2014 ANNUAL REPORT

ASCAP

WE CREATE MUSIC

SPOTIFY EXHIBIT 5

ASCAP

Our Mission

ASCAP is the world leader in performance royalties, advocacy and service for songwriters, composers and music publishers. Our mission is to ensure that our music creator members can thrive alongside the businesses who use our music so that, together, we can continue to touch the lives of billions.

Attendees at the 2014 ASCAP "I Create Music" EXPO show their enthusiasm

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ASCAP President and Chairman Paul Williams

ASCAP CEO Beth Matthews

"Our songwriter and composer members depend on ASCAP to earn a living and it is our job to advocate and protect their rights across all media. We maintain a strong presence in Washington, DC to ensure they are fairly compensated for their creative work, which is the engine driving the entire industry. I am very gratified that we were able to deliver such strong financial results for the talented women and men who call ASCAP home. From our point of view, if we can ensure fair market rates for our members by working with the Department of Justice to modernize our outdated Consent Decree, then everyone wins – music creators, licensees and fans – because the value of collective licensing is that strong."

"ASCAP had an incredibly successful 2014. We worked extremely hard and continually innovated in order to maximize the financial opportunities for our members in the face of an evolving and increasingly competitive global landscape. We implemented new revenue growth strategies and productivity improvement initiatives in order to deliver the best collective licensing value proposition at the lowest possible cost for all stakeholders. Our 2014 financial results clearly demonstrate that collective licensing is the most efficient licensing model available to creators and music licensees alike. The collective can accommodate big data growth of extreme scale at the lowest cost while also providing access to a broad, diverse and high quality repertory of music."

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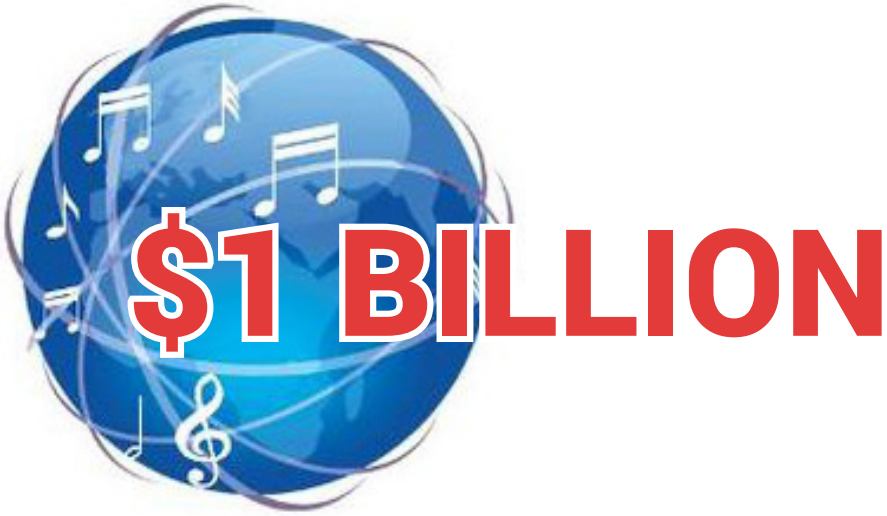

ASCAP Is the First PRO in the World to Report $1.0 Billion in Public Performance Revenue

We became the first PRO in the world to announce record-breaking public performance revenues of more than $1.0 billion for 2014. We also delivered historic high royalty distributions of over $883.5 million to our songwriter, composer and music publisher members, up $32.5 million, a 3.8% increase from 2013.

In addition to historical revenues and record breaking distributions to our members, the number of musical performances we captured, identified, matched and processed for payment doubled from 250 billion in 2013 to 500 billion in 2014. Unlike our competitors, ASCAP is an unincorporated membership association and operates on a not-for-profit basis, distributing all revenues after deducting its operating expenses, currently at one of the lowest overhead rates in the world at 12.7%.

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ASCAP by the Numbers

When you harness innovative technology, an expansive vision and the creative power of more than 540,000 songwriter, composer and music publisher members, the benefits of ASCAP's collective licensing model begin to add up.

1st PRO

in the United States, effectively creating the market for performance rights

10 of Top 10

songs on the 2014 Billboard year-end charts for Hot 100 Airplay, Hot Adult Top 40, Mainstream Top 40, Hot 100 Songs + Hot R&B/Hip Hop Airplay

101 YEARS

as the world leader in performance royalties, advocacy and service to music creators

SINCE 1914

10+ MILLION

works in the ASCAP repertory, representing every possible music genre

47

Grammy-winning members across 39 categories at the 57th Annual Grammy Awards, who created the past year's most-loved music

$883+ MILLION

distributed to ASCAP members in 2014 – a record high

700,000+

businesses that boost their bottom line with the value of an ASCAP license

500,000,000,000

performances processed by ASCAP in 2014, double the year before

NEARLY $6 BILLION

delivered into ASCAP members' pockets in the last 7 years

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The ASCAP Board of Directors

The ASCAP Board of Directors, made up of 12 writers and 12 publishers, elected from and by our 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 US 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. 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.

