

**AMERICAN ASSOCIATION FOR
STATE AND LOCAL HISTORY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of American Association for State and Local History (the "Association") (a nonprofit organization) as of June 30, 2011, and the related statement of activities, operating expenses, and cash flow for the year 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 audit.

We conducted our audit 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 audit provides 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 American Association for State and Local History as of June 30, 2011, and the changes in net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 5, 2012

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Current assets:	
Cash and cash equivalents	\$ 156,544
Grants receivable	151,300
Accounts receivable, less allowance of \$1,668	36,026
Unconditional promises to give, less allowance of \$17,800	54,968
Prepaid expenses and deposits	<u>73,760</u>
Total current assets	472,598
Property and equipment, net	59,245
Investments - substantially restricted	<u>861,944</u>
Total assets	<u><u>\$ 1,393,787</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 87,378
Deferred compensation payable	61,252
Note payable	3,568
Unearned membership dues	331,142
Unearned revenue - other	<u>52,963</u>
Total current liabilities	<u>536,303</u>
Net assets:	
Unrestricted	(694,231)
Temporarily restricted	79,359
Permanently restricted	<u>1,472,356</u>
Total net assets	<u>857,484</u>
Total liabilities and net assets	<u><u>\$ 1,393,787</u></u>

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

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Membership dues	\$ 514,218	\$ -	\$ -	\$ 514,218
Federal grants and awards	284,858	-	6,718	291,576
Annual meeting	296,078	-	-	296,078
Contributions	118,754	-	15,905	134,659
Investment income, net	140,503	78,999	-	219,502
Presidential sites and libraries	755	-	-	755
Education and training	69,517	-	-	69,517
Miscellaneous revenue	13,652	-	-	13,652
Royalties	41,305	-	-	41,305
Advertising	47,968	-	-	47,968
Sales of publications	5,727	-	-	5,727
Sales of labels	1,320	-	-	1,320
Net assets released from restrictions	72,313	(72,313)	-	-
Total revenues, gains and other support	<u>1,606,968</u>	<u>6,686</u>	<u>22,623</u>	<u>1,636,277</u>
Operating Expenses:				
Program services:				
Annual meeting	277,374	-	-	277,374
Program development	107,971	-	-	107,971
Education and training	157,218	-	-	157,218
Periodicals	77,951	-	-	77,951
Leadership and governance	99,186	-	-	99,186
Performance measures program	52,114	-	-	52,114
Incremental Standards program	35,303	-	-	35,303
Conservation Bookshelf program	54,785	-	-	54,785
Federal Formula grant program	7,906	-	-	7,906
Publishing	1,950	-	-	1,950
Project management	154,059	-	-	154,059
EXCEL grant	120,506	-	-	120,506
IDEA grant	14,360	-	-	14,360
Total program services	<u>1,160,683</u>	<u>-</u>	<u>-</u>	<u>1,160,683</u>
Supporting services:				
Administration and finance	318,201	-	-	318,201
Membership services	95,395	-	-	95,395
Advertising and marketing	48,497	-	-	48,497
Fundraising and program development	20,601	-	-	20,601
Total supporting services	<u>482,694</u>	<u>-</u>	<u>-</u>	<u>482,694</u>
Total operating expenses	<u>1,643,377</u>	<u>-</u>	<u>-</u>	<u>1,643,377</u>
Change in net assets from operating activities	<u>(36,409)</u>	<u>6,686</u>	<u>22,623</u>	<u>(7,100)</u>
Nonoperating expenses:				
Unauthorized purchases	<u>305,792</u>	<u>-</u>	<u>-</u>	<u>305,792</u>
Change in net assets	<u>(342,201)</u>	<u>6,686</u>	<u>22,623</u>	<u>298,692</u>
Net assets, beginning of year (as restated)	<u>(352,030)</u>	<u>72,673</u>	<u>1,449,733</u>	<u>1,170,376</u>
Net assets, end of year	<u>\$ (694,231)</u>	<u>\$ 79,359</u>	<u>\$ 1,472,356</u>	<u>\$ 1,469,068</u>

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

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENT OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2011

