

2012 ANNUAL REPORT



**ASCAP**

WE CREATE **MUSIC**

# STRENGTH AND COMMUNITY

**AS PRESIDENT AND CHAIRMAN OF ASCAP**, I am humbled and honored to represent an organization of more than 460,000 songwriters, composers and music publishers who work at creating music and bringing it to the millions of people around the world who need it in their lives.

I am committed to doing everything in my power to ensure that your music is valued and compensated. Fortunately I get to work with a Board

of Directors made up of extraordinary songwriters and publishers who share that same commitment. It is their hard work, vision and valuable face-to-face engagement with US policymakers that are helping to protect your right to receive fair payment for your music.



For many of you, that “fair payment” is how you cover the rent, put food on the table and fill your cars with gas to get to the next gig. That compensation is being threatened. With the sudden rise of technology

giants who have created whole new platforms for distributing music, the value of that music has been obscured by the ease in which it is delivered.

Let me share with you some of the big issues we are confronting. Number one...online streaming royalty rates are pitifully low. And ASCAP is firing on all cylinders - from the courts to Congress to the press - to try and change what's obstructing us from getting higher rates - not just higher rates but fair rates - from businesses that continue to profit from using our music. As always, we do everything we can to ensure that our leaders in Washington DC hear the music creator's side of the story and continue to bear in mind our rights and interests.

Late last year the U.S. Congress began hearings about music licensing reform. The House Intellectual Property Subcommittee held a hearing on H.R. 6480, the so-called “Internet Radio Fairness Act.” Most people called it the “Pandora bill” because it was designed to lower the royalty rates that webcasters like Pandora were paying to recording artists and record labels.

But ASCAP is not a record label. We are you. We are songwriters and composers. And not all songwriters and composers are recording artists. We can't all make up for low internet streaming income by going on tour and selling t-shirts.

One of the biggest ASCAP hits of the past few years received nearly 170 million plays on Pandora. The amount paid to the songwriters and publishers? \$11,869. And Pandora wants to reduce that amount even further. If internet streaming is the future of music listening, that's simply not enough to sustain a viable living as a songwriter.

Songwriters and composers are the foundation of the entire music eco-system. Without their creative work there would be no music to record, no music to stream, no music to broadcast, no music to perform live. Any serious discussion of music licensing needs to address this simple yet important fact.

The House and Senate Judiciary Committees that oversee copyright issues have signaled that they will be looking at music licensing reform again in this Congress. ASCAP, along with the other PROs, are working together to introduce legislation that would change some language in the copyright law that is

inadvertently contributing to the gross inequities in the way songwriters and composers are paid for digital streams of their music.

We are lucky that so many of our members, who are impacted by this inequity every day, are joining forces with us to tell their story to Congress. We recently went to DC to present a performance and a Q&A session for Members of Congress featuring two ASCAP

members, Dan Wilson, co-writer of Adele's mega-hit “Someone Like You,” and Josh Kear, co-writer of Lady Antebellum's “Need You Now.”

Dan and Josh performed some of their best-loved songs, and talked to members of Congress and their staff about the creative process of songwriting and the challenges facing songwriters in the digital world. I truly believe the more we engage and educate our leaders in Washington, the stronger our position will be.

There was another important development in DC recently. The House Judiciary Subcommittee on Courts, Intellectual Property and the Internet held a Congressional oversight hearing to consider recommendations to revise the US Copyright Law.

The committee heard from the Register of Copyrights, Maria Pallante, who requested that the next Copyright Act be “more forward thinking and flexible” than in the past and that its basic precepts be simplified so as not to require extensive legal interpretation to be understood. The last comprehensive review of the Copyright Act took place in 1976, and there are elements that need to be reformed.



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## **COPYRIGHT: A BASIC HUMAN RIGHT**

There are copyright opponents who have long been pushing for a major revision to the Copyright Act in an effort to weaken copyright protections in the digital age.

As this story develops, you're going to hear the anti-copyright crowd speak out in the press and in the blogosphere. They're going to say a lot of things: That copyright stifles innovation. That copyright is broken. That copyright holders are greedy. That copyright is contrary to the public good. Wrong on all counts.

And the one claim that gets me all fired up is



when they say that copyright stifles free speech. Songwriters don't need to be lectured by Google, Yahoo or Wikipedia about freedom of speech. We're in the business of freely expressing ourselves. That's what we do. And thankfully we live in a country that not only was founded on freedom of expression, but embraces and rewards it.

That is precisely why the US is the world's largest producer of creative works. The First Amendment gives anyone the freedom to choose almost any form of expression. And copyright gives the creator the power of choice. It is the individual who chooses whether his or her work is for hire, for sale or to be shared freely. It's a basic human right. It's that simple.

I can't stress this enough. I urge you to stay informed and know who is spreading this misinformation. Some of copyright's most vocal opponents are the same folks who control the pipelines - they control the search engines, they control the advertising...and they want to control the value of your music.

This is a charade, a drama that has played out every time there has been innovation that speeds up and broadens the scope of mass communication. The businesses that want to harness innovation and turn it into a profit-making enterprise take advantage of every trick, opportunity and loophole they can to get off cheap and maximize their profits.

## PROMOTING INNOVATION

We've seen it in other industries, with the early industrialists paying dirt-cheap wages to laborers to build railroads or run cotton mills - laborers who needed the power of unions to earn fair wages and safe working conditions.

Now we see it with multinational, multibillion dollar tech giants trying to devalue the work of music creators and other artists. These businesses put their ethics aside, run fast and easy with our intellectual property and then tell the world that copyright stifles innovation. Copyright is the very definition of promoting innovation.

We need to stick together, support one another and speak out in support of the value of our work.

Our hope is that, as these hearings progress, they lead to a revised Copyright Law that is fair and equitable for all parties. I was encouraged by Maria Pallante's closing thoughts about copyright and the public interest, in which she reinforced the stance that the issues of authors are intertwined with the interests of the public. In fact, she quoted the Supreme Court in saying: "The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good."



**Pictured in Washington, DC are (l-r) songwriter Josh Kear, Congressional Songwriters Co-chair Marsha Blackburn (R-TN), Dan Wilson and ASCAP President and Chairman Paul Williams**

## GLOBAL PROTECTION

Another priority for us is getting fair payment internationally. The issues we face are global, and policy is being made in many parts of the world in ways that will impact each of us whose music travels beyond our borders. While we can't control activity that occurs in other countries, we are actively lobbying our own government to ask them to do what they can to protect our rights.

ASCAP is fighting on your behalf on many trade and finance matters by testifying about receiving fair compensation for American music that is played and not properly protected in countries such as China, Russia, India, the Caribbean and India, to name a few. It is your music that is being performed in these countries, and your livelihoods that are being affected by US policies with them.

