



AMERICAN
PAYROLL
INSTITUTE, INC.

The 2013 Annual Report of the American Payroll Association

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For further information regarding members listed in the Annual Report, please consult the Members Only resources on the APA's website, www.americanpayroll.org. The Members Only resources also feature additional information on APA bylaws, membership services, educational events and local chapters, as well as a payroll practitioner's guide to federal and state government and a payroll vendor services directory.

The President's Letter



As President of the American Payroll Association and on behalf of the Board of Directors, officers, and staff, it is my honor to present to you the 2013 Annual Report of the APA.

During the past year, our Association has continued to grow in membership, chapters, revenue, and educational offerings. All of this is attributed to the APA's robust commitment to innovation and long-range planning. The continued growth is also due to prudent financial management by our Association's leadership team; we are fiscally sound and continue to be strategically positioned to meet new challenges and take advantage of new opportunities.

The APA continues to be a respected voice in Washington, D.C., as evidenced by the various governmental agencies' requests for the input of our members and staff on various proposed laws and regulations. The APA continues to be recognized as a leading industry authority due to the dedication and expertise of our members, APA staff, and the excellent leadership of Executive Director Dan Maddux.

Highlighting a few other APA accomplishments of this past year:

- APA membership was at 20,174 as of December 2012. Our retention rate of 81% is above average for the association sector.
- There are 10,290 Certified Payroll Professionals.
- More than 4,890 practitioners have earned the Fundamental Payroll Certification.
- APA Local Chapters have grown to 158.
- APA's educational offerings in 2012 totaled 474 learning opportunities, covering 940 training days, encompassing 39 different programs or delivery methods, and enrolling more than 48,200 participants.
- APA provided substantive comments to U.S. Citizenship and Immigration Services when USCIS proposed significant revisions to Form I-9.

The complete list of APA's "Top Association Accomplishments in the Last Year" is contained in this Annual Report along with the audited financial statements and information about the organization's structure, staff, committees, volunteers, and award winners. After reading this report, I am very pleased to be a member of this world-class Association.

A special thank you to the APA Board of Directors, officers, committees, volunteers, members and partners for your continued leadership and support, and above all for the privilege of serving as your President.

Sincerely,

A handwritten signature in black ink that reads "Deborah E. Viers Traylor, CPP".

Deborah Viers Traylor, CPP
President
American Payroll Association

National Payroll Week • September 3-7, 2012

America Works Because We're Working for America®

National Payroll Week (NPW) 2012 was a resounding success, with record-breaking achievements across the entire campaign including far-reaching media and advertising campaigns, increased survey participation, and fantastic community outreach.

Online Survey Success

The 10th annual “Getting Paid In America” online survey remained incredibly popular with more than 30,600 responses. The survey is an invaluable resource to help APA bring more attention to the efforts of the payroll industry and better serve America’s employees.

Community Education and Outreach Efforts

During National Payroll Week, members of the American Payroll Association’s more than 150 local chapters and more than 20,000 members present important financial literacy information to school and civic groups, participate in community service initiatives, and use local media to reach out to our nation’s workforce and the workers of tomorrow.

NPW 2012 saw the seventh MasterCard Money Matters National Education Day (MMNED). On this special day, nearly 40,000 students were taught by over 650 APA members who volunteered to teach teens in their communities the ins and outs of a paycheck utilizing a specialized lesson plan created by the APA and the National Council on Economic Education.

For MMNED, APA teams up with MMNED sponsor MasterCard to offer four education scholarships to students who passed a payroll quiz after viewing a video on payroll-related issues at www.nationaleducationday.com. The scholarships included one grand prize scholarship of \$5,000, and three winners of \$1,000 scholarships each.

APA Documentary

To commemorate the APA’s 30th Anniversary, APA and Diamond Sponsor ADP teamed up to create an educational documentary on the importance of payroll and its impact on the lives of most every worker.

The documentary, hosted by Joan Lunden, was distributed to public television stations, reaching an estimated 60 million households.

NPW Advertising Accomplishments

The 2012 NPW advertising campaign hit new heights, reaching a total of 97.1 million people. A 30 second television commercial aired on NBC’s “The Today Show,”

MSNBC’s “Hardball with Chris Matthews” and on the Fox Cable Networks. Top publications like *The New York Times Magazine* and *USA TODAY* published the eye-catching NPW print ad. In addition, image and text ads appeared on leading industry and high-traffic consumer websites, including Facebook.com, LinkedIn.com, WashingtonPost.com, CNN.com, WSJ.com, NYTimes.com, USNews.com, MarketWatch.com, Salon.com, and Blogspot.com, among others. APA also sponsored a drive-time radio sponsorship of the very popular National Public Radio program Marketplace.

Positive Press Coverage

National media coverage for NPW reached millions in 2012. The dynamic public relations campaign received coverage in print, online, on radio, and on television. Highlights of the coverage NPW received are outlined below:

- CNN’s “Starting Point” reported results from the NPW “Getting Paid In America” survey to its audience of more than 241,000 viewers. The report appeared on the show throughout the weeks following NPW.
- Forbes published the story “8 Opportunities in Your Paycheck You May Be Missing,” which prominently mentioned National Payroll Week and provided many of the financial literacy tips seen on the NPW website. The article also appeared on many consumer websites including Yahoo!, reaching a potential audience of over 38.9 million.
- The largest daily newspaper in the United States, USA TODAY, ran three Snapshots of NPW survey results on the front page of its Money section. USA TODAY is delivered to 1.8 million subscribers daily.
- The newswire service Reuters reported on a statistic from the NPW “Getting Paid In America” survey. The article, “More than two thirds in U.S. live paycheck to paycheck: survey,” spawned more than a 100 additional placements on news sites including The Huffington Post, USNews.com, Yahoo!, The Washington Examiner and Chicago Tribune, among others, reaching a potential audience of over 110 million.
- NPW on the Radio. San Antonio radio station WOAI AM interviewed APA on results from the NPW “Getting Paid In America” survey. The interview was aired during the station’s morning drive time and replayed throughout the week, and was also posted on the station’s website. The radio story was heard by San Anto-

nio's largest radio news audience and the online article reached a potential audience of over 53,600.

In addition, APA created a 60 second audio news release on Money Matters National Education Day. The campaign was a big success, reaching an estimated 9.5 million radio listeners across the country during the week of NPW.

- NPW in Times Square. NPW was promoted in Times Square on the giant Reuters video billboard throughout NPW during rush hour. The highly visible billboard proudly displayed the NPW logo and encouraged consumers to recognize their payroll professionals.
- Survey Press Releases. Results from the NPW survey were used to create three press releases highlighting various results from the survey. Each release included at least one quote from an NPW sponsor. The three releases reached a potential audience of over 488.7 million readers.

NPW Supporters

The NPW Supporter initiative gained grassroots support from some of the most recognizable companies

in America. Notable NPW Supporters for 2012 included 3M, AT&T, T-Mobile, General Mills, MOM Brands, Shell Oil and Starbucks, among others. NPW Supporters agree to spread the NPW message and recognize their payroll professionals. In return, APA recognizes their support on the NPW website, in PAYTECH, and in the NPW video. A total of 72 top businesses pledged their support and promised to spread the NPW message.

In 2012, APA and APA local chapters sent letters to all state governors requesting a show of support for National Payroll Week. As a result, 20 states issued proclamations for NPW. APA local chapters also received 123 proclamations in their cities and states, for a grand total of 143 proclamations issued across the country.

NPW Web Site

The NPW Web site was actively promoted as a year-round resource for paycheck-related information. Traffic to this site continues to grow. This year, www.nationalpayroll-week.com received 124,558 impressions from September 3-7. For the entire campaign from May – September, the Web site received 471,745 impressions.

