

# Coalition of Graduate Employees



Notice of Fair Share



# Coalition of Graduate Employees

101 NW 23<sup>rd</sup> St.  
Corvallis, OR 97330

phone (541) 757-7141  
fax (541) 753-3039  
[unite@cge6069.org](mailto:unite@cge6069.org)

October 31, 2011

## NOTICE TO ALL NON-UNION MEMBER FAIR SHARE FEE PAYERS

The current contract between the Coalition of Graduate Employees and Oregon State University requires graduate teaching and research assistants who are included in the bargaining unit, but are not members of the union, to pay their fair share of the cost of collective bargaining, contract enforcement, and related activities. Any request for exemptions, whether they had been granted or not, must be filed each year. Based on our auditors' calculations, your fair share as a non-union member is 79% of the regular dues paid by a CGE member, or 1.58% of your gross monthly salary.

As the result of the last collective bargaining agreement, you will be assessed full member dues of 2.0% regardless of membership status. If you would like to receive the difference between full member and fair-share payer back (about \$7/month depending on your FTE and salary), you must send a written request to:

Coalition of Graduate Employees  
101 NW 23<sup>rd</sup> St.  
Corvallis, OR 97330

You may also send a written request electronically to [unite@cge6069.org](mailto:unite@cge6069.org). Any request must include your name, address, student ID number, phone number, and email address. Given the nature of graduate employment, rebates can only be given on a term-to-term basis.

CGE's membership is currently over 50% of the bargaining unit. This unity and magnitude of support has helped make our contract settlements a reality and brought us the financial stability necessary to improve benefits and working conditions for all graduate teaching and research assistants at OSU.

As a member of CGE, you would have the right to attend quarterly general membership meetings, vote or run for positions on CGE's Executive Council, vote on contract proposals and ratifications, and make your voice heard through our various committees and events. Contact us at [unite@cge6069.org](mailto:unite@cge6069.org) or call us at 541/757-7141 if you're interested in joining CGE or if you have any questions.

In Solidarity,

Mindy Crandall  
President, CGE

October 26, 2011

We have examined the financial records of the Coalition of Graduate Employees, Oregon State University (AFT Local 6069) for the period July 1, 2010 through June 30, 2011 and found them to be in good order with the following exceptions:

1. For cash expenditures to vendors that do not traditionally provide receipts, obtain written documentation of payment from the person or entity providing goods or services.
2. Charitable donations intended to maintain a revenue neutral event should be calculated using final revenues and expenses.
3. Documentation for social event expenditures should be labeled so as to clearly indicate whether they represent initial estimates or final numbers.

This examination was performed by a committee of members of the Coalition of Graduate Employees and was not conducted in accordance with generally accepted accounting or auditing principles.

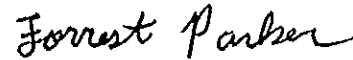
Sincerely,




Paul Bradley



Anne Julian



Forrest Parker



Ian Pfingsten



Stephanie Wafforn

Expenses		Total	Chargeable	Non-Chargeable
Staff Salaries	<i>Organizer</i>	\$ 42,650.40	\$ 40,517.88	\$ 2,132.52
	<i>Business Manager</i>	\$ 13,800.41	\$ 13,800.41	\$ -
Payroll Taxes		\$ 5,340.36	\$ 5,140.10	\$ 200.26
AFT Oregon		\$ 82,396.09	\$ 59,267.51	\$ 23,128.58
AFT National		\$ 42,666.30	\$ 29,934.68	\$ 12,731.62
AFL-CIO State		\$ 4,884.81	\$ -	\$ 4,884.81
Office Exp.		\$ 9,036.58	\$ 9,036.58	\$ -
Union Exp.		\$ 4,769.14	\$ 4,769.14	\$ -
AFT Oregon Annual Conv.		\$ 2,482.76	\$ 1,785.85	\$ 696.91
Organizing Exp.		\$ 1,555.09	\$ 1,166.32	\$ 388.77
Collective Bargaining Exp.		\$ 110.07	\$ 110.07	\$ -
Leadership Training Exp.		\$ 541.79	\$ 541.79	\$ -
Insurance		\$ 646.33	\$ 646.33	\$ -
<b>Total</b>		<b>\$ 210,880.13</b>	<b>\$ 166,716.65</b>	<b>\$ 44,163.48</b>
Total	Percentages	100%	79.06%	20.94%

Member dues are 2.0% of gross monthly income.

