

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY**

**LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS**

**FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

**FOR THE YEAR ENDED MAY 31, 2019**

## **C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>FINANCIAL STATEMENTS - MODIFIED CASH BASIS</b>	
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis	3
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis	4
Notes to Financial Statements	5-8

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Montgomery County Community College Faculty Local 4272 - American Federation of Teachers (a nonprofit organization), which comprise the Statement of Assets, Liabilities, and Net Assets—Modified Cash Basis as of May 31, 2019, and the related Statement of Revenue, Expenses and Change in Net Assets—Modified Cash Basis for the year then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

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

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 financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Montgomery County Community College Faculty Local 4272 - American Federation of Teachers as of May 31, 2019, and its revenue, expenses and change in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

**Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on 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 that matter.



August 27, 2019

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
MAY 31, 2019**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 112,643
Investments	<u>357,314</u>
Total Current Assets	<u>469,957</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 469,957</u></b>
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**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>	\$ -
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<b>Net Assets Without Donor Restrictions</b>	<u>469,957</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 469,957</u></b>
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The accompanying notes are an integral part of this financial statement.

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS - MODIFIED CASH BASIS  
FOR TE YEAR ENDED MAY 31, 2019**

**Revenues**

Member Dues	\$ 136,143
Interest and Dividend Income	8,468
Unrealized Gain on Investment	<u>5,696</u>
Total Revenues	<u>150,307</u>

**Expenses**

Program Services:	
Per Capitas	80,991
Member Insurances	<u>1,452</u>
Total Program Services	82,443
Support Services:	
Management and General	<u>34,106</u>
Total Expenses	<u>116,549</u>
Increase in Net Assets Without Donor Restrictions	33,758
<b>Net Assets Without Donor Restrictions - Beginning of Year</b>	<u>436,199</u>
<b>Net Assets Without Donor Restrictions - End of Year</b>	<u><u>\$ 469,957</u></u>

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

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2019**

**NOTE 1 - ORGANIZATION'S ACTIVITY**

The Montgomery County Community College Faculty, Local 4272 - American Federation of Teachers (the Federation) is a non-profit labor organization serving employees of the Montgomery County Community College in collective bargaining with the President and Board of Trustees of Montgomery County Community College. The Federation was organized to represent the interest of all of the members of the bargaining unit without discrimination, to improve the conditions of employment and to enhance the well-being of the Montgomery County Community College faculty.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. That basis differs from accounting principles generally accepted in the United States primarily because the Federation recognizes expenses when paid, rather than when incurred and revenues when received rather than when earned.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of two checking accounts and two money market accounts. The Federation considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

**Income Taxes**

No provision has been made for income taxes due to the Federation's tax-exempt status under the Internal Revenue Code Section 501(c)(5). Management believes that the Federation continues to qualify and to operate in accordance with applicable provisions of the Internal Revenue Code. The IRS Form 990 informational returns of the Federation for 2018, 2017 and 2016 are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

**Subsequent Events**

Management has evaluated subsequent events through August 27, 2019, the date the financial statements were available to be issued.

**NOTE 3 - NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions are used to account for funds which have not been restricted by donors and are available for the current operations of the Federation. There were no net assets with donor restrictions at May 31, 2019.

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2019**

**NOTE 4 - RELATED PARTY TRANSACTIONS**

The Federation has significant transactions with affiliates. The Federation is a member of certain organizations (listed below) and is required to pay per capita dues, accordingly. In addition, the Federation pays accident and liability insurance to the American Federation of Teachers. The amounts of these transactions with these affiliates are summarized as follows:

<b>Per Capita Expense</b>	
American Federation	\$ 48,532
AFT-Pennsylvania	28,709
Pennsylvania AFL-CIO	<u>3,750</u>
<b>Total</b>	<b><u>\$ 80,991</u></b>

**NOTE 5 - CONTINGENCIES**

From time to time, the Federation defends its members in legal actions arising from our normal business activities. In the opinion of management, all such matters are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Federation, upon resolution.

