

AFT NEW JERSEY LOCAL #8028
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016
AND JUNE 30, 2015
AND
INDEPENDENT AUDITOR'S REPORT

AFT NEW JERSEY LOCAL #8028

FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and June 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 – 9

LEWIS W. PARKER, III
CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 6510, 9L PRINCESS ROAD
LAWRENCEVILLE, NJ 08648
TEL.: (609) 896-2177
FAX: (609) 844-0133
EMAIL: lparkercpa@erols.com

Delegate Assembly
AFT New Jersey #8028
Edison, New Jersey

Independent Auditor's Report

I have audited the accompanying financial statements of AFT New Jersey Local #8028 (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016 and 2015 and the related statements of activities and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly reflect, in all material respects, the financial position of AFTNJ Local # 8028 as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

July 29, 2016
Lawrenceville, New Jersey

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 804,411	\$ 1,319,690
Cash - restricted	138,058	116,406
Total cash and cash equivalents	<u>942,469</u>	<u>1,436,096</u>
Accounts receivable	297,341	251,999
Prepaid expenses	17,885	18,494
Total current assets	<u>1,257,695</u>	<u>1,706,589</u>
Due from employee	1,247	1,747
Certificates of deposit	733,456	485,734
Office equipment & vehicles net of accumulated depreciation	5,162	18,098
Security deposit	3,000	3,000
Total assets	<u>\$ 2,000,560</u>	<u>\$ 2,215,168</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 43,502	\$ 34,000
Accrued vacation and sick pay	79,659	72,149
Disaster relief exchange	-	12,999
Solidarity exchange	140,794	115,724
Total current liabilities	<u>263,955</u>	<u>234,872</u>
Net Assets:		
Unrestricted net assets:		
Undesignated	1,574,725	1,820,616
Board designated	161,880	159,680
Total net assets	<u>1,736,605</u>	<u>1,980,296</u>
Total liabilities and net assets	<u>\$ 2,000,560</u>	<u>\$ 2,215,168</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and June 30, 2015

	<u>2016</u>	<u>2015</u>
Revenue and support:		
Dues from locals	\$ 1,236,428	\$ 1,306,039
AFT Assistance	27,000	30,240
AFT Rebate	42,475	48,301
Interest income	12,186	9,287
Other income	<u>72,186</u>	<u>57,442</u>
Total revenue and support	<u>1,390,275</u>	<u>1,451,309</u>
Expenses:		
Automobile expense	7,717	2,848
Budgets	13,600	19,095
Contributions	2,100	100
Depreciation	12,935	8,702
Dues and subscriptions	230	-
Health and welfare	874	156
Insurance:		
Automobile	4,602	4,486
Business travel	-	1,015
Disability/Life	7,284	4,778
Health insurance and reimbursements	159,947	139,788
Liability/bond	2,872	2,688
Workmen's compensation	5,734	3,251
IT upgrades	2,102	429
Legal defense grants	228,126	125,715
Lobbyist	61,002	61,002
Meetings/conferences/conventions	45,514	47,983
Office equipment - leases	14,566	8,404
Office expense	11,270	13,824
Organizing expense	59,074	8,462
Payroll preparation	4,976	3,837
Payroll taxes	60,122	54,426
Pension	62,980	59,036
Postage	4,703	2,773
Professional fees	38,484	33,723
Rebates to locals	33,741	32,925
Rent	38,264	38,524
Research grants	6,198	-
Scholarship expense	9,127	-
Staff payroll	725,554	656,710
Telephone and internet	<u>10,268</u>	<u>8,147</u>
Total expenses	<u>1,633,966</u>	<u>1,342,827</u>
Change in unrestricted net assets	(243,691)	108,482
Net assets:		
Beginning of period	<u>1,980,296</u>	<u>1,871,814</u>
End of period	<u>\$ 1,736,605</u>	<u>\$ 1,980,296</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and June 30, 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (243,691)	\$ 108,482
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,935	8,702
Changes in operating assets and liabilities:		
Accounts receivable and due from employee	(44,842)	(111,718)
Prepaid expenses	609	246
Accounts payable	(75)	9,534
Accrued vacation and sick pay	7,510	7,289
	<u>(23,863)</u>	<u>(85,947)</u>
Total adjustments		
Net cash provided by operating activities	<u>(267,554)</u>	<u>22,535</u>
Cash flows provided by (used by) investing activities:		
Purchase of certificates of deposit	(733,459)	(485,734)
Proceeds from certificates of deposit	485,734	308,515
Purchase of equipment	-	(2,888)
	<u>(247,725)</u>	<u>(180,107)</u>
Net cash used in investing activities		
Net increase (decrease) in cash	(515,279)	(157,572)
Cash and cash equivalents, beginning of period	<u>1,319,690</u>	<u>1,477,262</u>
Cash and cash equivalents, end of period	<u>\$ 804,411</u>	<u>\$ 1,319,690</u>

The accompanying notes are an integral part of these financial statements.

