

**AFT MASSACHUSETTS**

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

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

**AFT MASSACHUSETTS**

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## Independent Auditor's Report

**To the Executive Board  
AFT Massachusetts  
Boston, Massachusetts**

We have audited the accompanying statement of expenses and allocation between chargeable expenses and non-chargeable expenses of AFT Massachusetts (a nonprofit organization) for the year ended April 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 AFT Massachusetts for the year ended April 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 April 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 AFT Massachusetts and its agency fee payers and is not intended to be and should not be used by anyone other than these specified parties.

*Joseph B. Whan & Associates, P.C.*

Dedham, Massachusetts  
September 30, 2013

**AFT MASSACHUSETTS  
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN  
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES  
FOR THE YEAR ENDED APRIL 30, 2013**

	<u>COLUMN A</u>	<u>COLUMN B</u>	<u>COLUMN C</u>	
	<u>TOTAL EXPENSES</u>	<u>CHARGEABLE EXPENSES</u>	<u>NON - CHARGEABLE EXPENSES</u>	<u>NOTES</u>
<b><u>DIRECT EXPENSES</u></b>				
Assistance to Members and Locals	86,769	86,769	-	3 (a)
Automobile Costs	109,553	93,344	16,209	3 (b)
Charitable Contributions	105,180	-	105,180	3 (c)
Conferences, Conventions and Meetings	28,079	25,230	2,849	3 (d)
Contributions and Expenses to or on Behalf of Candidates and Referendum Issues	78,093	-	78,093	3 (e)
Employee Benefits	570,586	486,163	84,423	3 (b)
Expense Reimbursements	127,004	108,213	18,791	3 (b)
Library	24,899	24,899	-	3 (f)
Newspaper and Brochures	86,773	78,096	8,677	3 (g)
Payroll Taxes	152,111	129,605	22,506	3 (b)
Pension Plan Contribution	321,644	274,054	47,590	3 (b)
Per Capita - A.F.T.	3,269	2,336	933	3 (h)
Per Capita - Working Massachusetts	10,000	10,000	-	3 (i)
Professional Fees	38,879	38,879	-	3 (j)
Public Relations	39,000	-	39,000	3 (k)
Salaries	1,840,705	1,568,356	272,349	3 (l)
Scholarships	12,000	-	12,000	3 (m)
Severance Paid	37,042	35,190	1,852	3 (l)
	<u>3,671,586</u>	<u>2,961,134</u>	<u>710,452</u>	
<b><u>OTHER OPERATING EXPENSES</u></b>				
Advertising and Promotion	1,962	1,582	380	3 (n)
Depreciation	8,348	6,733	1,615	
Insurance	23,984	19,343	4,641	
Maintenance and Repairs	564	455	109	
Office Supplies	94,964	76,588	18,376	
Postage	10,067	8,119	1,948	
Rent	210,621	169,866	40,755	
Telephone and Utilities	11,970	9,654	2,316	
	<u>362,480</u>	<u>292,340</u>	<u>70,140</u>	
	<u>\$ 4,034,066</u>	<u>\$ 3,253,474</u>	<u>\$ 780,592</u>	
	<u>100.00%</u>	<u>80.65%</u>	<u>19.35%</u>	

The Accompanying Notes are an Integral Part of this Statement.

**AFT MASSACHUSETTS**  
**NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN**  
**CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**  
**FOR THE YEAR ENDED APRIL 30, 2013**

**Note 1 - Summary of Significant Accounting Policies**

- (a) **Method of Accounting** - The financial statements of AFT Massachusetts are prepared on the accrual method of accounting.
- (b) **Income Taxes** - AFT Massachusetts is a nonprofit organization that is exempt from both federal and state income taxes under Section 501(c)(5) of the Internal Revenue Code, except on net income from unrelated business activities.

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 organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending April 30, 2011, 2012 and 2013, are subject to examination by the IRS, generally for three years after they were filed.

