

**Photographic Society of America**

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

**June 30, 2018**



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## 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, 2018, 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 America and subsidiaries as of June 30, 2018, 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' 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated March 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Rejiv Carr & Monroe LLP*

December 21, 2018  
Wichita, Kansas

**Photographic Society of America**  
**Consolidated Statement of Financial Position**  
**June 30, 2018 with Comparative Totals for June 30, 2017**

	June 30, 2018					June 30, 2017 Total
	Unrestricted			Permanently Restricted	Total	
	Operating	Board Designated	EF Trustee Designated			
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 196,012	\$ 35,210	\$ 113,375	\$ 50,489	\$ 395,086	\$ 540,791
Accrued interest receivable	24	-	5,698	39,855	45,577	43,598
Accounts receivable	1,473	-	-	-	1,473	1,061
Due from (to) other funds	18,299	(18,299)	(26,644)	26,644	-	-
Inventory at lower of cost (FIFO) or market	47,213	-	-	-	47,213	47,170
Prepaid expenses and other assets	16,896	-	-	-	16,896	22,249
Short-term investments	-	-	359,684	216,501	576,185	696,573
Total current assets	<u>279,917</u>	<u>16,911</u>	<u>452,113</u>	<u>333,489</u>	<u>1,082,430</u>	<u>1,351,442</u>
<b>Other assets</b>						
Print collection	293,300	-	-	-	293,300	293,300
Investments, less current maturities	2,424,110	248,095	3,136,576	10,545,228	16,354,009	15,246,706
Property and equipment, at cost less accumulated depreciation	<u>104,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,263</u>	<u>35,918</u>
	<u>2,821,673</u>	<u>248,095</u>	<u>3,136,576</u>	<u>10,545,228</u>	<u>16,751,572</u>	<u>15,575,924</u>
Total assets	<u>\$ 3,101,590</u>	<u>\$ 265,006</u>	<u>\$ 3,588,689</u>	<u>\$ 10,878,717</u>	<u>\$ 17,834,002</u>	<u>\$ 16,927,366</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities</b>						
Accounts payable and accrued expenses	\$ 34,560	\$ -	\$ -	\$ -	\$ 34,560	\$ 13,812
Deferred revenue, current	432,815	-	-	-	432,815	438,911
Total current liabilities	<u>467,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,375</u>	<u>452,723</u>
<b>Net assets</b>						
Unrestricted	2,634,215	265,006	3,588,689	-	6,487,910	6,173,620
Permanently restricted	-	-	-	10,878,717	10,878,717	10,301,023
Total net assets	<u>2,634,215</u>	<u>265,006</u>	<u>3,588,689</u>	<u>10,878,717</u>	<u>17,366,627</u>	<u>16,474,643</u>
Total liabilities and net assets	<u>\$ 3,101,590</u>	<u>\$ 265,006</u>	<u>\$ 3,588,689</u>	<u>\$ 10,878,717</u>	<u>\$ 17,834,002</u>	<u>\$ 16,927,366</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, 2018 with Comparative Totals for Year Ended June 30, 2017**

