

PRELIMINARY DRAFT FOR  
DISCUSSION PURPOSE ONLY

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**June 30, 2007 and 2006**

AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the American Association for State and Local History (the "Association") (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Association of State and Local History as of June 30, 2007 and 2006, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 23, 2007

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2007 and 2006**

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**ASSETS**

	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 188,988	\$ 163,226
Investments - unrestricted	77,117	92,559
Grants receivable	50,032	-
Accounts receivable, less allowance of \$2,498 and \$3,417	101,420	103,987
Unconditional promises to give	38,000	-
Prepaid expenses and deposits	54,879	62,343
	<hr/>	<hr/>
Total current assets	510,436	422,115
Property and equipment, net	25,036	25,083
Investments - substantially restricted	1,493,962	1,321,369
	<hr/>	<hr/>
Total assets	<u>\$ 2,029,434</u>	<u>\$ 1,768,567</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable and accrued expenses	\$ 107,955	\$ 103,716
Current portion of note payable	2,963	2,685
Unearned membership dues	255,342	261,880
Unearned revenue-other	136,228	119,393
	<hr/>	<hr/>
Total current liabilities	502,488	487,674
Note payable, net of current portion	14,716	17,679
	<hr/>	<hr/>
Total liabilities	517,204	505,353
	<hr/>	<hr/>
Net assets:		
Unrestricted	12,715	(34,404)
Temporarily restricted	363,461	161,939
Permanently restricted	1,136,054	1,135,679
	<hr/>	<hr/>
Total net assets	1,512,230	1,263,214
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 2,029,434</u>	<u>\$ 1,768,567</u>

See accompanying notes.

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Membership dues	\$ 545,506	\$ -	\$ -	\$ 545,506
Federal grants and awards	296,172	-	-	296,172
Investment income	22,422	229,266	-	251,688
Annual meeting	184,532	-	-	184,532
Contributions	140,215	38,000	375	178,590
Education and training	151,536	-	-	151,536
Royalties	43,799	-	-	43,799
Advertising	36,301	-	-	36,301
Sales of publications	6,500	-	-	6,500
Sales of labels	6,130	-	-	6,130
Miscellaneous revenue	720	-	-	720
Net assets released from restrictions	65,744	(65,744)	-	-
Total revenues, gains and other support	<u>1,499,577</u>	<u>201,522</u>	<u>375</u>	<u>1,701,474</u>
Expenses:				
Program services:				
Annual meeting	211,195	-	-	211,195
Program development	37,093	-	-	37,093
Education and training	152,883	-	-	152,883
Periodicals	131,680	-	-	131,680
Leadership and governance	63,950	-	-	63,950
Performance measures program	109,235	-	-	109,235
Institute for Learning	179,998	-	-	179,998
Incremental Standards program	91,525	-	-	91,525
Conservation Bookshelf program	5,361	-	-	5,361
Federal Formula grant project	40,693	-	-	40,693
Publishing	9,078	-	-	9,078
Total program services	<u>1,032,691</u>	<u>-</u>	<u>-</u>	<u>1,032,691</u>
Supporting services:				
Administration and finance	287,818	-	-	287,818
Membership services	73,484	-	-	73,484
Advertising and marketing	44,067	-	-	44,067
Fundraising and program development	14,398	-	-	14,398
Total supporting services	<u>419,767</u>	<u>-</u>	<u>-</u>	<u>419,767</u>
Total expenses	<u>1,452,458</u>	<u>-</u>	<u>-</u>	<u>1,452,458</u>
Change in net assets	47,119	201,522	375	249,016
Net assets at beginning of year	<u>(34,404)</u>	<u>161,939</u>	<u>1,135,679</u>	<u>1,263,214</u>
Net assets at end of year	<u>\$ 12,715</u>	<u>\$ 363,461</u>	<u>\$1,136,054</u>	<u>\$1,512,230</u>

