

**VERMONT STATE COLLEGES
FACULTY FEDERATION AFT LOCAL 3180**

**STATEMENT OF EXPENSES AND ALLOCATION
BETWEEN CHARGEABLE EXPENSES AND
NON-CHARGEABLE EXPENSES FOR THE
TWO-YEAR PERIOD ENDED SEPTEMBER 30, 2015
AND
INDEPENDENT AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT

The Executive Committee
Vermont State Colleges
Faculty Federation AFT Local 3180

Report on the Statement

We have audited the accompanying Statement of Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses of the Vermont State Colleges Faculty Federation AFT Local 3180 (the Federation) for the two-year period ended September 30, 2015, and the related notes to the statement.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement of Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses, on the basis of the definitions and significant factors and assumptions described in notes 2 and 3, and in accordance with the modified cash basis of accounting described in note 1; this includes determining that the definitions and significant factors and assumptions described in notes 2 and 3, and the cash basis of accounting described in note 1 are acceptable bases for the preparation of this statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement that is 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Federation's preparation and fair presentation of the 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 Federation'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 audit opinion.

Opinion

In our opinion, the statement referred to above presents fairly, in all material respects, the expenses of the Federation for the two-year period ended September 30, 2015, 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, and in accordance with the modified cash basis of accounting described in note 1.

Basis of Accounting

We draw attention to notes 2 and 3, which describe the significant factors and assumptions, as well as to note 1 to the statement which describes the modified cash basis of accounting. The statement is prepared on the basis of these significant factors and assumptions and in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Restriction of Use

This report is intended solely for the information and use of the Federation 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 22, 2016

VERMONT STATE COLLEGES FACULTY FEDERATION AFT LOCAL 3180
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE TWO-YEAR PERIOD ENDED SEPTEMBER 30, 2015

	<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:				
Dues - national and state	\$ 318,116	\$ 266,424	\$ 51,692	a
Officer stipends	9,100	9,100	-	b
Higher education salaries	1,885	1,885	-	b
Payroll taxes	1,244	1,244	-	b
Legal fees	46,307	46,307	-	b
Lobbying	6,250	-	6,250	b
Professional fees - consultant	3,901	3,901	-	b
Newsletter	5,227	5,227	-	b
40th Anniversary	6,586	6,586	-	b
AFT meetings and conventions	14,375	14,375	-	b
Staff travel, meals and mileage	15,881	15,881	-	b
Meetings and functions	<u>4,447</u>	<u>4,447</u>	<u>-</u>	b
 Total direct expenses	 <u>433,319</u>	 <u>375,377</u>	 <u>57,942</u>	
General, administrative and operating expenses:				
Office	1,803	1,201	602	c
Telephone and internet	774	774	-	c
Accounting fees	2,850	2,850	-	c
Contributions	2,046	-	2,046	d
Depreciation	876	876	-	c
Other	<u>1,382</u>	<u>478</u>	<u>904</u>	c
 Total general, administrative and operating expenses	 <u>9,731</u>	 <u>6,179</u>	 <u>3,552</u>	
 Total expenses	 \$ <u>443,050</u>	 \$ <u>381,556</u>	 \$ <u>61,494</u>	
 Percentage	 <u>100.00%</u>	 <u>86.12%</u>	 <u>13.88%</u>	

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

VERMONT STATE COLLEGES FACULTY FEDERATION AFT LOCAL 3180
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE TWO-YEAR PERIOD ENDED SEPTEMBER 30, 2015

1. Summary of significant accounting policies:

- A. Basis of presentation - The accompanying statement was prepared following the modified cash receipts and disbursements basis of accounting (modified for depreciation), for the purpose of determining the fair share cost of services rendered by the Vermont State Colleges Faculty Federation AFT Local 3180 (the Federation) for the Vermont State Colleges 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, changes in its net assets, or its cash flows in accordance with accounting principles generally accepted in the United States of America.
- B. Income taxes - The Federation 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 statement - The preparation of this statement 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 classifications. 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 the Federation's interpretation of court decisions.

Chargeable expenses - Chargeable expenses are those incurred by the Federation that reflect the share of the costs of operation of the Federation which are considered necessary and reasonable for the purpose 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 or council as representative of the employees in the bargaining unit; and the maintenance of the local's 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.

**VERMONT STATE COLLEGES FACULTY FEDERATION AFT LOCAL 3180
 NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
 CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
 FOR THE TWO-YEAR PERIOD ENDED SEPTEMBER 30, 2015**

3. Significant factors and assumptions:

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

- a. Dues - national and state - Dues are allocated to chargeable and non-chargeable expenses based on receipt of audit reports on the allocation of expenses of those organizations as follows:

	<u>Total</u> <u>Expenses</u>	<u>Chargeable</u> <u>Expenses</u>	<u>Non-chargeable</u> <u>Expenses</u>
AFT	\$ 155,647	\$ 111,066	\$ 44,581
AFT VT	161,839	154,728	7,111
Washington-Orange-Lamoille	<u>630</u>	<u>630</u>	<u>-</u>
	<u>\$ 318,116</u>	<u>\$ 266,424</u>	<u>\$ 51,692</u>

- b. Direct expenses other than dues - national and state - These amounts have been allocated to chargeable and non-chargeable expenses based on the estimated chargeable and non-chargeable activities of operations. Lobbying expenses are considered 100 percent non-chargeable. Meeting expenses primarily for non-chargeable activities are considered to be 100 percent non-chargeable.
- c. General, administrative and operating expenses - General, administrative and operating expenses have been allocated to chargeable and non-chargeable expenses based on the estimated chargeable and non-chargeable activities of operations.
- d. Contributions are considered to be 100 percent non-chargeable.