

ALL FACULTY ASSOCIATION

**Schedule of Unrestricted General Operating Expenses and the
Allocation of Expenses Between Chargeable and Non-Chargeable**

For the Year Ended June 30, 2017

(With Independent Auditor's Report)

GIBSON & COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Executive Council
ALL FACULTY ASSOCIATION

We have audited the accompanying Schedule of unrestricted general operating expenses and the allocation of expenses between chargeable and non-chargeable of All Faculty Association (a nonprofit corporation) for the year ended June 30, 2017, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the basis of the definitions and significant factors and assumptions described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial 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 financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 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 financial statement referred to above presents fairly, in all material respects, the unrestricted general operating expenses and the allocated expenses between chargeable and non-chargeable of All Faculty Association for the year ended June 30, 2017, in accordance with the definitions and significant factors and assumptions as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of the definitions and significant factors and assumptions. The financial statement is prepared by All Faculty Association on the basis of the definitions and significant factors and assumptions. The financial statement is not intended to be a complete presentation of All Faculty Association's revenues and expenses. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of All Faculty Association and its agency fee payers and is not intended to be and should not be used by anyone other than these specified parties.

GIBSON & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANT

Gibson & Company, Inc.
Certified Public Accountant

December 20, 2017
Sacramento, California

ALL FACULTY ASSOCIATION

Schedule of Unrestricted General Operating Expenses and the
Allocation of Expenses Between Chargeable and Non-Chargeable

For the Year Ended June 30, 2017

	<u>Total</u>	<u>Chargeable</u>	<u>Non-Chargeable</u>
Expenses:			
Salaries	\$ 43,485	43,417	68
Payroll taxes	3,865	3,859	6
Worker's compensation insurance	<u>402</u>	<u>401</u>	<u>1</u>
Total Payroll and Related Expenses	47,752	47,677	75
Conferences and travel	7,095	7,084	11
Depreciation	1,304	1,302	2
Professional fees, other	5,500	5,500	-0-
Equipment rental and maintenance	332	331	1
Recognitions & awards	200	-0-	200
Events	1,628	1,628	-0-
Liability insurance	4,493	4,486	7
Accounting fees	9,420	9,420	-0-
Legal fees	7,264	7,264	-0-
Office supplies	577	576	1
Professional dues	77,811	77,811	-0-
Reassigned time	136,134	136,134	-0-
Rent	5,388	5,388	-0-
State taxes	10	10	-0-
Telephone	22	22	-0-
AFDAF	22,611	22,611	-0-
Subscriptions	823	822	1
Computer supplies	480	479	1
Education & training	2,546	2,546	-0-
Stipends	<u>50</u>	<u>50</u>	<u>-0-</u>
Total General & Administrative Expenses	<u>283,688</u>	<u>283,464</u>	<u>224</u>
Total Expenses	<u>\$ 331,440</u>	<u>331,141</u>	<u>299</u>
Chargeable Percentage		<u>99.91 %</u>	

See the accompanying notes.

ALL FACULTY ASSOCIATION

Notes to the Schedule of Unrestricted General Operating Expenses and the Allocation of Expenses Between Chargeable and Non-Chargeable

For the Year Ended June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a) Nature and Purpose of the Association

All Faculty Association's purpose is to represent members in the following matters: salary, benefits, working conditions, assistance in filing and pursuing employee grievances, legal representation on both an individual and class basis, and technical assistance in matters of job classification. Dues revenue is derived solely from representing full-time and part-time faculty members at Santa Rosa Junior College. This bargaining agreement expires June 30, 2017.

b) Background - Non-member Fees

On September 28, 2000 the Governor of the State of California signed SB 1960. SB 1960 (now Government Code Sections 3540.1, 3543, 3546, and 3583.5) is effective January 1, 2001 and requires "public school employees who are in a unit for which an exclusive representative has been selected to be required, as a condition of continued employment, either to join the recognized employee organization or to pay the organization a fair share fee."

