

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2008

Preliminary Draft

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY**

Table of Contents

Independent Auditor's Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 15
Supplementary Information:	
Temporarily Restricted Net Assets	16
Permanently Restricted Net Assets	17
Schedule of Expenditures of Federal Awards	18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 – 20
Report on Compliance with Requirements Applicable to Each Major Program And on Internal Control Over Compliance in Accordance with OMB Circular A-133	21 – 22
Schedule of Findings and Questioned Costs	23 – 25
Summary Schedule of Prior Year Findings	26
Corrective Action Plan	27 – 28



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the American Association for State and Local History (the "Association") (a nonprofit organization) as of June 30, 2008, and the related statements of activities, functional expenses and cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the American Association of State and Local History as of June 30, 2008, and the changes in net assets and its cash flows for the year 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, 17 and 18 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2008, on our consideration of American Association for State and Local History's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of American Association for State and Local History taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

December 2, 2008
Nashville, Tennessee

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
STATEMENT OF FINANCIAL POSITION
June 30, 2008**

Assets

Current assets:

Cash and cash equivalents	\$ 238,729
Grants receivable	43,749
Accounts receivable, less allowance of \$2,498	55,440
Unconditional promises to give	119,845
Prepaid expenses and deposits	<u>85,415</u>

Total current assets 543,178

Property and equipment, net 28,304

Investments - substantially restricted 1,481,638

Total assets \$ 2,053,120

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$ 69,770
Current portion of note payable	3,270
Unearned membership dues	266,978
Unearned grant revenue	39,656
Unearned revenue-other	<u>131,309</u>

Total current liabilities 510,983

Note payable, net of current portion 11,446

Total liabilities 522,429

Net assets:

Unrestricted	(49,671)
Temporarily restricted	220,980
Permanently restricted	<u>1,359,382</u>

Total net assets 1,530,691

Total liabilities and net assets \$ 2,053,120

See accompanying notes.

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Membership dues	\$ 581,945	\$ -	\$ -	\$ 581,945
Federal grants and awards	1,385,257	-	-	1,385,257
Investment income	(8,772)	(80,105)	-	(88,877)
Annual meeting	215,283	-	-	215,283
Contributions	185,948	26,300	223,328	435,576
Education and training	184,502	-	-	184,502
Royalties	53,476	-	-	53,476
Advertising	44,961	-	-	44,961
Sales of publications	8,143	-	-	8,143
Sales of labels	12,617	-	-	12,617
Miscellaneous revenue	11,773	-	-	11,773
Net assets released from restrictions	88,676	(88,676)	-	-
Total revenues, gains and other support	2,763,809	(142,481)	223,328	2,844,656
Expenses:				
Program services:				
Annual meeting	250,208	-	-	250,208
Program development	43,928	-	-	43,928
Education and training	182,158	-	-	182,158
Periodicals	136,645	-	-	136,645
Leadership and governance	110,763	-	-	110,763
Performance measures program	177,382	-	-	177,382
Institute for Learning	204,572	-	-	204,572
Incremental Standards program	71,528	-	-	71,528
Conservation Bookshelf program	1,091,933	-	-	1,091,933
Federal Formula grant project	59,257	-	-	59,257
Publishing	13,733	-	-	13,733
Total program services	2,342,107	-	-	2,342,107
Supporting services:				
Administration and finance	297,597	-	-	297,597
Membership services	94,740	-	-	94,740
Advertising and marketing	37,587	-	-	37,587
Fundraising and program development	54,164	-	-	54,164
Total supporting services	484,088	-	-	484,088
Total expenses	2,826,195	-	-	2,826,195
Change in net assets	(62,386)	(142,481)	223,328	18,461
Net assets at beginning of year	12,715	363,461	1,136,054	1,512,230
Net assets at end of year	\$ (49,671)	\$ 220,980	\$ 1,359,382	\$ 1,530,691

