

**AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS**  
**DISTRIBUTION FUND**

**FINANCIAL STATEMENTS**

**MARCH 31, 2012 AND 2011**

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
DISTRIBUTION FUND

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Independent Auditors' Report

Board of Trustees  
AFM and AFTRA Intellectual Property Rights  
Distribution Fund  
11846 Ventura Boulevard, Suite 300  
Studio City, California 91604-2620

Members of the Board:

We have audited the accompanying statements of assets, liabilities and net assets modified cash basis of AFM and AFTRA Intellectual Property Rights Distribution Fund (the "Fund") as of March 31, 2012 and 2011, and the related statements of revenue and expenses - modified cash basis and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2-A, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of AFM and AFTRA Intellectual Property Rights Distribution Fund as of March 31, 2012 and 2011, and its revenue and expenses and cash position for the years then ended on the basis of accounting described in Note 2-A.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of assets, liabilities and net assets by royalty source and of revenue and expenses by royalty source on pages 15 through 19 are presented for the purpose of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
MILLER KAPLAN ARASE LLP

April 4, 2013

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AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
DISTRIBUTION FUND  
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -  
MODIFIED CASH BASIS

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 34,196,015	\$ 23,202,632
Accounts Receivable	1,165	1,257
Due from Video Supplemental Fund, Net	19,998	1,247
Prepaid Insurance	3,038	-
Investments at Market Value	<u>23,054,797</u>	<u>22,961,456</u>
<u>TOTAL CURRENT ASSETS</u>	57,275,013	46,166,592
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>109,752</u>	<u>35,110</u>
<u>TOTAL ASSETS</u>	<u>\$ 57,384,765</u>	<u>\$ 46,201,702</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Distributions Payable	\$ 10,786,694	\$ 6,162,979
Due to Film Musicians Secondary Markets Fund	<u>-</u>	<u>43,728</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 10,786,694</u>	<u>\$ 6,206,707</u>
<u>NET ASSETS (UNRESTRICTED)</u>		
Reserve for Omissions	\$ 169,797	\$ 169,797
Unrestricted	<u>46,428,274</u>	<u>39,825,198</u>
<u>TOTAL NET ASSETS (UNRESTRICTED)</u>	<u>\$ 46,598,071</u>	<u>\$ 39,994,995</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 57,384,765</u>	<u>\$ 46,201,702</u>

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
DISTRIBUTION FUND  
STATEMENTS OF REVENUE AND EXPENSES -  
MODIFIED CASH BASIS

	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
<u>REVENUE</u>		
Royalty Receipts	\$ 23,920,316	\$ 17,578,249
Dividends and Interest	280,627	161,360
Purchased Interest	(124,089)	(132,182)
Loss on Disposal of Property and Equipment	(5,898)	-
Unrealized Gain (Loss) on Investments	(1,934)	12,523
<u>TOTAL REVENUE</u>	<u>\$ 24,069,022</u>	<u>\$ 17,619,950</u>
<u>EXPENSES</u>		
Distributions to Performers (Net of Unclaimed Distributions Returned from Prior Years)	\$ 14,703,546	\$ 5,976,528
Omission Payments	849,727	629,038
General and Administrative Expenses - Schedule B-1	1,806,554	1,146,994
Professional Fees	106,119	207,159
<u>TOTAL EXPENSES</u>	<u>\$ 17,465,946</u>	<u>\$ 7,959,719</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 6,603,076</u>	<u>\$ 9,660,231</u>
<u>NET ASSETS (UNRESTRICTED)</u>		
<u>BEGINNING OF YEAR</u>	<u>39,994,995</u>	<u>30,334,764</u>
<u>END OF YEAR</u>	<u>\$ 46,598,071</u>	<u>\$ 39,994,995</u>

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
DISTRIBUTION FUND  
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES - MODIFIED CASH BASIS

	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Administrative Wage and Benefit Reimbursements	\$ 1,114,312	\$ 780,128
Administrative Fees	69,231	50,000
Research	74,740	69,859
Insurance	3,410	-
Printing	122,668	61,181
Office Rent	116,017	27,099
Equipment Lease	8,726	2,370
Promotion	25,595	30,531
Maintenance and Repairs	11,823	2,984
Seminars, Travel and Parking	48,120	26,706
Postage and Delivery	3,390	4,486
Office and Computer Supplies and Expenses	71,076	16,235
Meals	8,840	4,084
Utilities	7,973	1,669
Depreciation and Amortization	14,052	4,416
Temporary Help	48,064	9,984
Bank and Investment Manager Fees	58,517	55,262
<u>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</u>	<u>\$ 1,806,554</u>	<u>\$ 1,146,994</u>

