

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

AMERICAN ASSOCIATION OF
TEACHERS OF FRENCH, INC.

June 30, 2018 and 2017

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 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.

Keiser, Eck + Braeckel LLP

Marion, Illinois
March 18, 2018

FINANCIAL STATEMENTS

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 418,152	\$ 465,070
Accounts receivable	2,145	6,382
Prepaid expense and other assets	170,932	1,810
Inventory	<u>7,987</u>	<u>30,565</u>
Total current assets	599,216	503,827
ASSETS WHOSE USE IS LIMITED (Note B and D)		
Board designated funds	2,615,501	2,353,918
Restricted investments	<u>400,932</u>	<u>402,925</u>
	3,016,433	2,756,843
CAPITAL ASSETS (Note C)		
Land	23,000	23,000
Depreciable capital assets, net of accumulated depreciation	<u>144,750</u>	<u>148,472</u>
	<u>167,750</u>	<u>171,472</u>
TOTAL ASSETS	<u>\$ 3,783,399</u>	<u>\$ 3,432,142</u>
LIABILITIES		
Accounts payable	\$ 32,487	\$ 34,118
Accrued payroll and benefits	6,739	6,477
Deferred revenue	190,805	66,109
Other current liabilities	<u>2,295</u>	<u>4,588</u>
Total current liabilities	232,326	111,292
NET ASSETS		
Restricted (Note D)	400,932	402,925
Unrestricted	<u>3,150,141</u>	<u>2,917,925</u>
Total net assets	<u>3,551,073</u>	<u>3,320,850</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,783,399</u>	<u>\$ 3,432,142</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenue		
Memberships, subscriptions & senior awards	\$ 381,659	\$ 399,880
Sales of certificates, pins & t-shirts	237,077	230,740
Sales of tests, tapes & cd's	281,513	298,435
Advertising	4,875	3,805
Conference	69,788	86,592
Mailing list rental	2,465	2,869
Royalties	24,128	29,819
Other	<u>70,950</u>	<u>65,089</u>
Total operating revenue	1,072,455	1,117,229
Operating expenses		
Printing	129,027	123,756
Salaries	191,299	199,388
Cost of t-shirts, pins, certificates, etc.	108,624	84,489
Cost of tests, tapes & cd's for resale	96,574	96,781
Advertising	16,965	4,994
Office supplies and postage	92,778	80,141
Honoraria	67,990	69,468
Awards and gifts	100,865	110,810
Travel and lodging - Executive Council	17,043	8,184
Conference	120,904	105,947
Scholarships	20,600	26,000
Commissions	3,406	7,335
Professional services	17,350	15,724
Depreciation	7,150	6,469
Occupancy	7,145	6,698
Other	155,997	165,143
Taxes	<u>5,104</u>	<u>5,288</u>
Total operating expenses	<u>1,158,821</u>	<u>1,116,615</u>
Income (loss) from operations	(86,366)	614
Nonoperating revenue		
Dividend income	57,201	54,157
Other income	778	51,148
Net unrealized gain (loss) on investments	<u>258,611</u>	<u>313,101</u>
Total nonoperating revenue	<u>316,590</u>	<u>418,406</u>
INCREASE IN NET ASSETS	230,224	419,020
NET ASSETS, BEGINNING OF YEAR	<u>3,320,850</u>	<u>2,901,830</u>
NET ASSETS, END OF YEAR	<u>\$ 3,551,074</u>	<u>\$ 3,320,850</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 230,224	\$ 419,020
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,150	6,469
Net unrealized (gains) losses on investments	(258,611)	(313,101)
Transfer from designated and restricted funds	57,000	-
Changes in:		
Prepaid expense	(169,122)	6,338
Accounts receivable	4,237	1,683
Inventory	22,578	(16,590)
Accounts payable	(1,632)	(4,422)
Accrued payroll and benefits	262	1,754
Accrued other	(2,293)	(797)
Deferred revenue	<u>124,696</u>	<u>(11,934)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 14,489	 88,420
Cash flows from capital and related financing activities		
Purchase of property and equipment	<u>(3,428)</u>	<u>(8,828)</u>
 NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	 (3,428)	 (8,828)
Cash flows from investing activities		
Dividends reinvested	(57,201)	(70,305)
Other investment income invested	<u>(778)</u>	<u>22,500</u>
 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	 <u>(57,979)</u>	 <u>(47,805)</u>
 Increase (decrease) in cash and cash equivalents	 (46,918)	 31,787
Cash and cash equivalents at beginning of year	<u>465,070</u>	<u>433,283</u>
Cash and cash equivalents at end of year	<u>\$ 418,152</u>	<u>\$ 465,070</u>