AFT NEW JERSEY LOCAL #8028

NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization

The AFT New Jersey Local #8028 (AFTNJ), is affiliated with the American Federation of Teachers. The purpose of the State Federation is to represent members in the state of New Jersey.

2. Summary of Significant Accounting Policies

The financial statements of AFT New Jersey Local #8028 are prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation:

Resources are classified for accounting and reporting purposes, based on the existence or absence of donor - imposed restrictions, into three net asset categories - unrestricted, temporarily restricted, and permanently restricted. For the years ended June 30, 2016 and 2015, the AFTNJ Local #8028 had accounting transactions in only one of the net asset categories, as follows:

- Unrestricted – which include undesignated and board designated resources, represent the portion of expendable funds that is available for support of Union operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Office Equipment and Vehicles

Office equipment and vehicles are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful of the assets which approximates 5 years. When assets are retired or otherwise disposed of the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred. It is the policy of the organization to capitalize fixed asset purchases greater than \$2,000.

Cash and Cash Equivalents

Cash consists of cash held in checking accounts and money market accounts at various institutions. At June 30, 2016 and 2015 cash in the bank accounts exceeded the federally insured amounts by approximately \$- 0 - and \$86,000, respectively.

Reclassification

Certain items relating to the year ended June 30, 2015 have been reclassified to conform with the current year's presentation.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

AFT NEW JERSEY LOCAL #8028

NOTES TO FINANCIAL STATEMENTS
(Continued)2. Summary of Significant Accounting Policies (continued)Accounting for Uncertainty in Income Taxes

The Organization adopted the provisions of FASB ASC740-10 relating to uncertainty in income taxes. The implementation included evaluating the tax positions taken on all income tax returns that remain open to examination by the respective taxing authorities. The Organization does not believe that there are any uncertain tax positions on those returns that meet the requirements of FASB ASC740-10 and therefore should be reflected in the financial statements. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

The Organization is subject to routine audits by taxing authorities. There are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examination for years prior June 30, 2013.

3. Income Taxes

AFT New Jersey Local #8028, is a tax-exempt organization under Section 501(c)(5) of the Internal Revenue Code.

4. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest bearing accounts	\$ 698,243	\$ 1,161,470
Non interest bearing accounts:		
Disaster relief account	-	12,999
Operating account	100,576	118,822
Payroll account	5,492	26,299
Solidarity & holding accounts	138,058	116,406
Petty cash	100	100
	<u>\$ 942,469</u>	<u>\$ 1,436,096</u>

5. Certificates of Deposit

Certificates of deposit consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Columbia, due 8/27/16, 1.24%	\$ 245,555	\$ 242,524
Hudson City, due 5/3/16, 1.15%	-	243,210
M & T Bank, due 5/3/21, 2%	245,560	-
Shore Community Bank, due 7/20/17, 1.29%	242,341	-
	<u>\$ 733,456</u>	<u>\$ 485,734</u>

6. Accounts Receivable

Accounts receivable are comprised of the following at June 30:

AFT NEW JERSEY LOCAL #8028

NOTES TO FINANCIAL STATEMENTS
(Continued)6. Accounts Receivable (continued)

	<u>2016</u>	<u>2015</u>
AFT Assistance	\$ 2,160	\$ 2,520
AFT Per Capita	108,713	106,196
AFT Rebates	14,200	15,900
AFT Salary Reimbursement	13,889	13,889
Council of NJS College Locals	86,257	56,296
Newark Teachers Union	57,290	45,054
Rutgers Chapters	14,428	12,144
Other	404	-
	<u>\$ 297,341</u>	<u>\$ 251,999</u>

7. Office Equipment and Vehicles

	Useful Lives	<u>2016</u>	<u>2015</u>
Office equipment	5 years	\$ 15,608	\$ 23,547
Vehicles	3 - 5 years	49,685	49,685
		65,293	73,232
Less: Accumulated depreciation		60,131	55,134
		<u>\$ 5,162</u>	<u>\$ 18,098</u>

Depreciation expense for the years ended June 30, 2016 and June 30, 2015 was \$12,935 and \$8,702, respectively.