Fair-share dues are 79.06% of that, or 1.58% of gross monthly income.

**Fair Share Determination Objection Policy**

Individual nonmember fair share fee payers who wish to challenge the Coalition of Graduate Employees (CGE) calculation of chargeable expenses and the amount of the fair share fee set forth in this notice must do so individually and in writing. The written challenge must include the challenger's name, address, OSU student identification number, job title, and employing department.

The written challenge must be sent to the local by mail, postmarked no later than 30 days from the date of this notice, to the following address:

Coalition of Graduate Employees  
101 NW 23<sup>rd</sup> Street  
Corvallis, OR 97330

An impartial decision-maker will be appointed by the American Arbitration Association to resolve all challenges to CGE's fair share fee determination. All challenges to CGE's fair share fee will be consolidated into a single proceeding. The impartial arbitrator will hold hearings in which the challenger(s) can participate personally or through a representative. In these hearings CGE will have the burden of proof regarding the amount of the fair share fee and the accuracy of the underlying calculation of chargeable expenses. The challenger(s) will be given an opportunity to present their own evidence and to present written arguments in support of their challenge(s). The arbitrator will issue a written decision and award on the basis of the evidence and argument presented. The challenger(s) will receive further information regarding the hearing, including the time and the place of the hearing, directly from the American Arbitration Association. Upon receipt of a written challenge CGE will deposit, in an interest bearing escrow account, 100% of the fair share fee paid by the challenger pending resolution of their challenge. The fair share fee shall remain in escrow until the arbitration award issues and shall be distributed, along with accrued interest, pursuant to the arbitrator's ruling.



A Union of Professionals

## Memorandum

American Federation  
of Teachers, AFL-CIO

AFT Teachers  
AFT PSRP  
AFT Higher Education  
AFT Public Employees  
AFT Healthcare

To: Affiliated Locals and State Federations

From: Antonia Cortese, Secretary-Treasurer *AC*

Date: August 2, 2011

Subject: Agency Fees 2011-2012

555 New Jersey Ave. N.W.  
Washington, DC 20001  
202/879-4400  
www.aft.org

The American Federation of Teachers has engaged in extensive consultation with attorneys and auditors on the issue of the portion of the agency fee (fair share fee) that is chargeable and the amount that is non-chargeable (rebateable) to the agency fee payer.

The AFT report of the Independent Auditors, Calibre CPA Group, PLLC is attached for the chargeable and non-chargeable percentages for the year ending April 30, 2011. Based on the allocation of expenses for the year, we calculated the AFT agency fee per capita for the 2011-2012 year to be as follows:

AFT Convention approved per capita rates effective 9/1/11 for the 2011-2012 year:

July 2011 through August 2011	2 months @ 16.55	\$ 33.10
September 2011 through June 2012	10 months @ 17.10	\$171.00

*3.3% increase*

The estimated chargeable expenses for 2011-2012 are  $\$204.10 \times 70.16\% = \$143.20$

Therefore, non-chargeable expenses for 2011-2012 are  $\$204.10 \times 29.84\% = \$ 60.90$

The non-chargeable percentage is derived by dividing the expenses that are non-chargeable by the total expenses incurred.

No chargeable expenses have been listed for the occupational liability or AD&D insurance. If your local provides these insurances (one or both) to an agency fee payer, they should be listed on your local chargeable expense list.

