

**STATE CENTER FEDERATION OF TEACHERS**

Statement of General Fund Expenses and Allocation Between  
Chargeable Expenses and Nonchargeable Expenses  
For the Year Ended December 31, 2007

(With Independent Auditor's Report Thereon)

# *Rita C. Villa*

Certified Public Accountant

## **Independent Auditor's Report**

The State Center Federation of Teachers:

I have audited the accompanying statement of general fund expenses and allocation between chargeable expenses and nonchargeable expenses of the State Center Federation of Teachers (the "Federation") for the year ended December 31, 2007. This statement is the responsibility of the Federation's management. My responsibility is to express an opinion on this statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the statement of general fund expenses and allocation between chargeable expenses and nonchargeable expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of general fund expenses and allocation between chargeable expenses and nonchargeable expenses. I believe that my audit provides a reasonable basis for my opinion.

The accompanying statement was prepared for the purpose of complying with the legislation regarding the determination of fair share service fee. The total expenses reflected in Column A are based on the expenses of the Federation for the year ended December 31, 2007, with regard to the accounting policies explained in Note 2. The allocation of expenses between Chargeable (Column B) and Nonchargeable (Column C) is based on the definitions and significant factors and assumptions described in Notes 3 and 4.

In my opinion, the aforementioned statement of general fund expenses and allocation between chargeable expenses and nonchargeable expenses presents fairly, in all material respects, the expenses of the State Center Federation of Teachers for the year ended December 31, 2007, with regard to the accounting policies explained in Note 2, and the allocated expenses between chargeable and nonchargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 3 and 4, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the State Center Federation of Teachers and its fair share fee payers and is not intended to be used by anyone other than these specified parties and should not be used for any other purpose.

*Rita C. Villa*

May 23, 2008

## STATE CENTER FEDERATION OF TEACHERS

### Statement of General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

For the Year Ended  
December 31, 2007

	Column A Total Expenses	Column B Chargeable Expenses	Column C Nonchargeable Expenses	Notes
American Federation of Teachers Per Capita Taxes	\$ 123,537	\$ 70,527	\$ 53,010	4(a)
California Federation of Teachers Per Capita Taxes	250,553	196,258	54,295	4(a)
Other Per Capita Taxes	14,311	0	14,311	4(a)
Salaries & Release Time	77,720	71,345	6,375	4(b)
Clerical	495	454	41	4(c)
Payroll Taxes	3,711	3,407	304	4(c)
Payroll Service Fees	923	847	76	4(c)
Member Insurance	5,295	0	5,295	4(d)
Good & Welfare	631	0	631	4(d)
Political Contributions	25,100	0	25,100	4(d)
Conferences & Conventions	5,483	4,807	676	4(e)
Meetings & Social	3,681	1,491	2,190	4(e)
Legal	5,040	5,040	0	4(f)
Office & Supplies	1,995	1,831	164	4(g)
Printing & Website	1,086	847	239	4(h)
Agency Fee Audit	<u>5,800</u>	<u>5,800</u>	<u>0</u>	4(i)
Total	525,361	362,654	162,707	
Less: CFT Financial Assistance	<u>( 57,464)</u>	<u>( 57,464)</u>	<u>0</u>	4(j)
Total Expenses	<u>\$ 467,897</u>	<u>\$ 305,190</u>	<u>\$ 162,707</u>	
Percentage	<u>100.00%</u>	<u>65.23%</u>	<u>34.77%</u>	

See independent auditor's report and accompanying notes.

## STATE CENTER FEDERATION OF TEACHERS

### Notes to Statement of General Fund Expenses and Allocation Between Chargeable and Nonchargeable Expenses

(1) The State Center Federation of Teachers

The State Center Federation of Teachers (the "Federation") was formed to: (i) represent the full-time and part-time faculty as the exclusive bargaining agent for each unit member (ii) raise the standards of the education professional by securing the conditions essential to the best professional service (iii) promoting such democratization of the colleges as will enable faculty to equip their students to take their places in the social and cultural life of the community and (iv) promote the welfare of the young people of the nation by providing progressively better educational opportunity for all. The Federation represents unit members in their employment relations with the State Center Community College District (the "District"). The Federation is Local 1533 of the American Federation of Teachers. It is affiliated with the California Federation of Teachers, the California Labor Federation (AFL-CIO), and the Central Labor Council of Fresno-Madera. The Federation is the exclusive bargaining agent for all faculty members. The District has approximately 1,500 faculty members of which approximately 800 are members of the Federation.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Statement of General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses of the State Center Federation of Teachers (the "Statement") was prepared for the purpose of determining the fair share cost of services rendered by 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, results of operations or changes in financial position in accordance with generally accepted accounting principles.

