

MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY

LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS

FINANCIAL STATEMENTS - MODIFIED CASH BASIS

FOR THE YEAR ENDED MAY 31, 2018

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS - MODIFIED CASH BASIS	
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis	3
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis	4
Notes to Financial Statements	5-7
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION	8
Supplemental Schedule of Expenses - Modified Cash Basis	9

INDEPENDENT AUDITORS' REPORT

To the Executive Board of the
Montgomery County Community College Faculty
Local 4272 - American Federation of Teachers

We have audited the accompanying financial statements of Montgomery County Community College Faculty Local 4272 - American Federation of Teachers (a nonprofit organization), which comprise the Statement of Assets, Liabilities, and Net Assets—Modified Cash Basis as of May 31, 2018, and the related Statement of Revenue, Expenses and Change in Net Assets—Modified Cash Basis for the year 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the 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.

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 assets, liabilities, and net assets of Montgomery County Community College Faculty Local 4272 - American Federation of Teachers as of May 31, 2018, and its revenue, expenses and change in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on 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 opinion is not modified with respect to this matter.

Heffler, Padgett & Saitta, LLP

September 6, 2018

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
MAY 31, 2018**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 92,320
Investments	<u>343,879</u>
Total Current Assets	<u>436,199</u>

TOTAL ASSETS \$ 436,199

LIABILITIES AND NET ASSETS

Liabilities \$ -

Unrestricted Net Assets 436,199

TOTAL LIABILITIES AND NET ASSETS \$ 436,199

The accompanying notes are an integral part of this financial statement.

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED MAY 31, 2018**

Unrestricted Revenues	
Member Dues	\$ 192,862
Interest and Dividend Income	6,050
Unrealized Gain on Investment	16,137
Advertising	120
	215,169
Total Unrestricted Revenues	215,169
Expenses	
Program Services:	
Per Capitas	105,830
Member Insurances	1,560
	107,390
Total Program Services	107,390
Support Services:	
Management and General	46,237
	46,237
Total Expenses	153,627
Increase in Unrestricted Net Assets	61,542
Unrestricted Net Assets - Beginning of Year	374,657
Unrestricted Net Assets - End of Year	\$ 436,199

The accompanying notes are an integral part of this financial statement.

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018**

NOTE 1 - **ORGANIZATION'S ACTIVITY**

The Montgomery County Community College Faculty, Local 4272 - American Federation of Teachers (the Federation) is a non-profit labor organization serving employees of the Montgomery County Community College in collective bargaining with the President and Board of Trustees of Montgomery County Community College. The Federation was organized to represent the interest of all of the members of the bargaining unit without discrimination, to improve the conditions of employment and to enhance the well-being of the Montgomery County Community College faculty.

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. That basis differs from accounting principles generally accepted in the United States primarily because the Federation recognizes expenses when paid, rather than when incurred and revenues when received rather than when earned.

Cash and Cash Equivalents

Cash and cash equivalents consist of a checking account and a money market account. The Federation considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Income Taxes

No provision has been made for income taxes due to the Federation's tax-exempt status under the Internal Revenue Code Section 501(c)(5). Management believes that the Federation continues to qualify and to operate in accordance with applicable provisions of the Internal Revenue Code. The IRS Form 990 informational returns of the Federation for 2017, 2016 and 2015 are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018**

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent Events

Management has evaluated subsequent events through September 6, 2018, the date the financial statements were available to be issued.

On June 18, 2018, Montgomery County Community College Faculty Local 4272 - American Federation of Teachers and Montgomery County Community College came to agreement on a new collective bargaining agreement, which had previously expired on August 31, 2017. The new collective bargaining agreement expires on August 31, 2021. The terms of the new collective bargaining agreement does not have an effect on the Montgomery County Community College Faculty Local 4272 - American Federation of Teachers financial statements at May 31, 2018.

On June 27, 2018, the United States Supreme Court in Janus v AFSCME ruled that public-sector employees who are not members of a labor union may not be required to pay a fair share fee to a union. The Court ruled that non-members may voluntarily agree to pay a union for representation, but such payment is no longer required. The decision does not impact dues paid by union members. The ruling does not have an effect on the Federation's financial statements as of May 31, 2018.

NOTE 3 - **NET ASSETS**

Net assets at May 31, 2018 consist of unrestricted amounts. Unrestricted balances are available for the current operations of the Federation. There were no permanently or temporarily restricted net assets at May 31, 2018.

NOTE 4 - **RELATED PARTY TRANSACTIONS**

The Federation has significant transactions with affiliates. The Federation is a member of certain organizations (listed below) and is required to pay per capita dues, accordingly. In addition, the Federation pays accident and liability insurance to the American Federation of Teachers. The amounts of these transactions with these affiliates are summarized as follows:

Per Capita Expense	
American Federation	\$ 63,551
AFT-Pennsylvania	38,359
Pennsylvania AFL-CIO	<u>3,920</u>
Total	<u>\$ 105,830</u>

NOTE 5 - **CONTINGENCIES**

From time to time, the Federation defends its members in legal actions arising from our normal business activities. In the opinion of management, all such matters are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Federation, upon resolution.

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018**

NOTE 5 - **INVESTMENTS**

Investment income or loss (including realized and unrealized gains/losses on investments, interest and dividends) is reported as an increase or decrease in unrestricted net assets in the reporting period recognized, unless the income or loss is restricted by donor or law.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement). Secondary priority is given to observable market-based inputs other than quoted prices in active markets for identical assets or liabilities. This includes instruments that are primarily valued using valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data (Level 2 measurement). Finally, there are prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. This is comprised of instruments whose fair value is estimated based on a market approach using alternate techniques or internally developed models using significant inputs that are generally less readily observable because of limited market activity or little transparency (Level 3 measurement). The Federation utilizes quoted market prices to determine the fair value of its investments, as such based upon the framework outlined above, the investments were classified within Level 1 of the fair value hierarchy. The Federation's investments at May 31, 2018 were as follows:

	Carrying Value	Fair Value Measurement at Reportable Date Using			Total
		Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>Cash and Cash Equivalents</i>					
Cash	\$ 13,792	\$ 13,792	\$ -	\$ -	\$ 13,792
Money Market Account	78,528	78,528	-	-	78,528
<i>Certificate of Deposit</i>	75,774	75,774	-	-	75,774
<i>Mutual Funds</i>					
Vanguard Balanced Index Fund Admiral Shares (60% equities, 40% fixed income)	251,968	268,105	-	-	268,105
	\$ 420,062	\$ 436,199	\$ -	\$ -	\$ 436,199

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

To the Executive Board of the
Montgomery County Community College Faculty
Local 4272 - American Federation of Teachers

We have audited the financial statements – modified cash basis of Montgomery County Community College Faculty Local 4272 - American Federation of Teachers as of and for the year ended May 31, 2018, and have issued our report thereon dated September 6, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of expenses-modified cash basis is presented for the purpose 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.



September 6, 2018

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
SUPPLEMENTAL SCHEDULE OF EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED MAY 31, 2018**

MANAGEMENT AND GENERAL

Gifts and Contributions	2,535
Liability Insurance	1,578
Meetings	3,266
Office	3,305
Professional Fees	19,241
Salaries	16,312
	46,237
Total Management and General	\$ 46,237

PROGRAM SERVICES

AFT Dues	\$ 63,551
AFT-Pennsylvania Dues	38,359
Pennsylvania AFL-CIO Dues	3,920
Member Insurances	1,560
	107,390
Total Program Services	\$ 107,390

See independent auditors' report on supplemental information.