

**WASHINGTON TEACHERS UNION LOCAL # 6**

**FINANCIAL STATEMENTS  
AND ACCOUNTANT'S REPORT**

**JUNE 30, 2013 and JUNE 30, 2012**

**HALEY & ASSOCIATES, LLC**

**CERTIFIED PUBLIC ACCOUNTANTS  
BELTSVILLE, MARYLAND 20705**

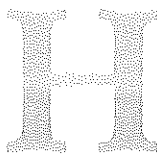
WASHINGTON TEACHERS UNION LOCAL # 6

TABLE OF CONTENTS

FOR YEARS ENDED JUNE 30, 2013 & 2012

CONTENTS

	<u>Reference</u>
Report of Independent Auditors	1
Exhibit "A" - Statement of Assets, Liabilities And Net Assets	2
Exhibit "B" - Statement of Revenue, Expenses And Changes in Net Assets	3
Exhibit "C" – Statement of Cash Flows	4
Exhibit – Supplementary Statement of Expenses	5 - 6
Notes to Financial Statements	7- 11



**HALEY & ASSOCIATES, LLC**  
**Certified Public Accountants**  
**INDEPENDENT AUDITOR'S REPORT**

Washington Teachers Union Local No. 6  
Washington, DC

We have audited the accompanying balance sheet of Washington Teachers Union Local No. 6 (a nonprofit organization) as of June 30, 2013 and June 30, 2012 and the related statements of financial activities, and cash flows for the years then ended.

***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***

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 of 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


***Opinion***

In our opinion subject, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Teachers Union Local No. 6 as of June 30, 2013 and June 30, 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Going Concern***

The accompanying financial statements have been prepared assuming that Washington Teachers Union Local No. 6 will continue as a going concern. As discussed in Note G to the financial statements, the Organization's pending financial obligations for the construction of their new headquarters building raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to this matter is also described in Note G. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

November 20, 2013

  
Haley & Associates, LLC,  
Certified Public Accountants

WASHINGTON TEACHERS UNION LOCAL # 6  
Statement of Assets, Liabilities, and Net Assets  
As of June 30, 2013 and 2012

EXHIBIT A

ASSETS	<u>2013</u>	<u>2012</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 62,600	\$ 294,242
Escrow Account	534,051	-
Total Current Assets	<u>\$ 596,651</u>	<u>\$ 294,242</u>
 <u>Other Assets:</u>		
Accounts Receivable	\$ 280,427	\$ 128,433
Prepaid Expenses & Deposits	40,530	\$ 40,530
Building, Furniture and Equipment (Net of Accumulated Depreciation)	3,494,546	3,026,742
Total Noncurrent Assets	<u>\$ 3,815,503</u>	<u>\$ 3,195,705</u>
Total Assets	<u><u>\$ 4,412,154</u></u>	<u><u>\$ 3,489,947</u></u>
 <u>Current Liabilities:</u>		
Accounts Payable	\$ 324,127	\$ 148,267
Payroll, Withholdings & Accrued Vacation	46,475	139,786
Retirement Plan Contribution	90,443	140,600
Due DCPS Release Time	247,848	122,421
Total Current Liabilities	<u>\$ 708,894</u>	<u>\$ 551,074</u>
 <u>Notes Payable:</u>		
Mortgage Payable	\$ 3,002,782	\$ 2,379,171
 <u>Net Assets:</u>		
Designated Funds	\$ 534,051	\$ -
Unrestricted Net Assets	\$ 166,427	\$ 559,702
Total Liabilities and Net Assets	<u><u>\$ 4,412,154</u></u>	<u><u>\$ 3,489,947</u></u>

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, 2013 and June 30, 2012

EXHIBIT B

	2013	2012
<u>Revenue:</u>		
Member and Retiree Dues	\$ 3,605,546	\$ 3,766,595
Cost paid by AFT on behalf of the Washington Teachers Union	-	-
Optical and Dental Plan Contributions and Fees	284,499	318,948
Affiliate AFT Grants & Subsidy	28,095	15,232
COPE Contributions	5,589	5,491
Staff Development Fees	63,871	15,840
Legal Fee recovery	57,773	81,625
Interest	146	1,079
Event Contributions	53,480	4,300
Restitution	14,968	3,603
Reimbursement Expenses	18,363	-
Miscellaneous Income	114,342	1,083
Total Revenue	\$ 4,246,671	\$ 4,213,796
<u>Expenses:</u>		
Salaries	\$ 1,000,750	\$ 1,331,276
Administrative cost paid directly by AFT on behalf of the Washington Teachers Union	-	-
Employee Benefits( see schedule page 5)	289,969	412,895
Administration (see schedule page 5)	781,366	580,454
Professional Fees	635,267	659,610
Meetings and Workshops	210,348	111,619
Affiliate - AFT Per Capita Tax	766,767	806,302
Affiliate - Other Per Capita Tax	27,840	54,294
Member Insurance Programs	14,129	22,219
Membership Services (see schedule page 6)	379,460	226,823
Total Expenses	\$ 4,105,895	\$ 4,205,491
<u>Change in Net Assets</u>	\$ 140,776	\$ 8,304
Net Assets (Deficit) at Beginning of Year	\$ 559,702	\$ 551,398
Net Assets (Deficit) at End of Year	\$ 700,478	\$ 559,702

