

**AMERICAN ASSOCIATION FOR
STATE AND LOCAL HISTORY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2018 AND 2017**

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Edmondson, Betzler & Dame
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of American Association for State and Local History, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, operating expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Association for State and Local History as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Edmondson, Betzler & Dame, PLLC

November 26, 2018

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 128,484	\$ 190,466
Accounts receivable currently due, net	116,120	39,843
Unconditional promises to give, less allowance of \$0 in 2018 and 2017	-	600
Prepaid expenses and deposits	<u>89,363</u>	<u>72,681</u>
Total current assets	333,967	303,590
Non-current accounts receivable, net	62,974	66,858
Property and equipment, net	16,547	11,623
Investments - substantially restricted	<u>1,723,483</u>	<u>1,647,202</u>
Total assets	<u><u>\$ 2,136,971</u></u>	<u><u>\$ 2,029,273</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 63,399	\$ 77,168
Unearned membership dues	327,958	318,663
Unearned revenue - other	<u>175,247</u>	<u>126,959</u>
Total current liabilities	<u>566,604</u>	<u>522,790</u>
Net assets:		
Unrestricted	(153,116)	(140,719)
Temporarily restricted	209,349	134,868
Permanently restricted	<u>1,514,134</u>	<u>1,512,334</u>
Total net assets	<u>1,570,367</u>	<u>1,506,483</u>
Total liabilities and net assets	<u><u>\$ 2,136,971</u></u>	<u><u>\$ 2,029,273</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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Membership dues	\$ 599,572	\$ -	\$ -	\$ 599,572
Annual meeting	351,960	-	-	351,960
Education and training	237,055	-	-	237,055
Contributions	208,188	-	1,800	209,988
Investment income, net	54,002	74,481	-	128,483
Advertising	53,093	-	-	53,093
Royalties	45,297	-	-	45,297
Grants	43,103	-	-	43,103
Presidential sites and libraries	9,300	-	-	9,300
Miscellaneous revenue	8,129	-	-	8,129
Sales of publications	4,855	-	-	4,855
Sales of labels	160	-	-	160
Total revenues, gains and other support	<u>1,614,714</u>	<u>74,481</u>	<u>1,800</u>	<u>1,690,995</u>
Operating expenses:				
Program services:				
Annual meeting	333,007	-	-	333,007
Education and training	233,713	-	-	233,713
Periodicals	118,357	-	-	118,357
Leadership and governance	116,875	-	-	116,875
Performance measures	101,074	-	-	101,074
Program development	87,595	-	-	87,595
Incremental standards	51,128	-	-	51,128
Total program services	<u>1,041,749</u>	<u>-</u>	<u>-</u>	<u>1,041,749</u>
Supporting services:				
Administration and finance	233,298	-	-	233,298
Advertising and marketing	218,663	-	-	218,663
Membership services	109,062	-	-	109,062
Fundraising and program development	24,339	-	-	24,339
Total supporting services	<u>585,362</u>	<u>-</u>	<u>-</u>	<u>585,362</u>
Total operating expenses	<u>1,627,111</u>	<u>-</u>	<u>-</u>	<u>1,627,111</u>
Change in net assets from operating activities	<u>(12,397)</u>	<u>74,481</u>	<u>1,800</u>	<u>63,884</u>
Change in net assets	(12,397)	74,481	1,800	63,884
Net assets, beginning of year	<u>(140,719)</u>	<u>134,868</u>	<u>1,512,334</u>	<u>1,506,483</u>
Net assets, end of year	<u>\$ (153,116)</u>	<u>\$ 209,349</u>	<u>\$ 1,514,134</u>	<u>\$ 1,570,367</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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Membership dues	\$ 597,489	\$ -	\$ -	\$ 597,489
Annual meeting	426,599	-	-	426,599
Education and training	197,591	-	-	197,591
Investment income, net	46,061	134,868	-	180,929
Contributions	146,293	-	-	146,293
Advertising	55,140	-	-	55,140
Royalties	41,269	-	-	41,269
Sales of publications	9,703	-	-	9,703
Miscellaneous revenue	4,469	-	-	4,469
Sales of labels	323	-	-	323
Total revenues, gains and other support	<u>1,524,937</u>	<u>134,868</u>	<u>-</u>	<u>1,659,805</u>
Operating expenses:				
Program services:				
Annual meeting	389,974	-	-	389,974
Education and training	229,874	-	-	229,874
Leadership and governance	124,972	-	-	124,972
Performance measures	95,577	-	-	95,577
Periodicals	71,147	-	-	71,147
Incremental standards	55,306	-	-	55,306
Program development	6,689	-	-	6,689
Total program services	<u>973,539</u>	<u>-</u>	<u>-</u>	<u>973,539</u>
Supporting services:				
Administration and finance	303,836	-	-	303,836
Advertising and marketing	101,733	-	-	101,733
Membership services	94,273	-	-	94,273
Fundraising and program development	9,354	-	-	9,354
Total supporting services	<u>509,196</u>	<u>-</u>	<u>-</u>	<u>509,196</u>
Total operating expenses	<u>1,482,735</u>	<u>-</u>	<u>-</u>	<u>1,482,735</u>
Change in net assets from operating activities	<u>42,202</u>	<u>134,868</u>	<u>-</u>	<u>177,070</u>
Change in net assets	42,202	134,868	-	177,070
Net assets, beginning of year	<u>(182,921)</u>	<u>-</u>	<u>1,512,334</u>	<u>1,329,413</u>
Net assets, end of year	<u>\$ (140,719)</u>	<u>\$ 134,868</u>	<u>\$ 1,512,334</u>	<u>\$ 1,506,483</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, 2018

