

**AMERICAN ASSOCIATION FOR
STATE AND LOCAL HISTORY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2016 AND 2015**

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Edmondson, Betzler & Dame
Certified Public Accountants

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, 2016 and 2015, 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, 2016 and 2015, 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 21, 2016

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 146,617	\$ 152,117
Grants receivable	-	34,077
Accounts receivable currently due, net	73,849	68,410
Unconditional promises to give, less allowance of \$0 in 2016 and 2015	4,200	5,950
Prepaid expenses and deposits	<u>81,348</u>	<u>71,660</u>
Total current assets	306,014	332,214
Non-current accounts receivable, net	70,907	71,915
Property and equipment, net	-	6,075
Investments - substantially restricted	<u>1,496,273</u>	<u>1,340,584</u>
Total assets	<u><u>\$ 1,873,194</u></u>	<u><u>\$ 1,750,788</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 49,370	\$ 44,190
Unearned membership dues	317,280	313,713
Unearned revenue - other	<u>177,131</u>	<u>119,082</u>
Total current liabilities	<u>543,781</u>	<u>476,985</u>
Net assets:		
Unrestricted	(182,921)	(238,531)
Permanently restricted	<u>1,512,334</u>	<u>1,512,334</u>
Total net assets	<u>1,329,413</u>	<u>1,273,803</u>
Total liabilities and net assets	<u><u>\$ 1,873,194</u></u>	<u><u>\$ 1,750,788</u></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, 2016

	Unrestricted	Permanently Restricted	Total
Revenues, gains and other support:			
Membership dues	\$ 588,708	\$ -	\$ 588,708
Annual meeting	314,159	-	314,159
Education and training	182,681	-	182,681
Contributions	155,833	-	155,833
Investment income, net	72,236	-	72,236
Royalties	43,714	-	43,714
Federal grants and awards	4,177	-	4,177
Advertising	37,817	-	37,817
Sales of publications	6,237	-	6,237
Sales of labels	1,105	-	1,105
Miscellaneous revenue	4,497	-	4,497
Total revenues, gains and other support	<u>1,411,164</u>	<u>-</u>	<u>1,411,164</u>
Operating Expenses:			
Program services:			
Annual meeting	296,793	-	296,793
Program development	14,224	-	14,224
Education and training	195,645	-	195,645
Periodicals	73,677	-	73,677
Leadership and governance	66,380	-	66,380
Performance measures program	93,808	-	93,808
Incremental Standards program	51,879	-	51,879
Total program services	<u>792,406</u>	<u>-</u>	<u>792,406</u>
Supporting services:			
Administration and finance	348,316	-	348,316
Membership services	100,756	-	100,756
Advertising and marketing	108,045	-	108,045
Fundraising and program development	6,031	-	6,031
Total supporting services	<u>563,148</u>	<u>-</u>	<u>563,148</u>
Total operating expenses	<u>1,355,554</u>	<u>-</u>	<u>1,355,554</u>
Change in net assets	55,610	-	55,610
Net assets, beginning of year	<u>(238,531)</u>	<u>1,512,334</u>	<u>1,273,803</u>
Net assets, end of year	<u><u>\$ (182,921)</u></u>	<u><u>\$ 1,512,334</u></u>	<u><u>\$ 1,329,413</u></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, 2015

	Unrestricted	Permanently Restricted	Total
Revenues, gains and other support:			
Membership dues	\$ 558,512	\$ -	\$ 558,512
Annual meeting	361,426	-	361,426
Education and training	191,745	-	191,745
Contributions	151,694	-	151,694
Investment income, net	46,740	-	46,740
Royalties	42,097	-	42,097
Federal grants and awards	34,077	-	34,077
Advertising	29,237	-	29,237
Sales of publications	13,796	-	13,796
Sales of labels	4,260	-	4,260
Miscellaneous revenue	2,902	-	2,902
Total revenues, gains and other support	<u>1,436,486</u>	<u>-</u>	<u>1,436,486</u>
Operating Expenses:			
Program services:			
Annual meeting	310,158	-	310,158
Program development	26,423	-	26,423
Education and training	152,211	-	152,211
Periodicals	73,827	-	73,827
Leadership and governance	78,372	-	78,372
Performance measures program	78,613	-	78,613
Incremental Standards program	31,833	-	31,833
Federal Formula grant program	1,000	-	1,000
Publishing	2,848	-	2,848
Total program services	<u>755,285</u>	<u>-</u>	<u>755,285</u>
Supporting services:			
Administration and finance	416,222	-	416,222
Membership services	66,840	-	66,840
Advertising and marketing	71,072	-	71,072
Fundraising and program development	7,624	-	7,624
Total supporting services	<u>561,758</u>	<u>-</u>	<u>561,758</u>
Total operating expenses	<u>1,317,043</u>	<u>-</u>	<u>1,317,043</u>
Change in net assets	119,443	-	119,443
Net assets, beginning of year	<u>(357,974)</u>	<u>1,512,334</u>	<u>1,154,360</u>
Net assets, end of year	<u><u>\$ (238,531)</u></u>	<u><u>\$ 1,512,334</u></u>	<u><u>\$ 1,273,803</u></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, 2016