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
DISTRIBUTION FUND  
STATEMENTS OF CASH FLOWS

	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 6,603,076	\$ 9,660,231
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	14,052	4,416
Loss on Disposal of Property and Equipment	5,898	-
Unrealized (Gain) Loss on Investments	1,934	(12,523)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	92	(2,504)
Due from Video Supplemental Fund, Net	(18,751)	-
Prepaid Insurance	(3,038)	-
Distributions Payable	4,623,715	2,436,925
Due to Film Musicians Secondary Markets Fund	(43,728)	(7,834)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 11,183,250</u>	<u>\$ 12,078,711</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Investments	\$ (39,974,514)	\$ (76,534,778)
Proceeds from Sale of Investments	39,879,239	70,564,431
Proceeds from Disposal of Property and Equipment	2,018	-
Purchase of Property and Equipment	(96,610)	(23,637)
<u>NET CASH (USED) BY INVESTING ACTIVITIES</u>	<u>\$ (189,867)</u>	<u>\$ (5,993,984)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>\$ 10,993,383</u>	<u>\$ 6,084,727</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>23,202,632</u>	<u>17,117,905</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 34,196,015</u>	<u>\$ 23,202,632</u>

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
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NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011

NOTE 1 - DESCRIPTION OF THE FUND

The American Federation of Musicians of the United States and Canada ("AFM") and American Federation of Television and Radio Artists ("AFTRA") created the AFM and AFTRA Intellectual Property Rights Distribution Fund (the "Fund") on September 16, 1998 for the purpose of receiving and distributing record rental remuneration and statutory royalties payable to non-featured instrumentalists and vocalists.

The Fund has operated and been administered under the joint responsibility of four trustees, two appointed by the AFM and two appointed by AFTRA. In 2011 the Trustees amended the Trust to provide for six Trustees, three appointed by the AFM (one of whom must be a rank and file representative) and three appointed by AFTRA (one of whom must be a rank and file representative). All royalties received from the various organizations (see Note 3) are for the benefit of non-featured instrumentalists and vocalists, except as expressly provided for the distribution of Audiovisual royalties (see Note 3-l) and for the distribution of symphonic featured artist royalties. Expenses incurred in the administration of the Fund are allocated against the royalties received from the various organizations based on royalties received, from the date of receipt. Distribution expenses are allocated directly to the royalties distributed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Fund's policy is to recognize revenue and the related assets when cash is received rather than when earned and recognize expenses when paid rather than when the obligations are incurred, except for the recognition of payables or receivables to related parties and distributions payable.

B. Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash and Cash Equivalents

The Fund considers all highly liquid short-term investments with maturities of three months or less to be cash equivalents.

D. Distributions Payable

Distribution payments that are not cashed by December 31 of the year in which they are issued are recorded as distributions payable. Distributions payable include the amount of distribution checks outstanding for no longer than two years as of the date of the financial statements, and amounts that were not distributable because of missing information relating to the whereabouts of intended recipients. The Fund may be contacted by performers who either did not cash or receive



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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Distributions Payable (Continued)

their distribution checks. In such cases, the Fund will re-issue payment. Such payments are charged against this account. The Fund holds balances in this account pending receipt of claims until the end of the second fiscal year after the date on which such distributions were payable. Thereafter, any unclaimed distributions are netted against the current year's distributable amount.

The Fund continuously attempts to locate and notify performers whose distribution checks have not been cashed or performers to whom payments are due but not yet issued using various methods including, but not limited to, print advertising in music publications, web-based advertising and listing of unclaimed checks on the Fund's website. At March 31, 2012 and 2011, unclaimed distributions were \$10,786,694 and \$6,162,979, respectively.

E. Reserve for Omissions

The Fund seeks to identify all performers who are entitled to royalty distributions for their work. Occasionally, through inquiries from and information provided by performers as well as the Fund's ongoing research, instances are identified wherein performers who were entitled to distributions were omitted. Accordingly, the Fund established a reserve for omissions to pay distributions to such performers. Interest and dividends earned on royalty contributions is used to fund this reserve.

The reserve to provide for distributions to previously omitted performers was \$169,797 for both years 2012 and 2011.

F. De Minimis Policy

The Fund has a de minimis policy relating to Japanese Record Rental Royalty payments, pursuant to which no distribution payments less than \$10 are made. However, de minimis amounts of less than \$10 are added to performers' accounts. When an account reaches the \$10 threshold, a payment is made. Any payment may be comprised of royalties from several sources, including one or more de minimis amounts. The de minimis policy is waived whenever a non-featured performer has a payment due from any of the other revenue sources not having such a policy. In those instances, the de minimis amounts are added to a payment for that revenue source.

G. Property and Equipment

Property and equipment is stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease. Expenditures for major renewals and betterments that extend the useful life are capitalized. Expenditures for repairs and maintenance are expensed.

H. Income Tax Status

No provision for Federal or state income tax is made. The Fund has obtained tax-exempt status from the Federal government and the State of California under Internal Revenue Code Section 501(c)(6) and Revenue and Taxation Code 23701a, respectively. The Fund administrator and the Fund's counsel believe the Fund is currently designed and being operated in compliance with the requirements of the respective codes.

