

**AMERICAN ASSOCIATION FOR
STATE AND LOCAL HISTORY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
American Association for State and Local History

We have audited the accompanying financial statements of American Association for State and Local History, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, operating expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 financial position of American Association for State and Local History as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

November 14, 2019

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 346,849	\$ 128,484
Restricted cash	<u>98,797</u>	<u>-</u>
Total cash and cash equivalents	445,646	128,484
Accounts receivable currently due, net	79,672	116,120
Prepaid expenses and deposits	205,406	89,363
Short-term investments	<u>5,122</u>	<u>-</u>
Total current assets	735,846	333,967
Non-current accounts receivable, net	62,317	62,974
Property and equipment, net	8,525	16,547
Investments - substantially restricted	<u>1,843,725</u>	<u>1,723,483</u>
Total assets	<u>\$ 2,650,413</u>	<u>\$ 2,136,971</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 91,925	\$ 63,399
Unearned membership dues	345,795	327,958
Unearned revenue - other	<u>533,111</u>	<u>175,247</u>
Total current liabilities	<u>970,831</u>	<u>566,604</u>
Net assets:		
Without donor restrictions	(164,143)	(153,116)
With donor restrictions	<u>1,843,725</u>	<u>1,723,483</u>
Total net assets	<u>1,679,582</u>	<u>1,570,367</u>
Total liabilities and net assets	<u>\$ 2,650,413</u>	<u>\$ 2,136,971</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Membership dues	\$ 659,410	\$ -	\$ 659,410
Annual meeting	383,391	-	383,391
Education and training	196,149	-	196,149
Investment income, net	69,884	113,792	183,676
Contributions	174,473	6,450	180,923
Grants	57,780	-	57,780
Advertising	53,993	-	53,993
Royalties	45,998	-	45,998
Miscellaneous revenue	2,344	-	2,344
Sales of publications	1,706	-	1,706
Sales of labels	330	-	330
Total revenues, gains and other support	<u>1,645,458</u>	<u>120,242</u>	<u>1,765,700</u>
Operating expenses:			
Program services:			
Annual meeting	402,022	-	402,022
Education and training	211,611	-	211,611
Periodicals	113,157	-	113,157
Leadership and governance	136,613	-	136,613
Performance measures	95,648	-	95,648
Program development	100,752	-	100,752
Incremental standards	52,352	-	52,352
Total program services	<u>1,112,155</u>	<u>-</u>	<u>1,112,155</u>
Supporting services:			
Administration and finance	239,196	-	239,196
Advertising and marketing	164,574	-	164,574
Membership services	120,234	-	120,234
Fundraising and program development	20,326	-	20,326
Total supporting services	<u>544,330</u>	<u>-</u>	<u>544,330</u>
Total operating expenses	<u>1,656,485</u>	<u>-</u>	<u>1,656,485</u>
Change in net assets from operating activities	<u>(11,027)</u>	<u>120,242</u>	<u>109,215</u>
Change in net assets	(11,027)	120,242	109,215
Net assets, beginning of year	<u>(153,116)</u>	<u>1,723,483</u>	<u>1,570,367</u>
Net assets, end of year	<u>\$ (164,143)</u>	<u>\$ 1,843,725</u>	<u>\$ 1,679,582</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	With Donor Restrictions	Total
Revenues, gains and other support:			
Membership dues	\$ 599,572	\$ -	\$ 599,572
Annual meeting	351,960	-	351,960
Education and training	237,055	-	237,055
Contributions	208,188	1,800	209,988
Investment income, net	54,002	74,481	128,483
Advertising	53,093	-	53,093
Royalties	45,297	-	45,297
Grants	43,103	-	43,103
Presidential sites and libraries	9,300	-	9,300
Miscellaneous revenue	8,129	-	8,129
Sales of publications	4,855	-	4,855
Sales of labels	160	-	160
Total revenues, gains and other support	<u>1,614,714</u>	<u>76,281</u>	<u>1,690,995</u>
Operating expenses:			
Program services:			
Annual meeting	333,007	-	333,007
Education and training	233,713	-	233,713
Periodicals	118,357	-	118,357
Leadership and governance	116,875	-	116,875
Performance measures	101,074	-	101,074
Program development	87,595	-	87,595
Incremental standards	51,128	-	51,128
Total program services	<u>1,041,749</u>	<u>-</u>	<u>1,041,749</u>
Supporting services:			
Administration and finance	233,298	-	233,298
Advertising and marketing	218,663	-	218,663
Membership services	109,062	-	109,062
Fundraising and program development	24,339	-	24,339
Total supporting services	<u>585,362</u>	<u>-</u>	<u>585,362</u>
Total operating expenses	<u>1,627,111</u>	<u>-</u>	<u>1,627,111</u>
Change in net assets from operating activities	<u>(12,397)</u>	<u>76,281</u>	<u>63,884</u>
Change in net assets	(12,397)	76,281	63,884
Net assets, beginning of year	<u>(140,719)</u>	<u>1,647,202</u>	<u>1,506,483</u>
Net assets, end of year	<u>\$ (153,116)</u>	<u>\$ 1,723,483</u>	<u>\$ 1,570,367</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services						
	Annual Meeting	Education and Training	Periodicals	Leadership and Governance	Performance Measures	Program Development	Incremental Standards	Administrative and Finance	Advertising and Marketing	Membership Services	Fundraising	Total
Salaries	\$ 82,771	\$ 54,634	\$ 39,758	\$ 74,713	\$ 28,097	\$ 21,183	\$ 36,353	\$ 58,901	\$ 90,222	\$ 75,954	\$ 7,728	\$ 570,314
Meeting expenses	205,024	6,572	-	6,310	550	5,746	-	9,662	4,646	-	-	238,510
Consultants	-	58,037	3,093	1,833	-	64,806	500	58,228	-	1,500	-	187,997
Taxes and benefits	17,967	11,860	8,632	16,218	6,099	4,598	7,892	12,105	19,586	16,488	1,677	123,122
Travel	6,145	48,107	75	9,121	3,575	856	1,636	86	12,279	-	68	81,948
Design	10,581	23,130	20,110	-	-	33	25	-	10,953	895	80	65,807
Rent	26,553	4,303	3,131	5,884	2,213	1,668	2,863	4,391	7,106	5,982	609	64,703
Supplies/shipping/postage	11,084	1,884	15,545	2,359	941	647	1,110	6,293	4,818	4,159	9,372	58,212
Survey fees	-	-	-	-	52,648	-	-	-	-	-	-	52,648
Printing	15,566	-	20,355	-	-	-	-	-	2,999	8,412	83	47,415
Bank and credit card fees	-	-	-	-	-	-	-	35,830	-	-	-	35,830
Equipment and software maintenance	-	-	-	1,020	-	-	-	19,781	5,776	2,722	-	29,299
Legal and professional	2,287	1,509	1,098	2,064	776	585	1,004	9,598	2,493	2,098	213	23,725
Sponsorships and awards	21,839	-	-	-	-	-	-	64	669	-	-	22,572
Equipment lease	-	15	-	-	-	-	-	13,703	-	-	-	13,718
Professional training	-	-	300	12,668	-	-	-	-	-	-	-	12,968
Telephone and internet	1,037	685	499	3,368	352	265	456	699	1,130	952	97	9,540
Depreciation	1,168	771	561	1,055	397	299	513	787	1,273	1,072	109	8,005
Insurance	-	-	-	-	-	-	-	6,909	-	-	-	6,909
Building maintenance	-	-	-	-	-	-	-	1,940	-	-	-	1,940
Advertising	-	104	-	-	-	66	-	-	624	-	-	794
Miscellaneous	-	-	-	-	-	-	-	-	-	-	290	290
Duplicating	-	-	-	-	-	-	-	219	-	-	-	219
	\$ 402,022	\$ 211,611	\$ 113,157	\$ 136,613	\$ 95,648	\$ 100,752	\$ 52,352	\$ 239,196	\$ 164,574	\$ 120,234	\$ 20,326	\$ 1,656,485