	Program Services					Supporting Services						
	Annual Meeting	Program Development	Education and Training	Periodicals	Leadership and Governance	Visitors Count	STEPs Program	Administrative and Finance	Membership Services	Advertising and Marketing	Fundraising	Total
Salaries	\$ 65,922	\$ 4,715	\$ 46,836	\$ 11,329	\$ 26,584	\$ 33,186	\$ 35,237	\$ 163,324	\$ 68,994	\$ 54,575	\$ -	\$ 510,702
Meeting expenses	173,504	4,801	5,730	-	6,086	996	-	-	-	10,407	-	201,524
Consultants	-	-	45,131	-	-	1,050	442	3,870	-	1,390	-	51,883
Travel	6,160	2,994	74,459	-	17,427	1,733	565	-	12	3,686	-	107,036
Taxes and benefits	13,825	1,138	10,993	2,083	6,240	7,790	8,271	40,901	14,578	12,810	-	118,629
Printing	12,130	-	-	28,364	-	14	871	-	3,651	3,974	3,191	52,195
Design	10,143	-	-	14,027	-	-	-	-	-	1,334	60	25,564
Rent	3,992	-	5,904	2,787	2,952	2,672	3,099	18,676	-	2,230	-	42,312
Supplies/shipping/postage	6,543	90	1,203	11,837	661	760	742	3,709	9,413	3,721	2,455	41,134
Equipment and software maintenance	-	-	-	-	-	-	-	5,597	-	-	-	5,597
Survey fees	-	-	-	-	-	42,429	-	-	300	-	-	42,729
Legal and professional	2,194	152	4,104	2,870	1,517	1,949	1,136	5,563	2,002	6,724	240	28,451
Bank and credit card fees	-	-	-	-	-	-	-	30,586	-	-	-	30,586
Insurance	-	-	-	-	-	-	-	10,383	-	-	-	10,383
Depreciation	114	9	91	21	51	64	68	315	120	105	-	958
Telephone and internet	-	234	163	152	2,379	531	775	1,748	500	244	85	6,811
Utilities	651	53	518	120	294	367	390	3,456	687	604	-	7,140
Duplicating	848	38	513	87	214	267	283	1,314	499	439	-	4,502
Building maintenance	-	-	-	-	-	-	-	1,606	-	-	-	1,606
Sponsorships and awards	767	-	-	-	1,650	-	-	3,853	-	5,802	-	12,072
Equipment lease	-	-	-	-	-	-	-	48,654	-	-	-	48,654
Bad debt	-	-	-	-	-	-	-	4,761	-	-	-	4,761
Professional training	-	-	-	-	325	-	-	-	-	-	-	325
	\$ 296,793	\$ 14,224	\$ 195,645	\$ 73,677	\$ 66,380	\$ 93,808	\$ 51,879	\$ 348,316	\$ 100,756	\$ 108,045	\$ 6,031	\$ 1,355,554

