

*Edmondson, Betzler & Montgomery, PLLC*  
(Certified Public Accountants)

October 20, 2014

To the Audit Committee of  
American Association for State and Local History

We have audited the financial statements of American Association for State and Local History for the year ended June 30, 2014, and have issued our report thereon dated October 20, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 2, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by American Association for State and Local History are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2014. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

For the purposes of the statement of functional expenses, certain expenses have been allocated between program services, management and general and fundraising based on estimates made by management. We evaluated the key factors and assumptions used to allocate certain expenses in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the present value of long-term receivables is based on discounted present value of the receivable. We evaluated the key factors and assumptions used to develop the present value of long-term receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The misstatements detected as a result of audit procedures and corrected by management are included in the attached schedule.

*Disagreements with Management*

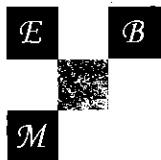
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**AMERICAN ASSOCIATION FOR  
STATE AND LOCAL HISTORY  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2014 AND 2013**

**AMERICAN ASSOCIATION FOR  
STATE AND LOCAL HISTORY  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2014 AND 2013**

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*Edmondson, Betzler & Montgomery, PLLC*  
(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, 2014 and 2013, 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, 2014 and 2013, 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.

*Edmondson, Betzler & Montgomery, PLLC*

October 20, 2014

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 147,513	\$ 103,774
Grants receivable	-	151,523
Accounts receivable currently due, net	69,705	53,699
Unconditional promises to give, less allowance of \$0 in 2014 and \$5,330 in 2013	9,950	32,909
Prepaid expenses and deposits	<u>86,698</u>	<u>46,605</u>
Total current assets	313,866	388,510
Non-current accounts receivable, net	71,666	19,821
Property and equipment, net	9,169	22,349
Investments - substantially restricted	<u>1,362,683</u>	<u>897,765</u>
Total assets	<u><u>\$ 1,757,384</u></u>	<u><u>\$ 1,328,445</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 96,298	\$ 108,014
Deferred compensation payable	108,789	82,339
Unearned membership dues	293,313	406,462
Unearned revenue - other	<u>104,624</u>	<u>64,856</u>
Total current liabilities	<u>603,024</u>	<u>661,671</u>
Net assets:		
Unrestricted	(357,974)	(714,320)
Permanently restricted	<u>1,512,334</u>	<u>1,381,094</u>
Total net assets	<u>1,154,360</u>	<u>666,774</u>
Total liabilities and net assets	<u><u>\$ 1,757,384</u></u>	<u><u>\$ 1,328,445</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, 2014**

	Unrestricted	Permanently Restricted	Total
Revenues, gains and other support:			
Membership dues	\$ 578,353	\$ -	\$ 578,353
Insurance proceeds	420,000		420,000
Annual meeting	196,418	-	196,418
Investment income, net	164,380	-	164,380
Contributions	151,650	400	152,050
Education and training	126,361	-	126,361
Presidential sites and libraries	100,830	-	100,830
Federal grants and awards	79,515	-	79,515
Miscellaneous revenue	65,484	-	65,484
Advertising	36,168	-	36,168
Royalties	33,735	-	33,735
Sales of publications	17,083	-	17,083
Sales of labels	1,706	-	1,706
Total revenues, gains and other support	<u>1,971,683</u>	<u>400</u>	<u>1,972,083</u>
Operating Expenses:			
Program services:			
Annual meeting	207,085	-	207,085
Program development	125,276	-	125,276
Education and training	156,202	-	156,202
Periodicals	68,595	-	68,595
Leadership and governance	82,483	-	82,483
Performance measures program	74,445	-	74,445
Incremental Standards program	31,739	-	31,739
Federal Formula grant program	6,898	-	6,898
Publishing	7,998	-	7,998
EXCEL grant	70,884	-	70,884
Total program services	<u>831,605</u>	<u>-</u>	<u>831,605</u>
Supporting services:			
Administration and finance	435,147	-	435,147
Membership services	52,327	-	52,327
Advertising and marketing	95,309	-	95,309
Fundraising and program development	7,954	-	7,954
Total supporting services	<u>590,737</u>	<u>-</u>	<u>590,737</u>
Total operating expenses	<u>1,422,342</u>	<u>-</u>	<u>1,422,342</u>
Change in net assets from operating activities	<u>549,341</u>	<u>400</u>	<u>549,741</u>
Other changes in net assets:			
Fraud related expenses	(62,155)	-	(62,155)
Donor designation changes	(130,840)	130,840	-
Total other changes	<u>(192,995)</u>	<u>130,840</u>	<u>(62,155)</u>
Change in net assets	356,346	131,240	487,586
Net assets, beginning of year	<u>(714,320)</u>	<u>1,381,094</u>	<u>666,774</u>
Net assets, end of year	<u>\$ (357,974)</u>	<u>\$ 1,512,334</u>	<u>\$ 1,154,360</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, 2013**

