

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

AMERICAN ASSOCIATION OF
TEACHERS OF FRENCH, INC.

June 30, 2013 and 2012

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AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

June 30, 2013 and 2012

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Kerber, Eck & Braeckel LLP

CPAs and
Management Consultants
1116 W. Main Street
Carbondale, IL 62901-2335
ph 618.529.1040
fax 618.549.2311
www.kebcpa.com

INDEPENDENT AUDITORS' REPORT ON FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Executive Council
American Association of
Teachers of French, Inc.
Carbondale, Illinois

We have audited the accompanying financial statements of American Association of Teachers of French (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 of Teachers of French as of June 30, 2013 and 2012, 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.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 17 - 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kaden, Elk + Brueckel LLP

Carbondale, Illinois
January 9, 2014

FINANCIAL STATEMENTS

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	General Fund					Restricted and Designated Fund	Total of All Funds 2013	2012
	National Headquarters	The French Review	National French Contest	French Honor Society	Total			
ASSETS								
Cash and cash equivalents	\$ 188,169	\$ 16,266	\$ 53,408	\$ 125,886	\$ 383,729	\$ 42,811	\$ 426,540	\$ 427,751
Investments, at fair value:								
Common and preferred stock	-	-	-	-	-	1,217,568	1,217,568	1,051,442
Index funds	-	-	-	-	-	686,411	686,411	495,687
Government and agency securities	-	-	-	-	-	65,175	65,175	167,889
	188,169	16,266	53,408	125,886	383,729	2,011,965	2,395,694	2,142,769
Equipment	4,725	-	224	-	4,949	-	4,949	15,674
Less accumulated depreciation	(2,811)	-	(224)	-	(3,035)	-	(3,035)	(13,122)
	1,914	-	-	-	1,914	-	1,914	2,552
Accounts receivable	76	1,890	5,605	-	7,571	-	7,571	6,664
Prepaid expense	12,128	-	-	-	12,128	-	12,128	12,810
Inventory	-	-	13,813	-	13,813	-	13,813	15,098
Due from others	-	-	-	19,180	19,180	-	19,180	29,876
TOTAL ASSETS	\$ 202,287	\$ 18,156	\$ 72,826	\$ 145,066	\$ 438,335	\$ 2,011,965	\$ 2,450,300	\$ 2,209,769
LIABILITIES								
Deferred revenue	\$ 84,159	\$ -	\$ -	\$ -	\$ 84,159	\$ -	\$ 84,159	\$ 111,434
Accrued payroll	13,065	-	-	-	13,065	-	13,065	27,377
Accrued payable	28,483	-	-	2,895	31,378	-	31,378	22,704
Accrued benefits	2,832	-	-	-	2,832	-	2,832	12,232
Accrued other	-	-	-	-	-	-	-	-
Due to others	19,180	-	-	-	19,180	-	19,180	29,876
Total liabilities	147,719	-	-	2,895	150,614	-	150,614	203,623
NET ASSETS	54,568	18,156	72,826	142,171	287,721	2,011,965	2,299,686	2,006,146
TOTAL LIABILITIES AND NET ASSETS	\$ 202,287	\$ 18,156	\$ 72,826	\$ 145,066	\$ 438,335	\$ 2,011,965	\$ 2,450,300	\$ 2,209,769

The accompanying notes are an integral part of these statements.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenue		
Memberships, subscriptions & senior awards	\$ 427,610	\$ 431,964
Sales of certificates, pins & t-shirts	207,736	187,529
Sales of tests, tapes & cd's	233,553	230,249
Advertising	15,810	16,315
Conference	124,171	179,858
Mailing list rental	6,107	3,961
Royalties	44,700	4,461
Other	<u>182,750</u>	<u>189,758</u>
Total operating revenue	1,242,437	1,244,095
Operating expenses		
Printing	164,841	157,505
Salaries	232,146	204,107
Cost of t-shirts, pins, certificates, etc.	106,956	40,491
Cost of tests, tapes & cd's for resale	100,329	101,281
Advertising	68,475	79,210
Office supplies and postage	77,023	83,684
Honoraria	65,021	69,036
Awards and gifts	70,547	58,328
Travel and lodging - Executive Council	17,605	17,883
Conference	111,728	107,663
Scholarships	25,265	21,858
Commissions	6,666	3,210
Professional services	14,308	17,944
Depreciation	638	869
Occupancy	6,997	7,057
Other	149,249	189,136
Taxes	<u>767</u>	<u>1,157</u>
Total operating expenses	<u>1,218,561</u>	<u>1,160,419</u>
Income from operations	23,876	83,676
Nonoperating revenue		
Investment income	44,997	40,261
Net unrealized and realized gain (loss) on investments	<u>224,667</u>	<u>21,377</u>
Total nonoperating revenue	<u>269,664</u>	<u>61,638</u>
INCREASE IN NET ASSETS	293,540	145,314
NET ASSETS, BEGINNING OF YEAR	<u>2,006,146</u>	<u>1,860,832</u>
NET ASSETS, END OF YEAR	<u>\$ 2,299,686</u>	<u>\$ 2,006,146</u>

