

Coalition of Graduate Employees



Notice of Fair Share



Coalition of Graduate Employees
101 NW 23rd Street
Corvallis, Oregon 97330
phone: (541) 757-7141
fax: (541) 753-3039
email: unite@cge6069.org

November 30th, 2009

NOTICE TO ALL NON-UNION MEMBER FAIR SHARE FEE PAYERS

The current contract between the Coalition of Graduate Employees and Oregon State University requires graduate teaching and research assistants who are included in the bargaining unit, but are not members of the union, to pay their fair share of the cost of collective bargaining, contract enforcement, and related activities. Any request for exemptions, whether they had been granted or not, must be filed each year. Based on our auditors' calculations, your fair share as a non-union member is 79% of the regular dues paid by a CGE member, or 1.58% of your gross monthly salary.

CGE's membership is currently 35% of the bargaining unit. This unity and magnitude of support has helped make our contract settlements a reality and brought us the financial stability necessary to improve benefits and working conditions for all graduate teaching and research assistants at OSU.

As a member of CGE, you would have the right to attend quarterly general membership meetings, vote or run for positions on CGE's Executive Council, vote on contract proposals and ratifications, and make your voice heard through our various committees and events. As you can see, for only pennies more, you can enjoy the full advantages of union membership. Contact us at unite@cge6069.org or call us at 541/757-7141 if you're interested in joining CGE.

In Solidarity,

A handwritten signature in cursive script that reads "John Osborne". The signature is written in dark ink and is positioned to the left of the typed name.

John Osborne
President, CGE



Coalition of Graduate Employees
101 NW 23rd Street
Corvallis, Oregon 97330
phone: (541) 757-7141
fax: (541) 753-3039
email: unite@cge6069.org

November 30th, 2009

Coalition of Graduate Employees Audit Committee Report, 2008-2009

We have examined the financial records of the Coalition of Graduate Employees, AFT Local 6069, AFL-CIO, for the period July 1, 2008 through June 30, 2009 and found them to be in good order, with the following exceptions:

1. The recommendation of the audit committee last year to secure checkbooks in a locked facility has not been acted upon. Checkbooks and financial records are currently kept in a desk drawer that does not lock, however the office is always locked when unattended. We suggest that CGE procure an inexpensive fireproof lock box to further secure these records.

2. We looked at 25% of checks in the fiscal year, one check had only one signature; all checks should be signed by two committee members. Additionally, if a check is to be written to a committee member two signers should still be required, one of which cannot be the person to whom the check is being written. One check was missing and not yet cashed, but the whereabouts of this are unknown so it was not considered an issue of importance. We further recommend that CGE instruct the bank to only allow check to be cashed if two signatures are indeed on the check; as it was communicated to us, this is currently only a CGE policy, not a bank policy.

3. Not all meetings have financial reports, however in recent months this practice has become regular. Keep it up CGE!

4. Dues deductions are not accurate; CGE currently has a grievance pending with the university in attempt to correct these errors. We request CGE document this process so that the audit committee can follow the steps that were taken.

5. Check images are no longer being saved; CGE should take steps to continue this practice. We were able to see bank statements in hard copy, however only after a weeklong delay due to the business manager's desk being disorganized. We recommend a better filing system be implemented.

6. Check book reconciliation for Jan - June 2009 was done with bank statements in hard copy, however only after a weeklong delay due to the business manager's desk being disorganized. We recommend a better filing system be implemented.

7. In June 2009, check #841 was counted twice. We recommend a better filing system be implemented.

8. A money market account opened Jan 2009; the Business Savings account had no obvious problems. This was done with bank statements in hard copy, however only after a weeklong delay due to the business manager's desk being disorganized. We recommend a better filing system be implemented.

9. The audit committee experienced difficulty completing this audit in a timely manner, and would suggest that future audits required the presence of the previous year's Treasurer (if they are available) and the current Business Manager either in person at the meetings or available by phone.

10. The password to the bank account was found on a piece of paper in an unlocked drawer. This is unacceptable. The audit committee understands that turnover is high and that a password only in someone's head will quickly be lost. As such we suggest that a formal document be created on paper listing all important passwords. This document should be kept up to date and locked in the lockbox we have suggested CGE purchase (see suggestion #1.)

