

CUESTA COLLEGE FEDERATION OF TEACHERS, LOCAL 4909
Statement of General Fund Expenses and Allocation Between
Chargeable Expenses and Nonchargeable Expenses
For the Year Ended June 30, 2011

(With Independent Auditor's Report Thereon)

Rita C. Villa
Certified Public Accountant

Independent Auditor's Report

Cuesta College Federation of Teachers, Local 4909:

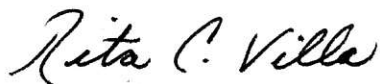
I have audited the accompanying statement of general fund expenses and allocation between chargeable expenses and nonchargeable expenses of the Cuesta College Federation of Teachers, Local 4909 (the "Federation") for the year ended June 30, 2011. This statement is the responsibility of the Federation's management. My responsibility is to express an opinion on this statement based on my audit.

I conducted my audit 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 statement of general fund expenses and allocation between chargeable expenses and nonchargeable expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of general fund expenses and allocation between chargeable expenses and nonchargeable expenses. I believe that my audit provides a reasonable basis for my opinion.

The accompanying statement was prepared for the purpose of complying with the legislation regarding the determination of fair share service fee. This statement is not intended to be a complete presentation of the Federation's financial statements. The total expenses reflected in Column A are based on the expenses of the Federation for the year ended June 30, 2011, with regard to the accounting policies explained in Note 2. The allocation of expenses between Chargeable (Column B) and Nonchargeable (Column C) is based on the definitions and significant factors and assumptions described in Notes 3 and 4.

In my opinion, the aforementioned statement of general fund expenses and allocation between chargeable expenses and nonchargeable expenses presents fairly, in all material respects, the expenses of the Cuesta College Federation of Teachers, Local 4909 for the year ended June 30, 2011, with regard to the accounting policies explained in Note 2, and the allocated expenses between chargeable and nonchargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 3 and 4, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Cuesta College Federation of Teachers, Local 4909 and its fair share fee payers and is not intended to be used by anyone other than these specified parties and should not be used for any other purpose.



January 23, 2012

CUESTA COLLEGE FEDERATION OF TEACHERS, LOCAL 4909Statement of General Fund Expenses and Allocation
Between Chargeable Expenses and Nonchargeable Expenses

For the Year Ended June 30, 2011

	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Notes</u>
	<u>Total</u>	<u>Chargeable</u>	<u>Nonchargeable</u>	
	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>	
American Federation of Teachers Per Capita Taxes	\$ 42,518	\$ 26,272	\$ 16,246	4(a)
California Federation of Teachers Per Capita Taxes	98,237	64,650	33,587	4(a)
Other Per Capita Taxes	6,290	0	6,290	4(a)
Members' Insurance	1,373	0	1,373	4(b)
Stipends & Organizational Leave	44,689	40,273	4,416	4(c)
Good and Welfare	1,716	0	1,716	4(d)
Meetings and Conferences	1,155	968	187	4(e)
Legal	28,206	28,206	0	4(f)
Printing & Web Site	1,278	973	305	4(g)
Depreciation	162	113	49	4(g)
Office	<u>618</u>	<u>557</u>	<u>61</u>	4(h)
Total	226,242	162,012	64,230	
Less: CFT Staff Funding	<u>(29,795)</u>	<u>(29,795)</u>	<u>0</u>	4(i)
Total Expenses	<u>\$ 196,447</u>	<u>\$ 132,217</u>	<u>\$ 64,230</u>	
Percentage	<u>100.00%</u>	<u>67.30%</u>	<u>32.70%</u>	

See independent auditor's report and accompanying notes.

CUESTA COLLEGE FEDERATION OF TEACHERS, LOCAL 4909

Notes to Statement of General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(1) Cuesta College Federation of Teachers, Local 4909

The Cuesta College Federation of Teachers (the "Federation") was formed to support (i) quality education in the San Luis Obispo County Community College District (the "District") and (ii) the professional interests of faculty members employed by the District. The Federation is Local 4909 of the American Federation of Teachers (the "AFT") and is affiliated with the California Federation of Teachers (the "CFT"), the California Labor Federation and the Tri-Counties Central Labor Council. The Federation is the exclusive bargaining agent for the faculty members of the District. The District has approximately 500 such employees.

