WASHINGTON TEACHERS UNION OPTION 2 VEBA

FINANCIAL STATEMENTS

JUNE 30, 2015

CALIBRE
CPA GROUP
Bethesda, MD

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REPORT OF INDEPENDENT AUDITORS

To the Trustees of the
Washington Teachers Union Option 2 VEBA

We have audited the accompanying financial statements of the Washington Teachers Union Option 2 VEBA (the Plan), which comprise the statements of net assets available for benefits as of June 30, 2015 and 2014 and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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 an 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of June 30, 2015 and 2014, and the change in its financial status for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
April 5, 2016

Washington Teachers Union
Option 2 VEBA

Statements of Net Assets Available for Benefits

June 30 2015 and 2014

	2015	2014
Assets		
Cash	$ 185,685	$ 861,065
Due from DCPS for Teachers' Center support pursuant to Memorandum of Agreement signed on May 8, 2012	-	50,000
Contribution receivable from DCPS	635,732	
Prepaid expenses	2,080	-
Furniture and equipment, net of accumulated depreciation of $15,099 and $0, respectively	49,050	35,594
Total assets	872,547	946,659
Liabilities		
Due to Washington Teachers Union	266,477	89,703
Accrued expenses	27,216	-
Withholdings payable	1,756	14,780
Total liabilities	295,449	104,483
Net assets available for benefits	$ 577,098	$ 842,176

See accompanying notes to financial statements.

Washington Teachers Union
Option 2 VEBA

Statements of Changes in Net Assets Available for Benefits

Years Ended June 30, 2015 and 2014

	2015	2014
Additions		
DCPS contributions	$ 596,400	$ 1,750,000
Interest and dividends	651	2,255
Other income	37,397	38,110
Total additions	634,448	1,790,365
Deductions		
Benefit expense		
Supplemental unemployment payments	522,500	756,400
Tuition assistance	-	3,295
Insurance premiums	35,261	8,153
Teachers' Center expenses		
Instructor stipends	66,800	33,175
Facilities	20,946	10,725
Printing and postage	40,781	-
Materials and supplies	14,086	1,319
Administrative expenses		
Insurance	4,161	6,116
Administrator salary	55,457	30,514
Professional fees	42,254	84,087
Meetings and conferences	53,209	5,619
Depreciation expense	15,099	-
Printing and postage	14,526	-
Materials and office expense	14,446	8,786
Total deductions	899,526	948,189
Net change	(265,078)	842,176
Net assets available for benefits		
Beginning of year	842,176	-
End of year	$ 577,098	$ 842,176

See accompanying notes to financial statements.

WASHINGTON TEACHERS UNION OPTION 2 VEBA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1. DESCRIPTION OF PLAN AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following description of the Washington Teachers Union Option 2 VEBA (the Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions. Effective date - The Plan was created effective July 1, 2013 pursuant to an agreement and declaration of trust dated January 1, 2013.

General

The Plan covers employees in jobs covered by a collective bargaining agreement between the Washington Teachers' Union Local #6 of the American Federation of Teachers, AFL-CIO and the District of Columbia Public School (DCPS) system. The Plan was established to provide supplemental unemployment benefits and other welfare benefits to current and former DCPS employees who meet certain eligibility requirements, and to establish, maintain, operate and administer the Washington Teachers Union Teachers' Center. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The accompanying financial statements are prepared on the accrual basis of accounting. The significant accounting principles and practices utilized to prepare the financial statements are described as follows:

Furniture and Equipment

All acquisitions of furniture and equipment additions in excess of $500 and all expenditures for major improvements and replacements that significantly prolong the useful lives of the assets are capitalized. Purchases of furniture and equipment is recorded at cost. Furniture and equipment is depreciated using the straight line method over estimated useful life of assets.

Contributions

Contributions are made annually by the DCPS based on the current collective bargaining agreement.

Other

The Plan's Board of Trustees, as Sponsor, has the right under the Plan to change, modify or eliminate any of the benefits offered by the Plan at any time, subject to the provisions set forth in ERISA.

NOTE 1. DESCRIPTION OF PLAN AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and disclosures in financial statements. Accordingly, actual results could differ from those estimates.

NOTE 2. INCOME TAX STATUS

The Trust, under which the Plan is established, which holds the Plan's assets is intended to qualify pursuant to section 501 (c)(9) of the Internal Revenue Code (IRC), and accordingly, the Trust's net investment income is exempt from income taxes. The Trust has obtained a favorable tax determination letter from the Internal Revenue Service, and the Plan sponsor believes that the Trust, as amended, continues to qualify and to operate in accordance with applicable provisions of the IRC.

The Plan accounts for income taxes in accordance with the Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Plan performed an evaluation of uncertain tax positions for the year ended June 30, 2015, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status.

NOTE 3. PLAN TERMINATION

The Trustees reserve the right to terminate or amend the Plan. In the event of the final termination of the Agreement and Declaration of Trust and the Fund; the Trustees may proceed with the termination of the Plan or take such other action as permitted by law. The Trustees shall continue to serve as trustees and Plan assets shall continue to be held in trust until all matters relating to termination have been completed.

Upon termination, after payment of all pending benefit claims, reasonable expenses, taxes, and proper charges, plan assets shall be allocated and distributed in the manner, and to the persons, that the Trustees determined will best effectuate the purposes hereof, provided that such allocation and distribution shall be in the best interests of eligible employees and eligible dependents, shall not unduly impair the benefit rights of such eligible persons existing at the time of termination, and shall be consistent with the provisions of ERISA, the Internal Revenue Code, and other applicable law.

Note 4. Concentration of Credit Risk

Financial instruments that potentially subject the organization to credit risk include cash on deposit with one financial institution that is in excess of federally insured limits. A possible loss exists for the amount held in excess of federally insured limits. At June 30, 2015, the Plan had no balances that exceeded the federally insured limits. The Plan's management believes it is not exposed to any significant financial risk regarding cash balances.

Note 5. Related Party Transactions

The Plan is affiliated with the Washington Teachers Union through common board members. The WTU has paid certain expenses on behalf of the Plan. At June 30, 2015 and 2014, the Plan owed WTU $287,023 and $89,703, respectively, for these expenses.

Note 6. Subsequent Events Review

DCPS has failed and refused to submit $1.7 million in plan contributions for the fiscal year ended September 30, 2014 required pursuant to the Memorandum of Agreement (MOA) between the parties signed by DCPS on December 12, 2012. On November 6, 2014, the Washington Teachers’ Union filed a grievance with DCPS’ for its violation of the MOA and demanding payment of delinquent contributions, interest and attorney’s fees. The grievance has been submitted to binding arbitration. Subsequent to June 30, 2015, DCPS made a payment of approximately $600,000 to the Plan.

Subsequent events were evaluated through April 5, 2016, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction, other than that discussed above, which would require additional adjustment to or disclosure in the accompanying financial statements.