	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	Fundraising	Total
Salaries	\$ 28,529	\$ 65,049	\$ 16,578	\$ 12,456	\$ 36,864	\$ 8,949	\$ 9,110	\$ 19,326	\$ 3,044	\$ 1,073	\$ 36,491	\$ 47,807	\$ 1,927	\$ 112,810	\$ 40,791	\$ 26,507	\$ 8,027	\$ 475,338
Consultants	-	1,500	38,859	-	-	-	-	23,470	-	-	-	79,635	22,277	-	-	-	-	165,541
Travel	7,236	1,714	64,801	-	26,750	2,337	498	1,533	2,252	-	15,592	21,323	7,745	131	-	-	-	151,912
Direct costs and COGS	101,424	-	-	-	-	28,111	-	-	-	-	-	-	-	-	-	-	-	129,535
Taxes and benefits	7,339	15,417	4,074	1,089	9,481	2,302	2,338	4,975	781	273	9,382	12,303	494	33,868	10,497	6,818	2,055	123,486
Miscellaneous	21,345	3,075	602	-	291	3,500	1	-	1,000	-	11	158	200	67,005	-	-	1,571	98,759
Supplies/shipping/postage	8,854	579	1,876	20,388	4,298	1,920	1,510	200	-	260	85	871	1	11,158	18,841	136	4,877	75,854
Printing	5,832	-	2,311	26,732	4,882	472	3,700	-	-	-	-	172	-	1,387	10,069	1,832	2,568	59,937
Rent	2,691	5,637	1,492	399	3,476	844	888	1,825	286	100	3,440	4,511	182	12,542	3,849	2,501	754	45,387
Meeting expenses	27,010	3,131	7,584	-	442	385	-	-	-	-	-	635	-	-	-	-	-	43,513
Special events	43,184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,184
Equipment and software maintenance	1,317	1,415	6,707	663	2,811	1,184	695	1,442	193	82	3,735	3,639	2,781	9,750	3,010	2,022	170	41,616
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	41,102	-	-	-	41,102
Design	18,394	356	2,874	14,802	-	-	504	-	-	-	-	86	750	-	1,500	-	-	39,266
Depreciation	549	291	194	166	453	233	13,974	346	41	31	461	202	12	2,350	404	246	116	20,069
Insurance	589	2,910	379	296	1,257	224	200	634	37	35	1,243	1,626	66	4,178	1,345	903	76	15,963
Legal and professional	571	2,157	548	287	1,672	513	301	616	83	35	1,206	1,578	64	4,054	1,305	877	74	15,941
Telephone and internet	1,157	1,372	757	288	2,311	465	463	610	109	44	1,022	1,016	43	2,228	337	672	133	13,027
Equipment lease	333	1,346	239	167	710	304	176	359	44	21	703	919	37	2,363	761	511	43	8,992
Building maintenance	295	1,205	323	150	631	265	73	323	318	19	624	816	32	2,100	675	453	38	8,061
Duplicating	390	115	34	18	508	1	795	74	-	-	1	6	3	3,632	1,522	382	5	7,486
Sponsorships and awards	-	-	7,000	-	-	-	-	-	-	-	-	-	-	425	10	-	-	7,435
Utilities	335	702	186	50	433	105	107	227	36	12	428	561	23	1,560	479	311	94	5,649
Credit card charges	-	-	-	-	-	-	-	-	-	-	-	-	-	5,558	-	-	-	5,558
Professional training	-	-	-	-	1,936	-	-	-	-	-	-	-	-	-	-	-	-	1,936
Book purchases	-	-	-	-	-	-	-	(1,170)	-	-	-	-	-	-	-	-	-	(1,170)
	\$ 277,374	\$ 107,971	\$ 157,218	\$ 77,951	\$ 99,186	\$ 52,114	\$ 35,303	\$ 54,785	\$ 7,906	\$ 1,950	\$ 154,059	\$ 120,506	\$ 14,360	\$ 318,201	\$ 95,395	\$ 48,497	\$ 20,601	\$ 1,643,377