Paul Williams
President & Chairman
Songwriter

Doug Wood
Writer Vice Chairman
Composer

Irwin Z. Robinson
Publisher Vice Chairman
Cromwell Music

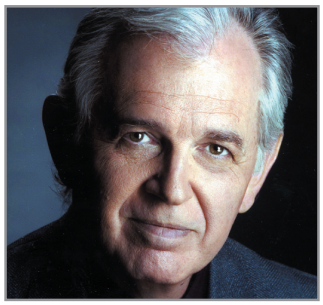
James M. Kendrick
Treasurer
Schott Music

Martin Bandier
Sony/ATV Music Publishing

Richard Bellis
Composer

Marilyn Bergman
Songwriter

Caroline Bienstock
Carlin America



Bruce Broughton
Composer

Desmond Child
Songwriter

Alf Clausen
Composer

Barry Coburn
Ten Ten Music Group

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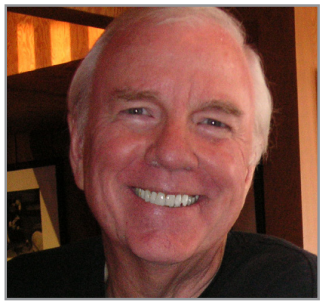
The ASCAP Board of Directors

Dan Foliart
Composer

Jody Gerson
Universal Music Publishing Group

Laurent Hubert
BMG Rights Management



Dean Kay
Lichelle Music

Leeds Levy
Leeds Music

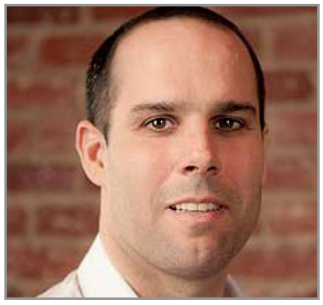
Marcus Miller
Composer

Mary Megan Peer
peermusic

Matt Pincus
SONGS Music Publishing

Alex Shapiro
Composer

Valerie Simpson
Songwriter



Cameron Strang
Warner/Chappell Music

Jimmy Webb
Songwriter

Pictured is the ASCAP Board of Directors as of June 30, 2015

John Lofrumento Retires On A High Note

John LoFrumento, Chief Executive Officer of ASCAP for 17 years, retired at the end of 2014. He had served the members of ASCAP since 1981, when he first joined the executive team as Controller. He then served as CFO, COO and EVP, and was named CEO in 1997.

As CEO, LoFrumento helped ASCAP develop one of the most sophisticated technology platforms for performance tracking and royalty distributions across all media. At the same time, ASCAP's membership and distributions grew exponentially from 70,000 members in 1997 with distributions totaling $416.6 million to more than 520,000 members in 2014 with distributions exceeding $833.5 million.

LoFrumento's tenure at the helm of ASCAP also includes many "firsts" within the music industry, among them the creation and growth of MusicPro Insurance, the first and only affordable insurance agency for music professionals; the ASCAP "I Create Music" EXPO, the first and only national conference with a 100% focus on music creation; and the first internet license for music performances online issued in 1995. LoFrumento was also instrumental in ASCAP's efforts to update ASCAP's decades-old Consent Decree with the US Department of Justice to better reflect the way people consume music in the digital age, ensuring that the nation's songwriters are compensated for the true value of their work in the marketplace.

Everyone at ASCAP salutes John for his accomplishments, his vision and his leadership, which will have a lasting impact on the music industry for years to come.

