

**UNIVERSITY COUNCIL - AMERICAN FEDERATION OF TEACHERS**

Statement of Modified General Fund Expenses and Allocation Between  
Chargeable Expenses and Nonchargeable Expenses  
For the Year ended December 31, 2016

(With Independent Auditor's Report Thereon)

***Rita C. Villa***  
Certified Public Accountant

**Independent Auditor's Report**

University Council - American Federation of Teachers:

**Report on Financial Statement**

I have audited the accompanying statement of modified general fund expenses and allocation between chargeable expenses and nonchargeable expenses and related notes of the University Council - American Federation of Teachers (the "Council") for the year ended December 31, 2016 (the "Financial Statement").

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this Financial Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Financial Statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the Financial 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 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 judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the Financial Statement referred to above presents fairly, in all material respects, the expenses of the general fund of the Council for the year ended December 31, 2016, with regard to the accounting policies explained in Note 2, and the allocated expenses between chargeable expenses and nonchargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 3 and 4, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

I draw attention to Note 2(a) to the Financial Statement, which describes that the Financial Statement was prepared for the purpose of complying with the legislation regarding the determination of fair share service fee and is not intended to be a complete presentation of the revenues and expenses of the Council's general fund. My opinion is not modified with respect to this matter.

**Restriction on Use**

This report is intended solely for the information and use of the Council 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*

June 9, 2017

**UNIVERSITY COUNCIL - AMERICAN FEDERATION OF TEACHERS**

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

For the Year Ended December 31, 2016

	Column A Total Expenses	Column B Chargeable Expenses	Column C Nonchargeable Expenses	Notes
American Federation of Teachers Per Capita Taxes	\$ 466,054	\$ 291,377	\$ 174,677	4(a)
California Federation of Teachers Per Capita Taxes	1,045,456	845,042	200,414	4(a)
Other Per Capita Taxes	30,181	0	30,181	4(a)
Local Support	10,330	0	10,330	4(b)
Salaries and Release Time	1,043,904	958,819	85,085	4(c)
Staff Benefits & Payroll Costs	306,260	281,300	24,960	4(d)
Payroll Taxes	89,261	81,986	7,275	4(d)
Workers' Compensation Insurance	15,182	13,945	1,237	4(d)
Employee Expenses	20,644	18,961	1,683	4(d)
Representation	41,222	41,222	0	4(e)
Meetings and Conferences	80,252	69,820	10,432	4(f)
Copying	1,592	1,462	130	4(g)
Depreciation	5,727	5,260	467	4(g)
Office Costs	11,718	10,763	955	4(g)
Postage	888	816	72	4(g)
Telephone	20,944	19,237	1,707	4(g)
Legal	68,899	68,899	0	4(h)
Agency Fee Costs	19,131	18,651	480	4(i)
Political	12,114	0	12,114	4(j)
Organizing	17,756	0	17,756	4(j)
Dues and Fees Collection	<u>4,702</u>	<u>4,702</u>	<u>0</u>	4(k)
Total Expenses	3,312,217	2,732,262	579,955	
Less Grants For:				
Formula Funding	(408,204)	(408,204)	0	4(l)
Legal Defense	(59,160)	(59,160)	0	4(l)
Organizing	<u>(36,000)</u>	<u>0</u>	<u>(36,000)</u>	4(l)
Total Expenses	<u>\$ 2,808,853</u>	<u>\$2,264,898</u>	<u>\$543,955</u>	
Percentage	<u>100.00%</u>	<u>80.63%</u>	<u>19.37%</u>	

See independent auditor's report and accompanying notes.