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

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Change in net assets	\$ 298,692
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Donation of property and equipment	
Depreciation	20,069
Unrealized gain on investments	(186,705)
Contributions to permanently restricted net assets	(15,905)
Decrease (increase) in operating assets:	
Accounts receivable	37,600
Prepaid expenses and deposits	2,792
Grants receivable	(64,522)
Unconditional promises to give	35,154
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	20,472
Unearned membership dues	44,784
Unearned revenue - other	(16,419)
Net cash used in operating activities	<u>176,012</u>
Cash flows from investing activities:	
Purchase of property and equipment	-
Purchase of investments	(32,712)
Proceeds from sale of investments	<u>475,000</u>
Net cash provided by investing activities	<u>442,288</u>
Cash flows from financing activities:	
Contributions to permanently restricted net assets	15,905
Payments made on note payable	<u>(4,270)</u>
Net cash provided by financing activities	<u>11,635</u>
Net increase in cash and cash equivalents	629,935
Cash and cash equivalents, beginning of year (as restated)	<u>138,193</u>
Cash and cash equivalents, end of year	<u><u>\$ 768,128</u></u>
Supplemental disclosure:	
Cash paid for interest	<u><u>\$ 568</u></u>

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

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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 and 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 – Includes unrestricted contributions which are available for operations.

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.

Use of Estimates

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

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)
YEAR ENDED JUNE 30, 2011**

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.

Contributions

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 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.

Management considers all promises to give to be fully collectible at June 30, 2011. Accordingly, no allowance for doubtful accounts has been provided.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Government Contracts

Grants and government contract revenue 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 year ended June 30, 2011.

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, 2007 through June 30, 2010. There are no tax penalties or interest reported in the accompanying financial statements. The Association had no uncertain tax positions at June 30, 2011.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

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.

Events Occurring After Reporting Date

The Association has evaluated events and transactions that occurred after June 30, 2011, through the date of the issued financial statements, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - 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 2011, the Association's former finance director and spouse were arrested after a grand jury indicted them on charges of misappropriating approximately \$730,000. For the year ending June 30, 2011, \$305,752 has been recorded as expense in the financial statements related to current year unauthorized purchases. Included in the total misappropriation of \$730,000 is \$27,038 that occurred after June 30, 2011 and will be reflected in fiscal year 2012 financial statements. The Association is using all legal remedies at its disposal to make the Association whole from the misappropriation, however, recover is not certain and no amounts have been recorded in the financial statements for anticipated recoveries.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30, 2011:

Non-interest bearing:	
Cash in operating account	\$ 47,835
Interest bearing:	
Vanguard Prime Money Market Fund	<u>108,709</u>
	<u>\$ 156,544</u>

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.

NOTE 4 - INVESTMENTS

Marketable securities are recorded at market value at June 30, 2011, as follows:

Vanguard Group:	
Intermediate - Term Investment - Grade Fund Admiral Shares	\$ 101,373
Wellington Fund Admiral Shares	523,351
500 Index Fund - Admiral Shares	<u>237,220</u>
Investments - substantially restricted	<u>\$ 861,944</u>

Investment income from these investments for the year ended June 30, 2011 is as follows:

Unrealized gain (loss) on investments	\$ 186,705
Dividends/interest	<u>32,797</u>
	<u>\$ 219,502</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

NOTE 5 - 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, 2011, 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, 2011 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)
Mutual Funds	\$ 861,944	861,944	\$ -	\$ -

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

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2011:

Office furniture and equipment	\$ 28,064
Computer equipment	30,288
Website development	68,000
Vehicles	<u>20,577</u>
	146,929
Less accumulated depreciation	<u>(87,684)</u>
	<u>\$ 59,245</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE 7 - 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, 2011 are as follows:

Salary deferrals	\$ 60,000
Investment earnings	<u>1,252</u>
	<u><u>\$ 61,252</u></u>

NOTE 8 - 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, 2011:

2012	<u><u>\$ 3,568</u></u>
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NOTE 9 - UNEARNED REVENUE - OTHER

Deferred revenue – other consists of the following at June 30, 2011:

Advertising	\$ 2,675
Registration fees	19,320
Performance measurement fees	2,174
Presidential Sites and Libraries	12,879
Seminar for Historical Administration	13,490
Small Museum Scholarships	<u>2,425</u>
	<u><u>\$52,963</u></u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE 10 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of gifts and investment income from the Association's endowment funds, and are made up of the following at June 30, 2011:

Evelyn Scholarship	\$ 1,384
Alderson Internship	40,636
Corey Memorial	29,002
Herold Memorial	8,337
	<u>\$ 79,359</u>

Permanently restricted net assets consist of the following at June 30, 2011:

Endowment	<u>1,472,356</u>
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NOTE 11 - PENSION PLAN

The Association maintains a defined contribution retirement plan. Employees with two years of service and over age 25 are eligible to participate. Eligible employees may elect a 5% salary deferral 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 \$19,085 for the year ended June 30, 2011.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE 12 - LEASING AND SERVICE ARRANGEMENTS

The Association entered into an eighteen month operating lease agreement effective January 1, 2011, for the rental of office space. The lease was renewed subsequent to June 30, 2011 and expires June 30, 2017.

The future minimum lease payments for all operating leases with noncancelable lease terms greater than one year are as follows for the year ending June 30, 2011.

2012	<u>\$ 46,368</u>
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Rent expense for the year ended June 30, 2011 totaled \$45,387. 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 \$32,820 for the year ended June 30, 2011.

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 charges.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE 13 - COMMITMENTS

The Association entered into an agreement dated December 2008, for a hotel commitment and event space, including food and beverage, for the annual meeting to be held September 2011, in Richmond, Virginia. In the event of cancellation, the Association shall pay up to 100% of total anticipated revenue based upon arrangements for guestrooms and food and beverage if cancellation occurs less than 6 months of the event date. No significant liability resulted from this commitment.

The Association entered into an agreement dated July 2010, for a hotel commitment and event space, including food and beverage, for the annual meeting to be held October 2012, in Salt Lake City, Utah. 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.

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 for the visitors count program for the year ended June 30, 2011 approximates \$29,393.

The Association entered into an agreement for planning services and on-site assistance for the annual meeting held September 2011. The contract amount totaled \$17,484.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

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.

The UPMIFA was enacted in Tennessee effective July 1, 2007. The Association has interpreted the UPMIFA as requiring that 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, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	<u>\$ (581,062)</u>	<u>\$ 79,359</u>	<u>\$ 1,472,356</u>	<u>\$ 970,653</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE 14 - ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (293,304)	\$ 69,723	\$ 1,449,733	\$ 1,226,152
Investment return	205,941	13,561	-	219,502
Contributions	-	-	22,623	22,623
Endowment distributions	<u>(493,699)</u>	<u>(3,925)</u>	<u>-</u>	<u>(497,624)</u>
Endowment net assets, end of year	<u>\$ (581,062)</u>	<u>\$ 79,359</u>	<u>\$ 1,472,356</u>	<u>\$ 970,653</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 was \$581,062 at June 30, 2011.

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.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

NOTE 15 - UNCERTAINTY

During fiscal 2010, the Association was named as a defendant in certain litigation initiated by a consultant relating to one of the Association's grants. The Association has filed a counterclaim alleging breach of contract. Presently, the ultimate outcome of this matter cannot be determined. However, management believes the ultimate settlement will not have a material adverse effect on the Association's financial position.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

During 2011, we discovered an error on the 2010 financial statements related to the cash balance. The error was caused by the Association voiding several checks but not adding them back into the cash balance. The cash balance was understated by \$48,835. As a result of this understatement the Association made a prior adjustment that increased cash and beginning unrestricted net assets by \$48,835.

Also during 2011, we noted that contributions totaling \$39,830 previously reported as permanently restricted net assets related to Evelyn, Alderson, Corey and Herold funds should have been reported as temporarily restricted net assets.

For financial reporting purposes, this error has been accounted for as a prior period adjustment in accordance with FASB ASC 250-10 and 250-20, formerly Statements of Financial Accounting Standard (SFAS) No. 154, "Accounting for Changes and Error Corrections". We do not believe that any of the prior period financial statements were materially misstated as a result of not making the adjustments described above.