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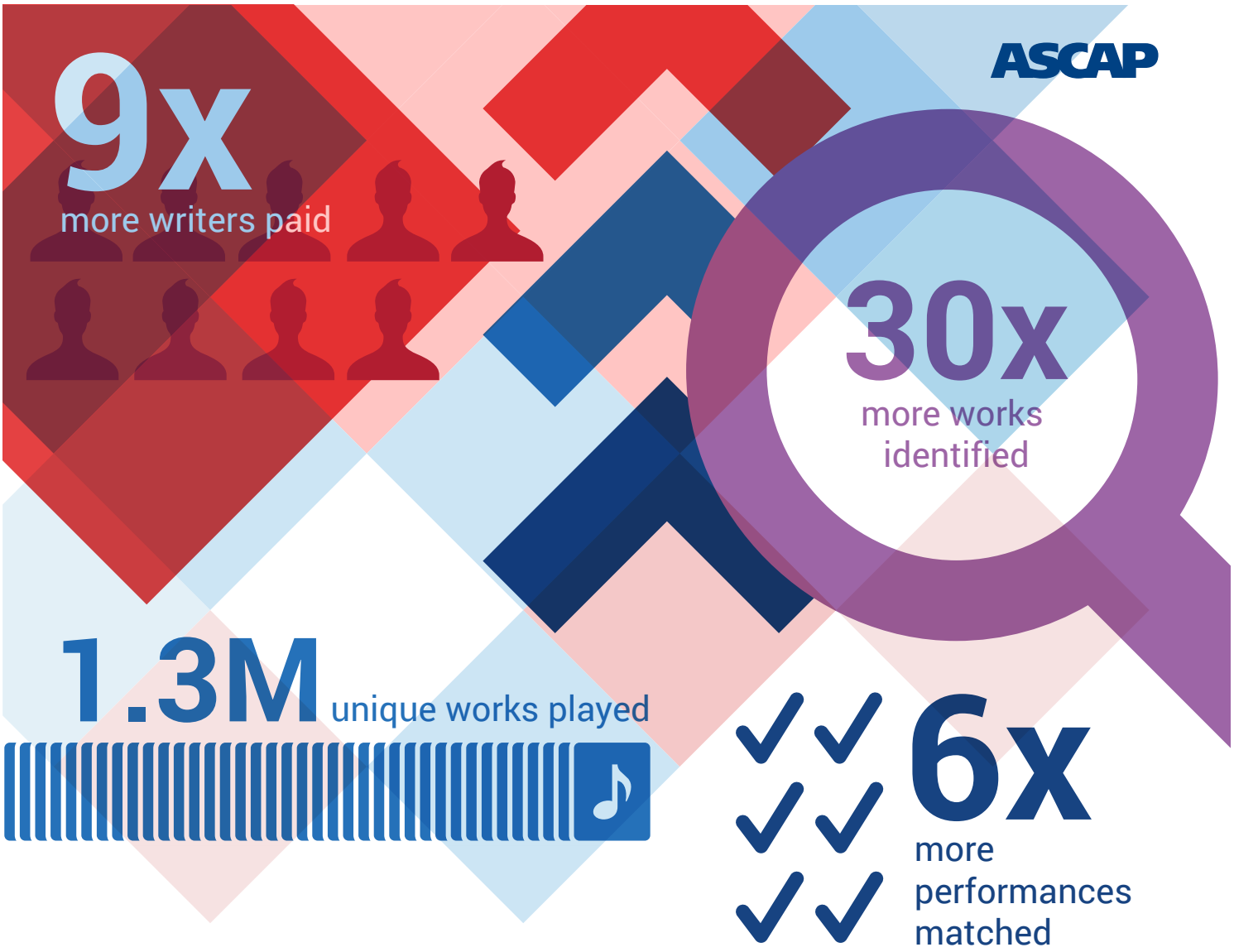

Technological Innovation

ASCAP dramatically expanded its surveys of the most significant digital streaming services in 2014, including Apple iRadio, Pandora, Rhapsody and Spotify. The number of writers paid for performances on these services increased nine times over from 2013. ASCAP identified more than 1.3 million unique works played on those services, 30 times more than in 2013.

CIO Magazine recognized ASCAP with a CIO 100 Award for technological innovation for our proprietary Audio Performance Management (APM) system, which receives information about music played on the radio and via internet services and processes this data to determine royalty distributions to ASCAP members. APM is capable of matching six times more performances per hour than our previous system.

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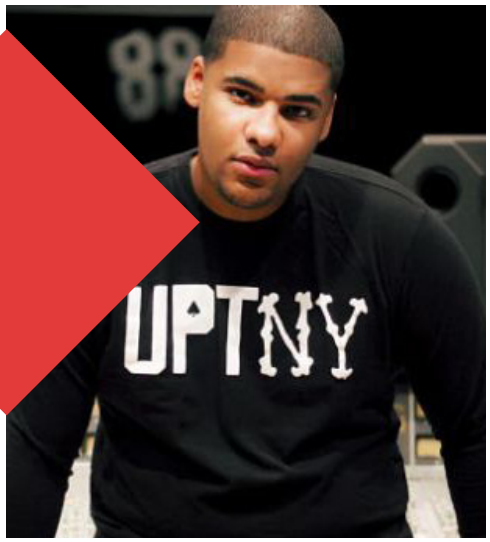
A Strong and Growing Membership

ASCAP continues to attract and retain the most successful and sought-after songwriters and composers. We invest in discovering, recruiting and retaining the most talented music creators, and providing them with the resources and support they need to ensure fans everywhere can enjoy their music. The landscape in performing rights is highly competitive. Marquis talent increases the quality of our repertory and increases the value of an ASCAP license to music users. That's good news for all of our members, because it means higher licensing revenues and larger distributions for everyone's creative work.

