



Edmondson, Betzler & Dame
Certified Public Accountants

December 2, 2020

To the Audit Committee and management of
American Association for State and Local History

In planning and performing our audit of the financial statements of American Association for State and Local History as of and for the year ended June 30, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America, we considered American Association for State and Local History's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Audit Committee, and others within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Edmondson, Betzler & Dame, PLLC



Edmondson, Betzler & Dame
Certified Public Accountants

December 2, 2020

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

We have audited the financial statements of American Association for State and Local History for the year ended June 30, 2020 and 2019, and we will issue our report thereon dated December 2, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 14, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by American Association for State and Local History are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

For the purposes of the statement of functional expenses, certain expenses have been allocated between program services, management, and general and fundraising based on estimates made by management. We evaluated the key factors and assumptions used to allocate certain expenses in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the present value of long-term accounts receivable is based on discounted present value of the receivable. We evaluated the key factors and assumptions used to develop the present value of long-term receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee and management of American Association for State and Local History and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Edmondson, Betzler & Dame, PLLC".

Edmondson, Betzler & Dame, PLLC

**AMERICAN ASSOCIATION FOR
STATE AND LOCAL HISTORY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2020 AND 2019**

**AMERICAN ASSOCIATION FOR
STATE AND LOCAL HISTORY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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.

December 2, 2020

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 356,242	\$ 346,849
Restricted cash	<u>48,096</u>	<u>98,797</u>
Total cash and cash equivalents	404,338	445,646
Accounts receivable currently due, net	48,121	79,672
Grant receivable	6,400	-
Prepaid expenses and deposits	84,975	205,406
Short-term investments	<u>-</u>	<u>5,122</u>
Total current assets	543,834	735,846
Non-current accounts receivable, net	-	62,317
Property and equipment, net	8,117	8,525
Investments - substantially restricted	<u>1,865,209</u>	<u>1,843,725</u>
Total assets	<u><u>\$ 2,417,160</u></u>	<u><u>\$ 2,650,413</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 54,112	\$ 91,925
Current portion of note payable	45,854	-
Unearned membership dues	329,179	345,795
Unearned revenue - other	<u>178,483</u>	<u>533,111</u>
Total current liabilities	607,628	970,831
Long-term liabilities:		
Note payable, net of current portion	<u>74,146</u>	<u>-</u>
Total liabilities	<u>681,774</u>	<u>970,831</u>
Net assets:		
Without donor restrictions	(147,122)	(164,143)
With donor restrictions	<u>1,882,508</u>	<u>1,843,725</u>
Total net assets	<u>1,735,386</u>	<u>1,679,582</u>
Total liabilities and net assets	<u><u>\$ 2,417,160</u></u>	<u><u>\$ 2,650,413</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Membership dues	\$ 670,373	\$ -	\$ 670,373
Annual meeting	486,214	-	486,214
Grants	257,475	-	257,475
Education and training	219,840	-	219,840
Contributions	100,079	15,925	116,004
Investment income, net	71,207	22,858	94,065
Advertising	53,262	-	53,262
Royalties	42,259	-	42,259
Sales of publications	8,308	-	8,308
Sales of labels	1,101	-	1,101
Total revenues, gains and other support	<u>1,910,118</u>	<u>38,783</u>	<u>1,948,901</u>
Operating expenses:			
Program services:			
Annual meeting	439,934	-	439,934
Education and training	238,695	-	238,695
Periodicals	89,102	-	89,102
Leadership and governance	130,542	-	130,542
Performance measures	65,395	-	65,395
Program development	289,902	-	289,902
Incremental standards	64,995	-	64,995
Total program services	<u>1,318,565</u>	<u>-</u>	<u>1,318,565</u>
Supporting services:			
Administration and finance	342,147	-	342,147
Advertising and marketing	103,469	-	103,469
Membership services	90,632	-	90,632
Fundraising	38,284	-	38,284
Total supporting services	<u>574,532</u>	<u>-</u>	<u>574,532</u>
Total operating expenses	<u>1,893,097</u>	<u>-</u>	<u>1,893,097</u>
Change in net assets	17,021	38,783	55,804
Net assets, beginning of year	<u>(164,143)</u>	<u>1,843,725</u>	<u>1,679,582</u>
Net assets, end of year	<u>\$ (147,122)</u>	<u>\$ 1,882,508</u>	<u>\$ 1,735,386</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Membership dues	\$ 659,410	\$ -	\$ 659,410
Annual meeting	383,391	-	383,391
Education and training	196,149	-	196,149
Investment income, net	69,884	113,792	183,676
Contributions	174,473	6,450	180,923
Grants	57,780	-	57,780
Advertising	53,993	-	53,993
Royalties	45,998	-	45,998
Miscellaneous revenue	2,344	-	2,344
Sales of publications	1,706	-	1,706
Sales of labels	330	-	330
Total revenues, gains and other support	<u>1,645,458</u>	<u>120,242</u>	<u>1,765,700</u>
Operating expenses:			
Program services:			
Annual meeting	402,022	-	402,022
Education and training	211,611	-	211,611
Periodicals	113,157	-	113,157
Leadership and governance	136,613	-	136,613
Performance measures	95,648	-	95,648
Program development	100,752	-	100,752
Incremental standards	52,352	-	52,352
Total program services	<u>1,112,155</u>	<u>-</u>	<u>1,112,155</u>
Supporting services:			
Administration and finance	239,196	-	239,196
Advertising and marketing	164,574	-	164,574
Membership services	120,234	-	120,234
Fundraising	20,326	-	20,326
Total supporting services	<u>544,330</u>	<u>-</u>	<u>544,330</u>
Total operating expenses	<u>1,656,485</u>	<u>-</u>	<u>1,656,485</u>
Change in net assets	(11,027)	120,242	109,215
Net assets, beginning of year	<u>(153,116)</u>	<u>1,723,483</u>	<u>1,570,367</u>
Net assets, end of year	<u>\$ (164,143)</u>	<u>\$ 1,843,725</u>	<u>\$ 1,679,582</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, 2020**