	June 30, 2018				Total	June 30, 2017 Total
	Unrestricted			Permanently Restricted		
	Operating	Board Designated	EF Trustee Designated			
<b>Revenues, gains and other support</b>						
Dues	\$ 320,280	\$ -	\$ -	\$ -	\$ 320,280	\$ 253,535
PSA Journal	8,358	-	-	-	8,358	13,140
Division programs	198,638	-	-	-	198,638	112,820
Committee programs	14,920	-	-	-	14,920	13,733
Investment income (loss)	118,501	14,560	549,176	577,694	1,259,931	1,256,253
Headquarters services	68,656	-	-	-	68,656	52,608
Conventions and exhibitions	79,995	-	-	-	79,995	90,949
Contributions	6,220	-	-	-	6,220	903
Chapter income	24,741	-	-	-	24,741	30,230
Total revenues, gains and other support	<u>840,309</u>	<u>14,560</u>	<u>549,176</u>	<u>577,694</u>	<u>1,981,739</u>	<u>1,824,171</u>
<b>Expenses</b>						
General operations	151,775	-	22,258	-	174,033	179,847
Headquarters services	208,825	-	-	-	208,825	222,140
PSA Journal	163,849	-	-	-	163,849	186,627
Divisions	72,122	-	-	-	72,122	79,473
Committees	149,357	-	-	-	149,357	143,081
Chapter expenses	36,748	-	-	-	36,748	21,565
Conventions and exhibitions	109,926	-	-	-	109,926	82,889
Website expenses	174,895	-	-	-	174,895	176,333
Total expenses	<u>1,067,497</u>	<u>-</u>	<u>22,258</u>	<u>-</u>	<u>1,089,755</u>	<u>1,091,955</u>
<b>Change in net assets</b>	(227,188)	14,560	526,918	577,694	891,984	732,216
<b>Net assets - beginning</b>	2,561,403	250,446	3,361,771	10,301,023	16,474,643	15,742,427
<b>Transfers from (to) other funds</b>	300,000	-	(300,000)	-	-	-
<b>Net assets - ending</b>	<u>\$ 2,634,215</u>	<u>\$ 265,006</u>	<u>\$ 3,588,689</u>	<u>\$ 10,878,717</u>	<u>\$ 17,366,627</u>	<u>\$ 16,474,643</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, 2018 with Comparative Totals for June 30, 2017**

	June 30, 2018					June 30, 2017 Total
	Unrestricted				Total	
	Operating	Board Designated	EF Trustee Designated	Permanently Restricted		
<b>Operating activities</b>						
Change in net assets	\$ (227,188)	\$ 14,560	\$ 526,918	\$ 577,694	\$ 891,984	\$ 732,216
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Depreciation	13,438	-	-	-	13,438	9,117
(Gain) loss on sale of investments	-	-	-	(528,011)	(528,011)	(150,666)
Unrealized (appreciation) depreciation of investments	(10,329)	(2,136)	(94,857)	(46,765)	(154,087)	(593,900)
Amortization of investment premiums	-	-	(265)	(2,918)	(3,183)	(3,002)
Decrease (increase) in interest receivable	-	-	448	(2,429)	(1,981)	(1,952)
Decrease (increase) in accounts receivable	(412)	-	-	-	(412)	(1,061)
Decrease (increase) in inventory	(43)	-	-	-	(43)	24,265
Decrease (increase) in other assets	5,353	-	-	-	5,353	(8,368)
Decrease (increase) in due (to) from other funds	-	-	(39,198)	39,198	-	-
Increase (decrease) in accounts payable	20,748	-	-	-	20,748	(8,671)
Increase (decrease) in deferred revenue	(6,096)	-	-	-	(6,096)	70,315
Net cash provided (used) by operating activities	(204,529)	12,424	393,046	36,769	237,710	68,293
<b>Investing activities</b>						
Purchase of property assets	(81,782)	-	-	-	(81,782)	(24,349)
Purchase of investments	(86,042)	(9,854)	(387,625)	(2,327,964)	(2,811,485)	(1,988,897)
Sales/maturities of investments	-	-	210,002	2,299,850	2,509,852	1,617,844
Net cash provided (used) by investing activities	(167,824)	(9,854)	(177,623)	(28,114)	(383,415)	(395,402)
<b>Transfers</b>						
Transfers from (to) funds	300,000	-	(300,000)	-	-	-
Net increase (decrease) in cash and cash equivalents	(72,353)	2,570	(84,577)	8,655	(145,705)	(327,109)
<b>Cash and cash equivalents at beginning of year</b>	268,365	32,640	197,952	41,834	540,791	867,900
<b>Cash and cash equivalents at end of year</b>	\$ 196,012	\$ 35,210	\$ 113,375	\$ 50,489	\$ 395,086	\$ 540,791

*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, 2018**  
**with Comparative Information for June 30, 2017**

**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 2018 and 2017.

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.



## 1. Summary of Significant Accounting Policies (Continued)

### *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 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, 2018 and 2017. 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 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, 2017, from which the summarized information was derived.

## 1. **Summary of Significant Accounting Policies (Continued)**

### ***Cash and cash equivalents:***

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

### ***Dues:***

Membership dues are recognized as revenue over the term 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:***

Acquisitions of property and equipment are capitalized at cost when purchased or at fair value at date of gift, when donated. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five or seven years.

