

**AMERICAN ASSOCIATION FOR
STATE AND LOCAL HISTORY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2012 AND 2011**

**AMERICAN ASSOCIATION FOR
STATE AND LOCAL HISTORY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2012 AND 2011**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Operating Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 20



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 statements of financial position of American Association for State and Local History (the "Association") (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, operating 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 audits 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 American Association for State and Local History as of June 30, 2012 and 2011, and the changes in net assets and its cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Edmondson, Betzler & Montgomery, PLLC

December 27, 2012

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 145,534	\$ 156,544
Grants receivable	244,595	151,300
Accounts receivable, less allowance of \$1,668	37,159	36,026
Unconditional promises to give, less allowance of \$14,208 in 2012 and \$17,800 in 2011	56,693	54,968
Prepaid expenses and deposits	<u>37,080</u>	<u>73,760</u>
Total current assets	521,061	472,598
Property and equipment, net	36,402	59,245
Investments - substantially restricted	<u>844,597</u>	<u>861,944</u>
Total assets	<u><u>\$ 1,402,060</u></u>	<u><u>\$ 1,393,787</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 108,368	\$ 87,378
Deferred compensation payable	72,201	61,252
Note payable	-	3,568
Unearned membership dues	404,624	331,142
Unearned revenue - other	<u>65,438</u>	<u>52,963</u>
Total current liabilities	<u>650,631</u>	<u>536,303</u>
Net assets:		
Unrestricted	(743,954)	(614,872)
Temporarily restricted	-	-
Permanently restricted	<u>1,495,383</u>	<u>1,472,356</u>
Total net assets	<u>751,429</u>	<u>857,484</u>
Total liabilities and net assets	<u><u>\$ 1,402,060</u></u>	<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
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Membership dues	\$ 467,275	\$ -	\$ -	\$ 467,275
Federal grants and awards	380,179	-	-	380,179
Annual meeting	402,050	-	-	402,050
Contributions	170,917	-	23,027	193,944
Investment income, net	45,252	-	-	45,252
Presidential sites and libraries	-	-	-	-
Education and training	101,923	-	-	101,923
Miscellaneous revenue	17,345	-	-	17,345
Royalties	45,427	-	-	45,427
Advertising	34,574	-	-	34,574
Sales of publications	7,884	-	-	7,884
Sales of labels	2,685	-	-	2,685
Net assets released from restrictions	-	-	-	-
Total revenues, gains and other support	<u>1,675,511</u>	<u>-</u>	<u>23,027</u>	<u>1,698,538</u>
Operating Expenses:				
Program services:				
Annual meeting	336,574	-	-	336,574
Program development	80,807	-	-	80,807
Education and training	107,867	-	-	107,867
Periodicals	74,182	-	-	74,182
Leadership and governance	60,276	-	-	60,276
Performance measures program	50,650	-	-	50,650
Incremental Standards program	43,788	-	-	43,788
Conservation Bookshelf program	62,149	-	-	62,149
Federal Formula grant program	5,706	-	-	5,706
Publishing	1,165	-	-	1,165
Project management	124,718	-	-	124,718
EXCEL grant	112,526	-	-	112,526
IDEA grant	10,551	-	-	10,551
Total program services	<u>1,070,959</u>	<u>-</u>	<u>-</u>	<u>1,070,959</u>
Supporting services:				
Administration and finance	407,496	-	-	407,496
Membership services	66,612	-	-	66,612
Advertising and marketing	12,672	-	-	12,672
Fundraising and program development	12,869	-	-	12,869
Total supporting services	<u>499,649</u>	<u>-</u>	<u>-</u>	<u>499,649</u>
Total operating expenses	<u>1,570,608</u>	<u>-</u>	<u>-</u>	<u>1,570,608</u>
Change in net assets from operating activities	<u>104,903</u>	<u>-</u>	<u>23,027</u>	<u>127,930</u>
Nonoperating expenses:				
Unauthorized purchases	52,903	-	-	52,903
Fraud related expenses	181,082	-	-	181,082
Total nonoperating expenses	<u>233,985</u>	<u>-</u>	<u>-</u>	<u>233,985</u>
Change in net assets	(129,082)	-	23,027	(106,055)
Net assets, beginning of year	<u>(614,872)</u>	<u>-</u>	<u>1,472,356</u>	<u>857,484</u>
Net assets, end of year	<u>\$ (743,954)</u>	<u>\$ -</u>	<u>\$ 1,495,383</u>	<u>\$ 751,429</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, 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	154,064	65,438	-	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	68,388	(68,388)	-	-
Total revenues, gains and other support	<u>1,616,604</u>	<u>(2,950)</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>(26,773)</u>	<u>(2,950)</u>	<u>22,623</u>	<u>(7,100)</u>
Nonoperating expenses:				
Unauthorized purchases	305,792	-	-	305,792
Fraud related expenses	-	-	-	-
Total nonoperating expenses	<u>305,792</u>	<u>-</u>	<u>-</u>	<u>305,792</u>
Change in net assets	<u>(332,565)</u>	<u>(2,950)</u>	<u>22,623</u>	<u>(312,892)</u>
Net assets, beginning of year (as restated)	<u>(282,307)</u>	<u>2,950</u>	<u>1,449,733</u>	<u>1,170,376</u>
Net assets, end of year	<u>\$ (614,872)</u>	<u>\$ -</u>	<u>\$ 1,472,356</u>	<u>\$ 857,484</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, 2012

