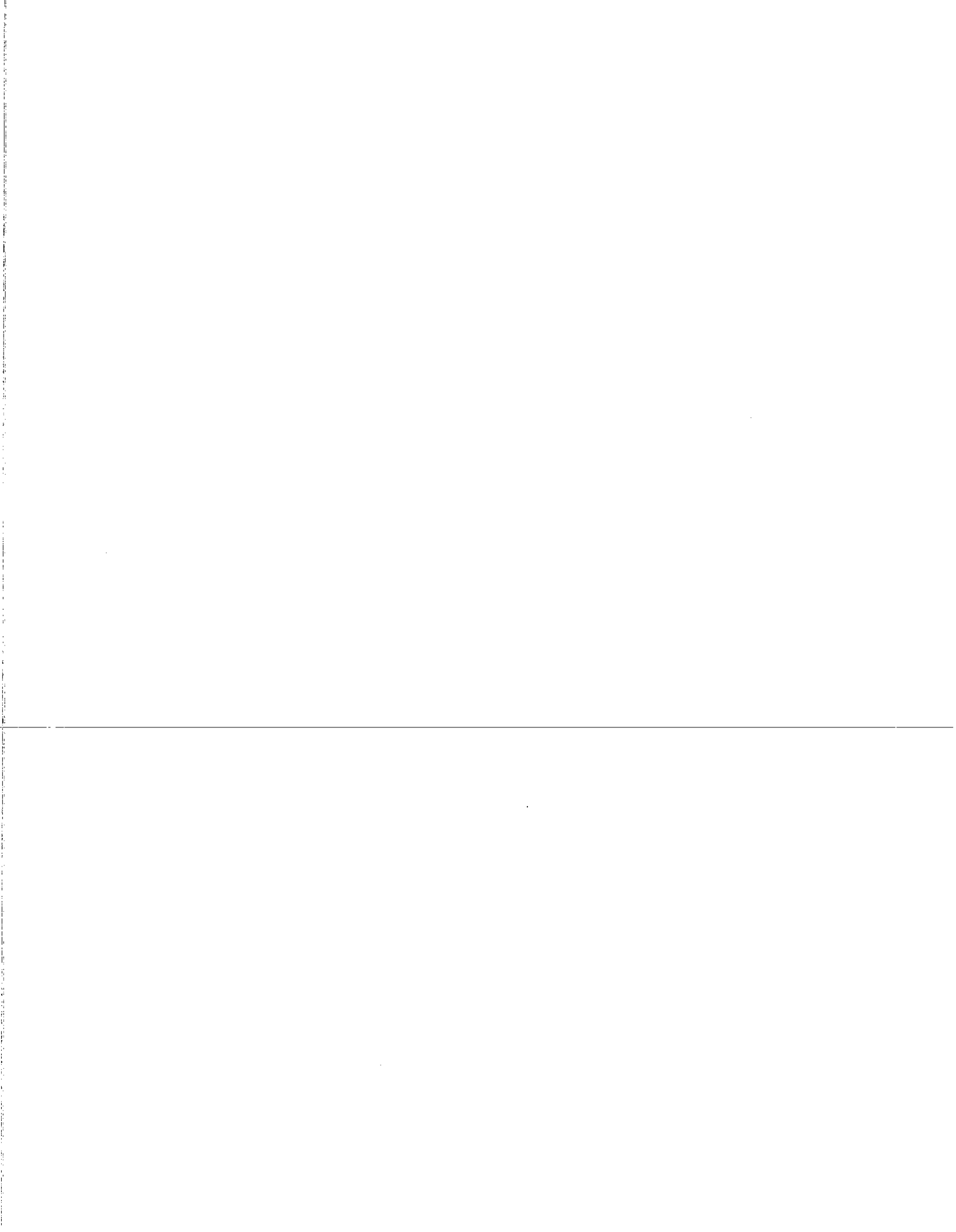


FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

AMERICAN ASSOCIATION OF
TEACHERS OF FRENCH, INC.