## A CONGRESSIONAL CREATIVE RIGHTS CAUCUS

Yet, my fellow true believers, we have much to be hopeful for. Recently, Congresswoman Judy Chu (Democrat from California) and Congressman Howard Coble (Republican of North Carolina, who is also Chair of the House Subcommittee on Courts, Intellectual Property and the Internet) launched a new bipartisan Congressional Creative Rights Caucus for the 113th Congress. The stated goal of the Caucus is to educate Members of Congress and the general public about the importance of preserving and protecting the rights of the creative community in the US. The news of this important bi-partisan focus on the rights of music creators is truly music to my ears.

Music creators must never stop believing in the importance of our role in the digital era. Our strength lies in this great community. By being better educated, better connected and better equipped to confront new challenges, the future of music will not only survive, but thrive.

I thank all members for being part of this great organization.

**Paul Williams**  
President and Chairman of the Board

# EVOLUTION AND OPPORTUNITY

**I AM PLEASED TO REPORT THAT ASCAP DISTRIBUTED \$828.7 MILLION IN ROYALTIES TO MEMBERS IN 2012,** a slight increase over 2011. That is the fifth year in a row that we distributed in excess of \$800.0 million to our songwriters, composers and music publishers -- amounting to a total of \$4.2 billion in our members' pockets over the past five years. We are the only performing rights organization who

can make that claim. That's because we always put our members first.

ASCAP collected \$941.7 million in 2012, and while revenues were down 4.2% from 2011, they were still very strong -- our third highest annual revenues ever. We were able to maintain our high level of royalty payments through careful financial management which anticipated revenue declines from the radio industry as well as settlements with background music services resulting from the DMX rate court decision.

American music is still the most popular music globally, and revenues from foreign territories remained strong. We collected a total of \$340.7 million in 2012 -- about one-third of our overall revenues -- for performances of our music outside the U.S.

Cable revenues were up 19.9% in 2012, totaling \$204.0 million. The increases in cable were the result of continued industry growth as well as major settlements with Viacom and Turner. Over the past two years, cable has been the number one source of performance royalties for our members.

ASCAP also saw revenue growth in other areas. As the economy began to recover in 2012, we saw increases in some of our General Licensing categories, including bars and grills, hotels and pop concerts, as well as in New Media.

ASCAP continued to upgrade its business systems in 2012 through technology innovations and ongoing operational improvements that resulted in an 11.6% operating expense ratio.

## OUTLOOK FOR REVENUES IS GOOD

Looking ahead to 2013 and beyond, we see tremendous opportunity for ASCAP as we evolve into a new type of organization for a new future. The outlook for revenues is good.

We are positioned to return to year-over-year growth in our domestic revenues, and with foreign revenues remaining consistently high, we are looking forward to a bright future for our members in the coming years. Toward that end, in 2012, we successfully concluded multi-year license agreements with several major licensee groups, including the ABC and CBS Television Networks; the Local Television Music License Committee representing 1,100 local TV stations nationwide; the National Cable Television Association representing cable operators; Turner for all of its channels (TNT, TBS, CNN, etc.); Showtime; and PBS and NPR.

These deals, along with several major multi-year deals signed in 2011, provide continued certainty for our members.

The beauty of the ASCAP license for our members is that they'll receive a healthy, steady stream of royalties as the marketplace evolves, even in times of change and uncertainty about new revenue models.

Among the multi-year deals we have in place from 2011 are:

XM/Sirius Radio, HBO, Viacom, Netflix, Hulu, Rhapsody, Spotify and the

radio industry.

Our goal is always to provide the highest payments possible and a stable future for our members -- including those who are just starting out and looking forward to building successful careers as songwriters and composers. That is why one of our most important priorities is to continue to lead in licensing new media and adapting to the rapidly evolving business models.

As more and more consumers are drawn to streaming music and video services as their preferred way to listen to music, our priority is to ensure that the performance rates for songwriters, composers and publishers are fair and equitable.

We are doing everything possible to achieve fair rates from online streaming services. Those streaming services we've struck deals with recognize that taking an ASCAP blanket license at a fair rate is a smart way to do business. For services with billions of performances, it provides a simple solution to legally perform our music while respecting creators' right to be paid fairly.

While we would always rather reach negotiated agreements than end up in rate court, that is not always possible. Throughout our history, as new forms of media have been introduced, we have ended up in rate court with most major licensee groups, as has been the case with several of

the big players in new media -- from Yahoo to YouTube. Often, this has led to establishing the rates and terms from which to negotiate as the business evolves.

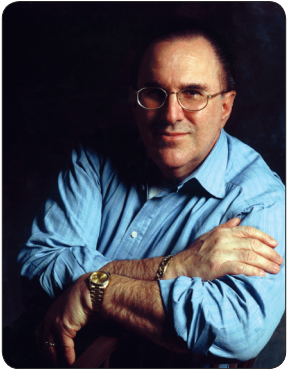
There are services -- like Pandora -- that we feel are grossly undervaluing our members' contributions to their success. Without the creative work of songwriters and composers, there would be no new music to record or stream.

Pandora recently reported that their total revenues for the quarter ending January 31st, 2013 grew 54% year-over-year. Yet, they would not agree to what we consider a very reasonable increase in our licensing rates from them, and instead initiated a rate court proceeding against ASCAP in an effort to actually lower the fees they

are paying now.

ASCAP's goal is to establish fair rates that will lead to long term revenue growth -- so that as these services become more profitable, then so will our members.

We all know that music is being distributed more widely -- over more platforms -- than ever before. Businesses of all types and sizes are able to integrate music -- which attracts customers -- in novel ways via online and wireless platforms. We



The beauty of the ASCAP license for our members is that they'll receive a healthy, steady stream of royalties as the marketplace evolves."

see that as opportunity from a licensing perspective.

We recently introduced a whole new online interface to make it very easy for any type of business to find out all the information they need to take an ASCAP license and to start the process. We believe this will increase the number of new licensees going forward as well as speed up the time it takes to license a new prospect.

### **A NEW LICENSE: ASCAP PLAY MUSIC**

ASCAP also launched a new licensing program in 2012 called ASCAP Play Music. ASCAP Play Music is a license designed for websites and mobile apps to make obtaining an ASCAP license easier and more affordable for individuals and small businesses.

For \$240 per year, a small online business or website that streams ASCAP music can do so easily and legally, as long as they meet the criteria for this type of license.

This is a very efficient license for ASCAP to administer, as it is virtually self-service. We've been able to convert many of our existing small licensees to the ASCAP Play Music license. Even better, the simplicity of the licensing process is encouraging many small websites to take a license that would otherwise have been daunted by the licensing process.

For us, these smaller websites would have been expensive to track down and license. So this is a win-win: for our members, and for those licensees who choose to do the right thing and obtain the music they stream legally.

This is a time of experimentation to see what the best revenue models will be as the business changes -- for creators, publishers and licensees.