Terry Jackson

From: Cherie Cook [cheriecook@embarqmail.com]
Sent: Tuesday, July 24, 2012 12:28 PM
To: Terry Jackson
Subject: More Notes on Freer Decision to Extend Educa. Survey

Below is correspondence about the \$300 extension fee for our files.

C.

From: Cherie Cook
Sent: Monday, April 23, 2012 9:33 AM
To: Rothberg, Hillary
Subject: Re: Education Survey Update April 16

Hillary:

Unfortunately, we didn't receive any additional surveys last week so your numbers are still at 9 teacher surveys and 84 student ones. If your totals don't increase in May, do you want to consider the idea of extending your survey collection into next school year? I suggest considering this only if you're not planning to make any major changes to your education programs this summer (or if you are, we'd probably recommend discarding what was collected this year and starting over). There is a \$300 fee to extend your project another year.

C.

Cherie Cook, Senior Program Manager
AASLH
573.893.5164
cook@aaslh.org

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From: Rothberg, Hillary
Sent: Friday, April 20, 2012 10:07 AM
To: 'Cherie Cook'
Subject: RE: Education Survey Update April 16

Yes, we have a follow up phone call and email system that has been followed well for all teachers.

I will consider the re-sending option. I am concerned that it has been so long since some of their tours we won't get accurate data.

Hillary

Hillary Rothberg
Educator for Docents and Tours
202-633-0467

From: Cherie Cook [mailto:cheriecook@embarqmail.com]
Sent: Friday, April 20, 2012 11:03 AM
To: Rothberg, Hillary
Subject: Re: Education Survey Update April 16

Okay, I'll order them for you. On your question about low response rates – I know you weren't involved when the project started, but in our orientation call I emphasized over and over the challenge of getting teachers to complete the survey and how important it was to be consistent in sending follow-up reminders. I would say your response rate is a bit low. Do you believe your museum has been consistent all through the school year sending every teacher several reminders?

You might consider resending the survey to all teachers who brought classes since January with a brief cover letter asking them to please fill out the survey (and disregard if they already have). If you decide to do this, I would do it ASAP since the closer it is to the end of the school year the more unlikely teachers will make time to do it.

C.

Cherie Cook, Senior Program Manager
AASLH
573.893.5164
cook@aaslh.org

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From: Rothberg, Hillary
Sent: Friday, April 20, 2012 9:31 AM
To: 'Cherie Cook'
Subject: RE: Education Survey Update April 16

The large ones please. 15-20 should be plenty

Hillary

Hillary Rothberg
Educator for Docents and Tours
202-633-0467

From: Cherie Cook [mailto:cheriecook@embarqmail.com]
Sent: Friday, April 20, 2012 10:05 AM
To: Rothberg, Hillary
Subject: Re: Education Survey Update April 16

I'm just back in the office from traveling and will order them today – do you need the large or small ones – and how many?

C.

Cherie Cook, Senior Program Manager
AASLH
573.893.5164
cook@aaslh.org

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From: Rothberg, Hillary
Sent: Wednesday, April 18, 2012 12:35 PM
To: 'Cherie Cook'
Subject: RE: Education Survey Update April 16

Sorry for all the emails. I am running low on envelopes. Where can I get some more?

Hillary

Hillary Rothberg
Educator for Docents and Tours
202-633-0467

From: Rothberg, Hillary
Sent: Wednesday, April 18, 2012 1:07 PM
To: 'Cherie Cook'
Subject: RE: Education Survey Update April 16

Cherie,

I did some checking and we have distributed teacher surveys to all of our school tour groups, that is a total of 80 surveys. We have also distributed 392 student surveys. Is it normal to have such a low percentage of returns at this point? Would you like me to provide the final distribution numbers at the end of June?

Hillary

Hillary Rothberg
Educator for Docents and Tours
202-633-0467

From: Cherie Cook [<mailto:cheriecook@embarqmail.com>]
Sent: Monday, April 16, 2012 12:01 PM
To: Rothberg, Hillary
Subject: Education Survey Update April 16

Hi Hillary:

As of Friday, April 13th, you had:

Teacher surveys – 9
Student surveys – 84

Have a great week!

