

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

AMERICAN ASSOCIATION OF  
TEACHERS OF FRENCH, INC.

June 30, 2017 and 2016



AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

June 30, 2017 and 2016

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	3 - 4
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8 - 17
SUPPLEMENTARY INFORMATION	
COMBINING STATEMENTS OF FINANCIAL POSITION	18 - 19
COMBINING STATEMENTS OF ACTIVITIES	20 - 23
GENERAL FUND - NATIONAL HEADQUARTERS OTHER REVENUE AND EXPENSES	24
RESTRICTED AND DESIGNATED FUND SCHEDULE OF INVESTMENTS	25



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INDEPENDENT AUDITORS' REPORT ON FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

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

We have audited the accompanying financial statements of the American Association of Teachers of French, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

**Auditors' 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 the American Association of Teachers of French, Inc. as of June 30, 2017 and 2016, 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.

## **Report on 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 18 - 25 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.

Carbondale, Illinois  
January 26, 2018

## FINANCIAL STATEMENTS

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 465,070	\$ 433,283
Accounts receivable	6,382	8,065
Prepaid expense and other assets	1,810	7,322
Inventory	<u>30,565</u>	<u>13,975</u>
Total current assets	503,827	462,645
<b>ASSETS WHOSE USE IS LIMITED (Note B and D)</b>		
Board designated funds	2,353,918	1,996,201
Restricted investments	<u>402,925</u>	<u>399,736</u>
	2,756,843	2,395,937
<b>CAPITAL ASSETS (Note C)</b>		
Land	23,000	23,000
Depreciable capital assets, net of accumulated depreciation	<u>148,472</u>	<u>146,113</u>
	<u>171,472</u>	<u>169,113</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,432,142</u>	<u>\$ 3,027,695</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 34,118	\$ 38,540
Accrued payroll and benefits	6,477	4,723
Deferred revenue	66,109	78,043
Other current liabilities	<u>4,588</u>	<u>4,559</u>
Total current liabilities	111,292	125,865
<b>NET ASSETS</b>		
Restricted (Note D)	402,925	399,736
Unrestricted	<u>2,917,925</u>	<u>2,502,094</u>
Total net assets	<u>3,320,850</u>	<u>2,901,830</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,432,142</u>	<u>\$ 3,027,695</u>

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

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenue		
Memberships, subscriptions & senior awards	\$ 399,880	\$ 402,039
Sales of certificates, pins & t-shirts	230,740	206,755
Sales of tests, tapes & cd's	298,435	332,101
Advertising	3,805	6,560
Conference	86,592	107,633
Mailing list rental	2,869	3,672
Royalties	29,819	32,281
Other	<u>65,089</u>	<u>102,148</u>
Total operating revenue	1,117,229	1,193,189
Operating expenses		
Printing	123,756	136,998
Salaries	199,388	189,915
Cost of t-shirts, pins, certificates, etc.	84,489	121,974
Cost of tests, tapes & cd's for resale	96,781	71,331
Advertising	4,994	17,725
Office supplies and postage	80,141	76,898
Honoraria	69,468	74,944
Awards and gifts	110,810	119,995
Travel and lodging - Executive Council	8,184	17,774
Conference	105,947	76,116
Scholarships	26,000	26,510
Commissions	7,335	5,094
Professional services	15,724	18,534
Depreciation	6,469	6,262
Occupancy	6,698	6,762
Other	165,143	304,526
Taxes	<u>5,288</u>	<u>5,672</u>
Total operating expenses	<u>1,116,615</u>	<u>1,277,030</u>
Income (loss) from operations	614	(83,841)
Nonoperating revenue		
Dividend income	54,157	48,663
Other income	51,148	-
Net unrealized and realized gain (loss) on investments	<u>313,101</u>	<u>(7,246)</u>
Total nonoperating revenue	<u>418,406</u>	<u>41,417</u>
INCREASE (DECREASE) IN NET ASSETS	419,020	(42,424)
NET ASSETS BEGINNING OF YEAR	<u>2,901,830</u>	<u>2,944,254</u>
NET ASSETS, END OF YEAR	<u>\$ 3,320,850</u>	<u>\$ 2,901,830</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 419,020	\$ (42,424)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,469	6,262
Net unrealized (gains)/losses on investments	(313,101)	7,246
Changes in:		
Prepaid expense	6,338	6,936
Accounts receivable	1,683	2,674
Inventory	(16,590)	(2,992)
Accounts payable	(4,422)	(16,172)
Accrued payroll and benefits	1,754	(33,466)
Accrued other	29	2,330
Other assets	(826)	-
Deferred revenue	<u>(11,934)</u>	<u>(44,404)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	88,420	(114,010)
Cash flows from capital and related financing activities		
Purchase of property and equipment	<u>(8,828)</u>	<u>(6,400)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(8,828)	(6,400)
Cash flows from investing activities		
Dividends reinvested	(70,305)	(43,638)
Proceeds from sale (purchases) of marketable securities	<u>22,500</u>	<u>58,000</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(47,805)</u>	<u>14,362</u>
Increase (decrease) in cash and cash equivalents	31,787	(106,048)
Cash and cash equivalents at beginning of year	<u>433,283</u>	<u>539,331</u>
Cash and cash equivalents at end of year	<u>\$ 465,070</u>	<u>\$ 433,283</u>