### ***Recent Accounting Pronouncements:***

#### ***Revenue Recognition***

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that will supersede the current revenue recognition requirements. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Society's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Society has not yet determined which application method it will use or the potential effects on the new standard on the financial statements, if any.

#### ***Leases***

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Society's year ending June 30, 2021, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

#### ***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:

## 1. Summary of Significant Accounting Policies (Continued)

- 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, 2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of deposit	\$ 580,000	\$ 637,310	\$ 57,310
Municipal securities	622,109	623,988	1,879
Corporate stocks	5,112,502	7,525,838	2,413,336
Domestic corporate bonds	3,194,907	3,123,392	(71,515)
Foreign corporate bonds	260,000	264,681	4,681
Mutual funds:			
Mortgage backed bonds	150,740	147,603	(3,137)
Corporate bonds	1,044,516	1,026,843	(17,673)
Domestic equities	1,913,026	2,612,526	699,500
Global equities	810,165	968,013	157,848
Total	13,687,965	16,930,194	3,242,229
Short-term	575,014	576,185	1,171
Long-term	\$ 13,112,951	\$ 16,354,009	\$ 3,241,058

## 2. Investments (continued)

	June 30, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of deposit	\$ 460,000	\$ 510,817	\$ 50,817
Municipal securities	559,314	573,699	14,385
Corporate stocks	4,924,657	7,141,495	2,216,838
Domestic corporate bonds	2,818,348	2,883,056	64,708
Foreign corporate bonds	305,768	322,577	16,809
Mutual funds:			
Mortgage backed bonds	212,457	211,015	(1,442)
Corporate bonds	1,073,478	1,070,718	(2,760)
Domestic equities	1,774,967	2,369,428	594,461
Global equities	710,860	860,474	149,614
Total	12,839,849	15,943,279	3,103,430
Short-term	689,492	696,573	7,081
Long-term	\$ 12,150,357	\$ 15,246,706	\$ 3,096,349

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

	June 30, 2018				
	Unrestricted				Total
	Unrestricted	Board Designated	EF Trustee Designated	Permanently Restricted	
Interest and dividends	\$ 108,172	\$ 12,424	\$ 454,319	\$ -	\$ 574,915
Unrealized appreciation (depreciation)	10,329	2,136	94,857	49,683	157,005
Realized gains/(losses)	-	-	-	528,011	528,011
Total	\$ 118,501	\$ 14,560	\$ 549,176	\$ 577,694	\$ 1,259,931
	June 30, 2017				
	Unrestricted				Total
	Unrestricted	Board Designated	EF Trustee Designated	Permanently Restricted	
Interest and dividends	70,596	\$ 9,250	\$ 431,841	\$ -	\$ 511,687
Unrealized appreciation (depreciation)	96,200	16,055	196,508	285,137	593,900
Realized gains/(losses)	8,981	(2,837)	19,127	125,395	150,666
Total	\$ 175,777	\$ 22,468	\$ 647,476	\$ 410,532	\$ 1,256,253

### 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, 2018 and 2017.

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)
<b>June 30, 2018</b>			
Certificates of deposit	\$ 637,310	\$ -	\$ 637,310
Municipal securities	623,988	623,988	-
Corporate stocks	7,525,838	7,525,838	-
Domestic corporate bonds	3,123,392	3,123,392	-
Foreign corporate bonds	264,681	264,681	-
Mutual funds:			
Mortgage backed bonds	147,603	147,603	-
Corporate bonds	1,026,843	1,026,843	-
Domestic equities	2,612,526	2,612,526	-
Global equities	968,013	968,013	-
	<u>\$ 16,930,194</u>	<u>\$ 16,292,884</u>	<u>\$ 637,310</u>
<b>June 30, 2017</b>			
Certificates of deposit	\$ 510,817	\$ -	\$ 510,817
Municipal securities	573,699	573,699	-
Corporate stocks	7,141,495	7,141,495	-
Domestic corporate bonds	2,883,056	2,883,056	-
Foreign corporate bonds	322,577	322,577	-
Mutual funds			
Mortgage backed bonds	211,015	211,015	-
Corporate bonds	1,070,718	1,070,718	-
Domestic equities	2,369,428	2,369,428	-
Global equities	860,474	860,474	-
Total	<u>\$ 15,943,279</u>	<u>\$ 15,432,462</u>	<u>\$ 510,817</u>