More than 40,000 music creators joined ASCAP in 2014, including hip-hop stars **Lecrae**, **Vinylz** and **Bobby Shmurda**; EDM favorite **Dillon Francis**, indie folk violinist-songwriter **Andrew Bird** and pop/hip-hop sensation **Becky G**; **Lorenzo Mendez** of regional Mexican superstars Original Banda El Limón, and Latin songwriter-artists **Yotuel**, **Brika** and **J Alvarez**; celebrated film composers **Jóhann Jóhannsson** (*The Theory of Everything*) and **Gustavo Santaolalla** (*Brokeback Mountain, Babel*); and renowned conductor-composer **Gustavo Dudamel**.



Pictured, top to bottom, left to right: Becky G, J Alvarez, Yotuel, Andrew Bird, Vinylz, Brika, Gustavo Dudamel, and Gustavo Santaolalla

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ASCAP Hitmakers

In total, ASCAP songwriters wrote #1 songs on 26 of Billboard's year-end songs charts.

David Bratton, Calvin Harris, Joel Houston, Romeo Santos, Bobby Shmurda and Bastille's Dan Smith took the #1 spots on year-end songwriter charts in six separate genres.

Many ASCAP members had career breakthroughs in 2014, including chart-topping women Meghan Trainor, Iggy Azalea, Ariana Grande, Jessie J, and Lorde. Aloe Blacc and rock bands Kongos, Echosmith and 5 Seconds of Summer enjoyed worldwide success, and country fans fell in love with Sam Hunt and his #1 single "Leave the Night On." Gospel/R&B singer-songwriter Mali Music made waves with his Grammy-nominated major label debut, *Mali Is…* Maddie & Tae's single "Girl in a Country Song" became the second-ever #1 country debut from a female duo. New signing Lecrae became the first artist to occupy the #1 spot on both the Gospel Albums and Billboard Top 200 charts.

Meghan Trainor

Iggy Azalea

Lorde

Ariana Grande

Kongos

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Fostering Collaboration

In 2014, ASCAP's commitment to fostering the music stars of tomorrow yielded major successes.

ASCAP Song Camps were the birthplace for the Miranda Lambert ft. Carrie Underwood single "Something Bad," by Chris DeStefano, Brett James and Priscilla Renea, which hit #1 on the country charts; Jacob Latimore's first single "Heartbreak Heard Round the World," written by Johntá Austin, Shea Taylor and Martin Johnson; and five songs recorded by La Original Banda El Limón, written at the ASCAP Song Camp in Mazatlán, Mexico. Meanwhile, ASCAP Nashville's innovative GPS (Guidance from Publishers for Songwriters) Project resulted in publishing deals for three 2014 participants.

In April, 2014, ASCAP presented its ninth "I Create Music" EXPO, the only conference dedicated to songwriting and composing. The EXPO is a valuable experience that educates and motivates music creators from around the world. But it's much more than that. It has become a trusted community-building event that leaves every attendee enriched and inspired, including ASCAP's top panelists. That's why so many successful members participate each year. Over its history, tens of thousands of EXPO participants have benefited from the unique experience the EXPO provides year after year.

UNITED WE JAM: (l-r) Beth Orton, Shane McAnally, Julie Frost, Crystal Nicole and ASCAP Board member Desmond Child prepare to take a bow after their stunning Writers Jam panel

SONG CAMP IN MEXICO
(l-r) Songwriters Tavo Lara, Daniel Santacruz, Juan Diego Sandoval, Ferra, Manu Moreno, Juan Jose Hernandez, Fred Huerta, Bruno Danzza y Jerry Demara in the stuio at Luz Record in Mexico

SONG CAMP IN FRANCE
(l-r) Back row: Chris DeStefano, Oren Yoel, Mike Daly, Emmy Palmer, John Fortis, Brian Kennedy, Brett James, Peter Wade, Giovanni James, ASCAP's Jason Silberman, Ashley Campbell, Amir "Azeem" Salem; middle row: Autumn Rowe, Anjulie, Sharon Vaughn, JT Harding; kneeling: Elyar Fox, ASCAP's David Ryan Jordan, Martin Brammer, Dia Frampton and Gali Firstenberg. *In circle above:* Amir "Azeem" Salem and Ashley Campbell

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Award Winning Artists

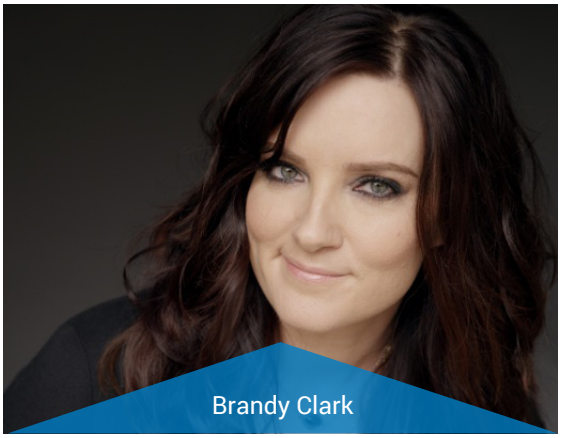
ASCAP members took home many of the industry's most prestigious accolades in 2014.