This examination was performed by a committee of members of the Coalition of Graduate Employees and was not conducted in accordance with generally accepted accounting or auditing principles. Based upon our examination, we consider the attached financial statements for the period July 1, 2008 through June 30, 2009 to be an accurate summary of transactions conducted during that period.

Sincerely,



Erica Rode



Paul Bradley



Clare Taylor

rodee@onid.oregonstate.edu

paul.bradley@science.oregonstate.edu

elliottcl@science.oregonstate.edu

Coalition of Graduate Employees Fair-Share Percentage Determination 2009-2010

Direct Expenses		Total	Chargeable	Non-Chargeable
	Staff Salaries	\$ 31,263.05	\$ 30,012.53	\$ 1,250.52
	Staff Fringes	\$ 1,028.49	\$ 634.19	\$ 394.30
	Payroll Taxes	\$ 13,062.20	\$ 13,062.20	\$ -
	Travel & Related Expenses	\$ 491.59	\$ 99.50	\$ 392.09
	Recruitment Meetings & Events	\$ 4,158.40	\$ 4,041.40	\$ 117.00
	Non-recruitment Office Expenses	\$ 3,416.47	\$ 2,123.67	\$ 1,292.80
	Publications	\$ 118.69	\$ 5.41	\$113.28
	AFT-Oregon	\$ 53,219.92	\$ 37,663.73	\$ 15,556.19
	AFT-National	\$ 12,559.13	\$ 8,248.84	\$ 4,310.29
General Expenses				
	Rent	\$ 3,600.00	\$ 1,800.00	\$ 1,800.00
	Utilities & Phone	\$ 2,064.80	\$ 1,032.40	\$ 1,032.40
	Equipment Supplies & Maintenance	\$ 907.71	\$ 694.74	\$ 212.97
	Insurance	\$ 756.88	\$ 756.88	\$ -
Grand Total				
	Total	\$ 126,647.33	\$ 100,175.48	\$ 26,471.85

CGE Member Dues = 2.0% of monthly salary
 Fair Share Fee = 1.58% of monthly salary



Coalition of Graduate Employees
101 NW 23rd Street
Corvallis, Oregon 97330
phone: (541) 757-7141
fax: (541) 753-3039
email: unite@cge6069.org

November 30th, 2009

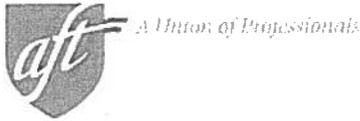
Fair Share Payer Objection Policy

Individual nonmember fair share fee payers who wish to challenge the Coalition of Graduate Employees (CGE) calculation of chargeable expenses and the amount of the fair share fee set forth in this notice must do so individually and in writing. The written challenge must include the challenger's name, address, OSU student identification number, job title, and employing department.

The written challenge must be sent to the local by mail, postmarked no later than 30 days from the date of this notice, to the following address:

Coalition of Graduate Employees
101 NW 23rd Street
Corvallis, OR 97330

An impartial decision-maker will be appointed by the American Arbitration Association to resolve all challenges to CGE's fair share fee determination. All challenges to CGE's fair share fee will be consolidated into a single proceeding. The impartial arbitrator will hold hearings in which the challenger(s) can participate personally or through a representative. In these hearings CGE will have the burden of proof regarding the amount of the fair share fee and the accuracy of the underlying calculation of chargeable expenses. The challenger(s) will be given an opportunity to present their own evidence and to present written arguments in support of their challenge(s). The arbitrator will issue a written decision and award on the basis of the evidence and argument presented. The challenger(s) will receive further information regarding the hearing, including the time and the place of the hearing, directly from the American Arbitration Association. Upon receipt of a written challenge CGE will deposit, in an interest bearing escrow account, 100% of the fair share fee paid by the challenger pending resolution of their challenge. The fair share fee shall remain in escrow until the arbitration award issues and shall be distributed, along with accrued interest, pursuant to the arbitrator's ruling.



Based on Adopted Per Capita Effective September 1, 2008

TO: Affiliated Locals and State Federations

FROM: Antonia Cortese, Secretary-Treasurer

SUBJECT: Agency Fees 2008-2009

Date: August 4, 2008

Our concern with agency fee issues has resulted in extensive consultation with attorneys and auditors on the issue of the portion of the agency fee (fair share fee) that is chargeable and the amount that is nonchargeable (rebateable) to the agency fee payer.

