

Photographic Society of America

**Consolidated Financial Statements
and Independent Auditor's Report**

June 30, 2016



CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of cash flows	5
Notes to consolidated financial statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Photographic Society of America
Oklahoma City, Oklahoma

We have audited the accompanying consolidated financial statements of Photographic Society of America and subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year 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 consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Photographic Society of and subsidiaries as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended are in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Photographic Society of America and subsidiaries' 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated March 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Regis Cam & Monroe, L.L.P.

February 17, 2017
Wichita, Kansas

Photographic Society of America
Consolidated Statement of Financial Position
June 30, 2016 with Comparative Totals for June 30, 2015

	June 30, 2016					June 30, 2015 Total
	Unrestricted			Permanently Restricted	Total	
	Operating	Board Designated	EF Trustee Designated			
ASSETS						
Current assets						
Cash and cash equivalents	\$ 271,378	\$ 31,242	\$ 425,014	\$ 140,266	\$ 867,900	\$ 1,022,598
Accrued interest receivable	25	-	4,500	37,121	41,646	46,182
Accounts receivable	-	-	-	-	-	7,398
Due from (to) other funds	18,299	(18,299)	(38,674)	38,674	-	-
Inventory at lower of cost (FIFO) or market	71,435	-	-	-	71,435	69,964
Prepaid expenses and other assets	13,881	-	-	-	13,881	8,908
Short-term investments	-	-	100,059	163,023	263,082	973,856
Total current assets	<u>375,018</u>	<u>12,943</u>	<u>490,899</u>	<u>379,084</u>	<u>1,257,944</u>	<u>2,128,906</u>
Other assets						
Print collection	293,300	-	-	-	293,300	293,300
Investments, less current maturities	2,276,950	216,235	2,556,984	9,511,407	14,561,576	13,147,523
Property and equipment, at cost less accumulated depreciation	<u>20,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,686</u>	<u>37,154</u>
	<u>2,590,936</u>	<u>216,235</u>	<u>2,556,984</u>	<u>9,511,407</u>	<u>14,875,562</u>	<u>13,477,977</u>
Total assets	<u>\$ 2,965,954</u>	<u>\$ 229,178</u>	<u>\$ 3,047,883</u>	<u>\$ 9,890,491</u>	<u>\$ 16,133,506</u>	<u>\$ 15,606,883</u>
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	\$ 22,483	\$ -	\$ -	\$ -	\$ 22,483	\$ 70,510
Deferred revenue, current	368,596	-	-	-	368,596	378,029
Total current liabilities	<u>391,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,079</u>	<u>448,539</u>
Net assets						
Unrestricted	2,574,875	229,178	3,047,883	-	5,851,936	5,820,131
Permanently restricted	-	-	-	9,890,491	9,890,491	9,338,213
Total net assets	<u>2,574,875</u>	<u>229,178</u>	<u>3,047,883</u>	<u>9,890,491</u>	<u>15,742,427</u>	<u>15,158,344</u>
Total liabilities and net assets	<u>\$ 2,965,954</u>	<u>\$ 229,178</u>	<u>\$ 3,047,883</u>	<u>\$ 9,890,491</u>	<u>\$ 16,133,506</u>	<u>\$ 15,606,883</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Photographic Society of America
Consolidated Statement of Activities
Year Ended June 30, 2016 with Comparative Totals for Year Ended June 30, 2015