In 1986, the United States Supreme Court issued a decision regarding certain procedures that must be followed by a local union that is collecting fair share fees from non-members under a collective bargaining agreement with a public employer. In *Chicago Teachers Union vs. Hudson*, the United States Supreme Court reaffirmed the constitutionality of such fair share fee agreements, originally upheld in *Abood vs. Detroit Board of Education*. In another earlier case, *Ellis vs. Railway Clerks*, the United States Supreme Court had held that certain union expenditures could be charged to fair share fee payers, but that certain others could not be charged.

In 1988, the United States Supreme Court issued a decision holding that unions covered under the National Labor Relations Act (NLRA) may not charge non-members fees for nonrepresentational activities when the non-members are covered by collective bargaining agreements and object to such fees for nonrepresentational activities. This decision, known as *Communications Workers of America vs. Beck*, applies to the standard union shop, where the board and courts have long held that any bargaining unit employees may opt to be classified as a "financial core status employee" if he/she does not wish to join the union.

ALL FACULTY ASSOCIATION

Notes to the Schedule of Unrestricted General Operating Expenses and the Allocation of Expenses Between Chargeable and Non-Chargeable

For the Year Ended June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

c) Basis of Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to All Faculty Association, the accounts of All Faculty Association are maintained in accordance with the principles of non-profit accounting. The expenses detailed herein are from general operating net assets and do not include expenses from separate segregated net assets.

d) Equipment

Purchased equipment having an extended useful life are capitalized as equipment at cost. Maintenance and repair costs are charged to expenses as incurred. Replacements and Capital improvements over \$300 are charged to the equipment account. All donated assets are recorded at fair market value at the time of receipt. Depreciation for equipment is recorded using the straight-line method over a period of five to seven years.

e) Incorporation/Income Taxes

The Corporation is organized pursuant to the General Non-Profit Law of the State of California and is exempt from Federal and State income taxes under the provision of I.R.C. Section 501(c)(5) and California Revenue and Taxation Code Section 23701A, therefore no provision has been made for current or deferred income taxes. Income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. The Corporation uses the same accounting methods for tax and financial reporting.

f) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ALL FACULTY ASSOCIATION

Notes to the Schedule of Unrestricted General Operating Expenses and the Allocation of Expenses Between Chargeable and Non-Chargeable

For the Year Ended June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

g) Date of Management's Review

Management has evaluated subsequent events through December 20, 2017, the date on which the schedule was available to be issued.

(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES:

a) Chargeable Expenses

These expenses are those which relate to All Faculty Association services to represented employee groups with respect to collective bargaining, contract enforcement, field representation, Association governance, and publications.

The expenses as to the following activities are totally chargeable:

1. Governing the local Association, including local Association elections.
2. Gathering information in preparation for negotiating of collective bargaining agreements.
3. Gathering information from employees concerning collective bargaining positions.
4. Negotiating collective bargaining agreements.
5. Handling grievances.
6. Ratification of collective bargaining agreements.
7. Public advertising on the negotiations, or provisions in collective bargaining agreements, as well as on matters relating to representational interests in the collective bargaining process and contract administration.
8. Purchasing books, reports, and advance sheets used in matters relating to representation and contract administration.

ALL FACULTY ASSOCIATION

Notes to the Schedule of Unrestricted General Operating Expenses and the Allocation of Expenses Between Chargeable and Non-Chargeable

For the Year Ended June 30, 2017

(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES: (Continued)

a) Chargeable Expenses (Continued)

9. Paying technicians and professionals in labor law, economics, and other subjects for services used in (a) negotiating and administering collective bargaining agreements and in (b) processing grievances and arbitrations.
10. Membership meetings and conventions.
11. Publishing those portions of newspapers and newsletters which concern matters for which a local Association can charge a fairshare fee payer.
12. Supporting and paying affiliation fees to state and other local councils, to the extent that such support and fees relate to the representational interests of the Association in the collective bargaining process and contract administration.
13. The prosecution or defense of litigation or charges to enforce rights relating to concerted activity and collective bargaining, as well as collective bargaining agreements, and any litigation related to chargeable activities.
14. Social and recreational activities open to all persons represented by the Association.
15. Payments for insurance, medical care, retirement, disability, and death-related benefits for persons paid for services in carrying out the representational interests of collective bargaining and contract administration.
16. Operating and administrative costs, i.e., rent, utilities, automobile, etc. prorated to representational issues.
17. Lobbying state or local legislative bodies to secure ratification of negotiated agreements.