June 30, 2014 and 2013



AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

June 30, 2014 and 2013

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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 statements of financial position as of June 30, 2014 and 2013, 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, 2014 and 2013, 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 19 - 26 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.

Kerben, Eck + Braetzel LLP

Carbondale, Illinois
January 7, 2015

FINANCIAL STATEMENTS

/

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 462,638	\$ 383,729
Accounts receivable	12,006	7,571
Prepaid expense	6,559	12,128
Inventory	<u>12,322</u>	<u>13,813</u>
Total current assets	493,525	417,241
ASSETS WHOSE USE IS LIMITED (Note D and F)		
Board designated funds	2,008,319	1,647,681
Restricted investments	389,113	364,284
Restricted chapter receivable	<u>6,000</u>	<u>-</u>
	2,403,432	2,011,965
EQUIPMENT		
Less accumulated depreciation	<u>6,179</u>	<u>4,949</u>
	<u>(3,503)</u>	<u>(3,035)</u>
	2,676	1,914
TOTAL ASSETS	<u>\$ 2,899,633</u>	<u>\$ 2,431,120</u>
LIABILITIES		
Accounts payable	\$ 53,398	\$ 31,378
Accrued payroll and benefits	29,199	15,897
Deferred revenue	<u>93,225</u>	<u>84,159</u>
	175,822	131,434
NET ASSETS:		
Restricted (Note F)	395,113	364,284
Unrestricted	<u>2,328,698</u>	<u>1,935,402</u>
Total net assets	<u>2,723,811</u>	<u>2,299,686</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,899,633</u>	<u>\$ 2,431,120</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenue		
Memberships, subscriptions & senior awards	\$ 426,919	\$ 427,610
Sales of certificates, pins & t-shirts	250,748	207,736
Sales of tests, tapes & cd's	219,467	233,553
Advertising	10,280	15,810
Conference	117,346	124,171
Mailing list rental	4,136	6,107
Royalties	4,277	44,700
Other	<u>161,247</u>	<u>182,750</u>
Total operating revenue	1,194,420	1,242,437
Operating expenses		
Printing	132,910	164,841
Salaries	246,369	232,146
Cost of t-shirts, pins, certificates, etc.	121,700	106,956
Cost of tests, tapes & cd's for resale	109,878	100,329
Advertising	49,372	68,475
Office supplies and postage	87,651	77,023
Honoraria	72,611	65,021
Awards and gifts	66,559	70,547
Travel and lodging - Executive Council	15,803	17,605
Conference	98,405	111,728
Scholarships	22,115	25,265
Commissions	1,540	6,666
Professional services	14,500	14,308
Depreciation	1,092	638
Occupancy	7,088	6,997
Other	141,412	149,249
Taxes	<u>3,007</u>	<u>767</u>
Total operating expenses	<u>1,192,012</u>	<u>1,218,561</u>
Income from operations	2,408	23,876
Nonoperating revenue		
Interest income	1,097	4,413
Dividend income	48,656	40,584
Net unrealized and realized gain (loss) on investments	<u>371,964</u>	<u>224,667</u>
Total nonoperating revenue	<u>421,717</u>	<u>269,664</u>
INCREASE IN NET ASSETS	424,125	293,540
NET ASSETS, BEGINNING OF YEAR	<u>2,299,686</u>	<u>2,006,146</u>
NET ASSETS, END OF YEAR	<u>\$ 2,723,811</u>	<u>\$ 2,299,686</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 424,125	\$ 293,540
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,092	638
Net unrealized gains/losses on investments	(371,964)	(224,667)
Changes in:		
Prepaid expense	5,569	682
Accounts receivable	(10,435)	(907)
Inventory	1,491	1,285
Accounts payable	22,020	8,674
Accrued payroll and benefits	13,302	(23,712)
Deferred revenue	<u>9,066</u>	<u>(27,275)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	94,266	28,258
Cash flows from capital and related financing activities		
Purchase of property and equipment	(2,270)	-
Loss on disposal	<u>416</u>	<u>-</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,854)	-
Cash flows from investing activities		
Dividends reinvested	(40,253)	(22,319)
Proceeds from sale (purchases) of marketable securities	26,750	(2,678)
Purchase of equipment	<u>-</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(13,503)</u>	<u>(24,997)</u>
Increase (decrease) in cash and cash equivalents	78,909	3,261
Cash and cash equivalents at beginning of year	<u>383,729</u>	<u>380,468</u>
Cash and cash equivalents at end of year	<u>\$ 462,638</u>	<u>\$ 383,729</u>

The accompanying notes are an integral part of these statements.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT 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 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 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 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 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.

