

LONGY FACULTY UNION

**Statement of Expenses and Allocation
Between Chargeable Expenses and
Non-Chargeable Expenses**

**For the Year Ended
June 30, 2013**

LONGY FACULTY UNION

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES	2
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES	3-5

Independent Auditor's Report

**To the Executive Board of
Longy Faculty Union
Boston, Massachusetts**

We have audited the accompanying statement of expenses and allocation between chargeable expenses and non-chargeable expenses of Longy Faculty Union (the Union) (a nonprofit organization) for the year ended June 30, 2013, and the related notes to the statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on this statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the statement referred to above presents fairly, in all material respects, the expenses of Longy Faculty Union for the year ended June 30, 2013, and the allocated expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3.

Other Matter

The total expenses reflected in Column A are based on the expenses of the Union for the year ended June 30, 2013. The allocation of 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.

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

Dedham, Massachusetts
September 30, 2013

LONGY FACULTY UNION
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>COLUMN A</u>	<u>COLUMN B</u>	<u>COLUMN C</u>	
<u>EXPENSES</u>	<u>TOTAL</u> <u>EXPENSES</u>	<u>CHARGEABLE</u> <u>EXPENSES</u>	<u>NON</u> <u>CHARGEABLE</u> <u>EXPENSES</u>	<u>NOTES</u>
Arbitration	\$ 21,771	\$ 21,771	\$ -	3 (a)
Conferences, Conventions and Meetings	334	334	-	3 (b)
Gifts and Donations	71	-	71	3 (c)
Insurance - Fidelity Bond	60	60	-	3 (d)
Insurance - Teachers Liability	288	288	-	3 (e)
Office	204	204	-	3 (f)
Per Capita - AFT Massachusetts	12,703	10,245	2,458	3 (g)
Per Capita - American Federation of Teachers	9,411	6,725	2,686	3 (h)
Per Capita - Greater Boston Labor Council	206	206	-	3 (i)
Per Capita - Massachusetts AFL-CIO	728	701	27	3 (j)
Professional Fees	6,800	6,800	-	3 (k)
	<u>\$ 52,576</u>	<u>\$ 47,334</u>	<u>\$ 5,242</u>	
	<u>100.00%</u>	<u>90.03%</u>	<u>9.97%</u>	

See Independent Auditor's Report and Accompanying Notes.

LONGY FACULTY UNION
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies

- (a) **Nature of Activities** – Longy Faculty Union (the Union) is a nonprofit educational labor union formed in Boston, Massachusetts in February 2010 which provides support services to members regarding labor issues. Support is primarily derived from union member dues.
- (b) **Method of Accounting** – The financial statements of Longy Faculty Union are prepared on the accrual method of accounting.
- (c) **Income Tax** – The Union is a nonprofit organization that is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code.

Accounting standards provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements. Under these accounting standards, the Union is required to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Management has evaluated its significant tax positions against the criteria established by these accounting standards and believes there are no such tax positions requiring accounting recognition.

The Union's Form 990-EZ, Return of Organization Exempt from Income Tax, for the years ending June 30, 2011 and 2012 and Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organization Not Required to File Form 990 or 990-EZ, for the year ending June 30, 2013 are subject to examination by the IRS, generally for three years after they were filed.

- (d) **Basis of Presentation** – The accompanying statement was prepared for the purpose of determining the fair share cost of services rendered by Longy Faculty Union for employees represented by, but not members of, the Union. The accompanying statement is not intended to be a complete presentation of the Union's financial position, changes in its net assets, or its cash flows in accordance with generally accepted accounting principles.
- (e) **Use of Estimates in the Preparation of Financial Statements** – 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.

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LONGY FACULTY UNION
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

Note 2 - Definitions

- (a) **Chargeable Expenses** – Chargeable expenses are those incurred by the Union that reflect the share of the costs of operations of the Union which are considered necessarily and reasonably incurred for the purpose of performing 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.

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 regarding the Union's position on work-related matters; lobbying and legislative activities with respect to matters concerning employees' work-related issues; maintaining membership and recruitment of members; employee group programs; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

- (b) **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, such as lobbying and legislative activities.

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 3 - Significant Factors and Assumptions Used in the Allocation of Expenses Between Chargeable and Non-chargeable

- (a) **Arbitration** - Expenses of grievances and contract administration are 100% chargeable.
- (b) **Conferences, Conventions and Meetings** are 100% chargeable as they support the governance of the Union and are necessary to maintain the Union's associational existence.
- (c) **Gifts and Donations** have been considered to be 100% non-chargeable.

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LONGY FACULTY UNION
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

- (d) **Insurance – Fidelity Bond** – This is insurance purchased through the American Federation of Teachers to insure the Union against officer dishonesty. It is considered to be 100% chargeable.
- (e) **Insurance – Teachers Liability** – This is professional liability insurance provided for dues payers. It is 100% chargeable.
- (f) **Office** supplies and related expenses have been considered to be 100% chargeable.
- (g) **Per Capita – AFT Massachusetts** – Based on AFT Massachusetts own published report of non-chargeable which is 19.35%.
- (h) **Per Capita – American Federation of Teachers** – Based on A.F.T.'s own published report of non-chargeable which is 28.54%.
- (i) **Per Capita – Greater Boston Labor Council** - 100% chargeable. The Greater Boston Labor Council does not allocate any costs as non-chargeable.
- (j) **Per Capita – Massachusetts AFL-CIO** – Based on Massachusetts AFL-CIO's own published report of non-chargeable which is 3.66%.
- (k) **Professional Fees** – 100% chargeable.

Note 4 - Evaluation of Subsequent Events

The Union has evaluated subsequent events through September 30, 2013, the date which the financial statements were available to be issued. On July 17, 2013, the Union was successful in an arbitration case against Longy School of Music (the employer) regarding a violation of the collective bargaining agreement. The Union received a final bill of \$9,100 for this case from the arbitrator and the Union has applied for defense fund grants totaling \$18,280 from the American Federation of Teachers and AFT Massachusetts to help fund the costs of this case. AFT Massachusetts has approved the Union's defense fund grant and has paid the final arbitrator's bill of \$9,100 on behalf of the Union. As a result of the Union's success in this arbitration, the Union is expected to prevail in a separate arbitration case involving related violations of the collective bargaining agreement with respect to the same union member. Additional arbitration costs are expected in the fiscal year ended June 30, 2014 for this separate arbitration case.

On March 6, 2012, Longy School of Music announced the closure of the Community Program effective August 31, 2013 which resulted in many union members, including union officers, being laid off. As a result, the number of Longy Faculty Union members has declined by approximately 25%.

See Independent Auditor's Report