

## The Treasurer's Report

### Financial Highlights

This report covers the audit for the fiscal year ending June 30, 2016 and actions taken by the ASTA Board of Directors related to financial policies.

ASTA's financial policies state that "the goal of the budget is to be balanced or show a net gain. The exception to this is covered in the ASTA Policy on Fund Balance." That policy states that "if the current fund balance exceeds the goal, the additional funds can be allocated by the Board of Directors to increase funding for existing programs and/or to provide funds for new initiatives in any given fiscal year."

The Board reviews these financial policies and ASTA's investment strategies on an annual basis as part of the budget planning process. The approved 2015-2016 budget plan was approved with continued funding for projects identified in the strategic plan and a few new ones identified by the Board during the planning process.

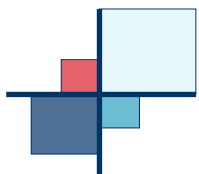
In the area of governance the budget included \$25,000 to conduct a comprehensive industry needs assessment, which was conducted in early summer of 2016. Only \$13,000 of the allocated funds were spent in this fiscal year as the report was finalized and billed in the current fiscal year.

The budget also included approximately \$10,000 for ongoing work related to noxious weed seed, with a final report expected this fiscal year. In addition, the Board allocated \$17,500 for work on pesticides, although that amount was increased during the year to \$54,000 to cover additional legal fees and travel expenses to address pesticide concerns in Vietnam as well as develop plans for a pilot project to seek an import tolerance with EPA using monitoring data.

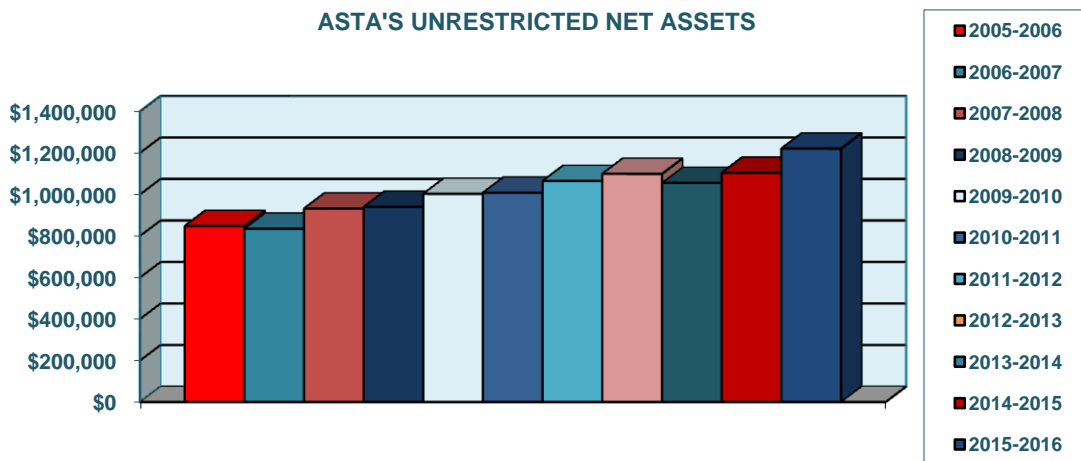
Membership dues continue to be ASTA's primary source of revenue. Total membership revenue, including new member initiation fees, was \$847,392, which was just below the budgeted amount of \$856,550. Complete details on membership are included in a separate membership report.

ASTA's second largest revenue source is the annual meeting, which netted \$199,373 after expenses, more than double what was budgeted due to higher than expected attendance and increased revenue from non-member registration fees, sponsorship, and exhibits.

The operating budget was approved at (\$7,326), with an additional \$25,000 expected in returns on ASTA's investments. At year end, revenue was favorable to the budget, and ASTA's investments resulted in better than expected performance at \$44,359. As a result, ASTA finished the year with a net gain of \$116,487.



ASTA's total unrestricted net assets at the end of the fiscal year were \$1,220,209.



Lydon Fetterolf Corydon, P.A., Certified Public Accountants conducted an audit of our statement of financial position as of June 30, 2016 and found that our financial statements present fairly ASTA's financial position. A copy of the audit report follows. They state that management of ASTA's funds was according to good practice and that no significant errors were identified.

ASTA staff continues to provide timely and complete financial reporting for the Treasurer and the Board to review. The Board approves all significant expenditures. In my opinion, the Board has acted responsibly throughout the year, for which I thank them all for their services.

Simone Cormier  
Treasurer

**AMERICAN SPICE TRADE ASSOCIATION**

**AUDITED FINANCIAL STATEMENTS**

Years Ended June 30, 2016 and 2015

**AMERICAN SPICE TRADE ASSOCIATION**  
**AUDITED FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

CONTENTS	PAGE(S)
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-12



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
American Spice Trade Association  
Washington, DC 20036

### Report on the Financial Statements

We have audited the accompanying financial statements of **American Spice Trade Association** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 audits. We conducted our audits 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 Spice Trade Association** as of June 30, 2016 and 2015, 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.