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.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

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

3. Fund Accounting - Continued

French Honor Society - French Honor Society provides the opportunity to recognize outstanding scholarship in the study of French language and sells certificates pins, and other merchandise. It awards scholarships to selected applicants for French education including study abroad programs.

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, 2014 and 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, 2014 and 2013.

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.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

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

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, 2014 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.

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, 2014. 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, 2010 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 balance sheet. Advertising costs charged to expense were \$49,372 and \$68,475 in 2014 and 2013, respectively.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

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. Subsequent to year end the Association has elected not to renew for the following fiscal year 2015.

NOTE C - PROGRAM EXPENSES

Program and support expenses for the year ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
National French Contest	\$ 191,524	\$ 191,239
French Review	1,975	1,839
French Honor Society	147,108	124,849
Conferences	97,309	110,849
Promotional	175,987	221,604
Chapter reimbursements	38,296	48,611
Awards, gifts, scholarships	16,372	21,849
Management and general	<u>523,441</u>	<u>497,721</u>
	<u>\$ 1,192,012</u>	<u>\$ 1,218,561</u>

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, 2014 are as follows:

Insured Balance (FDIC)	\$ 328,180
Uninsured Balance, no collateral	<u>133,291</u>
Total	<u>\$ 461,471</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE D - DEPOSITS AND INVESTMENTS - CONTINUED

2. Investments

As of June 30, 2014 and 2013, 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, 2014

<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	\$ 40,423	\$ 40,423	\$ -	\$ -
Mutual Funds	1,479,038	1,479,038	-	-
Index Equity Funds	<u>877,971</u>	<u>877,971</u>	-	-
Total	<u>\$ 2,397,432</u>	<u>\$ 2,397,432</u>	<u>\$ -</u>	<u>\$ -</u>

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>
Money Market	\$ 42,811	\$ 42,811	\$ -	\$ -
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>\$ 2,011,965</u>	<u>\$ 2,011,965</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, 2014 and 2013, 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, 2014 and 2013

NOTE D - DEPOSITS AND INVESTMENTS - CONTINUED

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>2014</u>	<u>2013</u>
Board designated:		
Money Market	\$ 40,423	\$ 42,811
Index Equity Funds	877,971	686,411
Mutual Funds	1,089,925	853,284
Government and Agency Securities	<u>-</u>	<u>65,175</u>
Total board designated	2,008,319	1,647,681
Restricted:		
Mutual Funds	<u>\$ 389,113</u>	<u>\$ 364,284</u>
Total Restricted:	<u>389,113</u>	<u>364,284</u>
Total Investments	<u>\$ 2,397,432</u>	<u>\$ 2,011,965</u>

Investment Income

	<u>2014</u>	<u>2013</u>
Interest and dividend income	<u>\$ 49,753</u>	<u>\$ 44,997</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE D - DEPOSITS AND INVESTMENTS - CONTINUED

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.

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, 2014 and 2013.

Money Market: The carrying amounts reported in the balance sheets 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.