	Program Services						Supporting Services						
	Education		Leadership		Performance Measures	Program Development	Administration and Finance		Advertising and Marketing		Membership Services	Fundraising	Total
	Annual Meeting	and Training	and Governance	Governance			Standards	Finance	Marketing				
Salaries	\$ 74,912	\$ 100,342	\$ 24,796	\$ 77,871	\$ 14,880	\$ 39,404	\$ 42,407	\$ 65,688	\$ 55,237	\$ 58,906	\$ 25,734	\$ 580,177	
Consultants	2,262	58,553	1,395	236	-	232,352	-	72,919	2,078	-	-	369,795	
Meeting expenses	279,752	489	-	1,191	510	7,496	-	-	881	-	-	290,319	
Taxes and benefits	17,264	23,125	5,715	17,946	3,429	4,424	9,773	19,796	12,730	13,576	5,931	133,709	
Bad debt expense	-	-	-	-	-	-	-	69,295	-	-	-	69,295	
Supplies/shipping/postage	10,415	2,545	13,863	1,896	362	467	2,630	8,305	1,394	4,251	2,936	49,064	
Design	22,610	200	19,850	-	256	-	554	-	1,710	375	-	45,555	
Rent	5,703	7,639	1,888	5,929	1,133	1,462	3,230	6,540	4,205	4,485	1,959	44,173	
Survey fees	-	-	-	-	43,468	-	-	-	-	-	-	43,468	
Software and equipment maintenance	3,425	-	-	-	-	-	-	28,130	8,759	117	-	40,431	
Bank and credit card fees	-	-	-	-	-	-	-	39,035	-	-	-	39,035	
Website services	-	30,724	-	-	-	-	-	-	6,647	-	-	37,371	
Travel	11,634	8,738	-	3,886	499	2,982	3,955	140	2,179	-	-	34,013	
Printing	6,163	-	19,865	-	-	208	-	64	1,357	5,525	-	33,182	
Legal and professional	2,066	2,767	684	2,148	410	529	1,170	4,359	1,524	1,624	710	17,991	
Professional training	-	-	300	15,233	-	-	-	130	550	-	-	16,213	
Equipment lease	-	-	-	-	-	-	-	11,928	-	-	-	11,928	
Telephone and internet	1,299	1,740	430	3,212	258	333	735	1,489	958	1,021	446	11,921	
Insurance	-	-	-	-	-	-	-	8,161	-	-	-	8,161	
Depreciation	956	1,280	316	994	190	245	541	1,096	705	752	328	7,403	
Building maintenance	-	-	-	-	-	-	-	3,355	-	-	-	3,355	
Sponsorships and awards	1,473	-	-	-	-	-	-	90	1,099	-	-	2,662	
Advertising	-	553	-	-	-	-	-	-	1,456	-	-	2,009	
Miscellaneous	-	-	-	-	-	-	-	1,627	-	-	240	1,867	
	\$ 439,934	\$ 238,695	\$ 89,102	\$ 130,542	\$ 65,395	\$ 289,902	\$ 64,995	\$ 342,147	\$ 103,469	\$ 90,632	\$ 38,284	\$ 1,893,097	

