

# Financial Report

for the year ended June 30, 2002

## Independent Auditors' Report

We have audited the accompanying statements of financial position of the American Historical Association as of June 30, 2002 and 2001 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Historical Association as of June 30, 2002 and 2001, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the American Historical Association taken as a whole. The accompanying supplemental statements of expenses by program, net assets by classification, and general operations for the years ended June 30, 2002 and 2001 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information for the years ended June 30, 2002 and 2001 has been subjected to the auditing procedures applied in the audits 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.

*McMaster, Ryan & Olsen, PLLC*

*October 17, 2002  
Washington, DC*

## 1. Description of the Organization

The American Historical Association (the Association) is a District of Columbia non-stock corporation founded in 1884 and incorporated by Congress in 1889 for the promotion of historical studies, the collection and preservation of historical manuscripts, and the dissemination of historical research.

## 2. Summary of Significant Accounting Policies

**Basis of Accounting:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

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

**Cash and Equivalents:** The Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Pledges Receivable:** Pledges receivable represents amounts that have been promised but not yet received. Pledges beyond one year are discounted to reflect the present value of the pledge.

**Investments:** Investments are recorded at market value. Realized and unrealized gains and losses on investments are reported on the statement of activities as they occur.

**Fixed Assets:** Furniture and equipment are reported at cost. Assets and capital lease purchases are depreciated over a three to five year estimated life using the straight line method.

**Deferred Revenue:** The Association records income for membership dues, subscriptions and publication advertising which have been paid in advance as deferred revenue.

**Net Assets:** Net assets are reported by the Association in accordance with Financial Accounting Standards Board (FASB) 116 and 117. Accordingly, net assets have been reported using the following categories.

**Unrestricted:** Unrestricted net assets represent resources over which the Council has discretionary control and are used to carry out operations of the Association in accordance with their bylaws. The Council's designated fund, included as part of the unrestricted net assets, was established to accumulate a reserve for the Association.

**Temporarily Restricted:** Temporarily restricted net assets represent contributions and grants, which have been restricted by donors for specific programs or activities. Restrictions, which have been met by the passage of time or expenditure of net assets, are reported as revenues released from restrictions on the statement of activities. For the years ended June 30, 2002 and 2001, the Association received \$542,959 and \$431,190 in temporarily restricted contributions and grants, respectively.

**Permanently Restricted Funds:** Permanently restricted net assets represent contributions that have been restricted by donors indefinitely. Investment income generated from the prin-

capital of the permanently restricted net assets is used to fulfill programs and the general operations of the Association. For the years ended June 30, 2002 and 2001 the Association did not receive any permanently restricted contributions.

**Gifts and bequests of property:** Gifts and bequests of property are recorded at the earlier of the date received or when the bequest is no longer subject to probate and its value can be reasonably estimated. Gifts and bequests are valued at their estimated fair market value on the date they are recorded.

**Donated Services and Materials:** Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. During 2002 and 2001, the Association did not receive any donated materials or services.

**Income Taxes:** The Association is a nonprofit organization, which is exempt from federal income taxes under the provision of Section 501 (c) (3) of the Internal Revenue Code. However, the Association is subject to unrelated business income tax for activities conducted outside its tax-exempt purpose. The Association conducted unrelated business activities that resulted in a Federal income tax liability of \$0 and \$6,085 and a state income tax liability of \$0 and \$4,606 during 2002 and 2001, respectively.

**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.

### 3. Investments

The value of investments was as follows:

	June 30, 2002		June 30, 2001	
	Cost	Market	Cost	Market
U.S. Treasury notes and bonds	\$436,571	441,169	682,582	687,086
Mutual funds	551,129	538,530	707,030	648,999
Corporate bonds	24,889	25,306	50,389	49,913
Corporate securities	1,256,459	2,119,427	1,188,845	2,612,022
<b>Total</b>	<b>2,269,048</b>	<b>3,124,432</b>	<b>2,628,846</b>	<b>3,998,020</b>

*The market value of stocks is estimated based on quoted market prices for those investments. None of the investments are held for trading purposes.*

### 4. Retirement Plan

The Association maintains a qualifying defined contribution retirement plan for qualifying full-time employees under Internal Revenue Code Section 403(b). The Association contributes up to a maximum of 10 percent of the employee's total

annual compensation to the plan each year. The contributions are fully vested and nonforfeitable. For the years ended June 30, 2002 and 2001, contributions to the plan were \$74,952 and \$60,549, respectively. There were no contributions due to the plan at June 30, 2002 and 2001, respectively.

