

UNITED PROFESSIONS AFT VERMONT, AFL-CIO
STATEMENT OF EXPENSES AND ALLOCATION
BETWEEN CHARGEABLE EXPENSES AND
NON-CHARGEABLE EXPENSES
FOR THE TWO-YEAR PERIOD ENDED
JUNE 30, 2012
AND
INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

The Executive Committee
United Professions AFT Vermont, AFL-CIO

We have audited the accompanying statement of expenses and allocation between chargeable expenses and non-chargeable expenses of United Professions AFT Vermont, AFL-CIO (United Professions) for the two-year period ended June 30, 2012. This statement is the responsibility of United Professions' management. 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 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. We believe that our audit provides a reasonable basis for our opinion.

The total expenses reflected in column A of the statement are based on the expenses of United Professions AFT Vermont, AFL-CIO for the two-year period ended June 30, 2012. 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.

In our opinion, the statement referred to above presents fairly, in all material respects, the expenses of United Professions AFT Vermont, AFL-CIO for the two-year period ended June 30, 2012 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 report is intended solely for the information and use of United Professions AFT Vermont, AFL-CIO and its agency fee payers, and is not intended to be and should not be used by anyone other than these specified parties.

*Mudgett, Jennett &
Krogh-Wisner, P.C.*

Montpelier, Vermont
June 10, 2013

UNITED PROFESSIONS AFT VERMONT, AFL-CIO
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE TWO-YEAR PERIOD ENDED JUNE 30, 2012

(Page 1 of 2)

	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	
	Total	Chargeable	Non-chargeable	
	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>	<u>Note 3</u>
Direct expenses:				
Salary, payroll tax, pension, medical, and dental	\$ 1,085,493	\$ 1,063,366	\$ 22,127	a
Other insurance	7,858	7,858	-	b
Compensated time off	70,971	70,971	-	b
Travel and entertainment	54,804	54,804	-	b
Meetings and functions	6,208	6,208	-	b
Total direct expenses	<u>1,225,334</u>	<u>1,203,207</u>	<u>22,127</u>	
General, administrative and operating expenses:				
Staff	932	932	-	c
Consulting	37,520	37,520	-	c
Other professional services	24,520	24,520	-	c
Internet/phone/fax	43,846	43,846	-	c
Supplies	17,453	17,453	-	c
Equipment rentals/maintenance	14,214	14,214	-	c
Cleaning	3,160	3,160	-	c
Rent	100,453	100,453	-	c
Electricity	4,385	4,385	-	c
Depreciation	5,222	5,222	-	c
Postage	15,523	15,523	-	c
Bank fees/interest charges	5,577	5,577	-	c
IT services	7,148	7,148	-	c
Printing/copying	874	874	-	c
Dues/subscriptions	1,110	1,110	-	c
Advertising	3,388	3,388	-	c
Member services	6,679	6,679	-	c
Organizing	3,335	3,335	-	c
Office liability insurance	5,997	5,997	-	c
Miscellaneous	7,947	7,947	-	c
Legal defense fund	24,050	24,050	-	c

See the independent auditor's report and the notes to this statement.

UNITED PROFESSIONS AFT VERMONT, AFL-CIO
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE TWO-YEAR PERIOD ENDED JUNE 30, 2012

(Page 2 of 2)

	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	
	Total	Chargeable	Non-chargeable	
	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>	<u>Note 3</u>
General, administrative and operating expenses (continued):				
Solidarity services	117,103	-	117,103	d
Committee on Political Education	11,603	-	11,603	d
Lobbying/legislative	52,789	-	52,789	d
Contributions	52,346	-	52,346	d
Grants to locals	<u>32,000</u>	<u>32,000</u>	<u>-</u>	e
Total general, administrative and operating expenses	<u>599,174</u>	<u>365,333</u>	<u>233,841</u>	
Total expenses	\$ <u>1,824,508</u>	\$ <u>1,568,540</u>	\$ <u>255,968</u>	
Percentage	<u>100.00%</u>	<u>85.97%</u>	<u>14.03%</u>	

See the independent auditor's report and the notes to this statement.

UNITED PROFESSIONS AFT VERMONT, AFL-CIO
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE TWO-YEAR PERIOD ENDED JUNE 30, 2012

1. Summary of significant accounting policies:

- A. Basis of presentation - The accompanying statement was prepared for the purpose of determining the fair share cost of services rendered by United Professions AFT Vermont, AFL-CIO (United Professions) for various locals represented by but not members of United Professions. The accompanying statement is not intended to be a complete presentation of United Professions' financial position, changes in its net assets, or its cash flows in accordance with generally accepted accounting principles.
- B. Income taxes - United Professions is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code, except on net income from unrelated business activities.
- C. Use of estimates in the preparation of the financial statements - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of expenses during the reporting period and the allocation of expenses between chargeable and non-chargeable. Actual results could differ from those estimates.

2. Definitions:

The following definitions of chargeable and non-chargeable expenses are based on federal and Vermont law and United Professions' interpretation of court decisions.

Chargeable expenses - Chargeable expenses are those incurred by United Professions that reflect the share of the costs of operation of United Professions which are considered necessarily and reasonably incurred for the purpose of negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement, by 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 local affiliate dues and donations.

Non-chargeable expenses - Non-chargeable expenses are those of an ideological or political nature and those that are not germane to collective bargaining.

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.

3. Significant factors and assumptions:

United Professions used the following factors and assumptions in the allocation of combined expenses between chargeable and non-chargeable:

- a. Salary, payroll tax, pension, medical and dental - These expenses have been allocated between chargeable and non-chargeable activities based on estimated time spent by personnel on activities such as collective bargaining and lobbying.

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3. Significant factors and assumptions (continued):

- b. Other insurance, compensated time off, travel and entertainment, and meetings and functions - These expenses are considered to be 100% chargeable.
- c. General, administrative and operating expenses - General, administrative and operating expenses have been allocated to chargeable and non-chargeable expenses based on the chargeable and non-chargeable activities of operations.
- d. Solidarity services, committee on political education, lobbying/legislative, and contributions - These expenses are considered to be 100% non-chargeable.
- e. Grants to locals - These expenses are considered to be 100% chargeable as these grants were awarded and used for collective bargaining activities.

4. Affiliation:

United Professions is a local affiliate of the American Federation of Teachers, AFL-CIO. During the two-year period ended June 30, 2012, United Professions paid for various services and events on behalf of American Federation of Teachers, AFL-CIO in the amount of \$1,529,312. These costs have been excluded from United Professions' statement of expenses and allocation between chargeable expenses and non-chargeable expenses as they are reimbursed by the American Federation of Teachers, AFL-CIO.