The AFT report of the Independent Auditors from the firm, Calibre CPA Group, PLLC for these percentages is attached for the year ended April 30, 2008. Based on the chargeable and nonchargeable expenses for the year, we calculated the AFT agency fee per capita for the 2008-2009 year to be as follows:

AFT Convention approved per capita rates effective 9/1/08 for the 2008-2009 year - \$182.90

July 2008 through August 2008	2 months @ 14.70	\$ 29.40
September 2008 through June 2009	10 months @ 15.35	\$153.50

The estimated chargeable expenses for 2008-2009 are $\$182.90 \times 69.20\% = \126.57
Therefore, nonchargeable expenses for 2008-2009 are $\$182.90 \times 30.80\% = \$ 56.33$

The nonchargeable percentage is derived by dividing the expenses that are nonchargeable by the total expenses incurred.

No chargeable expenses have been listed for the liability or accident insurance. If your local provides these insurances (one or both) to an agency fee payer, they should be listed on your local chargeable expense list.

This AFT audited report must be combined with your local and state federation reports and be provided to agency fee payers at least 30 days prior to the collection of the first agency fee for the school year 2008-2009, or the number of days required by applicable state law.

American Federation of Teachers, AFL-CIO

AFT Teachers
AFT PSRP
AFT Higher Education
AFT Public Employees
AFT Healthcare

555 New Jersey Ave. N.W.
Washington, DC 20001
202-879-4400
www.aft.org

Randi Weingarten
PRESIDENT

Antonia Cortese
SECRETARY/TREASURER

Loisetta Johnson
EXECUTIVE VICE PRESIDENT

SECRETARIES

- Shelvy A. Abrams
- Mary J. Armstrong
- Barbara Bowen
- Linda Bridges
- Kenneth Brynion
- John P. Burkhalter
- Stacey Caruso-Shupe
- Kathy Chavez
- Lee Carter
- Edward Doherty
- Kathleen M. Donahue
- Thomas A. Doohar
- Eric Feaver
- Andy Ford
- Ed Geppert, Jr.
- David Gray
- Judy Hale
- David Heckler
- Richard Iannuzzi
- Jerry T. Jordan
- Dennis Kelly
- Ted Kirsch
- Francine Lawrence
- Alan Lubin
- Louis Maffio
- Merlene Martin
- Michael Mulgrew
- Marta Neira
- Ruby Newbold
- Candice Owley
- Sharon M. Palmer
- Marcia R. Bellar S.
- Laura K. Rico
- Pat Santuramo
- Sandra Schrueder
- Phillip H. Smith
- Marilyn Stewart
- Ann Twomey
- Adam Udraski

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

**COMBINED STATEMENT OF GENERAL FUND AND
MILITANCY/DEFENSE FUND EXPENSES
AND ALLOCATION BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES**

YEAR ENDED APRIL 30, 2008



CALIBRE
CPA GROUP
LLC

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

1850 K STREET, NW
SUITE 1050
WASHINGTON, DC 20006

202.331.9880 PHONE
202.331.9890 FAX

CIVIC OPERA BUILDING
20 NORTH WACKER DRIVE
SUITE 900
CHICAGO, IL 60606

312.920.9400 PHONE
312.920.9494 FAX

www.calibrecpa.com



REPORT OF INDEPENDENT AUDITORS

The Secretary-Treasurer
American Federation of Teachers, AFL-CIO

We have audited the accompanying combined statement of General Fund and Militancy/Defense Fund expenses and allocation between chargeable expenses and non-chargeable expenses of the American Federation of Teachers, AFL-CIO (the Federation) for the year ended April 30, 2008. This combined statement is the responsibility of the Federation's management. Our responsibility is to express an opinion on this combined statement based on our audit.

We conducted our audit of this combined statement in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the combined statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by the Federation's management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The total expenses reflected in Column A of the combined statement are based on the expenses of the Federation for the year ended April 30, 2008, as modified for the accounts and funds described in Note 1b. The allocation of combined expenses between chargeable (column B) and non-chargeable (column C) is based on the definitions and significant factors and assumptions described in Notes 2 and 3.