Rockville, Maryland  
October 24, 2016

AMERICAN SPICE  
 TRADE ASSOCIATION  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 240,451	\$ 210,101
Accounts receivable	3,950	13,171
Accrued interest	2,299	1,588
Prepaid expenses	18,088	13,550
<b>TOTAL CURRENT ASSETS</b>	<b>264,788</b>	<b>238,410</b>
<b>PROPERTY AND EQUIPMENT</b>		
Website	30,875	30,875
Less: Accumulated amortization	(15,446)	(9,266)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>15,429</b>	<b>21,609</b>
<b>OTHER ASSETS</b>		
Restricted cash - Arbitration	301,500	0
Investments	1,028,696	992,782
<b>TOTAL OTHER ASSETS</b>	<b>1,330,196</b>	<b>992,782</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,610,413</b>	<b>\$ 1,252,801</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 21,179	\$ 22,583
Deferred revenue - dues and other	67,525	126,496
Deposit payment - Arbitration	301,500	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>390,204</b>	<b>149,079</b>
<b>TOTAL LIABILITIES</b>	<b>390,204</b>	<b>149,079</b>
<b>NET ASSETS</b>		
Unrestricted	1,220,209	1,103,722
<b>TOTAL NET ASSETS</b>	<b>1,220,209</b>	<b>1,103,722</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,610,413</b>	<b>\$ 1,252,801</b>

The Accompanying Notes are an Integral Part of these Financial Statements

AMERICAN SPICE

TRADE ASSOCIATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

UNRESTRICTED NET ASSETS	2016	%	2015	%
Unrestricted Revenues				
Membership dues and initiation fees	\$ 847,392	57.5	\$ 850,675	62.6
Annual meeting	459,660	31.2	383,456	28.1
Check sample and other programs	79,273	5.4	62,283	4.6
Investment income	44,359	3.0	22,357	1.6
Government relations	34,105	2.3	33,860	2.5
Publications and education	6,822	0.5	4,909	0.4
Other income	2,201	0.1	2,170	0.2
	<u>1,473,812</u>	<u>100.0</u>	<u>1,359,710</u>	<u>100.0</u>
Net assets released from restrictions	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
<b>TOTAL UNRESTRICTED REVENUES</b>	<u>1,473,812</u>	<u>100.0</u>	<u>1,359,710</u>	<u>100.0</u>
Expenses				
Program services:				
Annual meeting	260,287	17.7	229,420	16.8
Government relations	236,542	16.0	262,251	19.3
Check sample and other programs	88,006	6.0	69,071	5.1
Governance	50,143	3.4	31,169	2.3
Web seminars	17,186	1.2	9,937	0.7
ETO Project	8,529	0.6	51,399	3.8
Publications and education	5,145	0.3	1,148	0.2
Supporting services:				
Management and administration	691,487	46.9	656,442	48.2
<b>TOTAL EXPENSES</b>	<u>1,357,325</u>	<u>92.1</u>	<u>1,310,837</u>	<u>96.2</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<u>116,487</u>	<u>7.9</u>	<u>48,873</u>	<u>3.6</u>
TEMPORARILY RESTRICTED NET ASSETS				
Net assets released from restrictions	<u>0</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>116,487</u>	<u>7.9</u>	<u>48,873</u>	<u>3.6</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,103,722</u>		<u>1,054,849</u>	
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,220,209</u>		<u>\$ 1,103,722</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

**AMERICAN SPICE****TRADE ASSOCIATION****STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2016 and 2015

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2016</u>	<u>2015</u>
Increase (decrease) in net assets	\$ 116,487	\$ 48,873
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Amortization expense	6,180	6,178
Realized and unrealized investment (gains) losses	(24,424)	(1,119)
(Increase) decrease in operating assets:		
Decrease (increase) in accounts receivable	9,221	18,890
Decrease (increase) in accrued interest	(711)	2,191
Decrease (increase) in prepaid expenses	(4,538)	9,349
Decrease (increase) in restricted cash	(301,500)	0
Increase (decrease) in operating liabilities:		
Increase (decrease) in accounts payable and accrued expenses	(1,404)	2,713
Increase (decrease) in deferred revenues - dues and other	(58,971)	55,480
Increase (decrease) in deferred revenues - ETO Project	0	(29,362)
Increase (decrease) in deposit payment - Arbitration	301,500	0
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>41,840</u>	<u>113,193</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	0	0
Purchases of investments	(520,238)	(570,348)
Proceeds from sales of investments	508,748	560,985
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(11,490)</u>	<u>(9,363)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES - NONE</b>	<u>0</u>	<u>0</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	30,350	103,830
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>210,101</u>	<u>106,271</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 240,451</u>	<u>\$ 210,101</u>

The Accompanying Notes are an Integral Part of these Financial Statements



**AMERICAN SPICE TRADE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended June 30, 2016 and 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the **American Spice Trade Association** (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 who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America, and have been consistently applied in the preparation of the financial statements.