Cherie Cook, Senior Program Manager
AASLH
573.893.5164
cook@aaslh.org

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Terry Jackson

From: Cherie Cook [cheriecook@embarqmail.com]
Sent: Tuesday, July 24, 2012 12:24 PM
To: Terry Jackson
Subject: Joseph Schneider Haus Membership/VC Invoice

From: Tom Reitz
Sent: Thursday, July 12, 2012 8:06 AM
To: 'Cherie Cook'
Cc: jackson@aaslh.org ; Lucille Bish ; Susan Burke ; Dave Neufeld ; Michael Van Huisseling ; Wendy Connell
Subject: RE: Visitors Count education survey in 2012/13

Thanks Cherie. I'll get the agreements signed and sent to Terry.

And yes, please have Terry include a one year institutional membership for Joseph Schneider Haus on the invoice.

Since I'm the instigator of this, please copy me on the program updates.

Regards,

Tom

From: Cherie Cook [mailto:cheriecook@embarqmail.com]
Sent: July 11, 2012 3:22 PM
To: Tom Reitz
Cc: jackson@aaslh.org
Subject: Re: Visitors Count education survey in 2012/13

Tom:

We're excited to have the Waterloo Region Museum and the Joseph Schneider Haus join the Visitors Count! 2012 education survey group. Attached is an agreement for each institution. Please print *two* copies of each agreement, sign the four copies, and mail all four to our office in Nashville (address is on last page), attention Terry Jackson. Terry will see that each copy is signed by our President/CEO and then return one copy of each agreement to you. Terry will also prepare invoices for each institution for the first half of the program fee; she'll send them to you via email. The Joseph Schneider Haus does need to be a member in order to receive the VC member rate. Would you like for Terry to include a one-year institutional membership at \$115 on the invoice (or two years at \$184)?

I'll be in touch with Dave and Michael in mid-August to get started. Do you want to be copied on all program updates I send out? Between now and mid-August, Dave and Michael can begin talking with staff and looking at strategic plans and other documents to identify issues and/or projects where feedback from teachers will help with decision-making and thus be possible custom questions (each institution gets to add three custom questions to their survey).

Please let me know if you have any questions.

I look forward to working with you and with Dave and Michael on Visitors Count!

C.

Cherie Cook, Senior Program Manager
AASLH
573.893.5164
cook@aaslh.org

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From: Tom Reitz
Sent: Tuesday, July 10, 2012 9:11 AM
To: 'Cherie Cook'
Subject: FW: Visitors Count education survey in 2012/13

Cherie – we're a go to participate in the education survey of Visitor Counts. And it's not just the Waterloo Region Museum but also Joseph Schneider Haus.

I assume we'll require two participation agreements. If Joseph Schneider Haus also needs to be a member of AASLH, let me know and I'll figure out how to getting them registered.

You can send both agreements to me, and I'll approve and/or forward them on.

Here is the ongoing contact information for each museum relative to the education survey:

Dave Neufeld
Education Coordinator
Waterloo Region Museum
10 Huron Rd.
Kitchener, ON N2P 2R7
Canada
t. 519-748-1914 ext. 3269
f. 519-748-0009
e. DNeufeld@regionofwaterloo.ca

Michael Van Huisseling
Education Coordinator
Joseph Schneider Haus
466 Queen St. South
Kitchener, ON N2G 1W7
Canada
t. 519-575-4491 ext. 3247
f. 519-742-0089

e. MVanHuisseling@regionofwaterloo.ca

Email with any questions.

Regards,

Tom

From: Lucille Bish
Sent: July 10, 2012 9:46 AM
To: Tom Reitz; Susan Burke
Cc: Charlotte Gravlev; Kris Fletcher
Subject: RE: Visitors Count education survey in 2012/13

Hi Tom,

Since Susan is away until July 23, I'm going to agree on her behalf. I definitely want both sites to be surveyed at the same time. I have in fact already mentioned it to Michael when chatting with him recently.