See accompanying notes.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2006

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Membership dues	\$ 522,673	\$ -	\$ -	\$ 522,673
Federal grants and awards	61,866	-	-	61,866
Investment income	11,523	103,489	-	115,012
Annual meeting	166,038	-	-	166,038
Contributions	204,885	-	750	205,635
Education and training	93,114	-	-	93,114
Conferences	44,755	-	-	44,755
Royalties	48,874	-	-	48,874
Advertising	42,020	-	-	42,020
Sales of publications	9,210	-	-	9,210
Sales of labels	7,697	-	-	7,697
Miscellaneous revenue	10,841	-	-	10,841
Net assets released from restrictions	77,121	(77,121)	-	-
Total revenues, gains and other support	1,300,617	26,368	750	1,327,735
Expenses:				
Program services:				
Annual meeting	230,437	-	-	230,437
Program development	212,304	-	-	212,304
Education and training	113,489	-	-	113,489
Periodicals	120,886	-	-	120,886
Leadership and governance	145,256	-	-	145,256
Performance measures program	121,908	-	-	121,908
Institute for Learning	39,214	-	-	39,214
Incremental Standards program	33,374	-	-	33,374
Publishing	6,285	-	-	6,285
Total program services	1,023,153	-	-	1,023,153
Supporting services:				
Administration and finance	228,318	-	-	228,318
Membership services	75,000	-	-	75,000
Advertising and marketing	29,962	-	-	29,962
Fundraising and program development	22,812	-	-	22,812
Total supporting services	356,092	-	-	356,092
Total expenses	1,379,245	-	-	1,379,245
Change in net assets	(78,628)	26,368	750	(51,510)
Net assets at beginning of year	44,224	135,571	1,134,929	1,314,724
Net assets at end of year	\$ (34,404)	\$ 161,939	\$ 1,135,679	\$ 1,263,214

See accompanying notes.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2007

	Program Services						Supporting Services									
	Annual Meeting	Program Development	Education & Training	Periodicals	Leadership & Governance	Performance Measures Program	Institute for Learning	Incremental Standards Program	Conservation Bookshelf	Federal Formula	Publishing	Administrative & Finance	Membership Services	Advertising & Marketing	Fundraising	Total
\$	35,127	\$ 17,438	\$ 26,326	\$ 22,683	\$ 23,216	\$ 20,973	\$ -	\$ 25,734	\$ 3,340	\$ 17,869	\$ 4,454	\$ 150,343	\$ 34,601	\$ 20,246	\$ 2,824	\$ 405,174
Salaries																
Taxes and benefits	6,840	3,320	5,012	4,871	4,420	3,993	-	4,899	636	3,402	372	29,283	6,587	3,854	538	78,027