This AFT audited report must be combined with your local and state federation reports as well as a copy of its challenge procedures be provided to agency fee payers at least 30 days prior to the collection of the first agency fee for the 2011-2012 school year, or the number of days required by applicable state law.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**COMBINED STATEMENT OF GENERAL FUND AND  
MILITANCY/DEFENSE FUND EXPENSES  
AND ALLOCATION BETWEEN CHARGEABLE  
EXPENSES AND NON-CHARGEABLE EXPENSES**

**YEAR ENDED APRIL 30, 2011**

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**COMBINED STATEMENT OF GENERAL FUND AND MILITANCY/DEFENSE  
FUND EXPENSES AND ALLOCATION BETWEEN CHARGEABLE  
EXPENSES AND NON-CHARGEABLE EXPENSES**

**YEAR ENDED APRIL 30, 2011**

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**CALIBRE**  
CPA GROUP

LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS

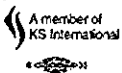
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[www.calibrecpa.com](http://www.calibrecpa.com)



## REPORT OF INDEPENDENT AUDITORS

The Secretary-Treasurer  
American Federation of Teachers, AFL-CIO

We have audited the accompanying combined statement of General Fund and Militancy/Defense Fund expenses and allocation between chargeable expenses and non-chargeable expenses of the American Federation of Teachers, AFL-CIO (the Federation) for the year ended April 30, 2011. This combined statement is the responsibility of the Federation's management. Our responsibility is to express an opinion on this combined statement based on our audit.

We conducted our audit of this combined statement in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the combined statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by the Federation's management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The total expenses reflected in Column A of the combined statement are based on the expenses of the Federation for the year ended April 30, 2011, as modified for the accounts and funds described in Note 1b. The allocation of combined 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 combined statement referred to above presents fairly, in all material respects, the combined expenses of the American Federation of Teachers, AFL-CIO for the year ended April 30, 2011, as modified for the accounts and funds described in Note 1b, and the allocated combined 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 the American Federation of Teachers, AFL-CIO and its agency fee payers, outside the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

*Calibre CPA Group, PLLC*

Washington, DC  
July 29, 2011

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**COMBINED STATEMENT OF GENERAL FUND AND MILITANCY/DEFENSE FUND**

**EXPENSES AND ALLOCATION BETWEEN CHARGEABLE**

**EXPENSES AND NON-CHARGEABLE EXPENSES**

YEAR ENDED APRIL 30, 2011

	Column A	Column B	Column C	Notes
	Total Expenses	Chargeable Expenses	Non-Chargeable Expenses	
<b>DIRECT EXPENSES</b>				
Salaries	\$ 39,184,807	\$ 32,691,327	\$ 6,493,480	3a
Fringe benefits	14,454,744	11,849,457	2,605,287	3b
Payroll and other taxes	2,675,864	2,194,012	481,852	3b
Severance and vacation pay	1,028,960	843,672	185,288	3b
Travel and related expenses	6,246,045	5,639,224	606,821	3b
Dues, donations, and membership fees	2,781,555	-	2,781,555	3c
Publications:				
<u>American Teacher</u>	1,000,197	327,204	672,993	3d
<u>American Educator</u>	1,547,092	126,549	1,420,543	3d
<u>Health Wire</u>	123,901	46,453	77,448	3d
<u>Public Employee Advocate</u>	179,653	90,466	89,187	3d
<u>On Campus</u>	366,469	110,339	256,130	3d
<u>PSRP Reporter</u>	302,352	100,653	201,699	3d
Mass and electronic media				
information services	7,518	7,518	-	3e
AFT-COPE and related activities	7,019,967	-	7,019,967	3f
Affiliation fees	11,204,313	-	11,204,313	3g
Educational training programs	304,891	296,687	8,204	3h
Regional conferences and training	1,717,179	1,717,179	-	3h
QuEST conference	88	88	-	3h
Assistance and collective bargaining	24,302,537	24,302,537	-	3i
State federation rebates	1,978,679	1,978,679	-	3j
Militancy Fund	31,770	-	31,770	3k
Defense Fund	9,044,053	9,044,053	-	3l
Solidarity Fund - National	12,222,773	430,000	11,792,773	3m
Solidarity Fund - State Federations	5,951,367	5,951,367	-	3m
Legal, audit, and consulting expenses	11,239,977	9,680,115	1,559,862	3n
Legal, audit, and consulting				
expenses - agency shop	88,682	88,682	-	3n
Legislative activities	1,071,921	-	1,071,921	3o
Public affairs activities	319,320	-	319,320	3o
Member benefits activities	1,788,966	-	1,788,966	3o
International affairs activities	161,549	-	161,549	3o
Convention and executive council meetings	2,650,071	2,650,071	-	3p
Departmental meetings and projects	9,269,225	7,873,253	1,395,972	3q
Special projects and initiatives	4,527,484	4,527,484	-	3r
Regional offices	292,420	280,619	11,801	3s
<b>Total direct expenses</b>	<b>\$ 175,086,389</b>	<b>\$ 122,847,688</b>	<b>\$ 52,238,701</b>	