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Income Tax Status (Continued)

The Fund has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management believes that the Fund has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Certain information returns are subject to examination by authorities.

I. Investment Valuation and Income Recognition

Accounting standards establish a fair value hierarchy that prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. The levels are as follows:

Level 1 – Inputs are based on quoted prices in an active market.

Level 2 – Inputs are based on quoted prices for similar instruments and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

Level 3 – Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The following tables summarize the Fund's investments based on the inputs used to value them.

	March 31, 2012			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 33,391,403	\$ -	\$ -	\$ 33,391,403
Certificates of Deposit	-	447,064	-	447,064
Corporate Bonds:				
A1 Credit Rating	-	863,062	-	863,062
A2 Credit Rating	-	1,390,107	-	1,390,107
A3 Credit Rating	-	1,213,577	-	1,213,577
AA1 Credit Rating	-	264,700	-	264,700
AA2 Credit Rating	-	884,376	-	884,376
AA3 Credit Rating	-	370,386	-	370,386
BAA1 Credit Rating	-	312,975	-	312,975
BAA2 Credit Rating	-	312,456	-	312,456
Commercial Paper	-	16,400,000	-	16,400,000
Floating Rate Notes	-	500,000	-	500,000
<u>TOTALS</u>	<u>\$ 33,391,403</u>	<u>\$ 22,958,703</u>	<u>\$ -</u>	<u>\$ 56,350,106</u>

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
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NOTES TO FINANCIAL STATEMENTS  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Investment Valuation and Income Recognition (Continued)

	March 31, 2011			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 28,608,518	\$ -	\$ -	\$ 28,608,518
Certificates of Deposit	-	399,864	-	399,864
Corporate Bonds:				
A1 Credit Rating	-	512,540	-	512,540
A2 Credit Rating	-	508,495	-	508,495
A3 Credit Rating	-	1,025,500	-	1,025,500
AA2 Credit Rating	-	364,310	-	364,310
Commercial Paper	10,000,000	-	-	10,000,000
Floating Rate Notes	-	701,842	-	701,842
Government Guaranteed Bonds	-	1,005,200	-	1,005,200
U.S. Agencies	-	1,431,104	-	1,431,104
<u>TOTALS</u>	<u>\$ 38,608,518</u>	<u>\$ 5,948,855</u>	<u>\$ -</u>	<u>\$ 44,557,373</u>

Level 1 investments include money market funds and commercial paper valued based on quoted market prices in an active market. Level 2 investments include corporate bonds, commercial paper, certificates of deposit, floating rate notes and fixed income securities whose values are determined by reference to trades in similar securities, or valued by third party pricing vendors.

NOTE 3 - SUMMARY OF ROYALTY SOURCES

A. Dutch Home Taping & Broadcasting Royalties

The initial collections from the International Rights Bureau ("IRB"), based on an agreement entered into between the AFM, AFTRA and IRB, included remuneration for home taping money for United States recorded products sold in the Netherlands. Subsequent collection from Stichting Ter Exploitatie Van De Naburige Rechten ("SENA") based on an agreement between the Fund and SENA, covers home taping and certain broadcast money for foreign performers and non-featured United States performers. This agreement provides for SENA to collect money for United States non-featured performers based on broadcast data gathered by SENA, and for the Fund to make payments to United States and Netherlands non-featured performers pursuant to applicable Fund distribution guidelines. Interest earned from Netherland collections will be set aside as a reserve for omissions at the time of distribution.

B. Audio Home Recording Act ("AHRA") Distribution

The AHRA imposes an obligation on importers and manufacturers of digital audio recording devices and media to submit a royalty payment set by statute to the Register of Copyrights.

The AHRA provides that 66-1/3% of those royalties shall be allocated to a Sound Recordings Fund. The AHRA further provides that 2-5/8% of the Sound Recordings Fund shall be distributed to non-featured musicians who have performed on sound recordings distributed in the United States, and that 1-3/8% shall be similarly distributed to non-featured vocalists.

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
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NOTE 3 - SUMMARY OF ROYALTY SOURCES (Continued)

C. Rental Royalties - CPRA

The Japan Council of Performers' Organization ("CPRA/Geidankyo") and the Alliance of Artists and Recording Companies ("AARC") in conjunction with the AFM and AFTRA entered into an agreement dated October 14, 1997 to distribute royalties collected by CPRA/Geidankyo for the rental of commercial phonograms (commercially available CDs, etc.) in Japan, pursuant to Article 95 of the Copyright Law of Japan, to featured and non-featured performers on phonograms produced in the United States ("Geidankyo Agreement"). AARC transferred the allocated non-featured portion to the Fund until June 2002, when all related royalties began being transferred from CPRA to the Fund.

