

MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY

LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS

FINANCIAL STATEMENTS - MODIFIED CASH BASIS

FOR THE YEAR ENDED MAY 31, 2017

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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 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, 2017, 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, 2017, 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 this matter

Handwritten signature in cursive script: Heffler, Radtich & Saitta, LLP

August 15, 2017

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
MAY 31, 2017**

ASSETS

Current Assets

| | |
|---------------------------|----------------|
| Cash and Cash Equivalents | \$ 60,467 |
| Investments | <u>314,190</u> |
| Total Current Assets | <u>374,657</u> |

TOTAL ASSETS \$ 374,657

LIABILITIES AND NET ASSETS

| | |
|-------------------------|----------------|
| Liabilities | \$ - |
| Unrestricted Net Assets | <u>374,657</u> |

TOTAL LIABILITIES AND NET ASSETS \$ 374,657

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, 2017**

| | |
|--|------------------------|
| Unrestricted Revenues | |
| Member Dues | \$ 189,761 |
| Interest and Dividend Income | 4,812 |
| Unrealized Gain on Investment | 18,173 |
| Advertising | 720 |
| | <hr/> |
| Total Unrestricted Revenues | 213,466 |
| | <hr/> |
| Expenses | |
| Program Services: | |
| Per Capitas | 99,154 |
| Member Insurances | 1,457 |
| | <hr/> |
| Total Program Services | 100,611 |
| Support Services: | |
| Management and General | 58,471 |
| | <hr/> |
| Total Expenses | 159,082 |
| | <hr/> |
| Increase in Unrestricted Net Assets | 54,384 |
| Unrestricted Net Assets - Beginning of Year | <hr/> 320,273 |
| Unrestricted Net Assets - End of Year | <hr/> <hr/> \$ 374,657 |

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, 2017**

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 a checking account and a money market account. 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 2016, 2015 and 2014 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.

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017**

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent Events

Management has evaluated subsequent events through August 15, 2017, the date the financial statements were available to be issued.

NOTE 3 - **NET ASSETS**

Net assets at May 31, 2017 consist of unrestricted amounts. Unrestricted balances are available for the current operations of the Federation. There were no permanently or temporarily restricted net assets at May 31, 2017.

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:

| Per Capita Expense | |
|---------------------------|-------------------------|
| American Federation | \$ 59,503 |
| AFT-Pennsylvania | 35,893 |
| Pennsylvania AFL-CIO | <u>3,758</u> |
| Total | <u><u>\$ 99,154</u></u> |

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017**

NOTE 5 - **INVESTMENTS**

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is reported as an increase or decrease in unrestricted net assets 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, 2017 were as follows:

Fair Value Measurement at Reportable Date Using

| | Carrying Value | Quoted Prices in Active Markets for Identifiable Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|------------------------|----------------|--|---|--|----------|
| Cash | \$ 6,555 | \$ 6,555 | \$ - | \$ - | \$ 6,555 |
| Money Market Funds | 53,912 | 53,912 | - | - | 53,912 |
| Certificate of Deposit | 75,060 | 75,060 | | | 75,060 |

Mutual Funds

| | | | | | |
|--|-------------------|-------------------|-------------|-------------|-------------------|
| Vanguard Balanced Index Fund Admiral Shares (60% equities, 40% fixed income) | 239,130 | 239,130 | - | - | 239,130 |
| | <u>\$ 374,657</u> | <u>\$ 374,657</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 374,657</u> |

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

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

We have audited the financial statements – modified cash basis of Montgomery County Community College Faculty Local 4272 - American Federation of Teachers as of and for the year ended May 31, 2017, and have issued our report thereon dated August 15, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of expenses-modified cash basis is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



August 15, 2017

**MONTGOMERY COUNTY COMMUNITY COLLEGE FACULTY
LOCAL 4272 - AMERICAN FEDERATION OF TEACHERS
SUPPLEMENTAL SCHEDULE OF EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED MAY 31, 2017**

MANAGEMENT AND GENERAL

| | |
|------------------------------|-------------------------|
| Conferences and Conventions | \$ 6,106 |
| Gifts and Contributions | 2,071 |
| Liability Insurance | 1,428 |
| Meetings | 5,404 |
| Office | 1,851 |
| Professional Fees | 10,112 |
| Salaries | <u>31,499</u> |
| Total Management and General | <u><u>\$ 58,471</u></u> |

PROGRAM SERVICES

| | |
|---------------------------|--------------------------|
| AFT Dues | \$ 59,503 |
| AFT-Pennsylvania Dues | 35,893 |
| Pennsylvania AFL-CIO Dues | 3,758 |
| Member Insurances | <u>1,457</u> |
| Total Program Services | <u><u>\$ 100,611</u></u> |

See independent auditors' report on supplementary information.