Supplies/shipping/postage	8,382	1,923	3,715	31,907	4,327	5,841	-	1,378	159	834	1,006	6,996	11,825	1,841	4,069	84,203
Travel	9,641	3,220	24,786	-	7,448	2,583	-	47,409	-	3,216	-	-	-	-	-	98,303
Professional training	-	-	-	-	-	-	-	-	-	-	-	-	170	-	-	170
Duplicating	297	20	199	7	264	41	-	5	3	15	39	(1,161)	-	-	5	(215)
Dues and subscriptions	-	-	-	-	1,522	-	-	-	-	-	-	-	-	-	-	1,522
Special events	46,535	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,535
Printing	8,884	2,262	2,299	46,470	2,773	2,532	-	820	18	-	2,313	816	6,280	107	2,714	78,288
Design	10,001	-	100	13,130	473	85	-	-	-	-	-	-	-	-	-	23,789
Direct costs and COGS	66,787	-	-	3,339	-	-	-	-	-	-	-	-	-	-	-	70,126
Sponsorships and awards	-	-	-	-	5,170	-	-	-	-	-	-	-	1,245	-	-	20,347
Miscellaneous	6,129	6	13,932	25	768	63,625	1,108	-	-	1,175	-	27,395	-	250	375	118,855
Credit card charges	-	-	17,999	-	-	-	-	-	-	-	-	14,621	-	-	-	14,621
Bad debt	-	-	-	-	-	-	-	-	-	-	-	3,996	-	-	-	3,996
Meeting expenses	-	1,222	25,952	-	3,788	1,426	176,571	-	-	-	-	-	-	10,412	-	219,371
Consultants	-	-	22,900	-	-	-	2,319	-	-	-	-	-	-	-	2,756	27,975
	198,623	29,411	143,220	122,432	54,169	101,099	179,998	80,245	4,156	26,511	8,184	232,289	60,708	36,761	13,281	1,291,087
Rent	3,448	1,730	2,612	2,538	2,303	2,080	-	2,553	331	1,773	194	15,258	3,432	2,008	280	40,540
Depreciation	371	234	354	344	312	282	-	346	45	240	26	2,088	465	272	38	5,417
Legal and professional	858	383	646	628	570	515	-	632	82	7,484	48	3,777	850	497	69	17,039
Insurance	844	439	663	644	584	528	-	648	84	450	49	3,871	871	510	71	10,256
Telephone/internet	1,189	1,991	1,001	830	2,142	1,214	-	2,790	106	1,152	251	4,901	1,390	645	188	19,790
Utilities	420	220	333	324	294	265	-	326	42	226	25	1,946	438	256	36	5,151
Building maintenance	509	264	399	388	352	318	-	390	51	271	30	2,330	525	307	43	6,177
Equipment and software maintenance	3,949	1,927	2,909	2,827	2,566	2,339	-	2,865	369	2,079	216	16,997	3,824	2,237	312	45,416
Equipment lease	984	494	746	725	658	595	-	730	95	507	55	4,361	981	574	80	11,585
	12,572	7,682	9,663	9,248	9,781	8,136	-	11,280	1,205	14,182	894	55,529	12,776	7,306	1,117	161,371
\$	211,195	\$ 37,093	\$ 152,883	\$ 131,680	\$ 63,950	\$ 109,235	\$ 179,998	\$ 91,525	\$ 5,361	\$ 40,693	\$ 9,078	\$ 287,818	\$ 73,484	\$ 44,067	\$ 14,398	\$ 1,452,458

