

Heller Wetzler

A PROFESSIONAL CORPORATION

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
American Association of Teachers of Spanish and Portuguese, Inc.
Walled Lake, Michigan

We have reviewed the accompanying financial statements of the American Association of Teachers of Spanish and Portuguese, Inc. (a nonprofit corporation), which comprise the statement of assets, liabilities and fund balance – modified cash basis as of December 31, 2016, and the related statement of revenues, expenses and change in fund balance – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in conformity with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Supplementary Information

The supplementary information included in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with the cash basis of accounting. We have not audited the information and, accordingly, do not express an opinion on such information.

Heller & Wetzel, PC

March 11, 2017

American Association of Teachers of Spanish and Portuguese, Inc.
Statement of Assets, Liabilities and Fund Balance
Modified Cash Basis
As of December 31, 2016

ASSETS

Current Assets		
Cash and cash equivalents	\$ 907,890	
Marketable securities	<u>1,460,791</u>	
Total Current Assets		\$ 2,368,681
Property and Equipment		
Furniture, fixtures and equipment	86,316	
Leasehold improvements	13,231	
Accumulated depreciation	<u>(83,996)</u>	
		15,551
Security deposit		<u>1,395</u>
Total Assets		<u><u>\$ 2,385,627</u></u>

LIABILITIES AND FUND BALANCE

Fund Balance		
Unrestricted fund balance	<u>2,385,627</u>	
Total Fund Balance		2,385,627
Total Liabilities and Fund Balance		<u><u>\$ 2,385,627</u></u>

See accompanying notes and independent accountant's review report.

American Association of Teachers of Spanish and Portuguese, Inc.
Statement of Revenues, Expenses and Changes in Fund Balance
Modified Cash Basis
For the Year Ended December 31, 2016

REVENUE

AATSP National Office	\$ 1,113,767
National Spanish Examinations	<u>841,246</u>
Total Revenue	<u>1,955,013</u>

EXPENSES

AATSP National Office	1,084,212
National Spanish Examinations	<u>815,687</u>
Total Expenses	<u>1,899,899</u>

Revenue in Excess of Expenses \$ 55,114

Beginning Fund Balance \$ 2,330,513
Revenue in Excess of Expenses 55,114

Ending Fund Balance \$ 2,385,627

See accompanying notes and independent accountant's review report.

American Association of Teachers of Spanish and Portuguese, Inc.
Notes to Financial Statements
December 31, 2016

Note 1 – Nature of Activities and Significant Accounting Policies

This summary of significant accounting policies of the American Association of Teachers of Spanish and Portuguese, Inc. (the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity.

Organization – The Association is a non-profit membership organization incorporated in 1967 to promote, develop and advance, through research, discussion, exchange of information and activities, the study and teaching of Hispanic, Luso-Brazilian and related languages, literature and cultures in the United States and in other countries. The Association includes all general operations of the national office and coordinates two other programs, National Spanish Exam (NSE) and Sociedad Honoraria Hispánica (SHH). The Association's primary source of revenue consists of dues and conference registration fees.

The NSE creates and administers online, standardized examinations for students enrolled in Spanish courses in grades 6-12. The sale of examinations is its primary source of revenue.

The purpose of the SHH is to recognize high achievement in Spanish and Portuguese by students of secondary schools and to promote continuity of interest in Hispanic and Luso-Brazilian studies. The society is classified as a national and international academic honor society in the study of high school Spanish and Portuguese. The society also supports the Sociedad Hispánica de Amistad, which is an activities based organization for students in elementary and middle schools. Student memberships constitute the major sources of revenue for SHH.

Basis of Accounting – The financial statements are prepared using the modified cash basis of accounting; consequently, contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Investments are stated at fair market value.

Cash Equivalents – Cash and cash equivalents includes cash on hand, demand deposits in banks, and short-term investments that are readily convertible to cash, as well as investments with original maturities of three months or less.

Marketable Securities – Marketable securities are recorded at fair market value.

Advertising – Advertising costs are expensed when incurred. Advertising costs for the year ending December 31, 2016 were \$14,281.

Property and Equipment – The Association records property and equipment at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred. Depreciation for the year ending December 31, 2016 was \$6,347.

Income Taxes – The Association is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose are subject to taxation as unrelated business income, reported on Form 990-T. There was no cash paid for income taxes for the year ended December 31, 2016.