### **ACCURACY AND TRANSPARENCY**

As you know, ASCAP licenses our members' music on a non-exclusive basis, meaning our members have always had the right to directly license.

In the hope of achieving higher rates, there are some publishers who are experimenting with licensing certain New Media rights on their own terms, by withdrawing limited, narrowly defined rights from ASCAP, outside the regulatory framework governing the PROs.

In these instances, the withdrawn publisher will negotiate the license fees with certain New Media services separately from ASCAP, but they recognize that ASCAP is best suited to continue to administer and distribute the royalties. ASCAP's continued administration of the royalties will ensure writers that they will be paid in an accurate, timely and transparent fashion. These values are important to ASCAP and to the Board of Directors that represent all of our members.

To date, the only publisher with withdrawn New Media rights in effect is Sony/ATV/EMI. Others have given us notice that they may withdraw, but their notice is revocable, meaning they can change their minds before their effective date. All of the publishers who have withdrawn or who

are contemplating doing so have signed agreements with ASCAP for us to continue to administer their performance royalties.

### **STATE-OF-THE-ART DISTRIBUTION TECHNOLOGY**

In this new paradigm, ASCAP again sees opportunity. That is because ASCAP's state-of-the-art distribution technology is unparalleled anywhere in the world. We process over 250 billion performances every year, ensuring that all the entitled songwriters, composers and publishers receive their share of royalties for every type of public performance imaginable, from a few seconds of underscore in a TV show, to hit songs on the radio, to live concerts, to the vast array of performances on licensed wireless and online platforms. There is no other entity that can do what we do as accurately and as quickly as we can, and that can provide the level of performance information and detail that we do.

This provides ASCAP with a great opportunity to expand our role in the global administration of performance royalties. With our superior distribution technology, we are uniquely positioned to provide the best advanced administrative and rights management services to creators and copyright owners, large and small.

We have the ability to offer our distribution capabilities for additional rights and even for rights holders outside of music. ASCAP serves as a model to many other creative industries in terms of how to ensure compensation for those who produce original content – from photographers, to journalists, to authors and more. Now that the distribution systems for all types of creative works are merging, we are able to be more than a model, but also a service. Ultimately, if successful, this will benefit the bottom line for our core members – songwriters, composers and music publishers.

### **ASCAP'S 100TH BIRTHDAY**

As ASCAP is looking forward to celebrating our 100th birthday next year, I think members can all feel very proud of how the Society has grown and evolved. The founders of ASCAP were visionary for their time, and that forward-thinking spirit has always been alive at ASCAP. I don't think there has been a decade without major challenges to your rights, but we have met every major challenge head-on with a view toward keeping our values intact – the promotion and protection of the music our members create.

I'm confident and optimistic that we have the right team in place to overcome the challenges we face. I am very fortunate to work with a dedicated ASCAP Board of Directors who provide experienced guidance and vision, as well as a senior management team and their staff who have the drive, skills and innovative thinking we need to lead ASCAP into the future.



**Pictured at the 2012 ASCAP Pop Music Awards in Los Angeles are (l-r) ASCAP CEO John LoFrumento, Katy Perry and ASCAP President and Chairman Paul Williams**

**John A. LoFrumento**  
Chief Executive Officer



# WRITERS AND PUBLISHERS

**THE ASCAP BOARD OF DIRECTORS**, made up of 12 writers and 12 publishers, elected from and by the membership every two years, combines experience and foresight to best guide the Society into the future. ASCAP is the only performing rights organization in the U.S. owned by composers, songwriters and music publishers. Writer members elect 12 writers to sit on the Board, and publisher members elect 12 publishers. ASCAP Board members know the needs of the members first-hand and they represent no other outside interest group, i.e. broadcasters or other profit-driven third parties. The Board has a clear agenda – to provide the fairest and highest level of payments, the best service and the best copyright protection for the membership. It does this by meeting regularly to set policy and by creating various Board committees which provide oversight and direction to a professional management team in all areas of ASCAP’s operation.



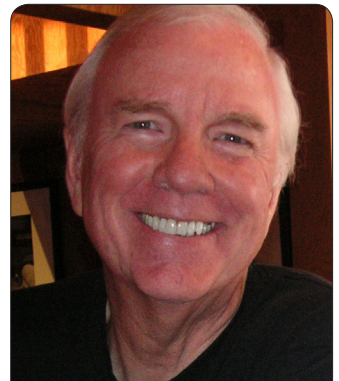
Songwriter Paul Williams  
ASCAP President and Chairman



Songwriter Jimmy Webb  
ASCAP Vice President



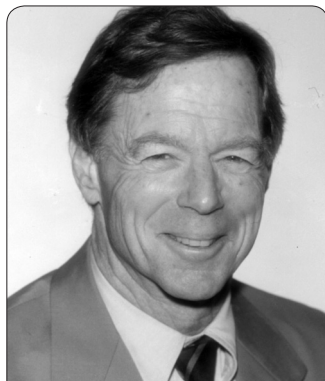
Composer George Duke



Lichelle Music's Dean Kay



Leeds Music's Leeds Levy



MPL Communications'  
John L. Eastman



Composer Doug Wood



Universal Music's Zach Horowitz





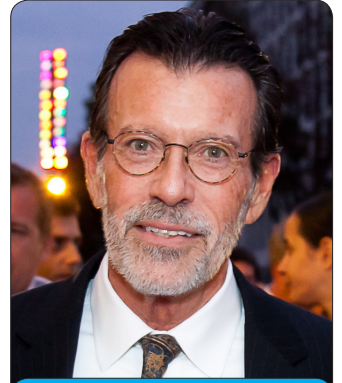
Songwriter Valerie Simpson



BMG Rights Management's  
Laurent Hubert



SONGS Music Publishing's  
Matt Pincus



Composer Richard Bellis



Composer Alf Clausen



Sony/ATV Music Publishing's  
Martin Bandler



Carlin America's Caroline Bienstock



Composer Dan Foliart



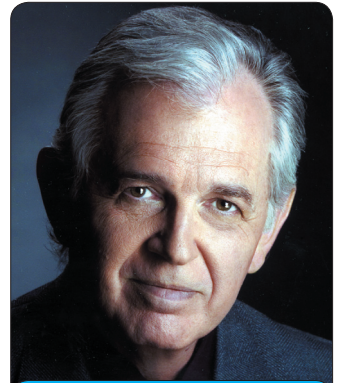
Songwriter Marilyn Bergman



Composer Stephen Paulus



Songwriter Wayland Holyfield



Composer Bruce Broughton



Cromwell Music's Irwin Z. Robinson



Schott Music's James M. Kendrick



Ten Ten Music Group's  
Barry Coburn



Warner/Chappell Music's  
Cameron Strang



# SUCCESS AND CELEBRATION



Among the more than 25,000 new members that ASCAP welcomed to its community in 2012 are (clockwise from top left), Lady Antebellum's Charles Kelley and Dave Haywood (pictured with Lady A's Hillary Scott), Big Sean, Kip Moore (in hat) and Kendrick Lamar

## ASCAP MEMBERS DOMINATED THE TOP SPOTS ON THE 2012 BILLBOARD CHARTS AND GARNERED THE INDUSTRY'S TOP HONORS

### THE GRAMMYS

Jay-Z and Skrillex led ASCAP members in Grammy wins at this year's ceremony, each winning three awards for 2012 works. fun. took home two big honors in Best New Artist and Song of the Year for their pop anthem, "We Are Young." ASCAP members dominated the awards given to songwriters, with awards going to Brian Burton (Danger Mouse) for "Lonely Boy," Miguel for "Adorn" and Josh Kear and Chris Tompkins for "Blown Away" among others.