NPW Sponsorship

National Payroll Week is grateful for the support of numerous corporate sponsors from the payroll and business community. Their ongoing support has made NPW's continued growth every year since its inception in 1996 possible. Our thanks to the following organizations for their continued support of NPW:

NPW 2012 SPONSORS

Diamond Sponsor
ADP

Money Matters National Education

Day Sponsor
MasterCard Worldwide

Platinum Sponsors

Accountemps and Robert Half
Finance & Accounting
Ceridian
Global Cash Card
Kronos
Paychex
SumTotal

Media Partners

Journal of Accountancy
Jobing.com
Paycheckcity

Gold Sponsors

NACHA—The Electronic Payments
Association
Kelly Financial Resources
Ultimate Software

NPW 2013 SPONSORS

Diamond
ADP

Money Matters National Education

Day Sponsor for 2013
MasterCard Worldwide

Platinum Sponsors

Accountemps and Robert Half
Finance & Accounting
Capital One
Ceridian
Global CashCard
Kronos

Platinum Sponsors (continued)

NACHA – The Electronic Payments
Association
Paychex
Rapid Paycard
US Bank
Workday

Media Partners

Jobing.com
Journal of Accountancy
Paycheckcity

Gold Sponsors

SaverNation
Ultimate Software



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Section One

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ASSOCIATION ACCOMPLISHMENTS

Top Association Accomplishments in the Last Year

Membership Services

1. APA membership was at 20,174 as of December 2012. Our retention rate of 81% is above average for the association sector.
2. A total of 759 members volunteered to serve on various APA committees, taskforces, and boards, contributing to the leadership of the Association while honing their professional knowledge.
3. The Certified Payroll Professional (CPP) designation was obtained by 1,023 individuals during 2012. Currently, 10,290 payroll professionals hold the CPP designation.
4. APA's Fundamental Payroll Certification (FPC) exam was successfully completed by 1,391 payroll practitioners. Currently, 4,891 individuals hold the FPC designation.
5. A job task analysis was completed in 2012, resulting in new content outlines and knowledge, skills, and abilities for the APA certification exams effective with the fall 2013 testing window. This process ensures that the exams accurately reflect jobs and job functions in the workplace.
6. APA now has 158 affiliated local chapters. The newest chapter is the Volusia Flagler County Association of Payroll Professionals, serving the Daytona Beach, Fla., area.
7. Local chapters are increasing their involvement with social media and online networking. Nearly 60 chapters have accounts with LinkedIn and Facebook. In addition, APA's Chapter Relations department is a member of nearly 70 chapter groups on LinkedIn and "friends" with nearly 120 chapter members on Facebook.
8. For the fall 2012 and spring 2013 certification testing windows, local chapters hosted a total of 173 CPP and FPC Study Groups. Many chapters are combining their separate CPP and FPC sessions into one study group.
9. National Payroll Week 2012 contest participation hit a new record. APA local chapters submitted 299 entries for the eight NPW contests.
10. The APA's legal editors regularly submit the most important federal and state payroll compliance news from *Payroll Currently* and *PayState Update* for the APA home page. The news updates include links to a

- new form, publication, or referenced information.
11. APA has implemented cloud-based data storage solutions with redundant backup to protect operational data while increasing staff productivity and improving member service.
12. APA has moved its email server to a hosted solution, which provides greater reliability, better staff efficiency, and improved member service.
13. A record 12,799 members receive the daily payroll ListServ, an increase of 5.5% and representing 63% of the total APA membership.
14. APA completed its 13th Benchmarking/Performance Study, which allowed more than 100 employers to compare their business processes and to identify areas for operational improvement. Results were released at the 2012 Fall Forum and 2013 Congress.

Education

15. APA's educational offerings in 2012 totaled 474 learning opportunities, covering 940 training days, encompassing 39 different programs or delivery methods, and enrolling more than 48,200 participants--a nearly 31% increase in participation over 2011.
16. In addition to conducting APA's nationwide course offerings, APA instructors presented 62 other educational programs, including 22 chapter meetings, 35 statewide meetings, and 5 user-group meetings.
17. Over the past year, APA has presented 44 in-house programs of customized training to more than 1,050 payroll professionals. So far in 2013, the in-house option is more popular than ever.
18. APA added interactive exercises to its curriculum of six virtual classroom courses: Payroll Practice Essentials, Intermediate Payroll Concepts, Advanced Payroll Concepts, Strategic Payroll Practices, Mergers and Acquisitions Forum, and Payroll System Selection and Implementation.
19. APA's most popular training program, Preparing for Year-End and 2013, was offered as 68 one-day seminars across the country and as a series of webinars, live and on-demand, with total attendance exceeding 6,700.
20. Within hours of the enactment of the American Taxpayer Relief Act of 2012 on January 2, 2013, APA

ASSOCIATION ACCOMPLISHMENTS

- presented a comprehensive webinar on the issues payroll professionals faced with the extension of 2012's income tax rates and fringe benefit exclusions. The webinar was then made available on demand.
21. APA presented in-depth payroll training to more than 500 participants at the Payroll Learning Centers in Las Vegas and San Antonio through Payroll 101: Foundations of Payroll Certificate Program, Payroll 201: Payroll Administration Certificate Program, Payroll Administration in Canada, Payroll Administration in the United Kingdom, and Implementing Payroll Best Practices.
 22. APA formed two new subcommittees of the Strategic Payroll Leadership Task Force: the Small Employers Best Practices Subcommittee and the Hospitality Industry Subcommittee.
 23. APA continued the government presence at the Payroll Tax Forum and Preparing for Year-End seminars by arranging for IRS representatives to discuss specific topics. For the first time, the IRS provided a video for our Preparing for Year-End classes explaining Form 940.
 24. APA's 30th Anniversary Congress in 2012, featuring more than 170 workshops and 114 exhibiting companies in the Expo, recorded attendance exceeding 2,200.
 25. The Annual Congress was named one of Tradeshow Executive's "Fastest 50," for conference performance, beating out 4,000 other tradeshows in the attendance growth category. APA was recognized in Tradeshow Executive magazine and at their annual conference.
 26. As a complement to the in-person Congress, the Virtual Congress and Expo launched on May 9, 2012, and was available on demand through the summer. More than 4,000 people, representing over 2,000 companies, registered for the online events, which included a general session, webinars, and interaction with vendors and fellow participants. Booth visits increased by 29% and time spent in the booths increased by over 100%.
 27. The Fall Forum, held September 2012 in Las Vegas, was attended by more than 180 individuals, a 20% increase from the year before. The 3-day conference focuses on best practices, process improvements, leadership, shared services, and global issues.
 28. The Leadership Certificate Program, offered at the Fall Forum and nationwide, enrolled nearly 60 participants in 2012.
 29. The 26th Annual Educational Institutions Payroll Conference, held October 2012 in St. Louis, was attended by nearly 100 participants.
 30. The 9th Annual Capital Summit (March 2013 in Washington, D.C.), which was expanded to two full days to allow more focused presentations on developing payroll legislative and regulatory issues, had 178 attendees, a 28% increase over the previous year.
 31. APA improved the technology in the San Antonio Meeting Center with wired and wireless network infrastructure improvements, increased classroom deployment speed, upgraded laptops for mobile classrooms, and enhanced computer imaging functionality—resulting in a better learning environment for class participants and facility rental clients.

American Accounts Payable Association (AAPA)

32. AAPA membership was at 269 as of December 2012.
33. AAPA members have established local chapters in Anchorage, Alaska; Chicago, Illinois; and Washington, D.C.
34. The AAPA produced a growing series of accounts payable education offered as webinars, live and on-demand, including the popular Accounts Payable Preparing for Year-End webinar series.
35. A total of 14 members serve on various AAPA committees, task forces, and boards, contributing to the leadership of the Association while honing their professional knowledge.