In addition to the royalties for record rentals in Japan, pursuant to a separate agreement with CPRA, the Fund also receives money from private home taping in Japan similar to money received under AHRA. Money received from Japanese home taping is added to money received from AHRA and distributed for like years to applicable non-featured performers.

D. Sound Exchange

The DPRA of 1995 and DMCA of 1998 require the allocation of 5% of compulsory license fees to non-featured performers - 2-1/2% to non-featured musicians and 2-1/2% to non-featured vocalists. Compulsory license fees are collected in the first instance by SoundExchange. SoundExchange is an independent, nonprofit performance rights organization that is designated by the United States Copyright office to collect and distribute digital performance royalties for featured recording artists and sound recording copyright owners. SoundExchange collects both the featured artists and the non-featured artists' share of this money, and transfers the non-featured performers' share to the Fund for distribution.

E. Exclusive Licenses - A

In 1994, the major recording labels (e.g., BMG Special Products, EMI, Universal Music Group, Warner Music Group and Sony Music - the Signatory Record Companies) entered into a memorandum of understanding with the AFM and AFTRA to work cooperatively for the modification to existing copyright law, and to provide payments to non-featured musicians and vocalists based on the companies' gross receipts resulting from the exclusive licenses of their products. The agreement states, in part:

*Each Signatory Record Company agrees that 1% of all receipts (as defined in the legislative history) it collects as a result of the amendment of the Copyright Act of 1976 to provide copyright owners with the exclusive right, not limited by statutory or compulsory licensing, to publicly perform sound recordings by means of a digital transmission will be allocated to musicians and vocalists who perform on said sound recordings. Of that 1%, 0.5% will be allocated to AFM (or to any entity, such as the Special Payments Fund, designated in writing by AFM) for distribution to musicians who perform on said sound recordings whether or not such musicians are members of AFM in accordance with a formula to be determined solely by the AFM. The remaining 0.5% will be allocated to AFTRA (or to any entity designated in writing by AFTRA) for distribution to vocalists who perform on said sound recordings, whether or not such vocalists are members of AFTRA, in accordance with a formula to be determined solely by AFTRA. The reasonable administrative costs of the distribution incurred by AFM, AFTRA or their designees may be paid from the receipts received from the Signatory Record Companies.*

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NOTE 3 - SUMMARY OF ROYALTY SOURCES (Continued)

E. Exclusive Licenses - A (Continued)

The money collected from the Signatory Record Companies represents revenue generated from the exclusive license of the labels' catalogues to multiple sources such as Muze, Inc., Listen.com, Musicnet.com, Full Audio, Pressplay, Loudeye, among others. Money collected from the labels was initially held by the Fund pending action of the Trustees. On November 3, 2004, the Trustees, on behalf of the AFM and AFTRA, designated the Fund as the authorized entity to make distributions of this money.

F. Digital Downloads (Vocalists) Contained in Schedules 1 and 2

In 2007, AFTRA concluded its negotiation with the Recording Industry for a successor Sound Recording Labor Agreement, commencing January 1, 2008. This agreement contains a new provision for Digital Exploitations of Covered Product ("Digital Downloads") to be distributed by the AFM & AFTRA Fund covering the following products:

- Permanent Audio Downloads - A Covered (i.e. recorded under the AFTRA Sound Recording Labor Agreement) Sound Recording sold via a digital transmission in the United States only in a manner which provides a permanent copy.
- Permanent Video Downloads - A Covered Music Video sold via a digital transmission in the United States only in a manner which provides a permanent copy.
- Non-Permanent ("Tethered") Download - A Covered Sound Recording or a Music Video which is sold via digital transmission in the United States only on a temporary, conditional or "timed out" basis.
- Video Streams - A Covered Music Video sold via a digital transmission in the United States only using streaming technology and leaving no residual copy on the receiving device.

Payments collected from these sources are based on a percentage of the wholesale price of such recordings/videos, and in the case of Permanent Audio Downloads an additional 11.5% of the monies due is collected by the AFM & AFTRA Fund for payment to the AFTRA Health & Retirement Fund. The monies collected herein are currently being held separately pending review by legal counsel to determine whether or not these constitute wages and therefore require applicable tax obligations (including employee withholding taxes) and ensure that the handling of these collections and distributions is permissible under Section 302 of the National Labor Relations Act.

G. Digital Downloads (Musicians)

The Fund collects 1% from the Record Producers and distributes NonPermanent ("Tethered") Downloads (i.e. Covered Sound Recordings or Music Videos which are sold via digital transmission in the United States only on a temporary, conditional or "timed out" basis) on behalf of musicians. However, unlike those payments collected on behalf of vocalists, the Fund does not collect any additional amounts as pension payments for musicians.

H. EJI - Hungary

The Fund entered into an agreement in March of 2009 as a trilateral agreement among the Alliance of Artists and Record Companies (AARC), EJI and the Fund for the collection and distribution of blank tape levies in Hungary and in the U.S.