	Unrestricted	Permanently Restricted	Total
Revenues, gains and other support:			
Membership dues	\$ 533,553	\$ -	\$ 533,553
Annual meeting	338,741	-	338,741
Federal grants and awards	244,534	-	244,534
Contributions	166,805	405	167,210
Investment income, net	121,008	-	121,008
Education and training	120,545	-	120,545
Miscellaneous revenue	37,237	-	37,237
Royalties	35,012	-	35,012
Advertising	27,215	-	27,215
Sales of publications	18,283	-	18,283
Presidential sites and libraries	2,476	-	2,476
Sales of labels	1,297	-	1,297
Total revenues, gains and other support	<u>1,646,706</u>	<u>405</u>	<u>1,647,111</u>
Operating Expenses:			
Program services:			
Annual meeting	319,163	-	319,163
Program development	37,192	-	37,192
Education and training	144,234	-	144,234
Periodicals	67,414	-	67,414
Leadership and governance	72,902	-	72,902
Performance measures program	66,224	-	66,224
Incremental Standards program	22,963	-	22,963
Conservation Bookshelf program	140,774	-	140,774
Federal Formula grant program	3,350	-	3,350
Publishing	2,732	-	2,732
Project management	20,803	-	20,803
EXCEL grant	60,234	-	60,234
IDEA grant	49	-	49
Total program services	<u>958,034</u>	<u>-</u>	<u>958,034</u>
Supporting services:			
Administration and finance	484,044	-	484,044
Membership services	63,961	-	63,961
Advertising and marketing	77,761	-	77,761
Fundraising and program development	17,126	-	17,126
Total supporting services	<u>642,892</u>	<u>-</u>	<u>642,892</u>
Total operating expenses	<u>1,600,926</u>	<u>-</u>	<u>1,600,926</u>
Change in net assets from operating activities	<u>45,780</u>	<u>405</u>	<u>46,185</u>
Other changes in net assets:			
Fraud related expenses	(130,840)	-	(130,840)
Donor designation changes	114,694	(114,694)	-
Total other changes	<u>(16,146)</u>	<u>(114,694)</u>	<u>(130,840)</u>
Change in net assets	29,634	(114,289)	(84,655)
Net assets, beginning of year	<u>(743,954)</u>	<u>1,495,383</u>	<u>751,429</u>
Net assets, end of year	<u>\$ (714,320)</u>	<u>\$ 1,381,094</u>	<u>\$ 666,774</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, 2014**