	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	Marketing	Fundraising	Total
Salaries	\$ 31,034	\$ 47,787	\$ 15,964	\$ 7,342	\$ 31,118	\$ 7,659	\$ 11,583	\$ 6,773	\$ 3,533	\$ 722	\$ 23,936	\$ 41,161	\$ 1,451	\$ 189,540	\$ 28,846	\$ 3,509	\$ 1,781	\$ 453,739
Consultants	-	625	19,750	-	-	-	-	54,458	-	-	40,450	35,296	2,000	-	-	-	-	152,579
Travel	88,486	1,232	47,254	-	(1,437)	2,046	1,101	-	-	-	8,028	30,532	2,162	1,762	-	637	(30)	181,773
Direct costs and COGS	86,453	-	-	-	-	33,055	-	-	-	-	-	-	-	-	-	-	-	119,508
Taxes and benefits	8,695	9,879	4,361	2,086	8,246	2,176	3,117	629	1,004	191	2,286	3,821	660	85,612	8,165	893	535	142,356
Miscellaneous	-	-	184	-	-	1,728	-	170	-	18	-	-	-	12,005	-	-	-	17,375
Supplies/shipping/postage	6,780	1,888	917	9,974	1,165	379	2,054	-	134	27	212	318	51	15,783	7,928	1,713	1,808	51,131
Printing	14,629	19	3,341	19,636	2,808	259	6,664	-	-	-	-	579	-	473	5,045	-	4,147	57,600
Rent	2,668	3,775	1,228	588	2,248	653	929	-	283	52	-	-	238	21,309	2,312	275	188	36,746
Meeting expenses	23,169	1,056	5,341	-	4,751	463	-	-	-	-	-	-	-	-	-	4,154	-	38,934
Special events	57,268	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,268
Equipment and software maintenance	2,101	2,703	2,706	206	-	529	800	-	244	45	-	-	206	18,367	2,026	237	89	30,259
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	950	-	-	-	950
Design	4,570	-	2,730	30,053	1,303	-	575	-	-	-	-	-	3,295	565	1,500	-	-	44,591
Depreciation	391	301	200	92	391	97	13,746	83	44	9	303	507	36	2,293	363	43	22	18,921
Insurance	976	1,548	491	235	130	246	372	-	113	21	-	-	95	9,381	925	11	75	14,619
Legal and professional	1,146	1,259	418	2,883	1,383	210	317	-	97	8	49,499	-	81	10,829	1,114	136	414	69,794
Telephone and internet	647	2,132	326	156	1,333	296	246	-	127	14	-	296	63	4,913	613	73	186	11,294
Equipment lease	1,772	1,862	1,295	651	3,052	276	1,869	-	-	35	-	-	106	1,531	2,173	121	232	15,102
Building maintenance	523	1,283	256	122	464	130	191	-	59	11	-	-	49	3,898	477	57	39	7,559
Duplicating	3,406	406	382	16	301	-	-	35	-	-	4	16	-	4,310	3,445	613	19	12,953
Sponsorships and awards	-	-	-	-	1,100	-	-	-	-	-	-	-	-	3,705	-	-	-	4,805
Utilities	295	436	148	71	272	74	112	-	34	6	-	-	29	2,600	279	33	22	4,411
Bank and credit card fees	1,486	466	575	71	271	374	112	1	34	6	-	-	29	17,194	1,401	167	72	22,259
Interest	-	-	-	-	122	-	-	-	-	-	-	-	-	20	-	-	-	142
Professional training	79	2,150	-	-	1,255	-	-	-	-	-	-	-	-	456	-	-	-	3,940
	\$ 336,574	\$ 80,807	\$ 107,867	\$ 74,182	\$ 60,276	\$ 50,650	\$ 43,788	\$ 62,149	\$ 5,706	\$ 1,165	\$ 124,718	\$ 112,526	\$ 10,551	\$ 407,496	\$ 66,612	\$ 12,672	\$ 12,869	\$ 1,570,608