## UNIVERSITY COUNCIL - AMERICAN FEDERATION OF TEACHERS

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

#### (1) University Council - American Federation of Teachers

The University Council - American Federation of Teachers (the “Council”) was formed to: (i) promote and defend the highest standards of education at the University of California and to make that education available to all the people of California without respect to race, sex, age, religion, sexual orientation, ethnicity, nationality, political belief or economic status, (ii) strive to make the University of California an institution which shall serve the needs of the people of California rather than just the narrow interests of a selfish and privileged minority, (iii) assure the “fullest participation by employees in the determination of conditions of employment which affect them,” (Higher Education Employer-Employee Relations Act, Ca.Gov.Code §3560) through advocacy and fair and enforceable collective bargaining agreements, (iv) promote and protect the welfare of the faculty, academic and professional employees of the University of California, (v) protect the academic freedom of employees at the University of California, (vi) propose and advocate appropriate legislation, (vii) encourage true equality of opportunity for all employees of the University, regardless of their race, sex, age, religion, sexual orientation, ethnicity, political beliefs and activities, or national origin, (viii) facilitate concerted action among the affiliated locals, and (ix) organize the University faculty, academic and professional employees to achieve the goals of the Council as listed above.

The member locals of the Council are affiliated with the American Federation of Teachers (“AFT”) and the California Federation of Teachers (“CFT”). All locals so affiliated at all campuses of the University of California are eligible for membership in the Council. The Council is organized as a council of locals conducting organized bargaining with a single employer (the Regents of the University of California), representing Unit 17 (Professional Librarians Unit) and Unit 18 (Non-Senate Instructional Unit). These Units have approximately 4,100 employees of which approximately 2,100 are members of the campus locals. An additional 200 members of the campus locals are not exclusively represented by the Council.

#### (2) Summary of Significant Accounting Policies

##### (a) Basis of Presentation

The accompanying Statement of Modified General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses of the Council (the “Statement”) was prepared for the purpose of determining the fair share cost of services rendered by the Council for employees represented by, but not members of, locals organized as the Council. The accompanying combined statement is not intended to be a complete presentation of the Council’s financial position, results of operations or changes in financial position in accordance with generally accepted accounting principles.

## UNIVERSITY COUNCIL - AMERICAN FEDERATION OF TEACHERS

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

(b) Accrued Expenses

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

(c) Depreciation

Depreciation on equipment is computed by using the straight-line method over its expected useful life. Fixed asset purchases over \$500 are capitalized.

(d) Income Taxes

The Council 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.

(e) Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

(f) Employee Benefits

The Council offers a 401k plan to its full-time employees and matches employee contributions up to 4% of salary. During 2016, the Council made matching contributions to the plan of \$30,133. The 401k plan also provides that the Council may make a discretionary contribution. The collective bargaining agreement between the Council and the Union of Field Representative Employees fixed this contribution at the rate of 6% of salary through December 31, 2013 when the rate increased to 8%. During 2016, the Council made discretionary contributions totaling \$66,450.

(g) Accumulated Vacation

The Council accrues vacation expense on its full-time employees.

## UNIVERSITY COUNCIL - AMERICAN FEDERATION OF TEACHERS

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

#### (3) Definitions

##### (a) Expenses associated with the following activities are fully chargeable:

- Gathering information in preparation for the negotiation of collective bargaining agreements, including gathering information from employees concerning collective bargaining positions.
- Negotiating collective bargaining agreements.
- Administration of ballot procedures on the ratification of negotiated agreements.
- Publicizing the Council's positions on the negotiation, ratification or implementation of collective bargaining agreements.
- Lobbying for the negotiation, ratification or implementation of collective bargaining agreements.
- Processing grievances pursuant to the provisions of collective bargaining agreements, enforcing collective bargaining agreements, and representing employees as provided for in collective bargaining agreements.
- Developing, printing and/or purchasing publications used in negotiating and administering collective bargaining agreements.
- Compensating professional technicians in labor law, economics, and other relevant subjects for services used in negotiating and administering collective bargaining agreements and in processing grievances.
- Conducting proceedings regarding jurisdictional controversies under the AFL-CIO constitutions.
- Serving as exclusive representative for employees represented by the Council.
- Membership meetings, conferences or conventions held at least in part to determine the positions of employees on collective bargaining issues, contract administration, and other matters affecting wages, hours, and other terms and conditions of employment of employees represented by the Council, including the cost of sending representatives to such meetings, conferences or conventions.
- Internal communications which concern collective bargaining issues, contract administration, public employment generally, employee development, unemployment, job opportunities, award programs, and other matters affecting wages, hours, and other terms and conditions of employment of employees represented by the Council.