	Program Services						Supporting Services								
	Annual Meeting	Program Development	Education and Training	Periodicals	Leadership and Governance	Performance Measures Program	Incremental Standards Program	Federal Formula	Publishing	EXCEL Grant	Administrative and Finance	Membership Services	Advertising and Marketing	Fundraising	Total
Salaries	\$ 25,454	\$ 21,020	\$ 21,844	\$ 6,342	\$ 52,666	\$ 17,795	\$ 20,543	\$ 2,129	\$ 6,584	\$ 17,003	\$ 207,243	\$ 26,242	\$ 44,716	\$ 665	\$ 470,246
Meeting expenses	142,142	83,080	15,663	-	4,009	1,219	-	-	-	10,500	-	-	9,080	-	265,693
Consultants	-	2,700	29,938	-	2,700	254	1,157	-	-	41,270	-	-	3,335	-	78,654
Travel	3,702	9,310	74,771	-	8,546	2,231	2,364	-	-	1,758	-	1,351	1,400	-	105,433
Taxes and benefits	3,268	3,959	6,822	1,505	8,991	3,198	4,358	157	1,101	-	59,503	7,828	10,307	1,246	112,043
Printing	11,766	-	-	27,050	-	27	36	-	-	75	245	1,891	3,908	3,023	48,021
Design	9,706	872	-	15,867	-	-	-	-	-	-	-	-	4,300	-	30,745
Rent	3,040	1,328	1,836	519	2,548	1,665	1,290	764	192	-	29,150	3,342	3,417	110	49,201
Supplies/shipping/postage	5,217	1,016	1,014	15,175	1,538	417	1,114	-	50	119	5,976	9,797	4,039	2,208	47,680
Equipment and software maintenance	-	1,000	-	-	-	60	-	-	-	-	4,250	-	-	-	5,310
Survey fees	-	-	-	-	-	46,481	-	-	-	-	-	-	-	-	46,481
Legal and professional	-	-	-	985	1,450	-	-	-	-	-	17,290	-	-	225	19,950
Bank and credit card fees	-	-	-	-	-	-	-	-	-	-	26,760	-	-	-	25,760
Insurance	-	-	-	-	-	-	-	-	-	-	15,119	-	-	-	15,119
Depreciation	1,129	303	681	192	941	618	479	113	71	-	5,664	1,241	1,270	477	13,179
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone and internet	100	633	3,336	960	1,674	480	338	-	-	159	3,371	66	3,950	-	15,067
Utilities	-	-	-	-	-	-	-	-	-	-	7,212	-	-	-	7,212
Duplicating	901	55	464	-	120	-	60	-	-	-	1,847	569	1,253	-	5,269
Building maintenance	-	-	-	-	-	-	-	-	-	-	4,845	-	-	-	4,845
Sponsorships and awards	660	-	-	-	-	-	-	3,735	-	-	137	-	4,334	-	8,666
Equipment lease	-	-	-	-	-	-	-	-	-	-	47,535	-	-	-	47,535
Professional training	-	-	33	-	-	-	-	-	-	-	-	-	-	-	33
	\$ 207,085	\$ 125,276	\$ 156,202	\$ 68,595	\$ 82,483	\$ 74,445	\$ 31,739	\$ 6,898	\$ 7,998	\$ 70,884	\$ 435,147	\$ 52,327	\$ 95,309	\$ 7,954	\$ 1,422,342

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, 2013

	Program Services										Supporting Services						
	Annual Meeting	Program Development	Education and Training	Periodicals	Leadership and Governance	Performance Measures Program	Incremental Standards Program	Conservation Bookshelf	Federal Formula	Publishing Management	Project Management	EXCEL Grant	IDEA Grant	Administrative and Finance	Membership Services	Advertising and Marketing	Total
\$ 29,678	\$ 20,089	\$ 17,929	\$ 5,061	\$ 34,731	\$ 16,251	\$ 12,595	\$ 2,964	\$ 789	\$ 1,873	\$ 16,601	\$ 30,062	\$ -	\$ 211,345	\$ 32,625	\$ 33,397	\$ 8,535	\$ 474,535
Salaries	763	5,877	-	2,191	475	-	-	-	-	-	-	-	-	-	-	7,368	-
Meeting expenses	180,823	375	31,640	-	350	1,640	137,161	-	-	2,500	15,072	-	-	-	-	-	188,738
Consultants	-	4,354	77,194	-	13,451	830	720	307	-	(335)	9,813	-	2,254	1,955	449	-	167,980
Travel	58,988	4,379	5,761	1,627	8,711	5,222	4,048	229	61	602	2,329	49	84,848	10,483	10,730	2,447	152,348
Taxes and benefits	9,536	-	-	27,946	2,420	388	51	-	-	-	172	-	-	3,799	12,583	2,927	52,421
Printing	2,135	-	-	17,549	-	-	-	-	-	-	380	-	-	-	4,962	-	46,962
Design	24,006	-	65	503	2,460	1,616	1,253	-	186	-	-	-	27,176	3,245	3,321	849	46,191
Rent	2,952	847	1,783	12,756	3,079	214	1,738	-	-	-	539	-	12,187	7,670	2,133	1,719	46,039
Supplies/shipping/postage	2,978	552	474	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment and software maintenance	-	-	2,426	960	-	-	409	-	-	-	250	-	39,564	-	-	-	43,609
Survey fees	-	-	-	-	-	39,718	-	-	-	-	-	-	-	-	-	-	-
Legal and professional	67	2,525	-	805	2,562	-	-	-	-	120	-	-	26,396	-	60	300	32,835
Bank and credit card fees	-	-	-	-	102	-	-	-	-	-	-	-	23,051	-	-	-	23,153
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	19,814	-	-	-	19,814
Depreciation	1,129	610	681	192	941	618	479	113	-	71	631	1,143	5,809	1,241	1,270	325	15,253
Special events	8,871	1,950	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,821
Telephone and internet	-	307	67	-	2,119	513	-	-	-	-	-	474	6,772	66	96	-	10,414
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	7,533	-	-	-	7,533
Duplicating	-	181	337	15	135	29	30	-	-	-	-	-	3,013	2,877	394	24	7,035
Building maintenance	-	-	-	-	-	-	-	-	-	-	-	-	5,900	-	-	-	5,900
Sponsorships and awards	-	-	-	-	-	-	-	-	2,500	-	-	-	2,355	-	1,000	-	5,955
Equipment lease	-	250	-	-	-	-	-	-	-	-	-	-	3,832	-	-	-	4,082
Professional training	-	-	-	-	-	-	-	-	-	-	-	-	2,195	-	-	-	2,195
\$ 319,163	\$ 37,192	\$ 144,234	\$ 67,414	\$ 72,802	\$ 66,224	\$ 22,983	\$ 140,774	\$ 3,350	\$ 2,732	\$ 20,803	\$ 60,234	\$ 49	\$ 484,044	\$ 63,961	\$ 77,761	\$ 17,126	\$ 1,600,926