At the 57th Grammy Awards, honoring the top music of 2014, Beyoncé took home three awards and Beck, Tom Elmhirst (PRS), David Greenbaum, Jay Z and Kendrick Lamar each took home two. Additionally, seven-time ASCAP Pop Music Songwriter of the Year Max Martin won the coveted Producer of the Year Award. Brandy Clark wrote the Country Music Association's 2014 Song of the Year "Follow Your Arrow." Steven Price earned an Oscar, BAFTA and Critics' Choice Award for his score to *Gravity*, and at the recent Golden Globe Awards, Jóhann Jóhannsson won Best Original Score for the 2014 film *The Theory of Everything*.

Primetime Emmys went to Michael Price for his score to *Sherlock*, and musical theatre writer Lin-Manuel Miranda for "Bigger!" from the 2013 Tony Awards broadcast. At the 2014 Tonys, ASCAP writers Steven Lutvak and Robert L. Freedman won Best Musical for *A Gentleman's Guide to Love and Murder* (Freedman also earned Best Book of a Musical), while Jason Robert Brown was honored twice for *Bridges of Madison County*. ASCAP composer Stephen Trask's *Hedwig and the Angry Inch* was named Best Revival of a Musical.

ASCAP members won more than half of the 2014 Latin Grammy categories, including Enrique Iglesias and Descemer Bueno's Song of the Year victory for "Bailando," and a major milestone for Calle 13, who became the most awarded act in Latin Grammy history.

Lin-Manuel Miranda


Brandy Clark

Enrique Iglesias

Steven Price

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Spotlighting Members

ASCAP's member support continues to grow with showcases at major festivals and conferences throughout the country, geared toward promoting and highlighting the importance of our songwriters and composers to the greater music industry. ASCAP's influential showcases are held annually at the Sundance Film Festival, CMJ, SXSW, Culture Collide and the Folk Alliance, just to name a few, and hundreds of deserving members benefit each year from the exposure.

Singer-songwriter-composer Sondre Lerche at the 2014 Sundance ASCAP Music Café

Alex Lu conducts the orchestra at the ASCAP Film Scoring Workshop with Richard Bellis

Nurturing Craft

ASCAP's outreach to members also includes educational workshops throughout the year, around the country and across the genre spectrum. Anyone can apply for these highly successful workshops, including the Lester Sill Songwriting Workshop, the ASCAP Foundation/DreamWorks Musical Theatre Workshop with acclaimed composer Stephen Schwartz, multiple TV and film scoring workshops in LA and New York, country, pop and Christian songwriting workshops in Nashville and many more.

Social Media Strength

ASCAP communicates with its members across a variety of social media channels, where our engagement with our followers continues to significantly increase.

YOUTUBE	TWITTER	FACEBOOK	INSTAGRAM
5M+ Views	89K+ Followers*	88K+ Likes*	9K+ Followers

*Combined ASCAP and ASCAP EXPO profiles

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ASCAP Advocacy

Sweeping changes in the music industry continued to create challenges for music creators in 2014. And as the leading advocate for the rights of songwriters, composers and music publishers, ASCAP was committed to working together with other stakeholders throughout the music industry to make meaningful changes to the music licensing system so that it works better for songwriters, composers, publishers as well as licensees and music fans. This led to a series of initiatives in Washington DC of critical importance to ASCAP members, including:

- The Department of Justice's review of ASCAP's Consent Decree
- The introduction of the Songwriter Equity Act
- The US Copyright Office's study of current music licensing
- A hearing before the US House of Representatives Judiciary Subcommittee on Courts, Intellectual Property and the Internet as part of a comprehensive review of the copyright law

On May 7th, several award-winning songwriters and composers from different genres spent the day meeting with elected officials to press for music licensing reform as part ASCAP's "Stand with Songwriters" Advocacy Day on Capitol Hill.

On June 25th, ASCAP President and Chairman Paul Williams testified at a Congressional hearing. He emphasized the benefits of voluntary collective licensing through PROs for music creators, licensees and listeners, but warned that outdated federal regulations increasingly threaten to undermine the entire system. To prevent that, Williams outlined three specific updates to the 73-year-old Consent Decree, which ASCAP is asking the DOJ to consider: 1. Allowing ASCAP to accept a partial grant of rights from its members, meaning ASCAP is able to license certain uses while the rights holders handle others directly; 2. Replacing rate court with a faster, more efficient and less expensive dispute resolution process and; 3. Permitting ASCAP to offer other rights in a music composition a licensee needs to operate their business – something that ASCAP's competitors are free to do.

