

**LOS RIOS COLLEGE FEDERATION OF TEACHERS  
LOCAL 2279**

**STATEMENT OF EXPENSES  
AND THE  
ALLOCATION BETWEEN CHARGEABLE  
AND NON-CHARGEABLE EXPENSES**

**JUNE 30, 2010**

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To the Executive Board  
Los Rios College Federation of Teachers  
Local 2279  
Sacramento, CA 95816

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statement of allocated chargeable and non-chargeable expenses of the Los Rios College Federation of Teachers, Local 2279, (a California non-profit labor union) for the twelve months ended June 30, 2010. This statement is the responsibility of the Los Rios College Federation of Teachers, Local 2279. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit of the 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 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 the Los Rios College Federation of Teachers' management, as well as evaluating the overall presentation of the combined 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 the Los Rios College Federation of Teachers for the year ended June 30, 2010, on the modified cash basis of accounting as described in Note 1b. Columns B and C represent the allocated expenses between chargeable and non-chargeable, on the basis of the definitions, factors and assumptions referenced in Column D and described in Notes 2 and 3.

Due to the timely nature of this report, certain calculations were based on percentage rates used in prior years. The resulting variance is expected to be immaterial.

In our opinion, the statement referred to above presents fairly in all material respects, the statement of expenses and the allocation between chargeable and non-chargeable expenses of the Los Rios College Federation of Teachers, Local 2279, for the twelve months ending June 30, 2010.

Allen Monahan, CPA  
Alta Loma, CA 91701  
August 22, 2010

**LOS RIOS COLLEGE FEDERATION OF TEACHERS  
LOCAL 2279**

**STATEMENT OF EXPENSES AND ALLOCATED  
CHARGEABLE AND NON-CHARGEABLE EXPENSE**

**June 30, 2010**

	<u>Audited Expenses</u>	<u>Chargeable</u>	<u>Non Chargeable</u>	<u>See Note 3</u>
Insurance	\$ 12,013.75	\$ 11,625.71	\$ 388.04	b
Advertising and Promotion	10,684.28	10,684.28	-	d
Per Capita Tax	1,008,427.59	733,933.60	274,493.99	e
Dues & Subscriptions	1,042.11	1,008.45	33.66	b
Legal	54,010.00	53,878.00	132.00	f
Education	6,498.25	-	6,498.25	f
Printing	7,054.49	6,826.63	227.86	f
Member Activities	18,884.52	8,309.19	10,575.33	f
Accounting	11,406.05	11,406.05	-	c
Equipment Lease	5,990.41	5,796.92	193.49	b
Miscellaneous	37.87	36.65	1.22	b
Parking	6,316.00	6,111.99	204.01	b
License, Taxes & Fees	9,666.56	9,354.33	312.23	b
Postage	3,774.67	3,652.75	121.92	b
Repairs & Maintenance	25,879.58	25,043.67	835.91	b
Telecommunications	11,478.52	11,107.76	370.76	b
Supplies	6,514.71	6,304.28	210.43	b
Utilities	3,685.56	3,566.52	119.04	b
Depreciation	42,929.65	41,543.02	1,386.63	b
Interest Expense	24,918.01	24,113.16	804.85	b
Janitorial Service	4,275.00	4,136.92	138.08	b
Yard Maintenance	960.00	928.99	31.01	b
Meals	10,501.61	10,162.41	339.20	b
Staff Development	544.93	527.33	17.60	b
Travel/Conferences/Conventions	58,181.40	56,302.14	1,879.26	b
EB/Union Meetings	5,854.49	5,854.49	-	c
College Activities Expense	2,218.13	2,146.48	71.65	b
Automobile	1,135.05	1,098.39	36.66	b
Retirement Benefits	29,386.98	28,437.78	949.20	b
Salary Reimbursement	40,845.90	37,435.27	3,410.63	f
Worker's Comp. Insurance	2,269.56	2,196.25	73.31	a
Payroll Taxes	13,432.84	12,998.96	433.88	a
Wages	177,539.82	171,805.28	5,734.54	a
	<u>\$ 1,618,358.29</u>	<u>\$ 1,308,333.65</u>	<u>\$ 310,024.64</u>	

**Chargeable and Non-chargeable Rates**

**80.8400%**

**19.1600%**

The accompanying notes are an integral part of these financial statements

**LOS RIOS COLLEGE FEDERATION OF TEACHERS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

- (a) **Activity:** The Los Rios College Federation of Teachers, Local 2279, a California nonprofit labor union, provides representation to full and part time teachers employed in the Los Rios Community College District. The District is made up of four colleges; Sacramento City College, American River College, Cosumnes River College and Folsom Lake College.