	June 30, 2016				Total	June 30, 2015 Total
	Unrestricted		EF Trustee Designated	Permanently Restricted		
	Operating	Board Designated				
Revenues, gains and other support						
Dues	\$ 276,613	\$ -	\$ -	\$ -	\$ 276,613	\$ 290,044
PSA Journal	18,080	-	-	-	18,080	16,199
Division programs	132,079	-	-	-	132,079	137,078
Committee programs	6,884	-	-	-	6,884	-
Investment income (loss)	46,850	(4,264)	347,757	552,278	942,621	372,975
Headquarters services	63,254	-	-	-	63,254	1,371
Conventions and exhibitions	155,482	-	-	-	155,482	102,627
Contributions	1,817	300	20,077	-	22,194	7,066
Chapter income	17,912	-	-	-	17,912	25,226
Total revenues, gains and other support	<u>718,971</u>	<u>(3,964)</u>	<u>367,834</u>	<u>552,278</u>	<u>1,635,119</u>	<u>952,586</u>
Expenses						
General operations	141,115	7,880	18,741	-	167,736	172,914
Headquarters services	186,530	-	-	-	186,530	287,709
PSA Journal	175,661	-	-	-	175,661	197,998
Divisions	85,948	-	-	-	85,948	78,647
Committees	99,882	-	-	-	99,882	79,588
Awards	2,697	-	-	-	2,697	9,303
Chapter expenses	29,190	-	-	-	29,190	18,212
Conventions and exhibitions	132,290	-	-	-	132,290	104,127
Website expenses	171,102	-	-	-	171,102	184,427
Total expenses	<u>1,024,415</u>	<u>7,880</u>	<u>18,741</u>	<u>-</u>	<u>1,051,036</u>	<u>1,132,925</u>
Change in net assets	(305,444)	(11,844)	349,093	552,278	584,083	(180,339)
Net assets - beginning	2,550,570	259,321	3,010,240	9,338,213	15,158,344	15,338,683
Transfers from (to) other funds	329,749	(18,299)	(311,450)	-	-	-
Net assets - ending	<u>\$ 2,574,875</u>	<u>\$ 229,178</u>	<u>\$ 3,047,883</u>	<u>\$ 9,890,491</u>	<u>\$ 15,742,427</u>	<u>\$ 15,158,344</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Photographic Society of America
Consolidated Statement of Cash Flows
Year Ended June 30, 2016 with Comparative Totals for June 30, 2015

	June 30, 2016					June 30, 2015 Total
	Unrestricted			Permanently Restricted	Total	
	Operating	Board Designated	EF Trustee Designated			
Operating activities						
Change in net assets	\$ (305,444)	\$ (11,844)	\$ 349,093	\$ 552,278	\$ 584,083	\$ (180,339)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Depreciation	11,599	-	-	-	11,599	12,016
Loss on disposition of property and equipment	4,869	-	-	-	4,869	-
(Gain) loss on sale of investments	13,240	9,120	41,841	(100,839)	(36,638)	(298,235)
Unrealized (appreciation) depreciation of investments	28,829	6,952	14,437	(451,439)	(401,221)	478,561
Amortization of investment premiums	-	-	(516)	(3,254)	(3,770)	(1,611)
Decrease (increase) in interest receivable	-	-	1,647	2,889	4,536	2,088
Decrease (increase) in accounts receivable	7,398	-	-	-	7,398	(2,654)
Decrease (increase) in inventory	(1,471)	-	-	-	(1,471)	26,575
Decrease (increase) in other assets	(4,973)	-	-	-	(4,973)	11,965
Decrease (increase) in due (to) from other funds	(18,459)	18,299	28,252	(28,092)	-	-
Increase (decrease) in accounts payable	(48,027)	-	-	-	(48,027)	6,095
Increase (decrease) in deferred revenue	(9,433)	-	-	-	(9,433)	35,758
Net cash provided (used) by operating activities	(321,872)	22,527	434,754	(28,457)	106,952	90,219
Investing activities						
Purchase of property assets	0	-	-	-	-	(7,403)
Purchase of investments	(118,800)	(53,656)	(579,424)	(1,088,108)	(1,839,988)	(1,523,416)
Sales/maturities of investments	122,264	44,840	432,047	979,187	1,578,338	1,518,262
Net cash provided (used) by investing activities	3,464	(8,816)	(147,377)	(108,921)	(261,650)	(12,557)
Transfers						
Transfers from (to) funds	329,749	(18,299)	(311,450)	-	-	-
Net increase (decrease) in cash and cash equivalents	11,341	(4,588)	(24,073)	(137,378)	(154,698)	77,662
Cash and cash equivalents at beginning of year	260,037	35,830	449,087	277,644	1,022,598	944,936
Cash and cash equivalents at end of year	<u>\$ 271,378</u>	<u>\$ 31,242</u>	<u>\$ 425,014</u>	<u>\$ 140,266</u>	<u>\$ 867,900</u>	<u>\$ 1,022,598</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Photographic Society of America
Notes to Consolidated Financial Statements
Year Ended June 30, 2016
with Comparative Information for June 30, 2015