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, 2014 and 2013

NOTE D - DEPOSITS AND INVESTMENTS - CONTINUED

Input levels by investment category of the Association's financial instruments at June 30, 2014 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	\$ 40,423	\$ 40,423	\$ -	\$ -
Index Equity Funds	877,971	-	877,971	-
Mutual Funds				
Consumer Discretionary	92,251	92,251	-	-
Healthcare	167,096	167,096	-	-
Telecommunication	16,332	16,332	-	-
Technology	187,413	187,413	-	-
Basic Materials	19,860	19,860	-	-
Consumer Defense	16,797	16,797	-	-
Energy	60,248	60,248	-	-
Financial	30,455	30,455	-	-
Industrial	121,994	121,994	-	-
Real Estate	50,636	50,636	-	-
Large Cap Value	389,113	389,113	-	-
Small Cap Value	79,069	79,069	-	-
Small Cap Growth	53,343	53,343	-	-
International	194,431	194,431	-	-
U.S. Treasury Notes	-	-	-	-
Total	<u>\$ 2,397,432</u>	<u>\$ 1,519,461</u>	<u>\$ 877,971</u>	<u>\$ -</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

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>
Money Market	\$ 42,811	\$ 42,811	\$ -	\$ -
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>\$ 2,011,965</u>	<u>\$ 1,325,554</u>	<u>\$ 686,411</u>	<u>\$ -</u>

The Association's other financial instruments are as follows:

Cash and cash equivalents	Accounts payable and accrued expenses
Accounts receivable	

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, 2014 and 2013

NOTE E - FIXED ASSETS

A summary of fixed assets at June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Deductions and Transfers	Balance June 30, 2014
Equipment	\$ 4,949	\$ 2,270	\$ (1,040)	\$ 6,179
Accumulated Depreciation	<u>(3,035)</u>	<u>(1,092)</u>	<u>624</u>	<u>(3,503)</u>
	<u>\$ 1,914</u>	<u>\$ 1,178</u>	<u>\$ (416)</u>	<u>\$ 2,676</u>

NOTE F - RESTRICTED AND DESIGNATED FUNDS

	Designated Fund Unrestricted	North Carolina Fund		Total Restricted
		Temporarily Restricted	Permanently Restricted	
NET ASSETS AT BEGINNING OF YEAR	\$ 1,647,681	\$ 102,284	\$ 262,000	\$ 364,284
Dividend Income	36,565	12,091	-	12,091
Interest Income	1,097	-	-	-
Net unrealized and realized gain (loss)	341,476	30,488	-	30,488
Net assets released from restrictions:				
Scholarships	-	(11,750)	-	(11,750)
Transfers to National Headquarters	<u>(18,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,008,319</u>	<u>\$ 133,113</u>	<u>\$ 262,000</u>	<u>\$ 395,113</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.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014 and 2013

NOTE F - RESTRICTED AND DESIGNATED FUNDS - CONTINUED

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

NOTE G - RECLASSIFICATIONS

Certain reclassifications have been made to the 2014 and 2013 financial statements to conform to a consistent presentation. The reclassifications had no effect on the changes in net assets.

NOTE H - SUBSEQUENT EVENTS

Management evaluated all events and transactions that occurred after June 30, 2014 through January 7, 2015, the date we issued these financial statements. Subsequent to June 30, 2014, the Association has elected not to renew its agreement with SIU and to move headquarter's off the university campus as disclosed in Note B.