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See accompanying notes.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2006

	Program Services						Supporting Services							
	Annual Meeting	Program Development	Education & Training	Periodicals	Leadership & Governance	Performance Measures Program	Institute for Learning	Incremental Standards Program	Publishing	Administrative & Finance	Membership Services	Advertising & Marketing	Fundraising	Total
\$	50,664	\$ 38,428	\$ 25,308	\$ 15,040	\$ 64,374	\$ 27,479	\$ -	\$ 16,740	\$ 1,342	\$ 110,462	\$ 28,436	\$ 7,443	\$ 9,130	\$ 394,846
Salaries														
Taxes and benefits	10,293	7,448	4,905	3,962	13,445	5,326	-	3,244	260	22,214	5,511	2,081	1,770	80,459
Supplies/shipping/postage	6,972	3,517	6,330	28,763	6,330	2,863	-	924	948	13,162	16,820	1,222	5,505	90,180
Travel	9,669	61,639	15,270	-	13,881	2,863	-	5,342	-	-	-	-	-	108,664
Professional training	-	-	-	-	1,515	-	-	-	-	6,713	221	2	-	8,451
Duplicating	195	121	141	4	340	161	-	127	78	(852)	-	-	6	321
Dues and subscriptions	-	-	-	-	1,325	-	-	-	-	-	-	-	-	1,325
Special events	41,371	-	-	-	-	-	-	-	-	-	-	-	-	41,371
Printing	8,415	1,965	3,614	47,147	2,970	830	-	253	-	2,013	12,421	211	2,994	82,833
Design	9,296	2,326	1,475	13,354	915	1,229	-	-	-	-	185	698	-	29,478
Direct costs and COGS	60,366	-	-	5,489	-	-	-	-	-	-	-	-	-	65,855
Sponsorships and awards	-	-	12,166	-	5,161	-	-	-	-	3,500	1,235	-	-	22,062
Miscellaneous	14,031	495	4,137	-	7,241	71,010	3,881	153	45	12,698	-	586	325	114,602
Credit card charges	-	-	-	-	-	-	-	-	-	13,956	-	-	-	13,956
Bad debt	-	-	-	-	-	-	-	-	-	5,000	-	-	-	5,000
Meeting expenses	-	36,355	9,325	-	4,553	359	31,074	-	-	-	-	-	-	93,498
Consultants	-	37,683	21,989	-	-	-	4,259	-	3,075	-	-	8,757	-	63,931
	211,272	189,977	104,660	113,759	119,605	111,389	39,214	26,783	5,748	188,866	64,829	21,000	19,730	1,216,832
Rent														
Depreciation	5,225	3,645	2,400	1,939	6,580	2,606	-	1,588	127	10,872	2,697	1,019	866	39,564
Legal and professional	539	299	197	159	540	214	-	130	10	738	221	84	72	3,203
Insurance	1,227	911	600	485	1,644	2,273	-	397	32	2,717	674	3,005	216	14,226
Telephone/internet	2,267	862	568	459	1,557	617	-	376	30	2,572	593	205	241	9,307
Utilities	2,367	6,091	938	753	3,873	7	-	1,371	120	3,870	1,351	363	234	21,338
Building maintenance	573	424	279	226	766	303	-	185	15	1,266	314	119	101	4,571
Equipment and software maintenance	690	520	343	277	939	372	-	227	18	1,552	385	145	124	5,592
Equipment lease														
	5,780	8,536	2,819	2,276	7,876	3,384	-	1,864	149	12,765	3,167	3,696	1,017	53,329
	1,492	1,039	685	553	1,876	743	-	453	36	3,100	769	290	247	11,283
	19,165	22,327	8,829	7,127	25,651	10,519	-	6,591	537	39,452	10,171	8,962	3,082	162,413
\$	230,437	\$ 212,304	\$ 113,489	\$ 120,886	\$ 145,256	\$ 121,908	\$ 39,214	\$ 33,374	\$ 6,285	\$ 228,318	\$ 75,000	\$ 29,962	\$ 22,812	\$ 1,379,245

PRELIMINARY DRAFT FOR DISCUSSION PURPOSE ONLY

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
STATEMENTS OF CASH FLOWS  
For the years ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 249,016	\$ (51,510)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,417	3,203
Unrealized gain on investments	(169,844)	(49,146)
Contributions to permanently restricted net assets	(375)	(750)
Decrease (increase) in operating assets:		
Accounts receivable	2,567	3,748
Prepaid expenses and deposits	7,464	1,267
Grants receivable	(50,032)	18,764
Unconditional promises to give	(38,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	4,239	61,118
Unearned membership dues	(6,538)	35,187
Unearned revenue-other	16,835	48,381
Net cash provided by operating activities	<u>20,749</u>	<u>70,262</u>
Cash flows from investing activities:		
Purchase of property and equipment	(5,370)	-
Purchase of investments	(77,307)	(1,365,117)
Proceeds from sale of investments	90,000	1,381,540
Net cash provided by investing activities	<u>7,323</u>	<u>16,423</u>
Cash flows from financing activities:		
Contributions to permanently restricted net assets	375	750
Payments made on note payable	(2,685)	(213)
Net cash (used in) provided by financing activities	<u>(2,310)</u>	<u>537</u>
Net increase in cash and cash equivalents	25,762	87,222
Cash and cash equivalents at beginning of year	163,226	76,004
Cash and cash equivalents at end of year	<u>\$ 188,988</u>	<u>\$ 163,226</u>
Supplemental disclosure:		
Cash paid for interest	\$ 1,895	\$ -
Noncash activities:		
Property and equipment purchases financed	<u>\$ -</u>	<u>\$ 20,577</u>

See accompanying notes.

**AMERICAN ASSOCIATION FOR STATE  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**General and Nature of Activities**

The American Association for State and Local History (AASLH) (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. AASLH 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 Canada.