## UNIVERSITY COUNCIL - AMERICAN FEDERATION OF TEACHERS

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

- Impasse procedures and related activities, including mediation, fact-finding, arbitration, strikes, slowdowns, and work stoppages over provisions of collective bargaining agreements and the administration thereof, so long as the activities are legal under state law. These expenses may include preparation for strikes, slowdowns, and work stoppages regardless of their legality under state law, providing that no illegal conduct actually occurs.
- The prosecution or defense of arbitration, litigation, or charges to obtain ratification, interpretation, implementation, or enforcement of collective bargaining agreements, and any other litigation before agencies or in the courts which concerns employees represented by the Council and is normally conducted by an exclusive representative.

(b) Expenses associated with the following activities are not chargeable:

- Organizing within the bargaining unit in which the Council fair share fee payers are employed and within bargaining units of other California public employees whose wages, hours, and terms and conditions of employment have a direct or indirect impact upon the wages, hours, and terms and conditions of employment of employees represented by the Council.
- Training in voter registration, get-out-the-vote, and political campaign techniques.
- Supporting and contributing to charitable organizations, political organizations, candidates for public office and initiative measures, ideological causes, and national or international affairs.
- Publicizing the Council's positions on issues other than negotiation, ratification or implementation of collective bargaining agreements.
- Lobbying for purposes other than the negotiation, ratification or implementation of collective bargaining agreements.
- Affiliation fees to the AFL-CIO and its state federations and central bodies.
- Organizing bargaining units of employees whose wages, hours, and other terms and conditions of employment have no impact, direct or indirect, upon the wages, hours, and other terms and conditions of employment of employees represented by the Council.

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

(a) Per Capita Taxes

The AFT and the CFT provided the Council with audited reports of chargeable and nonchargeable expenses. Based on those reports, the Council allocated as chargeable expense 62.52% and 80.83% of per capita taxes, respectively. In the absence of such a report, per capita taxes are deemed to be 100% nonchargeable.

## UNIVERSITY COUNCIL - AMERICAN FEDERATION OF TEACHERS

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

(b) Local Support

Invoices are paid for campus activities at the local level. In the absence of supporting documentation, this expense is considered nonchargeable.

(c) Salaries and Release Time

Compensation of the officers and professional staff has been allocated to chargeable expenses and nonchargeable expenses based on time spent on chargeable and nonchargeable activities as recorded on their activity reports.

(d) Staff Benefits & Payroll Costs, Payroll Taxes, Workers' Compensation Insurance and Employee Expenses

These costs were allocated in the same proportion as salaries and release time.

(e) Representation

The costs of representation are fully chargeable.

(f) Meetings and Conferences

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

(g) Copying, Depreciation, Office Costs, Postage and Telephone

In recognition that these expenses can be used to support nonchargeable activities, expenses for copying, depreciation, office costs, postage and telephone are allocated based on the chargeable and nonchargeable percentages of salaries and release time.

(h) Legal

Legal costs which were part of contract enforcement or in defense of the Council's associational existence are considered chargeable. Other legal costs are nonchargeable.

(i) Agency Fee Costs

Except for accounting fees to prepare political action reports, these costs, which include preparation and distribution of this report, are related to the collection of agency fee by the Council and are considered 100% chargeable.

(j) Political and Organizing

Political expenditures are 100% nonchargeable. Organizing costs are also nonchargeable.



## UNIVERSITY COUNCIL - AMERICAN FEDERATION OF TEACHERS

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

(k) Dues and Fees Collection

These costs are related to the organizational existence of the Council and are considered 100% chargeable.

(l) Grants for Formula Funding, Legal Defense and Organizing

Formula funding grants are to assist in the hiring of professional staff to perform representational activities. Formula funding grants are considered chargeable in the calculation of the AFT's and CFT's audited reports of chargeable expenses and nonchargeable expenses, and have therefore been deducted from both the Total Expenses and Chargeable Expenses columns.

Legal defense grants from both the AFT and the CFT have been deducted from both the Total Expenses and Chargeable Expenses columns.

Organizing grants from the CFT have been deducted from both the Total Expenses and Nonchargeable Expenses columns.

(5) Subsequent Events

The Council has evaluated subsequent events through June 9, 2017, the date the financial statements were available to be issued.