SUPPLEMENTARY INFORMATION

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2014

General Fund

	National Headquarters	The French Review	National French Contest	French Honor Society	Total	Designated Fund	Restricted Fund	Eliminations	Total of All Funds
CURRENT ASSETS									
Cash and cash equivalents	\$ 268,613	\$ 11,101	\$ 56,055	\$ 126,869	\$ 462,638	\$ -	\$ -	\$ -	\$ 462,638
Accounts receivable	76	2,860	9,070	-	12,006	-	-	-	12,006
Prepaid expense	6,559	-	-	-	6,559	-	-	-	6,559
Inventory	-	-	12,322	-	12,322	-	-	-	12,322
Due from others	-	-	-	15,465	15,465	-	-	(15,465)	-
Total current assets	275,248	13,961	77,447	142,334	508,990	-	-	(15,465)	493,525
ASSETS WHOSE USE IS LIMITED									
Board designated funds									
Money market	-	-	-	-	-	40,423	-	-	40,423
Common and preferred stock	-	-	-	-	-	1,089,925	-	-	1,089,925
Index funds	-	-	-	-	-	877,971	-	-	877,971
Government and agency securities	-	-	-	-	-	-	-	-	-
Restricted funds									
Common and preferred stock	-	-	-	-	-	-	389,113	-	389,113
Receivable	-	-	-	-	-	-	6,000	-	6,000
	-	-	-	-	-	2,008,319	395,113	-	2,403,432
Equipment	4,718	-	224	1,237	6,179	-	-	-	6,179
Less accumulated depreciation	(3,032)	-	(224)	(247)	(3,503)	-	-	-	(3,503)
	1,686	-	-	990	2,676	-	-	-	2,676
TOTAL ASSETS	\$ 276,934	\$ 13,961	\$ 77,447	\$ 143,324	\$ 511,666	\$ 2,008,319	\$ 395,113	\$ (15,465)	\$ 2,899,633
LIABILITIES									
Accounts payable	\$ 49,052	\$ -	\$ 1,833	\$ 2,513	\$ 53,398	\$ -	\$ -	\$ -	\$ 53,398
Accrued payroll and benefits	29,199	-	-	-	29,199	-	-	-	29,199
Due to others	15,465	-	-	-	15,465	-	-	(15,465)	-
Deferred revenue	93,225	-	-	-	93,225	-	-	-	93,225
Total liabilities	186,941	-	1,833	2,513	191,287	-	-	(15,465)	175,822
NET ASSETS:									
Restricted	-	-	-	-	-	-	395,113	-	395,113
Unrestricted	89,993	13,961	75,614	140,811	320,379	2,008,319	-	-	2,328,698
Total net assets	89,993	13,961	75,614	140,811	320,379	2,008,319	395,113	-	2,723,811
TOTAL LIABILITIES AND NET ASSETS	\$ 276,934	\$ 13,961	\$ 77,447	\$ 143,324	\$ 511,666	\$ 2,008,319	\$ 395,113	\$ (15,465)	\$ 2,899,633

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2013

General Fund

	National Headquarters	The French Review	National French Contest	French Honor Society	Total	Designated Fund	Restricted Fund	Eliminations	Total of All Funds
CURRENT ASSETS									
Cash and cash equivalents	\$ 188,169	\$ 16,266	\$ 53,408	\$ 125,886	\$ 383,729	\$ -	\$ -	\$ -	\$ 383,729
Accounts receivable	76	1,890	5,605	-	7,571	-	-	-	7,571
Prepaid expense	12,128	-	-	-	12,128	-	-	-	12,128
Inventory	-	-	13,813	-	13,813	-	-	-	13,813
Due from others	-	-	-	19,180	19,180	-	-	(19,180)	-
Total current assets	200,373	18,156	72,826	145,066	436,421	-	-	(19,180)	417,241
ASSETS WHOSE USE IS LIMITED									
Board designated funds									
Money market	-	-	-	-	-	42,811	-	-	42,811
Common and preferred stock	-	-	-	-	-	853,284	-	-	853,284
Index funds	-	-	-	-	-	686,411	-	-	686,411
Government and agency securities	-	-	-	-	-	65,175	-	-	65,175
Restricted funds									
Common and preferred stock	-	-	-	-	-	-	364,284	-	364,284
Receivable	-	-	-	-	-	-	364,284	-	728,568
	-	-	-	-	-	1,647,681	-	-	2,011,965
EQUIPMENT									
Less accumulated depreciation	4,725	-	224	-	4,949	-	-	-	4,949
	(2,811)	-	(224)	-	(3,035)	-	-	-	(3,035)
	1,914	-	-	-	1,914	-	-	-	1,914
TOTAL ASSETS	\$ 202,287	\$ 18,156	\$ 72,826	\$ 145,066	\$ 438,335	\$ 1,647,681	\$ 364,284	\$ (19,180)	\$ 2,431,120
LIABILITIES									
Accounts payable	\$ 28,483	\$ -	\$ -	\$ 2,895	\$ 31,378	\$ -	\$ -	\$ -	\$ 31,378
Accrued payroll and benefits	15,897	-	-	-	15,897	-	-	-	15,897
Due to others	19,180	-	-	-	19,180	-	-	(19,180)	-
Deferred revenue	84,159	-	-	-	84,159	-	-	-	84,159
Total liabilities	147,719	-	-	2,895	150,614	-	-	(19,180)	131,434
NET ASSETS:									
Restricted	-	-	-	-	-	-	364,284	-	364,284
Unrestricted	54,568	18,156	72,826	142,171	287,721	1,647,681	-	-	1,935,402
Total net assets	54,568	18,156	72,826	142,171	287,721	1,647,681	364,284	-	2,299,686
TOTAL LIABILITIES AND NET ASSETS	\$ 202,287	\$ 18,156	\$ 72,826	\$ 145,066	\$ 438,335	\$ 1,647,681	\$ 364,284	\$ (19,180)	\$ 2,431,120

