

RUTGERS COUNCIL OF AAUP CHAPTERS- AFT

**STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**

YEAR ENDED JUNE 30, 2011

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Independent Auditors' Report

To the President and the Executive Council of the
Rutgers Council Of AAUP Chapters- AFT

We have audited the accompanying statement of expenses and allocation between chargeable expenses and non-chargeable expenses of the Rutgers Council Of AAUP Chapters- AFT (The Council) for the year ended June 30, 2011. This statement is the responsibility of the Council'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 financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The total expenses reflected in Column A of the statement are based on the expenses of the Council for the year ended June 30, 2011. The allocation of expenses between chargeable (column B) and non-chargeable (column C) is based on the definitions and significant factors and assumptions described in Notes 2 and 3.

In our opinion, the statement referred to above presents fairly, in all material respects, the expenses of the Rutgers Council Of AAUP Chapters- AFT for the year ended June 30, 2011, and the allocated expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3.

This report is intended solely for the information and use of the Rutgers Council Of AAUP Chapters- AFT and its agency fee payers, and is not intended to be and should not be used by anyone other than these specified parties.

Howard A. Tanz

November 9, 2011

RUTGERS COUNCIL OF AAUP CHAPTERS- AFT
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Column A	Column B		Column C	
	Total	Chargeable	% Chargeable	Non-Chargeable	% Non-Chargeable
	Expenses	Expenses	Expenses	Expenses	Expenses
Payroll	\$865,814.42	\$848,498.13	98.00%	\$17,316.29	2.00%
Payroll taxes	65,950.48	64,631.47	98.00%	1,319.01	2.00%
Fringe benefits	220,469.22	216,059.84	98.00%	4,409.38	2.00%
Operating expenses	141,852.64	139,015.59	98.00%	2,837.05	2.00%
Insurance	19,769.00	19,373.62	98.00%	395.38	2.00%
Legal expenses	78,563.78	78,555.92	99.99%	7.86	0.01%
Other professional fees	31,259.54	31,259.54	100.00%	0.00	0.00%
Release time	4,000.00	4,000.00	100.00%	0.00	0.00%
Executive council	1,750.82	1,750.82	100.00%	0.00	0.00%
Budget & personnel committee	60.50	60.50	100.00%	0.00	0.00%
TA/GA steering committee	2,303.73	2,303.73	100.00%	0.00	0.00%
Full time bargaining	12,247.80	12,247.80	100.00%	0.00	0.00%
Grievance & working conditions	2,923.28	2,923.28	100.00%	0.00	0.00%
Legislative relations	9,009.89	8,559.40	95.00%	450.49	5.00%
University governance committee	1,186.46	1,186.46	100.00%	0.00	0.00%
Membership committee	14,467.61	0.00	0.00%	14,467.61	100.00%
University budget/priorities committee	4,437.68	4,437.68	100.00%	0.00	0.00%
Camden chapter	638.10	638.10	100.00%	0.00	0.00%
Newark chapter	329.74	329.74	100.00%	0.00	0.00%
New Brunswick chapter	239.00	239.00	100.00%	0.00	0.00%
Staff expenses	2,467.89	2,467.89	100.00%	0.00	0.00%
Officers' expenses	7,036.06	7,036.06	100.00%	0.00	0.00%
Affiliation dues & fees- AFT	288,184.37	202,190.15	70.16%	85,994.22	29.84%
Affiliation dues & fees- National AAUP	362,363.18	173,209.60	47.80%	189,153.58	52.20%
Affiliation dues & fees- members programs	7,384.00	0.00	0.00%	7,384.00	100.00%
Contributions & donations	1,950.00	0.00	0.00%	1,950.00	100.00%
Grants & subsidies	11,899.71	0.00	0.00%	11,899.71	100.00%
Designated fund expenses	871.10	0.00	0.00%	871.10	100.00%
Total Expenses	\$2,159,430.00	\$1,820,974.32		\$338,455.68	
	100.00%	84.33%		15.67%	

**RUTGERS COUNCIL OF AAUP CHAPTERS- AFT
NOTES TO STATEMENT
YEAR ENDED JUNE 30, 2011**

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 Rutgers Council Of AAUP Chapters- AFT ("Council") for employees represented by, but not members of, the Council. The accompanying statement is not intended to be a complete presentation of the Council's financial position, changes in net assets, or its cash flows in accordance with generally accepted accounting principles.

Income Taxes

The Council is a nonprofit organization as described in Section 501 (c)(5) of the Internal Revenue Code and is exempt from federal and state income taxes.

Retirement Plan

The Council contributes to a non-contributory qualified defined contribution pension plan covering all eligible employees with at least one thousand hours of service. Contributions to the pension plan by the Council are based on 12% of eligible salaries. Employees may voluntarily contribute an additional 3% of salaries. The additional 3% voluntary contribution is matched by the Council. The Council's contribution to the pension plan for the year ended June 30, 2011 was \$117,545.