### MUSICARES

MusiCares honored ASCAP member Bruce Springsteen as its Person of the Year at a benefit gala to raise proceeds for the foundation. For four consecutive years, MusiCares has honored an ASCAP member for their dedication to music and for their philanthropy.

### THE TONYS

Glen Hansard and Marketa Irglova won big at the 2012 Tony Awards, earning eight honors for *Once*, the film-

turned-Broadway musical for which the two wrote the music. Among the music categories, *Once* took home honors for Best Musical, Best Orchestrations and Best Book of a Musical.

### THE OSCARS

At this year's Oscars ceremony honoring 2012 works, Paul Epworth made history, winning Best Original Song for co-writing and producing Adele's "Skyfall." This was the first song from a James Bond film to be nominated for an Oscar, and also the first to win. Epworth's win added to his honors from earlier this year, including a Golden Globe, Critics' Choice Award and a BRIT Award, all for "Skyfall."

### THE EMMYS

ASCAP members took top honors at the Daytime Emmy awards in 2012 with wins in every category. The longtime composing duo of Jack Allocco and David Kurtz were honored for their music in *The Young and the Restless*, making this their seventh career Emmy award. Bill Schermerhorn



won his second consecutive Daytime Emmy for his lyrics to “(Won’t You) Join Our Parade” from the 2011 Macy’s Thanksgiving Day Parade. Other winners included Robert Howard Harty, Josh Selig and Brandon Sawyer.

At the Creative Arts Emmys, ASCAP members once again prevailed, earning three out of four honors in the original music categories. The show saw many first-time winners from ASCAP, including Paul Englishby, John Lunn and Adam Schlesinger, while lyricist David Javerbaum won his 12th career Emmy, but his first in music.

**ASCAP HONORS**

At our own annual awards ceremonies in 2012, ASCAP celebrated the achievements of our members in the Jazz, Latin, Country, Rhythm and Soul, Film and TV, Pop, Christian and Concert genres. Songwriter of the Year honors were given to Max Martin, Noah “40” Shebib, Ben Hayslip, Brad Paisley (songwriter/artist), Claudia Brant, Anthony Romeo Santos, Ben Glover and Josh Wilson (songwriter-artist).

Special honorees in 2012 including: Carly Simon, Quincy Jones and Marc Anthony with the Founders Award; Bob McDill, Pharrell Williams and Trent Reznor with the Golden Note Award; Lyle Lovett with the Creative Voice Award; Peter Frampton with the Global Impact Award; George Walker with the Aaron Copeland Award; And Trevor Rabin with the Henry Mancini Award.

**ROCK AND ROLL HALL OF FAME**

Four ASCAP members were named inductees into the Rock and Roll Hall of Fame during 2012, including Heart, Donna Summer, Randy Newman and Quincy Jones.

**SONGWRITERS HALL OF FAME**

The Songwriters Hall of Fame inducted five ASCAP members in 2012, including Bob Seger, Gordon Lightfoot, Don Schlitz and the Broadway team of Tom Jones and Harvey Schmidt. Rondor Music’s Lance Freed was honored with the Abe Olman Publisher Award, and R&B superstar Ne-Yo was given the Hal David Starlight Award.

**BILLBOARD CHARTS**

ASCAP members had a tremendous year on the Billboard charts throughout 2012...



Bruce Springsteen was named MusiCares Person of the Year (top). Paul Epworth (center, with Adele) won an Oscar for “Skyfall.” Brad Paisley (bottom) was honored as Songwriter/Artist of the Year at the 2012 ASCAP Country Music Awards

# SERVICE AND SUPPORT

As the only performing rights organization in the US owned and run by its more than 460,000 members, ASCAP is best equipped to serve this large and growing community of music creators. In 2012, ASCAP enhanced the ASCAP membership experience with a series of programs and improvements designed to make the lives of working music creators easier, simpler and more rewarding.



## ASCAP ONSTAGE

In 2012, ASCAP launched a revitalized mobile app and a new ASCAP OnStage program. For active performers, ASCAP OnStage provides members with a simple online interface to submit setlists for live shows performed in ASCAP licensed venues, and receive payment for them in turn. This is an exciting addition to ASCAP's public performance survey and gives members another stream of revenue when their music is performed live in venues around the country. OnStage is accessible through Member Access and also through the ASCAP Mobile app, so performing members can submit setlists right after their concerts.

## EXPANDED SURVEY



At the end of 2012, ASCAP expanded its use of digital detection technology to identify more musical performances, including certain types of commercial and promotional uses. ASCAP also significantly expanded its survey of satellite radio performances on Sirius XM. ASCAP continues to seek opportunities to use new and better technologies that will more accurately track member performances and reduce operational costs.

## ASCAP PLUS AWARDS



The ASCAP Plus Awards program continues to support and recognize writer and composer members with substantial performance activity in media and venues that are not included in performance survey, or whose works have unique prestige value. ASCAP was the first PRO to establish this type of program, and it has remained in place for over 50 years. In the 2012–2013 writer distribution, ASCAP awarded more than \$1.8 million in cash awards to deserving members.

There are many different ways member can make the most of their ASCAP membership. It all starts with activating their Member Access account on the ASCAP website. Member Access allows members to easily register all their titles with ASCAP, so ASCAP can start tracking works right away. It also gives members the ability to see their royalty statements, giving details on where their music is being used. ASCAP aims to be transparent in all aspects of its operations, and showing members more detail on their royalty statements is key to this goal.

## MEMBER ACCESS



At ASCAP we understand how challenging it can be to finance and find resources as a working songwriter or a composer. That's why we provide our members with an extensive package of member benefits. From health and instrument insurance, to deals on musical gear, education and travel, the ASCAP Member Benefits program helps them in many aspects of their professional and personal lives.