It is a very reasonably priced program, and gets us direct comparative info from other museums (albeit all American at this point). However, we may eventually either tie it in or shift to our Citizen Service measurement plan. I am copying Charlotte and Kris for their information.

We should plan to meet with Citizen Service once we have the standard questions from Visitors Count, and discuss ideas for the 'custom' questions that we can add.

Thanks for taking the lead on this and getting it rolling.

Lucille Bish | Director, Community Services | Planning, Housing and Community Services
Region of Waterloo | 8th Floor, 150 Frederick Street, Kitchener ON Canada N2G 4J3
Phone: 519.575.4499 | Fax: 519.575.4449 | Email: lbish@regionofwaterloo.ca

From: Tom Reitz
Sent: Tuesday, July 10, 2012 9:01 AM
To: Lucille Bish; Susan Burke
Subject: Visitors Count education survey in 2012/13

Further to the discussion we had with Alan Wong about Performance Management, and in light of the upcoming Program Review, we've decided to go ahead with the American Association for State and Local History (AASLH) survey of education program attendees.

Here is a link to information about the survey – note that there are two surveys, one for casual visitors and one for students/teachers. We're going to participate in the latter.

<http://aaslh.org/documents/AASLHVisitorsCountProgramOverview2012.pdf>

As the attachment explains, the goal is to collect 50 teacher responses and 100 student ones in the fall, and an equal number in the winter/spring. Survey results – our own and as compared to other museums – are available in the late summer of 2013.

Lucille has suggested that both the Waterloo Region Museum and Joseph Schneider Haus participate in 2012/13.

The cost to participate is \$3,500 – assuming you are a member of AASLH. We've become a member, so hopefully that rate can be extended to JSH. Otherwise their base institutional membership is \$184. They are willing to spread the program cost over two years.

AASLH is prepared to send us a program agreement right away – planning for the 2012/13 survey starts in August. I assume that the principal contact person at each museum will be the education coordinators – Dave Neufeld and Michael Van Huisseling.

So far no other Canadian museums have participated in their surveys. Several have expressed interest but no one has been willing to take the leap. AASLH recommends that the survey be repeated every 3 to 5 years.

Let me know if JSH is going to participate, and I'll get the ball rolling at AASLH.

Regards,

Tom

Tom Reitz
Manager/Curator
Waterloo Region Museum
10 Huron Rd., Kitchener, Ontario, Canada N2P 2R7

TReitz@regionofwaterloo.ca

t - 519-748-1914 ext. 3270

f - 519-748-0009

For up to date information on the Waterloo Region Museum check out www.waterlooregionmuseum.com. Or look us up on Facebook at Waterloo Region Museum.

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Terry Jackson

From: Cherie Cook [cheriecook@embarqmail.com]
Sent: Tuesday, July 24, 2012 12:26 PM
To: Terry Jackson
Subject: Notes on Freer Decision to Extend Educa. Survey

From: Rothberg, Hillary
Sent: Thursday, June 28, 2012 10:45 AM
To: 'Cherie Cook'
Subject: RE: Education Survey Update June 25

Cherie,
We have decided to extend the survey collection through next year.
Thank you,
Hillary

Hillary Rothberg
Educator for Docents and Tours
202-633-0467

From: Cherie Cook [mailto:cheriecook@embarqmail.com]
Sent: Monday, June 25, 2012 4:56 PM
To: Rothberg, Hillary
Subject: Education Survey Update June 25
Importance: High

Hi Hillary:

I'm going to need your decision no later than this Friday, June 29th (preferably sooner) on whether you want to extend your survey collection into the next school year or have us process and analyze the results you have now. As of June 20th, you had 20 teacher surveys. How many total teachers received the survey during the school year?

C.

Cherie Cook, Senior Program Manager
AASLH
573.893.5164
cook@aaslh.org

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From: Cherie Cook
Sent: Monday, June 11, 2012 11:24 AM
To: Rothberg, Hillary

Subject: Education Survey Update June 11

Hillary:

As of last Friday, June 8th, your counts were:

Teacher Survey: 20

Student Survey: 84

C.

Cherie Cook, Senior Program Manager
AASLH
573.893.5164
cook@aaslh.org

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