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

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the American Association of Teachers of French, Inc.'s (the Association) 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 Presentation

The Association prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. 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 purpose. 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 General Fund includes:

*National Headquarters* - The National Headquarters collects membership dues, organizes the annual convention, and provides general administration and oversight for the Association as a whole. The French Honor Society is included in National Headquarters and it provides the opportunity to recognize outstanding scholarship in the study of French language and sells certificates, pins and other merchandise. The French Honor Society awards scholarships to selected applicants for French education including study abroad programs.

*The French Review* - The French Review is the official journal of the Association that is published four times a year and includes articles and reviews on French literature, cinema, culture, linguistics, and methods and practices of teaching language.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Fund Accounting - Continued

*National French Contest* - The National French Contest hosts competitions for students and awards prizes to competition winners. The National French Contest also provides teaching materials to its members to be used to further the teaching of French language and French culture.

The Designated Fund created by the Executive Council is generally used for scholarships and to provide financial assistance to the general fund. 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 in which the income may be available for one or more scholarships to be given each year in accordance with donor restrictions.

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, 2017 and 2016, 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, 2017 and 2016.

7. Capital Assets

Capital assets are 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, 2017 and 2016, the only restricted fund was the North Carolina Scholarship Fund.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

10. Deferred Revenue

Deferred revenue represents receipts collected for the next fiscal year's annual convention.

11. 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, 2017 and 2016. The Association will file a Federal Form 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, 2013 and prior.

12. Local Chapter Activities

The Association has chartered over 70 local chapters throughout the United States. The activity of these local chapters has not been reported in the financial statements, including chapter revenues, expenses, and assets.

13. Advertising

The Association routinely charges the costs of advertising to expenses as incurred. No capitalized advertising costs are present on the statements of financial position. Advertising costs charged to expense were \$4,994 and \$17,725 in 2017 and 2016, respectively.

NOTE B - 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.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

1. Deposits - Continued

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 June 30, 2017 are as follows:

Insured Balance (FDIC)	\$ 427,205
Uninsured Balance, no collateral	<u>105,218</u>
Total	<u>\$ 532,423</u>

2. Investments

As of June 30, 2017 and 2016, 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, 2017

<u>Investment Type</u>	<u>Carrying value</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-5 years</u>
Money Market	\$ 1,471	\$ 1,471	\$ -	\$ -
Mutual Funds	1,766,504	1,766,504	-	-
Index Equity Funds	<u>988,868</u>	<u>988,868</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,756,843</u>	<u>\$ 2,756,843</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2016

<u>Investment Type</u>	<u>Carrying value</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-5 years</u>
Money Market	\$ 1,929	\$ 1,929	\$ -	\$ -
Mutual Funds	1,540,222	1,540,222	-	-
Index Equity Funds	<u>853,786</u>	<u>853,786</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,395,937</u>	<u>\$ 2,395,937</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017 and 2016, 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.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

3. Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of financial position as follows:

<u>Carrying value</u>	<u>2017</u>	<u>2016</u>
Board designated:		
Money Market	\$ 1,471	\$ 1,929
Index Equity Funds	988,868	853,786
Mutual Funds	<u>1,363,579</u>	<u>1,140,486</u>
Total board designated	2,353,918	1,996,201
Restricted:		
Mutual Funds	<u>402,925</u>	<u>399,736</u>
Total restricted	<u>402,925</u>	<u>399,736</u>
Total Investments	<u>\$ 2,756,843</u>	<u>\$ 2,395,937</u>
<u>Investment Income</u>		
Dividend income	<u>\$ 54,157</u>	<u>\$ 48,663</u>

4. Fair Value Measurement

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 at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

4. Fair Value Measurement - Continued

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, 2017 and 2016.