	Program Services					Supporting Services						
	Annual Meeting	Education and Training	Periodicals	Leadership and Governance	Performance Measures	Program Development	Incremental Standards	Administrative and Finance	Advertising and Marketing	Membership Services	Fundraising	Total
Salaries	\$ 57,149	\$ 70,206	\$ 18,515	\$ 54,741	\$ 18,087	\$ 29,431	\$ 28,039	\$ 60,627	\$ 118,258	\$ 71,115	\$ 4,174	\$ 530,342
Meeting expenses	204,253	8,321	-	1,100	1,343	1,484	220	277	7,814	-	-	224,812
Consultants	-	57,315	38,048	9,197	-	36,090	-	46,643	10,850	-	-	198,143
Taxes and benefits	12,534	15,402	4,062	12,009	3,968	6,455	6,151	13,299	25,945	15,602	916	116,343
Travel	13,283	55,014	-	12,323	3,378	7,914	7,442	314	4,893	-	3	104,564
Survey fees	-	-	-	-	71,361	-	-	-	-	-	-	71,361
Design	10,303	14,023	14,835	-	-	-	950	-	17,348	735	-	58,194
Supplies/shipping/postage	8,920	2,702	15,569	1,334	441	737	695	4,130	7,605	6,382	4,568	53,083
Printing	17,056	-	24,472	-	-	-	3,730	-	1,360	5,380	102	52,100
Rent	4,614	5,667	1,495	4,419	1,460	2,376	2,264	4,895	9,547	5,741	337	42,815
Bank and credit card fees	-	-	-	-	-	-	-	32,895	-	-	-	32,895
Equipment and software maintenance	-	-	-	-	-	-	-	17,957	1,004	33	-	18,994
Professional training	-	-	300	18,369	-	-	-	318	-	-	-	18,987
Legal and professional	1,761	2,181	575	1,701	562	914	871	2,740	3,675	2,209	130	17,319
Insurance	-	-	-	-	-	-	-	15,138	-	-	-	15,138
Grants	-	-	-	-	-	-	-	-	-	-	14,000	14,000
Bad debt	-	-	-	-	-	-	-	12,590	-	-	-	12,590
Equipment lease	-	49	-	-	-	-	-	11,947	-	-	-	11,996
Telephone and internet	761	936	247	976	241	392	374	808	1,575	948	55	7,313
Sponsorships and awards	1,636	-	-	-	-	-	-	78	5,414	-	-	7,128
Depreciation	737	905	239	706	233	380	362	782	1,525	917	54	6,840
Miscellaneous	-	-	-	-	-	-	-	4,778	207	-	-	4,985
Advertising	-	992	-	-	-	1,422	-	-	1,613	-	-	4,027
Building maintenance	-	-	-	-	-	-	-	2,905	-	-	-	2,905
Duplicating	-	-	-	-	-	-	30	177	30	-	-	237
	\$ 333,007	\$ 233,713	\$ 118,357	\$ 116,875	\$ 101,074	\$ 87,595	\$ 51,128	\$ 233,298	\$ 218,663	\$ 109,062	\$ 24,339	\$ 1,627,111