The accompanying notes are an integral part of these statements.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 293,540	\$ 145,314
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	638	869
Net unrealized gains/losses on investments	(224,667)	(21,377)
Changes in:		
Prepaid expense	682	42,850
Accounts receivable	(907)	(4,183)
Inventory	1,285	1,447
Accounts payable	8,674	15,554
Accrued payroll	(14,312)	27,377
Accrued benefits	(9,400)	7,333
Deferred revenue	<u>(27,275)</u>	<u>(53,125)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,258	162,059
Cash flows from investing activities		
Dividends reinvested	(26,791)	(33,487)
Proceeds from sale (purchases) of marketable securities	(2,678)	(29,492)
Purchase of equipment	<u>-</u>	<u>(3,189)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(29,469)</u>	<u>(66,168)</u>
Increase (decrease) in cash and cash equivalents	(1,211)	95,891
Cash and cash equivalents at beginning of year	<u>427,751</u>	<u>331,860</u>
Cash and cash equivalents at end of year	<u>\$ 426,540</u>	<u>\$ 427,751</u>

The accompanying notes are an integral part of these statements.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

A summary of the Association's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization

The Association is a not-for-profit organization exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code. The Association is devoted to the advancement of French education and improvement of teaching for French Teachers through conventions, seminars, journals, and other professional development activities for its approximately 10,000 members. It is governed by an Executive Council comprised of elected and appointed members and an elected Delegate Assembly.

Revenue received from the rental of membership and subscription lists is taxable income as an unrelated business activity.

2. Basis of Reporting

The Association prepares its financial statements on the accrual basis of accounting. Under this basis revenue is recorded when earned and expenses are recognized when incurred.

3. Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Association, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

The General Fund includes those funds presently available for use by the Association at the discretion of the Executive Council.

The Endowment Fund (Designated Fund) was created by the Executive Council in 1969 and consists of an initial transfer of unrestricted gifts accumulated from 1930 to 1970 plus gifts and investment gains accumulated since 1970. Periodically, amounts of accumulated income are transferred to the General Fund for general expenses, scholarships, and other uses. However, the Executive Council retains control of these assets and may at its discretion subsequently use these assets for other purposes.

The North Carolina Scholarship Fund (Restricted Fund) consists of a donor restricted endowment that shall be used to establish an endowment fund in which the income may be available for one or more scholarships to be given each year in accordance with donor restrictions.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

4. Cash and Cash Equivalents

For financial statement presentation purposes, cash includes cash on hand, bank deposits, and all highly liquid investment instruments with an initial maturity of three months or less. At June 30, 2013, cash equivalents consisted of money market funds.

5. Inventory

Inventory is stated at lower-of-cost, generally on a first-in, first-out basis, or market.

6. Investments

Investments are carried at fair value. Fair value is based on quoted values as listed on various national markets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the Statement of Activities.

Trading securities are debt or equity securities that are bought and held principally for the purpose of selling them in the near future. The Association did not have any investments classified as trading securities at June 30, 2013 and 2012.

7. Equipment and Related Depreciation

Equipment is stated at cost. Depreciation is determined primarily by straight-line methods over the estimated useful lives of the assets.

8. Contributions

The Association reports gifts of cash and other assets and grants, as restricted support if they are received with donor or grantor stipulations that limit the use of the assets. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2013 the only restricted fund was the North Carolina Scholarship Fund.

9. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

10. Income Taxes

The Association is a not-for-profit corporation as described in Section 501(c)3 of the Internal Revenue Code and is exempt from income taxes. The association realized certain income which the Internal Revenue Service considers to be unrelated business income subject to income tax for the years ended June 30, 2013. AATF will file a 990-T for any unrelated business income. There were no penalties, interest, or uncertain tax benefits identified and recorded as a liability.

Tax returns filed by the Association are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Tax returns filed by the Association are no longer subject to examination for the years ended June 30, 2009 and prior.