American Association of Teachers of Spanish and Portuguese, Inc.
Notes to Financial Statements
December 31, 2016

Note 1 – Nature of Activities and Significant Accounting Policies – (Continued)

Income Taxes (Continued) – The Association has adopted the accounting for uncertainty for income taxes guidance on January 1, 2009. The Association currently evaluates all tax positions, makes a determination regarding their likelihood of being upheld under review, and recognizes the resulting tax benefits as they are filed on the income tax return. The Association believes all of its tax positions are more likely than not to be upheld upon examination. Consequently, there is no unrecognized tax benefit or liability or related accrual of interest and penalties. The Association files income tax returns in the U.S. federal jurisdiction. The federal income tax returns subsequent to 2011 remain subject to examination. No open income tax returns are currently under examination.

Estimates – Management uses estimates and assumptions in preparing financial statements that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events – Management has evaluated events and transactions for potential recognition or disclosure through the date of the accountant’s report which was the date that the financial statements were available to be issued.

Note 2 – Local Chapter Activities

The Association has chartered over 70 local chapters throughout the United States and Canada. The activity of these local chapters has been reported in the financial statements, including chapter revenues, expenses, and assets. Previously, some, but not all, of the chapters were reported. Starting in 2016 all chapters are reported. Beginning Fund Balance includes \$138,765 which represents the beginning balances of chapters previously excluded.

Note 3 – Marketable Securities

A summary of fair market value of marketable securities held at December 31, 2016 is as follows:

	Cost Basis	Fair Value
Fixed income preferred securities	\$ 13,989	\$ 13,092
Mutual funds, ETFs, REITs	<u>1,453,565</u>	<u>1,447,699</u>
Total	<u>\$ 1,467,544</u>	<u>\$ 1,460,791</u>

Earnings on these investments for the year ended December 31, 2016 were:

Interest and Dividends	\$ 57,735
Investment Expenses	-18,374
Realized Gains and Losses	-36,566
Unrealized Gains and Losses	<u>76,255</u>
Total	<u>\$ 79,050</u>

Proceeds from sales of marketable securities were \$595,584.

American Association of Teachers of Spanish and Portuguese, Inc.
Notes to Financial Statements
December 31, 2016

Note 4 – Concentration of Credit Risk

The Association maintains cash and securities accounts at various financial institutions, most of which are insured by the Federal Deposit Insurance Corporation up to \$250,000, the Securities Investor Protection Corporation up to \$500,000, the National Credit Union Share Insurance Fund up to \$250,000, and various private insurers of funds in excess of these limits. The Association may, from time to time, maintain balances in excess of the insured limits. At December 31, 2016, the amount of uninsured cash, cash equivalents and marketable securities was \$54,167.

Note 5 – Operating Leases

The Association's national office is leasing office space under a three year lease agreement that began March 1, 2016 and expires February 28, 2019. The lease requires monthly payments of \$2,500 in year one, and \$2,650 in years two and three. The Association is responsible for insurance and utilities.

The NSE is leasing office space in Indiana under a one year lease agreement that began July 1, 2016 and expires June 31, 2017. The lease requires monthly payments of \$1,350. The NSE is responsible for insurance and all utilities with the exception of water/sewer.

Total rent paid under in 2016 was \$45,600.

At December 31, 2016, the Association had annual minimum lease commitments as follows:

December 31, 2017	\$ 39,600
December 31, 2018	16,200
December 31, 2019	<u>5,300</u>
	<u>\$ 61,100</u>

American Association of Teachers of Spanish and Portuguese, Inc.
Schedule I - Detailed Schedule of Revenues and Expenses
Modified Cash Basis
For the Year Ended December 31, 2016

	AATSP Nat'l Office	Nat'l Spanish Examinations	TOTAL
REVENUE			
Membership Income	\$ 469,098		\$ 469,098
Charters and Fees	350,245		350,245
Annual Conference	112,520		112,520
Donations	7,360	7,000	14,360
Examinations		550,153	550,153
Other Income	79,388	14,437	93,825
Chapter Income	52,632	233,130	285,762
Investment Income	42,524	36,526	79,050
Total Revenue	<u>\$ 1,113,767</u>	<u>841,246</u>	<u>\$ 1,955,013</u>
EXPENSES			
Publications & Member Programs	\$ 116,150	103,385	\$ 219,535
Chapter Expenses	79,005	268,705	347,710
Annual Conference	93,713		93,713
Travel & Promotion	58,049	31,845	89,894
Awards/Scholarships/Stipends	165,011	192,408	357,419
Personnel	341,873	194,134	536,007
Administration	230,411	25,210	255,621
Total Expense	<u>\$ 1,084,212</u>	<u>815,687</u>	<u>\$ 1,899,899</u>
Revenue in Excess of Expenses	<u>\$ 29,555</u>	<u>\$ 25,559</u>	<u>\$ 55,114</u>

See independent accountant's review report.