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, 2017

	Program Services					Supporting Services						
	Annual Meeting	Education and Training	Leadership and Governance	Performance Measures	Periodicals	Incremental Standards	Program Development	Administrative and Finance	Advertising and Marketing	Membership Services	Fundraising	Total
Salaries	\$ 58,934	\$ 63,757	\$ 60,050	\$ 34,940	\$ 10,890	\$ 40,993	\$ -	\$ 152,317	\$ 46,431	\$ 59,104	\$ 1,661	\$ 529,077
Meeting expenses	266,617	10,206	5,718	431	-	-	4,931	-	8,562	-	-	296,465
Taxes and benefits	12,123	15,785	12,354	10,211	2,240	5,409	-	31,414	6,882	12,159	342	108,919
Travel	9,810	72,475	10,343	637	-	3,767	1,752	-	3,260	-	51	102,095
Consultants	-	51,947	9,413	-	-	-	-	2,195	-	-	-	63,555
Printing	15,380	-	-	-	26,930	-	-	-	3,997	6,078	3,517	55,902
Rent	4,979	5,386	5,073	2,952	920	3,463	-	16,969	3,923	4,994	140	48,799
Design	10,083	4,075	-	-	17,393	-	-	-	15,212	265	140	47,168
Supplies/shipping/postage	9,187	2,067	1,503	1,027	9,296	-	-	7,462	1,997	9,260	3,194	44,993
Survey fees	-	-	-	43,953	-	-	-	-	-	-	-	43,953
Bank and credit card fees	-	-	-	-	-	-	-	33,002	-	-	-	33,002
Equipment and software maintenance	-	-	-	-	-	-	-	21,857	-	-	-	21,857
Legal and professional	1,763	1,907	1,796	1,045	3,059	1,226	-	4,556	1,389	1,768	290	18,799
Sponsorships and awards	388	-	6,500	-	-	-	-	1,074	5,613	-	-	13,575
Professional training	-	1,572	9,353	-	300	-	-	-	-	-	-	11,225
Insurance	-	-	-	-	-	-	-	8,807	-	-	-	8,807
Equipment lease	-	-	-	-	-	-	-	8,670	-	-	-	8,670
Building maintenance	-	-	-	-	-	-	-	8,272	-	-	-	8,272
Telephone and internet	341	369	2,561	202	63	238	6	882	269	342	10	5,283
Utilities	300	253	238	138	43	162	-	2,743	184	234	7	4,302
Advertising	-	-	-	-	-	-	-	-	3,960	-	-	3,960
Duplicating	-	-	-	-	-	-	-	3,438	-	-	-	3,438
Depreciation	69	75	70	41	13	48	-	178	54	69	2	619
	\$ 389,974	\$ 229,874	\$ 124,972	\$ 95,577	\$ 71,147	\$ 55,306	\$ 6,689	\$ 303,836	\$ 101,733	\$ 94,273	\$ 9,354	\$ 1,482,735