The accompanying notes are an integral part of these financial statements.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services					Supporting Services						
	Annual Meeting	Education and Training	Periodicals	Leadership and Governance	Performance Measures	Program Development	Incremental Standards	Administrative and Finance	Advertising and Marketing	Membership Services	Fundraising	Total
Salaries	\$ 57,149	\$ 70,206	\$ 18,515	\$ 54,741	\$ 18,087	\$ 29,431	\$ 28,039	\$ 60,627	\$ 118,258	\$ 71,115	\$ 4,174	\$ 530,342
Meeting expenses	204,253	8,321	-	1,100	1,343	1,484	220	277	7,814	-	-	224,812
Consultants	-	57,315	38,048	9,197	-	36,090	-	46,643	10,850	-	-	198,143
Taxes and benefits	12,534	15,402	4,062	12,009	3,968	6,455	6,151	13,299	25,945	15,602	916	116,343
Travel	13,283	55,014	-	12,323	3,378	7,914	7,442	314	4,893	-	3	104,564
Survey fees	-	-	-	-	71,361	-	-	-	-	-	-	71,361
Design	10,303	14,023	14,835	-	-	-	950	-	17,348	735	-	58,194
Supplies/shipping/postage	8,920	2,702	15,589	1,334	441	737	695	4,130	7,605	6,382	4,568	53,083
Printing	17,056	-	24,472	-	-	-	3,730	-	1,360	5,380	102	52,100
Rent	4,614	5,667	1,495	4,419	1,460	2,376	2,264	4,895	9,547	5,741	337	42,815
Bank and credit card fees	-	-	-	-	-	-	-	32,895	-	-	-	32,895
Equipment and software maintenance	-	-	-	-	-	-	-	17,957	1,004	33	-	18,994
Professional training	-	-	300	18,369	-	-	-	318	-	-	-	18,987
Legal and professional	1,761	2,181	575	1,701	562	914	871	2,740	3,675	2,209	130	17,319
Insurance	-	-	-	-	-	-	-	15,138	-	-	-	15,138
Grants	-	-	-	-	-	-	-	-	-	-	14,000	14,000
Bad debt	-	-	-	-	-	-	-	12,590	-	-	-	12,590
Equipment lease	-	49	-	-	-	-	-	11,947	-	-	-	11,996
Telephone and internet	761	936	247	976	241	392	374	808	1,575	948	55	7,313
Sponsorships and awards	1,636	-	-	-	-	-	-	78	5,414	-	-	7,128
Depreciation	737	905	239	706	233	380	362	782	1,525	917	54	6,840
Miscellaneous	-	-	-	-	-	-	-	4,778	207	-	-	4,985
Advertising	-	992	-	-	-	1,422	-	-	1,613	-	-	4,027
Building maintenance	-	-	-	-	-	-	-	2,905	-	-	-	2,905
Duplicating	-	-	-	-	-	-	30	177	30	-	-	237
	\$ 333,007	\$ 233,713	\$ 118,357	\$ 116,875	\$ 101,074	\$ 87,595	\$ 51,128	\$ 233,298	\$ 218,663	\$ 109,062	\$ 24,339	\$ 1,627,111

