

WASHINGTON TEACHERS UNION LOCAL # 6

**FINANCIAL STATEMENTS
AND ACCOUNTANT'S REPORT**

JUNE 30, 2011 and JUNE 30, 2010

HALEY & ASSOCIATES, LLC

**CERTIFIED PUBLIC ACCOUNTANTS
BELTSVILLE, MARYLAND 20705**



WASHINGTON TEACHERS UNION LOCAL # 6

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FOR YEARS ENDED JUNE 30, 2011 & 2010

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HALEY & ASSOCIATES, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Officers and Members
Washington Teachers Union Local # 6
Washington, DC

We have audited the accompanying balance sheet of Washington Teachers Union Local # 6 (a nonprofit organization) as of June 30, 2011 and June 30, 2010 and the related statements of financial activities, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, as established 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Teachers Union Local # 6 as of June 30, 2011 and June 30, 2010, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Haley & Associates, LLC

September 1, 2011

Haley & Associates, LLC,
Certified Public Accountants

WASHINGTON TEACHERS UNION LOCAL # 6
Statement of Assets, Liabilities, and Net Assets
As of June 30, 2011 and 2010

EXHIBIT A

ASSETS

	2011	2010
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 695,143	\$ 1,684,683
Total Current Assets	\$ 695,143	\$ 1,684,683
<u>Other Assets:</u>		
Accounts Receivable	\$ 97,710	\$ 647,204
Prepaid Expenses & Deposits	\$ 40,530	\$ 6,920
Furniture and Equipment (Net of Accumulated Depreciation)	35,964	45,363
Total Noncurrent Assets	\$ 174,204	\$ 699,487
 Total Assets	 \$ 869,347	 \$ 2,384,170

<u>Current Liabilities:</u>		
Accounts Payable	\$ -	\$ -
Payroll, Withholdings & Accrued Vacation	175,191	222,063
Pension Plan Contribution	42,296	64,721
Due DCPS Release Time	100,462	952,311
Due Affiliate - Parent AFT (Note 4)	-	-
Total Current Liabilities	\$ 317,949	\$ 1,239,095

<u>Net Assets:</u>		
Unrestricted:		
Operating		
Total Unrestricted Net Assets	\$ 551,398	\$ 1,145,075
 Total Liabilities and Net Assets	 \$ 869,347	 \$ 2,384,170

See Auditor's Report and Accompanying Notes to Financial Statements

WASHINGTON TEACHERS UNION LOCAL # 6
Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2011 and June 30, 2010

EXHIBIT B

<u>Revenue:</u>	2011	2010
Member and Retiree Dues	\$ 3,519,854	\$ 3,178,393
Cost paid by AFT on behalf of the Washington Teachers Union	222,939	229,559
Optical and Dental Plan Contributions and Fees	289,360	201,756
Affiliate AFT Grants & Subsidy	11,880	683,811
COPE Contributions	7,215	9,080
Staff Development Fees	54,285	51,313
Legal Fee recovery	69,671	84,006
Interest	8,341	7,979
Retroactive Salary Reimbursement	-	591,869
Restitution	650	127,338
Miscellaneous Income	1,939	309,758
Total Revenue	\$ 4,186,133	\$ 5,474,862
 <u>Expenses:</u>		
Salaries	\$ 1,598,715	\$ 1,368,752
Administrative cost paid directly by AFT on behalf of the Washington Teachers Union	222,939	229,559
Employee Benefits(see schedule page 5)	447,759	403,964
Administration (see schedule page 5)	605,265	1,290,806
Professional Fees	556,311	367,150
Meetings and Workshops	198,430	84,032
Affiliate - AFT Per Capita Tax	812,372	786,447
AFL-CIO and Other Per Capita Tax	49,054	24,245
Member Insurance Programs	16,684	20,378
Membership Services (see schedule page 6)	272,282	174,608
Total Expenses	\$ 4,779,810	\$ 4,749,941
 <u>Change in Net Assets</u>		
	\$ (593,676)	\$ 724,921
Net Assets (Deficit) at Beginning of Year	\$ 1,145,075	\$ 420,154
Net Assets (Deficit) at End of Year	\$ 551,398	\$ 1,145,075