*Money Market:* The carrying amounts reported in the statements of financial position for money markets approximate fair value.

*Index Equity Funds and Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Association 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.

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, 2017 and 2016

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

4. Fair Value Measurement - Continued

Input levels by investment category of the Association's financial instruments at June 30, 2017 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>
Money Market	\$ 1,471	\$ 1,471	\$ -	\$ -
Index Equity Funds	988,868	-	988,868	-
Mutual Funds				
Consumer Discretionary	129,668	129,668	-	-
Healthcare	215,568	215,568	-	-
Telecommunication	18,609	18,609	-	-
Technology	279,864	279,864	-	-
Basic Materials	22,876	22,876	-	-
Consumer Defense	22,345	22,345	-	-
Energy	42,312	42,312	-	-
Financial	35,008	35,008	-	-
Industrial	163,749	163,749	-	-
Real Estate	70,353	70,353	-	-
Large Cap Value	402,925	402,925	-	-
Small Cap Value	97,798	97,798	-	-
Small Cap Growth	63,174	63,174	-	-
International	<u>202,255</u>	<u>202,255</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,756,843</u>	<u>\$ 1,767,975</u>	<u>\$ 988,868</u>	<u>\$ -</u>



AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

5. Fair Value Measurement - Continued

Input levels by investment category of the Association's financial instruments at June 30, 2016 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>
Money Market	\$ 1,929	\$ 1,929	\$ -	\$ -
Index Equity Funds	853,786	-	853,786	-
Mutual Funds				
Consumer Discretionary	111,161	111,161	-	-
Healthcare	185,862	185,862	-	-
Telecommunication	18,684	18,684	-	-
Technology	208,707	208,707	-	-
Basic Materials	19,319	19,319	-	-
Consumer Defense	21,840	21,840	-	-
Energy	43,405	43,405	-	-
Financial	31,850	31,850	-	-
Industrial	131,881	131,881	-	-
Real Estate	65,139	65,139	-	-
Large Cap Value	399,736	399,736	-	-
Small Cap Value	82,433	82,433	-	-
Small Cap Growth	53,132	53,132	-	-
International	<u>167,073</u>	<u>167,073</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,395,937</u>	<u>\$ 1,542,151</u>	<u>\$ 853,786</u>	<u>\$ -</u>

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Buildings and building improvements	\$ 152,774	\$ 149,069
Equipment	<u>17,770</u>	<u>12,646</u>
	170,544	161,715
Less accumulated depreciation	<u>22,072</u>	<u>15,602</u>
	148,472	146,113
Land	<u>23,000</u>	<u>23,000</u>
	<u>\$ 171,472</u>	<u>\$ 169,113</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE D - RESTRICTED AND DESIGNATED FUNDS

	Designated Fund <u>Unrestricted</u>	North Carolina Fund		Total <u>Restricted</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
NET ASSETS AT BEGINNING OF YEAR	\$ 1,996,201	\$ 137,736	\$ 262,000	\$ 399,736
Dividend Income	42,145	12,012	-	12,012
Interest Income	-	-	-	-
Other Income	47,030	4,118	-	4,118
Net unrealized and realized gain (loss)	309,542	3,559	-	3,559
Net assets released from restrictions:				
Scholarships	-	(16,500)	-	(16,500)
Other Expenses	-	-	-	-
Transfers to National Headquarters	<u>(41,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,353,918</u>	<u>\$ 140,925</u>	<u>\$ 262,000</u>	<u>\$ 402,925</u>

The Board Designated Fund, created by the Executive Council, is generally used for scholarships and to provide financial assistance to the general fund. However, the Executive Council retains control of these assets and may, at its discretion, use these assets for other purposes.

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

The Association has interpreted state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classified as restricted net assets (a) the original value of initial gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by state law. In accordance with state law, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

1. The duration and preservation of the Fund
2. The purpose of the Association and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Association
7. The investment policies of the Association

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE E - PROGRAM EXPENSES

Program and support expenses for the year ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
National French Contest	\$ 226,058	\$ 210,549
French Review	1,394	1,437
French Honor Society	85,308	122,817
Conferences	105,308	74,511
Promotional	127,947	148,051
Chapter reimbursements	49,013	61,261
Awards, gifts, scholarships	32,552	33,415
Management and general	<u>489,035</u>	<u>624,989</u>
	<u>\$ 1,116,615</u>	<u>\$ 1,277,030</u>

NOTE F - SUBSEQUENT EVENTS

Management evaluated all events and transactions that occurred after June 30, 2017 through January 26, 2018, the date we issued these financial statements. No subsequent events of material nature were necessary to be reported in these financial statements.