Finance & Administration

36. Membership revenue was 20% of total APA revenue during 2012. By generating most of its revenue from other sources, the APA can keep its membership dues and related costs at a reasonable level.
37. APA's revenue from operations increased by 5.87% during 2012.
38. APA's net assets increased by 9.2% in 2012, which enabled the association to make investments in additional educational programs and expand membership benefits.
39. Congress registration revenues grew by 21.1% in 2012, reflecting increased participation in APA's 30th Anniversary Congress in Orlando.
40. APA refinanced and extended the maturity date of three existing notes for seven years, an option that will save an estimated \$2.4 million over the life of the loan.
41. Interest expense related to loans decreased by 16.7% in 2012 because of the note balance reduction from

ASSOCIATION ACCOMPLISHMENTS

- the sale of assets in 2011.
42. Investment assets increased by 32% in 2012.
 43. During 2012, APA's Vendor Relations team achieved an 11% increase from 2011 in sales revenue from vendor advertising, sponsorships, and other marketing. Congress 2012 sponsorship revenue set an all-time record for the second year in a row, exceeding 2011 by 17%. Total Vendor Relations revenue for 2012 was an all-time record for the second year in a row.
 44. During 2012, APA's Vendor Relations team created new relationships with 29 companies that were not previously APA advertisers, sponsors, or supporters, generating new revenue for the association.
 45. During 2012, our top 10 vendors spent a combined total of 30% more with us than they did in 2011.
 46. PAYTECH advertising sales revenue for 2012 exceeded 2011 by 10%. Our top 10 PAYTECH advertisers in 2012 spent an average of 25% more than they did in 2011.
 47. APA secured a new NPW sponsor for 2012 and renewed all sponsors from 2011, representing a 10% increase in revenue over 2011 and an all-time record for the second year in a row.
 48. *Congress Today* advertising revenue increased by 20% over 2011, with total sponsorship and advertising revenue hitting an all-time record for the second year in a row.
 49. Virtual Congress and Expo sponsorships and booth revenue increased slightly in 2012 and covered the cost to host the event.
 50. For 2012, we contracted with a new Virtual Congress platform provider, saving nearly \$10,000 off the service contract compared to 2010 and 2011. We added a new networking enhancement, Badge Collection, which helped drive traffic to the exhibitor booths. Attendees received badges for completing tasks, such as visiting each booth, chatting with reps, and opening documents and demo videos provided within each booth.
 51. APA has a total of 80 employees; 30 of them have been on staff for 10 or more years. APA staff includes 7 attorneys, 6 Certified Payroll Professionals, 4 FPCs, 3 Certified Public Accountants, 1 Certified Meeting Professional, 1 Certified in Exhibit Management, and 1 Professional in Human Resources.
 52. We increased the number of staff in the technology and accounting departments to better meet the needs of our members and help automate the workflow of our staff.

Government Relations

53. APA urged the IRS and Treasury Department to offer guidance to employers regarding payroll processing in 2013 after the "fiscal cliff" resolution was reached in early January 2013.
54. One APA member and one AAPA member were selected in 2013 to join two prestigious IRS advisory committees. Karen Salemi, FLMI, CPP, will join the Internal Revenue Service Advisory Council (IRSAC) and Mary Kallewaard will join the Information Reporting Program Advisory Committee (IRPAC).
55. In May 2012, the newly created Pennsylvania Local Taxes Subcommittee of APA's Government Affairs Task Force (GATF) met for the first time to discuss thorny Act 32 issues that affect local earned income tax collection. The subcommittee is working with Pennsylvania tax collectors to improve EIT collection.
56. In July 2012, the federal Office of Child Support Enforcement gave APA's GATF Child Support Subcommittee a tour of its redesigned website which went live in the fall. Participants learned how to best access information on the website and shared their knowledge with members in APA publications.
57. In August 2012, Texas employers did not lose child support fees, thanks to advocacy by APA's GATF Child Support Subcommittee. The state attorney general had wanted to limit fees to \$10 each month per employee, not per order, but changed his position after speaking with subcommittee members.
58. In August 2012, the Federal Tax Forms and Publications Subcommittee of the APA's Government Affairs Task Force submitted 13 pages of recommendations to the IRS with the goal of having those recommendations included in future versions of forms and publications. Comments covered Forms 668-W, 941, 2159, and 8027, as well as Publication 505.
59. In 2012, APA convinced the National Council of Commissioners on Uniform State Laws to begin work on a uniform garnishment act for all states. This is a multiple-year project that, upon its completion, will offer standardized withholding practices in all states that adopt the act.
60. In November 2012, in the wake of Hurricane Sandy, APA requested that the Treasury and IRS reinstate special temporary rules that allow employees to donate leave time to victims through payroll deductions. The IRS responded with guidance explaining

ASSOCIATION ACCOMPLISHMENTS

how employees may donate their vacation, sick, or personal leave in exchange for employer cash payments made to qualified tax-exempt organizations.

61. In 2012, APA support for the Mobile Workforce State Income Tax Simplification Act helped lead to the bill's passage in the U.S. House of Representatives and its introduction in the U.S. Senate.
62. APA applauded IRS proposed regulations to make the Truncated TIN pilot program permanent, thus allowing certain information return filers to mask the first five numbers of taxpayer identification numbers on reports. APA urged that the pilot program be expanded to cover employer ID numbers.
63. APA urged the Department of Labor to recognize Payroll as a professional discipline equal to that of Human Resources and to update the education and knowledge requirements in the DOL's O*Net database, which provides comprehensive occupational descriptions for use by job seekers and employers.
64. APA provided substantive comments to U.S. Citizenship and Immigration Services when USCIS proposed significant revisions to the Form I-9.
65. At the behest of APA, the Michigan House Banking Committee on December 5, 2012, removed language from Senate Bill 1281 that would have required payroll card issuers to have an in-state office or branch to offer their services in Michigan.
66. In March 2013, APA testified before the New Hampshire Senate, convincing legislators to incorporate APA's suggested changes to a payroll card bill, thereby removing barriers that prevent employers from paying all employees electronically through direct deposit or payroll card.

Publications

67. The new digital edition of PAYTECH magazine was launched in March 2013, providing members with a searchable, easy-to-use flip-page format. It's a member-only benefit available in the "Reading Room."
68. PAYTECHonline®, APA's monthly electronic publication, continues to launch each monthly edition of Pay News Network (PNN), the video newsmagazine hosted by Executive Director Dan Maddux.
69. The 2011 edition of *Congress Today*, the daily newspaper of the annual Congress, was recognized as Best Show Daily with a first-place win in the 2012 International Association of Exhibitions and Events (IAEE) Art of the Show competition.
70. Four new members were added to PAYTECH's

Board of Contributing Writers in 2013, expanding the expertise and article topics available to readers of the flagship publication.

71. In addition to being printed once annually, APA's Toolkit of Education and Publications is posted on the website in a virtual edition that is refreshed as needed with the latest updates.
72. The 20th edition of *The Payroll Source*® was published in March 2013.
73. In July 2012, APA started using Twitter to send tweets with state and local payroll compliance news from PayState Update, APA's subscription e-newsletter.

Public Relations

74. As 2012 ended and Congress struggled with how to avoid the "fiscal cliff," APA responded to numerous media queries to explain how employees and their employers would be affected by the late passage of the legislation.
75. APA continues to have a strong presence on the leading social networking sites. APA's Facebook pages have more than 6,100 fans, APA's LinkedIn group page more than 10,000 members, and nearly 3,150 follow APA (@paynews) on Twitter.
76. During 2012, APA's public relations campaigns across all media reached a potential audience of more than 3 billion. APA coverage appeared in outlets such as *The Wall Street Journal*, Bloomberg.com, CNNMoney.com, National Public Radio, and many others.
77. During the "fiscal cliff" negotiations in Washington, D.C., APA staff payroll experts were quoted and interviewed on paycheck impacts by major media outlets including Fox News, *USA Today*, and the Associated Press.
78. APA continues to contribute articles to each edition of the *SSA/IRS Reporter*, the quarterly publication for U.S. employers, which is posted on the IRS website.
79. A total of 72 top businesses signed up as 2012 NPW supporters to promote National Payroll Week to their employees. Supporters included 3M, AT&T, Omni Hotels, and Starbucks, among others.
80. State and local governments issued a total of 143 proclamations in support of NPW 2012, through the efforts of local chapters and APA staff.
81. More than 30,600 individuals participated in the NPW 2012 "Getting Paid In America" online survey. Results of the survey were reported by leading