- (c) **Depreciation** - Depreciation is computed using the straight-line method over the estimated useful lives of the assets.
- (d) **Retirement Plan** - AFT Massachusetts contributes a percentage of eligible employees' salaries to a retirement plan. AFT Massachusetts follows the practice of recording as expense its required contribution under such plan in each fiscal year.
- (e) **Basis of Presentation** - The accompanying statement was prepared for the purpose of determining the fair share cost of services rendered by AFT Massachusetts for employees represented by, but not members of, AFT Massachusetts and affiliated local unions. The accompanying statement is not intended to be a complete presentation of the AFT Massachusetts' financial position, changes in its net assets, or cash flows in accordance with accounting principles generally accepted in the United States of America.
- (f) **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 reported period and the allocation of expenses between chargeable and non-chargeable. Actual results could differ from those estimates.
- (g) **Accounts Excluded from the Statement** - Salaries, Payroll Taxes and Employee Benefit reimbursements for which funds were directly provided to AFT Massachusetts by the American Federation of Teachers have been excluded from the statement.
- (h) **Evaluation of Subsequent Events**  
Management has evaluated subsequent events through September 30, 2013, the date which the financial statements were available to be issued.

**AFT MASSACHUSETTS  
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN  
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES  
FOR THE YEAR ENDED APRIL 30, 2013**

**Note 2 - Definitions**

- (a) **Chargeable Expenses** - Chargeable expenses are those incurred by the organization that reflect the share of the costs of operations of AFT Massachusetts which are considered necessarily and reasonably incurred for the purpose of assisting the AFT Massachusetts and local unions 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 as representative of the employees in the bargaining unit; and the maintenance of AFT Massachusetts' and local unions' associational existence.

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigation and research in connection with problems of employees; communications with community organizations, civic groups, government agencies and the media regarding the AFT Massachusetts' position on work-related matters; maintaining membership; and providing legal, economical 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. 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 non-chargeable: lobbying, electoral or political activities outside the limited context of contract ratification or implementation; and public relations efforts designed to enhance the reputation of the teaching profession.

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

- (a) **Assistance to Members and Locals** -- the assistance AFT Massachusetts provides to its members is deemed to be 100% chargeable as it serves to protect the rights of teachers, career service personnel, unit health care workers and other unit educational workers.
- (b) **Automobile Costs, Employee Benefits, Expense Reimbursements, Payroll Taxes and Pension Plan Contribution** - expenses are allocated on the basis of salary expense allocations described in Note 3(l) below.
- (c) **Charitable Contributions** have been deemed to be 100% non-chargeable.

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**AFT MASSACHUSETTS**  
**NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN**  
**CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**  
**FOR THE YEAR ENDED APRIL 30, 2013**

- (d) **Conferences, Conventions and Meetings** are 100% chargeable as they support the governance of AFT Massachusetts and are necessary to maintain its associational existence, with the exception of conferences, conventions and meetings of a political nature which are 100% non-chargeable.
- (e) **Contributions and Expenses to or on Behalf of Candidates and Referendum Issues** - These expenses are considered to be 100% non-chargeable.
- (f) **Library** - 100% chargeable as it is supplied with labor support contents.
- (g) **Newspapers and Brochures** - The direct costs of the newspaper were allocated between chargeable and non-chargeable based on content of the newspaper that was performed by the Editor which is 90% chargeable.
- (h) **Per Capita-A.F.T.** - Based on A.F.T.'s own published report of non-chargeable which is 28.54%.
- (i) **Per Capita-Working Massachusetts** - Per capita paid to this labor organization is considered to be 100% chargeable as it performs public relations, research and communications work on behalf of public sector employee members. This organization does not issue its own published report of non-chargeable.
- (j) **Professional Fees** - This expense was determined to be 100% chargeable as it is required to maintain the AFT Massachusetts' existence as an institution.
- (k) **Public Relations** - This expense is 100% non-chargeable.
- (l) **Salaries And Severance Paid** - Salaries of Collective Bargaining, Director of Organization, Education and Training, Legal, Legislation, Political Organizer and Executive Officers have been allocated to non-chargeable expenses based on time spent by personnel on non-chargeable activities. The salaries of office and clerical personnel are allocated between chargeable and non-chargeable by the same percentage as their supervisors. Severance paid is allocated to non-chargeable expenses based on time spent by the personnel receiving the severance on non-chargeable activities.
- (m) **Scholarships** - 100% non-chargeable.
- (n) **Other Operating Expenses** - These operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as total direct expenses.