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, 2015**

	Program Services						Supporting Services							
	Annual Meeting	Program Development	Education and Training	Periodicals	Leadership and Governance	Visitors Count	StEPs Program	Federal Formula	Publishing	Administrative and Finance	Membership Services	Advertising and Marketing	Fundraising	Total
Salaries	\$ 58,900	\$ 5,962	\$ 23,656	\$ 2,715	\$ 26,584	\$ 16,593	\$ 17,618	\$ -	\$ 481	\$ 203,459	\$ 31,093	\$ 31,799	\$ -	\$ 418,860
Meeting expenses	192,390	5,386	11,809	-	3,775	853	-	-	-	-	-	3,608	-	217,821
Consultants	-	-	36,385	-	-	39	1,065	-	-	2,986	-	-	-	40,475
Travel	11,532	2,499	69,262	-	7,084	3,222	1,092	-	-	-	-	7,831	-	102,522
Taxes and benefits	6,237	5,305	3,150	382	3,628	3,024	3,024	-	605	53,446	5,925	4,536	-	89,262
Printing	14,151	-	-	28,830	940	2,713	4,157	-	-	-	5,449	1,951	1,598	59,789
Design	7,594	-	-	15,270	-	-	-	-	-	-	-	4,027	560	27,451
Rent	6,888	4,296	2,564	296	2,952	2,460	2,460	-	492	18,676	4,428	3,690	-	49,202
Supplies/shipping/postage	6,029	1,274	592	17,699	934	492	562	-	88	5,376	14,993	1,211	5,369	54,619
Equipment and software maintenance	-	-	-	-	-	-	170	-	-	7,850	-	-	-	8,020
Survey fees	-	-	-	-	-	48,186	-	-	-	-	3,150	-	-	51,336
Legal and professional	1,128	-	-	7,501	1,650	-	-	-	-	18,590	-	-	-	28,869
Bank and credit card fees	-	-	-	-	-	-	-	-	-	27,756	-	-	-	27,756
Insurance	-	-	-	-	-	-	-	-	-	19,372	-	-	-	19,372
Depreciation	564	179	295	96	470	309	239	-	1,054	4,685	648	635	97	9,271
Telephone and internet	15	627	1,970	980	2,502	244	969	-	33	1,660	293	9,955	-	19,248
Utilities	-	527	314	36	363	302	302	-	60	4,031	544	453	-	6,932
Duplicating	620	368	714	22	210	176	175	-	35	2,142	317	263	-	5,042
Building maintenance	-	-	-	-	-	-	-	-	-	5,275	-	-	-	5,275
Sponsorships and awards	2,110	-	1,500	-	-	-	-	1,000	-	3,589	-	1,113	-	9,312
Equipment lease	-	-	-	-	-	-	-	-	-	37,329	-	-	-	37,329
Professional training	2,000	-	-	-	27,280	-	-	-	-	-	-	-	-	29,280
	\$ 310,158	\$ 26,423	\$ 152,211	\$ 73,827	\$ 78,372	\$ 78,613	\$ 31,833	\$ 1,000	\$ 2,848	\$ 416,222	\$ 66,840	\$ 71,072	\$ 7,624	\$ 1,317,043

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, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 55,610	\$ 119,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	958	9,271
Unrealized loss on investments	1,446	21,342
Decrease (increase) in operating assets:		
Accounts receivable	(4,431)	1,046
Prepaid expenses and deposits	(9,688)	15,038
Grants receivable	34,077	(34,077)
Unconditional promises to give	1,750	4,000
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	5,180	(160,897)
Unearned membership dues	3,567	20,400
Unearned revenue - other	58,049	14,458
Net cash provided by operating activities	<u>146,518</u>	<u>10,024</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	5,774	-
Purchase of equipment	(657)	(6,178)
Purchase of investments	(257,758)	(153,967)
Proceeds from sale of investments	100,623	154,725
Net cash used in investing activities	<u>(152,018)</u>	<u>(5,420)</u>
Net increase (decrease) in cash and cash equivalents	(5,500)	4,604
Cash and cash equivalents, beginning of year	<u>152,117</u>	<u>147,513</u>
Cash and cash equivalents, end of year	<u><u>\$ 146,617</u></u>	<u><u>\$ 152,117</u></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, 2016 AND 2015**

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. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted – Represents net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes, such as Board designated or quasi-endowments, by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Unless otherwise designated, unrestricted net assets are available for operations of the Association.

Temporarily Restricted – Represents net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time.

Permanently Restricted – Represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

For purposes of the statement 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.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 increases in the unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give which are due in future years are recorded at their net realizable value.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

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.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Functional Allocation of Expenses

The costs of providing the various programs and other services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of staff time by programs and supporting services.

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, 2016 and 2015.

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. Tax years that remain open for examination include years ended June 30, 2013 through June 30, 2015. There are no tax penalties or interest reported in the accompanying financial statements. The Association had no uncertain tax positions at June 30, 2016.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds

According to the Not-for-Profit Entities topic of the FASB ASC, a not-for-profit organization should classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. The Not-for-Profit Entities topic of the FASB ASC also requires additional disclosures applicable to all not-for-profit organizations, even if the organization is not yet subject to an enacted version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the law(s) underlying the net asset classification of donor-restricted endowment funds.

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.

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.

Events Occurring After Reporting Date

The Association has evaluated events and transactions that occurred after June 30, 2016, 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.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 2 - FINANCIAL IRREGULARITY

During September 2011, an investigation alleging the possible misappropriation of funds from the Association was initiated. Through this investigation, it was learned that unapproved cash disbursements were being made from the Association's bank account. 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 4 for additional information related to the restitution receivables.