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NOTE 3 - SUMMARY OF ROYALTY SOURCES (Continued)

H. EJI - Hungary (Continued)

Funds received from EJI are awaiting distribution to the affected U.S. musicians and vocalists pending research to be performed by the Fund.

I. Audiovisual Royalties

In February 2010, the Fund entered into an agreement with AIE (the Spanish collective for featured and non-featured musicians and vocalists) for the distribution of audiovisual rights for motion pictures and television programs scored in whole or in part in the U.S. that are broadcast on Spanish television. This agreement also includes featured artists and non-featured artist royalties for the underscore (music originally recorded for the motion picture or television film) as well as for sound recordings licensed for use in motion pictures or television films.

NOTE 4 - CONCENTRATION OF CREDIT RISK

During the fiscal year ended March 31, 2012, the Fund maintained bank accounts with cash balances in excess of the federally insured limits of \$250,000 per bank. Various cash accounts have minimum balance requirements. The amount in excess of the limits was subject to risk if the financial institution did not perform. The Fund has not incurred any losses on the uninsured balances.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Fund shares office space, equipment and administrative staff with Film Musicians Secondary Markets Fund (FMSMF) and the Video Supplemental Fund (VSF). FMSMF performs periodic time studies to determine the allocation percentage of common expenses between these related parties. FMSMF pays the expenses and each entity reimburses it for their share of these costs based upon the allocation percentages approved by management.

The Fund's administrator is also the administrator of the FMSMF. FMSMF routinely pays expenses on behalf of the Fund, for which it is reimbursed. Expenses paid on behalf of the Fund totaled \$623,010 and \$741,932 for the years ended March 31, 2012 and 2011, respectively. This amount is net of \$25,580 of fixed assets and supplies that FMSMF sold to the Fund at fair value. The amounts due to FMSMF, representing reimbursable expenses allocated to the Fund were \$0 and \$43,728 at March 31, 2012 and 2011, respectively.

The Fund's administrator is also the administrator of the VSF. Expenses paid on behalf of the VSF totaled \$39,084 and \$1,643 for the years ended March 31, 2012 and 2011, respectively. The net amounts due from the VSF, representing reimbursable expenses allocated to the VSF were \$19,998 and \$1,247 at March 31, 2012 and 2011, respectively.

NOTE 6 - INVESTMENTS

The Fund classifies as short-term, investments with maturities of greater than 3 months, but less than 12 months. These investments are classified as held-to-maturity securities as the Fund has the ability and intent to hold the securities until maturity. Dividend and interest income is recorded when received.

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
DISTRIBUTION FUND  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011

NOTE 6 - INVESTMENTS (Continued)

The Fund's investments consisted of the following:

	March 31, 2012	
	<u>Market Value</u>	<u>Cost</u>
Money Market	\$ 33,391,403	\$ 33,391,403
Certificates of Deposit	447,064	450,000
Corporate Bonds	5,611,639	5,599,934
Commercial Paper	16,400,000	16,400,000
Floating Rate Notes	500,000	500,000
<u>TOTALS</u>	<u>\$ 56,350,106</u>	<u>\$ 56,341,337</u>

  

	March 31, 2011	
	<u>Market Value</u>	<u>Cost</u>
Money Market	\$ 28,608,518	\$ 28,608,518
Certificates of Deposit	399,864	400,000
Corporate Bonds	2,410,845	2,402,928
Government Guaranteed Bonds	1,005,200	1,004,322
Commercial Paper	10,000,000	10,000,000
U.S. Agencies	1,431,104	1,430,023
Floating Rate Notes	701,842	700,879
<u>TOTALS</u>	<u>\$ 44,557,373</u>	<u>\$ 44,546,670</u>

NOTE 7 - PROPERTY AND EQUIPMENT, NET

At March 31, 2012 and 2011, property and equipment consisted of the following:

	<u>2012</u>	<u>2011</u>
Computer Equipment	\$ 68,251	\$ 41,495
Furniture and Fixtures	20,520	3,791
Office Equipment	13,635	476
Leasehold Improvements	25,801	-
	<u>\$ 128,207</u>	<u>\$ 45,762</u>
Less: Accumulated Depreciation and Amortization	<u>18,455</u>	<u>10,652</u>
<u>TOTALS</u>	<u>\$ 109,752</u>	<u>\$ 35,110</u>

NOTE 8 - COMMITMENTS

Office Space

On May 1, 2011, the Fund entered into a 5 year operating lease commencing for office space in Studio City, California. During August 2011, the Fund entered into a second 5 year operating lease for additional office space. Included in the lease is a letter of credit for approximately \$17,000.

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
DISTRIBUTION FUND  
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MARCH 31, 2012 AND 2011

NOTE 8 - COMMITMENTS (Continued)

Office Space (Continued)

The combined monthly rent expense for the leases is \$11,409.