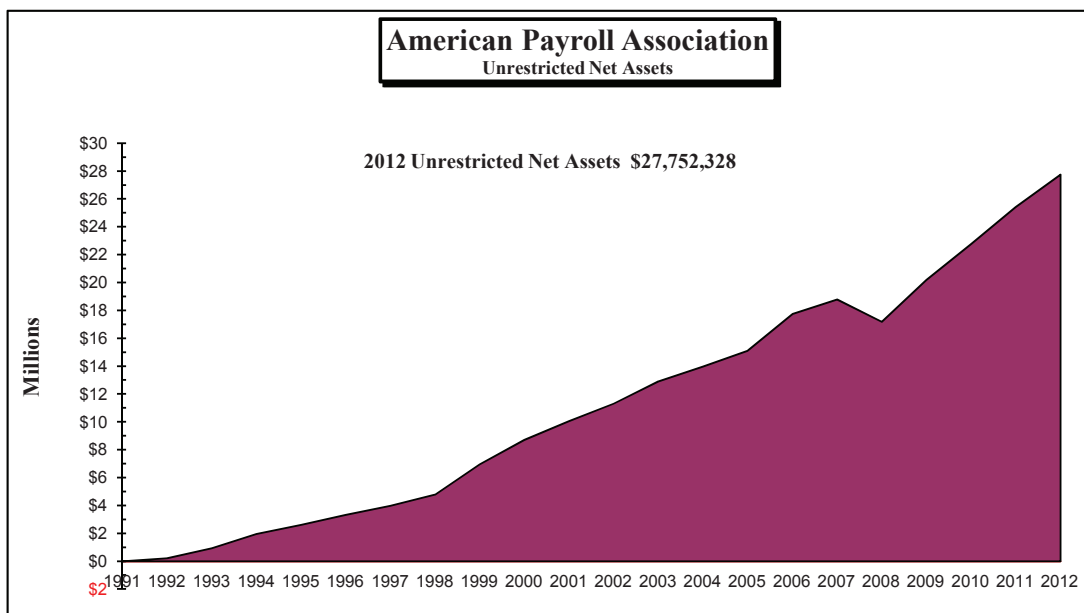
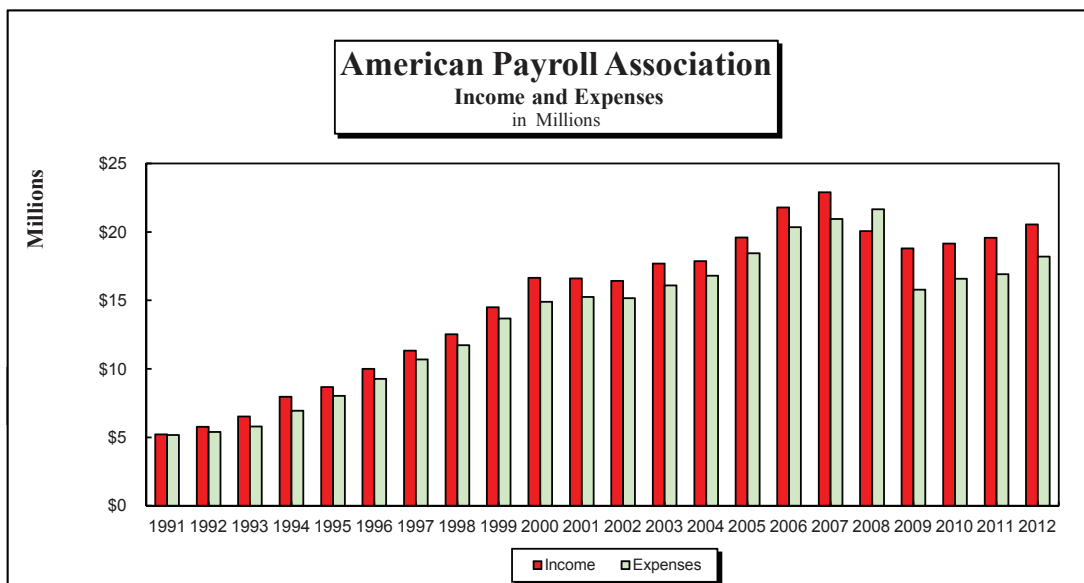
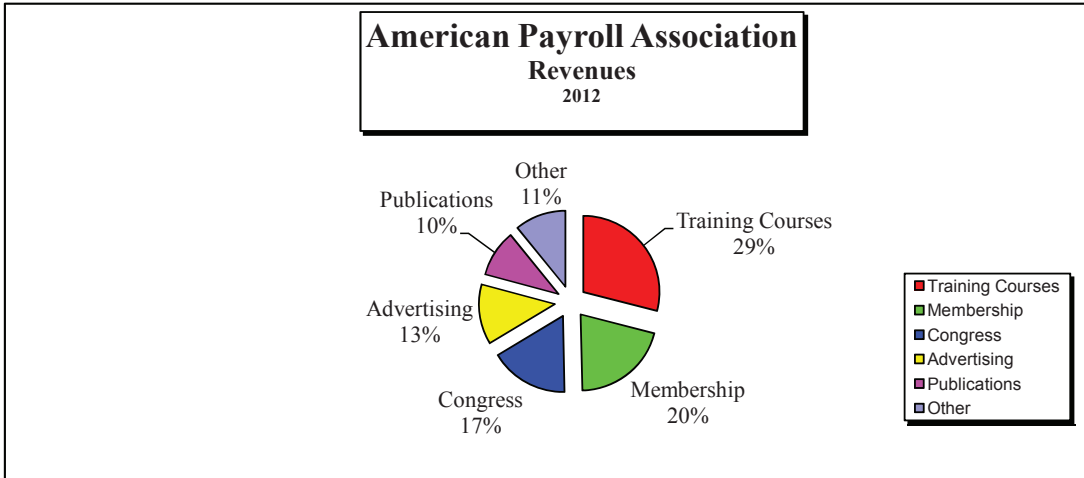
ASSOCIATION ACCOMPLISHMENTS

- media including CNN, Reuters, and *USA Today*.
82. APA produced a new TV spot promoting payroll and National Payroll Week. The 30-second ad appeared on major television networks including Fox Business, Fox News, MSNBC, and NBC.
 83. NPW 2012 reached high visibility in New York City's Times Square, where it was promoted on the giant Reuters video billboard during the rush hours of National Payroll Week.
 84. MEET Las Vegas, which includes one of APA's two executive learning centers as well as MEET's unique state-of-the-art, high-tech event center, received the prestigious Event Site of the Year award at the Event Solutions Spotlight Awards in Las Vegas on March 10. Previous recipients of this award have included Ellis Island/Statue of Liberty, The Mirage Las Vegas, and Elvis Presley's Graceland.

Partnerships

85. Executive Director Dan Maddux and APA President Brent Gow, CPP, attended the Canadian Payroll Association's annual conference in Ottawa, Canada, July 2-5, 2012. Brent also taught a session there.
86. Executive Director Dan Maddux and APA President Brent Gow, CPP, attended the annual conference of the Chartered Institute of Payroll Professionals in Wales, October 4-5, 2012. Brent also taught a session there.
87. Executive Director Dan Maddux and APA President Brent Gow, CPP, attended the ADP ReThink Global HCM conference in New York City, January 22-24, 2013.
88. Executive Director Dan Maddux and several other APA staff members attended the ADP Meeting of the Minds conference, March 17-20, 2013, in Las Vegas.
89. Executive Director Dan Maddux was a workshop presenter at the National Speakers Association conference, July 14-17, 2012, in Indianapolis.
90. In 2012, APA joined forces with MasterCard Worldwide to provide a redesigned digital version of *Your Paycheck* free to members to educate their employees and those new to the workforce. It was also offered free to the general public for the first time.
91. APA again partnered with MasterCard Worldwide to offer *The Guide to Successful Electronic Payments* as a free e-book to members during 2012.
92. APA continued its partnership with MasterCard Worldwide as the exclusive sponsor of MasterCard Money Matters National Education Day during National Payroll Week. In 2012, more than 650 APA members volunteered to teach paycheck basics to teens nationwide; MasterCard awarded four scholarships for continuing education.
93. APA continues to partner with Visa to support the APA Visa® Paycard Portal®, which was relaunched in March 2013 with a new design and improved content.
94. APA continues to partner with Global Cash Card to offer the GEM program—Global Cash Card Educates APA Members With MasterCard (www.globalcashcard.com/gem). Program participants are eligible for free APA memberships and prepaid cards redeemable for APA educational programs.
95. APA continues to partner with Kronos and Global Cash Card to provide Payroll Education Grants, in addition to grants sponsored by APA. For the 2013 grants, members submitted 82 applications.
96. In 2012, APA partnered with vendors to sponsor 12 webinars on various timely payroll topics. More than 10,500 individuals registered for these free webinars, including both live and on-demand versions.
97. APA continues its partnership with Jobing.com, which provides an online job board on the APA and AAPA websites, along with other resources free to members.
98. APA continues its partnership with Robert Half International/Accountemps, which provides an online Career Center on the APA and AAPA websites.
99. APA partnered with NPW Diamond Sponsor ADP to produce a TV documentary educating the public about NPW and the payroll profession. It was distributed to public television stations, reaching an estimated 60 million households.
100. In June 2012, Tammy Trascher, Chief Operating Officer, was invited to serve on the Texas Commercial Client Advisory Board for Capital One. In addition, Capital One Bank has become the first full-service bank to sponsor National Payroll Week in 2013.