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, 2019**

	Program Services						Supporting Services					
	Education and Training		Leadership and Governance		Performance Measures		Administration and Finance		Advertising and Marketing		Membership Services	
	Annual Meeting	Training	Periodicals	Governance	Development	Standards	Finance	Marketing	Services	Fundraising	Total	
Salaries	\$ 82,771	\$ 54,634	\$ 39,758	\$ 74,713	\$ 28,097	\$ 21,183	\$ 36,353	\$ 58,901	\$ 90,222	\$ 75,954	\$ 7,728	\$ 570,314
Meeting expenses	205,024	6,572	-	6,310	550	5,746	-	9,662	4,646	-	-	238,510
Consultants	-	58,037	3,093	1,833	-	64,806	500	58,228	-	1,500	-	187,997
Taxes and benefits	17,967	11,860	8,632	16,218	6,099	4,598	7,892	12,105	19,586	16,488	1,677	123,122
Travel	6,145	48,107	75	9,121	3,575	856	1,636	86	12,279	10,953	895	81,948
Design	10,581	23,130	20,110	-	-	33	25	-	7,106	5,982	609	65,807
Rent	26,553	4,303	3,131	5,884	2,213	1,668	2,863	4,391	4,818	4,159	9,372	64,703
Supplies/shipping/postage	11,084	1,884	15,545	2,359	941	647	1,110	6,293	-	-	-	58,212
Survey fees	-	-	-	-	52,648	-	-	-	-	-	-	52,648
Printing	15,566	-	20,355	-	-	-	-	-	2,999	8,412	83	47,415
Bank and credit card fees	-	-	-	-	-	-	-	35,830	-	-	-	35,830
Software and equipment maintenance	-	-	-	1,020	-	-	-	19,781	5,776	2,722	-	29,299
Legal and professional	2,287	1,509	1,098	2,064	776	585	1,004	9,598	2,493	2,098	213	23,725
Sponsorships and awards	21,839	-	-	-	-	-	-	64	669	-	-	22,572
Equipment lease	-	15	-	-	-	-	-	13,703	-	-	-	13,718
Professional training	-	-	300	12,668	-	-	-	-	-	-	-	12,968
Telephone and internet	1,037	685	499	3,368	352	265	456	699	1,130	952	97	9,540
Depreciation	1,168	771	561	1,055	397	299	513	787	1,273	1,072	109	8,005
Insurance	-	-	-	-	-	-	-	6,909	-	-	-	6,909
Building maintenance	-	-	-	-	-	-	-	1,940	-	-	-	1,940
Advertising	-	104	-	-	-	66	-	-	624	-	-	794
Miscellaneous	-	-	-	-	-	-	-	-	-	-	290	290
Duplicating	-	-	-	-	-	-	-	219	-	-	-	219
	\$ 402,022	\$ 211,611	\$ 113,157	\$ 136,613	\$ 95,648	\$ 100,752	\$ 52,352	\$ 239,196	\$ 164,574	\$ 120,234	\$ 20,326	\$ 1,656,485

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, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 55,804	\$ 109,215
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,403	8,005
Bad debt expense	69,295	-
Realized and unrealized gain on investments	(57,845)	(137,420)
Decrease (increase) in operating assets:		
Accounts receivable	24,573	37,105
Grant receivable	(6,400)	-
Prepaid expenses and deposits	120,431	(116,043)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(37,813)	28,526
Unearned membership dues	(16,616)	17,837
Unearned revenue - other	(354,628)	357,864
Net cash provided by (used in) operating activities	<u>(195,796)</u>	<u>305,089</u>
Cash flows from investing activities:		
Purchase of equipment	(6,996)	-
Purchase of investments	(34,783)	(57,739)
Proceeds from sale of investments	<u>76,267</u>	<u>69,812</u>
Net cash provided by investing activities	<u>34,488</u>	<u>12,073</u>
Cash flows from financing activities:		
Proceeds from issuance of note payable	<u>120,000</u>	<u>-</u>
Net cash provided by financing activities	<u>120,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(41,308)	317,162
Cash and cash equivalents, beginning of year	<u>445,646</u>	<u>128,484</u>
Cash and cash equivalents, end of year	<u><u>\$ 404,338</u></u>	<u><u>\$ 445,646</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, 2020 AND 2019**

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. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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

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.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give which are due in future years are recorded at their net realizable value.