Future minimum lease payments for the remainder of the leases are as follows:

Year Ending March 31,

2013	\$ 137,987
2014	139,877
2015	141,823
2016	143,828
2017	<u>35,281</u>
	<u>\$ 598,796</u>

NOTE 9 - RECLASSIFICATIONS

Certain March 31, 2011 amounts have been reclassified to conform to the current year presentation.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 4, 2013, the date on which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements except that the Fund changed its name to AFM & SAG-AFTRA Intellectual Property Rights Distribution Fund on July 26, 2012.



## **SUPPLEMENTAL SCHEDULES**

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS

DISTRIBUTION FUND

SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS BY ROYALTY SOURCE -

MODIFIED CASH BASIS

MARCH 31, 2012

	Rental Royalties CPRA	Audio Home Record Act		SoundExchange	Exclusive Licenses - A	Dutch Home Taping and Broadcasting	Digital Downloads				Hungary	AIE	Germany	Total
		Musicians	Vocalists				Tethered Downloads	Permanent						
								Video Streaming	Digital Downloads					
ASSETS														
CASH AND CASH EQUIVALENTS	\$ (15,978,610)	\$ 108,662	\$ 56,893	\$ 39,678,762	\$ 1,287,881	\$ 1,779,586	\$ 964,440	\$ 576,384	\$ 369,824	\$ 16,194	\$ 4,939,547	\$ 396,452	\$ 34,196,015	
ACCOUNTS RECEIVABLE	1,165	-	-	-	-	-	-	-	-	-	-	-	1,165	
DUE FROM VIDEO SUPPLEMENTAL FUND, NET	19,998	-	-	-	-	-	-	-	-	-	-	-	19,998	
PREPAID INSURANCE	3,038	-	-	-	-	-	-	-	-	-	-	-	3,038	
INVESTMENTS AT MARKET VALUE	23,054,797	-	-	-	-	-	-	-	-	-	-	-	23,054,797	
PROPERTY AND EQUIPMENT, NET	109,752	-	-	-	-	-	-	-	-	-	-	-	109,752	
TOTAL ASSETS	\$ 7,210,140	\$ 108,662	\$ 56,893	\$ 39,678,762	\$ 1,287,881	\$ 1,779,586	\$ 964,440	\$ 576,384	\$ 369,824	\$ 16,194	\$ 4,939,547	\$ 396,452	\$ 57,384,765	
LIABILITIES AND NET ASSETS														
LIABILITIES														
Distributions Payable	\$ 10,786,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,786,694	
TOTAL LIABILITIES	\$ 10,786,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,786,694	

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
DISTRIBUTION FUND  
SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS BY ROYALTY SOURCE -  
MODIFIED CASH BASIS  
MARCH 31, 2012

	Rental Royalties CPRA	Audio Home Record Act		SoundExchange	Exclusive Licenses - A	Dutch Home Taping and Broadcasting	Digital Downloads				Hungary	AIE	Germany	Total
		Musicians	Vocalists				Tethered Downloads	Video Streaming	Permanent Digital Downloads					
NET ASSETS (UNRESTRICTED)														
Reserve for Omissions	\$ 169,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,797
Unrestricted	(3,746,351)	108,662	56,893	39,678,762	1,287,881	1,779,586	964,440	576,384	369,824	16,194	4,939,547	396,452	46,428,274	
TOTAL NET ASSETS (DEFICIT) (UN- RESTRICTED)	\$ (3,576,554)	\$ 108,662	\$ 56,893	\$ 39,678,762	\$ 1,287,881	\$ 1,779,586	\$ 964,440	\$ 576,384	\$ 369,824	\$ 16,194	\$ 4,939,547	\$ 396,452	\$ 46,598,071	
TOTAL LIABILITIES AND NET ASSETS	\$ 7,210,140	\$ 108,662	\$ 56,893	\$ 39,678,762	\$ 1,287,881	\$ 1,779,586	\$ 964,440	\$ 576,384	\$ 369,824	\$ 16,194	\$ 4,939,547	\$ 396,452	\$ 57,384,765	