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, 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	38,659	-	-	-	-	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	33,888	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	4,862	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	858	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	-	-	-	4,326	-	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	1,243	1,626	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	21	21	703	919	37	2,363	761	511	43	8,992
Building maintenance	295	1,205	323	150	631	265	73	318	44	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	7,435
Sponsorships and awards	-	-	7,000	-	-	-	107	227	-	12	428	561	23	1,560	479	311	94	5,649
Utilities	-	702	186	50	433	-	-	-	36	-	-	-	-	5,558	-	-	-	5,558
Credit card charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (106,055)	\$ (312,892)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	18,921	20,069
Unrealized gain on investments	(18,359)	(186,705)
Loss on sale of property and equipment	722	
Contributions to permanently restricted net assets	(23,027)	(15,905)
Decrease (increase) in operating assets:		
Accounts receivable	(1,133)	37,600
Prepaid expenses and deposits	36,680	2,792
Grants receivable	(93,295)	(64,522)
Unconditional promises to give	(1,725)	35,154
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	31,939	20,472
Unearned membership dues	73,482	44,784
Unearned revenue - other	12,475	(16,419)
Net cash used in operating activities	<u>(69,375)</u>	<u>(435,572)</u>
Cash flows from investing activities:		
Purchase of investments	(82,374)	(32,712)
Proceeds from sale of investments	118,080	475,000
Proceeds from sale of property and equipment	3,200	-
Net cash provided by investing activities	<u>38,906</u>	<u>442,288</u>
Cash flows from financing activities:		
Contributions to permanently restricted net assets	23,027	15,905
Payments made on note payable	(3,568)	(4,270)
Net cash provided by financing activities	<u>19,459</u>	<u>11,635</u>
Net increase (decrease) in cash and cash equivalents	(11,010)	18,351
Cash and cash equivalents, beginning of year (as restated)	<u>156,544</u>	<u>138,193</u>
Cash and cash equivalents, end of year	<u>\$ 145,534</u>	<u>\$ 156,544</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 142</u>	<u>\$ 568</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, 2012 AND 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 – 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, 2012 AND 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.

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.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 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 years ended June 30, 2012 and 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, 2008 through June 30, 2011. There are no tax penalties or interest reported in the accompanying financial statements. The Association had no uncertain tax positions at June 30, 2012.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 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.

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.

Events Occurring After Reporting Date

The Association has evaluated events and transactions that occurred after June 30, 2012, 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, 2012 AND 2011**

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. For the years ending June 30, 2012 and 2011, \$52,903 and \$305,752, respectively, have been recorded as expense in the financial statements related to unauthorized purchases. The Association is using all legal remedies at its disposal to make the Association whole from the misappropriation, however, recovery is not certain and no amounts have been recorded in the financial statements for anticipated recoveries. The Association expensed approximately \$181,000 for the year ending June 30, 2012 related to investigating and prosecuting this misappropriation.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30, 2012 and 2011:

	2012	2011
Non-interest bearing:		
Cash in operating account	\$ 41,946	\$ 47,835
Interest bearing:		
Vanguard Prime Money Market Fund	<u>103,588</u>	<u>108,709</u>
	<u><u>\$ 145,534</u></u>	<u><u>\$ 156,544</u></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.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011**

NOTE 4 - INVESTMENTS

Marketable securities are recorded at market value at June 30, 2012 and 2011, as follows:

	2012	2011
Vanguard Group:		
Dividend Appreciation Index Investor Shares	\$ 67,548	\$ -
Intermediate - Term Investment - Grade Fund		
Admiral Shares	117,036	101,373
Wellington Fund Admiral Shares	477,555	523,351
500 Index Fund - Admiral Shares	<u>182,458</u>	<u>237,220</u>
Investments - substantially restricted	<u>\$ 844,597</u>	<u>\$ 861,944</u>

Investment income from these investments for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Unrealized gain (loss) on investments	\$ 18,359	\$ 186,705
Dividends/interest	<u>26,893</u>	<u>32,797</u>
	<u>\$ 45,252</u>	<u>\$ 219,502</u>

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, 2012 and 2011, 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, 2012 AND 2011**

NOTE 5 - 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)
June 30, 2012				
Mutual Funds	\$ 844,597	844,597	\$ -	\$ -
June 30, 2011				
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 consisted of the following at June 30, 2012 and 2011:

	2012	2011
Office furniture and equipment	\$ 28,064	\$ 28,064
Computer equipment	30,287	30,287
Website development	68,000	68,000
Vehicles	-	20,577
	<u>126,351</u>	<u>146,928</u>
Less accumulated depreciation	<u>(89,949)</u>	<u>(87,683)</u>
	<u>\$ 36,402</u>	<u>\$ 59,245</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 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, 2012 are as follows:

	2012	2011
Salary deferrals	\$ 70,000	\$ 60,000
Investment earnings	2,201	1,252
	<u>\$ 72,201</u>	<u>\$ 61,252</u>

NOTE 8 - UNEARNED REVENUE - OTHER

Deferred revenue – other consists of the following at June 30, 2012 and 2011:

	2012	2011
Advertising	\$ 560	\$ 2,675
Annual meeting	22,812	19,320
Performance measurement fees	2,174	2,174
Presidential Sites and Libraries	12,553	12,879
Seminar for Historical Administration	24,948	13,490
Small Museum Scholarships	<u>2,391</u>	<u>2,425</u>
	<u>\$ 65,438</u>	<u>\$ 52,963</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 9 - RESTRICTIONS ON NET ASSETS

Net assets of the Association, and the nature of any restrictions, are made up of the following at June 30, 2012 and 2011:

	2012	2011
Unrestricted:		
Undesignated	\$ (791,672)	\$ (694,231)
Quasi Endowments:		
Evelyn Scholarship	1,095	1,384
Alderson Internship	22,727	40,636
Corey Memorial	18,612	29,002
Herold Memorial	5,284	8,337
	<u>47,718</u>	<u>79,359</u>
	<u>\$ (743,954)</u>	<u>\$ (614,872)</u>
Permanently restricted:		
Endowment	<u>\$ 1,495,383</u>	<u>\$ 1,472,356</u>

NOTE 10 - 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 \$19,919 and \$19,085 for the years ended June 30, 2012 and 2011, respectively.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 11 - LEASING AND SERVICE ARRANGEMENTS

The Association entered into a sixty-six month operating lease agreement effective July 1, 2012, for the rental of office space.

The future minimum lease payments for office space are as follows for the year ending June 30, 2012.

2013	\$ 46,452
2014	47,760
2015	47,760
2016	47,760
2017	47,760
2018	<u>23,880</u>
	<u>\$ 261,372</u>

Rent expense for the years ended June 30, 2012 and 2011 totaled \$35,793 and \$45,387, 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 \$32,820 and \$32,820 for the years ended June 30, 2012 and 2011, 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 charges.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011**

NOTE 12 - COMMITMENTS

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 years ended June 30, 2012 and 2011 amounted to \$60,009 and \$29,393, respectively.

NOTE 13 - ENDOWMENT

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

UPMIFA was enacted in Tennessee effective July 1, 2007. The Association has interpreted UPMIFA as requiring the Association to classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 13 - ENDOWMENT (CONTINUED)

Endowment net assets composition by type of fund is as follows at June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated quasi endowment	\$ 47,718	\$ -	\$ -	\$ 47,718
Donor-restricted endowment fund	(657,117)	-	1,495,383	838,266
	<u>\$ (609,399)</u>	<u>\$ -</u>	<u>\$ 1,495,383</u>	<u>\$ 885,984</u>

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>
Board designated quasi endowment	\$ 79,359	\$ -	\$ -	\$ 79,359
Donor-restricted endowment fund	(642,314)	-	1,472,356	830,042
	<u>\$ (562,955)</u>	<u>\$ -</u>	<u>\$ 1,472,356</u>	<u>\$ 909,401</u>

Changes in endowment net assets for the years ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (562,955)	\$ -	\$ 1,472,356	\$ 909,401
Investment return	45,252	-	-	45,252
Gifts and additions to endowment, net	52,068	-	23,027	75,095
Endowment distributions	<u>(143,764)</u>	<u>-</u>	<u>-</u>	<u>(143,764)</u>
Endowment net assets, end of year	<u>\$ (609,399)</u>	<u>\$ -</u>	<u>\$ 1,495,383</u>	<u>\$ 885,984</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011**

NOTE 13 - ENDOWMENT (CONTINUED)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (277,699)	\$ 2,950	\$ 1,449,733	\$ 1,174,984
Investment return	219,502	-	-	219,502
Contributions	-	-	22,623	22,623
Endowment distributions	<u>(504,758)</u>	<u>(2,950)</u>	<u>-</u>	<u>(507,708)</u>
Endowment net assets, end of year	<u>\$ (562,955)</u>	<u>\$ -</u>	<u>\$ 1,472,356</u>	<u>\$ 909,401</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 \$657,117 and \$642,314 at June 30, 2012 and 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 7% 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)
YEARS ENDED JUNE 30, 2012 AND 2011**

NOTE 14 - 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 2012, we noted that amounts totaling \$39,830 and \$29,893 previously reported as permanently restricted and temporarily restricted net assets, respectively, related to Evelyn, Alderson, Corey and Herold funds should have been reported as unrestricted (quasi endowment) 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.