See Auditor's Report and Accompanying Notes to Financial Statements

WASHINGTON TEACHERS UNION LOCAL UNION # 6

EXHIBIT C

Statement of Cash Flows

For the Years Ending June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ (593,676)	\$ 724,921
<u>Adjustments to Reconcile Change in Net Assets to</u> <u>Net Cash Provided by Operating Activities:</u>		
Depreciation	20,062	22,700
<u>Changes in Operating Assets and Liabilities:</u>		
Decrease (Increase) in Receivables	549,494	(647,204)
Decrease (Increase) in Pre-Paid Expenses	(33,610)	(6,920)
Increase (Decrease) in Current Liabilities	(921,146)	68,412
Net Cash Provided by Operating Activities	<u>\$ (978,877)</u>	<u>\$ 161,908</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Furniture and Equipment, net of adjustments	(10,663)	(17,468)
Net Cash from Investing Activities	<u>(10,663)</u>	<u>(17,468)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>\$ (989,540)</u>	<u>\$ 144,440</u>
Cash and Cash Equivalents at Beginning of Year	<u>\$ 1,684,682</u>	<u>\$ 1,540,242</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 695,142</u></u>	<u><u>\$ 1,684,682</u></u>

See Auditor's Report and Accompanying Notes to the Financial Statements

WASHINGTON TEACHERS UNION LOCAL # 6
Supplementary Schedules - Audit
For the Years Ended June 30, 2011 and June 30, 2010

<u>Schedule of Employee Benefits:</u>	<u>2011</u>	<u>2010</u>
Health Insurance	\$ 78,930	\$ 50,618
Life and Disability Insurance	20,485	19,890
Automobile Allowance and Insurance	66,067	54,600
Parking	47,400	54,487
Pension	130,329	133,999
Employment Taxes	97,273	83,127
Meals and Other Travel	7,275	7,243
	<u>\$ 447,759</u>	<u>\$ 403,964</u>

Schedule of Administrative Expenses:

Office Rent	\$ 136,670	\$ 83,040
Supplies	57,980	21,462
Postage and Delivery	8,864	12,663
Telephone	77,283	78,716
IT and Computer Expenses	32,406	29,444
Printing & Publications	64,983	33,636
Office Equipment Leases	13,944	17,312
Office Repairs, Maintenance and Equipment	16,816	1,435
Contributions	43,598	8,670
Payroll Processing Fees	5,225	4,730
Promotional	-	757,718
Temporary Services	52,090	4,279
Office Insurance	7,404	11,904
Depreciation	20,062	22,700
Office Building Venture	7,763	133,766
Interest, Taxes and Other	60,177	69,329
	<u>\$ 605,265</u>	<u>\$ 1,290,806</u>

See Auditor's Report and Accompanying Notes to Financial Statements

WASHINGTON TEACHERS UNION LOCAL # 6
Supplementary Schedules- Audit
For the Years Ended June 30, 2011 and June 30, 2010

<u>Schedule of Membership Services:</u>	<u>2011</u>	<u>2010</u>
Dental / Optical Plan Fees	\$ 167,018	\$ 112,934
Negotiation Expense	-	21,204
General Services	19,718	15,899
Election	16,876	193
Public Relations and Goodwill	2,191	2,379
Staff Training	68,111	21,230
Dues Refunds	(1,633)	770
	<u>\$ 272,282</u>	<u>\$ 174,608</u>

See Auditor's Report and Accompanying Notes to Financial Statements

WASHINGTON TEACHERS UNION LOCAL # 6
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND NATURE OF BUSINESS

Washington Teachers Union Local # 6 was chartered in 1916 under the laws of the District of Columbia as a non-stock, nonprofit organization for the purpose of representing public teachers in the District of Columbia.

Please refer to the Union Constitution and By-Laws for a complete description of their mission statement and purpose.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

Washington Teachers Union Local # 6 (the Union) follows the accrual basis of accounting and principles of nonprofit accounting to comply with restrictions placed on contributions by donors. All assets, liabilities, and activities are classified for accounting and reporting purposes in accordance with Statement of Financial Accounting Standards (SFAS) No. 117 of the Financial Accounting Standards Board, *Financial Statements of Not-for-Profit Organizations*. All financial transactions have been recorded according to the three classes of net assets described in SFAS No. 117 - unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Union has no temporarily or permanently restricted net assets.

2. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

During the year ending June 30, 2010 it was determined that there was a variance in the estimated amount accrued for DCPS release time payable. The net affect of this adjustment was \$ 239,825. This change in estimate affects multiple periods but it was applied in total to the current year due to lack of support necessary to adjust prior year audits.