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS

DISTRIBUTION FUND

SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS BY ROYALTY SOURCE -

MODIFIED CASH BASIS

MARCH 31, 2011

	Rental Royalties CPRA	Audio Home Record Act		SoundExchange	Exclusive Licenses - A	Dutch Home Taping and Broadcasting	Digital Downloads				Hungary	AIE	Total
		Musicians	Vocalists				Tethered Downloads	Video Streaming	Permanent Digital Downloads				
ASSETS													
CASH AND CASH EQUIVALENTS	\$ (18,526,104)	\$ 108,662	\$ 56,893	\$ 33,019,245	\$ 3,456,156	\$ 1,801,480	\$ 896,432	\$ 463,403	\$ 273,062	\$ 7,894	\$ 1,645,509	\$ 23,202,632	
ACCOUNTS RECEIVABLE	1,257	-	-	-	-	-	-	-	-	-	-	1,257	
DUE FROM VIDEO SUPPLEMENTAL FUND, NET	1,247	-	-	-	-	-	-	-	-	-	-	1,247	
INVESTMENTS AT MARKET VALUE	22,961,456	-	-	-	-	-	-	-	-	-	-	22,961,456	
PROPERTY AND EQUIPMENT, NET	35,110	-	-	-	-	-	-	-	-	-	-	35,110	
TOTAL ASSETS	\$ 4,472,966	\$ 108,662	\$ 56,893	\$ 33,019,245	\$ 3,456,156	\$ 1,801,480	\$ 896,432	\$ 463,403	\$ 273,062	\$ 7,894	\$ 1,645,509	\$ 46,201,702	
LIABILITIES AND NET ASSETS													
LIABILITIES													
Distributions Payable Due to Film Musicians	\$ 6,162,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,162,979	
Secondary Markets Fund	43,728	-	-	-	-	-	-	-	-	-	-	43,728	
TOTAL LIABILITIES	\$ 6,206,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,206,707	
NET ASSETS (UNRESTRICTED)													
Reserve for Omissions Unrestricted	\$ 169,797 (1,903,538)	\$ - 108,662	\$ - 56,893	\$ - 33,019,245	\$ - 3,456,156	\$ - 1,801,480	\$ - 896,432	\$ - 463,403	\$ - 273,062	\$ - 7,894	\$ - 1,645,509	\$ 169,797 39,825,198	
TOTAL NET ASSETS (DEFICIT) (UNRESTRICTED)	\$ (1,733,741)	\$ 108,662	\$ 56,893	\$ 33,019,245	\$ 3,456,156	\$ 1,801,480	\$ 896,432	\$ 463,403	\$ 273,062	\$ 7,894	\$ 1,645,509	\$ 39,994,995	
TOTAL LIABILITIES AND NET ASSETS	\$ 4,472,966	\$ 108,662	\$ 56,893	\$ 33,019,245	\$ 3,456,156	\$ 1,801,480	\$ 896,432	\$ 463,403	\$ 273,062	\$ 7,894	\$ 1,645,509	\$ 46,201,702	

AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS  
DISTRIBUTION FUND  
SCHEDULES OF REVENUE AND EXPENSES BY ROYALTY SOURCE -  
MODIFIED CASH BASIS  
APRIL 1, 2011 TO MARCH 31, 2012

	Rental Royalties CPRA	Audio Home Record Act		Sound Exchange	Exclusive Licenses - A	Dutch Home and Broadcasting	Digital Downloads				Hungary	AIE	Germany	Total
		Musicians	Vocalists				Tethered Downloads	Video Streaming	Permanent Digital Downloads					
REVENUE														
Royalties Receipts	\$ 1,126,867	\$ -	\$ -	\$ 16,510,726	\$ 191,597	\$ 470,148	\$ 67,756	\$ 112,963	\$ 96,235	\$ 8,297	\$ 4,939,385	\$ 396,342	\$ 23,920,316	
Dividends and Interest	277,680	-	-	1,762	24	90	252	18	527	3	161	110	280,627	
Purchased Interest	(124,089)	-	-	-	-	-	-	-	-	-	-	-	(124,089)	
Loss on Disposal of Property and Equipment	(5,898)	-	-	-	-	-	-	-	-	-	-	-	(5,898)	
Unrealized Loss on Investments	(1,934)	-	-	-	-	-	-	-	-	-	-	-	(1,934)	
TOTAL														
REVENUE	\$ 1,272,626	\$ -	\$ -	\$ 16,512,488	\$ 191,621	\$ 470,238	\$ 68,008	\$ 112,981	\$ 96,762	\$ 8,300	\$ 4,939,546	\$ 396,452	\$ 24,069,022	
EXPENSES														
Distributions to Performers (Net of Unclaimed Distributions Returned from Prior Years)	\$ 1,652,483	\$ -	\$ -	\$ 8,954,496	\$ 2,125,614	\$ 453,669	\$ -	\$ -	\$ -	\$ -	\$ 1,517,284	\$ -	\$ 14,703,546	
Omission Payments	500,074	-	-	287,960	61,454	73	-	-	-	-	166	-	849,727	
General and Admin- istrative Expenses	856,763	-	-	610,515	172,828	38,390	-	-	-	-	128,058	-	1,806,554	
Professional Fees	106,119	-	-	-	-	-	-	-	-	-	-	-	106,119	
TOTAL														
EXPENSES	\$ 3,115,439	\$ -	\$ -	\$ 9,852,971	\$ 2,359,896	\$ 492,132	\$ -	\$ -	\$ -	\$ -	\$ 1,645,508	\$ -	\$ 17,465,946	
CHANGE IN NET														
ASSETS	\$ (1,842,813)	\$ -	\$ -	\$ 6,659,517	\$ (2,168,275)	\$ (21,894)	\$ 68,008	\$ 112,981	\$ 96,762	\$ 8,300	\$ 3,294,038	\$ 396,452	\$ 6,603,076	
NET ASSETS (DEFICIT) (UNRESTRICTED)														
BEGINNING OF YEAR	(1,733,741)	108,662	56,893	33,019,245	3,456,156	1,801,480	896,432	463,403	273,062	7,894	1,645,509	-	39,994,995	
END OF YEAR	\$ (3,576,554)	\$ 108,662	\$ 56,893	\$ 39,678,762	\$ 1,287,881	\$ 1,779,586	\$ 964,440	\$ 576,384	\$ 369,824	\$ 16,194	\$ 4,939,547	\$ 396,452	\$ 46,598,071	