### 5. Line of Credit

The Association has entered into an agreement for an \$180,000 line of credit that expires on October 10, 2002. Interest is charged at the lender's prime rate plus .50 percent. The line of credit is collateralized by approximately \$200,000 of U.S. Treasury Bonds and Notes. There was no balance on the line of credit as of June 30, 2002 and 2001, respectively. Interest expense for the years ended June 30, 2002 and 2001 was \$0 and \$0, respectively.

### 6. Commitments

The Association entered into an agreement with three other collaborators for the purpose of producing electronic versions of journals published by the Association and one of the other signers. The terms of the agreement provide for the Association to contribute \$35,000 each year for the three years beginning January 2001.

### 7. Concentration of Risk

The Association maintains cash balances in a financial institution that is insured by the Federal Deposit Insurance Corporation for amounts up to \$100,000. The Association is exposed to concentrations of credit risk at times when cash balances exceed the FDIC limit. The Association has not experienced any losses and believes they are not exposed to significant risk.

### 8. Prior Period Adjustment

Errors in recording several transactions in prior years were discovered during 2001. Accordingly, the following adjustments were made at the beginning of the year:

Increase in market value of investments	\$ 50,172
Decrease in deferred revenue – grants	( \$706,140)
Increase in deferred revenue – life memberships	70,550
Increase in deferred revenue – AHR Cooperative	10,000
Increase in accrued expenses – income taxes	<u>4,550</u>
Net prior period adjustments	<u>\$ ( 570,868)</u>

The above prior period adjustments increased net assets as follows:

	Increase (Decrease)
Market valuation of investments	\$ 50,172
Temporarily restricted grants	706,140
Deferred revenue – life memberships	( 70,550)
Deferred revenue – AHR Cooperative	( 10,000)
Accrued expenses – income taxes	<u>( 4,550)</u>
Net prior period adjustments	<u>\$ 671,212</u>

## Statement of Financial Position on June 30, 2002

<b>ASSETS</b>		<b>LIABILITIES AND NET ASSETS</b>	
<b>Current assets:</b>		Current liabilities:	
Cash and equivalents	1,070,103	Accounts payable	152,344
Investments	3,124,432	Accrued expenses	78,270
Accounts receivable	68,473	Deferred revenue:	
Grants receivable	6,100	Memberships	501,046
Interest and dividends receivable	15,818	Subscriptions~AHR	184,198
Prepaid expenses	47,128	Subscriptions~ISP	141,482
		Annual Meeting	85,525
<b>Total current assets</b>	<b>4,332,054</b>	AHR Cooperative	--
<b>Fixed assets:</b>		Life memberships-current portion	11,692
Land	8,000	<b>Total current liabilities</b>	<b>1,154,557</b>
Building and improvements	455,802	Life memberships-long term	50,463
Furniture and equipment	651,833	<b>Total liabilities</b>	<b>1,205,020</b>
		Net assets:	
	1,115,635	Unrestricted:	
Less: accumulated depreciation	(675,342)	Undesignated	(407,330)
		Designated	2,192,714
<b>Net fixed assets</b>	440,293	Total unrestricted	1,785,384
Other assets		Temporarily restricted	1,260,823
Deposits	1,000	Permanently restricted	522,120
<b>Total assets</b>	<b>\$4,773,347</b>	Total net assets	3,568,327
		<b>Total liabilities and net assets</b>	<b>\$4,773,347</b>

## Statement of Activities for the Year Ended June 30, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Membership dues	\$983,371	\$-	\$-	\$983,371
Annual Conference	562,960	-	-	562,960
<i>American Historical Review</i>	481,409	-	-	481,409
Publications	589,274	-	-	589,274
Grants	-	542,959	-	542,959
Contributions	49,582	-	-	49,582
Interest and dividends	70,216	26,221	-	91,757
Realized gains				
and losses on investments	(1,225)	(376)	-	(1,601)
Unrealized losses on investments	(543,128)	(166,565)	-	(709,693)
Miscellaneous	3,392	-	-	3,392
Net assets released from restrictions	675,577	(675,577)	-	-
<b>Total revenue and support</b>	<b>2,871,428</b>	<b>(278,018)</b>	<b>-</b>	<b>2,593,410</b>
<b>EXPENSES</b>				
<b>Programs:</b>				
<i>American Historical Review</i>	747,835	-	-	747,835
Annual Meeting	403,994	-	-	403,994
Membership	283,105	-	-	283,105
Publications	670,067	-	-	670,067
Grants	671,332	-	-	671,332
Special Funds and Prizes	169,085	-	-	169,085
<b>Total programs</b>	<b>2,945,418</b>	<b>-</b>	<b>-</b>	<b>2,945,418</b>
<b>Support services:</b>				
General and Administrative	191,016	-	-	191,016
Council	448,740	-	-	448,740
<b>Total support services</b>	<b>639,756</b>	<b>-</b>	<b>-</b>	<b>639,756</b>
<b>Total expenses</b>	<b>3,585,174</b>	<b>-</b>	<b>-</b>	<b>3,585,174</b>
Change in net assets	(713,746)	(278,018)	-	(991,764)
Net assets, beginning of year	2,499,130	1,538,841	522,120	4,560,091
Prior period adjustment	--	--	-	671,212
<b>Net assets, end of year</b>	<b>\$1,785,384</b>	<b>\$1,260,823</b>	<b>\$522,120</b>	<b>\$3,568,327</b>