In our opinion, the combined statement referred to above presents fairly, in all material respects, the combined expenses of the American Federation of Teachers, AFL-CIO for the year ended April 30, 2008, as modified for the accounts and funds described in Note 1b, and the allocated combined 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 report is intended solely for the information and use of the American Federation of Teachers, AFL-CIO and its agency fee payers, outside the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Calibre CPA Group, PLLC

Washington, DC
July 31, 2008

AMERICAN FEDERATION OF TEACHERS, AFL-CIO
COMBINED STATEMENT OF GENERAL FUND AND MILITANCY/DEFENSE FUND
EXPENSES AND ALLOCATION BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES

YEAR ENDED APRIL 30, 2008

	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Notes</u>
	Total	Chargeable	Non-Chargeable	
	Expenses	Expenses	Expenses	
GENERAL, ADMINISTRATIVE, AND				
OPERATING EXPENSES				3s
National office and equipment rental	\$ 1,644,174	\$ 1,137,715	\$ 506,459	
Depreciation and amortization	1,467,349	1,015,358	451,991	
Repairs and maintenance	425,844	294,670	131,174	
Information technology expenses	91,656	63,423	28,233	
Computer implementation/AFTECH	114,646	79,331	35,315	
General insurance	582,498	403,070	179,428	
General legal, audit, and consulting expenses	1,423,814	985,233	438,581	
Postage, express and delivery, and telephone	364,052	251,912	112,140	
Office supplies, subscriptions, books, and other expenses	<u>1,713,291</u>	<u>1,185,542</u>	<u>527,749</u>	
Total general, administrative, and operating expenses	<u>7,827,324</u>	<u>5,416,253</u>	<u>2,411,071</u>	
 Total expenses	<u>\$ 153,758,397</u>	<u>\$ 106,395,806</u>	<u>\$ 47,362,591</u>	
	<u>100%</u>	<u>69.20%</u>	<u>30.80%</u>	

See report of independent auditors and accompanying notes to combined statement.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

NOTES TO COMBINED STATEMENT OF GENERAL FUND AND MILITANCY/
DEFENSE FUND EXPENSES AND ALLOCATION BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES

YEAR ENDED APRIL 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Basis of Presentation** - The accompanying combined statement was prepared for the purpose of determining the fair share cost of services rendered by the American Federation of Teachers, AFL-CIO (the Federation) for employees represented by, but not members of, the Federation and its affiliated local unions. The accompanying combined statement is not intended to be a complete presentation of the Federation's financial position, changes in its net assets, or its cash flows in accordance with generally accepted accounting principles.
- b. **Accounts and Funds Excluded from the Combined Statement** - The expense of providing accident and liability insurance to members and agency fee payers is recovered through premium charges to locals and has been excluded from the combined expense statement. Rent and various other operating expenses associated with the subletting operations of the Federation, which are accounted for in the Federation's Building Fund, have been excluded from the combined expense statement.
- c. **Income Taxes** - The Federation is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code, except on net income from unrelated business activities.
- d. **Retirement Plans** - The Federation contributes a percentage of eligible employees' salaries to retirement plans. The Federation follows the practice of recording as expense its required contributions under such plans in each fiscal year. During the year ended April 30, 2008, the Federation adopted Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Pension and Other Postretirement Plans* (SFAS 158) which requires an employer to recognize the underfunded status of a defined benefit postretirement plan as a liability in its statement of financial position and in changes in unrestricted net assets.
- e. **Severance and Accumulated Vacation** - The Federation accrues accumulated severance and vacation expense as it is earned by its employees under various contracts and agreements.
- f. **Depreciation and Amortization** - Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- g. **Leases** - The Federation occupies office space in a building which is owned by a limited partnership of which the Federation, through its wholly owned subsidiary, 555 New Jersey Avenue, N.W., Inc., is the controlling partner. Annual rental payments were approximately \$1,572,000 of which 97 percent or approximately \$1,525,000, is charged to the General Fund based on the space occupied by the Federation.
- h. **Estimates** - The preparation 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. Actual results could differ from those estimates.

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 purpose of assisting state federations and local unions and councils in the performance of their duties as a representative of the employees in dealing with the employer on labor management issues, including the costs of: negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement, or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the local union or council as representative of the employees in the bargaining unit; and the maintenance of the Federation's, state federations', local unions' and councils' associational existence.

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 regarding 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 union may take which are not work-related.

NOTE 2. DEFINITIONS (CONINUED)

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.

