

MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY

LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS

STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE AND NON-CHARGEABLE EXPENSES -
MODIFIED CASH BASIS

FOR THE YEAR ENDED MAY 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Statement of Expenses and Allocation between Chargeable Expenses and Non-Chargeable Expenses – Modified Cash Basis (the Statement) of the Montgomery County Community College Faculty, Local 4272 - American Federation of Teachers (the Federation) for the year ended May 31, 2017, and the related notes to the statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this statement in accordance with the basis of accounting described in Note 1 and the allocated expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this statement 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 statement is 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 Federation'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 Federation'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 statement. 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 statement referred to above presents fairly, in all material respects, the expenses of the Federation for the year ended May 31, 2017 and the allocated expenses between chargeable expenses and non-chargeable expenses, on the basis of accounting described in Note 1 and the definitions and significant factors and assumptions described in Notes 2 and 3.

Other Matter

The total expenses on the statement are based on the expenses of the Federation for the year ended May 31, 2017. The accompanying Statement was prepared for the purpose outlined in Note 1. The allocation of expenses between chargeable and non-chargeable is based on the definitions and significant factors and assumptions described in Notes 2 and 3. The accompanying Statement is not intended to be a complete presentation of the Federation's financial statements.

This report is intended solely for the information and use of the Montgomery County Community College Faculty, Local 4272- American Federation of Teachers (the Federation) and its agency fee payers and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Haffley, Radtich & Saitta, LLP". The signature is written in a cursive, flowing style.

August 15, 2017

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY FEDERATION
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
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CHARGEABLE AND NON-CHARGEABLE EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED MAY 31, 2017**

	Total Expenses	Chargeable Expenses	Non-Chargeable Expenses
Direct Expenses			
Conferences and Conventions	\$ 6,106	\$ 6,106	\$ -
Gifts and Contributions	2,071	-	2,071
Meeting Expense	5,404	5,404	-
Per Capitas and Insurances	100,611	61,774	38,837
Professional Fees	2,112	2,112	-
Salaries	31,499	31,161	338
	<hr/>	<hr/>	<hr/>
Total Direct Expenses	147,803	106,557	41,246
General, Administrative & Operating Expenses			
Liability Insurance	1,428	1,029	399
Accounting	8,000	5,768	2,232
Office Expenses	1,851	1,335	516
	<hr/>	<hr/>	<hr/>
Total General, Administrative & Operating Expenses	11,279	8,132	3,147
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 159,082	\$ 114,689	\$ 44,393
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Dues Allocation Percentage	100%	72.09%	27.91%
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The accompanying notes are an integral part of this statement.

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE AND NON-CHARGEABLE EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED MAY 31, 2017**

NOTE 1 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Presentation

The accompanying statement was prepared for the purpose of determining the fair share cost of services rendered by the Montgomery County Community College Faculty, Local 4272 - American Federation of Teachers (the Federation) for employees represented by, but not members of, the Federation. The accompanying statement is not intended to be a complete presentation of the Federation's financial position, activities or its cash flows in accordance with the modified cash basis of accounting.

The accompanying statement has 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.

Income Taxes

The Federation is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code. 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 and its affiliates for 2016, 2015 and 2014 are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported expenses during the reporting period and the allocation of expenses between chargeable and non-chargeable. Accordingly, actual results could differ from those estimates.

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NOTE 2 - DEFINITIONS

The following definitions of chargeable and non-chargeable expenses are based on existing law and the Federation's interpretation of court cases.

Chargeable Expenses

Chargeable expenses are those incurred by the Federation that reflect the share of the costs of operations of the Federation which are considered necessarily and reasonably incurred for the performance of its duties as the exclusive representative of the Montgomery County Community College Faculty with the employer in dealing with labor management issues including the cost of: negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreements, or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the Federation as representative of the Montgomery County Community College Faculty in the bargaining unit.

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigating and processing grievances; meetings, conferences, administrative, arbitral and court proceedings and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; communications with community organizations, civic groups, government agencies and the media respecting the Federation's position on work-related matters; maintaining membership; employee group programs; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

Non-chargeable Expenses

Non-chargeable expenses are those of an ideological or political nature and those that are not germane to work-related interests of employees.

The term "political" is defined as support for or against candidates for political office of any level of government and any office in the union structure. The term "ideological" is defined as support for or against certain positions that the Federation may take which are not work-related.

The following expenses are classified as non-chargeable: lobbying, electoral or political activities outside the limited context of contract ratification or implementation; litigation expenses that do not concern the objecting employees bargaining unit and public relations efforts designed to enhance the reputation of the teaching profession and the costs of activities primarily aimed at recreating new members (organizing costs).

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**NOTE 3 - SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE
ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE
AND NON-CHARGEABLE**

Gifts, Contributions and Scholarships

Contributions to organizations or scholarships to individuals are considered to be 100 percent non-chargeable.

Per Capitas

Per Capita expense is the payment of dues to the American Federation of Teachers (AFT), Pennsylvania Federation of Teachers (PAFT), and the Pennsylvania AFL-CIO. Allocation of per capitas is based on the resulting percentage for chargeable and non-chargeable expenses for AFT and PAFT using their most recent reports. Per capita expenses to the Pennsylvania AFL-CIO are considered 100% non-chargeable due to the lack of audited determinations from this affiliate. AFT liability insurance benefits are considered 100% non-chargeable.

Salaries

Salary expenses have been allocated to chargeable and non-chargeable expenses based on time spent by personnel on chargeable and non-chargeable activities.

General, Administrative and Operating Expenses

General, administrative and operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratios allocated to direct expenses.

NOTE 4 - DUES ALLOCATION

Applying the categories of chargeable and non-chargeable expenses to the activities and undertakings of the Federation, it was determined that 72.09% of the total expenses of the Federation were chargeable to fair share fee payers.