NOTE 3 - 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. It is the Association's policy to transfer cash in excess of federally insured limits to the investment account. The CEO reviews the account balance in relationship with pending expenses to determine cash transfers.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables as of June 30, 2016 and 2015 are summarized as follows:

	2016	2015
Restitution receivable	\$ 101,348	\$ 106,848
Other accounts receivable	81,454	71,254
	<u>182,802</u>	<u>178,102</u>
Less discounts to net present value	(30,441)	(32,711)
Less allowance for uncollectible amounts	<u>(7,605)</u>	<u>(5,066)</u>
	<u><u>\$ 144,756</u></u>	<u><u>\$ 140,325</u></u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 4 - ACCOUNTS RECEIVABLE (CONTINUED)

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

	2016	2015
Current portion	\$ 73,849	\$ 68,410
Non-current portion	<u>70,907</u>	<u>71,915</u>
	<u><u>\$ 144,756</u></u>	<u><u>\$ 140,325</u></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:

	2016	2015
Due in one to five years	\$ 20,034	\$ 23,753
Due after five years	<u>50,873</u>	<u>48,162</u>
Total non-current portion	<u><u>\$ 70,907</u></u>	<u><u>\$ 71,915</u></u>

NOTE 5 - INVESTMENTS

Marketable securities are recorded at market value at June 30, 2016 and 2015, as follows:

	2016	2015
Vanguard Group:		
Prime Money Market Fund	\$ 77,209	\$ 27,624
Dividend Appreciation Index Investor Shares	194,838	175,210
Intermediate - Term Investment - Grade Fund		
Admiral Shares	-	3,837
Wellington Fund Admiral Shares	1,098,454	1,020,449
IT Investement Grade Fund Shares	4,632	-
500 Index Fund - Admiral Shares	<u>121,140</u>	<u>113,464</u>
Investments - substantially restricted	<u><u>\$ 1,496,273</u></u>	<u><u>\$ 1,340,584</u></u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 5 - INVESTMENTS (CONTINUED)

Investment income from these investments for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Unrealized loss on investments	\$ (1,446)	\$ (21,342)
Dividends/interest	<u>73,682</u>	<u>68,082</u>
	<u>\$ 72,236</u>	<u>\$ 46,740</u>

NOTE 6 - 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, 2016 and 2015, 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 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, 2016				
Cash and money funds	\$ 77,209	\$ 77,209	\$ -	\$ -
Mutual Funds	1,419,064	1,419,064	-	-
Total assets, at fair value	<u>\$ 1,496,273</u>	<u>\$ 1,496,273</u>	<u>\$ -</u>	<u>\$ -</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets and liabilities measured on a recurring basis at June 30 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, 2015				
Cash and money funds	\$ 27,624	\$ 27,624	\$ -	\$ -
Mutual Funds	1,312,960	1,312,960	-	-
Total assets, at fair value	<u>\$ 1,340,584</u>	<u>\$ 1,340,584</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2016 and 2015:

	2016	2015
Office furniture and equipment	\$ 28,722	\$ 33,840
Computer equipment	31,487	31,487
Website development	68,000	68,000
	<u>128,209</u>	<u>133,327</u>
Less accumulated depreciation	<u>(128,209)</u>	<u>(127,252)</u>
	<u>\$ -</u>	<u>\$ 6,075</u>

NOTE 8 - UNEARNED REVENUE – OTHER

Deferred revenue – other consists of the following at June 30, 2016 and 2015:

	2016	2015
Annual meeting	\$ 140,178	\$ 86,397
Seminar for Historical Administration	14,710	15,695
Presidential Sites and Libraries	9,425	9,425
Other	12,818	7,565
	<u>\$ 177,131</u>	<u>\$ 119,082</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 9 - RESTRICTIONS ON NET ASSETS

Net assets of the Association, and the nature of any restrictions, are made up of the following at June 30, 2016 and 2015:

	2016	2015
Unrestricted:		
Undesignated	\$ (166,860)	\$ (66,781)
Endowment fund deficit	<u>(16,061)</u>	<u>(171,750)</u>
	<u>\$ (182,921)</u>	<u>\$ (238,531)</u>
Permanently restricted:		
Endowment	<u>\$ 1,512,334</u>	<u>\$ 1,512,334</u>

NOTE 10 - PENSION 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 \$22,461 and \$16,573 for the years ended June 30, 2016 and 2015, respectively.