**SUPPLEMENTARY INFORMATION**

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2017

	General Fund							
	National Headquarters	The French Review	National French Contest	Total	Designated Fund	Restricted Fund	Eliminations	Total of All Funds
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	\$ 362,890	\$ 5,444	\$ 96,736	\$ 465,070	\$ -	\$ -	\$ -	\$ 465,070
Accounts receivable	76	1,170	5,136	6,382	-	-	-	6,382
Prepaid expense	984	-	-	984	-	-	-	984
Inventory	-	-	30,565	30,565	-	-	-	30,565
Other Assets	-	685	141	826	-	-	-	826
Total current assets	363,950	7,299	132,578	503,827	-	-	-	503,827
<b>ASSETS WHOSE USE IS LIMITED</b>								
Board designated funds								
Money market	-	-	-	-	1,471	-	-	1,471
Common and preferred stock	-	-	-	-	1,363,579	-	-	1,363,579
Index funds	-	-	-	-	988,868	-	-	988,868
Restricted funds								
Common and preferred stock	-	-	-	-	-	402,925	-	402,925
	-	-	-	-	2,353,918	402,925	-	2,756,843
<b>CAPITAL ASSETS</b>								
Land	23,000	-	-	23,000	-	-	-	23,000
Depreciable capital assets, net of accumulated depreciation	148,472	-	-	148,472	-	-	-	148,472
	171,472	-	-	171,472	-	-	-	171,472
<b>TOTAL ASSETS</b>	<b>\$ 535,422</b>	<b>\$ 7,299</b>	<b>\$ 132,578</b>	<b>\$ 675,299</b>	<b>\$ 2,353,918</b>	<b>\$ 402,925</b>	<b>\$ -</b>	<b>\$ 3,432,142</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 11,864	\$ -	\$ 22,254	\$ 34,118	\$ -	\$ -	\$ -	\$ 34,118
Accrued payroll and benefits	6,477	-	-	6,477	-	-	-	6,477
Property taxes	4,588	-	-	4,588	-	-	-	4,588
Deferred revenue	66,109	-	-	66,109	-	-	-	66,109
Total liabilities	89,038	-	22,254	111,292	-	-	-	111,292
<b>NET ASSETS</b>								
Restricted	-	-	-	-	-	402,925	-	402,925
Unrestricted	446,384	7,299	110,324	564,007	2,353,918	-	-	2,917,925
Total net assets	446,384	7,299	110,324	564,007	2,353,918	402,925	-	3,320,850
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 535,422</b>	<b>\$ 7,299</b>	<b>\$ 132,578</b>	<b>\$ 675,299</b>	<b>\$ 2,353,918</b>	<b>\$ 402,925</b>	<b>\$ -</b>	<b>\$ 3,432,142</b>