**Financial Statement Presentation**

The Association has adopted Statement of Financial Accounting Standards (“SFAS”) No. 117, “Financial Statements of Not-for-Profit Organizations.” Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows.

**Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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**

The Association has adopted SFAS No. 124, “Accounting for Certain Investments Held by Not-for-Profit Organizations.” Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**AMERICAN ASSOCIATION FOR STATE  
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NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007 and 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

PRELIMINARY DRAFT FOR  
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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. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are 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 are not vested.

**Contributions**

The Association has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

**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 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.

Management considers all promises to give to be fully collectible at June 30, 2007. Accordingly, no allowance for doubtful accounts has been provided.

**AMERICAN ASSOCIATION FOR STATE  
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NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007 and 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Grants and Government Contracts**

PRELIMINARY DRAFT FOR  
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Grants and government contract revenue is recognized when earned. Grants receivable representing the difference between award amounts and amounts received are offset by a liability entitled unearned grant funds, to the extent such grants have not been earned.

**Contributed Services**

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Association receives a significant amount of donated services from unpaid volunteers who assist in certain grants. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

**Membership Dues and Activities**

Membership dues are recognized using the straight-line method over one year. 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 activities 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 made by management.

**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.

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007 and 2006**

**NOTE 2 – CASH AND INVESTMENTS**

Cash and cash equivalents consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Non-interest bearing:		
Cash in operating account	\$ 92,244	\$ 77,370
Interest bearing:		
Money Market Funds	<u>96,744</u>	<u>85,856</u>
	<u>\$ 188,988</u>	<u>\$ 163,226</u>

Marketable securities are recorded at market value at June 30, 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Vanguard Group:		
Intermediate – Term Corporate Fund	\$ 89,140	\$ 83,636
Wellington Fund	914,959	818,501
Index Trust – 500 Portfolio	<u>566,980</u>	<u>511,791</u>
	1,571,079	1,413,928
Less: unrestricted funds	<u>(77,117)</u>	<u>(92,559)</u>
Investments - restricted	<u>\$1,493,962</u>	<u>\$1,321,369</u>

The Association's investment policy generally requires 50% - 80% of equity investments and 15% - 50% in fixed income securities. Short-term securities should represent 0% - 20%.

Investment income from these investments for the years ended June 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Unrealized gains on investments	\$ 169,844	\$ 49,146
Dividends/interest	<u>81,844</u>	<u>65,866</u>
	<u>\$ 251,688</u>	<u>\$ 115,012</u>

**Restricted Cash and Investments**

The Association has deposited substantially all of the permanently restricted contributions into a diversified mutual fund group of investments. Earnings or losses on such assets are reflected as an increase or decrease in unrestricted or temporarily restricted net assets based on the intention of the donor. However, earnings on the permanently restricted net assets are subject to the following investment policy.

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007 and 2006**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Restricted Cash and Investments (Continued)**

The Association's Board has established an investment policy to limit the amount of earnings that can be withdrawn during the year up to 5% of the total market value at the beginning of the fiscal year. The cumulative withdrawals will be evaluated and adjusted in the fifth year for any market fluctuations.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2007</u>	<u>2006</u>
Office furniture and equipment	\$ 23,041	\$ 21,417
Computer equipment	23,036	19,291
Vehicles	<u>20,577</u>	<u>20,577</u>
	66,654	61,285
Accumulated depreciation	<u>(41,618)</u>	<u>(36,202)</u>
	<u>\$ 25,036</u>	<u>\$ 25,083</u>

**NOTE 4 – NOTE PAYABLE**

Note payable consists of an installment note which provides for interest at 9.89%. Principal and interest are due in monthly installments of \$382. The note is secured by a vehicle.

Scheduled maturities of the note payable are as follows for the year ending June 30:

2008	\$ 2,963
2009	3,270
2010	3,608
2011	3,981
2012	<u>3,857</u>
	<u>\$ 17,679</u>

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007 and 2006**

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consist of investment income from the Association's endowment funds and amounts designated for endowment expenses.