NOTE 11 - LEASING AND SERVICE ARRANGEMENTS

The Association entered into a sixty-six month operating lease agreement effective July 1, 2012, for the rental of office space. Rent expense for the years ended June 30, 2016 and 2015 totaled \$42,312 and \$49,200, respectively. Such expense has been reported in various classifications based upon functional use.

Effective September 8, 2016, the Association entered into a thirty-six month operating lease agreement for rental of new office space. During the term of this lease the annual rental amount will be \$43,200 payable in monthly installments (see Note 14).

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

2017	\$ 44,700
2018	43,200
2019	43,200
2020	<u>10,800</u>
	<u>\$ 141,900</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 11 - LEASING AND SERVICE ARRANGEMENTS (CONTINUED)

During September 2002, the Association signed a service agreement with a consulting group for the development and customization of a database software program. The program remains the property of the consulting group, but is utilized by the Association in conducting its programs. The agreement also required the consulting group to provide web based services, and routine maintenance for an initial term of three years. Fees for such services are based on various terms as specified in the service agreement. Additional services are billed based on an hourly rate. The agreement automatically renews annually until terminated. If the agreement is terminated prior to the end of a renewal term, and without a material breach that is not remedied timely, the Association is liable for the remainder of the term. During 2016, the Association entered into an agreement for utilization of a new member database software program with YM. The term of the agreement is 12 months payable in annual installments of \$11,995. Fees for such services totaled \$34,237 and \$32,693 for the years ended June 30, 2016 and 2015, respectively.

In May 2005, the Association signed a service agreement to operate and support the Association's career services on their website for a period of three years. This agreement was automatically renewed under similar terms during the year ended June 30, 2016. Fees for such services will be 50% of revenue collected, less 50% of credit card fees.

NOTE 12 - COMMITMENTS

The Association entered into an agreement in January 2015, for event space, including food and beverage, for the annual meeting to be held September 2016. Under the agreement, the Association was required to pay a deposit of \$10,000, which is included in Prepaid Expenses and Deposits on the Statement of Financial Position as of June 30, 2016. The Association is required to make a second payment of \$46,387 on August 13, 2016. In addition, the Association has a minimum catering guarantee of \$35,000.

The Association entered into an agreement in September 2015, for event space, including food and beverage, for the annual meeting to be held September 2017. Under the agreement, the Association is committed to 80% of a 708 minimum guest room nights at a rate of \$179.00 per night. The association is also committed to a minimum food and beverage charge of \$40,000. In the event the agreement is cancelled prior to the meeting, the Association will be required to pay a cancellation fee equal to a percentage of the committed amounts noted above at a graduated rate based on number of days prior to event.

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, 2016 and 2015 amounted to \$63,821 and \$73,925, respectively.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 13 - 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 permanently restricted net assets 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. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. 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

Endowment net assets composition by type of fund is as follows at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	<u>\$ (16,061)</u>	<u>\$ -</u>	<u>\$ 1,512,334</u>	<u>\$ 1,496,273</u>

Endowment net assets composition by type of fund is as follows at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	<u>\$ (171,750)</u>	<u>\$ -</u>	<u>\$ 1,512,334</u>	<u>\$ 1,340,584</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 13 - ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (171,750)	\$ -	\$ 1,512,334	\$ 1,340,584
Investment return	72,236	-	-	72,236
Board designated to replenish endowment	184,076	-	-	184,076
Endowment distributions	<u>(100,623)</u>	<u>-</u>	<u>-</u>	<u>(100,623)</u>
Endowment net assets, end of year	<u>\$ (16,061)</u>	<u>\$ -</u>	<u>\$ 1,512,334</u>	<u>\$ 1,496,273</u>

Changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (258,439)	\$ -	\$ 1,512,334	\$ 1,253,895
Investment return	50,180	-	-	50,180
Board designated to replenish endowment	85,886	-	-	85,886
Endowment distributions	<u>(49,377)</u>	<u>-</u>	<u>-</u>	<u>(49,377)</u>
Endowment net assets, end of year	<u>\$ (171,750)</u>	<u>\$ -</u>	<u>\$ 1,512,334</u>	<u>\$ 1,340,584</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. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$16,061 and \$171,750 at June 30, 2016 and 2015.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 13 - ENDOWMENT (CONTINUED)

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.

NOTE 14 - SUBSEQUENT EVENT

Effective September 8, 2016, the Association entered into a thirty-six month operating lease agreement for rental of new office space. During the term of this lease the annual rental amount will be \$43,200 payable in monthly installments (see Note 11).