

MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN  
CHARGEABLE AND NON-CHARGEABLE EXPENSES -  
MODIFIED CASH BASIS

YEAR ENDED MAY 31, 2008

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**INDEPENDENT AUDITORS' REPORT**

To the Executive Board  
Montgomery County Community College Faculty  
Local 4272 - American Federation of Teachers

We have audited the accompanying statement of expenses and allocation between chargeable and non-chargeable expenses - modified cash basis of Montgomery County Community College Faculty, Local 4272 - American Federation of Teachers (the Federation) for the year ended May 31, 2008. This statement is the responsibility of the Federation's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit of this statement 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 on page 2 are based on the expenses of the Federation for the year ended May 31, 2008. The allocation of expenses between chargeable and non-chargeable is based on the definitions and significant factors and assumptions described in Notes 2 and 3.

As described in Note 1, this financial statement was prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the aforementioned statement presents fairly, in all material respects, the expenses of Montgomery County Community College Faculty for the year ended May 31, 2008 and the allocated expenses between chargeable and non-chargeable expenses, on the basis of accounting as described in Note 1 and on the definitions and significant factors and assumptions described in Notes 2 and 3.

This report is intended solely for the information and use of Montgomery County Community College Faculty and its agency fee payers and is not intended to be and should not be used by anyone other than these specified parties.



Philadelphia, Pennsylvania  
July 23, 2008

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
 LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
 STATEMENT OF EXPENSES AND ALLOCATION BETWEEN  
 CHARGEABLE AND NON-CHARGEABLE EXPENSES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED MAY 31, 2008**

	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Non-Chargeable Expenses</u>
<b>Direct Expenses</b>			
Conferences and Conventions	\$ 6,548	\$ 6,548	\$ -
Gifts and Contributions	77	-	77
Meeting Expense	14,950	14,950	-
Per Capitas and Insurances	82,654	57,284	25,370
Professional Fees	9,442	9,442	-
Public Relations	394	194	200
Salaries	21,533	21,533	-
Scholarships	1,000	-	1,000
	<u>136,598</u>	<u>109,951</u>	<u>26,647</u>
<b>Total Direct Expenses</b>			
<b>General, Administrative &amp; Operating Expenses</b>			
Liability Insurance	675	543	132
Bank Fees	35	28	7
Dues and Subscriptions	1,102	887	215
Office Expenses	533	429	104
	<u>2,345</u>	<u>1,887</u>	<u>458</u>
<b>Total General, Administrative &amp; Operating Expenses</b>			
	<u>138,943</u>	<u>111,838</u>	<u>27,105</u>
<b>Total Expenses</b>			
	<u>100%</u>	<u>80.49%</u>	<u>19.51%</u>
<b>Dues Allocation Percentage</b>			

The accompanying notes are an integral part of this financial statement.

MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN  
CHARGEABLE AND NON-CHARGEABLE EXPENSES - MODIFIED CASH BASIS  
MAY 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**

The accompanying statement was prepared for the purpose of determining the fair share cost of services rendered by the Montgomery County Community College Faculty, Local 4272 - American Federation of Teachers (the Federation) for 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, activities or its cash flows in accordance with the modified cash basis of accounting.

The accompanying financial statement has been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. That basis differs from generally accepted accounting principles primarily because the Federation recognizes expenses when paid, rather than when incurred.

**Income Taxes**

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

**Use of Estimates**

The presentation 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. Accordingly, actual results could differ from those estimates.

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.

MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN  
CHARGEABLE AND NON-CHARGEABLE EXPENSES - MODIFIED CASH BASIS  
MAY 31, 2008

NOTE 2 - DEFINITIONS (CONTINUED)

**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 performance of its duties as the exclusive representative of the Montgomery County Community College Faculty with the employer in dealing with labor management issues including the cost of: negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreements, or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the Federation as representative of the Montgomery County Community College Faculty in the bargaining unit.

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, arbitrial 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 and recruitment of members; 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.

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 Federation 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; and public relations efforts designed to enhance the reputation of the teaching profession.

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MAY 31, 2008

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

**Gifts, Contributions and Scholarships**

Contributions to organizations or scholarships to individuals are considered to be 100 percent non-chargeable.

**Per Capitas**

Per Capita expense is the payment of dues to the American Federation of Teachers (AFT), Pennsylvania Federation of Teachers (PAFT), and the Pennsylvania AFL-CIO. Allocation of per capita is based on the resulting percentage for chargeable and non-chargeable expenses for AFT and PAFT using their most recent reports. Per capita expenses to the Pennsylvania AFL-CIO are considered 100% non-chargeable due to the lack of audited determinations from this affiliate. AFT liability insurance benefits are considered 100% non-chargeable.

**Salaries**

Salary expenses have been allocated to chargeable and non-chargeable expenses based on time spent by personnel on chargeable and non-chargeable activities.

**General, Administrative and Operating Expenses**

General, administrative and operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratios as allocated to direct expenses.

NOTE 4 - DUES ALLOCATION

Applying the categories of chargeable and non-chargeable expenses to the activities and undertakings of the Federation, it was determined that 80.49% of the total expenses of the Federation were chargeable to fair share fee payers.