FINANCIALS



Independent Auditor's Report



Independent Auditor's Report

**Board of Directors
American Payroll Association**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of American Payroll Association, which comprise the consolidated balance sheet as of December 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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.

FINANCIALS

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 American Payroll Association as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Loeb & Troper LLP

March 15, 2013
New York, New York

AMERICAN PAYROLL ASSOCIATION

Consolidated Balance Sheet

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 6,082,256	\$ 5,201,371
Investments (Note 3)	1,978,425	1,495,206
Accounts receivable (net of allowance for doubtful accounts of \$154,000 in 2012 and \$289,000 in 2011)	811,075	794,526
Prepaid expenses and other assets	878,105	1,211,947
Fixed assets - net (Note 5)	<u>37,334,573</u>	<u>38,613,917</u>
Total assets	<u>\$ 47,084,434</u>	<u>\$ 47,316,967</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,936,782	\$ 1,988,280
Deferred revenues	3,545,389	3,981,389
Deferred compensation payable (Note 7)		969,594
Long-term debt (Note 8)	<u>13,849,935</u>	<u>14,964,902</u>
Total liabilities	19,332,106	21,904,165
Net assets - unrestricted (Exhibit B)	<u>27,752,328</u>	<u>25,412,802</u>
Total liabilities and net assets	<u>\$ 47,084,434</u>	<u>\$ 47,316,967</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

AMERICAN PAYROLL ASSOCIATION

Consolidated Statement of Activities and Changes in Net Assets

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Operating revenues		
Training courses	\$ 5,957,110	\$ 6,008,966
Membership dues	4,246,008	4,323,324
Annual congress	2,682,046	2,156,220
Exhibit booths	751,616	680,015
Advertising	2,631,363	2,167,940
Publications and text books	2,043,028	2,047,307
National Payroll Week	385,453	388,772
Certifications	858,495	690,768
Miscellaneous	154,827	152,029
	19,709,946	18,615,341
Operating expenses		
Employee compensation and benefits	7,810,972	6,815,804
Committees	55,309	23,124
Speakers' fees	371,370	338,915
Promotion and premiums	153,250	113,924
Shipping and postage	442,151	431,259
Advertising	249,602	241,045
Printing	707,516	704,987
Hotels and transportation	2,625,849	2,487,668
Telephone	252,327	286,046
Travel	420,545	443,318
Legal and accounting	659,675	179,470
Occupancy (Note 9)	919,754	1,182,528
Computer expenses	462,002	493,135
Insurance	116,892	112,571
Rental and maintenance of equipment	122,489	303,440
Tax provision	81,967	140,510
Bank charges	314,088	297,877
Supplies and small equipment	65,521	21,185
Miscellaneous	114,517	115,765
	15,945,796	14,732,571

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AMERICAN PAYROLL ASSOCIATION

Consolidated Statement of Activities and Changes in Net Assets

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Change in net assets from operations	\$ 3,764,150	\$ 3,882,770
Nonoperating income and expenses		
Depreciation	(1,584,281)	(1,612,238)
Investment income (Note 3)	61,486	26,844
Building rental income (Note 9)	773,353	929,271
Interest expense	(914,620)	(1,096,871)
Unrealized gain (loss) on interest rate swap (Note 8)	239,438	(57,943)
Gain on sale of property		579,238
Net nonoperating income and expenses	<u>(1,424,624)</u>	<u>(1,231,699)</u>
Change in unrestricted net assets (Exhibit C)	2,339,526	2,651,071
Net assets - beginning of year	<u>25,412,802</u>	<u>22,761,731</u>
Net assets - end of year (Exhibit A)	<u>\$ 27,752,328</u>	<u>\$ 25,412,802</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

AMERICAN PAYROLL ASSOCIATION

Consolidated Statement of Cash Flows

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 2,339,526	\$ 2,651,071
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,584,281	1,612,238
Gain on sale of property		(579,238)
Unrealized loss (gain) on interest rate swap	(239,438)	57,943
Realized and unrealized (gains) losses on investments	(9,185)	4,718
Decrease (increase) in assets		
Accounts receivable	(16,549)	73,558
Prepaid expenses and other assets	333,842	(668,289)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(51,498)	(121,551)
Deferred revenues	(436,000)	239,784
Deferred compensation payable	(969,594)	93,903
Net cash provided by operating activities	<u>2,535,385</u>	<u>3,364,137</u>
Cash flows from investing activities		
Proceeds from sale and/or maturity of investments	385,568	229,120
Proceeds from sale of fixed assets		3,729,535
Purchase of investments	(859,602)	(675,555)
Fixed asset acquisitions	(304,937)	(312,174)
Net cash provided (used) by investing activities	<u>(778,971)</u>	<u>2,970,926</u>
Cash flows from financing activities		
Principal payments on long-term debt	(875,529)	(4,147,183)
Net increase in cash and cash equivalents	880,885	2,187,880
Cash and cash equivalents - beginning of year	<u>5,201,371</u>	<u>3,013,491</u>
Cash and cash equivalents - end of year	<u>\$ 6,082,256</u>	<u>\$ 5,201,371</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 912,010</u>	<u>\$ 1,087,485</u>
Cash paid for taxes		<u>\$ 128,752</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

AMERICAN PAYROLL ASSOCIATION

Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF ORGANIZATION

American Payroll Institute, Inc. d/b/a American Payroll Association (“APA”) was organized to promote the payroll profession. This is accomplished primarily through education, printed materials, legislative activities and awareness programs. APA also includes the following: APA Education Trust, American Payroll Institute, Inc., and API NYC Properties, LLC, organized in New York; API Fund for Payroll Education, Inc. and API Properties, Inc., organized in Texas; API Nevada Properties, Inc., organized in Nevada; API DC Properties, Inc., organized in Washington, D.C.; APA Services, Inc., organized in Delaware and American Accounts Payable Association, Inc., organized in Texas.

APA Education Trust and API Fund for Payroll Education, Inc. are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). American Payroll Institute, Inc. and American Accounts Payable Association, Inc. are exempt from federal income tax under Section 501(c)(6) of the IRC. API Properties, Inc., API Nevada Properties, Inc., and API DC Properties, Inc. are IRC Section 501(c)(2) title-holding companies. API NYC Properties, LLC is a limited liability company that holds title to the property purchased in New York City. APA Services, Inc. is a for-profit corporation. Certain activities performed by APA are unrelated to its exempt purpose and are subject to unrelated business income tax.

APA Education Trust and API Fund for Payroll Education, Inc. are responsible for educational activities. American Payroll Institute, Inc. provides membership services including publications, lobbying and the dissemination of printed and other material promoting the payroll profession. API Properties, Inc., API Nevada Properties, Inc., API DC Properties, Inc., and API NYC Properties, LLC were established to hold title to property. APA Services, Inc. was formed to facilitate taxable activities, which are byproducts of services rendered to APA’s members. American Accounts Payable Association, Inc. was organized to promote the payables and disbursement profession.

APA is funded primarily by training courses, membership dues, an annual congress, advertising, sponsorships and publication sales.

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Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Consolidation

The financial activity and financial position of APA Education Trust, API Fund for Payroll Education, Inc., API Properties, Inc., API Nevada Properties, Inc., API DC Properties, Inc., API NYC Properties, LLC, APA Services, Inc., and American Accounts Payable Association, Inc. have been consolidated with American Payroll Institute, Inc. d/b/a American Payroll Association.

These entities are related to APA through board control and financial interdependence. All material intercompany balances and transactions have been eliminated in the consolidation.

B. Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting. Revenues from membership dues are recognized over the period of membership. Revenues from training courses and the annual congress are recognized when the events take place. Advertising revenues are recognized upon the publication date.

C. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid money market funds with original maturity dates of three months or less. These funds generally invest in highly liquid investments. Investments in money market funds are not insured or guaranteed by the U.S. Government.

