

**AFT VERMONT**  
**STATEMENT OF EXPENSES AND ALLOCATION**  
**BETWEEN CHARGEABLE EXPENSES AND**  
**NON-CHARGEABLE EXPENSES**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2014**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

## INDEPENDENT AUDITOR'S REPORT

The Executive Committee  
AFT Vermont

### Report on the Statement

We have audited the accompanying Statement of Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses of AFT Vermont for the year ended June 30, 2014, 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; this includes 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 AFT Vermont'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 AFT Vermont'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 AFT Vermont for the year ended June 30, 2014, 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.

**Restriction of Use**

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

*Mudgett, Jennott &  
Krogh-Dinner, P.C.*

Montpelier, Vermont  
June 30, 2015

**AFT VERMONT**  
**STATEMENT OF EXPENSES AND ALLOCATION BETWEEN**  
**CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<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, and pension	\$ 364,203	\$ 364,203	\$ -	a
Other insurance	24,922	24,922	-	b
Compensated time off	3,238	3,238	-	b
Travel and entertainment	19,151	19,061	90	b
Meetings and functions	14,056	14,056	-	b
Total direct expenses	<u>425,570</u>	<u>425,480</u>	<u>90</u>	
General, administrative and operating expenses:				
Consulting	15,793	15,793	-	c
Other professional services	16,609	16,609	-	c
Internet/phone/fax	5,145	5,145	-	c
Supplies	6,619	6,619	-	c
Equipment rentals/maintenance	17,170	17,170	-	c
Cleaning	1,785	1,785	-	c
Rent	47,748	47,748	-	c
Electricity	2,281	2,281	-	c
Depreciation	140	140	-	c
Postage	4,597	4,597	-	c
Bank fees/interest charges	5,503	5,503	-	c
IT services	41,127	41,127	-	c
Printing/copying	959	959	-	c
Dues/subscriptions	908	908	-	c
Advertising	4,022	4,022	-	c
Member services	4,065	4,065	-	c
Organizing	339	339	-	c
Office liability insurance	1,251	1,251	-	c
Miscellaneous	5,740	5,740	-	c
Solidarity services	56,219	56,219	-	c
Lobbying/legislative	21,336	-	21,336	d
Contributions	200	-	200	d
Grants to locals	9,000	9,000	-	e
Total general, administrative and operating expenses	<u>268,556</u>	<u>247,020</u>	<u>21,536</u>	
Total expenses	\$ <u>694,126</u>	\$ <u>672,500</u>	\$ <u>21,626</u>	
Percentage	<u>100.00%</u>	<u>96.88%</u>	<u>3.12%</u>	

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

**AFT VERMONT**  
**NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN**  
**CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**1. Summary of significant accounting policies:**

- A. Basis of presentation - The accompanying statement was prepared following the accrual basis of accounting, for the purpose of determining the fair share cost of services rendered by AFT Vermont for various locals represented by but not members of AFT Vermont. The accompanying statement is not intended to be a complete presentation of AFT Vermont'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 - AFT Vermont 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 AFT Vermont's interpretation of court decisions.

Chargeable expenses - Chargeable expenses are those incurred by AFT Vermont that reflect the share of the costs of operation of AFT Vermont 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, 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 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:**

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

- a. Salary, payroll tax, and pension - 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.

**AFT VERMONT**  
**NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN**  
**CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**3. Significant factors and assumptions (continued):**

- b. Other insurance, compensated time off, travel and entertainment, and meetings and functions - These expenses have been allocated to chargeable and non-chargeable expenses based on the chargeable and non-chargeable activities of operations.
- 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. 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. Affiliations:**

AFT Vermont is a local affiliate of the American Federation of Teachers, AFL-CIO (AFT). During the year ended June 30, 2014, AFT Vermont paid for the Early Childhood Educators' campaign of AFT in the amount of \$200,716. The AFT also paid AFT Vermont \$34,686 for a Health Care Campaign during the year ended June 30, 2014. These costs have been excluded from AFT Vermont's Statement of Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses as they are reimbursed by the AFT.

During the year ended June 30, 2014, AFT Vermont also provided services on behalf of the Vermont Federation of Nurses and Health Professionals (VFNHP) and other affiliates for \$104,745 and \$11,531, respectively. These costs have also been excluded from AFT Vermont's Statement of Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses as they are reimbursed by VFNHP and other affiliates.

**5. Subsequent events:**

Management has evaluated subsequent events through June 30, 2015, which is the date the statement was available to be issued.