1. Summary of Significant Accounting Policies

The consolidated financial statements of the Photographic Society of America (Society) have been prepared on the accrual basis of accounting. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Nature of operations and tax status:

Photographic Society of America (the "Society") is a not-for-profit membership society organized to:

- Promote the art and science of photography as a means of communication, image appreciation, and cultural exchange.
- Provide education, information, inspiration, and opportunity for all persons interested in photography.
- Foster personal growth and expression, creativity, excellence, and ethical conduct in all aspects of photographic endeavor.

The Society was incorporated in 1937 under the Illinois General Corporation Law to operate exclusively for charitable, educational, scientific and literary purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954. The Internal Revenue Service has determined the Society is exempt from federal income tax. However, the Society may be subject to federal and state tax on unrelated business income. There was no taxable net income from unrelated activities for 2016 and 2015.

The Board of Directors established a quasi-endowment fund, Photographic Society of America Endowment Fund I (EF I), in the fiscal year ended June 30, 1986, into which the assets of the PSA Fund were transferred. An endowment fund, Photographic Society of America Endowment Fund II (EF II), was established during the fiscal year ended June 30, 1987. Both EF I and EF II are exempt under Section 501(c)(3) of the Internal Revenue Code. EF I (EF Trustee Designated) consists of unrestricted net assets and the Endowment Fund (EF II) consists of permanently restricted net assets.

It is the Society's policy that penalties and interest assessed by income taxing authorities, if any, are included in operating expenses.

Basis of presentation and consolidation:

The accompanying consolidated financial statements include the accounts of the Society and its related endowment funds, EF I and EF II. Significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

Use of estimates:

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

1. Summary of Significant Accounting Policies (Continued)

that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Display of net assets by class:

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of Accounting Standards Codification (ASC) 958, *Not for Profit Entities*. This standard requires that the net assets of the Society be reported in the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class. For the period represented, the Society had no temporarily restricted net assets.

Ordinary income is accounted for in the fund owning such assets. Except for the endowment fund, EF II, investment income and gains and losses arising from the sale, collection or other disposition of assets are accounted for in the unrestricted fund unless donor or other restrictions apply to such income.

Permanently restricted net assets:

The Society has permanently restricted net assets at June 30, 2016 and 2015. The Endowment Fund, EF II, can only make its income available for the exclusive benefit of the Society. Contributions to EF II, in accordance with the trust agreement, create permanently restricted net assets. Additionally, the trust agreement provides that realized and unrealized capital gains and capital losses increase or decrease permanently restricted net assets. Investment income from the endowment funds, other than capital gains and losses, is recorded in the Society's unrestricted fund. If the Fund were to dissolve, the balance of permanently restricted net assets could be transferred to the Society at the trustees' discretion.

Investments:

In accordance with ASC 958-320, investments are reported in the statement of financial position at fair value with any realized or unrealized gains and losses reported in the statement of activities. Fair values are utilized are either provided by brokerage firms holding the securities or available through financial publications. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Prior year summaries for comparison purposes:

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2015, from which the summarized information was derived. Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, in banks and cash management accounts.

1. Summary of Significant Accounting Policies (Continued)

Dues:

Membership dues are recognized as revenue over the term of the membership. Life membership dues are recognized as revenue over twenty years which is the estimated life of the membership.