The accompanying notes are an integral part of these statements.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017, 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 net realizable value.

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, 2018 and 2017.

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, 2018 and 2017, the only restricted fund was the North Carolina Scholarship Fund.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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, 2018 and 2017. 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, 2014 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 \$16,965 and \$4,994 in 2018 and 2017, respectively.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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

14. Change in Accounting Principle

In 2018, the Association changed its method of presentation and disclosure of investments in accordance with Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The major changes associated with the ASU 2015-07 are to eliminate the requirement to present or categorize investments valued using the net asset value per share as a practical expedient in the fair value hierarchy.

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.

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, 2018 are as follows:

Insured Balance (FDIC)	\$ 382,991
Uninsured Balance, no collateral	<u>88,474</u>
Total	<u>\$ 471,465</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

2. Investments

As of June 30, 2018, and 2017, 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, 2018

<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	\$ 1,502	\$ 1,502	\$ -	\$ -
Exchange Traded Funds	1,952,684	1,952,684	-	-
Index Equity Funds	1,059,809	1,059,809	-	-
Common and Preferred Stock	<u>2,439</u>	<u>2,439</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,016,433</u>	<u>\$ 3,016,433</u>	<u>\$ -</u>	<u>\$ -</u>

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	\$ -	\$ -
Exchange Traded 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>

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, 2018 and 2017, 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

June 30, 2018 and 2017

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>2018</u>	<u>2017</u>
Board designated:		
Money Market	\$ 1,502	\$ 1,471
Index Equity Funds	1,059,809	988,868
Exchange Traded Funds	1,551,751	1,363,579
Common and Preferred Stock	<u>2,439</u>	<u>-</u>
Total board designated	2,615,501	2,353,918
Restricted:		
Exchange Traded Funds	<u>400,932</u>	<u>402,925</u>
Total restricted	<u>400,932</u>	<u>402,925</u>
Total Investments	<u>\$ 3,016,433</u>	<u>\$ 2,756,843</u>
<u>Investment Income</u>		
Dividend income	<u>\$ 57,201</u>	<u>\$ 54,157</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, 2018 and 2017

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 of the Association. There have been no changes in the methodologies used at June 30, 2018 and 2017; however, as disclosed in Note A, certain disclosures have changed.

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

Index Equity Funds: Valued at the daily closing price as reported by the fund.

Exchange Traded Funds (ETF): Valued at fair market value. These funds are required to publish their daily net asset value (NAV) but do not transact at those values. These funds are actively traded on an open market.

Common and Preferred Stock: Valued at fair market value and trade on open markets.

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.

The following table sets forth by level, within the fair value hierarchy, the Association's assets measured at fair value on a recurring basis as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	\$ 1,502	\$ -	\$ -	\$ 1,502
Common and Preferred Stock	2,439	-	-	2,439
Index Equity Funds	<u>-</u>	<u>1,059,809</u>	<u>-</u>	<u>1,059,809</u>
Total investment by fair value level	<u>\$ 3,941</u>	<u>\$ 1,059,809</u>	<u>\$ -</u>	\$ 1,063,750
Investments measured at NAV as a practical expedient				<u>1,952,683</u>
Total investments at fair value				<u>\$ 3,016,433</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

4. Fair Value Measurement - Continued

The following table sets forth by level, within the fair value hierarchy, the Association's assets measured at fair value on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	\$ 1,471	\$ -	\$ -	\$ 1,471
Index Equity Funds	<u>-</u>	<u>988,868</u>	<u>-</u>	<u>988,868</u>
Total investment by fair value level	<u>\$ 1,471</u>	<u>\$ 988,868</u>	<u>\$ -</u>	\$ 990,339
Investments measured at NAV as a practical expedient				<u>1,766,504</u>
Total investments at fair value				<u>\$ 2,756,843</u>

In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

The following table summarizes investments for which fair value is measured using the NAV as a practical expedient as of December 31, 2017 and 2016. There are no participants or plan sponsor restrictions for these investments summarized below.