See accompanying notes.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2008

	Program Services										Supporting Services					
	Annual Meeting	Program Development	Education & Training	Periodicals	Leadership & Governance	Measures Program	Institute for Learning	Incremental Standards Program	Conservation Bookshelf	Federal Formula	Publishing	Administrative & Finance	Membership Services	Advertising & Marketing	Fundraising	Total
Salaries	\$ 34,751	\$ 15,970	\$ 22,846	\$ 17,096	\$ 34,967	\$ 34,105	\$ -	\$ -	\$ 30,484	\$ 8,256	\$ 4,653	\$ 165,797	\$ 36,623	\$ 14,629	\$ 8,844	\$ 457,074
Taxes and benefits	7,300	3,530	5,052	3,615	7,730	7,541	-	-	6,741	1,826	1,029	37,084	8,099	3,234	1,957	100,941
Supplies shipping postage	10,799	2,069	11,720	39,310	7,644	6,620	-	-	19,626	678	1,886	14,147	15,397	2,410	8,191	144,012
Travel	7,102	3,097	33,975	-	14,482	8,384	-	-	2,223	5,130	-	-	-	-	-	85,415
Professional training	12	9	12	8	1,573	18	-	14	16	4	2	86	19	8	3	1,784
Duplicating	204	11	137	8	162	35	-	42	26	10	37	-	143	-	7	822
Dues and subscriptions	-	-	-	-	3,151	-	-	-	-	-	-	-	-	-	-	3,151
Special events	54,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,714
Printing	10,976	1,979	7,788	46,865	2,270	1,982	-	886	-	-	2,167	980	13,006	85	9,561	98,545
Design	535	50	227	20,578	519	21	-	-	27,661	-	-	-	430	-	183	50,204
Direct costs and COGS	81,255	-	-	1,615	-	98,098	-	-	-	-	-	-	-	-	-	180,968
Sponsorships and awards	970	-	8,054	-	4,875	-	-	-	-	-	-	1,901	1,960	-	-	17,760
Miscellaneous	8,342	6,677	15,445	1,212	8,377	3,794	369	9,584	2,277	662	1,751	12,439	2,695	2,284	898	76,806
Credit card charges	874	670	878	628	1,344	1,311	-	1,078	1,172	317	179	6,458	1,970	-	284	17,163
Meeting expenses	20,135	1,931	33,754	-	9,162	2,872	-	-	-	-	-	-	-	9,689	-	77,543
Consultants	-	-	32,257	-	-	-	-	-	6,860	-	-	-	1,350	-	20,980	61,447
Subrecipient expenditures	-	-	-	-	-	-	204,203	-	-	-	-	-	-	-	-	204,203
Book purchases	-	-	-	-	-	-	-	-	953,477	-	-	-	-	-	-	953,477
	237,969	35,993	172,145	130,935	96,256	164,781	204,572	60,397	1,050,563	16,883	11,704	238,892	81,692	32,339	50,908	2,586,029
Rent	3,225	1,434	2,050	1,466	3,138	3,060	-	2,517	2,736	741	418	15,048	3,287	1,312	794	41,226
Depreciation	382	202	290	208	444	433	-	357	387	105	59	2,131	465	186	113	5,762
Legal and professional	806	358	515	368	788	2,181	-	633	687	38,725	105	3,781	826	330	199	50,302
Insurance	817	363	520	372	795	776	-	638	693	188	106	3,813	833	333	201	10,448
Telephone internet	919	2,313	786	370	3,035	-	-	1,926	670	1,118	503	3,688	1,030	322	361	17,041
Utilities	471	225	321	230	492	480	-	395	429	116	65	2,359	515	206	124	6,428
Building maintenance	760	413	627	395	890	869	-	715	776	209	118	4,272	935	350	219	11,548
Equipment and software maintenance	3,945	2,221	4,326	1,887	4,039	3,939	-	3,240	34,220	963	537	19,368	4,230	1,839	1,021	85,775
Equipment lease	914	406	578	414	886	863	-	710	772	209	118	4,245	927	370	224	11,636
	12,239	7,935	10,013	5,710	14,507	12,601	-	11,131	41,370	42,374	2,029	58,705	13,048	5,248	3,256	240,166
	\$ 250,208	\$ 43,928	\$ 182,158	\$ 136,645	\$ 110,763	\$ 177,382	\$ 204,572	\$ 71,528	\$ 1,091,933	\$ 59,257	\$ 13,733	\$ 297,597	\$ 94,744	\$ 37,587	\$ 54,164	\$ 2,826,195

See accompanying notes.