**NOTE 6 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Federation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Federation has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

For the purposes of analyzing resources available to meet general expenditures over a 12-month period, the Federation considers all expenditures related to its ongoing activities of the operating program as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Federation's financial assets at May 31, 2019:

Cash and Cash Equivalents	\$ 112,643
Investments	<u>357,314</u>
<b>Total Financial Assets</b>	<b>\$ 469,957</b>

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2019**

**NOTE 6 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)**

Financial assets available to meet cash needs for general expenditures within one year are \$469,957. As part of the Federation's liquidity management, it invests cash in excess of daily requirement in short term investments, typically Money Market Funds, Certificate of Deposit and Mutual funds. In addition to financial assets to meet general expenditures over the next 12 months, the Federation anticipates collecting sufficient revenue to cover general expenditures.

**NOTE 7 - FUNCTIONAL EXPENSES**

In accordance with ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, the Federation has elected to report its natural expenses on its statement of activities and its functional expenses in the table below. Accordingly, the Federations functional expenses, for the year ended May 31, 2019 are as follows:

	Program Activities	Supporting Activities
AFT Dues	\$ 48,532	\$ -
AFT-Pennsylvania Dues	28,709	-
Pennsylvania AFL-CIO Dues	3,750	-
Member Insurances	1,452	-
Conferences and Conventions	-	2,150
Gifts and Contributions	-	6,076
Liability Insurance	-	1,578
Meetings	-	4,656
Office	-	1,955
Professional Fees	-	12,426
Salaries	-	5,265
	<u>\$ 82,443</u>	<u>\$ 34,106</u>



**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2019**

**NOTE 8 - INVESTMENTS**

Investment income or loss (including realized and gains/losses on investments, interest and dividends) is reported as an increase or decrease in net assets without donor restrictions in the reporting period recognized, unless the income or loss is restricted by donor or law.

*Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement). Secondary priority is given to observable market-based inputs other than quoted prices in active markets for identical assets or liabilities. This includes instruments that are primarily valued using valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data (Level 2 measurement). Finally, there are prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. This is comprised of instruments whose fair value is estimated based on a market approach using alternate techniques or internally developed models using significant inputs that are generally less readily observable because of limited market activity or little transparency (Level 3 measurement). The Federation utilizes quoted market prices to determine the fair value of its investments, as such based upon the framework outlined above, the investments were classified within Level 1 of the fair value hierarchy. The Federation's investments at May 31, 2019 were as follows:

	Carrying Value	Fair Value Measurement at Reportable Date Using			Total
		Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>Cash and Cash Equivalents</i>					
Cash	\$ 837	\$ 837	\$ -	\$ -	\$ 837
Money Market Account	111,806	111,806	-	-	111,806
<i>Certificate of Deposit</i>	77,223	77,223	-	-	77,223
<i>Mutual Funds</i>					
Vanguard Balanced Index Fund					
Admiral Shares					
(60% equities, 40% fixed income)	274,394	280,091	-	-	280,091
	<u>\$ 464,260</u>	<u>\$ 469,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,957</u>

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY  
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS  
SUPPLEMENTAL SCHEDULE OF EXPENSES - MODIFIED CASH BASIS  
FOR TE YEAR ENDED MAY 31, 2019**

**MANAGEMENT AND GENERAL**

Conferences and Conventions	\$ 2,150
Gifts and Contributions	6,076
Liability Insurance	1,578
Meetings	4,656
Office	1,955
Professional Fees	12,426
Salaries	5,265
	<hr/>
Total Management and General	<u><u>\$ 34,106</u></u>

**PROGRAM SERVICES**

AFT Dues	\$ 48,532
AFT-Pennsylvania Dues	28,709
Pennsylvania AFL-CIO Dues	3,750
Member Insurances	1,452
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Total Program Services	<u><u>\$ 82,443</u></u>

See independent auditors' report on supplemental information.