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

- a. **Salaries** - Salary expenses of the Committee on Political Education (COPE), legislative, public affairs, international affairs, and member benefit departments have been determined to be 100 percent non-chargeable. Salary expenses of executives, editorial department editors and administrative staff, as well as salary expenses for personnel responsible for the library, office management, finance, travel and meetings, and the print shop have been allocated between chargeable and non-chargeable activities based on time spent by personnel on such activities. The salaries of office and clerical personnel are allocated between chargeable and non-chargeable in the same percentage as their supervisors.
- b. **Fringe Benefits, Payroll and Other Taxes, Severance and Vacation Pay, and Travel and Related Expenses** - These expenses are allocated on the basis of salary expense allocations described in Note 3a above.
- c. **Dues, Donations, and Membership Fees** - Dues, donations, and membership fees to all organizations are considered to be 100 percent non-chargeable.
- d. **Publications** - Direct printing and publishing expenses of the publications are allocated based on the specific content of articles in the publications as determined by the Federation's editorial department. Expenses allocable to articles considered political or ideological in nature are deemed not to benefit nonmembers and are non-chargeable. Expenses allocable to reporting on legislative and lobbying activities, litigation activities, public relations activities, illegal strike activities, and articles relating to enhancement of the reputation of the teaching profession as a whole are non-chargeable. The content of articles deemed chargeable were reviewed by editorial staff and are directly related to issues in collective bargaining, contract administration, and grievance matters. Chargeable articles include topics such as collective bargaining contracts negotiated by locals throughout the country and arbitrations won by the Federation's locals. Chargeable articles also include topics such as *salary and fringe benefit improvements, health and welfare areas such as asbestos removal, etc.* Other chargeable articles deal with specific topics like class size and educational reform issues on new and advanced methods of classroom instruction. Expenses allocable to advertising, net of advertising revenue, are considered non-chargeable.

NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE (CONTINUED)

- e. **Mass and Electronic Media Information Services** - Mass and electronic media information services promote the union and provide a method of disseminating information on union activities in areas of collective bargaining, contract administration, and grievance matters. Media is also used to explain the Federation's positions in educational reform on such issues as educational changes in the profession, class size, modern methods of teaching and school structure, financial improvements, educational accountability issues, and educational restructuring of schools. These expenses are considered to be 100 percent chargeable. Publicity and public relations on the subject of enhancing the reputation of the teaching profession as a whole are non-chargeable.
- f. **AFT-COPE and Related Activities** - Contributions to the Federation's Committee on Political Education (COPE) Fund and related expenses are considered to be 100 percent non-chargeable.
- g. **Affiliation Fees** - Affiliation fees are considered to be 100 percent non-chargeable.
- h. **Educational Training Programs and Conferences** - Educational training programs and conferences are for local, state, and national staff and are to enhance staff skills in collective bargaining, grievance handling, and contract administration. These educational training programs and conferences are considered to be 100 percent chargeable, except that items of a political or public relations nature contained within the programs are non-chargeable.

The Quality in Education Standards (QuEST) conference is a biennial conference that concentrates on educational reform and new instructional methods. As this conference focuses on education related issues, the related expenses are considered to be 100 percent chargeable.
- i. **Assistance and Collective Bargaining** - Expenses of organizing, collective bargaining, assistance to local unions, grievance handling, contract administration, etc. are 100 percent chargeable.
- j. **State Federation Rebates** - State federation rebates are required by the Federation's constitution and are therefore 100 percent chargeable. These funds are to be used to hire staff at the state and local level, to negotiate collective bargaining agreements, and to enforce contract administration. Also, funds are used to service members directly.
- k. **Militancy Fund** - The Militancy Fund supports members and locals involved in strikes. These expenses are considered to be 100 percent non-chargeable.

NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE (CONTINUED)

1. **Defense Fund** - The Defense Fund is a legal defense fund available to members and nonmembers which grants assistance to local and state bodies to help protect the rights of teachers, career service personnel, and other educational workers, as well as health care and federal, state, and local employees. Matters involving contract administration, grievance handling, and litigation involving the defense of the Federation are considered to be chargeable. Expenses of litigation unrelated to an objecting employee's unit and not germane to the Federation's duties as exclusive bargaining representative are not considered to be chargeable as defined in Lehnert v. Ferris Faculty Association (1991). This fund is administered through a committee comprised of Vice Presidents, the Secretary-Treasurer and the General Counsel, all of the Federation.