See report of independent auditors and accompanying notes to combined statement.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**COMBINED STATEMENT OF GENERAL FUND AND MILITANCY/DEFENSE FUND  
EXPENSES AND ALLOCATION BETWEEN CHARGEABLE  
EXPENSES AND NON-CHARGEABLE EXPENSES**

YEAR ENDED APRIL 30, 2011

	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Notes</u>
	<u>Total</u>	<u>Chargeable</u>	<u>Non-Chargeable</u>	
	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>	
GENERAL, ADMINISTRATIVE, AND				
OPERATING EXPENSES				3t
National office and equipment rental	\$ 3,350,624	\$ 2,350,933	\$ 999,691	
Depreciation and amortization	1,596,798	1,120,378	476,420	
Repairs and maintenance	528,311	370,684	157,627	
Information technology expenses	63,655	44,663	18,992	
Computer implementation	151,203	106,090	45,113	
General insurance	401,544	281,740	119,804	
General legal, audit, and consulting expense	2,308,436	1,619,692	688,744	
Postage, express and delivery, and telephone	399,895	280,582	119,313	
Office supplies, subscriptions, books, and other expenses	<u>1,263,128</u>	<u>886,262</u>	<u>376,866</u>	
Total general, administrative, and operating expenses	<u>10,063,594</u>	<u>7,061,024</u>	<u>3,002,570</u>	
Total expenses	<u>\$ 185,149,983</u>	<u>\$ 129,908,712</u>	<u>\$ 55,241,271</u>	
	<u>100%</u>	<u>70.16%</u>	<u>29.84%</u>	

See report of independent auditors and accompanying notes to combined statement.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**NOTES TO COMBINED STATEMENT OF GENERAL FUND AND MILITANCY/  
DEFENSE FUND EXPENSES AND ALLOCATION BETWEEN CHARGEABLE  
EXPENSES AND NON-CHARGEABLE EXPENSES**

YEAR ENDED APRIL 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. **Basis of Presentation** - The accompanying combined statement was prepared for the purpose of determining the fair share cost of services rendered by the American Federation of Teachers, AFL-CIO (the Federation) for employees represented by, but not members of, the Federation and its affiliated local unions. The accompanying combined 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 generally accepted accounting principles.
- b. **Accounts and Funds Excluded from the Combined Statement** - The expense of providing accident and liability insurance to members and agency fee payers is recovered through premium charges to locals and has been excluded from the combined expense statement. Rent and various other operating expenses associated with the subletting operations of the Federation, which are accounted for in the Federation's Building Fund, have been excluded from the combined expense statement.
- c. **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.
- d. **Retirement Plans** - The Federation contributes a percentage of eligible employees' salaries to retirement plans. The Federation follows the practice of recording as expense its required contributions under such plans in each fiscal year. During the year ended April 30, 2008, the Federation adopted FASB Accounting Standards Codification (ASC or Codification) 715, Compensation – Retirement Benefits, which requires an employer to recognize the underfunded status of a defined benefit postretirement plan as a liability in its statement of financial position and in changes in unrestricted net assets.
- e. **Severance and Accumulated Vacation** - The Federation accrues accumulated severance and vacation expense as it is earned by its employees under various contracts and agreements.
- f. **Depreciation and Amortization** - Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- g. **Leases** - The Federation occupies office space in a building which is owned by a limited partnership of which the Federation, through its wholly owned subsidiary, 555 New Jersey Avenue, N.W., Inc., is the controlling partner. Annual rental payments were approximately \$2,620,000 of which 96 percent or approximately \$2,563,000, is charged to the General Fund based on the space occupied by the Federation.
- h. **Estimates** - 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.
- i. **Subsequent events review** - Subsequent events have been evaluated through July 29, 2011, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