NOTE B - NATIONAL HEADQUARTERS GRANT

The Association has contracted, through an external grant agreement, with Southern Illinois University (SIU) to run the operation and administration of the national headquarters. This is accomplished on SIU's campus using SIU employees, SIU office and storage space and other SIU resources. Through the annually renewable grant the Association provides funds to SIU to cover wages and other expenses related to running the national headquarters.

NOTE C - PROGRAM EXPENSES

Program and support expenses for the year ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
National French Contest	\$ 191,239	\$ 180,484
French Review	1,839	2,632
French Honor Society	124,849	58,676
Conferences	110,849	105,751
Promotional	221,604	230,796
Chapter reimbursements	48,611	59,294
Awards, gifts, scholarships	21,849	18,251
Management and general	<u>497,721</u>	<u>504,535</u>
	<u>\$ 1,218,561</u>	<u>\$ 1,160,419</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE D - DEPOSITS AND INVESTMENTS

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned.

The Association maintains deposit accounts at several different financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total bank balances at Jun 30, 2013 are as follows:

Insured Balance (FDIC)	\$ 353,711
Uninsured Balance, no collateral	<u>132,475</u>
Total	<u>\$ 486,186</u>

2. Investments

As of June 30, 2013 and 2012, the Association had the following investments and maturities, all of which were held in the Association's name by several custodial banks that are agents of the Association.

June 30, 2013

<u>Investment Type</u>	<u>Carrying value</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-5 years</u>
Mutual Funds	\$ 1,217,568	\$ 1,217,568	\$ -	\$ -
Bonds	65,175	65,175	-	-
Index Equity Funds	<u>686,411</u>	<u>686,411</u>	-	-
Total	<u>\$ 1,969,154</u>	<u>\$ 1,969,154</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2012

<u>Investment Type</u>	<u>Carrying value</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-5 years</u>
Mutual Funds	\$ 1,051,442	\$ 1,051,442	\$ -	\$ -
Bonds	167,889	100,713	-	67,176
Index Equity Funds	<u>495,687</u>	<u>495,687</u>	-	-
Total	<u>\$ 1,715,018</u>	<u>\$ 1,647,842</u>	<u>\$ -</u>	<u>\$ 67,176</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE D - DEPOSITS AND INVESTMENTS - CONTINUED

2. Investments - Continued

Interest Rate Risk - Interest rate risk is the risk that the fair value of an investment will decline as interest increases. The Association's investment policy is described in the paragraph below. Due to the Association's types of investments at June 30, 2013 and 2012, interest rate risk is not significant.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk - The Association places no limit on the amount that may be invested in any one issuer.

3. Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

<u>Carrying value</u>	<u>2013</u>	<u>2012</u>
Total Investments	<u>\$ 1,969,154</u>	<u>\$ 1,715,018</u>
Included in the following balance sheet captions		
Index Equity Funds	\$ 686,411	\$ 495,687
Mutual Funds	1,217,568	1,051,442
Government and agency securities	<u>65,175</u>	<u>167,889</u>
	<u>\$ 1,969,154</u>	<u>\$ 1,715,018</u>

Investment Income

	<u>2013</u>	<u>2012</u>
Interest and dividend income	<u>\$ 44,997</u>	<u>\$ 40,261</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE D - DEPOSITS AND INVESTMENTS - CONTINUED

Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- if the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012.

Index Equity Funds and Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

U.S. Treasury Notes: U.S. Treasury securities are liquid and have quoted market prices. Fair value of U.S. Treasuries is based on live trading funds.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE D - DEPOSITS AND INVESTMENTS - CONTINUED

Input levels by investment category of the Association's financial instruments at June 30, 2013 are as follows:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Index Equity Funds	\$ 686,411	\$ -	\$ 686,411	\$ -
Mutual Funds				
Consumer Discretionary	76,692	76,692	-	-
Healthcare	120,826	120,826	-	-
Telecommunication	13,450	13,450	-	-
Technology	140,335	140,335	-	-
Basic Materials	14,923	14,923	-	-
Consumer Defense	14,459	14,459	-	-
Energy	46,035	46,035	-	-
Financial	25,520	25,520	-	-
Industrial	93,980	93,980	-	-
Real Estate	44,660	44,660	-	-
Large Cap Value	364,284	364,284	-	-
Small Cap Value	61,580	61,580	-	-
Small Cap Growth	42,826	42,826	-	-
International	157,998	157,998	-	-
U.S. Treasury Notes	<u>65,175</u>	<u>65,175</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,969,154</u>	<u>\$ 1,282,743</u>	<u>\$ 686,411</u>	<u>\$ -</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE D - DEPOSITS AND INVESTMENTS - CONTINUED