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES

June 30, 2014

	General Fund						Total	Designated Fund	Restricted Fund	Total of All Funds
	National Headquarters	The French Review	National French Contest	French Honor Society						
Operating revenue	\$ 426,919	\$ -	\$ -	\$ -	\$ 426,919	\$ -	\$ -	\$ -	\$ 426,919	
Memberships and subscriptions	-	-	-	250,748	250,748	-	-	-	250,748	
Sales of certificates, pins & t-shirts	-	-	-	-	-	-	-	-	-	
Sales of tests, tapes & cd's	-	-	219,467	-	219,467	-	-	-	219,467	
Advertising	-	10,280	-	-	10,280	-	-	-	10,280	
Conference	117,346	-	-	-	117,346	-	-	-	117,346	
Mailing list rental	4,136	-	-	-	4,136	-	-	-	4,136	
Royalties	3,639	-	-	-	3,639	-	-	-	3,639	
Other	135,340	-	638	-	135,978	-	-	-	135,978	
			25,907	-	161,247	-	-	-	161,247	
Total operating revenue	687,380	10,280	246,012	250,748	1,194,420	-	-	-	1,194,420	
Operating expenses										
Printing of French Review, National Bulletin and Le Grand Concours	126,880	-	6,030	-	132,910	-	-	-	132,910	
Salaries	242,814	-	3,555	-	246,369	-	-	-	246,369	
Cost of t-shirts, pins, certificates, etc.	-	-	-	121,700	121,700	-	-	-	121,700	
Cost of tests, tapes & cd's for resale	-	-	109,878	-	109,878	-	-	-	109,878	
Advertising	49,107	-	265	-	49,372	-	-	-	49,372	
Office supplies and postage	86,800	271	580	-	87,651	-	-	-	87,651	
Honoraria	62,413	-	-	10,198	72,611	-	-	-	72,611	
Awards and gifts	4,622	-	61,937	-	66,559	-	-	-	66,559	
Travel and lodging - Executive Council	15,803	-	-	-	15,803	-	-	-	15,803	
Conference	97,309	-	1,096	-	98,405	-	-	-	98,405	
Scholarships	-	-	-	10,365	10,365	-	-	11,750	22,115	
Commissions	1,540	-	-	-	1,540	-	-	-	1,540	
Professional services	14,000	500	-	-	14,500	-	-	-	14,500	
Depreciation	845	-	-	247	1,092	-	-	-	1,092	
Occupancy	-	-	7,088	-	7,088	-	-	-	7,088	