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2008**

Cash flows from operating activities:	
Change in net assets	\$ 18,461
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	5,762
Unrealized loss on investments	144,810
Contributions to permanently restricted net assets	(223,328)
Decrease (increase) in operating assets:	
Accounts receivable	45,710
Prepaid expenses and deposits	(30,536)
Grants receivable	6,553
Unconditional promises to give	(5,125)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(38,185)
Unearned membership dues	11,636
Unearned grant revenue	39,656
Unearned revenue-other	(4,919)
Net cash used in operating activities	<u>(29,505)</u>
Cash flows from investing activities:	
Purchase of property and equipment	(9,030)
Purchase of investments	(180,369)
Proceeds from sale of investments	<u>125,000</u>
Net cash used in investing activities	<u>(64,399)</u>
Cash flows from financing activities:	
Contributions to permanently restricted net assets	146,608
Payments made on note payable	<u>(2,963)</u>
Net cash provided by financing activities	<u>143,645</u>
Net increase in cash and cash equivalents	49,741
Cash and cash equivalents at beginning of year	<u>188,988</u>
Cash and cash equivalents at end of year	<u><u>\$ 238,729</u></u>
Supplemental disclosure:	
Cash paid for interest	<u><u>\$ 1,617</u></u>

See accompanying notes.

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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
AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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, 2008. Accordingly, no allowance for doubtful accounts has been provided.

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Government Contracts

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, 2008**

NOTE 2 – CASH AND INVESTMENTS

Cash and cash equivalents consist of the following at June 30, 2008:

Non-interest bearing:	
Cash in operating account	\$ 75,854
Interest bearing:	
Money Market Funds	<u>162,875</u>
	<u>\$ 238,729</u>

Marketable securities are recorded at market value at June 30, 2008 as follows:

Vanguard Group:	
Intermediate – Term Corporate Fund	\$ 93,969
Wellington Fund	1,012,499
Index Trust – 500 Portfolio	<u>375,170</u>
Investments - restricted	<u>\$ 1,481,638</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 year ended June 30, 2008 is as follows:

Unrealized loss on investments	\$ (144,810)
Dividends/interest	<u>55,933</u>
	<u>\$ (88,877)</u>

The investment market is subject to increases and decreases which may significantly effect the Association's investments. Subsequent to June 30, 2008 and through September 30, 2008, the Association's investments experienced declines in market value of approximately \$165,000.

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, 2008**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments (Continued)

Effective June 30, 2008, the Association's Board established an investment policy to limit the amount of earnings that can be withdrawn during the year up to 5% of the three year rolling average value of investments.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2008:

Office furniture and equipment	\$ 26,313
Computer equipment	28,864
Vehicles	<u>20,577</u>
	75,754
Accumulated depreciation	<u>(47,450)</u>
	<u>\$ 28,304</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:

2009	\$ 3,270
2010	3,608
2011	3,981
2012	3,857
2013	<u>-</u>
	<u>\$ 14,716</u>

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.

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

NOTE 6 – 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 \$13,780 for the year ended June 30, 2008.

NOTE 7 – 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 2008 and expires June 30, 2009.

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

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

2009	\$ 49,361
2010	7,855
2011	5,079
2012	3,691
2013	<u>923</u>
	<u>\$ 66,909</u>

Rent expense for the year ended June 30, 2008 totaled \$53,471. Such expense has 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 \$37,732 for the year ended June 30, 2008.

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

NOTE 7 – LEASING AND SERVICE ARRANGEMENTS (Continued)

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. This agreement was automatically renewed for like terms during fiscal 2008. Fees for such services will be 50% of revenue collected, less 50% of credit card charges.

NOTE 8 – INCOME TAXES

The Association had no unrelated business taxable income during the year ended June 30, 2008.

NOTE 9 – 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.

NOTE 10 – COMMITMENTS

The Association entered into an agreement dated August 2007 for a hotel commitment, including food and beverage, for the annual meeting to be held August 2009 in Indianapolis, Indiana. In the event of cancellation, the Association shall pay up to \$149,340 if cancellation occurs within 6 months or less of the event date.

Subsequent to June 30, 2008, the Association entered into an agreement dated July 2008, for a hotel commitment for a program committee meeting to be held January 2009 in Indianapolis, Indiana. In the event of cancellation, the Association shall pay \$4,995, plus applicable taxes.

The Association entered into an agreement dated March 2007 for a space commitment for the annual meeting to be held September 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. No significant liability resulted from this commitment.

The Association entered into an agreement dated April 2007, revised July 2007, for a hotel commitment, including food and beverage, for the annual meeting to be held September 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. No significant liability resulted from this commitment.