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2016

	<u>General Fund</u>							
	<u>National Headquarters</u>	<u>The French Review</u>	<u>National French Contest</u>	<u>Total</u>	<u>Designated Fund</u>	<u>Restricted Fund</u>	<u>Eliminations</u>	<u>Total of All Funds</u>
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	\$ 319,146	\$ 2,508	\$ 111,629	\$ 433,283	\$ -	\$ -	\$ -	\$ 433,283
Accounts receivable	76	2,380	5,609	8,065	-	-	-	8,065
Prepaid expense	7,322	-	-	7,322	-	-	-	7,322
Inventory	-	-	13,975	13,975	-	-	-	13,975
Other Assets	-	-	-	-	-	-	-	-
Total current assets	<u>326,544</u>	<u>4,888</u>	<u>131,213</u>	<u>462,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,645</u>
<b>ASSETS WHOSE USE IS LIMITED</b>								
Board designated funds								
Money market	-	-	-	-	1,929	-	-	1,929
Common and preferred stock	-	-	-	-	1,140,486	-	-	1,140,486
Index funds	-	-	-	-	853,786	-	-	853,786
Restricted funds								
Common and preferred stock	-	-	-	-	-	399,736	-	399,736
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,996,201</u>	<u>399,736</u>	<u>-</u>	<u>2,395,937</u>
<b>CAPITAL ASSETS</b>								
Land	23,000	-	-	23,000	-	-	-	23,000
Depreciable capital assets, net of accumulated depreciation	<u>146,113</u>	<u>-</u>	<u>-</u>	<u>146,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,113</u>
	<u>169,113</u>	<u>-</u>	<u>-</u>	<u>169,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,113</u>
<b>TOTAL ASSETS</b>	<u>\$ 495,657</u>	<u>\$ 4,888</u>	<u>\$ 131,213</u>	<u>\$ 631,758</u>	<u>\$ 1,996,201</u>	<u>\$ 399,736</u>	<u>\$ -</u>	<u>\$ 3,027,695</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 16,286	\$ -	\$ 22,254	\$ 38,540	\$ -	\$ -	\$ -	\$ 38,540
Accrued payroll and benefits	4,723	-	-	4,723	-	-	-	4,723
Property taxes	4,559	-	-	4,559	-	-	-	4,559
Deferred revenue	<u>78,043</u>	<u>-</u>	<u>-</u>	<u>78,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,043</u>
Total liabilities	<u>103,611</u>	<u>-</u>	<u>22,254</u>	<u>125,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,865</u>
<b>NET ASSETS</b>								
Restricted	-	-	-	-	-	399,736	-	399,736
Unrestricted	<u>392,046</u>	<u>4,888</u>	<u>108,959</u>	<u>505,893</u>	<u>1,996,201</u>	<u>-</u>	<u>-</u>	<u>2,502,094</u>
Total net assets	<u>392,046</u>	<u>4,888</u>	<u>108,959</u>	<u>505,893</u>	<u>1,996,201</u>	<u>399,736</u>	<u>-</u>	<u>2,901,830</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 495,657</u>	<u>\$ 4,888</u>	<u>\$ 131,213</u>	<u>\$ 631,758</u>	<u>\$ 1,996,201</u>	<u>\$ 399,736</u>	<u>\$ -</u>	<u>\$ 3,027,695</u>

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES

June 30, 2017

	<u>General Fund</u>						
	<u>National Headquarters</u>	<u>The French Review</u>	<u>National French Contest</u>	<u>Total</u>	<u>Designated Fund</u>	<u>Restricted Fund</u>	<u>Total of All Funds</u>
<b>Operating revenue</b>							
Memberships and subscriptions	\$ 399,880	\$ -	\$ -	\$ 399,880	\$ -	\$ -	\$ 399,880
Sales of certificates, pins & t-shirts	230,740	-	-	230,740	-	-	230,740
Sales of tests, tapes & cd's	-	-	298,435	298,435	-	-	298,435
Advertising	-	3,805	-	3,805	-	-	3,805
Conference	86,592	-	-	86,592	-	-	86,592
Mailing list rental	2,869	-	-	2,869	-	-	2,869
Royalties	29,335	-	484	29,819	-	-	29,819
Other	54,585	-	10,504	65,089	-	-	65,089
<b>Total operating revenue</b>	<b>804,001</b>	<b>3,805</b>	<b>309,423</b>	<b>1,117,229</b>	<b>-</b>	<b>-</b>	<b>1,117,229</b>
<b>Operating expenses</b>							
Printing of French Review, National Bulletin and Le Grand Concours	123,756	-	-	123,756	-	-	123,756
Salaries	190,288	-	9,100	199,388	-	-	199,388
Cost of t-shirts, pins, certificates, etc.	84,489	-	-	84,489	-	-	84,489
Cost of tests, tapes & cd's for resale	-	-	96,781	96,781	-	-	96,781
Advertising	4,191	-	803	4,994	-	-	4,994
Office supplies and postage	79,444	67	630	80,141	-	-	80,141
Honoraria	69,468	-	-	69,468	-	-	69,468
Awards and gifts	6,552	-	104,258	110,810	-	-	110,810
Travel and lodging - Executive Council	8,184	-	-	8,184	-	-	8,184
Conference	105,308	-	639	105,947	-	-	105,947
Scholarships	9,500	-	-	9,500	-	16,500	26,000
Commissions	7,335	-	-	7,335	-	-	7,335
Professional services	14,074	-	1,650	15,724	-	-	15,724
Depreciation	6,469	-	-	6,469	-	-	6,469
Occupancy	-	-	6,698	6,698	-	-	6,698