E. Accounts Receivable and Allowance for Doubtful Accounts

APA records receivables based on contracts or services provided. Bad debt expense is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end.

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AMERICAN PAYROLL ASSOCIATION

Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***F. Prepaid Expenses and Other Assets***

Prepaid expenses include the cost of printing brochures, inventory and materials related to future events, promotional items and premiums, and unexpired insurance cost.

G. Investments

Investments are recorded at fair value. APA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect APA's financial statements.

H. Fixed Assets

Fixed assets are stated at cost and are depreciated on the straight-line method over their estimated useful lives. Fixed assets in excess of \$2,000 with an estimated useful life of more than one year are capitalized.

I. Deferred Revenue

Deferred revenue represents payment for membership dues that are prorated over the year, prepayments for future events and advertising, and advance rental income payments.

J. Swap Agreement

The swap agreement is recorded at fair value.

K. Leases

Income and expenses for leases are recorded on the straight-line basis over the life of the lease.

L. Deferred Compensation

Based on a contractual obligation in 2011, a liability had been recorded representing APA's commitment. Although the investments were owned and controlled by APA, said investments had been segregated. Earnings as well as gains and losses on these funds were added to and deducted from deferred compensation payable. Under the terms of the agreement, the full liability was paid in 2012.

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Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Change in Net Assets from Operations

Change in net assets from operations includes all income and expenses except for depreciation, investment income, building rental income, interest expense, unrealized gain (loss) on interest rate swap and gain on sale of property.

N. Functional Allocation of Expenses

The costs of providing APA's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs, supporting services and nonoperational activities.

O. Advertising

Advertising costs are expensed when incurred.

P. Unrestricted Net Assets

Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

Q. Fair Value Measurements and Disclosures

Fair Value Measurements and Disclosures establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that APA has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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AMERICAN PAYROLL ASSOCIATION

Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Q. Fair Value Measurements and Disclosures (continued)***

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Money market funds and fixed income - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value (NAV) of shares held at year end.

Swap agreement - APA recognizes the fair value of the difference between the interest payments due on its debt and the estimated interest payments on its swap agreement, discounted to present value as either an asset or liability based on the calculated value.

- (1) Quoted prices in active markets for identical assets or liabilities
- (2) Observable inputs other than quoted prices in active markets for identical assets and liabilities
- (3) No observable pricing inputs in the market

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while APA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

R. Uncertainty in Income Taxes

APA has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Periods ending December 31, 2009 and subsequent remain subject to examination by applicable taxing authorities.

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Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Subsequent Events

Subsequent events have been evaluated through March 15, 2013, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS AND SWAP AGREEMENT

The following is the breakdown of assets and (liabilities) by level within the fair value hierarchy:

	December 31, 2012		
	Level 1	Level 2	Total
Investments			
Money market funds	\$ 432,609	\$ -	\$ 432,609
Fixed-income mutual funds	1,203,230	-	1,203,230
Equity mutual funds	<u>342,586</u>	<u>-</u>	<u>342,586</u>
Total investments	<u>\$ 1,978,425</u>	<u>\$ -</u>	<u>\$ 1,978,425</u>
Swap agreement		<u>\$ (1,067,698)</u>	<u>\$ (1,067,698)</u>
	December 31, 2011		
	Level 1	Level 2	Total
Investments			
Money market funds	\$ 472,541	\$ -	\$ 472,541
Fixed-income mutual funds	806,312	-	806,312
Equity mutual funds	<u>216,353</u>	<u>-</u>	<u>216,353</u>
Total investments	<u>\$ 1,495,206</u>	<u>\$ -</u>	<u>\$ 1,495,206</u>
Swap agreement		<u>\$ (1,307,136)</u>	<u>\$ (1,307,136)</u>

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AMERICAN PAYROLL ASSOCIATION

Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 3 - INVESTMENTS AND SWAP AGREEMENT (continued)

Investment income consists of the following:

	<u>2012</u>	<u>2011</u>
Net realized and unrealized gains (losses)	\$ 9,185	\$ (4,718)
Interest and dividends	<u>52,301</u>	<u>31,562</u>
	<u>\$ 61,486</u>	<u>\$ 26,844</u>

APA retains an investment manager. Included in consulting services are investment fees of \$18,484 and \$14,016 in 2012 and 2011, respectively.

NOTE 4 - FUNCTIONAL EXPENSES

	<u>2012</u>	<u>2011</u>
Professional education and advancement	\$ 14,811,309	\$ 14,191,457
Administrative and general	<u>3,633,388</u>	<u>3,250,223</u>
	<u>\$ 18,444,697</u>	<u>\$ 17,441,680</u>

NOTE 5 - FIXED ASSETS

	<u>2012</u>	<u>2011</u>	<u>Estimated Useful Lives</u>
Land	\$ 6,636,913	\$ 6,636,913	
Building and improvements	37,788,987	37,570,482	25 - 40 years
Furniture and equipment	<u>4,232,547</u>	<u>4,146,115</u>	3 - 10 years
	48,658,447	48,353,510	
Less accumulated depreciation	<u>(11,323,874)</u>	<u>(9,739,593)</u>	
	<u>\$ 37,334,573</u>	<u>\$ 38,613,917</u>	

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Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 6 - PENSION

APA has a defined contribution pension plan that covers all eligible employees. In 2012, a contribution of 10% of qualified wages was approved to be paid. For 2011, contributions of 7.5% of qualified wages were approved and paid in 2012. Pension expense for 2012 was \$421,410 and \$322,308 for 2011.

NOTE 7 - DEFERRED COMPENSATION PAYABLE

Deferred compensation expense was \$101,149 in 2012 and \$93,903 in 2011. The liability established for the contractual obligation to the Executive Director was paid in 2012.

NOTE 8 - LONG-TERM DEBT

APA has various loans outstanding to finance property and improvements.

APA had a hedge contract (an interest rate swap agreement) with Compass Bank which converted the interest rate on the variable loans to a fixed rate. Capital One Bank assumed the swap agreements and the rates were adjusted to an adjusted fixed rate plus 3%. To reflect the difference between interest and swap rates, an unrealized gain/(loss) on interest swap of \$239,438 and (\$57,943) was recorded for the years ended December 31, 2012 and 2011, respectively. The swap liability as of December 31, 2012 and 2011 is \$1,067,698 and \$1,307,136, respectively.

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Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 8 - LONG-TERM DEBT (continued)

The following are the loans' terms:

Monthly Payment	Maturity	Interest Terms	Interest Rate at December 31	Balance December 31, 2012	Balance December 31, 2011	Collateral	Terms
\$ 31,250	August 2014	LIBOR + 3%	8.43%*	\$ 4,843,750	\$ 5,218,753	Nevada, Texas, DC properties	20-year amortization plus interest with a 5-year balloon.
14,167	August 2014	LIBOR + 3%	8.43%*	2,394,171	2,564,170	Nevada, Texas, DC properties	20-year amortization plus interest with a 5-year balloon.
20,256	August 2014	LIBOR + 2.5%	4.5%	4,071,365	4,314,431	Nevada, Texas, DC properties	20-year amortization plus interest with a 5-year balloon.
3,313	August 2014	LIBOR + 2.5%	4.5%	665,812	705,562	San Pedro property	20-year amortization plus interest with a 2-year balloon.
18,552	August 2014	LIBOR + 2.5%	4.5%	<u>807,139</u>	<u>854,850</u>	New York property	20-year amortization plus interest with a 2-year balloon
Total loans				12,782,237	13,657,766		
Interest rate swap				<u>1,067,698</u>	<u>1,307,136</u>		
Total				<u>\$ 13,849,935</u>	<u>\$ 14,964,902</u>		

* Based on effective rate with swap payments.

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Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 8 - LONG-TERM DEBT (continued)

There is a covenant requiring management to maintain a minimum of \$750,000 of cash to be increased by \$250,000 each year beginning December 31, 2011. There is to be a minimum debt service ratio of 1.35 and any further debt without prior approval is prohibited.

A portion of the New York property was sold in 2011 and the proceeds were used to retire a portion of the related notes. The maturity dates for remaining loan balances maturing September 2, 2012 were extended to align with the other debt and mature August 2014. These revised maturities are reflected in the table above.