## MEMBER BENEFITS



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## STAYING CONNECTED

ASCAP keeps its members well-informed at ASCAP.com and through its social media channels such as YouTube, Facebook, Twitter and Instagram, which are



updated daily with events, interviews, industry happenings, important copyright and advocacy information as well as helpful content targeted to ASCAP members. ASCAP's emailed newsletters, *The ASCAP Daily Brief—Powered by the Dean's List*, and *ASCAP Inside Music*, also provide timely news and information for music professionals.



David Gray at the 2012 Sundance ASCAP Music Café

### SUPPORTING CAREERS

ASCAP's member support continues to grow with showcases at major annual festivals and conferences throughout the country geared toward promoting and highlighting the importance of songwriters and composers to the greater music industry. ASCAP's influential showcases are held annually at the Sundance Film Festival, CMJ, SXSW and the Folk Alliance every year, just to name a few.



2012 Lester Sill Songwriters Workshop in Los Angeles

### NURTURING CRAFT

ASCAP's outreach to members also includes a number of educational workshops during the year. We encourage our members to apply for these highly successful workshops - including the Lester Sill Songwriting Workshop, our TV and Film Scoring Workshop with Richard Bellis, The ASCAP Foundation Musical Theatre Workshops with acclaimed composer Stephen Schwartz and so many more.



### ASCAP "I CREATE MUSIC" EXPO

The ASCAP "I Create Music" EXPO, the only conference dedicated to songwriting and composing, is a valuable experience that inspires, educates and motivates music creators from around the world. But it's much more than that. The EXPO has become a trusted community-building event in which everyone walks away enriched, including ASCAP's top panelists. That's why so many successful members enjoy participating each year. Several thousands of attendees have now benefited from the unique experience the EXPO provides year after year.

Pictured at the 2012 ASCAP "I Create Music" EXPO are keynote speakers The Smeezingtons, featuring (l-r) Ari Levine, Bruno Mars and Philip Lawrence

### ASCAP BY THE NUMBERS

**1st**

PRO in the United States

**4.2 Billion**

DOLLARS DISTRIBUTED to ASCAP members over last 5 years

**11.6%**

OPERATING RATIO in 2012

**9 Million**

WORKS IN THE ASCAP REPERTORY, all cleared for legal use under ASCAP's blanket license

**460,000+**

MEMBERS who belong to ASCAP

**250 Billion**

PERFORMANCES PROCESSED by ASCAP annually

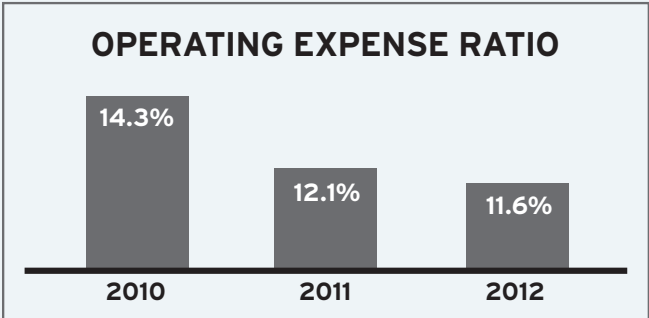
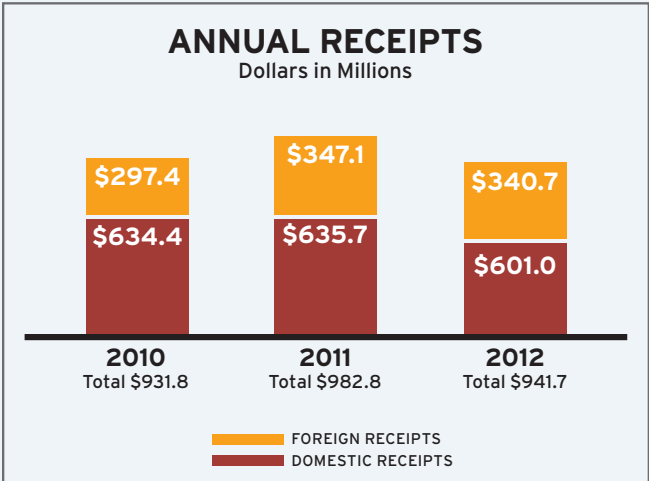
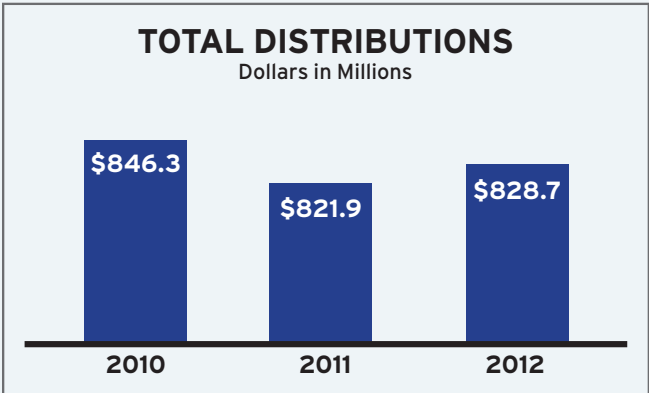
# FINANCIAL OVERVIEW

**ASCAP'S FINANCIAL RESULTS** were discussed at the general membership meeting in Los Angeles. In addition, our independent public accountants, Ernst & Young LLP, presented our audited financial statements for the years ended December 31, 2012 and 2011 at the June board meeting. Pages 13 through 18 include selected portions of the audited financial statements.

ASCAP's total distributions were \$828.7 million in 2012 compared to \$821.9 million in 2011, an increase of \$6.8 million. Distributions to members and foreign societies for domestic performances were \$499.0 million, a decrease of \$20.5 million or 3.9%. Distributions for foreign performances were \$329.7 million up \$27.3 million or 9.0%. The Total Distributions chart highlights the trend of distributions over the past three years.

Total receipts were \$941.7 million in 2012, down \$41.1 million or 4.2%. Domestic receipts were \$601.0 million, down \$34.7 million. Radio fees were down \$50.4 million primarily due to lower fees from the industry. Fees from General and Background Licensees decreased \$17.9 million or 17.8% mainly due to an unfavorable court ruling, which resulted in refunds of approximately \$25.0 million to various background/foreground music services. Excluding background refunds, General and Background was up \$7.1 million or 7.1%. Partially offsetting these decreases is an increase in fees from Cable which was up \$33.8 million or 19.9% mainly due to continued industry growth as well as several major one-time settlement payments received. Foreign receipts were \$340.7 million, down \$6.4 million or 1.8% primarily due to unfavorable exchange rates partially offset by timing.

Operating expenses were \$109.1 million, down \$10.3 million or 8.6% from 2011. This decrease is primarily due to lower Outside Legal Services & Litigation costs as well as Outsource Services & Consulting costs. In addition, ASCAP continues to invest in technology and ongoing operational improvements. These efforts coupled with lower expenses resulted in a reduction of ASCAP's operating ratio to 11.6%. The Annual Receipts and Operating Expense Ratio charts provide a three-year trend of related information. We continue our commitment to control overhead expenses while strengthening operations to enhance service to our members and our licensees.





# REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of the American Society of Composers, Authors and Publishers:

## **Report on the Financial Statements**

We have audited the accompanying consolidated Statements of Receipts, Expenses and Changes in Net Assets and the related notes to the financial statements of the American Society of Composers, Authors and Publishers and Subsidiaries (the "Society"), for the years ended December 31, 2012 and 2011.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated Statements of Receipts, Expenses and Changes in Net Assets in conformity with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting described in Note 2 is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the consolidated assets and liabilities arising from cash transactions of the American Society of Composers, Authors and Publishers and Subsidiaries at December 31, 2012 and 2011 the consolidated cash receipts and expenses for the years ended, on the basis of accounting described in Note 2.

## **Modified Cash Basis of Accounting**

As described in Note 2 to the consolidated Statements of Receipts, Expenses and Changes in Net Assets, these consolidated financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten script font.

May 29, 2013  
New York, NY

**AMERICAN SOCIETY OF COMPOSERS, AUTHORS  
AND PUBLISHERS AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF RECEIPTS AND EXPENSES  
AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)**

**YEAR ENDED DECEMBER 31**

<b>DOMESTIC RECEIPTS:</b> (In Thousands)	<b>2012</b>	<b>2011</b>
License fees:		
Television	<b>\$104,193</b>	\$105,876
Cable	<b>204,030</b>	170,203
Radio	<b>177,231</b>	227,581
General and background	<b>82,665</b>	100,528
New media	<b>25,384</b>	23,929
Symphonic and concert	<b>6,440</b>	5,897
Membership Application Fees	<b>969</b>	991
Interest and other income	<b>115</b>	719
Total domestic receipts	<b>601,027</b>	635,724
<b>ROYALTIES FROM FOREIGN SOCIETIES:</b>	<b>340,661</b>	347,061
Total receipts	<b>941,688</b>	982,785
<b>EXPENSES:</b>		
Licensing services	<b>16,711</b>	16,744
Performing rights	<b>44,299</b>	47,232
Membership services	<b>15,440</b>	17,603
Headquarters	<b>26,195</b>	22,465
Legal	<b>3,886</b>	14,362
<b>Total Operating Expenses</b>	<b>106,531</b>	118,406
Loss on Investment in Mediaguide	<b>2,604</b>	999
Total expenses, including loss on investment in Mediaguide	<b>109,135</b>	119,405
Excess of receipts over expenses	<b>832,553</b>	863,380
<b>DISTRIBUTION TO MEMBERS:</b>		
Domestic distributions	<b>444,291</b>	465,325
Foreign distributions	<b>329,724</b>	302,420
Foreign societies	<b>54,703</b>	54,185
Total distributions to members	<b>828,718</b>	821,930
Increase in net assets	<b>3,835</b>	41,450
<b>NET ASSETS</b> , beginning of year	<b>234,637</b>	193,187
<b>NET ASSETS</b> , end of year	<b>\$238,472</b>	<b>\$234,637</b>

See accompanying notes.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (Modified Cash Basis) December 31, 2012

### 1. ORGANIZATION AND NATURE OF BUSINESS

The American Society of Composers, Authors and Publishers and its Subsidiaries (the Society or ASCAP) is an unincorporated membership society of composers, songwriters, lyricists and music publishers. As a performing rights society, ASCAP represents its members by licensing copyrighted music and collecting and distributing royalties for the non-dramatic performances of their copyrighted works. These royalties are paid to members based on surveys of performances of the works in ASCAP's repertory that they wrote or published. Founded in New York in 1914, ASCAP is the oldest performing rights licensing society in the United States.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The consolidated financial statements contain the financial information of the American Society of Composers, Authors and Publishers, and its 100% owned subsidiaries, ASCAP Joint Venture LLC and ASCAP Enterprises LLC (Enterprises). All significant intercompany transactions have been eliminated in consolidation. Entities that are less than 50% owned or are not controlled by ASCAP are accounted for under the equity method of accounting.

The presentation of Expenses was modified this year to separately list the Licensing services caption; the prior year Expenses were reclassified accordingly to allow for comparability.

#### Basis of Accounting

The Society maintains its financial statements on a modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles, and is detailed as follows:

#### Revenue Recognition

Revenue, consisting of license fees, membership application fees, and interest income, is recorded at the time that cash is received. Revenues due to ASCAP, but not received, such as amounts due from licensees and foreign societies, are not accrued rather, they are recognized only when cash is received.

#### Expenses

Operating costs are expensed when cash is paid with the exception of certain costs that may be accrued so that the consolidated Statements of Receipts, Expenses and Changes in Net Assets reflect a full year of operating costs. There were no material accruals in 2012 and 2011.

The Society does not account for contingencies in accordance

with Accounting Standards Codification (ASC) 450, Contingencies. Under this guidance, a loss contingency is required to be recognized based on the probability of future events outcome. The Society does not recognize a loss contingency assessed as probable as may be required by the contingency accounting guidance.

#### Royalty Distributions

Royalty distributions and other payables related to such revenues, which are significant, are recognized when distributed. Amounts due to members for distributions for members who cannot be located or distributions held pending legal resolution are accrued.

#### Income Taxes

The Society does not account for income taxes in accordance with the Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Under this guidance, the liability method is used to account for income taxes. The Society recognizes income tax expense or benefit as payments are made or received from the appropriate taxing authorities and does not recognize related tax liabilities, deferred tax assets, or deferred tax liabilities as may be required by the income tax accounting guidance.

Net income taxes paid and expensed amounted to approximately \$28,000 and \$20,000 for the years ended December 31, 2012 and 2011, respectively. The income tax expense is reflected in the Headquarters line item in the accompanying consolidated Statements of Receipts, Expenses and Changes in Net Assets.

#### Defined Benefit Pension Plans

The Society does not account for its defined benefit pension plans in accordance with FASB ASC 715, Compensation – Retirement Benefits. Under this guidance, accrual accounting is applied to defined benefit pension plans sponsored by an employer and, to the extent that an employer has an underfunded or overfunded pension obligation, a liability or an asset would be recognized. In addition, an employer is required to recognize changes in the funded status in the year in which the change occurs through net assets. The Society recognizes pension expense as the plan is funded, and does not recognize pension assets or liabilities as may be required by the retirement benefits accounting guidance. The Society does not recognize the changes in the funded status during the year through net assets as may be required by the defined benefit plan guidance. Changes in the funded status are disclosed in Note 4.