**AFM AND AFTRA INTELLECTUAL PROPERTY RIGHTS**

**DISTRIBUTION FUND**

**SCHEDULES OF REVENUE AND EXPENSES BY ROYALTY SOURCE -**

**MODIFIED CASH BASIS**

**APRIL 1, 2010 TO MARCH 31, 2011**

	Rental Royalties CPRA	Audio Home Record Act		Sound Exchange	Exclusive Licenses - A	Dutch Home and Broadcasting	Digital Downloads			Hungary	AIE	Total
		Musicians	Vocalists				Tethered Downloads	Video Streaming	Permanent Digital Downloads			
Royalties Receipts	\$ 1,275,367	\$ 5,181	\$ 2,712	\$ 12,612,452	\$ 72,782	\$ 959,297	\$ 565,129	\$ 349,977	\$ 89,843	\$ -	\$ 1,645,509	\$ 17,578,249
Dividends and Interest	157,870	-	-	2,637	104	658	48	32	11	-	-	161,360
Purchased Interest	(132,182)	-	-	-	-	-	-	-	-	-	-	(132,182)
Unrealized Gain on Investments	12,523	-	-	-	-	-	-	-	-	-	-	12,523
<b>TOTAL REVENUE</b>	<b>\$ 1,313,578</b>	<b>\$ 5,181</b>	<b>\$ 2,712</b>	<b>\$ 12,615,089</b>	<b>\$ 72,886</b>	<b>\$ 959,955</b>	<b>\$ 565,177</b>	<b>\$ 350,009</b>	<b>\$ 89,854</b>	<b>\$ -</b>	<b>\$ 1,645,509</b>	<b>\$ 17,619,950</b>
<b>EXPENSES</b>												
Distributions to Performers (Net of Unclaimed Distributions Returned from Prior Years)	\$ 1,288,739	\$ 46,970	\$ 24,610	\$ 2,938,841	\$ 999,336	\$ 678,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,976,528
Omission Payments	254,739	1,495	669	212,550	152,520	7,065	-	-	-	-	-	629,038
General and Administrative Expenses	680,864	2,819	1,469	307,602	118,936	35,304	-	-	-	-	-	1,146,994
Professional Fees	207,159	-	-	-	-	-	-	-	-	-	-	207,159
<b>TOTAL EXPENSES</b>	<b>\$ 2,431,501</b>	<b>\$ 51,284</b>	<b>\$ 26,748</b>	<b>\$ 3,458,993</b>	<b>\$ 1,270,792</b>	<b>\$ 720,401</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,959,719</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (1,117,923)</b>	<b>\$ (46,103)</b>	<b>\$ (24,036)</b>	<b>\$ 9,156,096</b>	<b>\$ (1,197,906)</b>	<b>\$ 239,554</b>	<b>\$ 565,177</b>	<b>\$ 350,009</b>	<b>\$ 89,854</b>	<b>\$ -</b>	<b>\$ 1,645,509</b>	<b>\$ 9,660,231</b>
<b>NET ASSETS (DEFICIT) (UNRESTRICTED)</b>												
<b>BEGINNING OF YEAR</b>	<b>(615,818)</b>	<b>154,765</b>	<b>80,929</b>	<b>23,863,149</b>	<b>4,654,062</b>	<b>1,561,926</b>	<b>331,255</b>	<b>113,394</b>	<b>183,208</b>	<b>7,894</b>	<b>-</b>	<b>30,334,764</b>
<b>END OF YEAR</b>	<b>\$ (1,733,741)</b>	<b>\$ 108,662</b>	<b>\$ 56,893</b>	<b>\$ 33,019,245</b>	<b>\$ 3,456,156</b>	<b>\$ 1,801,480</b>	<b>\$ 896,432</b>	<b>\$ 463,403</b>	<b>\$ 273,062</b>	<b>\$ 7,894</b>	<b>\$ 1,645,509</b>	<b>\$ 39,994,995</b>