## Supplemental Statement of Expenses by Program For the year ended June 30, 2002

	PROGRAMS							SUPPORT SERVICES			TOTAL
	American Historical Review	Annual Meeting	Membership	Publications	Grants	Special Funds and Prizes	TOTAL PRO-GRAMS	General and Admin	Council	TOTAL SUPPORT SERVICES	
Salaries and fringe benefits	\$30,330	\$89,147	\$112,282	\$282,996	\$97,766	\$2,592	\$615,113	\$357,939	\$229,675	\$587,614	\$1,202,727
Bank fees	-	-	-	-	-	-	-	-	-	-	-
and service charges	3,443	-	28,985	-	-	-	32,428	8,722	-	8,722	41,150
Committee travel	4,345	8,361	-	-	75,810	6,668	95,184	649	43,544	44,193	139,377
Communications	4,046	30	9,268	4,949	18,868	-	37,161	10,101	7,122	17,223	54,384
Contractors	321,696	24,773	10,376	14,157	114,344	28,799	514,145	11,646	1,432	13,078	527,223
Contributions/Coalition -	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	75,962	-	75,962	75,962
Dues and subscriptions	35,000	-	14,787	643	818	-	51,248	41,505	612	42,117	93,365
Equipment rental	-	-	-	-	-	-	-	-	-	-	-
and maintenance	3,432	17,175	3,044	9,323	767	-	33,741	26,899	-	26,899	60,640
Insurance	-	7,959	-	-	-	-	7,959	20,200	-	20,200	28,159
Meetings and conferences	2,371	119,860	162	-	19,540	2,545	144,478	-	25,314	25,314	169,792
Miscellaneous	2,356	1,625	-	-	328	668	4,977	530	193	723	5,700
Occupancy	-	-	-	-	10,539	-	10,539	-	-	-	10,539
Office expense	2,552	1,315	268	641	5,922	59	10,757	19,980	183	20,163	30,920
Postage and delivery	59,743	24,842	12,897	66,208	2,360	30	166,080	1,578	4,973	6,551	172,631
Printing and duplicating	240,106	43,855	31,921	121,992	5,900	-	443,774	5,571	7,844	13,415	457,189
Prizes, grants and honorariums	2,000	500	-	10,525	251,390	66,300	330,715	-	-	-	330,715
Professional fees	-	825	1,770	792	2,077	60,967	66,431	20,432	2,574	23,006	89,437
Repairs and maintenance	-	-	-	-	-	-	-	764	-	764	764
Staff travel	6,938	17,053	40	54	13,564	457	38,106	3,096	4,296	7,392	45,498
Storage	2,367	-	-	4,973	-	-	7,340	7,052	-	7,052	14,392
Supplies	8,008	2,103	-	-	401	-	10,512	7,890	-	7,890	18,402
Taxes	-	-	-	-	-	-	-	7,111	-	7,111	7,111
Utilities	-	-	-	-	-	-	-	9,097	-	9,097	9,097
Total expense, before overhead allocation	728,733	359,423	225,800	517,253	620,394	169,085	2,620,688	636,724	327,762	964,486	3,585,174
Overhead allocation	19,102	44,571	57,305	152,814	50,938	-	324,730	(445,708)	120,978	(324,730)	-
<b>Total expense</b>	<b>\$747,835</b>	<b>\$403,994</b>	<b>\$283,105</b>	<b>\$670,067</b>	<b>\$671,332</b>	<b>\$169,085</b>	<b>\$2,945,418</b>	<b>\$191,016</b>	<b>\$448,740</b>	<b>\$639,756</b>	<b>\$3,585,174</b>