The Local is affiliated with the American Federation of Teachers (AFT), the California Federation of Teachers (CFT), and the Sacramento Central Labor Council. A portion of dues and agency fees, known as per capita payments, are paid to these affiliated organizations. The CFT reimburses approximately 36 percent of the per capita payments to the Local for professional staff salaries and benefits.

- (b) **Modified Cash Basis** accounting has been used in the preparation of the financial statements. Modified cash basis is a comprehensive basis of accounting other than generally accepted accounting principles. Although this basis may recognize certain accruals, revenue and related assets are generally recognized when received rather than when earned, and expenses are generally recognized when paid rather than when the obligation is incurred. A statement of Cash Flows is not required in presentations on the modified cash basis of accounting.
- (c) **Property and Equipment:** Land, Building, Building Improvements, and Furniture and Equipment are stated at cost. Depreciation is determined for related groups of assets under the straight-line method, based upon their estimated useful lives. Minor renewals or replacements, maintenance and repairs are expensed. Major replacements and improvements that extend the life or service of the asset are capitalized.
- (d) **Use of Estimates** and assumptions as described herein have been made by management in the preparation of the Statement of Expenses and the Allocation Between Chargeable and Non-Chargeable Expenses.
- (e) **Certain Significant Estimates** include accruals based on historical performance, contingent liabilities, valuation of assets, liabilities and expense.
- (f) **Tax Exempt Status:** No provision for income tax has been made since the Union is a not for profit tax exempt organization.

**LOS RIOS COLLEGE FEDERATION OF TEACHERS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

Note 2. **Definitions and guidelines for identifying and allocating chargeable and non-chargeable activities and expenses.**

**Chargeable Expenses:** CHARGEABLE expenses are those incurred by the Union, that reflect the share of the costs of operations of the Union which are considered necessarily and reasonably incurred in the performance of its legal and contractual duties and obligations as a representative of employees in dealing with the employer on labor management issues, including the cost of: negotiation and administering collective bargaining agreements; prosecuting and 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 Union; and the maintenance of the Union's existence.

The following are examples of activities classified as CHARGEABLE:

- Preparation for and negotiations of collective bargaining agreements
- Contract administration including investigation and processing grievances
- Meetings, conferences, administrative hearings, arbitrations, court proceedings and pertinent investigation and research in connection with work-related problems of employees
- Communications with community organizations, civic groups, government agencies and the media respecting the Union's position on work-related matters
- Maintaining membership and employee group records
- Providing legal, economic and technical expertise on behalf of employees in all work-related matters
- Organizing within existing bargaining units (industries, markets, trades)

**Non-chargeable Activities/Expenses:** NON-CHARGEABLE expenses are those of an ideological/social 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. The term "ideological" is defined as support for or against certain social positions that the Union may take which are not work-related. The following activities are examples of items classified as NON-CHARGEABLE:

- Litigation that is not bargaining unit related
- Electoral or political activities outside the limited context of contract ratification or implementation
- Public relations efforts designed to enhance the reputation of the membership
- Organizing aimed at recruiting new members of new industries, trades, work forces.
- Members' only activities
- Support of social causes
- Support of charitable organizations

**LOS RIOS COLLEGE FEDERATION OF TEACHERS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

Note 3.      **Significant factors and assumptions used in the allocation of expenses between chargeable and non-chargeable**

- (a) Salaries and Benefits include wages, payroll taxes, pension contributions, medical and welfare benefits. These items are allocated between chargeable and non-chargeable expense based on the time spent by the Union's staff in chargeable verses non-chargeable activities. The Union's staff are required to estimate all hours worked and the percentages of time in chargeable activities and non-chargeable activities are then applied proportionally to the total expense item. The same percentage rates are then applied to all line items in the salary and benefit category.
- (b) These expenses are prorated the same as Salaries and Benefits. Analysis determined that usage/expense could be prorated equitably based on time spent by personnel within CHARGEABLE and NON-CHARGEABLE activities.
- (c) These expenses relate to governance and are considered chargeable.
- (d) Organizing activities within the Union's existing industry, trades, or bargaining units are considered 100% chargeable.
- (e) For per capita tax or dues paid to affiliated organizations, correspondence is sent to each such affiliate requesting verification of that entity's chargeable and non-chargeable proration. In those instances where the affiliated entity does not provide a verified audit report, all payments to that entity are non-chargeable. Where verified audit reports are received from an affiliate, the chargeable and non-chargeable portion are prorated with the report.
- (f) Specific and detailed analysis of each expenditure is applied to determine the chargeable and non-chargeable proration consistent with the definitions set forth herein.