#### 4. Property and Equipment

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

	June 30	
	2018	2017
Furniture and equipment	\$ 85,529	\$ 80,804
Acceptance database	77,058	-
Less accumulated depreciation	58,324	44,886
	<u>\$ 104,263</u>	<u>\$ 35,918</u>
Depreciation expense	<u>\$ 13,438</u>	<u>\$ 9,117</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:

2018		2017	
Number of Prints	Carrying Value	Number of Prints	Carrying Value
<u>528</u>	<u>\$ 293,300</u>	<u>528</u>	<u>\$ 293,300</u>

#### 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 November, 2022 and December, 2022. Lease expense for the years ended June 30, 2018 and 2017 was \$46,926 and \$36,881 respectively. Future minimum lease payments are as follows:

Year ending June 30,	
2019	\$ 50,789
2020	12,305
2021	12,305
2022	12,305
2023	5,780
Total	<u>\$ 93,484</u>

## 7. Due from (to) Other Funds

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

	June 30,	
	2018	2017
Unrestricted - operating		
Due from unrestricted - board designated	\$ 18,299	\$ 18,299
Total	<u>\$ 18,299</u>	<u>\$ 18,299</u>
Unrestricted - Board Designated		
Due to unrestricted - operating	\$ (18,299)	\$ (18,299)
	<u>\$ (18,299)</u>	<u>\$ (18,299)</u>
Unrestricted - EF trustee designated		
Due to permanently restricted	(26,644)	(65,842)
Total	<u>\$ (26,644)</u>	<u>\$ (65,842)</u>
Permanently restricted		
Due from EF trustee designated	\$ 26,644	\$ 65,842
Total	<u>\$ 26,644</u>	<u>\$ 65,842</u>
Grand Total	<u>\$ -</u>	<u>\$ -</u>

## 8. Deferred Revenue

Deferred revenue consists of the following:

	June 30,	
	2018	2017
Current membership dues	\$ 320,604	\$ 342,542
Deferred credits	112,211	96,369
	<u>\$ 432,815</u>	<u>\$ 438,911</u>

Deferred revenues for dues represent monies received during the current and prior years for memberships that will expire in the future.

## 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 \$-0- for the years ended June 30, 2018 and 2017, 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 \$206,322 and \$377,673 at June 30, 2018 and 2017, respectively.

**10. Risks and Uncertainties (continued)**

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.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<u>June 30, 2018</u>			
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,878,717</u>
<u>June 30, 2017</u>			
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,301,023</u>

Changes in endowment net assets for the fiscal years ended June 30, 2018 and 2017:

	<u>Year Ended June 30, 2018</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Beginning of year	\$ -	\$ -	\$ 10,301,023	\$ 10,301,023
Investment income	311,687	-	-	311,687
Realized and unrealized gains and (losses)	-	-	577,694	577,694
Appropriation for expenditure	(289,593)	-	-	(289,593)
Investment expenses	<u>(22,094)</u>	<u>-</u>	<u>-</u>	<u>(22,094)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,878,717</u>	<u>\$ 10,878,717</u>



**11. Endowment (continued)**

	Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning of year	\$ -	\$ -	\$ 9,890,491	\$ 9,890,491
Investment income	323,142	-	-	323,142
Realized and unrealized gains and (losses)	-	-	410,532	410,532
Appropriation for expenditure	(302,904)	-	-	(302,904)
Investment expenses	(20,238)	-	-	(20,238)
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,301,023</u>	<u>\$ 10,301,023</u>

*Spending policy:*

For fiscal years ending June 30, 2018 and 2017, 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 statement of financial position date (June 30, 2018) through December 21, 2018, the date the financial statements were available to be issued.

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<b>EL DORADO</b>	PO BOX 847	EL DORADO, KS 67042-0847	316-321-1150
<b>McALESTER</b>	101 S. 2ND. STE. B	McALESTER, OK 74501-5345	918-426-1234
<b>TUCSON</b>	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
<b>TULSA</b>	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	918-494-8700
<b>WAGONER</b>	611-D W. CHEROKEE ST.	WAGONER, OK 74467-4618	918-485-5531
<b>WICHITA</b>	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335