Publication costs:

The Society publishes the PSA Journal, a monthly magazine for members of the Society. Publication costs are charged to expense when incurred.

Depreciation:

Property and equipment are capitalized at cost and are depreciated on a straight-line basis over the estimated useful lives of the related assets.

Recent Accounting Pronouncements:

Non-Profit Organizations

In August 2016, The Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 948), which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending June 30, 2019. The significant changes are:

- Simplification of net asset presentation – net assets will now be presented in two classes, “Net assets with donor restrictions,” and “Net assets without donor restrictions.”
- All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative and fund raising).
- Enhanced disclosure requirements related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long lived assets purchased with donor-restricted funds.

The Society has not yet determined the effect of applying the remaining requirements of the new standard on the financial statements.

2. Investments

As stated in Note 1, investments are stated at fair value and are summarized as follows:

	June 30, 2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of deposit	\$ 560,000	\$ 598,017	\$ 38,017
Municipal securities	611,528	646,150	34,622
Corporate stocks	4,689,049	6,502,988	1,813,939
Domestic corporate bonds	2,657,673	2,787,890	130,217
Foreign corporate bonds	254,810	272,914	18,104
Mutual funds:	-	-	-
Mortgage backed bonds	74,238	76,979	2,741
Corporate bonds	893,692	905,854	12,162
Domestic equities	1,784,204	2,192,013	407,809
Global equities	789,934	841,853	51,919
Total	12,315,128	14,824,658	2,509,530
Short-term	260,000	263,082	3,082
Long-term	\$ 12,055,128	\$ 14,561,576	\$ 2,506,448
	June 30, 2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of deposit	\$ 787,966	\$ 816,308	\$ 28,342
U.S. Gov. & Agency securities	125,000	152,405	27,405
Municipal securities	639,968	671,659	31,691
Corporate stocks	4,550,485	5,893,883	1,343,398
Domestic corporate bonds	2,314,570	2,413,847	99,277
Foreign corporate bonds	259,946	277,636	17,690
Mutual funds:			
Mortgage backed bonds	74,238	76,034	1,796
Corporate bonds	911,382	907,166	(4,216)
Domestic equities	1,595,951	2,057,377	461,426
Global equities	753,529	855,064	101,535
Total	12,013,035	14,121,379	2,108,344
Short-term	932,626	973,856	41,230
Long-term	\$ 11,080,409	\$ 13,147,523	\$ 2,067,114

2. Investments (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended:

	June 30, 2016				
	Unrestricted				Total
	Unrestricted	Board Designated	EF Trustee Designated	Permanently Restricted	
Interest and dividends	\$ 88,919	\$ 11,808	\$ 404,035	\$ -	\$ 504,762
Unrealized appreciation (depreciation)	(28,829)	(6,952)	(14,437)	451,439	401,221
Realized gains/(losses)	(13,240)	(9,120)	(41,841)	100,839	36,638
Total	<u>\$ 46,850</u>	<u>\$ (4,264)</u>	<u>\$ 347,757</u>	<u>\$ 552,278</u>	<u>\$ 942,621</u>
	June 30, 2015				
	Unrestricted				Total
	Unrestricted	Board Designated	EF Trustee Designated	Permanently Restricted	
Interest and dividends	137,146	\$ 17,771	\$ 396,274	\$ -	\$ 551,191
Unrealized appreciation (depreciation)	(154,198)	(25,970)	(73,118)	(225,275)	(478,561)
Realized gains/(losses)	13,945	2,110	(3,778)	288,068	300,345
Total	<u>\$ (3,107)</u>	<u>\$ (6,089)</u>	<u>\$ 319,378</u>	<u>\$ 62,793</u>	<u>\$ 372,975</u>

3. Fair Value Measurements

ASC 820, *Fair Value Measurement and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Society uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Society measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available. There were no assets measured utilizing level 3 inputs as of June 30, 2016 and 2015.