Input levels by investment category of the Association's financial instruments at June 30, 2012 are as follows:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Index Equity Funds	\$ 495,687	\$ -	\$ 495,687	\$ -
Mutual Funds				
Consumer Discretionary	58,775	58,775	-	-
Healthcare	92,871	92,871	-	-
Telecommunication	11,460	11,460	-	-
Technology	134,573	134,573	-	-
Basic Materials	13,488	13,488	-	-
Consumer Defense	12,386	12,386	-	-
Energy	38,475	38,475	-	-
Financial	18,945	18,945	-	-
Industrial	77,213	77,213	-	-
Real Estate	40,980	40,980	-	-
Large Cap Value	330,589	330,589	-	-
Small Cap Value	48,884	48,884	-	-
Small Cap Growth	34,486	34,486	-	-
International	138,317	138,317	-	-
U.S. Treasury Notes	<u>167,889</u>	<u>167,889</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,715,018</u>	<u>\$ 1,219,331</u>	<u>\$ 495,687</u>	<u>\$ -</u>

The Association's other financial instruments are as follows:

Cash and cash equivalents
Accounts receivable

Accounts payable and accrued expenses

The carrying amount reported in the balance sheet for the financial instruments approximates fair value.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE E - RESTRICTED AND DESIGNATED FUNDS

	Designated Fund	North Carolina Fund	Total
NET ASSETS, BEGINNING OF YEAR	\$ 1,428,700	\$ 333,601	\$ 1,762,301
Dividend Income	32,254	8,330	40,584
Interest Income	4,413	-	4,413
Net unrealized and realized gain (loss)	188,314	19,675	207,989
Other	-	16,678	16,678
Scholarships	-	(14,000)	(14,000)
Transfer to National Headquarters	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
NET ASSETS, END OF YEAR	<u>\$ 1,647,681</u>	<u>\$ 364,284</u>	<u>\$ 2,011,965</u>

The Board Designated Fund was created by the Executive Council in 1969 and consists of an initial transfer of unrestricted gifts accumulated from 1930 to 1970 plus gifts and investment gains accumulated since 1970. Periodically, amounts of accumulated income are transferred to the General Fund for general expenses, scholarships, and other uses. However, the Executive Council retains control of these assets and may, at its discretion, use these assets for other purposes. Typically, these funds are only used for scholarships.

The North Carolina Scholarship Fund is a Restricted Fund that consists of a donor restricted endowment that shall be used to establish an endowment fund in which the income may be available for one or more scholarships to be given each year in accordance with donor restrictions.

NOTE F - SUBSEQUENT EVENTS

Management evaluated all events and transactions that occurred after June 30, 2013 through January 9, 2014. No subsequent events were identified.

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SUPPLEMENTARY INFORMATION

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES

June 30, 2013

	General Fund					Restricted and Designated Fund	Total of All Funds
	National Headquarters	The French Review	National French Contest	French Honor Society	Total		
Operating revenue	\$ 427,610	\$ -	\$ -	\$ -	\$ 427,610	\$ -	\$ 427,610
Memberships and subscriptions	-	-	-	207,736	207,736	-	207,736
Sales of certificates, pins & t-shirts	-	-	233,553	-	233,553	-	233,553
Sales of tests, tapes & cd's	-	15,810	-	-	15,810	-	15,810
Advertising	124,171	-	-	-	124,171	-	124,171
Conference	6,107	-	-	-	6,107	-	6,107
Mailing list rental	44,225	-	475	-	44,700	-	44,700
Royalties	154,623	-	28,127	-	182,750	-	182,750
Other	-	-	-	-	-	-	-
Total operating revenue	756,736	15,810	262,155	207,736	1,242,437	-	1,242,437
Operating expenses							
Printing of French Review, National Bulletin and Le Grand Concours	153,129	-	11,712	-	164,841	-	164,841
Salaries	223,625	-	3,521	5,000	232,146	-	232,146
Cost of t-shirts, pins, certificates, etc.	-	-	-	106,956	106,956	-	106,956
Cost of tests, tapes & cd's for resale	-	-	100,329	-	100,329	-	100,329
Advertising	68,475	-	-	-	68,475	-	68,475
Office supplies and postage	76,112	348	563	-	77,023	-	77,023
Honoraria	62,784	-	-	2,237	65,021	-	65,021
Awards and gifts	4,849	-	65,698	-	70,547	-	70,547
Travel and lodging - Executive Council	17,605	-	-	-	17,605	-	17,605
Conference	110,849	-	879	-	111,728	-	111,728
Scholarships	3,000	-	-	8,265	11,265	14,000	25,265
Commissions	6,666	-	-	-	6,666	-	6,666
Professional services	14,000	308	-	-	14,308	-	14,308
Depreciation	638	-	-	-	638	-	638
Occupancy	-	-	6,997	-	6,997	-	6,997