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES - CONTINUED

June 30, 2014

	General Fund							
	National Headquarters	The French Review	National French Contest	French Honor Society	Total	Designated Fund	Restricted Fund	Total of All Funds
Other	134,515	1,204	1,095	4,598	141,412	-	-	141,412
Taxes	3,007	-	-	-	3,007	-	-	3,007
Total operating expenses	839,655	1,975	191,524	147,108	1,180,262	-	11,750	1,192,012
Income (loss) from operations	(152,275)	8,305	54,488	103,640	14,158	-	(11,750)	2,408
Nonoperating revenue	-	-	-	-	-	-	-	-
Scholarship income	-	-	-	-	-	1,097	-	1,097
Interest income	-	-	-	-	-	36,565	12,091	48,656
Dividend income	-	-	-	-	-	341,476	30,488	371,964
Net unrealized and realized gain (loss) on investments	-	-	-	-	-	379,138	42,579	421,717
Total nonoperating revenue	-	-	-	-	-	379,138	30,829	424,125
INCREASE (DECREASE) IN NET ASSETS	(152,275)	8,305	54,488	103,640	14,158	379,138	30,829	424,125
NET ASSETS, BEGINNING OF YEAR	54,568	18,156	72,826	142,171	287,721	1,647,681	364,284	2,299,686
TRANSFERS BETWEEN FUNDS	187,700	(12,500)	(51,700)	(105,000)	18,500	(18,500)	-	-
NET ASSETS, END OF YEAR	\$ 89,993	\$ 13,961	\$ 75,614	\$ 140,811	\$ 320,379	\$ 2,008,319	\$ 395,113	\$ 2,723,811

See Independent Auditors' Report on 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 & cds	-	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				Restricted and Designated Fund	Total of All Funds
	The French Review	National French Contest	French Honor Society	Total		
National Headquarters						
Other	1,183	1,540	2,391	149,249	-	149,249
Taxes	-	-	-	767	-	767
Total operating expenses	1,839	191,239	124,849	1,204,561	14,000	1,218,561
Income (loss) from operations	13,971	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	13,971	70,916	82,887	37,876	255,664	293,540
NET ASSETS, BEGINNING OF YEAR	18,685	68,610	130,791	243,845	1,762,301	2,006,146
TRANSFERS BETWEEN FUNDS	(14,500)	(66,700)	(71,507)	6,000	(6,000)	-
NET ASSETS, END OF YEAR	\$ 18,156	\$ 72,826	\$ 142,171	\$ 287,721	\$ 2,011,965	\$ 2,299,686

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Other Revenue		
Materials center	\$ 13,454	\$ 13,935
Miscellaneous revenue	451	603
Contributions	7,371	6,869
Assistantships	71,360	83,320
Internet Fee	10,178	7,753
Other revenue	418	260
FDLM subscription & other payment	32,108	30,030
Grants	-	11,853
	<u>\$ 135,340</u>	<u>\$ 154,623</u>
Other Expenses		
Miscellaneous expense	\$ 2,688	\$ 11,311
Chapter reimbursements	38,296	48,611
FDLM subscripton	19,808	27,845
T-shirt and pin expense	7,154	7,072
Postage meter rental	424	376
Insurance	7,690	4,147
Bank charges	16,277	11,116
Dues	41,762	33,657
Loss on disposal	416	-
	<u>\$ 134,515</u>	<u>\$ 144,135</u>

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

RESTRICTED AND DESIGNATED FUND

SCHEDULE OF INVESTMENTS

Years ended June 30, 2014

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Common and Preferred Stock			
Consumer Discretionary	1,382	\$ 27,354	\$ 92,251
Healthcare Select SPDR	1,414	37,846	86,038
Ishares DJ US Telecommunication	538	8,663	16,332
Ishares Nasdaq Biotech	315	21,923	81,058
Ishares Dow Jones US Tech Sector	1,934	66,825	187,413
Materials Select Sector	400	8,575	19,860
Sector SPDR Consumer STPL	376	8,516	16,797
Sector SPDR Energy	602	26,483	60,248
Sector SPDR Financial	1,339	10,803	30,455
Sector SPDR Industrial	2,257	44,949	121,994
Vanguard Small Cap Value	749	53,189	79,069
Vanguard Small Cap Growth	419	30,851	53,343
Vanguard Reit	677	45,093	50,636
Vanguard European	1,973	138,295	118,288
Vanguard Pacific	653	43,443	40,661
Vanguard Emerging Markets	823	40,133	35,482
Vanguard Wellesley Income Fund Admiral Shares	6,199	272,756	389,113
		<u>885,697</u>	<u>1,479,038</u>
Index Funds			
500 Index Fund Adm		243,452	453,153
Balanced Index Fund Inv		131,738	424,818
		<u>375,190</u>	<u>877,971</u>
		<u>\$ 1,260,887</u>	<u>\$ 2,357,009</u>

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