The accompanying Statement of General Fund Expenses and Allocation between Chargeable Expenses and Nonchargeable Expenses (the "Statement") was prepared for the purpose of determining the fair share cost of services rendered by the Federation for employees represented by, but not members of, the Federation. The Statement is not intended to be a complete presentation of the Federation's financial position, changes in its net assets or its cash flows in accordance with generally accepted accounting principles.

(2) Summary of Significant Accounting Policies

(a) Accrued Expenses

The Statement has been prepared on the accrual basis. The accrual basis recognizes expenses when incurred rather than when paid.

(b) Income Taxes

The Federation is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code and Section 23701(a) of the Revenue and Taxation Code of the State of California.

(c) Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates, primarily related to the chargeability of meetings. In the preparation of the Statement, management's estimates have been included in the allocation of expenses between chargeable and nonchargeable expenses. Actual results could differ from those estimates.

CUESTA COLLEGE FEDERATION OF TEACHERS, LOCAL 4909

Notes to Statement of General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(3) Definitions

(a) Chargeable Expenses

Chargeable expenses are those incurred by the Federation that reflect the share of the costs of operations of the Federation which are considered necessarily and reasonably incurred for the purpose of performance of their duties as a representative of the employees in dealing 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, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the Federation as representative of the employees in the bargaining unit; and the maintenance of the Federation's associational existence. The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigation and processing grievances; meetings, conferences, administrative, arbitral and court proceedings and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; communications with community organizations, civic groups, government agencies and the media respecting the Federation's position on work-related matters; maintaining membership and employee group records; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

(b) Nonchargeable Expenses

Nonchargeable expenses are those of an ideological or political nature and those that are not germane to work-related interests of employees. The term "political" is defined as support for or against candidates for political office of any level of government and any office in the union structure. The term "ideological" is defined as support for or against certain positions that the union may take which are not work-related. The following expenses are classified as nonchargeable: member-only benefits, lobbying, electoral or political activities outside the limited context of contract ratification or implementation; litigation expenses that do not concern the objecting employees' bargaining unit; public relations efforts designed to enhance the reputation of the teaching profession; and the costs of activities primarily aimed at recruiting new members.

CUESTA COLLEGE FEDERATION OF TEACHERS, LOCAL 4909

Notes to Statement of General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(4) Significant Factors and Assumptions used in the Allocation of Expenses Between Chargeable and Nonchargeable

(a) Per Capita Taxes

The AFT and the CFT provided the Federation with audited reports of chargeable and nonchargeable expenses. Based on those reports, the Federation allocated as chargeable expense 61.79% and 65.81% of per capita taxes, respectively. In the absence of such a report, per capita taxes are deemed to be 100% nonchargeable.

(b) Members' Insurance

The Federation pays for insurance on members only, which is therefore considered 100% nonchargeable.

(c) Stipends & Organizational Leave

The costs of stipends and organizational leave for the Federation's officers have been allocated based on monthly activity reports and job descriptions.

(d) Good & Welfare

Good and welfare expenses, which include donations, are nonchargeable.

(e) Meetings and Conferences

Except for expenses unrelated to the Federation's collective bargaining duties, these expenses are considered chargeable.

(f) Legal

Legal expenses in support of collective bargaining, contract enforcement and associational existence are considered fully chargeable.

CUESTA COLLEGE FEDERATION OF TEACHERS, LOCAL 4909

Notes to Statement of General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(g) Printing & Website and Depreciation

Direct printing and publishing expenses of the "Union Advocate" are allocated based on the specific content of articles in the publications. Expenses allocated to articles considered political or ideological in nature are deemed not to benefit nonmembers and are nonchargeable. The content of articles deemed chargeable are directly related to issues in collective bargaining, contract administration and grievance matters and legislation directly affecting employees. The costs of the website and depreciation are allocated on the same basis.

(h) Office

In recognition that some of these costs are allocable to political or recruiting activities, all office expenses are allocated between chargeable and nonchargeable based on the chargeability of the stipends and organizational leave.

(i) CFT Financial Assistance

Staff financial assistance from the CFT is included as 100% chargeable in the CFT's Statement of Allocated Chargeable and Nonchargeable Expenses for the Year Ended December 31, 2010. Accordingly, the Federation has deducted this funding from both its total and chargeable expenses.

(5) Subsequent Events

The Federation has evaluated subsequent events through January 23, 2012, the date the Statement was available to be issued.