Throughout the year, a growing number of ASCAP members joined the call for music licensing reform by either participating at ASCAP advocacy events, submitting recommendations to the US Copyright Office Study or by writing op-eds voicing the need for change.

In Washington DC, ASCAP President Paul Williams testifies at a congressional hearing on music licensing.

At the 2014 ASCAP "I Create Music" EXPO in LA are (l-r) ASCAP President Paul Williams, US Representative Judy Chu (D-CA), Congressman Tom Marino (R-PA) and ASCAP CEO Beth Matthews backstage prior to their panel: "Congressional Review of the Copyright Act: An Opportunity to Secure Equitable Treatment for Songwriters and Composers."

ASCAP songwriter NE-YO is pictured with ASCAP EVP of Membership John Titta in Atlanta, where NE-YO hosted a #StandWithSongwriters forum with other Atlanta-based songwriters at The Capital Grille.

Pictured (l-r) are songwriter Josh Kear, original Songwriter Equity Act co-sponsor Rep. Hakeem Jeffries (D-NY) and ASCAP Board members Dan Foliart and Leeds Levy during ASCAP's "Stand with Songwriters" Advocacy Day on Capitol Hill on May 7th.

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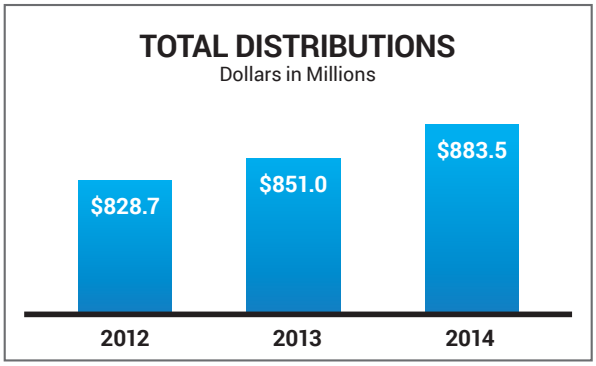
Financial Overview

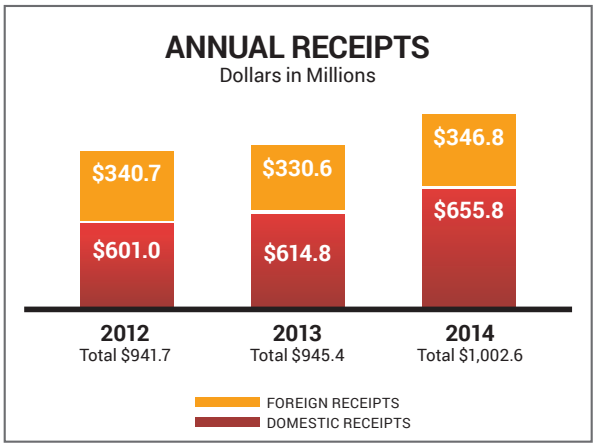
ASCAP'S FINANCIAL RESULTS were discussed at the general membership meeting in Los Angeles. In addition, our independent public accountants, Ernst & Young LLP, presented our audited financial statements for the years ended December 31, 2014 and 2013 at the June board meeting. Pages 16 through 21 include selected portions of the audited financial statements.

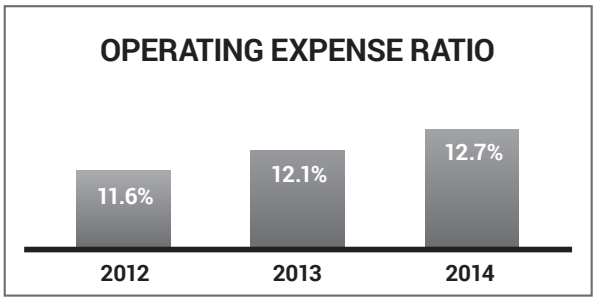
ASCAP's total distributions were $883.5 million in 2014 compared to $851.0 million in 2013, an increase of $32.5 million or 3.8%. Distributions to members and foreign societies for domestic performances were $539.8 million, an increase of $11.9 million or 2.2%. Distributions for foreign performances were $343.8 million up $20.7 million or 6.4%. The Total Distributions chart highlights the trend of distributions over the past three years.