#### Fixed Assets

Fixed assets, including leasehold improvements, are capitalized at cost. Depreciation of fixed assets is calculated using the straight-line method based on estimated useful lives as follows:

<b>Automobiles</b>	<b>3 years</b>
<b>Building and building improvements</b>	<b>40 years</b>
<b>Equipment</b>	<b>3-5 years</b>
<b>Furniture and fixtures</b>	<b>10 years</b>
<b>Software Development (hardware)</b>	<b>3-5 years</b>
<b>Software Development (software)</b>	<b>10-15 years</b>

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the assets or the terms of the related leases. Building improvements are amortized on a straight-line basis over the remainder of 40 years since the purchase of the building in 1992. Repair and maintenance costs are expensed as paid.

Costs incurred for the development of software for internal use have been capitalized in accordance with ASC 350-40, *Internal-Use Software*.

### Use of Estimates

The preparation of these consolidated financial statements requires the use of certain estimates and assumptions by management in determining the Society's assets and liabilities, as well as disclosure of benefit plan obligations and contingencies at the date of the consolidated financial statements. Actual results could differ from those estimates.

## 3. JOINT VENTURES AND OTHER INVESTMENTS

During 1999, Enterprises, a New York limited liability company, was formed whose sole member is ASCAP. In October 2002, Enterprises and YES (formally known as ConneXus Corporation) formed a 50/50 joint venture, Mediaguide, a Delaware corporation, for the purpose of commercially exploiting a proven technology for monitoring, identifying, and reporting all information contained in broadcasts or transmissions and to produce information products and services specifically designed to meet certain obligations under license agreements with ASCAP and YES. Subsequently, an amended and restated stockholders' agreement was entered into among Mediaguide and ASCAP, YES and a third shareholder, Marketing Architects, Inc. (the Agreement). As a result of the Agreement, ASCAP held a 49.2% economic and voting interest in Mediaguide. Subsequent to the Agreement, ASCAP purchased additional economic interests in Mediaguide which increased its overall economic interest in Mediaguide to 56.3% as of December 31, 2011, but did not change any of the investors' voting interests. In conjunction with the Agreement, each investor received warrants to purchase 76,121 shares of Class A common stock at \$9.85 per share. The warrants expired on August 31, 2012 unexercised. ASCAP wrote off its investment in Mediaguide during the year ended December 31, 2012 as it does not deem it will be recoverable. For the years ended December 31, 2012 and 2011, the Society recorded its share of net losses in Mediaguide of approximately \$2.6 million and \$1.0 million, respectively.

## 4. BENEFIT PLANS

The Society has a defined benefit pension plan (the Pension Plan) and a defined contribution savings plan (the Savings Plan). These plans cover all employees who meet the eligibility requirements as

defined by each plan.

Under the Society's Pension Plan, benefits are based on years of service and an employee's highest three consecutive year compensation average from the last ten years of employment. The Society's policy is to fund amounts as necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members in accordance with the requirements specified by the Employee Retirement Income Security Act of 1974 (ERISA). The Society's expense for contributions to the Pension Plan was approximately \$9.0 million and \$5.1 million during 2012 and 2011, respectively, and is reflected in the Headquarters line item in the accompanying consolidated Statements of Receipts, Expenses and Changes in Net Assets.

In September 2005, the Board of Directors passed a resolution electing to freeze all future participation in the Pension Plan to new participants as of January 1, 2006. All eligible employees hired prior to January 1, 2006 are grandfathered in the Pension Plan and will continue to accrue benefits.

The following table sets forth the Pension Plan's funded status:

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
	<small>(IN THOUSANDS)</small>	
Actuarial present value of:		
Vested benefit obligation	<b>\$85,776</b>	\$75,187
Nonvested benefit obligation	<b>455</b>	802
Accumulated benefit obligation	<b>\$86,231</b>	\$75,989
Actuarial present value of projected benefit obligation	<b>\$101,710</b>	\$89,236
Plan assets at fair value	<b>\$47,087</b>	\$38,363
Unfunded status of the Plan	<b>(\$54,623)</b>	(\$50,873)

The weighted-average discount rate in determining the actuarial present value of the projected benefit obligation was 3.75% and 4.50% in 2012 and 2011, respectively. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 3.00% and 3.00% in 2012 and 2011, respectively. The expected long-term rate of return on Plan assets was 8.25% and 8.25% in 2012 and 2011, respectively. The weighted-average expected long-term rate of return on Plan assets is based upon historical financial market relationships that have existed over time with the presumption that this trend will generally remain constant in the future.

The Society's pension plan assets, by asset category, are as follows:

	<b>2012</b>	<b>2011</b>
Equity Securities	<b>60%</b>	58%
Debt Securities	<b>40</b>	42
Total	<b>100%</b>	100%

The target investment allocations for the plan assets are 60% equity securities and 40% debt securities. Asset allocations are rebalanced on a regular basis throughout the year to bring assets to within a range of target levels. Target allocations take into account



analyses performed by the Society's pension consultant to optimize long-term risk/return relationships. All assets are liquid and may be readily adjusted to provide liquidity for current benefit payment requirements.

The following table provides the fair value hierarchy (as described in Note 2 – Fair Value Measurements section) of the funded Pension Plan's financial assets as of December 31, 2012 and 2011:

December 31, 2012				
Investment Type	Level 1	Level 2	Level 3	Total
Cash	\$ 318	\$ -	\$ -	\$ 318
Mutual funds	\$ 4,100	\$ -	\$ -	\$ 4,100
Money market funds	\$ -	\$ 1,124	\$ -	\$ 1,124
Equities	\$ 28,071	\$ -	\$ -	\$ 28,071
Corp/Gov Securities	\$ 5,322	\$ 8,152	\$ -	\$ 13,474
Total	\$ 37,811	\$ 9,276	\$ -	\$ 47,087

December 31, 2011				
Investment Type	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 29,582	\$ -	\$ -	\$ 29,582
Money market funds	\$ 506	\$ -	\$ -	\$ 506
Commingled trust fund	\$ -	\$ 8,275	\$ -	\$ 8,275
Total	\$ 30,088	\$ 8,275	\$ -	\$ 38,363

Mutual fund shares are valued daily, with the NAV per fund share published at the close of each business day, consisted of registered mutual fund investments whose diversified holdings primarily include common stock securities issued by U.S. and non-U.S. corporations, corporate bonds and mortgage backed securities. Money market funds are valued at quoted market values on the last business day of the year. Equities are valued daily at quoted marked values. Corporate and Government Securities are valued as a percentage of the underlying par value at the close of each business day. Commingled trust fund is valued at the quoted redemption values on the last business day of the plan year.

ASCAP also has a nonqualified retirement equalization benefit plan (the Equalization Plan) that provides certain employees with defined pension benefits in excess of limits imposed by federal tax law and a non-qualified supplemental executive retirement plan (the SERP) which is offered to certain members of management to provide additional benefits at retirement.