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES - CONTINUED

June 30, 2013

	General Fund				Total	Restricted and Designated Fund	Total of All Funds
	The French Review	National French Contest	French Honor Society				
National Headquarters							
Other	144,135		2,391		149,249	-	149,249
Taxes	767		-		767	-	767
Total operating expenses	886,634	191,239	124,849		1,204,561	14,000	1,218,561
Income (loss) from operations	(129,898)	70,916	82,887		37,876	(14,000)	23,876
Nonoperating revenue							
Scholarship income	-	-	-		-	-	-
Interest income	-	-	-		-	4,413	4,413
Dividend income	-	-	-		-	40,584	40,584
Net unrealized and realized gain (loss) on investments	-	-	-		-	224,667	224,667
Total nonoperating revenue	-	-	-		-	269,664	269,664
INCREASE (DECREASE) IN NET ASSETS	(129,898)	70,916	82,887		37,876	255,664	293,540
NET ASSETS, BEGINNING OF YEAR	25,759	68,610	130,791		243,845	1,762,301	2,006,146
TRANSFERS BETWEEN FUNDS	158,707	(66,700)	(71,507)		6,000	(6,000)	-
NET ASSETS, END OF YEAR	\$ 54,568	\$ 72,826	\$ 142,171		\$ 287,721	\$ 2,011,965	\$ 2,299,686

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AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

GENERAL FUND - NATIONAL HEADQUARTERS

OTHER REVENUE AND EXPENSES

Year Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Other Revenue		
Materials center	\$ 13,935	\$ 13,033
Miscellaneous revenue	603	261
Contributions	6,869	6,977
Assistantships	83,320	96,807
Internet Fee	7,753	7,012
Scholarship revenue	260	302
FDLM subscription & other payment	30,030	27,873
Grants	<u>11,853</u>	<u>12,500</u>
	<u>\$ 154,623</u>	<u>\$ 164,765</u>
Other Expenses		
Miscellaneous expense	\$ 11,311	\$ 46,464
Chapter reimbursements	48,611	59,294
FDLM subscripton	27,845	25,414
T-shirt and pin expense	7,072	2,218
Postage meter rental	376	192
Insurance	4,147	1,972
Bank charges	11,116	15,582
Dues	<u>33,657</u>	<u>26,390</u>
	<u>\$ 144,135</u>	<u>\$ 177,526</u>

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AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

RESTRICTED AND DESIGNATED FUND

SCHEDULE OF INVESTMENTS

Years ended June 30, 2013

<u>Description</u>	<u>Number of Shares</u>	<u>Par Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common and Preferred Stock				
Consumer Discretionary	1,360		\$ 25,933	\$ 76,692
Healthcare Select SPDR	1,387		36,335	66,013
Ishares DJ US Telecommunication	520		8,147	13,450
Ishares Nasdaq Biotech	315		21,890	54,813
Ishares Dow Jones US Tech Sector	1,906		64,390	140,335
Materials Select Sector	389		8,095	14,923
Sector SPDR Consumer STPL	364		8,012	14,459
Sector SPDR Energy	588		25,259	46,035
Sector SPDR Financial	1,312		10,232	25,520
Sector SPDR Industrial	2,204		42,349	93,980
Vanguard Small Cap Value	736		51,848	61,580
Vanguard Small Cap Growth	416		30,520	42,826
Vanguard Reit	650		43,804	44,660
Vanguard European	1,898		133,866	91,349
Vanguard Pacific	637		42,433	35,552
Vanguard Emerging Markets	802		39,256	31,097
Vanguard Wellesley Income Fund Admiral Shares			<u>278,415</u>	<u>364,284</u>
			870,784	1,217,568
Government & Agency Securities				
U.S. Treasury Note, 3.375% due July 2013		<u>65,000</u>	<u>65,128</u>	<u>65,175</u>
		<u>\$ 65,000</u>	<u>65,128</u>	<u>65,175</u>
Index Funds				
500 Index Fund Adm			185,738	321,573
Balanced Index Fund Inv			<u>123,994</u>	<u>364,838</u>
			<u>309,732</u>	<u>686,411</u>
			<u>\$ 1,245,644</u>	<u>\$ 1,969,154</u>

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