Total receipts were a record high of $1.0 billion in 2014, up $57.2 million. Domestic receipts were $655.8 million, up $41.0 million. New Media fees were up $17.5 million primarily due to higher revenue from various licensees, new licensees and settlement payments. Cable, Broadcast & Local TV fees were up $11.1 million or 3.6% primarily due to higher license fees and timing in various categories. General and Background fees were up $10.2 million mainly due to new business. Fees from Terrestrial & Satellite Radio licensees increased $1.1 million. Foreign receipts were $346.8 million, up $16.2 million or 4.9% primarily due to one-time settlement payments received and a net increase in actual performances partially offset by the timing of payments from various foreign societies and a net decrease due to exchange rates.

Operating expenses were $127.5 million, up $12.7 million or 11.1% from 2013. This increase in expenses was tempered by record high receipts which resulted in an operating ratio of 12.7%. Expenses for 2014 include investments made for strategic consulting and support of the Department of Justice's review of ASCAP's Consent Decree. In addition, ASCAP continues to invest in technology and ongoing operational efficiencies. The Annual Receipts and Operating Expense Ratio charts provide a three-year trend of related information. We continue our commitment to continuously strengthen operations to enhance service to our members and our licensees.







SPOTIFY EXHIBIT 5

Report of Independent Auditors

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

We have audited the accompanying Consolidated Statements of Receipts, Expenses, and Changes in Net Assets (modified cash basis) of the American Society of Composers, Authors and Publishers, and subsidiaries (the Society), as of December 31, 2014 and 2013, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements 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 Statements of Receipts, Expenses and Changes in Net Assets of the American Society of Composers, Authors, and Publishers and subsidiaries at December 31, 2014 and 2013, on the basis of accounting described in Note 2.

Modified Cash Basis of Accounting
As described in Note 2 to the consolidated financial statements, 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.

Ernst + Young LLP

June 30, 2015
New York, NY

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ASCAP

AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS AND SUBSIDIARIES

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

YEAR ENDED DECEMBER 31,

DOMESTIC RECEIPTS: (In Thousands)	**2014**	**2013**
License fees:		
Cable, Broadcast & Local TV	**$318,940**	$307,825
Terrestrial & Satellite Radio	**167,357**	166,291
General and background	**119,836**	109,664
New media	**41,150**	23,676
Symphonic and concert	**6,294**	6,041
Membership Application Fees	**1,590**	1,257
Interest and other income	**650**	25
Total domestic receipts	**655,817**	614,779
ROYALTIES FROM FOREIGN SOCIETIES:	**346,779**	330,606
Total receipts	**1,002,596**	945,385
EXPENSES:		
Licensing services	**18,729**	16,402
Performing rights	**43,927**	41,897
Membership services	**14,227**	16,857
Headquarters	**33,993**	24,005
Legal	**16,609**	15,632
Total expenses	**127,485**	114,793
Excess of receipts over expenses	**875, 111**	830,592
DISTRIBUTION TO MEMBERS:		
Domestic distributions	**478,248**	461,854
Foreign distributions	**343,757**	323,054
Foreign societies	**61,538**	66,076
Total distributions to members	**883,543**	850,984
(Decrease) Increase in net assets	**(8,432)**	(20,392)
NET ASSETS, beginning of year	**218,080**	238,472
NET ASSETS, end of year	**$209,648**	$218,080

See accompanying notes.

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Notes To Consolidated Financial Statements
(Modified Cash Basis) December 31, 2014

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the December 31, 2014 presentation.

Basis of Accounting

The Society maintains its consolidated 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 2014 and 2013.

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 Payables

Royalty 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) ASC740, *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.

Income taxes paid and expensed amounted to approximately $14 thousand and $21 thousand for the years ended December 31, 2014 and 2013, 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 3.

Fixed Assets

Fixed assets, including leasehold improvements, are capitalized at cost. Depreciation of fixed assets is calculated using the straight-line

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method based on estimated useful lives as follows:

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

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. 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 $7.0 million and $7.5 million during 2014 and 2013, respectively, and is reflected in the Headquarters line item in the accompanying Consolidated Statements of Receipts, Expenses, and Changes in Net Assets. The Society paid benefits of approximately $3.0 million and $7.0 million during 2014 and 2013, respectively to participants in the Pension Plan.

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:

	December 31	
	2014	2013
	(in thousands)	
Actuarial present value of:		
Vested benefit obligation	**$78,303**	$66,345
Nonvested benefit obligation	**384**	323
Accumulated benefit obligation	**$78,687**	$66,668
Actuarial present value of projected benefit obligation	**$91,748**	$78,395
Plan assets at fair value	**$49,474**	$48,101
Unfunded status of the Plan	**($42,274)**	($30,294)

The weighted-average discount rate in determining the actuarial present value of the projected benefit obligation was 3.80% and 4.63% in 2014 and 2013, respectively. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 3.50% in 2014 and 2013, respectively. The expected long-term rate of return on Plan assets was 7.50% and 7.75% in 2014 and 2013, 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:

	2014	2013
Equity Securities	**59%**	60%
Debt Securities	**41**	40
Total	**100%**	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.