ALL FACULTY ASSOCIATION

Notes to the Schedule of Unrestricted General Operating Expenses and the Allocation of Expenses Between Chargeable and Non-Chargeable

For the Year Ended June 30, 2017

(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES: (Continued)

b) Non-chargeable Expenses

These expenses are those dealing with political and ideological matters, and do not relate to matters involving collective bargaining, contract enforcement, field representation, Association governance, and publications.

The expenses as to the following activities are non-chargeable:

1. Training and voter registration, get-out-the-vote, and political campaigns.
2. Supporting and contributing to charitable or ideological organizations.
3. Supporting and contributing to political organizations and candidates for public office.
4. Supporting and contributing to ideological causes and committees, including ballot measures.
5. Supporting and contributing to activities as to foreign affairs.
6. Members-only benefits.
7. Litigation not related to bargaining unit members, collective bargaining and representation.
8. Lobbying for collective bargaining legislation, regulations, ordinances or charter amendments affecting wages, hours, and working conditions before Congress, State legislatures, state and federal agencies, local boards or councils.
9. Organizing non-Association or unaffiliated employees.

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For the Year Ended June 30, 2017

(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES: (Continued)

c) Allocation Methodology

1. Salaries

The office coordinator and office coordinator/accountant/Web master prepare time sheets. Based on the functions performed, these hours were allocated between chargeable and non-chargeable activities as categorized above. The individual salaries are allocated based on the ratio of specific chargeable and non-chargeable hours.

2. Payroll taxes, Workers compensation

These expenses are allocated based on the ratio of total salaries allocated above.

3. Conferences and Travel

These cost are allocated based on the specific conferences attended and the related material covered at those conferences

4. Donations

These costs are allocated to non-chargeable as they are expenses supporting and contributing to charitable, political or ideological organizations.

5. Events

Events are primarily chargeable as these costs are for meetings of the Council, general membership, and the negotiating team. Each event is reviewed for the specific purpose of the event.

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Notes to the Schedule of Unrestricted General Operating Expenses and the Allocation of Expenses Between Chargeable and Non-Chargeable

For the Year Ended June 30, 2017

(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES: (Continued)

c) Allocation Methodology (Continued)

6. Accounting

A percentage of the annual accounting cost that management believes, based on discussions with our accountant, is reflective of the cost of this schedule is directly chargeable to fee payers. All remaining costs are allocated based on the ratio of total chargeable/non-chargeable hours for all employees.

7. Legal

Legal costs are allocated based on the actual services provided as detailed on the consultant's billings.

8. Professional Dues

Dues are allocated based on the organization the Association is paying dues to and it's related activities.

9. Publications/Production

Publications/production costs are allocated based on the portions of the publication which concern matters for which the Association can charge fee payors.

10. Reassigned Time & Stipends

Reassigned time and stipend costs are allocated based on the specific activity of the individual. All general reassigned time and stipends are allocated based on the ratio of total chargeable/non-chargeable hours.

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For the Year Ended June 30, 2017

(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES: (Continued)

c) Allocation Methodology (Continued)

11. Rent

Rent is 100% chargeable as the space occupied would have to be rented regardless of non-chargeable activity.

12. All other expenses

All other expense account costs are allocable based on the ratio of total chargeable/non-chargeable hours.

13. State Taxes, Property Taxes

Taxes are 100% chargeable as the amount paid is due regardless of non-chargeable activity.