

MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY

LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS

FINANCIAL STATEMENTS - MODIFIED CASH BASIS

FOR THE YEAR ENDED MAY 31, 2023

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
FOR THE YEAR ENDED MAY 31, 2023**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2023, and the related statement of revenue, expenses and changes in net assets—modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets—modified cash basis of Montgomery County Community College Faculty Local 4272 – American Federation of Teachers as of May 31, 2023, and its revenue, expenses and change in net assets—modified cash basis for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montgomery County Community College Faculty Local 4272 – American Federation of Teachers and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Montgomery County Community College Faculty Local 4272 – American Federation of Teachers internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County Community College Faculty Local 4272 – American Federation of Teachers ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in dark ink, appearing to read "Jeffrey Radtich".

June 28, 2023

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
MAY 31, 2023**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 338,452
Investments	<u>284,745</u>
Total Current Assets	<u>623,197</u>

TOTAL ASSETS	<u>\$ 623,197</u>
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LIABILITIES AND NET ASSETS

Liabilities	\$ -
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Net Assets Without Donor Restrictions	<u>623,197</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 623,197</u>
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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 THE YEAR ENDED MAY 31, 2023**

Revenues

Member Dues	\$ 124,714
Interest and Dividend Income	10,213
Unrealized Loss on Investment	<u>(3,179)</u>
Total Revenues	<u>131,748</u>

Expenses

Program Services:	
Per Capitas	77,167
Member Insurances	<u>1,247</u>
Total Program Services	78,414

Support Services:

Management and General	<u>37,100</u>
Total Expenses	<u>115,514</u>

Increase in Net Assets Without Donor Restrictions	16,234
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Net Assets Without Donor Restrictions - Beginning of Year	<u>606,963</u>
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Net Assets Without Donor Restrictions - End of Year	<u><u>\$ 623,197</u></u>
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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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2023**

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 one checking account and three 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 2022, 2021 and 2020 are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed. Management has indicated that they are not aware of any examination being performed by the IRS and/or state taxing authorities.

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 June 28, 2023, the date the financial statements were available to be issued. Management is not aware of any subsequent events that need to be disclosed as of the date of this report.

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2023**

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, 2023.

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 liability insurance to the American Federation of Teachers. The amounts of these transactions with these affiliates are summarized as follows:

Per Capita and Member Insurance Expenses	
American Federation of Teachers	\$ 46,921
AFT-Pennsylvania	26,881
Pennsylvania AFL-CIO	3,365
Member Insurance	<u>1,247</u>
Total	<u>\$ 78,414</u>

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, 2023:

Cash and Cash Equivalents	\$ 338,452
Investments	<u>284,745</u>
Total Financial Assets	<u>\$ 623,197</u>

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2023**

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

Financial assets available to meet cash needs for general expenditures within one year are \$623,197. 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 Deposits 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. The allocation of expenses is based upon the estimate of time and effort. Accordingly, the Federations functional expenses, for the year ended May 31, 2023 are as follows:

	Program Activities	Support Activities
AFT Dues	\$ 46,921	\$ -
AFT-Pennsylvania Dues	26,881	-
Pennsylvania AFL-CIO Dues	3,365	-
Member Insurances	1,247	-
Conferences and Conventions	369	-
Gifts and Contributions	-	1,938
Liability Insurance	-	1,065
Meetings	-	6,385
Office	-	2,117
Professional Fees	-	9,684
Salaries	-	15,542
	<u>\$ 78,783</u>	<u>\$ 36,731</u>

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2023**

NOTE 8 - INVESTMENTS

Investment income or loss (including realized/unrealized 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, 2023 were as follows:

	Carrying Value	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<i>Cash and Cash Equivalents</i>					
Cash	\$ 11,081	\$ 11,081	\$ -	\$ -	\$ 11,081
Money Market Account	225,938	225,938	-	-	225,938
<i>Certificate of Deposit</i>	100,000	101,433	-	-	101,433
<i>Mutual Funds</i>					
Vanguard Balanced Index Fund Admiral Shares (60% equities, 40% fixed income)	211,058	222,928	-	-	222,928
<i>Annuity</i>					
Fidelity - 3 year 1.185% Annuity	58,258	61,817	-	-	61,817
	<u>\$ 606,335</u>	<u>\$ 623,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,197</u>