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES - CONTINUED

June 30, 2017

General Fund

	<u>National Headquarters</u>	<u>The French Review</u>	<u>National French Contest</u>	<u>Total</u>	<u>Designated Fund</u>	<u>Restricted Fund</u>	<u>Total of All Funds</u>
Other	158,317	1,327	5,499	165,143	-	-	165,143
Taxes	<u>5,288</u>	<u>-</u>	<u>-</u>	<u>5,288</u>	<u>-</u>	<u>-</u>	<u>5,288</u>
Total operating expenses	<u>872,663</u>	<u>1,394</u>	<u>226,058</u>	<u>1,100,115</u>	<u>-</u>	<u>16,500</u>	<u>1,116,615</u>
Income (loss) from operations	<u>(68,662)</u>	<u>2,411</u>	<u>83,365</u>	<u>17,114</u>	<u>-</u>	<u>(16,500)</u>	<u>614</u>
Nonoperating revenue							
Dividend income	-	-	-	-	42,145	12,012	54,157
Other income	-	-	-	-	47,030	4,118	51,148
Net unrealized and realized gain (loss) on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,542</u>	<u>3,559</u>	<u>313,101</u>
Total nonoperating revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>398,717</u>	<u>19,689</u>	<u>418,406</u>
INCREASE (DECREASE) IN NET ASSETS	(68,662)	2,411	83,365	17,114	398,717	3,189	419,020
NET ASSETS, BEGINNING OF YEAR	392,046	4,888	108,959	505,893	1,996,201	399,736	2,901,830
TRANSFERS BETWEEN FUNDS	<u>123,000</u>	<u>-</u>	<u>(82,000)</u>	<u>41,000</u>	<u>(41,000)</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 446,384</u>	<u>\$ 7,299</u>	<u>\$ 110,324</u>	<u>\$ 564,007</u>	<u>\$ 2,353,918</u>	<u>\$ 402,925</u>	<u>\$ 3,320,850</u>

See Independent Auditors' Report on Supplementary Information



AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES

June 30, 2016

General Fund							
	National Headquarters	The French Review	National French Contest	Total	Designated Fund	Restricted Fund	Total of All Funds
<b>Operating revenue</b>							
Memberships and subscriptions	\$ 402,039	\$ -	\$ -	\$ 402,039	\$ -	\$ -	\$ 402,039
Sales of certificates, pins & t-shirts	206,755	-	-	206,755	-	-	206,755
Sales of tests, tapes & cd's	-	-	332,101	332,101	-	-	332,101
Advertising	-	6,560	-	6,560	-	-	6,560
Conference	107,633	-	-	107,633	-	-	107,633
Mailing list rental	3,672	-	-	3,672	-	-	3,672
Royalties	31,803	-	478	32,281	-	-	32,281
Other	82,798	634	18,716	102,148	-	-	102,148
<b>Total operating revenue</b>	<b>834,700</b>	<b>7,194</b>	<b>351,295</b>	<b>1,193,189</b>	<b>-</b>	<b>-</b>	<b>1,193,189</b>
<b>Operating expenses</b>							
Printing of French Review, National Bulletin and Le Grand Concours	130,834	-	6,164	136,998	-	-	136,998
Salaries	186,059	-	3,856	189,915	-	-	189,915
Cost of t-shirts, pins, certificates, etc.	121,974	-	-	121,974	-	-	121,974
Cost of tests, tapes & cd's for resale	-	-	71,331	71,331	-	-	71,331
Advertising	17,217	-	508	17,725	-	-	17,725
Office supplies and postage	75,819	114	965	76,898	-	-	76,898
Honoraria	74,944	-	-	74,944	-	-	74,944
Awards and gifts	6,905	-	113,090	119,995	-	-	119,995
Travel and lodging - Executive Council	17,774	-	-	17,774	-	-	17,774
Conference	74,511	-	1,605	76,116	-	-	76,116
Scholarships	10,010	-	-	10,010	-	16,500	26,510
Commissions	5,094	-	-	5,094	-	-	5,094
Professional services	16,784	-	1,750	18,534	-	-	18,534
Depreciation	6,262	-	-	6,262	-	-	6,262
Occupancy	-	-	6,762	6,762	-	-	6,762