The accompanying notes are an integral part of these financial statements.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 109,215	\$ 63,884
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,005	6,840
Realized and unrealized gain on investments	(137,420)	(38,902)
Decrease (increase) in operating assets:		
Accounts receivable	37,105	(72,393)
Prepaid expenses and deposits	(116,043)	(16,682)
Unconditional promises to give	-	600
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	28,526	(13,769)
Unearned membership dues	17,837	9,295
Unearned revenue - other	357,864	48,288
Net cash provided by (used in) operating activities	<u>305,089</u>	<u>(12,839)</u>
Cash flows from investing activities:		
Purchase of equipment	-	(11,764)
Purchase of investments	(57,739)	(91,320)
Proceeds from sale of investments	69,812	53,941
Net cash provided by (used in) investing activities	<u>12,073</u>	<u>(49,143)</u>
Net increase (decrease) in cash and cash equivalents	317,162	(61,982)
Cash and cash equivalents, beginning of year	<u>128,484</u>	<u>190,466</u>
Cash and cash equivalents, end of year	<u>\$ 445,646</u>	<u>\$ 128,484</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General and Nature of Activities

American Association for State and Local History (the "Association") was formed in 1940 and incorporated under the laws of the District of Columbia in November, 1944 as a not-for-profit organization. The Association provides leadership and support for its members who preserve and interpret state and local history in order to make the past more meaningful to all Americans. Additionally, the Association provides information and training through publications, annual meetings, seminars, workshops, the development of professional standards and the identification and analysis of issues critical to the field. Consequently, membership consists of individuals and organizations located throughout the United States and abroad.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Unrealized gains and losses, as well as appreciation or depreciation in the market value, are reflected in the accompanying financial statements.