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

	Fair Value 2018	Fair Value 2017	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Exchange - Traded Funds					
Consumer Discretionary	\$ 160,107	\$ 159,668	N/A	Daily	Daily
Healthcare Select SPDR	-	117,246	N/A	Daily	Daily
Ishares US Telecommunications Sector	16,336	18,609	N/A	Daily	Daily
Ishares Nasdaq Biotechnology Sector	104,626	98,322	N/A	Daily	Daily
Ishares US Technology Sector	359,377	279,864	N/A	Daily	Daily
Materials Select Sector	-	22,876	N/A	Daily	Daily
Sector SPDR Consumer Staples	21,533	22,345	N/A	Daily	Daily
Sector SPDR Energy	51,149	42,312	N/A	Daily	Daily
Sector SPDR Financial	38,362	35,008	N/A	Daily	Daily
Sector SPDR Healthcare	125,354	-	N/A	Daily	Daily
Sector SPDR Industrial	175,318	163,749	N/A	Daily	Daily
Sector SPDR Materials	25,153	-	N/A	Daily	Daily
Sector SPDR Real Estate	6,470	6,420	N/A	Daily	Daily
Vanguard Small Cap Value	110,530	97,798	N/A	Daily	Daily
Vanguard Small Cap Growth	76,789	63,174	N/A	Daily	Daily
Vanguard Real Estate Index	65,371	-	N/A	Daily	Daily
Vanguard Reit	-	63,933	N/A	Daily	Daily
Vanguard European	125,915	119,599	N/A	Daily	Daily
Vanguard Pacific	50,642	46,373	N/A	Daily	Daily
Vanguard Emerging Markets	38,450	36,283	N/A	Daily	Daily
Vanguard Wellesley Income Fund Admiral SI	400,931	402,925	N/A	Daily	Daily
	<u>\$ 1,952,413</u>	<u>\$ 1,796,504</u>			

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 is as follows:

	2018	2017
Buildings and building improvements	\$ 152,774	\$ 152,774
Equipment	<u>21,950</u>	<u>18,522</u>
	174,724	171,296
Less accumulated depreciation	<u>29,974</u>	<u>22,824</u>
	144,750	148,472
Land	<u>23,000</u>	<u>23,000</u>
	<u>\$ 167,750</u>	<u>\$ 171,472</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE D - RESTRICTED AND DESIGNATED FUNDS

	Designated Fund <u>Unrestricted</u>	<u>North Carolina Fund</u>		
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Restricted</u>
NET ASSETS AT BEGINNING OF YEAR	\$ 2,353,918	\$ 140,925	\$ 262,000	\$ 402,925
Dividend Income	44,902	12,299	-	12,299
Interest Income	-	-	-	-
Other Income	-	778	-	778
Net unrealized and realized gain (loss)	262,681	(4,070)	-	(4,070)
Net assets released from restrictions:				
Scholarships	-	(11,000)	-	(11,000)
Other Expenses	-	-	-	-
Transfers to National Headquarters	<u>(46,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,615,501</u>	<u>\$ 138,932</u>	<u>\$ 262,000</u>	<u>\$ 400,932</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, 2018 and 2017

NOTE E - PROGRAM EXPENSES

Program and support expenses for the year ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
National French Contest	\$ 229,362	\$ 226,059
French Review	1,318	1,395
French Honor Society	108,624	84,489
Conferences	124,607	105,308
Promotional	141,344	127,947
Chapter reimbursements	51,756	49,012
Awards, gifts, scholarships	28,996	32,552
Management and general	<u>472,814</u>	<u>489,853</u>
	<u>\$ 1,158,821</u>	<u>\$ 1,116,615</u>