- m. **Solidarity Funds** - Solidarity Fund expenses consist of payments made by the National Fund related to political and legislative activities. These payments are considered to be 100 percent non-chargeable unless the expense is directly related to improving the wages, hours, or working conditions of the members of the bargaining unit(s). Payments made to AFT State Federation Solidarity Funds as required by the Federation's Constitution are considered 100 percent chargeable.

- n. **Legal, Audit and Consulting Expenses** - Legal, audit, and consulting expenses related to specific projects are allocated based on the chargeable percentages of the related departments, except that legal, audit and consulting expenses primarily for non-chargeable activities are considered to be 100 percent non-chargeable.

Legal, audit, and consulting expenses - agency shop are fees paid to outside lawyers, auditors, and consultants for services directly relating to agency shop matters. These expenses are considered to be 100 percent chargeable.

General legal, audit and consulting expenses are allocated as described in Note 3s below.

- o. **Legislative Activities, Public Affairs Activities, Member Benefits Activities and International Affairs Activities** - Activities related to legislative, public affairs, member benefits, and International affairs expenses are considered to be 100 percent non-chargeable.

- p. **Convention and Executive Council Meetings** - Expenses related to the Federation's biennial convention and periodic Executive Council meetings are considered to be 100 percent chargeable.

- q. **Departmental Meetings** - Departmental meetings expenses are allocated based on the chargeable percentages of the related departments, except that meeting expenses primarily for non-chargeable activities are considered to be 100 percent non-chargeable.

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

- r. **Regional Offices** - Regional offices expenses are allocated based on the chargeable percentages of the regional office directors.
- s. **General, Administrative, and Operating Expenses** - General, administrative, and operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as total direct expenses.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

**COMBINED STATEMENT OF GENERAL FUND AND MILITANCY/DEFENSE FUND
EXPENSES AND ALLOCATION BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES**

YEAR ENDED APRIL 30, 2008

	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	
	Total	Chargeable	Non-Chargeable	
	Expenses	Expenses	Expenses	Notes
DIRECT EXPENSES				
Salaries	\$ 31,087,329	\$ 24,835,406	\$ 6,251,923	3a
Fringe benefits	23,645,374	18,929,339	4,716,035	3b
Payroll and other taxes	2,278,310	1,808,131	470,179	3b
Severance and vacation pay	951,535	755,165	196,370	3b
Travel and related expenses	6,221,976	5,614,589	607,387	3b
Dues, donations, and membership fees	4,180,115	-	4,180,115	3c
Publications:				
<u>American Teacher</u>	1,533,300	734,760	798,540	3d
<u>American Educator</u>	1,491,055	969,253	521,802	3d
<u>Health Wire</u>	151,647	64,516	87,131	3d
<u>Public Employee Advocate</u>	181,825	54,638	127,187	3d
<u>On Campus</u>	310,638	86,970	223,668	3d
<u>PSRP Reporter</u>	400,968	193,872	207,096	3d
Mass and electronic media				
information services	307,722	198,729	108,993	3e
AFT-COPE and related activities	5,196,922	-	5,196,922	3f
Affiliation fees	10,914,185	-	10,914,185	3g
Educational training programs	472,235	445,970	26,265	3h
Regional conferences and training	1,588,012	1,588,012	-	3h
QuEST conference	502,147	502,147	-	3h
Assistance and collective bargaining	24,886,466	24,886,466	-	3i
State federation rebates	1,942,627	1,942,627	-	3j
Militancy Fund	1,343	-	1,343	3k
Defense Fund	5,505,221	3,982,844	1,522,377	3l
Solidarity Fund - National	3,622,081	175,000	3,447,081	3m
Solidarity Fund - State Federations	2,976,214	2,976,214	-	3m
Legal, audit, and consulting expenses	4,641,228	3,348,879	1,292,349	3n
Legal, audit, and consulting				
expenses - agency shop	137,072	137,072	-	3n
Legislative activities	721,736	-	721,736	3o
Public affairs activities	315,876	-	315,876	3o
Member benefits activities	1,551,875	-	1,551,875	3o
International affairs activities	364,604	-	364,604	3o
<i>Convention and executive council meetings</i>	613,102	613,102	-	3p
Departmental meetings	6,905,635	5,820,157	1,085,478	3q
Regional offices	330,698	315,695	15,003	3r
	<u>\$ 145,931,073</u>	<u>\$ 100,979,553</u>	<u>\$ 44,951,520</u>	