Property and Equipment

It is the Association's policy to capitalize property and equipment with an original cost over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which are generally five years.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Association has accrued for vacation pay based on the employees' leave balance at the end of the fiscal year. Compensated absences for sick pay and other leave have not been accrued since they do not vest.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give which are due in future years are recorded at their net realizable value.

Contributions

All contributions are considered to be without donor restriction unless specifically stated by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period the contribution is received, the Association reports the support as net assets without donor restriction.

Donated Services

The fair value of donated volunteer services is not reflected in the accompanying financial statements since it is not practicable to objectively determine the fair value of the service received.

Grants and Government Contracts

Grants and government contract revenues are recognized when earned. Grants receivable represent the difference between amounts earned and amounts received.

Membership Dues and Activities

Membership dues are recognized using the straight-line method over the membership term. Unearned membership dues are shown as a current liability. The membership period is based upon a member's anniversary date.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, including salaries, taxes and benefits, rent, legal and professional fees, depreciation, telephone and internet, and postage, have been allocated among the programs and supporting services based on management's estimates of the percentage of staff time incurred by each program and supporting service.

Income Taxes

The Association is a not-for-profit organization that is exempt from income taxes on income other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code. The Association is not considered a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Association had no unrelated business taxable income during the years ended June 30, 2019 and 2018.

The Association has adopted guidance concerning the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. This guidance must be applied to all existing tax positions upon initial adoption. Adoption of this pronouncement had no impact on the Association's financial statements. The Association has exempt organization tax filings open to Internal Revenue Service audit, generally, for three years after they are filed. There are no tax penalties or interest reported in the accompanying financial statements. The Association had no uncertain tax positions at June 30, 2019.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Redesignations

When donors amend or clarify intent for applicable contributions reported in a previous fiscal year, revisions are separately reflected as donor designation changes within the statement of activities.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on the results of operations as previously reported.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Association has adopted the guidance and has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the Association's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources in Note 2.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

Net Asset Classifications	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total
As previously presented:			
Unrestricted	\$ (153,116)	\$ -	\$ (153,116)
Temporarily restricted	-	209,349	209,349
Permanently restricted	-	1,514,134	1,514,134
Net assets as reported	<u>\$ (153,116)</u>	<u>\$ 1,723,483</u>	<u>\$ 1,570,367</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Association has evaluated events and transactions that occurred after June 30, 2019, through the date of the issued financial statements, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 346,849
Restricted cash	98,797
Accounts receivable currently due, net	79,672
Short-term investments	5,122
Other investments appropriated for current use	<u>86,907</u>
	<u>\$ 617,347</u>

The Association has \$617,347 of financial assets available within one year of the statement financial position date consisting of items listed above. Cash and cash equivalents are not subject to donor or contractual restrictions that make them unavailable for general expenditures. Restricted cash is donor restricted for specific programs. The accounts receivable currently due are subject to implied time restrictions, but are expected to be collected within one year. From time to time the Association receives donations of publicly traded securities. It is the Association's policy to sell these securities soon after they are received. Short-term investments will be sold in the current period, and the cash received used for general expenses. As mentioned in Note 14, the Association maintains a donor restricted endowment that is used to support its programs. The spending rate of the endowment is 5% of the rolling three year average market value of the endowment. In the next 12 months, approximately \$86,907 will be available for general use. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 3 - RESTITUTION PAYMENTS

The Association receives monthly restitution payments from a former employee and her spouse. In March 2012, the Association's former finance director and spouse were arrested after a grand jury indicted them on charges of misappropriating approximately \$730,000. During March 2013, the Association was awarded \$26,848 in restitution from former Finance Director Woodward's spouse, due in monthly payments of \$250 until the balance is paid in full. During May 2014, the Association was awarded \$712,976 in restitution from former Finance Director Woodward, due in monthly payments of \$250 until the balance is paid in full. The amount recorded in the financial statements for the receivable due from former Finance Director Woodward has been limited to her life expectancy, which is approximately 30 years. See Note 5 for additional information related to the restitution receivables.