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, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 140,776	\$ 8,304
<u>Adjustments to Reconcile Change in Net Assets to</u> <u>Net Cash Provided by Operating Activities:</u>		
Depreciation	12,419	22,025
<u>Changes in Operating Assets and Liabilities:</u>		
Decrease (Increase) in Receivables	(151,995)	(30,723)
Decrease (Increase) in Pre-Paid Expenses	-	-
Increase (Decrease) in Current Liabilities	157,819	233,125
Increase (Decrease) in Notes Payable	623,612	2,379,171
Net Cash Provided by Operating Activities	<u>\$ 782,632</u>	<u>\$ 2,611,903</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Furniture, Equipment and other Fixed Assets	(480,223)	(3,012,805)
Net Cash from Investing Activities	<u>(480,223)</u>	<u>(3,012,805)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>\$ 302,409</u>	<u>\$ (400,902)</u>
Cash and Cash Equivalents at Beginning of Year	<u>\$ 294,242</u>	<u>\$ 695,143</u>
Cash and Cash Equivalents at End of Year	<u>\$ 596,651</u>	<u>\$ 294,242</u>

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

WASHINGTON TEACHERS UNION LOCAL # 6  
Supplementary Schedule - Expense Detail  
For the Years Ended June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
<u>Schedule of Employee Benefits:</u>		
Health Insurance	\$ 52,261	\$ 65,566
Life and Disability Insurance	11,007	26,057
Parking & Auto Allowance	20,777	90,881
Retirement	61,911	105,888
Employment Taxes	66,125	99,325
Meals and Other Travel	77,887	25,177
	<u>\$ 289,969</u>	<u>\$ 412,895</u>

Schedule of Administrative Expenses:

Office Rent	\$ 223,730	\$ 176,712
Supplies	28,883	38,746
Postage and Delivery	28,206	18,949
Telephone & Communications	77,701	46,137
IT and Computer Expenses	51,204	11,342
Printing & Publications	60,826	38,846
Promotions and Advertising	20,650	35,195
Office Equipment Leases	13,889	14,681
Office Repairs, Maintenance and Equipment	1,078	5,221
Contributions	68,355	28,194
Payroll Processing Fees	26,674	10,707
Temporary Services	26,712	12,445
Internal Staff Training & Development	9,832	
Office Insurance	18,109	18,265
Depreciation	12,419	22,025
Office Building Venture	20,310	48,831
Interest, Taxes and Other	92,788	54,158
	<u>\$ 781,366</u>	<u>\$ 580,454</u>

See Auditor's Report and Accompanying Notes to Financial Statements

WASHINGTON TEACHERS UNION LOCAL # 6  
Supplementary Schedule- Expense Detail  
For the Years Ended June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
<u>Schedule of Membership Services:</u>		
Dental / Optical Plan Fees	\$ 197,713	\$ 180,421
General Services	95,145	25,178
Election	15,492	350
Public Relations and Goodwill	17,842	3,518
Professional Development Center	53,268	17,356
	<u>\$ 379,460</u>	<u>\$ 226,823</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

The Washington Teachers' Union, Local Union No. 6 (the Union) was formed in 1953 in the District of Columbia as a non-stock, nonprofit organization for the purpose of representing teachers in the District of Columbia Public School System. The Union represents 4,500 active and retired teachers in Washington D.C.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Union follows the accrual basis of accounting and principles of nonprofit accounting to comply with restrictions placed on contributions by donors.

2. Financial Statement Presentation

The Union has adopted the Accounting Standards Codification (ASC) No. 958, "Not-for-Profit Entities" (formerly, Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations"). Under ASC No. 958, the Union is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. As of June 30, 2013 the Union has internally designated \$534,051 of cash as earmarked for building construction and related expenses.

3. 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.

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

4. Cash & Cash Equivalents

For purposes of the statement of cash flows, the Union considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash.

5. Related Party Activity

The Washington Teachers' Union Local No. 6 is affiliated with the American Federation of Teachers (the AFT), the Metropolitan Labor Council, the Maryland State and District of Columbia AFL-CIO.

Historically, the AFT provided administrative service assistance to the local as an in-kind contribution. During the years ending June 30, 2013 and 2012 the AFT did not pay any such expenses and the Union did not recognize any In-kind income or expenses. Annually the AFT provides direct grants and subsidies to support specific program efforts. For the years ending June 30, 2013 and 2012 the amounts contributed were \$ 28,095 and \$ 15,232 respectively. The Union also receives legal fee recovery subsidies from the AFT Legal Defense Fund; during the fiscal years ending 2013 and 2012 the Union received \$ 57,773 and \$ 81,625 respectively.

6. Revenue Recognition

The Union receives all of its working dues from The District of Columbia Public School System (DCPS). The dues are withheld from members' payroll on behalf of the Union and submitted electronically to Union. Changes in member employment at DCPS significantly affect the operating revenue at the Union.