There is a minimum 2% floor for LIBOR. LIBOR was .21% and .28% at December 31, 2012 and 2011, respectively. All loans are collateralized by APA's real property, with the exception of two condominiums in San Antonio.

The swaps were issued at market terms so that they had no fair value or carrying value at their inception. The carrying amount of the swaps has been adjusted to their fair value at the end of the year which, because of changes in forecasted levels of LIBOR, resulted in reporting a liability for the fair value of the future net payments forecasted under the swaps. The swap contracts permit settlement prior to maturity only through termination by APA. The settlement amounts are determined based on forecasted changes in interest rates required under fixed and variable legs of the swaps. APA believes the settlement amounts are the best representation of the fair value of the swaps and has adjusted their carrying amounts to the settlement amounts at end of year. The notional amounts are \$7,237,921 and \$7,782,923 at December 31, 2012 and 2011, respectively.

Under the swap contract, APA pays interest at the above rate on the above balance and receives interest at varying rates. The interest rate swap qualifies as, and is designated as, a cash flow hedge. The swap is designated to hedge the risk of changes in interest payments on the note caused by changes in LIBOR. The notional amounts do not represent actual amounts exchanged by the parties, but instead represent the amounts on which the contracts are based.

Since the critical terms of the swaps and the notes are approximately the same, the swaps are assumed to be effective as hedges, and none of the changes in fair values are included in income. Accordingly, all of the adjustment of the swaps' carrying amount is reported as nonoperating income or loss in the accompanying consolidated statement of activities and changes in net assets. If the swaps are terminated early, the corresponding carrying amount would be reclassified into earnings.

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AMERICAN PAYROLL ASSOCIATION

Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 8 - LONG-TERM DEBT (continued)

Subsequent to year end, APA refinanced its three loans which were attached to the swap agreement. Under the new agreement, the notes were fixed at 5.58% and amortize beginning April 1, 2013 through February 28, 2020. The future minimum payments under the new terms are as follows:

2013	\$ 857,047
2014	730,533
2015	555,613
2016	555,613
2017	555,613
Thereafter	<u>9,527,818</u>
Total	<u>\$ 12,782,237</u>

NOTE 9 - LEASE COMMITMENTS

APA has a lease agreement for a corporate apartment in Las Vegas to facilitate staff travel. The lease is for \$44,401 plus other fees per year. The lease expires in 2013. The rent expense for 2012 and 2011 was \$55,030 and \$48,302, respectively.

In 2011, APA entered into a lease agreement for a parking lot to facilitate the Las Vegas operations. The lease expires in December 2014. This agreement is for \$24,000 per year plus other fees. The rent expense for 2012 and 2011 was \$36,892 and \$31,637, respectively.

The combined minimum lease payments are as follows:

2013	\$ 46,201
2014	<u>24,000</u>
	<u>\$ 70,201</u>

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FINANCIALS

AMERICAN PAYROLL ASSOCIATION

Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 9 - LEASE COMMITMENTS (continued)

The company is leasing a number of business machines, which are all recorded as operating leases. The leases expire between June 2013 and October 2017. There are no escalations and, at the expiration of the lease periods, rental of the machines may be continued at the same monthly rate. There are purchase options at the end of all lease terms that are based on the market price of the equipment at that time. The future minimum lease payments for these leases are:

2013	\$ 34,107
2014	30,481
2015	22,097
2016	5,329
2017	<u>4,441</u>
	<u>\$ 96,455</u>

Total rent expense, including monthly rentals not detailed above, for 2012 and 2011 was \$121,798 and \$302,585, respectively.

APA receives rental income for use of various facilities for short-term use as well as a long-term lease. The leases expire between 2013 through 2017. In addition, APA has a number of month-to-month lease rentals. Minimum rental income is due as follows:

2013	\$ 132,700
2014	116,339
2015	119,829
2016	123,423
2017	<u>127,126</u>
	<u>\$ 619,417</u>

Rental income and expense are recorded on the straight-line method over the life of each lease. Certain leases provide for the pass-through of certain costs and/or escalation charges based on variable criteria. These charges are reflected each year as they are incurred. The minimum lease revenues for 2013 include only January through March revenues for the San Pedro property as a letter of intent to purchase the property has been received subsequent to December 31, 2012.

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AMERICAN PAYROLL ASSOCIATION

Notes to Consolidated Financial Statements

DECEMBER 31, 2012 AND 2011

NOTE 10 - RELATED PARTIES

Certain board members provide services to APA, primarily as course instructors. In 2012 and 2011, board members were compensated \$153,520 and \$120,100, respectively, for services performed. The board members are compensated at the same rates as APA pays others for providing comparable services. There is a quality assurance program to provide independence to the selection criteria for speakers.

APA leased a corporate apartment from the Executive Director at a rate determined to be at or below market. During 2012 and 2011, the Executive Director was paid \$55,030 and \$48,302, respectively, for the rental of the corporate apartment.

NOTE 11 - CONCENTRATIONS

Financial instruments that potentially subject APA to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

NOTE 12 - CONTINGENCY

The Las Vegas, Nevada (MEET) building provides office space, a training center, as well as the expansion of a profit center providing catering and other services in the Las Vegas community. The book value of the Las Vegas property is \$27.7 million. Although real estate property values in Las Vegas in general have declined, the current business plan projections for the profit center reflect an overall value in excess of cost. It is not possible to determine the actual market value of the property or business as of the date of this report.

No adjustments have been made for potential impairment based on the above.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

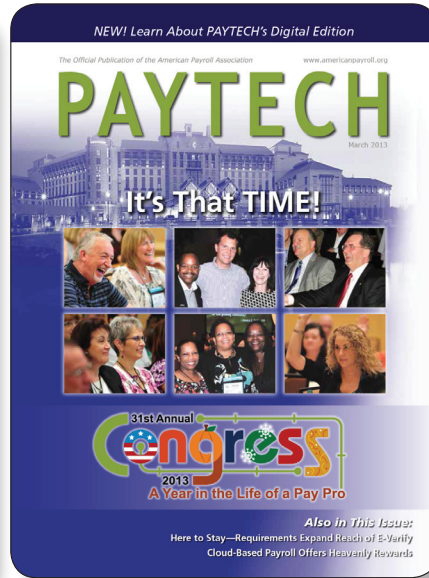
The carrying amounts of APA's financial instruments as reported in the consolidated balance sheet approximate their fair value.

NOTE 14 - SUBSEQUENT EVENTS

APA received a contract for sale on January 22, 2013 for the sale of 10,115 square feet of the commercial condominium in New York City. Additionally, on January 31, 2013, a contract for sale and escrow payment was received for the commercial property on San Pedro Avenue in San Antonio, Texas. These sales should close upon the completion of certain conditions.

MEMBERSHIP PUBLICATIONS

The Year in PAYTECH, PAYTECHonline, and AP Journal Online



PAYTECH is the career magazine for the professionals who keep their companies going by delivering accurate, on-time payrolls while staying in compliance with ever-changing laws and regulations.

PAYTECH has continued to focus on topics of interest and concern to APA members. During the past year, APA staff and PAYTECH's talented Board of Contributing Writers offered members a wealth of valuable information on subjects ranging from health care reform and global payroll issues to disaster recovery.

This past year, PAYTECH offered advice from experts on how to deal with a disaster (in the wake of Hurricane Sandy), year-end issues, time and attendance best practices, and how to manage a mobile workforce. In addition, PAYTECH

updated readers on payroll tax compliance, presented coverage of the Annual Congress, the Educational Institutions Payroll Conference, National Payroll Week, the Fall Forum, and the Capital Summit. PAYTECH also now includes accounts payable articles to further help our members learn about all facets of their industry. We also announced the 2012 Payroll Man and Woman of the Year, the 2012 Prism Award winners, the 2012 Chapter of the Year, and APA's new President, Deborah Viers Traylor, CPP.

PAYTECH continues to have its circulation verified by BPA Worldwide, giving the magazine added credibility among advertisers and earning the right to display the BPA logo in each issue.

As a new member benefit, APA now offers PAYTECH in a flip-page

digital format—giving members the ultimate in convenience, accessibility, and mobility. With this new benefit, payroll professionals can peruse each issue's contents via an intuitive user interface designed to make viewing simple and enjoyable. Members can access the new Digital-PAYTECH version by logging on to www.americanpayroll.org and searching the "Reading Room."