NOTE 4 - CASH AND CASH EQUIVALENTS

The Association maintains a bank account at one financial institution. The balance, at times, may exceed federally insured limits. The Association has not experienced any losses in the account. Management believes the Association is not exposed to any significant credit risk related to cash. As of June 30, 2019 the Association had \$96,849 deposited over the FDIC limit in their operating account.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivables as of June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Restitution receivable	\$ 89,848	\$ 92,848
Other accounts receivable	80,016	128,454
	<u>169,864</u>	<u>221,302</u>
Less discounts to net present value	(27,531)	(29,875)
Less allowance for uncollectible amounts	<u>(344)</u>	<u>(12,333)</u>
	<u>\$ 141,989</u>	<u>\$ 179,094</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

The net amounts are classified in the statements of financial position as follows:

	2019	2018
Current portion	\$ 79,672	\$ 116,120
Non-current portion	62,317	62,974
	<u>\$ 141,989</u>	<u>\$ 179,094</u>

The current portion represents the face value of accounts receivable collectible within the next fiscal year. The non-current portion represents the present value of amounts due after one year. The non-current portion was discounted using a 3.25% annual interest rate to estimate present value. This rate is used in all subsequent periods to update the estimated present value of these receivables as follows:

	2019	2018
Due in one to five years	\$ 18,503	\$ 17,610
Due after five years	43,814	45,364
	<u>\$ 62,317</u>	<u>\$ 62,974</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - INVESTMENTS

Marketable securities are recorded at market value at June 30, 2019 and 2018, as follows:

	2019	2018
Investments - substantially restricted:		
Treasury money market	\$ 76,618	\$ 74,627
Dividend appreciation index investor shares	261,300	235,220
Wellington fund admiral shares	1,336,372	1,254,055
IT investement grade fund shares	4,899	4,474
500 index fund - admiral shares	164,536	155,107
	<u>\$ 1,843,725</u>	<u>\$ 1,723,483</u>
Restricted cash:		
Treasury money market	<u>\$ 98,797</u>	<u>\$ -</u>
Short-term investments:		
Short-term equity investments	<u>\$ 5,122</u>	<u>\$ -</u>

Investment income from these investments for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018
Realized and unrealized gains on investments	\$ 137,437	\$ 38,902
Dividends and interest	46,239	89,581
	<u>\$ 183,676</u>	<u>\$ 128,483</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 7 - FAIR VALUE MEASUREMENTS

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with this guidance, the Association groups its financial assets and liabilities generally measured at fair value in a three level valuation hierarchy for disclosure of fair value measurements defined as Level 1 – inputs for quoted market prices for identical assets or liabilities in active markets; Level 2 – inputs include quoted market prices for similar assets and liabilities in active markets and inputs that are observable either directly or indirectly and; Level 3 – inputs that are unobservable and significant to the fair value measurements. At June 30, 2019 and 2018, the Association did not have any assets measured with Level 2 or Level 3 inputs.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2019 and 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2019				
Endowment funds:				
Cash and money funds	\$ 76,618	\$ 76,618	\$ -	\$ -
Mutual funds	1,767,107	1,767,107	-	-
Money market funds	98,797	98,797	-	-
Equity investments	5,122	5,122	-	-
Total assets, at fair value	<u>\$ 1,947,644</u>	<u>\$ 1,947,644</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2018				
Cash and money funds	\$ 74,627	\$ 74,627	\$ -	\$ -
Mutual funds	1,648,856	1,648,856	-	-
Total assets, at fair value	<u>\$ 1,723,483</u>	<u>\$ 1,723,483</u>	<u>\$ -</u>	<u>\$ -</u>

The Association does not measure any liabilities at fair value on a recurring basis.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019 and 2018:

	2019	2018
Office furniture and equipment	\$ 30,282	\$ 30,282
Computer equipment	31,487	31,487
Website development	89,850	89,850
	<u>151,619</u>	<u>151,619</u>
Less accumulated depreciation	(143,094)	(135,072)
	<u>\$ 8,525</u>	<u>\$ 16,547</u>

Depreciation expense was \$8,005 and \$6,840 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - UNEARNED REVENUE - OTHER

Unearned revenue - other consists of the following at June 30, 2019 and 2018:

	2019	2018
Andrew W. Mellon Foundation Grant	\$ 250,000	\$ -
Annual meeting	207,208	90,097
Other	28,125	45,250
Workshop fees	17,950	14,820
History Leadership Institute	17,040	18,177
Performance measurement	6,900	805
Small Museum Scholarships	5,888	6,098
	<u>\$ 533,111</u>	<u>\$ 175,247</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 10 - RESTRICTIONS ON NET ASSETS

Net assets of the Association, and the nature of any restrictions, are made up of the following at June 30, 2019 and 2018:

	2019	2018
Net assets without donor restrictions:		
Undesignated	\$ (164,143)	\$ (153,116)
Net assets with donor restrictions:		
Accumulated investment gains	\$ 323,141	\$ 209,349
Original donor-restricted gift amount and amounts required to be maintained perpetuity by donor	1,520,584	1,514,134
	<u>\$ 1,843,725</u>	<u>\$ 1,723,483</u>

NOTE 11 - RETIREMENT PLAN

The Association maintains a defined contribution retirement plan. Employees with two years of service and over age 21 are eligible to participate. If eligible employees elect at least a 5% salary deferral, the Association contributes 7.5% of covered salaries. The plan is part of the Teachers College Retirement Equities Fund ("TIAA-CREF") program that consists of an annuity and is fully vested to the employee. Total contributions by the Association amounted to \$33,621 and \$24,216 for the years ended June 30, 2019 and 2018, respectively.

NOTE 12 - LEASING AND SERVICE ARRANGEMENTS

Subsequent to year end, the Association renewed the lease for office space, originally entered in 2016, for an additional three years. During the term of this lease, the annual rental amount will be \$44,500 payable in monthly installments, increasing by 3% annually. Rent expense for the years ended June 30, 2019 and 2018 totaled \$44,756 and \$42,815, respectively. Such expenses have been reported in various classifications based upon functional use.

The future minimum lease payments for office space are as follows for the year ending June 30:

2020	\$ 43,200
2021	44,172
2022	45,495
2023	46,859
2024	<u>11,801</u>
	<u>\$ 191,527</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 13 - COMMITMENTS

Effective August 2017, the Association entered into an agreement for event space for the annual meeting to be held in September 2020. Per the agreement, total minimum anticipated fees are \$256,430.

Effective May 2019, the Association entered into an agreement for event space for the annual meeting to be held in September 2021. Per the agreement, total minimum anticipated fees are \$11,625. If the Association cancels the event prior to before the leased date, any amounts paid by the Association will be non-refundable.

The Association has agreed to provide certain survey services relating to visitors count programs under contracts with various history museums. Such services are generally conducted with another nonprofit organization under a cost/service agreement. Revenue will be recognized as services are performed. Revenue included for the visitors count program for the years ended June 30, 2019 and 2018 amounted to \$70,839 and \$95,247, respectively.

NOTE 14 - ENDOWMENT

The Association's endowment was established to further its programs. The endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UPMIFA was enacted in Tennessee effective July 1, 2007. The Association has interpreted UPMIFA as requiring the Association to classify as net assets with donor restrictions a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 14 - ENDOWMENT (CONTINUED)

Endowment net assets composition by type of fund is as follows at June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 1,843,725	\$ 1,843,725

Endowment net assets composition by type of fund is as follows at June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 1,723,483	\$ 1,723,483

Changes in endowment net assets for the year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,723,483	\$ 1,723,483
Endowment contributions	-	6,450	6,450
Investment return	69,812	113,792	183,604
Endowment distributions	(69,812)	-	(69,812)
Endowment net assets, end of year	\$ -	\$ 1,843,725	\$ 1,843,725

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 14 - ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,647,202	\$ 1,647,202
Endowment contributions	-	1,800	1,800
Investment return	54,002	74,481	128,483
Endowment distributions	(54,002)	-	(54,002)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,723,483</u>	<u>\$ 1,723,483</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no deficiencies of this nature reported as of June 30, 2019 and 2018.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to provide a real total return, net of investment management fees, that is consistent with spending policy requirements. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Association's investment policy is to generally maintain 50% - 80% in equity investments and 15% - 50% in fixed income securities. Short-term securities should represent 0% - 20%.

The Association may authorize a distribution of up to 5% of the market value calculated on a rolling three-year average of market value.