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, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 63,884	\$ 177,070
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,840	619
Realized and unrealized gain on investments	(38,902)	(122,176)
Decrease (increase) in operating assets:		
Accounts receivable	(72,393)	38,055
Prepaid expenses and deposits	(16,682)	8,667
Unconditional promises to give	600	3,600
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(13,769)	27,798
Unearned membership dues	9,295	1,383
Unearned revenue - other	48,288	(50,172)
Net cash provided by (used in) operating activities	<u>(12,839)</u>	<u>84,844</u>
Cash flows from investing activities:		
Purchase of equipment	(11,764)	(12,242)
Purchase of investments	(91,320)	(58,753)
Proceeds from sale of investments	53,941	30,000
Net cash used in investing activities	<u>(49,143)</u>	<u>(40,995)</u>
Net increase (decrease) in cash and cash equivalents	(61,982)	43,849
Cash and cash equivalents, beginning of year	<u>190,466</u>	<u>146,617</u>
Cash and cash equivalents, end of year	<u><u>\$ 128,484</u></u>	<u><u>\$ 190,466</u></u>

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

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General and Nature of Activities

American Association for State and Local History (the "Association") was formed in 1940 and incorporated under the laws of the District of Columbia in November, 1944 as a not-for-profit organization. The Association provides leadership and support for its members who preserve and interpret state and local history in order to make the past more meaningful to all Americans. Additionally, the Association provides information and training through publications, annual meetings, seminars, workshops, the development of professional standards and the identification and analysis of issues critical to the field. Consequently, membership consists of individuals and organizations located throughout the United States and abroad.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted – Represents net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes, such as Board designated or quasi-endowments, by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Unless otherwise designated, unrestricted net assets are available for operations of the Association.

Temporarily Restricted – Represents net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time.

Permanently Restricted – Represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

For purposes of the 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.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

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' leave balance at the end of the fiscal year. Compensated absences for sick pay and other leave have not been accrued since they do not vest.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give which are due in future years are recorded at their net realizable value.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Donated Services

The fair value of donated volunteer services is not reflected in the accompanying financial statements since it is not practicable to objectively determine the fair value of the service received.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Government Contracts

Grants and government contract revenues are recognized when earned. Grants receivable represent the difference between amounts earned and amounts received.

Membership Dues and Activities

Membership dues are recognized using the straight-line method over the membership term. Unearned membership dues are shown as a current liability. The membership period is based upon a member's anniversary date.

Functional Allocation of Expenses

The costs of providing the various programs and other services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimates of the percentage of staff time incurred by each program and supporting service.

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, 2018 and 2017.

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. The Association has exempt organization tax filings open to Internal Revenue Service audit, generally, for three years after they are filed. There are no tax penalties or interest reported in the accompanying financial statements. The Association had no uncertain tax positions at June 30, 2018.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds

According to the Not-for-Profit Entities topic of the FASB ASC, a not-for-profit organization should classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. The Not-for-Profit Entities topic of the FASB ASC also requires additional disclosures applicable to all not-for-profit organizations, even if the organization is not yet subject to an enacted version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the law(s) underlying the net asset classification of donor-restricted endowment funds.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Redesignations

When donors amend or clarify intent for applicable contributions reported in a previous fiscal year, revisions are separately reflected as donor designation changes within the statement of activities.

Events Occurring After Reporting Date

The Association has evaluated events and transactions that occurred after June 30, 2018, 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, 2018 AND 2017