DCPS also collects and submits to the Union voluntary contributions from members for the Union Committee on Political Education (COPE).

7. Property & Equipment

Property and equipment are recorded at cost. All property and equipment is being depreciated by straight-line and accelerated methods over estimated useful lives. The Union has experienced several periods of transition which have impacted it's fixed asset record keeping. For financial statement purposes, manual inventories have been conducted to estimate values of assets purchased during periods where no additional information was available.

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

7. Property & Equipment (Continued)

Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

Fixed Asset Detail

	<u>2013</u>	<u>2012</u>
Furniture & Equipment (at cost):	399,353	248,317
New Building & Improvements	3,366,463	3,011,087
Accumulated Depreciation:	<u>(245,080)</u>	<u>(232,662)</u>
Net Furniture & Equipment:	<u>\$ 3,520,736</u>	<u>\$ 3,026,742</u>
 <i>Depreciation Expense</i>	 <u>\$ 12,419</u>	 <u>\$ 22,025</u>

Building Headquarters Construction- During fiscal year 2012 the Union entered into contract to purchase and renovate an existing dwelling located at 1239 Pennsylvania Avenue, SW, in Washington DC with the intent on moving the headquarters to this facility. As of the date of the audit report the construction has not been completed but the occupancy date is expected to be prior to December 31, 2013. As of June 30, 2013 the estimated building costs are as follows:

Initial Purchase & Construction Costs:	\$3,550,000
Estimated Additional Construction Costs:	\$1,500,000
Estimated Furniture and Related Equipment:	<u>\$ 500,000</u>
Total:	<u>\$5,550,000</u>

The Union incurred financing costs with M&T Bank in the amount of \$3,002,782 at June 30, 2013. A portion of the funds, \$534,051, remained in the bank internally obligated to finance the remaining portion of the initial purchase and construction costs for the headquarters building.

It was determined during the fiscal year that additional construction costs estimated at approximately \$1,500,000 were going to be incurred. As of the audit report release date the Union was in negotiations for additional funding to cover these additional costs, however they had not yet secured adequate funding.

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

8. Employee Retirement & Other Benefits

The Union participates in a defined contribution retirement plan that is available to all full time employees and officers. Contributions are made on an annual basis up to a maximum of 11% of compensation in accordance with Plan documents. During the year ended June 30, 2013 the contributions were \$ 61,911 and year ending June 30, 2012 the contributions were \$ 105,888. The Union provides vacation and sick leave to employees based on longevity. The accrued leave balance for the years ending 2013 and 2012 were \$ 24,999 and \$ 140,600.

9. Union Member Voluntary Employee Benefit Association Plan (VEBA)

As part of the collective bargaining agreement with the DCPS a VEBA plan for active members was established and is funded by contributions from DCPS. These monies are set aside in a separate trust apart from the Union's general fund operations, and are managed in accordance with the Trust agreement at the direction of the Fund trustees.

10. Post-Employment Health Care Obligations

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

NOTE C- CASH RESERVES & CONCENTRATION OF CREDIT RISK

During the fiscal year, there are occasions where the Union has deposits in excess of the amount insured by the Federal Deposit Insurance Corp (FDIC). Management is aware of the inherent risk associated with exceeding the insurable limit. The Union has not experienced any associated loss nor do they expect that the deposits will be a credit risk.

NOTE D – CONTINGENCIES

According to legal counsel representations the Union is currently involved in pending litigations with staff members. Several payouts have been made as a result of these litigations but legal counsel believes that it is premature to predict the outcome for any future settlements. Accordingly these financial statements do not include any loss provisions for litigation exposure.

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

NOTE E - COMMITMENTS

The Union entered into an agreement to purchase a property located at 1239 Penn. Avenue, Washington, DC. The property is presently being renovated but it will serve as the Unions headquarters once the construction is complete. The mortgage loan balance for the building is \$3,002,782. The Union is under a lease at their current location at 1825 K Street, NW Washington DC until December 31, 2013 at a rate of \$19,000 per month.

As part of the loan agreement with the M&T Bank the Union has committed collections of future dues payments as well as the assets of the Union to guarantee the loan obligations. The Union further agrees to meet certain financial covenants and reporting disclosures to the Bank. As discussed in Note B (7) the Union will need additional financing or resources to complete the construction and obtain a certificate of occupancy.

NOTE F – INCOME TAXES

Washington Teachers Union Local No. 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.

NOTE G – GOING CONCERN

The Union expended a large portion of its cash reserve funds to acquire a property which will serve as the new union headquarters. The Union has also committed collections of future dues payments as well as the assets of the Union to guarantee loan obligations on a \$3,050,000 mortgage note. The Union has had a vast reduction in cash flow over the last fiscal year and is in need of additional financing or resources to pay for the remaining construction costs. Management is in negotiations with its affiliates for funding and is considering all alternatives for a resolution to the Unions financial concerns.

NOTE H - SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 855, Subsequent Events, Haley & Associates, LLC has evaluated subsequent events through November 20, 2013, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2013, have been incorporated into these financial statements herein.