Accumulated Vacation And Sick Leave

The Council accrues accumulated vacation and sick leave expense as it is earned under the contracts and agreements. The accrued leave liability as of June 30, 2011 was \$164,083.

Depreciation and Amortization

Property and equipment are stated at cost. Depreciation is computed on the straight line basis over the estimated useful lives of the assets. Expenditures for renewals and improvements which extend the useful lives of assets are capitalized. Maintenance and repairs are charged to expense as incurred.

**RUTGERS COUNCIL OF AAUP CHAPTERS- AFT
NOTES TO STATEMENT
YEAR ENDED JUNE 30, 2011**

Note 1 Summary of Significant Accounting Policies (Continued)

Depreciation and Amortization (Continued)

Depreciation expense for the year ended June 30, 2011 was \$3,861.

The estimated useful lives of the assets are generally as follows:

Furniture and equipment	5 years
Leasehold improvements	15 years

Estimates

The preparation 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. Actual results could differ from those estimates.

Evaluation Of Subsequent Events

Subsequent events have been evaluated through November 9, 2011, the date which the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

Note 2 Definitions

The following definitions of chargeable and non-chargeable expenses are based on existing law and the interpretation of court cases.

Chargeable expenses - Chargeable expenses are those incurred by the Council that reflect the share of costs of operations which are considered necessarily and reasonably incurred for the purpose of representing employees in communicating with the employer on labor management issues, including the costs of: negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement, or in arbitration, and activities normally and reasonably employed to implement the duties of the local union as representative of the employees in the bargaining unit.

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.

**RUTGERS COUNCIL OF AAUP CHAPTERS- AFT
NOTES TO STATEMENT
YEAR ENDED JUNE 30, 2011**

**Note 3 Significant Factors and Assumptions Used In The Allocation Of
Expenses Between Chargeable and Non-Chargeable**

Payroll, payroll taxes, and fringe benefits of the administrative staff have been allocated between chargeable and non-chargeable activities based on time spent by personnel on such activities. The time spent on chargeable activities was 98% and 2% non-chargeable for members only.

Operating expenses and insurance have been allocated in the same manner as payroll expenses, 98% chargeable, and 2% non-chargeable.

Legal expenses and other professional fees were allocated based on a review of the nature of professional services provided. The .01% allocation of legal expenses as non-chargeable was for general contract administration and labor relations consultations that were not associated with a specific case or activity. Other professional fees, including arbitrators' and auditors' fees were 100% chargeable.

Release time was paid for the Council president for educational courses which were 100% chargeable.

Committee expenses were incurred by the Executive Council, Budget and Personnel Committee, TA/GA Steering, EOF Bargaining, Negotiations, Grievance, and University Governance Committees, and Camden, Newark and New Brunswick Chapters, and were necessary functions for the Council's governance. In accordance with the U.S. Supreme Court decision in Ellis vs. Brac, these committee expenses were 100% chargeable. The Legislative Committee expenses concerned reviewing legislation affecting wages and other terms of employment. The 5% non-chargeable Legislative Committee expenses were incurred for State employees with respect to collective bargaining.

Staff and officer expenses were 100% chargeable.

Affiliation dues and fees- AFT were allocated in accordance with the agency fee (fair share fee) percentages established for the year ended June 30, 2011 by the American Federation Of Teachers, for remittance of per capita payments by the Council to the AFT. The AFT calculated its percentages as 70.16% chargeable and 29.84% non-chargeable. The National Association Of University Professors' percentages were 47.80% chargeable and 52.20% non-chargeable. Other affiliation dues and fees were 100% non-chargeable expenses.

**RUTGERS COUNCIL OF AAUP CHAPTERS- AFT
NOTES TO STATEMENT
YEAR ENDED JUNE 30, 2011**

**Note 3 Significant Factors and Assumptions Used In The Allocation Of
Expenses Between Chargeable and Non-Chargeable (Continued)**

Contributions and donations, grants to the Part Time Lecturer Faculty Chapter, and the designated retiree fund expenses, were all 100% non-chargeable.

AFT- Committee on Political Education (COPE) activities were funds received by the Council as contributions from employees on a voluntary basis, and not from union dues or agency fees. The funds were kept in a separate account from general accounts containing dues and agency fees revenues, and were not commingled. During the year ended June 30, 2011, \$8,750 was paid from the COPE Fund for political contributions, which was not included in the total expenses allocated between chargeable and non-chargeable expenses, because the COPE Fund did not include union dues or agency fees.

**Note 4 Reconciliation of Expenses From Audited Financial Statements To
Statement Of Chargeable And Non-Chargeable Expenses**

The following is a reconciliation of total expenses as reported on the audited financial statements to the total expenses allocated between chargeable and non chargeable:

Total expenses for all funds as reported on the audited financial statements	\$2,168,180
Less COPE Fund expenses	<u>(8,750)</u>
Total expenses allocated between chargeable and non-chargeable	<u><u>\$2,159,430</u></u>