NOTE 2 - FINANCIAL IRREGULARITY

During September 2011, an investigation alleging the possible misappropriation of funds from the Association was initiated. Through this investigation, it was learned that unapproved cash disbursements were being made from the Association's bank account. In March 2012, the Association's former finance director and spouse were arrested after a grand jury indicted them on charges of misappropriating approximately \$730,000. During March 2013, the Association was awarded \$26,848 in restitution from former Finance Director Woodward's spouse, due in monthly payments of \$250 until the balance is paid in full. During May 2014, the Association was awarded \$712,976 in restitution from former Finance Director Woodward, due in monthly payments of \$250 until the balance is paid in full. The amount recorded in the financial statements for the receivable due from former Finance Director Woodward has been limited to her life expectancy, which is approximately 30 years. See Note 4 for additional information related to the restitution receivables.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Association maintains a bank account at one financial institution. The balance, at times, may exceed federally insured limits. The Association has not experienced any losses in the account. Management believes the Association is not exposed to any significant credit risk related to cash. It is the Association's policy to transfer cash in excess of federally insured limits to the investment account. The CEO reviews the account balance in relationship with pending expenses to determine cash transfers.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables as of June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Restitution receivable	\$ 92,848	\$ 96,098
Other accounts receivable	128,454	40,187
	<u>221,302</u>	<u>136,285</u>
Less discounts to net present value	(29,875)	(29,240)
Less allowance for uncollectible amounts	<u>(12,333)</u>	<u>(344)</u>
	<u>\$ 179,094</u>	<u>\$ 106,701</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 4 - ACCOUNTS RECEIVABLE (CONTINUED)

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

	2018	2017
Current portion	\$ 116,120	\$ 39,843
Non-current portion	<u>62,974</u>	<u>66,858</u>
	<u><u>\$ 179,094</u></u>	<u><u>\$ 106,701</u></u>

The current portion represents the face value of accounts receivable collectible within the next fiscal year. The non-current portion represents the present value of amounts due after one year. The non-current portion was discounted using a 3.25% annual interest rate to estimate present value. This rate is used in all subsequent periods to update the estimated present value of these receivables as follows:

	2018	2017
Due in one to five years	\$ 17,610	\$ 19,996
Due after five years	<u>45,364</u>	<u>46,862</u>
	<u><u>\$ 62,974</u></u>	<u><u>\$ 66,858</u></u>

NOTE 5 - INVESTMENTS

Marketable securities are recorded at market value at June 30, 2018 and 2017, as follows:

	2018	2017
Vanguard Group:		
Treasury Money Market	\$ 74,627	\$ 76,070
Dividend Appreciation Index Investor Shares	235,220	217,184
Wellington Fund Admiral Shares	1,254,055	1,209,241
IT Investement Grade Fund Shares	4,474	4,664
500 Index Fund - Admiral Shares	<u>155,107</u>	<u>140,043</u>
Investments - substantially restricted	<u><u>\$ 1,723,483</u></u>	<u><u>\$ 1,647,202</u></u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 5 - INVESTMENTS (CONTINUED)

Investment income from these investments for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Realized and unrealized gain on investments	\$ 38,902	\$ 122,176
Dividends/interest	<u>89,581</u>	<u>58,753</u>
	<u>\$ 128,483</u>	<u>\$ 180,929</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with this guidance, the Association groups its financial assets and liabilities generally measured at fair value in a three level valuation hierarchy for disclosure of fair value measurements defined as Level 1 – inputs for quoted market prices for identical assets or liabilities in active markets; Level 2 – inputs include quoted market prices for similar assets and liabilities in active markets and inputs that are observable either directly or indirectly and; Level 3 – inputs that are unobservable and significant to the fair value measurements. At June 30, 2018 and 2017, 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 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)
June 30, 2018				
Cash and money funds	\$ 74,627	\$ 74,627	\$ -	\$ -
Mutual funds	1,648,856	1,648,856	-	-
Total assets, at fair value	<u>\$ 1,723,483</u>	<u>\$ 1,723,483</u>	<u>\$ -</u>	<u>\$ -</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets and liabilities measured on a recurring basis at June 30 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
Cash and money funds	\$ 76,070	\$ 76,070	\$ -	\$ -
Mutual funds	1,571,132	1,571,132	-	-
Total assets, at fair value	<u>\$ 1,647,202</u>	<u>\$ 1,647,202</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017
Office furniture and equipment	\$ 30,282	\$ 30,939
Computer equipment	31,487	31,487
Website development	89,850	78,025
	<u>151,619</u>	<u>140,451</u>
Less accumulated depreciation	<u>(135,072)</u>	<u>(128,828)</u>
	<u>\$ 16,547</u>	<u>\$ 11,623</u>