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

NOTE 10 – COMMITMENTS (Continued)

The Association entered into an agreement dated August 2007 for an additional hotel commitment for the annual meeting to be held September 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. No significant liability resulted from this commitment.

The Association entered into an agreement dated August 2007 for an additional hotel commitment for the annual meeting to be held September 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. 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 year ended June 30, 2008 approximates \$117,000. Amounts reflected in the accompanying Statement of Financial Position for ongoing contracts at June 30, 2008 includes accounts receivable of \$36,000 and unearned revenue of \$71,000.

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.

During fiscal year 2008, the Association entered into an agreement for planning services and on-site assistance for the annual meeting to be held September 2008. The contract amount totaled \$16,975, of which \$11,783 had been paid as of June 30, 2008.

The Association has entered into a contract with the Association of Indiana Museums to co-host a meeting in August 2009. Under the arrangement, the Association will receive \$53,000 for salaries and indirect costs to be paid from gross profit of the event. The Association will receive 40% of any remaining gross profit.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to June 30, 2008, the Association received extensions, amendments and new grants approximating the following: Institute for Museum and Library Services - \$750,000 extension of current National Leadership Grant; Institute for Museum and Library Services - \$500,000 new grant for 21st Century Museum Professionals Program; National Endowment for the Humanities - \$25,000 new grant for online Encyclopedia Best Practice and Standards.

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

NOTE 11 – SUBSEQUENT EVENTS (Continued)

The Association has entered into an agreement with Learning Times for production services in support of online workshops sponsored by the Association. Costs to the Association approximate \$4,500 for annual licensing, \$1,100 set-up and branding and \$45 per registrant of live on-line sessions.

SUPPLEMENTARY INFORMATION

Preliminary Draft

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
TEMPORARILY RESTRICTED NET ASSETS**
For the year ended June 30, 2008

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,300	\$ -	\$ 26,300
Investment income	(89)	(1,966)	(1,432)	(404)	(76,214)	-	-	(80,105)
Net assets released from restrictions	-	-	-	-	(67,501)	(21,175)	-	(88,676)
Net increase	(89)	(1,966)	(1,432)	(404)	(143,715)	5,125	-	(142,481)
Balance June 30, 2007	657	16,546	16,508	5,503	268,851	38,000	17,396	363,461
Balance June 30, 2008	\$ 568	\$ 14,580	\$ 15,076	\$ 5,099	\$ 125,136	\$ 43,125	\$ 17,396	\$ 220,980

See accompanying notes.

**AMERICAN ASSOCIATION FOR STATE
AND LOCAL HISTORY
PERMANENTLY RESTRICTED NET ASSETS**
For the year ended June 30, 2008

	<u>Evelyn Scholarship</u>	<u>Alderson Internship</u>	<u>Corey Memorial</u>	<u>Herold Memorial</u>	<u>Endowment</u>	<u>Total</u>
Donations	\$ -	\$ -	\$ -	\$ -	\$ 223,328	\$ 223,328
Net increase	-	-	-	-	223,328	223,328
Balance June 30, 2007	1,067	24,801	11,544	2,418	1,096,224	1,136,054
Balance June 30, 2008	<u>\$ 1,067</u>	<u>\$ 24,801</u>	<u>\$ 11,544</u>	<u>\$ 2,418</u>	<u>\$ 1,319,552</u>	<u>\$ 1,359,382</u>

See accompanying notes.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2008**

Federal Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2007	Cash Receipts	Expenditures	Receivable June 30, 2008
Institute of Museum and Library Services	National Leadership Grants	45.312	LG-00-07-0215-07+	\$ 5,334	\$ 1,126,150	\$ 1,114,472	\$ (6,344)
Institute of Museum and Library Services	National Leadership Grants	45.312	MP-00-05-0048-05		54,777	65,214	10,437
Institute of Museum and Library Services	National Leadership Grants	45.312	LG-25-05-0004-05	44,699	250,270	205,571	-
Total Federal Awards				\$ 50,033	\$ 1,431,197	\$ 1,385,257	\$ 4,093

+ Represents major program

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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

We have audited the financial statements of American Association for State and Local History (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered American Association for State and Local History's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Association for State and Local History's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Association for State and Local History's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

American Association for State and Local History's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit American Association for State and Local History's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 2, 2008
Nashville, Tennessee