# Supplemental Statement of Assets by Classification

## For the year ended June 30, 2002

	Beginning of Year					End of Year											
	Permanently Restricted	Temporarily Restricted	Designated	Unrestricted		Total	Income	Expense	Investment Gains, and Unrealized Losses	Investment Fees	Transfers	Permanently Restricted	Temporarily Restricted	Designated	Unrestricted		Total
				Undesignated	Unrestricted										Undesignated	Unrestricted	
<b>Prize Funds</b>	\$ 5,000	\$ 25,151	\$ -	\$ -	\$ -	\$ 30,151	\$ -	\$ -	\$ (5,556)	\$ (198)	\$ -	\$ 5,000	\$ 19,397	\$ -	\$ -	\$ 24,397	
Herbert Baxter Adams Prize Fund																	
Ancient History Prize Fund -																	
James H. Breasted Fund	10,800	9,483	-	-	20,283	-	(500)	(3,704)	(132)	-	10,800	5,147	-	-	15,947		
Central European History Prize Fund																	
Grant - Staffing Survey	-	20,185	-	-	20,185	-	-	422	-	-	-	-	20,607	-	-	20,607	
George Louis Beer Prize Fund	5,000	74,081	-	-	79,081	-	(1,500)	(14,432)	(517)	-	5,000	57,632	-	-	62,632		
Beveridge Family Prize Fund	20,000	24,937	-	-	44,937	-	(4,252)	(7,850)	(281)	-	20,000	12,554	-	-	32,554		
Paul Birdsell Prize Fund	10,000	15,234	-	-	25,234	-	-	(4,660)	(167)	-	10,000	10,407	-	-	20,407		
Albert Corey Prize Fund	25,000	41,179	-	-	66,179	-	-	(12,201)	(436)	-	25,000	28,542	-	-	53,542		
Premio Del Rey Prize Fund	10,800	15,991	-	-	26,791	-	-	(4,917)	(176)	-	10,800	10,898	-	-	21,698		
John H. Dunning Prize Fund	2,000	29,762	-	-	31,762	-	(1,444)	(5,679)	(203)	-	2,000	22,436	-	-	24,436		
John K. Fairbank Prize Fund	7,990	53,442	-	-	61,432	-	(1,500)	(11,181)	(400)	-	7,990	40,361	-	-	48,351		
Morris D. Forkosh Prize Fund	16,000	31,016	-	-	47,016	-	(1,500)	(8,487)	(304)	-	16,000	20,725	-	-	36,725		
Leo Gershoy Prize Fund	10,000	51,279	-	-	61,279	-	(1,500)	(11,111)	(397)	-	10,000	38,271	-	-	48,271		
William Gilbert Prize Fund	10,000	13,399	-	-	23,399	-	(600)	(4,280)	(153)	-	10,000	8,366	-	-	18,366		
Clarence H. Haring Prize Fund	3,000	26,558	-	-	29,558	-	(1,200)	(5,298)	(190)	-	3,000	19,870	-	-	22,870		
Joan Kelly Prize Fund	18,692	28,536	-	-	47,228	-	(1,400)	(8,559)	(306)	-	18,692	18,271	-	-	36,963		
Michael Kraus Prize Fund	15,000	48,173	-	-	63,173	-	(1,793)	(11,429)	(409)	-	15,000	34,542	-	-	49,542		
J. Russell Major Prize Fund	50,475	373	-	-	50,848	-	(250)	(9,321)	(333)	-	50,475	(9,531)	-	-	40,944		
Howard R. Marraro Prize Fund	10,000	21,942	-	-	31,942	-	(1,100)	(5,742)	(205)	-	10,000	14,895	-	-	24,895		
George L. Mosse Prize Fund	27,088	-	-	-	27,088	-	(250)	(4,988)	(178)	-	27,088	(5,416)	-	-	21,672		
James A. Rawley Award	35,275	4,672	-	-	39,947	-	(600)	(7,284)	(260)	-	35,275	(3,472)	-	-	31,803		
Nancy Roelker Award	18,000	17,864	-	-	35,864	-	(900)	(6,512)	(233)	-	18,000	10,219	-	-	28,219		
Andrew D. White Prize Fund	-	14,762	-	-	14,762	-	(1,400)	(2,622)	(94)	-	-	10,646	-	-	10,646		
Wesley-Logan Prize Fund	-	18,074	-	-	18,074	-	(900)	(3,259)	(116)	-	-	13,799	-	-	13,799		
Herbert Feis Prize Fund	-	20,386	-	-	20,386	-	(1,000)	(3,642)	(130)	-	-	15,614	-	-	15,614		
John E. Fagg Prize Fund	-	10,185	-	-	10,185	-	(1,000)	(1,789)	(64)	-	-	7,392	-	-	7,392		
<b>Total prize funds</b>	\$ 310,120	\$ 616,664	\$ -	\$ -	\$ 926,784	\$ -	\$ (24,589)	\$ (164,081)	\$ (5,882)	\$ -	\$ 310,120	\$ 422,112	\$ -	\$ -	\$ 732,232		

