	(9,690)
Income taxes payable	61,000	-
Deferred revenue	<u>475,296</u>	<u>672,568</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,046,502	692,748
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,137,532</u>	<u>444,784</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,184,034</u>	<u>\$ 1,137,532</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes (paid) refunded	<u>\$(30,000)</u>	<u>\$ 29,035</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 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, 2011 and 2010.

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 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, 2011 and 2010.

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 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.

(Continued)

PROFESSIONAL ASSOCIATION FOR SQL SERVER**NOTES TO THE FINANCIAL STATEMENTS
(Continued)****NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

Income Taxes (Concluded). 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, 2011, 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, 2011 and 2010.

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.

Comparative Information. Certain comparative numbers for the year ended June 30, 2010 have been reclassified from their original presentation to conform with the current year's presentation. These reclassifications had no effect on net assets or the change in net assets.

NOTE 2 – INVESTMENTS

PASS has an investment account at an investment management company. As of June 30, 2011 and 2010, 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. Amortization expense was \$40,680 and \$30,488 for the years ended June 30, 2011 and 2010, respectively. Accumulated amortization was \$71,168 and \$30,488 as of June 30, 2011 and 2010, respectively.

NOTE 4 – LINE OF CREDIT

PASS has a revolving line of credit for \$200,000 with a bank that expires on December 31, 2011. Interest on amounts borrowed on the line is payable at a variable rate based on one month LIBOR plus 5.25 percentage points (approximately 5.5% as of June 30, 2011). Amounts borrowed by PASS under the line are collateralized by a security interest in all of its assets. The loan has various financial covenants including maintenance of unencumbered liquid assets of at least \$200,000 and a debt service coverage ratio of at least 1.25:1.0. PASS did not borrow on the line of credit during the year ended June 30, 2011.

PROFESSIONAL ASSOCIATION FOR SQL SERVER

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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>2011</u>	<u>2010</u>
Revenues:		
Summit conference	\$ 3,227,568	\$ 2,344,757
Summit exhibit	624,575	457,310
SQL Rally	199,355	-
Virtual events	30,000	26,500
European conference	<u>6,000</u>	<u>416,044</u>
Total revenues	<u>\$ 4,087,498</u>	<u>\$ 3,244,611</u>
Expenses:		
Summit conference	\$ 1,686,653	\$ 1,416,647
Summit exhibit	387,794	320,345
SQL Rally	182,474	-
Virtual events	26,754	56,514
European conference	<u>12,607</u>	<u>385,272</u>
Total expenses	<u>\$ 2,296,282</u>	<u>\$ 2,178,778</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 \$1,425,000 and \$1,070,000 for the years ended June 30, 2011 and 2010, respectively.

NOTE 7 – INCOME TAXES

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

	<u>2011</u>	<u>2010</u>
Current	\$ 92,800	\$ 12,742
Deferred	<u>46,000</u>	<u>(17,000)</u>
	<u>\$ 138,800</u>	<u>\$ (4,258)</u>

Current income tax charges for the years ended June 30, 2011 and 2010 arise from taxable income for those years. The provision for (benefit from) deferred income taxes relates primarily to timing differences in expense recognition between the financial statements and tax returns and the difference between the basis of capitalized website development costs for financial statement and income tax reporting purposes.

PROFESSIONAL ASSOCIATION FOR SQL SERVER**NOTES TO THE FINANCIAL STATEMENTS
(Concluded)****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 \$400,000 and \$807,000 for the years ended June 30, 2011 and 2010, 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 exposure to such penalties as of June 30, 2011.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated all known subsequent events from June 30, 2011 through November 14, 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.