**Purpose of the Association:**

The **American Spice Trade Association** is a non-profit membership corporation, established in New York in 1907 as the voice of the U.S. spice industry, works to ensure clean, safe spice and shape public policy on behalf of the global industry.

*The Association’s significant accounting policies are as follows:*

**Basis of Accounting:**

The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, prepaid expenses, payables, accruals and other liabilities.

**ASC Codification:**

During June 2009, the FASB issued SFAS No. 168 *"The FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles - A Replacement of FASB Statement No. 162,"* (now codified within ASC No. 105, Generally Accepted Accounting Principles (GAAP) (ASC No. 105)). ASC No. 105 establishes the Codification as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. All guidance contained in the Codification carries an equal level of authority. Following this statement, FASB will not issue new standards in the form of statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve only to: (1) update the Codification; (2) provide background information about the guidance; and (3) provide the bases for conclusions on the change(s) in the Codification. ASC No. 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of ASC No. 105 did not have any impact on the results of operations or financial position.

AMERICAN SPICE TRADE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation:**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*). Under FASB ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association did not have any permanently restricted net assets as of June 30, 2016 and 2015.

**Cash and Cash Equivalents:**

For purposes of the statements of cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Investments:**

The Association has adopted Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*). Under FASB ASC 958-320, investments in marketable equity securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets.

**Accounts Receivable:**

Member dues and other accounts receivable from members are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances throughout the year, and writes off any balances it deems will not be collected. If amounts become uncollectible, they will be charged against net assets when that determination is made.

**Prepaid Expenses:**

Convention revenues and expenses are recognized in the period during which the function is held. Expenses paid in advance result in prepaid expenses.

AMERICAN SPICE TRADE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition and Deferred Membership Dues and Other:**

The Association's annual membership year is the same as its fiscal year. Membership dues and other project revenues are recognized during the period to which they relate, and therefore, monies collected in advance are reflected as deferred revenues on the statements of financial position. Active membership dues are based on pounds of spices purchased or sold, and are billed based on members' certificates filed with the Association. All other types of dues are billed at flat rates.

**Donated Services:**

The Association recognizes donated services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2016 and 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

**Income Tax Status:**

The Association is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. However, income from activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Association has been classified as an entity that is not a "private foundation" under Section 509(a)(2) of the Internal Revenue Code.

During the year ended June 30, 2011, the Association adopted the authoritative guidance relating to uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The Association performed an evaluation of uncertain tax positions for the years ended June 30, 2016 and 2015, and determined that there were no material matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of June 30, 2016, the statute of limitations for the Form 990 for the tax years 2012-2014 remains open with the Internal Revenue Service. It is the Association's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

**AMERICAN SPICE TRADE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended June 30, 2016 and 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications:**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Property, Equipment and Depreciation:**

The Association capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets for financial reporting purposes, while accelerated methods are used for income tax reporting purposes.

**NOTE B – CASH AND CASH EQUIVALENTS (UNRESTRICTED AND RESTRICTED)**

Cash and cash equivalents at June 30, 2016 and 2015, consist of the following:

**Unrestricted cash:**

	<u>2016</u>	<u>2015</u>
Cash on hand and demand deposits	\$ 36,810	\$ 172,579
Money market funds	<u>203,641</u>	<u>37,522</u>
	<u>\$ 240,451</u>	<u>\$ 210,101</u>

**Restricted cash:**

Cash on hand and demand deposits	\$ 301,500	\$ 0
	<u>\$ 301,500</u>	<u>\$ 0</u>
Total unrestricted and restricted cash	<u>\$ 541,951</u>	<u>\$ 210,101</u>

**AMERICAN SPICE TRADE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended June 30, 2016 and 2015

**NOTE C – INVESTMENTS**

Investments at June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ 709,664	\$ 658,801
Fixed income securities	292,212	309,201
Equity fund securities	<u>26,820</u>	<u>24,780</u>
	<u>\$1,028,696</u>	<u>\$ 992,782</u>

Investment returns at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 19,935	\$ 21,238
Realized gain/(loss) on investments	824	910
Unrealized gain/(loss) on investments	<u>23,600</u>	<u>209</u>
	<u>\$ 44,359</u>	<u>\$ 22,357</u>

**NOTE D – SUPPLEMENTAL CASH FLOW STATEMENT DISCLOSURES**

Supplemental disclosure of consolidated cash flows information:

Cash paid during year ended June 30, 2016 for:

Interest	\$ 0
Income taxes	\$ 0

Cash paid during year ended June 30, 2015 for:

Interest	\$ 0
Income taxes	\$ 0

**NOTE E – COMMITMENTS AND CONTINGENCIES**

**Future Meetings:**

The Association has entered into contracts for services and accommodations for future meetings. These contracts include penalty clauses which would require the Association to pay certain amounts if meetings were cancelled or other commitments were not met. However, the Association does not have any intentions of cancelling these events.