See report of independent auditors and accompanying notes to combined statement.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

**COMBINED STATEMENT OF GENERAL FUND AND MILITANCY/DEFENSE
FUND EXPENSES AND ALLOCATION BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES**

YEAR ENDED APRIL 30, 2008

CONTENTS

	PAGE
Report of Independent Auditors	1
Combined Statement of General Fund and Militancy/Defense Fund Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses	2
Notes to Combined Statement	4

AFT-OREGON

STATEMENT OF GENERAL FUND,
DEFENSE FUND AND BUILDING FUND
EXPENSES AND ALLOCATION BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES

YEAR ENDED JUNE 30, 2009

Prepared by
BYERS & HURLBURT, LLC
CERTIFIED PUBLIC ACCOUNTANTS
LAKE OSWEGO, OREGON

CONTENTS

Independent Auditor's Report

1

Combined Statement of General Fund, Defense Fund and
Building Fund Expenses and Allocation Between
Chargeable Expenses and Non-Chargeable Expenses

2

Notes to Combined Statement

3 - 4

BYERS & HURLBURT, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

*To the Executive Council
AFT-Oregon
Portland, Oregon*

We have audited the accompanying combined statement of general fund, defense fund and building fund expenses and allocation between chargeable expenses and non-chargeable expenses of AFT-Oregon for the year ended June 30, 2009. This combined financial statement is the responsibility of AFT-Oregon's management. Our responsibility is to express an opinion on this combined statement based on our audit. We did not audit the financial statements of AFT-Oregon which statements reflect total assets of \$1,285,265 as of June 30, 2009 and total revenues of \$3,259,129 and total expenses of \$3,215,237 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for AFT-Oregon is based solely on the report of the other auditors.

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 combined statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Total expenses are based on the expenses of AFT-Oregon for the year ended June 30, 2009, as modified for the accounts described in Note 1. The allocation of expenses between chargeable and non-chargeable is based on the significant factors and assumptions described in Note 3.

In our opinion, based on our audit and the report of other auditors, the combined statement referred to above presents fairly, in all material respects, the combined expenses of AFT-Oregon for the year ended June 30, 2009, as modified for the accounts described in Note 1, and the allocated expenses between chargeable and non-chargeable expense, on the basis of the significant factors and assumptions described in Note 3.

This report is intended solely for the information and use of AFT-Oregon, and its agency fee payers, and is not intended to be and should not be used by anyone other than these specified parties.

Byers & Hurlburt, LLC

Lake Oswego, Oregon
October 5, 2009

AFT-OREGON
**COMBINED STATEMENT OF GENERAL FUND,
DEFENSE FUND AND BUILDING FUND EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**
FOR THE YEAR ENDED JUNE 30, 2009

	Total Expenses	Chargeable Expenses	Non-chargeable Expenses
Direct Expenses:			
Staff salaries	\$ 620,277	\$ 492,314	\$ 127,963
Staff fringes	170,480	135,310	35,170
Payroll taxes	58,455	46,396	12,059
Travel and related expenses	81,339	64,559	16,780
Dues, contributions and memberships	5,611	-	5,611
Publications and communication	78,690	54,760	23,930
Advertising	1,324	1,324	-
Training programs and conferences	15,041	15,041	-
Scholarships	3,000	-	3,000
Awards and recognition	1,259	1,259	-
Assistance to locals	68,436	68,436	-
Projects and coalitions	11,041	11,041	-
Legal, audit and professional fees - agency shop	101,652	6,500	95,152
Conventions and conferences	54,274	54,274	-
Political action expenses	64,462	-	64,462
Total direct expenses	1,335,341	951,214	384,127
General and administrative expenses:			
Office operations	60,627	43,187	17,440
Depreciation and amortization	26,482	18,864	7,618
Equipment supplies and maintenance	39,365	28,041	11,324
Insurance	8,554	6,093	2,461
Interest	31,487	22,429	9,058
Executive council and committees	23,970	17,075	6,895
Office of the President	2,188	1,559	629
Staff development	5,499	3,917	1,582
Legal, audit and professional fees	7,911	5,635	2,276
Postage and shipping	2,875	2,048	827
Supplies, subscriptions, taxes and miscellaneous	31,150	22,189	8,961
Total general and administrative expenses	240,108	171,037	69,071
Total expenses	\$ 1,575,449	\$ 1,122,251	\$ 453,198
Percentage	100.00%	71.23%	28.77%

See accompanying notes to financial statements.