NOTE F - SUBSEQUENT EVENTS

Management evaluated all events and transactions that occurred after June 30, 2018 through March 18, 2019, 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, 2018

	General Fund							
	National Headquarters	The French Review	National French Contest	Total	Designated Fund	Restricted Fund	Eliminations	Total of All Funds
CURRENT ASSETS								
Cash and cash equivalents	\$ 306,435	\$ 6,211	\$ 105,506	\$ 418,152	\$ -	\$ -	\$ -	\$ 418,152
Accounts receivable	-	2,145	-	2,145	-	-	-	2,145
Prepaid expense	167,546	-	3,386	170,932	-	-	-	170,932
Inventory	-	-	7,987	7,987	-	-	-	7,987
Other Assets	-	-	-	-	-	-	-	-
Total current assets	<u>473,981</u>	<u>8,356</u>	<u>116,879</u>	<u>599,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599,216</u>
ASSETS WHOSE USE IS LIMITED								
Board designated funds								
Money market	-	-	-	-	1,502	-	-	1,502
Exchange traded funds	-	-	-	-	1,551,751	-	-	1,551,751
Index funds	-	-	-	-	1,059,809	-	-	1,059,809
Common and preferred stock	-	-	-	-	2,439	-	-	2,439
Restricted funds								
Exchange traded funds	-	-	-	-	-	400,932	-	400,932
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,615,501</u>	<u>400,932</u>	<u>-</u>	<u>3,016,433</u>
CAPITAL ASSETS								
Land	23,000	-	-	23,000	-	-	-	23,000
Depreciable capital assets, net of accumulated depreciation	<u>144,270</u>	<u>-</u>	<u>480</u>	<u>144,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,750</u>
	<u>167,270</u>	<u>-</u>	<u>480</u>	<u>167,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,750</u>
TOTAL ASSETS	<u>\$ 641,251</u>	<u>\$ 8,356</u>	<u>\$ 117,359</u>	<u>\$ 766,966</u>	<u>\$ 2,615,501</u>	<u>\$ 400,932</u>	<u>\$ -</u>	<u>\$ 3,783,399</u>
LIABILITIES								
Accounts payable	\$ 9,310	\$ -	\$ 23,177	\$ 32,487	\$ -	\$ -	\$ -	\$ 32,487
Accrued payroll and benefits	6,739	-	-	6,739	-	-	-	6,739
Property taxes	2,295	-	-	2,295	-	-	-	2,295
Deferred revenue	<u>190,805</u>	<u>-</u>	<u>-</u>	<u>190,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,805</u>
Total liabilities	<u>209,149</u>	<u>-</u>	<u>23,177</u>	<u>232,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,326</u>
NET ASSETS								
Restricted	-	-	-	-	-	400,932	-	400,932
Unrestricted	<u>432,102</u>	<u>8,356</u>	<u>94,182</u>	<u>534,640</u>	<u>2,615,501</u>	<u>-</u>	<u>-</u>	<u>3,150,141</u>
Total net assets	<u>432,102</u>	<u>8,356</u>	<u>94,182</u>	<u>534,640</u>	<u>2,615,501</u>	<u>400,932</u>	<u>-</u>	<u>3,551,073</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 641,251</u>	<u>\$ 8,356</u>	<u>\$ 117,359</u>	<u>\$ 766,966</u>	<u>\$ 2,615,501</u>	<u>\$ 400,932</u>	<u>\$ -</u>	<u>\$ 3,783,399</u>