**AMERICAN SPICE TRADE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended June 30, 2016 and 2015

**NOTE E – COMMITMENTS AND CONTINGENCIES (Continued)**

**Concentrations of Credit Risk:**

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and investments held with banks and/or brokers in excess of the insurance limitations of the Federal Deposit Insurance Corporation (FDIC) and/or the Securities Investor Protection Corporation (SIPC). Securities balances in excess of these limitations are automatically invested in federal funds and/or certificates of deposit with various banks. At June 30, 2016 and June 30, 2015, the Association's uninsured balances amounted to \$286,921 and \$0, respectively.

**Association Management Agreement – Verto Solutions, LLC:**

Effective July 1, 2012, the Association entered into an association management services agreement with Verto Solutions, LLC ("Verto"). Under the terms of the agreement, Verto will provide facilities, staffing, government relations and other management services to the Association. The contract may be terminated without cause by either party by giving the other party a one-hundred and eighty day (180) notice. During the years ended June 30, 2016 and 2015, the Association paid fees of \$795,887 and \$739,887, respectively, for these services. Also, effective July 1, 2014 Verto Solutions, LLC provides annual meeting management services for the Association. The Association's Executive Director and Director of Finance are paid employees of Verto Solutions, LLC. In addition, Verto Legal Solutions, LLC, a division of Verto Solutions, LLC, provides legal services to the Association. During the years ended June 30, 2016 and 2015, the Association paid fees of \$1,224 and \$3,445, respectively, for these legal services.

**NOTE F – PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS**

The Association has elected to adopt Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*). Under FASB ASC 958-205, the Association is required to classify its net assets into three categories: permanently restricted, temporarily restricted, and unrestricted. Permanently restricted net assets contain donor-imposed restrictions that require that contributed funds be maintained by the Association in perpetuity. As of June 30, 2016 and 2015 the Association did not have any permanently restricted net assets. Temporarily restricted net assets contain donor-imposed use limits on contributed funds that relate to specific periods of time or specified purposes. As of June 30, 2016 and 2015 the Association did not have any temporarily restricted net assets. Unrestricted net assets are funds received that do not include any restriction as to the use by the donor. The Association's Board may subsequently designate unrestricted net assets for a specified purpose.

**AMERICAN SPICE TRADE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended June 30, 2016 and 2015

**NOTE G – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – These inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2 – These are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, default rates and other similar data.

Level 3 – These are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Association's own data.

The carrying amounts reflected in the statements of financial position for cash and cash equivalents, investments, receivables, payables and deferred revenues approximate their respective fair values due to the short maturities of those instruments. The Association estimates that the fair value of all financial instruments at June 30, 2016 and 2015, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

The estimated fair value amounts have been determined by the Association using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Association could realize in a current market exchange.



**AMERICAN SPICE TRADE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended June 30, 2016 and 2015

**NOTE H – FUNCTIONAL EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE I – ARBITRATION ESCROW FUND**

During fiscal year ended June 30, 2016 a spice trade contract dispute arose between a member and a non-member Companies of the Association and this dispute was submitted for review by the Association's Arbitration program. The arbitration resulted in an award amount of \$600,000 being issued to the ASTA member on September 9, 2015. The Association's Arbitration program also has an appeal mechanism where as the losing party can appeal the Arbitration Panel's original verdict by paying an appeal fee and putting a deposit in Escrow equaling 50% of the original award amount. On October 28, 2015 the non-member Company that lost the arbitration made a formal appeal and placed in Escrow \$301,500 (\$300,000 deposit and \$1,500 appeal fee) with the Association. On December 11, 2015 the Association's Arbitration Appeals Board denied the non-member's appeal and affirmed the \$600,000 original award amount to the ASTA member. (See **NOTE K – SUBSEQUENT EVENTS**)

**NOTE K – SUBSEQUENT EVENTS**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 24, 2016, the date of the auditors' report.

**Deposit payment – Arbitration**

On August 25, 2016, the Association disbursed the appeal deposit in the amount of \$301,500 held by the Association to the ASTA member Company that won the arbitration appeal. (See **NOTE I – ARBITRATION ESCROW FUND**)