8. Rent

The AFT New Jersey Local #8028 leases facilities in Edison, New Jersey. Monthly base rent is \$2,408; however, AFTNJ Local #8028 is subject to monthly CAM charges. The lease expires March 31, 2017.

Office lease expense including maintenance and utilities for the years ended June 30, 2016 and June 30, 2015 were \$38,264 and \$39,000, respectively.

Minimum future lease payments are as follows:

June 30, 2017	\$	21,675
---------------	----	--------

9. Equipment Leases

The AFTNJ Local #8028 leases a copier and postage machine. The leases began August 2013 and August 2014, respectively and end July 2018 and October 2019, respectively. Monthly payments are \$489 and \$237, respectively.

AFT NEW JERSEY LOCAL #8028

NOTES TO FINANCIAL STATEMENTS
(Continued)9. Equipment Leases (continued)

During the year AFTNJ entered into a lease agree for a telephone system. The lease began July 1, 2015 and ends June 30, 2020. The monthly payment is \$182.

Future minimum payments are as follows:

June 30, 2017	\$	10,895
June 30, 2018	\$	5,516
June 30, 2019	\$	5,027
June 30, 2020	\$	2,894

10. Accrued Vacation and Sick Pay

Payment upon termination of unused vacation and sick pay is provided under the terms of employment contracts with the AFTNJ Local #8028's staff. The contracts stipulate that upon termination of employment most employees receive payment for every day of accumulated vacation days remaining and 1 day for every 4 days of sick leave remaining. As of June 30, 2016 and 2015, AFTNJ Local #8028 was liable for unused vacation and sick time in the amount of \$79,659 and \$72,149, respectively.

11. Board Designated Net Assets

Board designated net assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Dental Fund	\$ 28,295	\$ 22,568
Legal Defense Fund	1,593	5,764
Pre K-12	34,755	34,686
Higher Education	86,801	86,627
Retiree Fund	5,024	5,019
Severance Fund	5,412	5,016
	<u>\$ 161,880</u>	<u>\$ 159,680</u>

Separate accounts are maintained by AFTNJ Local #8028 for each of these funds. Use of the funds is limited to the noted benefit.

12. Disaster Relief Fund

AFTNJ Local #8028 had designated \$50,100 of their own money to a disaster relief effort for their members who were affected by Super Storm Sandy. However, requests for help were lower than anticipated and they did not use the \$50,100. This money is part of unrestricted net assets until AFTNJ Local #8028 decides how, or if, to utilize the funds in another disaster situation. During the year ended June 30, 2015 AFTNJ, by a motion from the Delegate Assembly decided to transfer their contribution of \$50,100 back into their operating bank account. To date only \$37,156 of these funds has been disbursed for relief efforts and bank fees. During the year ended June 30, 2016 AFTNJ refunded the unspent contributions of \$6,749 to AFT National.

AFT NEW JERSEY LOCAL #8028

NOTES TO FINANCIAL STATEMENTS
(Continued)12. Disaster Relief Fund (continued)

AFT	35,000
Other locals and members	<u>8,905</u>
	43,905
Less: assistance given to members bank fees and refunded contributions	<u>43,905</u>
Disaster Relief Exchange Balance	<u>\$ -</u>

13. Pension Plan

Pension benefits are provided under the terms of employment contracts with the AFTNJ Local #8028's staff. The contracts stipulate a percentage of the employee's salary of 10% to 13% will be contributed to the Plan. Pension expense for the years ended June 30, 2016 and June 30, 2015 were \$62,980 and \$59,036, respectively.

14. Post Retirement Benefits

Individuals employed after July 1, 1992 who retired with twenty (20) years or service at the age of fifty-five (55) or more years shall be entitled to:

- Health insurance coverage or reimbursement for the cost of coverage; if coverage is not available due to statutory or regulatory restrictions, comparable to the terms and conditions provided to current employees
- Dental and vision coverage according to the same terms and conditions as provided to existing employees
- Once Medicare eligible, retired employees must enroll in Medicare. The AFTNJ shall provide or reimburse the cost of a supplemental single coverage insurance policy to provide benefits comparable to that of current employees

15. Payroll Taxes

All payroll tax deposits are being deposited in a timely manner. All payroll tax returns have been filed on a timely manner.

16. Subsequent Events

The Organization's management evaluated the period from June 30, 2016 to July 29, 2016 for items requiring recognition or disclosure in the financial statements. There were no events occurring during the evaluation period that require disclosure, and there were no events that require recognition in the financial statements.