Contributions

All contributions are considered to be without donor restriction unless specifically stated by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period the contribution is received, the Association reports the support as net assets without donor restriction.

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.

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.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, including salaries, taxes and benefits, rent, legal and professional fees, depreciation, telephone and internet, and postage, 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, 2020 and 2019.

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, 2020.

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.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on the results of operations as previously reported.

Events Occurring After Reporting Date

The Association has evaluated events and transactions that occurred after June 30, 2020, 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. Due to an updated court judgement, the restitution due to the Association has been amended. See Note 3 for further details regarding the receivable amount due.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 356,242
Cash restricted for grant agreements	30,797
Accounts receivable currently due, net	48,121
Other assets appropriated for current use	90,806
	<hr/>
	\$ 525,966

The Association has \$525,966 of financial assets available within one year of the statement financial position date consisting of items listed above. Cash and cash equivalents are not subject to donor or contractual restrictions that make them unavailable for general expenditures. Restricted cash is donor restricted for specific programs. The accounts receivable currently due are subject to implied time restrictions but are expected to be collected within one year. As mentioned in Note 16, the Association maintains a donor restricted endowment that is used to support its programs. The spending rate of the endowment is 5% of the rolling three-year average market value of the endowment. In the next 12 months, approximately \$90,806 will be available for general use. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 3 - RESTITUTION PAYMENTS

The Association receives monthly restitution payments from a former employee and her spouse. 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.

On September 23, 2020, subsequent to the fiscal year end, but prior to the financial statement date, the State of Tennessee petitioned the Criminal Court for Davidson County, Tennessee to modify/review the restitution that was previously ordered by the court. The court found it reasonable to waive the remaining restitution receivable to the Association from the former employee and her spouse due to their employment potential and individual circumstances. As of June 30, 2020, the Association has accrued an allowance for the fair market value of the restitution receivable. See Note 6 for details regarding the Association's accounts receivable balance.

NOTE 4 - 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. As of June 30, 2020, the Association had \$122,167 deposited over the FDIC limit in their operating account.

NOTE 5 - RESTRICTED CASH

Restricted cash as of June 30, 2020 and 2019 is summarized as follows:

	2020	2019
Cash restricted for grant agreements	\$ 32,171	\$ 98,797
Cash restricted for endowment	<u>15,925</u>	<u>-</u>
	<u><u>\$ 48,096</u></u>	<u><u>\$ 98,797</u></u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Restitution receivable	\$ 89,848	\$ 89,848
Other accounts receivable	56,802	80,016
	<u>146,650</u>	<u>169,864</u>
Less discounts to net present value	(28,890)	(27,531)
Less allowance for uncollectible accounts	<u>(69,639)</u>	<u>(344)</u>
	<u><u>\$ 48,121</u></u>	<u><u>\$ 141,989</u></u>

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

	2020	2019
Current portion	\$ 48,121	\$ 79,672
Non-current portion	<u>-</u>	<u>62,317</u>
	<u><u>\$ 48,121</u></u>	<u><u>\$ 141,989</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:

	2020	2019
Due in one to five years	\$ -	\$ 18,503
Due after five years	<u>-</u>	<u>43,814</u>
	<u><u>\$ -</u></u>	<u><u>\$ 62,317</u></u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 - INVESTMENTS

Marketable securities are recorded at market value at June 30, 2020 and 2019, as follows:

	2020	2019
Investments - substantially restricted:		
Treasury money market	\$ 73,206	\$ 76,618
Dividend appreciation index investor shares	261,813	261,300
Wellington fund admiral shares	1,355,174	1,336,372
IT investement grade fund shares	5,360	4,899
500 index fund - admiral shares	171,030	164,536
	<u>\$ 1,866,583</u>	<u>\$ 1,843,725</u>
Restricted cash:		
Treasury money market	<u>\$ 30,797</u>	<u>\$ 98,797</u>
Short-term investments:		
Short-term equity investments	<u>\$ -</u>	<u>\$ 5,122</u>