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WASHINGTON TEACHERS UNION LOCAL # 6
NOTES TO FINANCIAL STATEMENTS – CONTINUED

3. Income Taxes

Washington Teachers Union Local # 6 is a labor organization exempt from taxes under section 501(c)(5) of the Internal Revenue Code. There is no provision for income taxes in these financial statements. The Union annually files with the Internal Revenue Service form 990 *Return of Organization Exempt from Income Tax*. This form is open to public inspection. Management represents that there are no activities that would generate unrelated business income tax. The most recent tax examination did not affect the organization's tax exempt status.

4. Related Party Activity

The AFT has also provided administrative services assistance to the local at no charge. The AFT paid on behalf of the Washington Teachers Union \$ 222,939 during the year ending June 30, 2011 and \$ 229,559 year ending June 30, 2010. The Union recorded an in-kind revenue and expense amount for these services.

The AFT also provided direct grants and subsidies aid to the Union in the amount of \$ 11,880 in the year-ending June 30, 2011 and \$ 683,811 during the year ending June 30, 2010.

5. Depreciation

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over its useful life using the straight-line method. During the year ended June 30, 2011 the depreciation was \$ 20,062 and \$ 22,700 in 2010. The Union did not maintain a listing of fixed assets prior to July 1, 2005, accordingly all pre-existing furniture and fixtures was assumed to be fully depreciated a manual inventory was conducted to include in these financial statements, during the year ended June 30:.

	<u>2011</u>	<u>2010</u>
Furniture & Equipment (at cost):	\$246,600	\$272,362
Accumulated Depreciation:	<u>(210,636)</u>	<u>(226,999)</u>
Net Furniture & Equipment:	<u>\$ 35,964</u>	<u>\$ 45,363</u>

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WASHINGTON TEACHERS UNION LOCAL # 6
NOTES TO FINANCIAL STATEMENTS – CONTINUED

6. Commitments

The Union has entered into a lease for the office space 1825 K Street N.W. Washington DC, the lease is scheduled to expire on March 31, 2012 and the following represent the minimum future lease payments, exclusive of escalation clauses:

<u>Year</u>	<u>Amount</u>
2012.	<u>\$ 133,654</u>
Total	<u>\$ 133,654</u>

7. Retirement Plans

The Organization participates in a defined contribution retirement plan for all full time employees and officers. The plan requires monthly contributions in the amount of 11.1% of salary. During the year ended June 30, 2011 the contributions were \$ 130,329 and year ending June 30, 2010 the contributions were \$ 133,999. The plan maintains an unfunded liability of \$61,170 for former officers and employees that embezzled funds from the Union. These amounts are being withheld as a potential restitution

8. Contingencies

According to the Organization's legal counsel the fund is involved in no litigation that would require disclosure in the financial statements.

9. Compensated Absences

The Union provides vacation, severance and sick leave to employees based on longevity. As of June 30, 2011 and 2010 the amounts of accrued leave liabilities were \$ 160,726 and \$ 221,733 respectively.

10. Post-Employment Health Care Obligations

The union does not provide health care benefits to employees upon separation of employment, other than what is required under COBRA, accordingly, there is no accrued liability for post-employment healthcare obligations as required under SFAS #106.

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WASHINGTON TEACHERS UNION LOCAL # 6
NOTES TO FINANCIAL STATEMENTS – CONTINUED

11. Credit Risk

As of June 30, 2011 and at other periods through the fiscal year the Union maintained cash balances in checking and money market accounts that exceeded the FDIC limit for any one financial institution. Management has not experienced any loss nor do they expect that the deposits will be a credit risk.

The Union had the following adjusted account balances at Amalgamated Bank on June 30, 2011:

Account Type	Amount
(Operating) Commercial Checking & Sweep	\$ 49,047
1 Month Certificate of Deposit	\$ 329,571
(Member Svc) Commercial Checking	\$ 300,293
(Thought Br & Escrow) Commercial Checking	\$ 172
(COPE) Commercial Checking	\$ 14,780
Escrow Savings	\$ 919
	\$ 694,782

12. Subsequent Events – Building Purchase

Subsequent to the fiscal year end the organization entered into an agreement to purchase a property located at 1500 Franklin Street, NE Washington, DC. The property will serve as the Unions headquarters. A contract of purchase has been signed with a purchase price of \$ 3,475,000. This agreement is contingent upon sufficient financing and other terms.