See Independent Auditors' Report on 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
CURRENT ASSETS								
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
ASSETS WHOSE USE IS LIMITED								
Board designated funds								
Money market	-	-	-	-	1,471	-	-	1,471
Exchange traded funds	-	-	-	-	1,363,579	-	-	1,363,579
Index funds	-	-	-	-	988,868	-	-	988,868
Restricted funds								
Exchange traded funds	-	-	-	-	-	402,925	-	402,925
	-	-	-	-	2,353,918	402,925	-	2,756,843
CAPITAL ASSETS								
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
TOTAL ASSETS	\$ 535,422	\$ 7,299	\$ 132,578	\$ 675,299	\$ 2,353,918	\$ 402,925	\$ -	\$ 3,432,142
LIABILITIES								
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
NET ASSETS								
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
TOTAL LIABILITIES AND NET ASSETS	\$ 535,422	\$ 7,299	\$ 132,578	\$ 675,299	\$ 2,353,918	\$ 402,925	\$ -	\$ 3,432,142

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES

June 30, 2018

General Fund

	National Headquarters	The French Review	National French Contest	Total	Designated Fund	Restricted Fund	Total of All Funds
Operating revenue							
Memberships and subscriptions	\$ 381,659	\$ -	\$ -	\$ 381,659	\$ -	\$ -	\$ 381,659
Sales of certificates, pins & t-shirts	237,077	-	-	237,077	-	-	237,077
Sales of tests, tapes & cd's	-	-	281,513	281,513	-	-	281,513
Advertising	-	4,875	-	4,875	-	-	4,875
Conference	69,788	-	-	69,788	-	-	69,788
Mailing list rental	2,465	-	-	2,465	-	-	2,465
Royalties	23,795	-	333	24,128	-	-	24,128
Other	60,369	-	10,581	70,950	-	-	70,950
Total operating revenue	775,153	4,875	292,427	1,072,455	-	-	1,072,455
Operating expenses							
Printing of French Review, National Bulletin and Le Grand Concours	129,027	-	-	129,027	-	-	129,027
Salaries	183,724	-	7,575	191,299	-	-	191,299
Cost of t-shirts, pins, certificates, etc.	108,624	-	-	108,624	-	-	108,624
Cost of tests, tapes & cd's for resale	-	-	96,574	96,574	-	-	96,574
Advertising	16,019	-	946	16,965	-	-	16,965
Office supplies and postage	81,618	31	11,129	92,778	-	-	92,778
Honoraria	67,990	-	-	67,990	-	-	67,990
Awards and gifts	8,396	-	92,469	100,865	-	-	100,865
Travel and lodging - Executive Council	17,043	-	-	17,043	-	-	17,043
Conference	120,904	-	-	120,904	-	-	120,904
Scholarships	9,600	-	-	9,600	-	11,000	20,600
Commissions	3,406	-	-	3,406	-	-	3,406
Professional services	15,000	650	1,700	17,350	-	-	17,350
Depreciation	7,150	-	-	7,150	-	-	7,150
Occupancy	-	-	7,145	7,145	-	-	7,145

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES - CONTINUED

June 30, 2018

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	143,563	637	11,797	155,997	-	-	155,997
Taxes	<u>5,078</u>	<u>-</u>	<u>26</u>	<u>5,104</u>	<u>-</u>	<u>-</u>	<u>5,104</u>
Total operating expenses	<u>917,142</u>	<u>1,318</u>	<u>229,361</u>	<u>1,147,821</u>	<u>-</u>	<u>11,000</u>	<u>1,158,821</u>
Income (loss) from operations	<u>(141,989)</u>	<u>3,557</u>	<u>63,066</u>	<u>(75,366)</u>	<u>-</u>	<u>(11,000)</u>	<u>(86,366)</u>
Nonoperating revenue							
Dividend income	-	-	-	-	44,902	12,299	57,201
Other income	-	-	-	-	-	778	778
Net unrealized and realized gain (loss) on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,681</u>	<u>(4,070)</u>	<u>258,611</u>
Total nonoperating revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>307,583</u>	<u>9,007</u>	<u>316,590</u>
INCREASE (DECREASE) IN NET ASSETS	(141,989)	3,557	63,066	(75,366)	307,583	(1,993)	230,224
NET ASSETS, AS ORIGINALLY STATED - BEGINNING OF YEAR	446,384	7,299	110,324	564,007	2,353,918	402,925	3,320,850
TRANSFERS BETWEEN FUNDS	<u>127,708</u>	<u>(2,500)</u>	<u>(79,208)</u>	<u>46,000</u>	<u>(46,000)</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 432,103</u>	<u>\$ 8,356</u>	<u>\$ 94,182</u>	<u>\$ 534,641</u>	<u>\$ 2,615,501</u>	<u>\$ 400,932</u>	<u>\$ 3,551,074</u>