Investment income from these investments for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Realized and unrealized gains on investments	\$ 57,907	\$ 137,437
Dividends and interest	<u>36,158</u>	<u>46,239</u>
	<u>\$ 94,065</u>	<u>\$ 183,676</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - 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, 2020 and 2019, 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, 2020 and 2019 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, 2020				
Endowment funds:				
Cash and money funds	\$ 73,207	\$ 73,207	\$ -	\$ -
Mutual funds	1,793,376	1,793,376	-	-
Money market funds	30,797	30,797	-	-
Total assets, at fair value	<u>\$ 1,897,380</u>	<u>\$ 1,897,380</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2019				
Endowment funds:				
Cash and money funds	\$ 76,618	\$ 76,618	\$ -	\$ -
Mutual funds	1,767,107	1,767,107	-	-
Money market funds	98,797	98,797	-	-
Equity investments	5,122	5,122	-	-
Total assets, at fair value	<u>\$ 1,947,644</u>	<u>\$ 1,947,644</u>	<u>\$ -</u>	<u>\$ -</u>

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

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Office furniture and equipment	\$ 30,282	\$ 30,282
Computer equipment	6,996	31,487
Website development	89,850	89,850
	<u>127,128</u>	<u>151,619</u>
Less accumulated depreciation	<u>(119,011)</u>	<u>(143,094)</u>
	<u><u>\$ 8,117</u></u>	<u><u>\$ 8,525</u></u>

Depreciation expense was \$7,403 and \$8,005 for the years ended June 30, 2020 and 2019, respectively.

NOTE 10 - UNEARNED REVENUE – OTHER

Unearned revenue – other consists of the following at June 30, 2020 and 2019:

	2020	2019
History Leadership Institute	\$ 74,764	\$ 17,040
Annual meeting	45,428	207,208
Andrew W. Mellon Foundation Grant	30,797	250,000
Workshop fees	14,815	17,950
Small Museum Scholarships	7,054	5,888
Other	5,625	28,125
Performance measurement	<u>-</u>	<u>6,900</u>
	<u><u>\$ 178,483</u></u>	<u><u>\$ 533,111</u></u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 11 - NOTE PAYABLE

The Association's outstanding debt as of June 30, 2020 is as follows:

Note payable	\$ 120,000
Less current portion	<u>(45,854)</u>
Total non-current portion	<u><u>\$ 74,146</u></u>

The Association has an unsecured note payable with Regions Bank dated May 11, 2020 due in monthly installments of \$6,720, including interest at a fixed rate of 1.00%. Payments are scheduled to begin on November 11, 2020. The note is due in full on May 11, 2022. The balance of the note payable at June 30, 2020 was \$120,000.

The loan from Regions Bank was received under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Association intends to use the proceeds for purposes consistent with the PPP.

NOTE 12 - RESTRICTIONS ON NET ASSETS

Net assets of the Association, and the nature of any restrictions, are made up of the following at June 30, 2020 and 2019:

	2020	2019
Net assets without donor restrictions:		
Undesignated	<u>\$ (147,184)</u>	<u>\$ (164,143)</u>
Net assets with donor restrictions:		
Accumulated investment gains	\$ 344,625	\$ 323,141
Original donor-restricted gift amount and amounts required to be maintained		
perpetuity by donor	1,536,509	1,520,584
Interest earned on restricted cash	<u>1,374</u>	<u>-</u>
	<u><u>\$ 1,882,508</u></u>	<u><u>\$ 1,843,725</u></u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 - RETIREMENT PLAN

The Association maintains a defined contribution retirement plan. Upon employment, all full-time employees over the age of 21 are eligible to participate in the plan. After one year of employment, the Association will match employee contributions up to 7.5%. The plan offers multiple investment options managed by investment professionals to eligible employees. Total contributions by the Association amounted to \$41,973 and \$33,621 for the years ended June 30, 2020 and 2019, respectively.