3. Fair Value Measurements (continued)

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
June 30, 2016			
Certificates of deposit	\$ 598,017	\$ -	\$ 598,017
Municipal securities	646,150	646,150	-
Corporate stocks	6,502,988	6,502,988	-
Domestic corporate bonds	2,787,890	2,787,890	-
Foreign corporate bonds	272,914	272,914	-
Mutual funds:			
Mortgage backed bonds	76,979	76,979	-
Corporate bonds	905,854	905,854	-
Domestic equities	2,192,013	2,192,013	-
Global equities	841,853	841,853	-
	<u>\$ 14,824,658</u>	<u>\$ 14,226,641</u>	<u>\$ 598,017</u>
June 30, 2015			
Certificates of deposit	\$ 816,308	\$ -	\$ 816,308
U.S. Gov. & Agency securities	152,405	152,405	-
Municipal securities	671,659	671,659	-
Corporate stocks	5,893,883	5,893,883	-
Domestic corporate bonds	2,413,847	2,413,847	-
Foreign corporate bonds	277,636	277,636	-
Mutual funds			
Mortgage backed bonds	76,034	76,034	-
Corporate bonds	907,166	907,166	-
Domestic equities	2,057,377	2,057,377	-
Global equities	855,064	855,064	-
Total	<u>\$ 14,121,379</u>	<u>\$ 13,305,071</u>	<u>\$ 816,308</u>

4. Property and Equipment

Major classes of property and equipment and accumulated depreciation are as follows:

	June 30	
	2016	2015
Furniture and equipment	\$ 56,455	\$ 81,690
Less accumulated depreciation	35,769	44,536
	<u>\$ 20,686</u>	<u>\$ 37,154</u>
Depreciation expense	<u>\$ 11,599</u>	<u>\$ 12,016</u>

Property and equipment does not include equipment purchased and maintained by Chapters and Divisions, as such equipment is not under the control of Society Headquarters.

5. Print Collection

The Society owns a collection of approximately 4,500 prints. The prints that have an identifiable market at acquisition are carried at the estimated fair value as of date of acquisition. For prints acquired prior to June 30, 1991, carrying value is fair value measured as of June 30, 1991. For prints acquired subsequent to June 30, 1991, carrying value is fair value measured as of the date of acquisition. The following summarizes prints that had an identifiable fair value at date of acquisition:

2016		2015	
Number of Prints	Carrying Value	Number of Prints	Carrying Value
528	\$ 293,300	528	\$ 293,300

6. Leases

The Society's prior lease for office space terminated June 30, 2014. Effective May 20, 2014, the Society entered into a lease for office space in Oklahoma City, Oklahoma. The lease is for a term of sixty months commencing July 1, 2014 and ending June 30, 2019. The lease calls for average monthly lease payments of \$3,073. The Society also leases office equipment under two leases expiring in October, 2017 and December, 2018. Lease expense for the years ended June 30, 2016 and 2015 was \$34,870 and \$35,277 respectively. Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2017	44,200
2018	43,354
2019	<u>40,908</u>
Total	<u>\$ 128,462</u>

7. Due from (to) Other Funds

The following is a breakdown by funds of the various due to and due from accounts:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Unrestricted - operating		
Due from unrestricted - board designated	\$ 18,299	\$ -
Due to EF trustee designated	-	(110)
Due to permanently restricted	-	(50)
Total	<u>\$ 18,299</u>	<u>\$ (160)</u>
Unrestricted - Board Designated		
Due to unrestricted - operating	\$ (18,299)	\$ -
	<u>\$ (18,299)</u>	<u>\$ -</u>
Unrestricted - EF trustee designated		
Due from unrestricted - operating	\$ -	\$ 110
Due from permanently restricted	-	50
Due to permanently restricted	(38,674)	(10,532)
Total	<u>\$ (38,674)</u>	<u>\$ (10,372)</u>
Permanently restricted		
Due from EF trustee designated	\$ 38,674	\$ 10,532
Total	<u>\$ 38,674</u>	<u>\$ 10,532</u>
Grand Total	<u>\$ -</u>	<u>\$ -</u>

8. Deferred Revenue

Deferred revenue consists of the following:

	June 30,	
	2016	2015
Current membership dues	\$ 311,967	\$ 291,265
Deferred credits	56,629	86,764
	<u>368,596</u>	<u>378,029</u>

Deferred revenues for dues represent monies received during the current and prior years for memberships that will expire in the future. As stated in Note 1, revenues from life membership dues will be recognized over twenty years, which is the estimated life of the memberships.