Permanently restricted net assets consist of donations restricted for endowment investments to be held indefinitely, the income from which is unrestricted or temporarily restricted based on donor stipulations.

**NOTE 6 – GRANTS**

Grants and endowments may require fulfillment of certain conditions as set forth in the instruments of the grant. Failure to fulfill these conditions, or in the case of endowments, failure to continue to fulfill them, could result in the return of the monies to grantors.

During fiscal 2007, the Association was the recipient of a federal grant of \$1,000,000. The grant is to be used for the purpose of raising awareness about the need to care for America's collections. Limited amounts were received and expended under the grant during fiscal 2007.

During fiscal 2006, the Association was the recipient of two federal grants of \$355,000 and \$454,000, respectively. The grants are to be used for advancement of museum staff knowledge and skills of museum operation. Amounts received and expended under the grants totaled \$102,420 and \$182,559, respectively, during fiscal 2007 and \$25,797 and \$35,206, respectively, during fiscal 2006.

**NOTE 7 – PENSION PLAN**

The Association maintains a defined contribution retirement plan. Employees with two years of service and over the age 25 are eligible to participate. Eligible employees may elect a 5% salary reduction and 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 \$9,794 and \$13,134 for the years ended June 30, 2007 and 2006, respectively.

**NOTE 8 – LEASING AND SERVICE ARRANGEMENTS**

On May 8, 1998, the Association entered into an operating lease agreement effective July 1, 1998, for the rental of office space. The lease includes two options to extend the lease for three-year periods with a fixed increase in rent. The lease was renewed in 2007 and expires June 30, 2008.

The Association has also entered into operating leases for certain office equipment.

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007 and 2006**

**NOTE 8 – LEASING AND SERVICE ARRANGEMENTS (Continued)**

The future minimum lease payments are as follows for the years ending June 30:

2008	PRELIMINARY DRAFT FOR DISCUSSION PURPOSE ONLY	\$ 51,683
2009		4,164
2010		4,164
2011		<u>1,388</u>
		<u>\$ 61,399</u>

Rent expense for the years ended June 30, 2007 and 2006 totaled \$52,124 and \$50,847, respectively. Such expenses have been reported in various classifications based upon the related 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 requires the consulting group to provide web based services, and routine maintenance for 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 will automatically renew yearly thereafter until terminated. If the agreement is terminated prior to the initial term or 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 \$33,758 and \$37,983 for the years ended June 30, 2007 and 2006, respectively.

In May 2005, the Association signed a service agreement to operate and support the Association's career services on their internet website for a period of three years. Fees for such services will be 50% of revenue collected, less 50% of credit card charges.

**NOTE 9 – INCOME TAXES**

The Association had no unrelated business taxable income during the years ended June 30, 2007 and 2006.

**NOTE 10 – CONCENTRATIONS**

Financial instruments that potentially subject the Association to concentrations of credit risk consist of investments held by a broker and a mutual fund company.

Also, 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.

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**June 30, 2007 and 2006**

PRELIMINARY DRAFT FOR  
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**NOTE 11 – COMMITMENTS**

The Association entered into an agreement dated March 2007 for a space commitment for the annual meeting to be held October 2008 in Rochester, New York. In the event of cancellation, the Association will be required to pay up to the entire contract rate if the commitment is canceled less than 6 months from the event date. However, if the space is contracted to another party, the amount received from the other party will be used to offset the amount owed by the Association.

The Association entered into an agreement dated April 2007 for a hotel commitment, including food and beverage, for the annual meeting to be held October 2008 in Rochester, New York. In the event of cancellation, the Association shall pay up to 80% of rooms' rental minimum and 40% of food and beverage if cancellation occurs within 179 days or less of the event date.

The Association entered into an agreement dated April 2007 for an additional hotel commitment for the annual meeting to be held October 2008 in Rochester, New York. In the event of cancellation, the Association shall pay up to 80% of rooms' rental minimum if cancellation occurs less than 6 months of the event date.