NOTE 14 - LEASING AND SERVICE ARRANGEMENTS

In the current year, the Association renewed the lease for office space, originally entered in 2016, for an additional three years. During the term of this lease, the annual rental amount will be \$44,500 payable in monthly installments, increasing by 3% annually. Rent expense for the years ended June 30, 2020 and 2019 totaled \$44,756 and \$64,703, 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:

2021	\$ 44,172
2022	45,495
2023	46,859
2024	<u>11,801</u>
	<u>\$ 148,327</u>

NOTE 15 - COMMITMENTS

Effective April 2019, the Association entered into an agreement for lodging, including food and beverage, for the annual meeting to be held in September 2021. Under the contract, the Association is committed to 1,105 room nights at a rate of \$136 for attendees and \$99 for staff. The Association is also committed to a minimum food and beverage charge of \$60,000. The total anticipated amount of the contract is \$206,714. If the agreement is cancelled prior to the meeting, the Association will be required to pay a cancellation fee equal to a percentage of the committed amounts noted above at a graduated rate based on the number of days prior to the event.

Effective May 2019, the Association entered into an agreement for event space for the annual meeting to be held in September 2021. Per the agreement, total minimum anticipated fees are \$11,625. If the Association cancels the event, any amounts paid by the Association will be non-refundable.

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 15 - COMMITMENTS (CONTINUED)

Effective September 2020, the Association entered agreements for lodging, food and beverage, and event space for the annual meeting to be held in September 2022. Under the contract, the Association is committed to 1,164 guest room nights with an anticipated fee of \$143,597. The Association is also committed to an event space contract, where the usage fee is waived as long as the Association meets eighty percent actualization of the aforementioned guest room nights, and a minimum food and beverage fee of \$47,500 excluding tax and service charges. If the agreement is cancelled prior to the meeting, the Association will be required to pay a cancellation fee equal to a percentage of the committed amounts noted above at a graduated rate based on the number of days prior to the event.

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, 2020 and 2019 amounted to \$66,875 and \$70,839, respectively.

In June 2019, the Association was awarded a grant with a total value of \$479,000 from The Andrew W. Mellon Foundation to be earned over the period of July 1, 2019 to August 31, 2022. The funding provided by this agreement will allow the Association to study the ways Americans understand history and generate successful communication strategies about the importance of history for public audiences. Revenue is recognized as expenses are incurred. As of June 30, 2020, the Association has recognized \$219,203 of revenues and expenses, leaving \$259,797 to be earned.

Regarding the Andrew W. Mellon Foundation grant, the Association entered into an agreement with a subgrantee to provide contract services for research associated to the project. The total amount of the agreement is \$272,000. As of June 30, 2020, \$136,000 has been paid to the subgrantee, with the remaining \$136,000 still due to the subgrantee from the Association as work is performed.

In January 2020, the Association was awarded a grant with a total value of \$150,000 from the National Endowment for the Humanities to support the project "Making America at 250: A Stronger Historical Community for the Semiquincentennial." Revenue is recognized as expenses are incurred. As of June 30, 2020, the Association has recognized \$6,400 leaving \$143,600 to be earned by the Association.

Regarding the National Endowment for the Humanities grant, the Association entered into an agreement with a subgrantee to provide contract services for research and data analysis associated to the project. The total amount of the agreement is \$100,000. As of June 30, 2020, the first payment of \$25,000 is reflected in the financial statements as a prepaid expense, with an additional \$75,000 due to the subgrantee from the Association as work is performed.

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 16 - 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 net assets with donor restrictions 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.

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, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment fund	<u>\$ -</u>	<u>\$ 1,881,134</u>	<u>\$ 1,881,134</u>

Endowment net assets composition by type of fund is as follows at June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment fund	<u>\$ -</u>	<u>\$ 1,843,725</u>	<u>\$ 1,843,725</u>

AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 16 - ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,843,725	\$ 1,843,725
Endowment contributions	-	15,925	15,925
Investment return	71,145	21,484	92,629
Endowment distributions	<u>(71,145)</u>	<u>-</u>	<u>(71,145)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,881,134</u>	<u>\$ 1,881,134</u>

Changes in endowment net assets for the year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,723,483	\$ 1,723,483
Endowment contributions	-	6,450	6,450
Investment return	69,812	113,792	183,604
Endowment distributions	<u>(69,812)</u>	<u>-</u>	<u>(69,812)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,843,725</u>	<u>\$ 1,843,725</u>

**AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 16 - 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, 2020 and 2019.

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.

NOTE 17 - SUBSEQUENT EVENTS

The Association received forgiveness for the Paycheck Protection Plan loan referenced in Note 11 during November 2020 prior to the issuance of these financial statements. Proceeds received from the loan will be recognized as income during the current accounting period.