9. Chapter Transfers

Photographic Society of America is a single Society with various state chapters that are intended to be integral parts of the Society. To support this relationship between the Society and its chapters, chapter financial data is included in the Society's financial statements. Individual chapters maintain separate bank accounts for operating purposes and, at their discretion, may make transfers to the Society to aid in Society operations. Also, chapter funds revert to the Society in the event a chapter terminates its Society charter. Transfers of funds from chapters to the Society amounted to \$1,150 and \$-0- for the years ended June 30, 2016 and 2015, respectively.

10. Risks and Uncertainties

The Society maintains bank accounts at multiple financial institutions and also has cash accounts with investment companies. Cash accounts held at investment companies are not insured by the FDIC. Cash equivalent accounts at investment companies amounted to \$722,670 and \$834,494 at June 30, 2016 and 2015, respectively.

The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible, that changes in the values of investment securities will occur in the near term and that such changes could materially affect the fair value of investments.

11. Endowment

Endowment funds consist of donor restricted contributions made to support the Society. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the EF II trust agreement, EF II can only make its income available for the exclusive benefit of the Society. Contributions to EF II, in accordance with the trust agreement, create permanently restricted net assets. Additionally, the trust agreement provides that realized and unrealized capital gains and capital losses increase or decrease permanently restricted net assets.

11. Endowment (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<u>June 30, 2016</u>			
Donor restricted endowment funds	\$ -	\$ -	\$ 9,890,491
<u>June 30, 2015</u>			
Donor restricted endowment funds	\$ -	\$ -	\$ 9,338,213

Changes in endowment net assets for the fiscal years ended June 30, 2016 and 2015:

	<u>Year Ended June 30, 2016</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Beginning of year	\$ -	\$ -	\$ 9,338,213	\$ 9,338,213
Investment income	314,885	-	-	314,885
Realized and unrealized gains and (losses)	-	-	552,278	552,278
Appropriation for expenditure	(296,294)	-	-	(296,294)
Investment expenses	(18,591)	-	-	(18,591)
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,890,491</u>	<u>\$ 9,890,491</u>

	<u>Year Ended June 30, 2015</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Beginning of year	\$ -	\$ -	\$ 9,275,420	\$ 9,275,420
Investment income	302,408	-	-	302,408
Realized and unrealized gains and (losses)	-	-	62,793	62,793
Appropriation for expenditure	(283,233)	-	-	(283,233)
Investment expenses	(19,175)	-	-	(19,175)
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,338,213</u>	<u>\$ 9,338,213</u>

Spending policy:

For fiscal years ending June 30, 2016 and 2015, annual distributions equal to investment earnings, excluding realized and unrealized gains and losses, were made from endowment funds for the benefit of the Society.

12. Subsequent Events

Management of the Society has evaluated events subsequent from the balance sheet date (June 30, 2016) through February 17, 2017, the date the financial statements were available to be issued.

EL DORADO	112 EAST CENTRAL AVE.	EL DORADO, KS 67042-2151	316-321-1150
McALESTER	101 S. 2ND. STE. B	McALESTER, OK 74501-5345	918-426-1234
TUCSON	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
TULSA	8023 E. 63RD PL. STE 500	TULSA, OK 74133-1209	918-494-8700
WAGONER	611-D W. CHEROKEE ST.	WAGONER, OK 74467-4618	918-485-5531
WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335