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, 2014 AND 2013**

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 487,586	\$ (84,655)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,180	15,253
Unrealized gain on investments	(112,214)	(91,221)
Contributions to permanently restricted net assets	(400)	(405)
Decrease (increase) in operating assets:		
Accounts receivable	(67,851)	(36,361)
Prepaid expenses and deposits	(40,093)	(9,525)
Grants receivable	151,523	93,072
Unconditional promises to give	22,959	23,784
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	14,734	9,784
Unearned membership dues	(113,149)	1,838
Unearned revenue - other	39,768	(582)
Net cash provided by (used in) operating activities	<u>396,043</u>	<u>(79,018)</u>
Cash flows from investing activities:		
Purchase of equipment	-	(1,200)
Purchase of investments	(484,291)	(52,136)
Proceeds from sale of investments	<u>131,587</u>	<u>193,777</u>
Net cash provided by (used in) investing activities	<u>(352,704)</u>	<u>140,441</u>
Cash flows from financing activities:		
Contributions to permanently restricted net assets	<u>400</u>	<u>405</u>
Net cash provided by financing activities	<u>400</u>	<u>405</u>
Net increase in cash and cash equivalents	43,739	61,828
Cash and cash equivalents, beginning of year	<u>103,774</u>	<u>41,946</u>
Cash and cash equivalents, end of year	<u><u>\$ 147,513</u></u>	<u><u>\$ 103,774</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, 2014 AND 2013**

**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, 2014 AND 2013**

**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' last anniversary date. 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, 2014 AND 2013**

**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, 2014 and 2013.

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, 2011 through June 30, 2013. There are no tax penalties or interest reported in the accompanying financial statements. The Association had no uncertain tax positions at June 30, 2014.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Events Occurring After Reporting Date

The Association has evaluated events and transactions that occurred after June 30, 2014, 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, 2014 AND 2013**

**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 the former finance director'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 the former finance director, 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 the former finance director has been limited to her life expectancy, which is approximately 30 years. See Note 4 for additional information related to the restitution receivables. The Association expensed approximately \$62,200 and \$130,900 for the years ending June 30, 2014 and 2013 related to investigating and prosecuting this misappropriation.