PAYTECH's blend of comprehensive payroll news, in-depth features, and original graphics is designed to present readers with an engaging publication that will not only be read once, but saved and used as a career development reference. Always adapting to meet the needs of APA members, PAYTECH remains the premier publication of the payroll profession.



PAYTECHonline is an online newsmagazine that offers APA members the latest news and information in the payroll profession, delivered straight to their email inboxes each month. Just a few mouse clicks put them in touch with current legislative and regulatory news, information on vendors and new technology, details about upcoming payroll training options, and much more.

For this year, fresh new articles included topics as diverse as the new Medicare tax and health FSA limits and how the APA urged Congress to decide on the “Fiscal Cliff.” PAYTECHonline readers continued to find great news about local chapters, payroll classes, new APA members, and payroll events in the regular PAYTECHonline columns. Readers of PAYTECHonline and PAYTECH will see an increase in cross-referencing between the two publications, allowing members to more easily sample the valuable information provided in both membership publications.

APA members look forward to receiving the monthly PAYTECHonline newsmagazine and the wealth of useful information and valuable tools it offers for their professional development. Members not currently receiving PAYTECHonline by email should use self-service to update their

GOVERNMENT CORNER
Taxpayer Advocate Addresses Sequestration, Budget Cuts
How Will These Cuts Affect Your Operations?
 By Brian O’Laughlin, Esq.
 Nina Olson, National Taxpayer Advocate, discussed the impact of sequestration, the Affordable Care Act, and taxpayer fraud during the March IRS National Public Liaison meeting in Washington, D.C. The monthly liaison meetings bring together IRS officials, tax practitioners, and industry stakeholders to discuss a variety of IRS issues.
Sequestration and Budget Cuts
 Olson first addressed sequestration and the resulting effects of budget cuts on the IRS. Funding problems at the IRS are one of the most serious problems facing American taxpayers. She stated that the IRS’ share of the sequestration is \$585 million. This means that the IRS faces budget cuts totaling \$585 million for taxpayer services, enforcement, operations support, and business systems modernization. At the Taxpayer Advocate Service (TAS), Olson said they are considering tough days for employees beginning in mid-June. The TAS’ goal is to identify the ideal days to shut down so it does not affect prompt taxpayer service, such as shutting down on Friday after Independence Day.
 Over the past two years, Congress cut the IRS budget by about \$1 billion. The most significant impact from these cuts is fewer IRS employees. In 2011, the IRS employed around 100,000 people nationwide. Today, that figure stands at 85,000.

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PAYROLL RESOURCES
Showcase Your Department's Value: Apply for Prism Awards
 If your organization has improved business practices and overall processes over the last year, you could very well be the recipient of a 2013 APA Prism Award or AAPA Prism Award. Achieving such an award (as those pictured did in 2012) will help your department garner industry-wide recognition, and prove your employees’ worth to company officials.
 Now is the time to prove your department’s worth by sending in your nomination for the 2013 Prism Awards for Best Practices. Companies of all sizes are welcome to nominate their departments, and any department involved in payroll, finance, or accounting is eligible.
 The 2013 Prism Awards will be presented to innovative payroll departments that exhibit best practices in four different categories:
 *Technology
 *Management
 *Processes
 *Overall Best Practices
 Download the [APA Prism Awards nomination form](#) to enter, or do the same for the [AAPA Prism Award](#). All nominations are due by

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to ensure that we have your current email address to begin receiving PAYTECHonline.

MEMBERSHIP PUBLICATIONS



Congress Today, the official daily newspaper of the Annual Congress, is produced to keep members up to date on all the most important details of the biggest payroll and accounts payable event of the year. Congress participants start each day by enjoying lots of photos, reading about upcoming workshop sessions, and reading interviews with special guest speakers.

Members who didn't get a chance to attend this year's 31st



Annual Congress can still see each full-color newspaper, featuring dozens of photos, by visiting APA's Congress Web site. Go to



www.americanpayroll.org and click on the "Congress" tab to download the 2013 editions of *Congress Today*.

AP Journal Online is the online magazine of the American Accounts Payable Association.

AP Journal Online is published monthly with regular updates of articles, news items, and service announcements from proven advisors and vendors. For this year, fresh new articles included topics such as the P2P cycle, best practices in ERP replacement, and immigration issues. We also announced the 2013 Accounts Payable Professional of the Year. Readers of AP Journal Online and PAYTECH will see an increase in cross-referencing between the two publications, allowing members to more easily sample the valuable information provided in both membership publications.

Members not currently receiving AP Journal Online by email should use self-service to update their membership information at www.americanAP.org — just log on, then click "Edit My Profile" to ensure that we have your current email address to begin receiving AP Journal Online.

Professionals who would like to contribute and/or have an article idea are encouraged to read the "New Ideas" tab, and contact Managing Editor Frank Mendelson.

AP Journal Online

AMERICAN ACCOUNTS PAYABLE ASSOCIATION

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TOP STORY
Reporting on Payments to Foreign Persons: Challenges for AP, Part I
 Cross-border flows of goods and services have become commonplace. The IRS has met the increase in cross-border economic activity with increased enforcement of longstanding rules and procedures under Chapter 3 of the Internal Revenue Code. Beginning January 1, 2014, payers will also have additional responsibilities under Chapter 4 that will apply when making payments to foreign entities (but not individuals). [more...](#)

Immigration Issues: Understanding Work and Services
 The following is Part II of a series titled "Ten Things That Payees, Payees, and Tax Professionals Should Know About U.S. Immigration Law" that will appear throughout the year in the AP Journal Online and PAYTECH. While the subject matter is intended in part to provide legal perspectives, the articles will include specific definitions and explanations that make the information accessible to all departments and individuals responsible for complex compliance. [more...](#)

Learn About the Latest Legislative Changes at the Annual Congress
 Travel through time to experience four seasons of accounts payable and payroll education at the APA's 31st Annual Congress, May 7-11, at the Gaylord Texan Resort & Convention Center in Grapevine, Texas. As always, the Annual Congress will offer unprecedented AP education and training. [more...](#)

From Me to You. Communicate With Greater Impact in Accounts Payable
 When you communicate with your stakeholders—whether they are colleagues in accounts payable, associates across the aisle in payroll, everyone on your master vendor list, those who report to you, or to whom you report—you want them to pay attention. A simple rule of thumb—focus your communication on them. [more...](#)

IN THE NEWS
Earn More RCHIs. Sign Up for Virtual Congress
 The 31st Annual Congress doesn't have to end when the lights go out in Grapevine, Texas on May 11. Rather, the 2013 Virtual Congress & Expo keeps the education and networking coming after the live Congress closes its doors on 2013. [more...](#)

2013 Prism Award Nominations Open
 The AAPA's Strategic Accounts Payable Leadership Task Force presents its prestigious Prism Award to AP departments nationally who have shown excellence in leadership in one or more of three different areas. Entries for the 2013 award are due by July 9, 2013. [more...](#)

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FINANCIAL ANALYST / ACCOUNTS PAYABLE
 Grand Haven, MI
 Balance Audio is seeking an individual to support our finance and accounting team. This position is entry level and involves preparing and reviewing accounts payable and various accounting/finance duties to ensure optimal results. You will also identify and implement process improvements to be able to further analyze the financial analyst role. The successful candidate will be a self-starter who is comfortable with ambiguity, detail-oriented and has the ability to work well with cross-functional teams including manufacturing operations. The right individual will have the foundation of finance and analytical skills, strong computer systems comfort, solid business judgment and be capable of influence.

The Year in Membership Publications

The American Payroll Association and the American Accounts Payable Association extend their gratitude to these writers who took time out of their busy schedules to contribute articles to the associations' publications throughout 2012-2013 *. Thanks to their willingness to share their knowledge and expertise, APA and AAPA's membership publications are industry leaders.

Randall E. Abbott, CPP
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Owren Astorga
Nancy Benner
Cathy Beyda, Esq.
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Carl York, CPP

** Note: Contributing writers listed are from July 2012 to June 2013 PAYTECH, PAYTECHonline, and AP Journal Online.*

The American Payroll Association and the American Accounts Payable Association extend their thanks to all of the advertisers that have supported our membership publications throughout 2012-2013 *. It is through their generous support that we have been able to bring readers our publications on a regular basis.

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