**NOTE 2. DEFINITIONS**

The following definitions of chargeable and non-chargeable expenses are based on existing law and the Federation's interpretation of court cases.

**Chargeable Expenses** - Chargeable expenses are those incurred by the Federation that reflect the share of the costs of operations of the Federation which are considered necessarily and reasonably incurred for the purpose of assisting state federations and local unions and councils 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 or council as representative of the employees in the bargaining unit; and the maintenance of the Federation's, state federations', local unions' and councils' associational existence.

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigating 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 Federation's position on work-related matters; maintaining membership; employee group programs; and providing legal, economic, and technical expertise on behalf of employees in all work-related matters.

**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.

## **NOTE 2. DEFINITIONS (CONTINUED)**

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; litigation expenses that do not concern the objecting employees' bargaining unit; and public relations efforts designed to enhance the reputation of the teaching profession.

## **NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE**

- a. **Salaries** - Salary expenses of the Committee on Political Education (COPE), legislative, public affairs, international affairs, and member benefit departments have been determined to be 100 percent non-chargeable. Salary expenses of executives, editorial department editors and administrative staff, as well as salary expenses for personnel responsible for the library, office management, finance, travel and meetings, and the print shop have been allocated between chargeable and non-chargeable activities based on time spent by personnel on such activities. The salaries of office and clerical personnel are allocated between chargeable and non-chargeable in the same percentage as their supervisors.
- b. **Fringe Benefits, Payroll and Other Taxes, Severance and Vacation Pay, and Travel and Related Expenses** - These expenses are allocated on the basis of salary expense allocations described in Note 3a above.
- c. **Dues, Donations, and Membership Fees** - Dues, donations, and membership fees to all organizations are considered to be 100 percent non-chargeable.
- d. **Publications** - Direct printing and publishing expenses of the publications are allocated based on the specific content of articles in the publications as determined by the Federation's editorial department. Expenses allocable to articles considered political or ideological in nature are deemed not to benefit nonmembers and are non-chargeable. Expenses allocable to reporting on legislative and lobbying activities, litigation activities, public relations activities, illegal strike activities, and articles relating to enhancement of the reputation of the teaching profession as a whole are non-chargeable, except for those related to collective bargaining. The content of articles deemed chargeable were reviewed by editorial staff and are directly related to issues in collective bargaining, contract administration, and grievance matters. Chargeable articles include topics such as collective bargaining contracts negotiated by locals throughout the country and arbitrations won by the Federation's locals. Chargeable articles also include topics such as salary and fringe benefit improvements, health and welfare areas such as asbestos removal, etc. Other chargeable articles deal with specific topics like class size and educational reform issues on new and advanced methods of classroom instruction. Expenses allocable to advertising, net of advertising revenue, are considered non-chargeable.

**NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF  
COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE  
(CONTINUED)**

- e. **Mass and Electronic Media Information Services** - Mass and electronic media information services promote the union and provide a method of disseminating information on union activities in areas of collective bargaining, contract administration, and grievance matters. Media is also used to explain the Federation's positions in educational reform on such issues as educational changes in the profession, class size, modern methods of teaching and school structure, financial improvements, educational accountability issues, and educational restructuring of schools. These expenses are considered to be 100 percent chargeable. Publicity and public relations on the subject of enhancing the reputation of the teaching profession as a whole are non-chargeable.
- f. **AFT-COPE and Related Activities** - Contributions to the Federation's Committee on Political Education (COPE) Fund and related expenses are considered to be 100 percent non-chargeable.
- g. **Affiliation Fees** - Affiliation fees are considered to be 100 percent non-chargeable.
- h. **Educational Training Programs and Conferences** - Educational training programs and conferences are for local, state, and national staff and are to enhance staff skills in collective bargaining, grievance handling, and contract administration. These educational training programs and conferences are considered to be 100 percent chargeable, except that items of a political or public relations nature contained within the programs are non-chargeable.

The Quality in Education Standards (QuEST) conference is a biennial conference that concentrates on educational reform and new instructional methods. As this conference focuses on education related issues, the related expenses are considered to be 100 percent chargeable.

- i. **Assistance and Collective Bargaining** - Expenses of organizing, collective bargaining, assistance to local unions, grievance handling, contract administration, etc. are 100 percent chargeable.
- j. **State Federation Rebates** - State federation rebates are required by the Federation's constitution and are therefore 100 percent chargeable. These funds are to be used to hire staff at the state and local level, to negotiate collective bargaining agreements, and to enforce contract administration. Also, funds are used to service members directly.
- k. **Militancy Fund** - The Militancy Fund supports members and locals involved in strikes. These expenses are considered to be 100 percent non-chargeable.

**NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF  
COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE  
(CONTINUED)**

- l. Defense Fund** - The Defense Fund is a legal defense fund available to members and nonmembers which grants assistance to local and state bodies to help protect the rights of teachers, career service personnel, and other educational workers, as well as health care and federal, state, and local employees. Matters involving contract administration, grievance handling, and litigation involving the defense of the Federation are considered to be chargeable. Expenses of litigation unrelated to an objecting employee's unit and not germane to the Federation's duties as exclusive bargaining representative are not considered to be chargeable as defined in Lehnert v. Ferris Faculty Association (1991) but now nonmembers could be charged by the local or national union for national litigation expenses as long as the subject matter of the extra-local litigation was of a kind that would be chargeable if the litigation were local and the charge was reciprocal in nature. Locke v. Karass, U.S. Supreme Court, January 21, 2009. This fund is administered through a committee comprised of Vice Presidents, the Secretary-Treasurer and the General Counsel, all of the Federation.
- m. Solidarity Funds** - Solidarity Fund expenses consist of payments made by the National Fund related to political and legislative activities. These payments are considered to be 100 percent non-chargeable unless the expense is directly related to improving the wages, hours, or working conditions of the members of the bargaining unit(s). Payments made to AFT State Federation Solidarity Funds as required by the Federation's Constitution are considered 100 percent chargeable.
- n. Legal, Audit and Consulting Expenses** - Legal, audit, and consulting expenses related to specific projects are allocated based on the chargeable percentages of the related departments, except that legal, audit and consulting expenses primarily for non-chargeable activities are considered to be 100 percent non-chargeable.

Legal, audit, and consulting expenses - agency shop are fees paid to outside lawyers, auditors, and consultants for services directly relating to agency shop matters. These expenses are considered to be 100 percent chargeable.

General legal, audit and consulting expenses are allocated as described in Note 3s below.
- o. Legislative Activities, Public Affairs Activities, Member Benefits Activities and International Affairs Activities** - Activities related to legislative, public affairs, member benefits, and International affairs expenses are considered to be 100 percent non-chargeable.
- p. Convention and Executive Council Meetings** - Expenses related to the Federation's biennial convention and periodic Executive Council meetings are considered to be 100 percent chargeable.



**NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF  
COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE  
(CONTINUED)**

- q. **Departmental Meetings** - Departmental meeting expenses are allocated based on the chargeable percentages of the related departments, except that meeting expenses primarily for non-chargeable activities are considered to be 100 percent non-chargeable.
- r. **Special Projects and Initiatives** - Special project expenses are allocated based on the chargeability of the project content.
- s. **Regional Offices** - Regional offices expenses are allocated based on the chargeable percentages of the regional office directors.
- t. **General, Administrative, and Operating Expenses** - General, administrative, and operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as total direct expenses.

# **AFT-OREGON**

STATEMENT OF GENERAL FUND  
SOLIDARITY AND PAC FUNDS  
DEFENSE FUND AND BUILDING FUND  
EXPENSES AND ALLOCATION BETWEEN CHARGEABLE  
EXPENSES AND NON-CHARGEABLE EXPENSES

YEAR ENDED JUNE 30, 2011

*Prepared by*  
BYERS & HURLBURT, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
LAKE OSWEGO, OREGON

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AFT-OREGON  
**COMBINED STATEMENT OF GENERAL FUND, SOLIDARITY AND PAC FUNDS,  
 DEFENSE FUND AND BUILDING FUND EXPENSES AND ALLOCATION BETWEEN  
 CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2011**

	Total Expenses	Chargeable Expenses	Non-chargeable Expenses
<b>Direct Expenses:</b>			
Staff salaries	\$ 721,671	\$ 520,974	\$ 200,697
Staff fringes	228,641	165,056	63,585
Payroll taxes	78,504	56,672	21,832
Travel and related expenses	71,278	51,456	19,822
Dues, contributions and memberships	8,623	-	8,623
Publications and communication	71,510	36,113	35,397
Advertising	725	725	-
Training programs and conferences	22,664	22,664	-
Scholarships	3,435	-	3,435
Awards and recognition	789	789	-
Assistance to locals	131,413	131,413	-
Projects and coalitions	51,201	51,201	-
Legal, audit and professional fees - agency shop	97,213	97,213	-
Conventions and conferences	61,767	61,717	50
Political action expenses	113,377	-	113,377
<b>Total direct expenses</b>	<b>1,662,811</b>	<b>1,195,993</b>	<b>466,818</b>
<b>General and administrative expenses:</b>			
Office operations	40,842	29,376	11,466
Depreciation and amortization	28,366	20,403	7,963
Equipment supplies and maintenance	45,593	32,793	12,800
Insurance	4,549	3,272	1,277
Interest	25,453	18,307	7,146
Executive council and committees	26,330	18,938	7,392
Office of the President	10,870	7,818	3,052
Staff development	5,745	4,132	1,613
Legal, audit and professional fees	10,862	7,813	3,049
Postage and shipping	2,929	2,107	822
Supplies, subscriptions, taxes and miscellaneous	34,251	24,635	9,616
<b>Total general and administrative expenses</b>	<b>235,790</b>	<b>169,594</b>	<b>66,196</b>
<b>Total expenses</b>	<b>\$ 1,898,601</b>	<b>\$ 1,365,587</b>	<b>\$ 533,014</b>
<b>Percentage</b>	<b>100.00%</b>	<b>71.93%</b>	<b>28.07%</b>

See accompanying notes to financial statements.

AFT-OREGON  
NOTES TO COMBINED STATEMENT OF GENERAL FUND, SOLIDARITY AND PAC FUNDS,  
DEFENSE FUND AND BUILDING FUND EXPENSES AND ALLOCATION BETWEEN  
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

*Basis of presentation* – The accompanying combined statement was prepared for the purpose of determining the fair share cost of services rendered by AFT-Oregon (the Federation) for employees represented by, but not members of, the Federation and its affiliated local unions. The accompanying combined 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 generally accepted accounting principles.

*Accounts excluded from the statement* - Per capita fees to the American Federation of Teachers (AFT) for at-large members and expenses paid out of AFT grants, assistance and reimbursements are excluded from the expense statement and separately detailed by the AFT in its computation of the Agency Fee based upon its accountant's verifications. PAC expenses paid out of member voluntary contributions are excluded. Voluntary and member PAC contributions are not required per capita payments affecting agency fee payers.