**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.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivables as of June 30, 2014 and 2013 are summarized as follows:

	2014	2013
Restitution receivable	\$ 112,599	\$ 26,098
Other accounts receivable	66,549	55,865
	<u>179,148</u>	<u>81,963</u>
Less discounts to net present value	(34,933)	(5,166)
Less allowance for uncollectible amounts	<u>(2,844)</u>	<u>(3,277)</u>
	<u><u>\$ 141,371</u></u>	<u><u>\$ 73,520</u></u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 4 - ACCOUNTS RECEIVABLE (CONTINUED)**

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

	<b>2014</b>	<b>2013</b>
Current portion	\$ 69,705	\$ 53,699
Non-current portion	<u>71,666</u>	<u>19,821</u>
	<u><u>\$ 141,371</u></u>	<u><u>\$ 73,520</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:

	<b>2014</b>	<b>2013</b>
Due in one to five years	\$ 21,904	\$ 11,019
Due after five years	<u>49,762</u>	<u>8,802</u>
Total non-current portion	<u><u>\$ 71,666</u></u>	<u><u>\$ 19,821</u></u>

**NOTE 5 - INVESTMENTS**

Marketable securities are recorded at market value at June 30, 2014 and 2013, as follows:

	<b>2014</b>	<b>2013</b>
Vanguard Group:		
Prime Money Market Fund	\$ 26,890	\$ 23,102
Dividend Appreciation Index Investor Shares	165,425	93,032
Intermediate - Term Investment - Grade Fund		
Admiral Shares	3,654	6,322
Wellington Fund Admiral Shares	1,063,907	642,865
500 Index Fund - Admiral Shares	<u>102,807</u>	<u>132,444</u>
Investments - substantially restricted	<u><u>\$ 1,362,683</u></u>	<u><u>\$ 897,765</u></u>



**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 5 - INVESTMENTS (CONTINUED)**

Investment income from these investments for the years ended June 30, 2014 and 2013 is as follows:

	2014	2013
Unrealized gain on investments	\$ 112,214	\$ 91,221
Dividends/interest	<u>52,166</u>	<u>29,787</u>
	<u>\$ 164,380</u>	<u>\$ 121,008</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, 2014 and 2013, the Association did not have any assets measured with Level 2 or Level 3 inputs.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**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	Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2014</b>				
Cash and money funds	\$ 26,890	\$ 26,890	\$ -	\$ -
Mutual Funds	1,335,793	1,335,793	-	-
Total assets, at fair value	<u>\$ 1,362,683</u>	<u>\$ 1,362,683</u>	<u>\$ -</u>	<u>\$ -</u>
<b>June 30, 2013</b>				
Cash and money funds	\$ 23,102	\$ 23,102	\$ -	\$ -
Mutual Funds	874,663	874,663	-	-
Total assets, at fair value	<u>\$ 897,765</u>	<u>\$ 897,765</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, 2014 and 2013:

	2014	2013
Office furniture and equipment	\$ 28,064	\$ 28,064
Computer equipment	31,487	31,487
Website development	68,000	68,000
	<u>127,551</u>	<u>127,551</u>
Less accumulated depreciation	<u>(118,382)</u>	<u>(105,202)</u>
	<u>\$ 9,169</u>	<u>\$ 22,349</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 8 - DEFERRED COMPENSATION**

Effective fiscal year 2006, the Association entered into a deferred compensation agreement with the President of the Association that provides for annual deferrals of \$10,000 per year of the term of the agreement, or until the President's term is terminated, whichever comes first. A summary of the amounts payable under the agreement as of June 30, are as follows:

	<b>2014</b>	<b>2013</b>
Salary deferrals	\$ 90,000	\$ 80,000
Investment earnings	18,789	2,339
	<u>\$ 108,789</u>	<u>\$ 82,339</u>

Effective June 30, 2014, the President of the Association retired and the entire balance due was paid to her in July 2014.