Depreciation expense was \$6,840 and \$619 for the years ended June 30, 2018 and 2017, respectively.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - UNEARNED REVENUE – OTHER

Deferred revenue – other consists of the following at June 30, 2018 and 2017:

	2018	2017
Annual meeting	\$ 90,097	\$ 72,449
Seminar for Historical Administration	18,177	13,219
Presidential Sites and Libraries	-	9,300
Other	<u>66,973</u>	<u>31,991</u>
	<u>\$ 175,247</u>	<u>\$ 126,959</u>

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, 2018 and 2017:

	2018	2017
Unrestricted:		
Undesignated	<u>\$ (153,116)</u>	<u>\$ (140,719)</u>
Temporarily restricted:		
Endowment	<u>\$ 209,349</u>	<u>\$ 134,868</u>
Permanently restricted:		
Endowment	<u>\$ 1,514,134</u>	<u>\$ 1,512,334</u>

NOTE 10 - RETIREMENT PLAN

The Association maintains a defined contribution retirement plan. Employees with two years of service and over age 21 are eligible to participate. If eligible employees elect at least a 5% salary deferral, the Association contributes 7.5% of covered salaries. The plan is part of the Teachers College Retirement Equities Fund ("TIAA-CREF") program that consists of an annuity and is fully vested to the employee. Total contributions by the Association amounted to \$24,216 and \$24,963 for the years ended June 30, 2018 and 2017, respectively.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 11 - LEASING AND SERVICE ARRANGEMENTS

The Association entered into a thirty-six month operating lease agreement for rental of new office space in September 2016. During the term of this lease, the annual rental amount will be \$43,200 payable in monthly installments. Rent expense for the years ended June 30, 2018 and 2017 totaled \$42,815 and \$48,799, respectively. Such expenses have been reported in various classifications based upon functional use.

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

2019	\$ 43,200
2020	<u>10,800</u>
	<u>\$ 54,000</u>

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, 2016. Fees for such services will be 50% of revenue collected, less 50% of credit card fees.

NOTE 12 - COMMITMENTS

Effective August 2017, the Association entered into an agreement for event space for the annual meeting to be held in September 2020. Per the agreement, total minimum anticipated fees are \$256,430. If the Association cancels the event prior to December 4, 2018, the Association will be responsible for 30 percent of the total anticipated fees.

The Association has agreed to provide certain survey services relating to visitors count programs under contracts with various history museums. Such services are generally conducted with another nonprofit organization under a cost/service agreement. Revenue will be recognized as services are performed. Revenue included for the visitors count program for the years ended June 30, 2018 and 2017 amounted to \$95,247 and \$42,838, respectively.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

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

Endowment net assets composition by type of fund is as follows at June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 209,349	\$ 1,514,134	\$ 1,723,483

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 13 - ENDOWMENT (CONTINUED)

Endowment net assets composition by type of fund is as follows at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 134,868	\$ 1,512,334	\$ 1,647,202

Changes in endowment net assets for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 134,868	\$ 1,512,334	\$ 1,647,202
Endowment contributions	-	-	1,800	1,800
Investment return	54,002	74,481	-	128,483
Endowment distributions	(54,002)	-	-	(54,002)
Endowment net assets, end of year	\$ -	\$ 209,349	\$ 1,514,134	\$ 1,723,483

Changes in endowment net assets for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (16,061)	\$ -	\$ 1,512,334	\$ 1,496,273
Investment return	46,061	134,868	-	180,929
Endowment distributions	(30,000)	-	-	(30,000)
Endowment net assets, end of year	\$ -	\$ 134,868	\$ 1,512,334	\$ 1,647,202

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 13 - ENDOWMENT (CONTINUED)

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. There were no deficiencies of this nature reported as of June 30, 2018 and 2017.

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.