The Association entered into an agreement dated April 2007 for an additional hotel commitment for the annual meeting to be held October 2008 in Rochester, New York. In the event of cancellation, the Association shall pay up to 100% of total anticipated revenue based upon arrangements for guestrooms, function space and food and beverage requirements at the time of cancellation if cancellation occurs with 30 days or less of event.

The Association entered into an agreement dated March 2006 for a hotel and meeting space commitment for the annual meeting to be held September 2007 in Atlanta, Georgia. In the event of cancellation, the Association shall pay up to 100% of minimum room and banquet revenue. No significant liability resulted from this commitment.

The Association has agreed to provide certain survey services relating to performance measurement pilot 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. Performance measurement revenue included in Education and Training for the years ended June 30, 2007 and 2006 approximates \$93,000 and \$40,000, respectively. Amounts reflected in the accompanying Statement of Financial Position for ongoing contracts at June 30, 2007 includes accounts receivable of \$75,050 and unearned revenue of \$71,664. Similar amounts at June 30, 2006 include accounts receivable of \$61,917 and unearned revenue of \$71,664.

Effective fiscal year 2006, the Association entered into a deferred compensation arrangement with a key executive that provides for annual deferrals of \$10,000 per year through July 2010.

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007 and 2006**

PRELIMINARY DRAFT FOR  
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**NOTE 11 – COMMITMENTS (Continued)**

During fiscal year 2007, the Association entered into an agreement for planning services and on-site assistance for the annual meeting to be held September 2007. The contract amount totaled \$16,975, of which \$14,742 had been paid as of June 30, 2007.

In June 2007, the Association entered into an agreement for a fundraising consultant to assist in developing and implementing an endowment campaign to raise \$750,000. Fees for these services are \$1,050 per day. It is anticipated that a maximum of \$17,500 will be expended during fiscal 2008. This agreement can be extended by the Association for an additional one or two years, if deemed necessary, at the daily rate.

## **SUPPLEMENTARY INFORMATION**

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AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
TEMPORARILY RESTRICTED NET ASSETS  
For the year ended June 30, 2007

	Interest from Evelyn	Interest from Alderson	Interest from Corey	Interest from Herold	Interest from Endowment	Federal Formula Grant Project Pledges	Endowment Expenses and Other	Total
Donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,000	\$ -	\$ 38,000
Investment income	256	4,943	4,225	1,181	218,661	-	-	229,266
Net assets released from restrictions	-	-	-	-	(65,744)	-	-	(65,744)
Net increase	256	4,943	4,225	1,181	152,917	38,000	-	201,522
Balance June 30, 2006	401	11,603	12,283	4,322	115,934	-	17,396	161,939
Balance June 30, 2007	\$ 657	\$ 16,546	\$ 16,508	\$ 5,503	\$ 268,851	\$ 38,000	\$ 17,396	\$ 363,461

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See accompanying notes.

**AMERICAN ASSOCIATION FOR STATE  
AND LOCAL HISTORY  
PERMANENTLY RESTRICTED NET ASSETS  
For the year ended June 30, 2007**

	<u>Evelyn Scholarship</u>	<u>Alderson Internship</u>	<u>Corey Memorial</u>	<u>Herold Memorial</u>	<u>Endowment</u>	<u>Total</u>
Donations	\$ -	\$ 25	\$ -	\$ -	\$ 350	\$ 375
Net increase	-	25	-	-	350	375
Balance June 30, 2006	<u>1,067</u>	<u>24,776</u>	<u>11,544</u>	<u>2,418</u>	<u>1,095,874</u>	<u>1,135,679</u>
Balance June 30, 2007	<u>\$ 1,067</u>	<u>\$ 24,801</u>	<u>\$ 11,544</u>	<u>\$ 2,418</u>	<u>\$ 1,096,224</u>	<u>\$ 1,136,054</u>

PRELIMINARY DRAFT FOR  
DISCUSSION PURPOSE ONLY

See accompanying notes.