*Income taxes* – The federation is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code.

*Retirement plan* – The Federation contributes a percentage of eligible employees' salaries to a Simplified Employee Pension Plan. Required contributions are recorded as expense.

*Depreciation and amortization* - Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. The Federation purchased an office building March 23, 2004 and moved its offices into the building on or about June 30, 2004.

*Use of estimates* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEFINITIONS

The following definitions of chargeable and non-chargeable expenses are based on existing law and the Federation's interpretation of court cases.

*Chargeable expenses* - Chargeable expenses are those incurred by the Federation that reflect the share of the costs of operations of the Federation which are considered necessarily

and reasonably incurred for the purpose of assisting local unions and councils 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 or council as representative of the employees in the bargaining unit; and the maintenance of the Federation's, local unions' and councils' associational existence.

The following are examples of expenditures classified as chargeable: preparation for and negotiation of collective bargaining agreements; contract administration including investigation and processing of 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 respecting the Federation's position on work-related matters; maintaining membership; employee group programs; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

*Non-chargeable expenses* – Non-chargeable expenses are those of an ideological or political nature and those 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 are examples of non-chargeable expenses: lobbying, electoral or political activities outside the limited context of contract ratification or implementation; litigation expenses that do not concern the objecting employees' bargaining unit; and public relations efforts designed to enhance the reputation of the professions and occupations represented by the Federation.

3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE

*Salaries* - Salaries of officers and staff have been allocated between chargeable and non-chargeable expense based on time spent on chargeable activities. The salaries of clerical personnel have been allocated between chargeable and non-chargeable expense in the same percentage as officers and staff.

AFT-OREGON  
NOTES TO COMBINED STATEMENT OF GENERAL FUND, SOLIDARITY AND PAC FUNDS,  
DEFENSE FUND AND BUILDING FUND EXPENSES AND ALLOCATION BETWEEN  
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010

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*Fringe benefits and payroll taxes* - These expenses are allocated on the basis of salary expense allocations described above.

*Travel and related expenses* - Travel and related expenses are allocated based on staff activity expense records.

*Dues, contributions and memberships* - Dues, contributions and membership fees to all organizations are considered to be 100% non-chargeable.

*Publications and communication* - The direct costs of printing and mailing the Federation's newspaper are allocated based on the specific content of articles in the publication as determined by the Federation.

*Advertising* - Advertising costs are allocated based on the specific content of the advertisement as determined by the Federation.

*Training programs and conferences* - Training programs and conferences are to enhance local officers, leaders and member's knowledge and skills in collective bargaining, grievance handling and contract administration. These expenses are 100% chargeable.

*Scholarships and awards* - Scholarships are considered to be 100% non-chargeable. Award expenses are allocated based upon the nature and purpose of the award.

*Assistance to locals* - Expenses of organizing, collective bargaining, assistance to local unions, including its staff assistance programs, grievance handling, contract administration, etc. are 100% chargeable.

*Projects and coalitions* - Costs of participating in projects and coalitions with others are allocated between chargeable and non-chargeable expense based on the nature, content and purpose of each project as determined by the Federation according to the definitions described in Note 2.

*Legal, audit and professional fees - agency shop* - Legal and audit expenses - agency shop are fees paid to outside lawyers and auditors. These expenses have been allocated between chargeable and non-chargeable expense based on time spent on specific projects or activities.

*Conventions and conferences* - The annual convention of the Federation and conventions and meetings of affiliates are considered 100% chargeable under the U.S. Supreme Court's ruling in Lehnert v. Ferris Faculty Association. All other conventions are considered to be 100% non-chargeable.

*Political action expenses* - As discussed in Note 1, political action expenditures paid out of member and voluntary

contributions are excluded from this statement. All other political action and related expenditures are considered 100% non-chargeable.

*General and administrative expenses* - General and administrative expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as total direct expenses.

#### 4. SUBSEQUENT EVENTS

Subsequent events were evaluated through September 23, 2011, which is the date the financial statements were available to be issued.

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