AFT-OREGON
NOTES TO COMBINED STATEMENT OF GENERAL FUND,
DEFENSE FUND AND BUILDING FUND EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation – The accompanying combined statement was prepared for the purpose of determining the fair share cost of services rendered by the AFT-Oregon (the Federation) for employees represented by, but not members of, the Federation and its affiliated local unions. The accompanying combined statement is not intended to be a complete presentation of the Federation's financial position, changes in its net assets, or its cash flows in accordance with generally accepted accounting principles.

Accounts excluded from the statement - Per capita fees to the American Federation of Teachers (AFT) for at-large members and expenses paid out of AFT grants, assistance and reimbursements are excluded from the expense statement and separately detailed by the AFT in its computation of the Agency Fee based upon its accountant's verifications. PAC expenses paid out of member voluntary contributions are excluded. Voluntary and member PAC contributions are not required per capita payments affecting agency fee payers.

Income taxes – The federation is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code.

Retirement plan – The Federation contributes a percentage of eligible employees' salaries to a Simplified Employee Pension Plan. Required contributions are recorded as expense.

Depreciation and amortization - Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. The Federation purchased an office building March 23, 2004 and moved its offices into the building on or about June 30, 2004.

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.

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 purpose of assisting local unions and councils in the performance of their duties as a representative of the employees in dealing with the employer on labor management issues, including the costs of: negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement, or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the local union or council as representative of the employees in the bargaining unit; and the maintenance of the Federation's, local unions' and councils' associational existence.

The following are examples of expenditures classified as chargeable: preparation for and negotiation of collective bargaining agreements; contract administration including investigation and processing of 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 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 union may take which are not work-related.

The following are examples of non-chargeable expenses: 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 professions and occupations represented by the Federation.

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

Salaries - Salaries of officers and staff have been allocated between chargeable and non-chargeable expense based on time spent on chargeable activities. The salaries of clerical personnel have been allocated between chargeable and non-chargeable expense in the same percentage as officers and staff.

AFT-OREGON
NOTES TO COMBINED STATEMENT OF GENERAL FUND,
DEFENSE FUND AND BUILDING FUND EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

Fringe benefits and payroll taxes - These expenses are allocated on the basis of salary expense allocations described above.

Travel and related expenses - Travel and related expenses are allocated based on staff activity expense records.

Dues, contributions and memberships - Dues, contributions and membership fees to all organizations are considered to be 100% non-chargeable.

Publications and communication - The direct costs of printing and mailing the Federation's newspaper are allocated based on the specific content of articles in the publication as determined by the Federation.

Advertising - Advertising costs are allocated based on the specific content of the advertisement as determined by the Federation.

Training programs and conferences - Training programs and conferences are to enhance local officers, leaders and member's knowledge and skills in collective bargaining, grievance handling and contract administration. These expenses are 100% chargeable.

Scholarships and awards - Scholarships are considered to be 100% non-chargeable. Award expenses are allocated based upon the nature and purpose of the award.

Assistance to locals - Expenses of organizing, collective bargaining, assistance to local unions, including its staff assistance programs, grievance handling, contract administration, etc. are 100% chargeable.

Projects and coalitions - Costs of participating in projects and coalitions with others are allocated between chargeable and non-chargeable expense based on the nature, content and purpose of each project as determined by the Federation according to the definitions described in Note 2.

Legal, audit and professional fees - agency shop - Legal and audit expenses - agency shop are fees paid to outside lawyers and auditors. These expenses have been allocated between chargeable and non-chargeable expense based on time spent on specific projects or activities.

Conventions and conferences - The annual convention of the Federation and conventions and meetings of affiliates are considered 100% chargeable under the U.S. Supreme Court's ruling in Lehnert v. Ferris Faculty Association. All other conventions are considered to be 100% non-chargeable.

Political action expenses - As discussed in Note 1, political action expenditures paid out of member and voluntary contributions are excluded from this statement. All other political action and related expenditures are considered 100% non-chargeable.

General and administrative expenses - General and administrative expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as total direct expenses.

* * *