**NOTE 9 - UNEARNED REVENUE - OTHER**

Deferred revenue – other consists of the following at June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Annual meeting	\$ 56,268	\$ 25,094
Seminar for Historical Administration	28,404	18,925
Presidential Sites and Libraries	10,077	10,077
Small Museum Scholarships	3,309	3,869
Advertising	5,896	3,575
Middle Tennessee Grant	-	3,316
Workshop fees	670	-
	<u>\$ 104,624</u>	<u>\$ 64,856</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**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, 2014 and 2013:

	2014	2013
Unrestricted:		
Undesignated	\$ (99,535)	\$ (148,652)
Endowment fund deficit	(315,739)	(614,802)
Quasi Endowments:		
Evelyn Scholarship	968	1,263
Alderson Internship	24,686	20,859
Corey Memorial	24,386	20,918
Herold Memorial	7,260	6,094
	<u>57,300</u>	<u>49,134</u>
	<u>\$ (357,974)</u>	<u>\$ (714,320)</u>
Permanently restricted:		
Endowment	<u>\$ 1,512,334</u>	<u>\$ 1,381,094</u>

**NOTE 11 - 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 \$21,543 and \$18,416 for the years ended June 30, 2014 and 2013, respectively.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 12 - 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.

The future minimum lease payments for office space are as follows for the year ending June 30, 2014.

2015	\$ 49,200
2016	49,200
2017	49,200
2018	<u>24,600</u>
	<u>\$ 172,200</u>

Rent expense for the years ended June 30, 2014 and 2013 totaled \$49,200 and \$46,191, respectively. Such expense has been reported in various classifications based upon functional use.

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. Fees for such services totaled \$34,320 and \$32,820 for the years ended June 30, 2014 and 2013, 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, 2008. Fees for such services will be 50% of revenue collected, less 50% of credit card fees.

**NOTE 13 - COMMITMENTS**

The Association entered into an agreement in June 2013, for a hotel commitment and event space, including food and beverage, for the annual meeting to be held September 2014. In the event of cancellation, the Association shall pay up to 80% of total anticipated revenue based upon arrangements for guestrooms and food and beverage if cancellation occurs less than 1 year of the event date.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 13 - COMMITMENTS (CONTINUED)**

The Association entered into an agreement in August 2012, for a hotel commitment and event space, including food and beverage, for the annual meeting to be held September 2015. In the event of cancellation, the Association shall pay up to \$133,257 for anticipated revenue based upon arrangements for guestrooms and food and beverage if cancellation occurs less than nine months of the event date.

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, 2014 and 2013 amounted to \$56,224 and \$71,725, 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 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

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 14 - ENDOWMENT (CONTINUED)**

Endowment net assets composition by type of fund is as follows at June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated quasi endowment	\$ 57,300	\$ -	\$ -	\$ 57,300
Donor-restricted endowment fund	(315,739)	-	1,512,334	1,196,595
	<u>\$ (258,439)</u>	<u>\$ -</u>	<u>\$ 1,512,334</u>	<u>\$ 1,253,895</u>

Endowment net assets composition by type of fund is as follows at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated quasi endowment	\$ 49,134	\$ -	\$ -	\$ 49,134
Donor-restricted endowment fund	(614,802)	-	1,381,094	766,292
	<u>\$ (565,668)</u>	<u>\$ -</u>	<u>\$ 1,381,094</u>	<u>\$ 815,426</u>

Changes in endowment net assets for the years ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (565,668)	\$ -	\$ 1,381,094	\$ 815,426
Investment return	147,930	-	-	147,930
Gifts and additions to endowment, net	431,025	-	400	431,425
Donor restrictions replenished (released)	(216,094)	-	130,840	(85,254)
Endowment distributions	(55,632)	-	-	(55,632)
Endowment net assets, end of year	<u>\$ (258,439)</u>	<u>\$ -</u>	<u>\$ 1,512,334</u>	<u>\$ 1,253,895</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 14 - ENDOWMENT (CONTINUED)**

Changes in endowment net assets for the years ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (609,399)	\$ -	\$ 1,495,383	\$ 885,984
Investment return	121,008	-	-	121,008
Gifts and additions to endowment, net	1,806	-	405	2,211
Donor restrictions released	130,840	-	(130,840)	-
Reclassification of gifts	(16,146)	-	16,146	-
Endowment distributions	<u>(193,777)</u>	<u>-</u>	<u>-</u>	<u>(193,777)</u>
Endowment net assets, end of year	<u>\$ (565,668)</u>	<u>\$ -</u>	<u>\$ 1,381,094</u>	<u>\$ 815,426</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 \$305,789 and \$591,058 at June 30, 2014 and 2013.

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 7% of the market value calculated on a rolling three-year average of market value.