## Supplementary Statement of Assets by Classification (Continued from previous page)

	Beginning of Year				End of Year									
	Permanently Restricted	Temporarily Restricted	Unrestricted		Income	Expense	Investment Gains and Unrealized Losses	Investment Fees	Transfers	Permanently Restricted	Temporarily Restricted	Unrestricted		Total
			Designated	Undesignated								Designated	Undesignated	
<b>Grant Programs</b>														
Carnegie Foundation - Study of Graduate Training in History	-	73,893	-	-	160,200	(161,862)	3,147	-	-	-	-	-	-	75,378
Council of Graduate Schools Grant - Preparing Future Faculty	-	12,709	-	-	48,740	(41,283)	358	-	-	-	20,524	-	-	20,524
Ford Foundation Grant - Globalizing World History	-	110,522	-	-	273,400	(114,707)	3,973	-	(3,000)	-	270,188	-	-	270,188
Mellon Foundation Grant - E Book Prize Program	-	504,559	-	-	10,000	(241,850)	8,130	-	-	-	280,839	-	-	280,839
National Aeronautics and Space Administration Fellowship Program	-	14,090	-	-	17,899	(19,200)	284	-	(5,000)	-	8,073	-	-	8,073
Oxford University Press - Guide	-	79,334	-	-	-	-	1,661	-	-	-	80,995	-	-	80,995
CASTL Program	-	5,000	-	-	32,720	(29,474)	101	-	(3,246)	-	5,101	-	-	5,101
National Endowment for the Humanities	-	55,312	-	-	55,312	(12,018)	1,027	-	-	-	44,321	-	-	44,321
Carnegie Mellon NHEN	-	855,419	-	-	542,959	(620,394)	18,681	-	(11,246)	-	785,419	-	-	785,419
Total grant programs	-	1,538,751	-	-	1,222,947	(522,339)	32,823	-	(9,252)	-	1,260,823	-	-	1,260,823
<b>Special Funds</b>														
Albert J. Beveridge Memorial Fund	100,000	-	377,560	-	477,560	(12,082)	(85,011)	(3,040)	(19,306)	100,000	-	258,121	-	358,121
Littleton-Griswold Fund	25,000	-	296,382	-	281,382	(7,693)	(90,005)	(1,788)	(11,261)	25,000	-	185,635	-	210,635
David M. Matteson Fund	87,000	44,019	319,234	-	450,253	-	(81,174)	(2,902)	(19,500)	87,000	44,019	216,658	-	347,677
National History Center	-	28,130	28,130	-	41,767	(74,562)	248	-	4,417	-	-	-	-	-
Endowment Fund	-	-	742,957	-	742,957	(500)	(136,221)	(4,861)	(31,370)	-	-	570,005	-	570,005
Bernadotte Schmitt Endowment Fund	-	-	587,097	-	587,097	(17,263)	(106,470)	(3,807)	-	-	459,557	-	-	459,557
J. Franklin Jameson Fund	-	22,649	-	-	22,649	(10,000)	(3,260)	(116)	-	-	9,273	-	-	9,273
Total special funds	212,000	66,668	2,311,360	-	2,590,028	(122,100)	(461,893)	(16,514)	(76,020)	212,000	52,292	1,689,976	-	1,955,268
<b>General Funds</b>														
Working Capital Fund	-	-	100,000	-	100,000	-	-	-	-	-	-	100,000	-	100,000
Property, Plant and Equipment Fund	-	-	402,738	-	402,738	-	-	-	-	-	-	402,738	-	402,738
Undesignated Fund	-	-	(314,878)	-	(314,878)	(2,795,256)	(12,244)	(439)	87,266	-	-	(407,330)	-	(407,330)
Total general funds	-	-	187,860	-	187,860	(2,795,256)	(12,244)	(439)	87,266	-	-	502,738	-	95,408
<b>Total net assets</b>	\$ 522,120	\$ 1,538,751	\$ 2,814,098	\$ (314,878)	\$ 4,560,091	\$ (3,562,339)	\$ (619,537)	\$ (22,835)	\$ -	\$ 522,120	\$ 1,260,823	\$ 2,192,714	\$ (407,330)	\$ 1,785,384
														\$ 3,568,327

See notes and independent auditors' report.