The following table sets forth the Equalization Plan and SERP's funded status:

	December 31	
	2012	2011
	(IN THOUSANDS)	
Actuarial present value of:		
Vested benefit obligation	\$17,687	\$15,770
Nonvested benefit obligation	65	85
Accumulated benefit obligation	\$17,752	\$15,855
Actuarial present value of projected benefit obligation	\$19,394	\$18,071
Plan assets at fair value	\$6,845	\$7,481
Funded status of the SERP	(\$12,549)	(\$10,590)

Plan assets related to the Equalization Plan and SERP consisted of equities and mutual funds measured at Level 1 as of December 31, 2012 and 2011.

The Society has budgeted to contribute approximately \$7.5 million in 2013.

Estimated future pension benefit payments for the Pension Plan, Equalization Plan and SERP, which reflect expected future service, are as follows (in thousands):

2013	\$ 9,212
2014	3,072
2015	21,192
2016	4,128
2017	4,834
2018-2022	41,643

Under the Society's Savings Plan, effective November 1, 2005, new employees are automatically enrolled in the Savings Plan after 60 days of service at a contribution rate of 3% of their salary, pretax, unless they opt out. All employees may then elect to contribute from 1% through 25% of their salary, pretax, as limited by the Internal Revenue Service. The Society's matching contribution, which is discretionary, was equal to 100% of the first 2% and 25% of each additional percent up to 6% contributed by the employee during the current year, resulting in a maximum contribution by the Society of 3% of the employee's allowable salary. Employees' contributions are immediately vested, and the Society's matching contributions are vested after the first year of service. During 2012, the maximum annual employee contribution of pretax dollars was limited by Internal Revenue Service regulations to \$17,000, and ASCAP's matching contribution was limited to \$7,500 per employee. The amounts contributed by ASCAP to the Savings Plan for 2012 and 2011 were approximately \$1.2 million and \$1.3 million, respectively.

ASCAP also has a nonqualified deferred compensation plan, whereby eligible employees may elect to defer a portion of their compensation each year. Compensation expense, equal to amounts deferred by employees, is recorded currently.

## 5. DISTRIBUTIONS TO MEMBERS

Receipts of the Society, less expenses of operations and amounts payable to foreign societies, are distributed to members in accordance with the Society's survey and distribution system, originally mandated by the 1960 amendments to the ASCAP Consent Decree and now embodied in the Society's rules and regulations.

The Society includes taxes withheld by affiliated foreign societies as receipts. These taxes withheld are reflected in Royalties from foreign societies in the accompanying consolidated Statements of Receipts, Expenses and Changes in Net Assets.

The Society also includes foreign taxes withheld in the summary of distributions reported to members at year-end, thereby enabling members to report them appropriately on their tax returns. These taxes are reflected in foreign distributions in the accompanying consolidated Statements of Receipts, Expenses and Changes in Net Assets.

At December 31, 2012 and 2011, approximately \$6.9 million and

\$6.2 million, respectively, represented the foreign taxes withheld on receipts that will be reported in the year when the related distributions are paid.

## 6. COMMITMENTS AND CONTINGENCIES

### Litigation

The Society is involved on an on-going basis in court proceedings with its licensees to determine license fees to be paid to the Society for the performance of musical works in the ASCAP repertory. Over the past year, the Society concluded such a court proceeding with commercial television stations, resulting in agreement as to the license fees to be paid by the stations for periods through 2016.

In May 2012, a three-judge panel of the U.S. Court of Appeals for the Second Circuit affirmed the decision of the district court in the rate court proceeding concerning a mobile platform that, through agreements with various wireless carriers, delivers audiovisual and audio content to wireless consumers. As a result of the district court's decision, ASCAP had previously settled its rate court litigation with the wireless carriers.

In June 2012, another panel of the Court of Appeals affirmed the decisions of the district court involving one of the leading background/foreground music services. As a result, during 2012 the Society refunded approximately \$25.0 million to various background/foreground music services, which was recorded as a reduction of General and background license fee revenue. Going forward, the decisions will result in substantially reduced revenues from licensing of the background/foreground music services.

The Society is currently engaged in a rate court proceeding with a leading internet music service. The service has been paying interim license fees and the parties are now engaged in discovery. The proceeding is scheduled to be ready for trial early in November 2013.

Finally, the Society is routinely involved in other litigation, often as a stakeholder participating in disputes between its members and others pertaining to royalties. This litigation has no material effect on the Society's receipts and expenses, or total royalty distribution to its members.

### Lease Commitments

Equipment rental and office lease expense, including escalations and utilities, aggregated approximately \$5.0 million and \$5.6 million for the years ended December 31, 2012 and 2011, respectively, and is recognized as an expense when paid in the accompanying consolidated Statements of Receipts, Expenses and Changes in Net Assets based on the amount of cash paid.

The minimum rental commitments under existing non-cancellable office and equipment leases at December 31, 2012 are as follows (in thousands):

2013	\$ 4,322
2014	4,722
2015	4,678
2016	4,422
2017	4,434
Thereafter	5,806
Total minimum lease payments	<u>\$28,384</u>

### Member Guarantees

The Society has provided guarantees of payment to financial institutions for personal loans provided to certain of its members. Royalty earnings attributable to each of these members are being distributed directly to the financial institutions as part of the loan repayment terms. To the extent that the cash flows of the future royalty earnings are not sufficient to the financial institutions, payment of each respective member loan may be accelerated by the financial institutions and payment would be guaranteed by the Society. The Society would collect any amounts paid as a result of the guarantee through future royalty earnings of the respective member. As of December 31, 2012, the Society authorized up to \$25.0 million in guarantees to be made, of which approximately \$24.9 million is outstanding. The fair value of the guarantees is not considered to be material.

## 7. RELATED PARTY BY TRANSACTION

The ASCAP Foundation (the Foundation), a not-for-profit organization, was incorporated in 1975 to promote and support charitable/educational programs in the field of music. Contributions, bequests, and grants from members of ASCAP, other foundations, and the general public provide support to the Foundation. The Foundation is a related party to ASCAP.

The Foundation is located in the offices of ASCAP and receives the use of ASCAP's office space at no charge. In addition, ASCAP personnel assisted in the administration of the Foundation's activities as needed. The value of these services and support provided to the Foundation was approximately \$114,000 and \$156,000 in 2012 and 2011, respectively.

The Foundation has approximately \$41,000 in 2012 due to ASCAP for payroll related expense reimbursement.

The Foundation receives royalty contributions through ASCAP from ASCAP members who have allocated a portion of their ASCAP royalties to the Foundation. This is done completely and solely at the request of the ASCAP member or as a bequest by the ASCAP member or their heirs to the Foundation. The Foundation recognized income based on cash received from ASCAP related to contributions of approximately \$484,000 in 2012 and \$480,000 in 2011.

## 8. SUBSEQUENT EVENTS

Subsequent events were evaluated through May 29, 2013, the date these consolidated financial statements were available to be issued.





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