See Independent Auditors' Report on Supplementary Information

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

COMBINING STATEMENT OF ACTIVITIES

June 30, 2017

	General Fund						
	National Headquarters	The French Review	National French Contest	Total	Designated Fund	Restricted Fund	Total of All Funds
Operating revenue							
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
Total operating revenue	804,001	3,805	309,423	1,117,229	-	-	1,117,229
Operating expenses							
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	-	-	85,704	85,704	-	-	85,704
Advertising	4,191	-	943	5,134	-	-	5,134
Office supplies and postage	79,444	67	11,707	91,218	-	-	91,218
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	5,347	164,991	-	-	164,991
Taxes	<u>5,288</u>	<u>-</u>	<u>12</u>	<u>5,300</u>	<u>-</u>	<u>-</u>	<u>5,300</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.

GENERAL FUND - NATIONAL HEADQUARTERS

OTHER REVENUE AND EXPENSES

Year Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Other Revenue		
Materials center	\$ 10,507	\$ 11,416
Miscellaneous revenue	11,505	3,208
Contributions	18,274	7,819
Assistantships	1,938	4,750
Internet Fee	12,666	11,899
Shipping revenue	226	162
FGLM subscription & other payment	<u>5,253</u>	<u>15,331</u>
	<u>\$ 60,369</u>	<u>\$ 54,585</u>
Other Expenses		
Miscellaneous expense	\$ 15,736	\$ 14,270
Chapter reimbursements	51,756	49,013
FGLM subscripton	1,136	14,382
T-shirt and pin expense	4,416	5,524
Insurance	26,348	26,575
Bank charges	19,712	15,203
Dues	<u>24,460</u>	<u>33,350</u>
	<u>\$ 143,564</u>	<u>\$ 158,317</u>

AMERICAN ASSOCIATION OF TEACHERS OF FRENCH, INC.

RESTRICTED AND DESIGNATED FUND

SCHEDULE OF INVESTMENTS

Years ended June 30, 2018

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Federal Money Market Fund	1,502	\$ 1,502	\$ 1,502
		1,502	1,502
Exchange-Traded Funds			
Consumer Discretionary	1,465	34,209	160,107
Ishares US Telecommunications Sector	593	10,313	16,336
Ishares Nasdaq Biotechnology Sector	953	22,556	104,626
Ishares US Technology Sector	2,016	76,541	359,377
Sector SPDR Consumer Staples	418	10,655	21,533
Sector SPDR Energy	674	31,488	51,149
Sector SPDR Financial	1,443	9,164	38,362
Sector SPDR Healthcare	1,502	44,347	125,354
Sector SPDR Industrial	2,448	56,574	175,318
Sector SPDR Materials	433	10,236	25,153
Sector SPDR Real Estate	206	6,694	6,740
Vanguard Small Cap Value	814	60,519	110,530
Vanguard Small Cap Growth	437	33,273	76,789
Vanguard Real Estate Index	803	52,350	65,371
Vanguard European	2,243	152,654	125,915
Vanguard Pacific	724	47,814	50,642
Vanguard Emerging Markets	911	43,593	38,450
Vanguard Wellesley Income Fund Admiral Shares	6,365	<u>337,595</u>	<u>400,931</u>
		1,040,575	1,952,683
Index Funds			
500 Index Fund Adm		287,038	681,750
Balanced Index Fund Inv		<u>87,121</u>	<u>378,059</u>
		374,159	1,059,809
Common and Preferred Stock			
D R Horton Inc.	59	<u>1,188</u>	<u>2,439</u>
		<u>1,188</u>	<u>2,439</u>
		<u>\$ 1,417,424</u>	<u>\$ 3,016,433</u>

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