(b) Accrued Expenses

The Statement has been prepared on the accrual basis. The accrual basis recognizes expenses when incurred rather than when paid.

(c) Income Taxes

The Federation is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code and Section 23701(a) of the Revenue and Taxation Code of the State of California.

# STATE CENTER FEDERATION OF TEACHERS

## Notes to Statement of General Fund Expenses and Allocation Between Chargeable and Nonchargeable Expenses

### (d) Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates, primarily related to the collectibility of receivables and depreciable lives of equipment. In the preparation of the Statement, management's estimates have been included in the allocation of expenses between chargeable and nonchargeable expenses. Actual results could differ from those estimates.

### (3) Definitions

#### (a) 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 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 Federation as representative of the employees in the bargaining unit; and the maintenance of the Federation's associational existence. The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigation 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 records; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

#### (b) Nonchargeable Expenses

Nonchargeable 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. The following expenses are classified as nonchargeable: member-only benefits, 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; public relations efforts designed to enhance the reputation of the teaching profession; and the costs of activities primarily aimed at recruiting new members.

## STATE CENTER FEDERATION OF TEACHERS

### Notes to Statement of General Fund Expenses and Allocation Between Chargeable and Nonchargeable Expenses

(4) Significant Factors and Assumptions used in the Allocation of Expenses Between Chargeable and Nonchargeable

(a) Per Capita Taxes

The American Federation of Teachers (the “AFT”) and the California Federation of Teachers (the “CFT”) provided the Federation with audited reports of chargeable and nonchargeable expenses. Based on those reports, the Federation allocated as chargeable expense 57.09% and 78.33% of per capita taxes, respectively. In the absence of such a report, per capita taxes are deemed to be 100% nonchargeable.

(b) Salaries & Release Time

Except for employees whose compensation is allocated based on their job description, these expenses have been allocated to chargeable/nonchargeable expenses based on time spent on chargeable/nonchargeable activities as recorded on activity reports.

(c) Clerical, Payroll Taxes and Payroll Service Fees

Clerical, payroll taxes and service fees are allocated in the same proportion as salaries and release time.

(d) Member Insurance, Good & Welfare and Political Contributions

Payments for insurance coverage for members only are nonchargeable. Good & welfare expenses are deemed not to benefit nonmembers and are therefore considered nonchargeable. All political contributions are nonchargeable.

(e) Conferences & Conventions and Meetings & Social

Except for costs of activities which were not associated with the Federation's function as collective bargaining representative, these expenses are considered 100% chargeable.

(f) Legal

Legal costs, which were part of contract enforcement or in defense of the Federation's associational existence, are considered chargeable.

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### Notes to Statement of General Fund Expenses and Allocation Between Chargeable and Nonchargeable Expenses

(g) Printing & Website

Direct printing and publishing expenses of “The Federalist” are allocated based on the specific content of articles. Expenses allocated to articles considered political or ideological in nature are deemed not to benefit nonmembers and are nonchargeable. The content of articles deemed chargeable are directly related to issues in collective bargaining, contract administration and grievance matters, professional expertise and legislation directly affecting employees.

(h) Office & Supplies

These expenses were allocated on the same basis as salaries and release time.

(i) Agency Fee Audit

The cost of preparing this report is part of the associational existence of the Federation and is fully chargeable..

(j) CFT Financial Assistance

Staff financial assistance from the CFT is included as 100% chargeable in the CFT's Statement of Allocated Chargeable and Nonchargeable Expenses for the Year Ended December 31, 2006. Accordingly, the Federation has deducted this funding from both its total and chargeable expenses.

(5) Risks and Uncertainties

The Federation maintains various credit union accounts which from time to time have balances which exceed the amount insured by the National Credit Union Administration. At December 31, 2007, the aggregate balance in such accounts was \$279,969 of which \$179,969 exceeded the insured limit.