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The following table provides the fair value hierarchy of the funded Pension Plan's financial assets as of December 31, 2014 and 2013:

	December 31, 2014			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 29,424	$ –	$ –	$29,424
Corp/Gov Securities	$ 7,986	$ 4,196	$ –	$12,182
Mutual funds	$ 5,978	$ –	$ –	$ 5,978
Money market funds	$ –	$ 1,859	$ –	$ 1,859
Cash	$ 31	$ –	$ –	$ 31
Total	$ 43,419	$ 6,055	$ –	$49,474

	December 31, 2013			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 28,941	$ –	$ –	$28,941
Corp/Gov Securities	$ 7,890	$ 4,190	$ –	$ 12,080
Mutual funds	$ 5,846	$ –	$ –	$ 5,846
Money market funds	$ –	$ 1,229	$ –	$ 1,229
Cash	$ 5	$ –	$ –	$ 5
Total	$ 42,682	$ 5,419	$ –	$48,101

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.

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	
	2014	2013
	(in thousands)	
Actuarial present value of:		
Vested benefit obligation	**$3,800**	$14,531
Nonvested benefit obligation	**47**	38
Accumulated benefit obligation	**$3,847**	$14,569
Actuarial present value of projected benefit obligation	**$4,594**	$15,764
Plan assets at fair value	**$19,937**	$14,168
Funded/(Unfunded) status of the Equalization Plan and SERP	**$15,343**	($1,596)

Plan assets related to the Equalization Plan and SERP consisted of equities and mutual funds tmeasured at Level 1 as of December 31, 2014 and 2013.

The Society expects to contribute approximately $6.0 million to the Pension Plan, Equalization Plan and SERP in 2015.

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

Year ending December 31:	
2015	$ 7,053
2016	2,265
2017	4,994
2018	4,389
2019	7,651
2020-2024	32,607
Total	$ 58,959

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 2014, the maximum annual employee contribution of pretax dollars was limited by Internal Revenue Service regulations to $17,500, and ASCAP's matching contribution was limited to $7,800 per employee. The amounts contributed by ASCAP to the Savings Plan for 2014 and 2013, were approximately $1.2 million and $1.2 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.

4. 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, 2014 and 2013, approximately $6.0 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.

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5. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Society is involved 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. The only current such proceeding, with the Pandora internet music service, was tried early in 2014, resulting in the federal district court's decision determining the fees to be paid by Pandora to ASCAP for the period 2011–2015. ASCAP appealed the decision and on May 6, 2015, a panel of the Second Circuit Court of Appeals affirmed the trial court's decision. ASCAP has filed a petition for rehearing before the Second Circuit panel. If the trial court's decision is reversed by the Court of Appeals, it is possible that Pandora may ultimately pay additional license fees for the period 2013-2015.

In 2013, the Society began discussions with the staff of the Antitrust Division of the U.S. Department of Justice (DOJ) concerning potential modifications of the ASCAP consent decree. The decree largely governs ASCAP's licensing activities, and provides for the procedure by which license fees are determined by the New York federal court if ASCAP and music users are unable to reach agreement on the fees to be paid for the right to perform music in the ASCAP repertory. The process by which the consent decree may be modified is ongoing. As part of this process, ASCAP has received from the DOJ, and responded to, requests for information both as to proposed modifications of the consent decree and compliance with certain provisions of the current decree. It is anticipated that the entire process will conclude either late in 2015 or early in 2016, so that there will be no material effect on ASCAP's business in 2015.

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

Lease Commitments

Equipment rental and office lease expense, including escalations and utilities, aggregated approximately $5.6 million and $5.3 million for the years ended December 31, 2014 and 2013, 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, 2014, are as follows (in thousands):

2015	$ 4,638
2016	4,500
2017	4,512
2018	4,528
2019	609
Thereafter	1,119
Total minimum lease payments	$19,906

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, 2014, the Society authorized up to $40.0 million in guarantees to be made, of which approximately $25.0 million is outstanding. The fair value of the guarantees is not considered to be material.

6. RELATED PARTY BY TRANSACTIONS

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 $157 thousand and $125 thousand in 2014 and 2013, respectively.

The Foundation has approximately $61 thousand due to ASCAP for payroll related and other expense reimbursement as of December 31, 2014.

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 such royalty contributions of $290 thousand and $249 thousand in 2014 and 2013, respectively. In addition, the Foundation received contribution income from ASCAP for program support in amounts of $290 thousand and $241 thousand in 2014 and 2013, respectively.

7. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 30, 2015, the date these consolidated financial statements were available to be issued.

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