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES - CONTINUED

June 30, 2016

General Fund

	<u>National Headquarters</u>	<u>The French Review</u>	<u>National French Contest</u>	<u>Total</u>	<u>Designated Fund</u>	<u>Restricted Fund</u>	<u>Total of All Funds</u>
Other	293,660	1,323	4,518	299,501	-	5,025	304,526
Taxes	<u>5,672</u>	<u>-</u>	<u>-</u>	<u>5,672</u>	<u>-</u>	<u>-</u>	<u>5,672</u>
Total operating expenses	<u>1,043,519</u>	<u>1,437</u>	<u>210,549</u>	<u>1,255,505</u>	<u>-</u>	<u>21,525</u>	<u>1,277,030</u>
Income (loss) from operations	<u>(208,819)</u>	<u>5,757</u>	<u>140,746</u>	<u>(62,316)</u>	<u>-</u>	<u>(21,525)</u>	<u>(83,841)</u>
Nonoperating revenue							
Dividend income	-	-	-	-	36,858	11,805	48,663
Net unrealized and realized gain (loss) on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,010)</u>	<u>23,764</u>	<u>(7,246)</u>
Total nonoperating revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,848</u>	<u>35,569</u>	<u>41,417</u>
INCREASE (DECREASE) IN NET ASSETS	(208,819)	5,757	140,746	(62,316)	5,848	14,044	(42,424)
NET ASSETS, BEGINNING OF YEAR	445,365	13,131	68,213	526,709	2,031,853	385,692	2,944,254
TRANSFERS BETWEEN FUNDS	<u>155,500</u>	<u>(14,000)</u>	<u>(100,000)</u>	<u>41,500</u>	<u>(41,500)</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 392,046</u>	<u>\$ 4,888</u>	<u>\$ 108,959</u>	<u>\$ 505,893</u>	<u>\$ 1,996,201</u>	<u>\$ 399,736</u>	<u>\$ 2,901,830</u>

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

GENERAL FUND - NATIONAL HEADQUARTERS

OTHER REVENUE AND EXPENSES

Year Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Other Revenue		
Materials center	\$ 11,416	\$ 12,954
Miscellaneous revenue	3,208	(526)
Contributions	7,819	8,008
Assistantships	4,750	-
Internet Fee	11,899	12,105
Other revenue	162	196
FDLM subscription & other payment	15,331	50,061
Grants	-	-
	<u>\$ 54,585</u>	<u>\$ 82,798</u>
Other Expenses		
Miscellaneous expense	\$ 14,270	\$ 8,325
Chapter reimbursements	49,013	61,261
FDLM subscripton	14,382	14,959
T-shirt and pin expense	5,524	5,202
Postage meter rental	-	-
Insurance	26,575	17,355
Bank charges	15,203	14,859
Dues	33,350	11,700
Assistantships	-	159,999
Loss on disposal	-	-
	<u>\$ 158,317</u>	<u>\$ 293,660</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

RESTRICTED AND DESIGNATED FUND

SCHEDULE OF INVESTMENTS

Years ended June 30, 2017

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Common and Preferred Stock			
Consumer Discretionary	1,447	\$ 32,387	\$ 129,668
Healthcare Select SPDR	1,480	42,486	117,246
Ishares DJ US Telecommunication	577	9,856	18,609
Ishares Nasdaq Biotech	317	22,399	98,322
Ishares Dow Jones US Tech Sector	2,003	74,491	279,864
Materials Select Sector	425	9,767	22,876
Sector SPDR Consumer STPL	407	10,057	22,345
Sector SPDR Energy	652	29,963	42,312
Sector SPDR Financial	1,419	8,514	35,008
Sector SPDR Industrial	2,404	53,363	163,749
Sector SPDR Real Estate	199	6,481	6,420
Vanguard Small Cap Value	796	58,128	97,798
Vanguard Small Cap Growth	433	32,734	63,174
Vanguard Reit	768	50,359	63,933
Vanguard European	2,169	148,421	119,599
Vanguard Pacific	705	46,471	46,373
Vanguard Emerging Markets	889	42,610	36,283
Vanguard Wellesley Income Fund Admiral Shares	7,656	<u>333,430</u>	<u>402,925</u>
		1,011,917	1,766,504
Index Funds			
500 Index Fund Adm		592,591	596,258
Balanced Index Fund Inv		<u>125,159</u>	<u>392,610</u>
		<u>717,750</u>	<u>988,868</u>
		<u>\$ 1,729,667</u>	<u>\$ 2,755,372</u>

