



PHILADELPHIA FEDERATION
OF TEACHERS

1816 CHESTNUT STREET ■ PHILADELPHIA, PA 19103

(215) 587-6738



JERRY T. JORDAN

PRESIDENT

FAIR SHARE NOTICE

If you were appointed to a new position but were previously serving in a PFT bargaining unit and were a member of the PFT, you can ignore this notice. Your membership should automatically carry over. If you were a member in your previous unit, please check your first paycheck stub. You should find the code letter "F" and an amount withheld equal to 1% (one percent) of your earnings. If this is not the case, please call the PFT office immediately at 215-587-6738.

If you are not already a member, please go to the PFT office to join. The PFT office is in the Personnel Department.

Also, it is vital that you stop at the PFT office in order to complete PFT Health and Welfare enrollment cards. These cards are necessary in order for you to receive your PFT Fund benefits.

If you were a member and had **any** break in service, you must rejoin. Call 215-587-6738.

Currently our membership includes approximately 95% of all those eligible to join. It has been this unity and magnitude of support that has helped make our settlements a reality. This magnitude of support has brought us financial stability necessary to finance benefits for all bargaining units. This support also helps us when we fight for true educational improvements.

Thank you,

The Philadelphia Federation of Teachers

MEMBERSHIP ENROLLMENT FORM

The Philadelphia Federation of Teachers, 1816 Chestnut Street • Philadelphia, PA 19103 • 215-587-6738 • www.pft.org

Name _____ Sex M F Subject/Position _____ S.S. # _____
PLEASE PRINT
Address _____ Home Phone _____ Work Location _____
City _____ State _____ Zip _____ E-mail Address _____

I hereby make application for membership. I understand that dues paid to the Philadelphia Federation of Teachers may not be deductible for federal income tax purposes; however, under limited circumstances, dues may qualify as a business expense. Dues are deductible on Pennsylvania income tax.

✓ Signature _____ Date _____

AUTHORIZATION FORM FOR CONTRIBUTION TO PFT COMMITTEE TO SUPPORT PUBLIC EDUCATION

I hereby authorize The School District of Philadelphia to deduct (check one)

\$1.00 \$2.00 \$3.00 \$4.00 \$5.00 Other (indicate amount) _____

from my earnings each pay period the amount certified above as a voluntary contribution to be paid to the PFT Committee to Support Public Education, Philadelphia Federation of Teachers, Local 3, AFT, AFL-CIO, 1816 Chestnut Street, Philadelphia, Pennsylvania 19103, affiliated with the AFT/COPE Committee to be used in accordance with the by-laws of the PFT Committee to Support Public Education for the purpose of making political contributions. My contribution is voluntary and I understand that it is not required as a condition of membership in any organization, or as a condition of continued employment, and is free of reprisal, and that I may revoke this authorization at any time by giving written notice to the PFT Committee to Support Public Education.

I understand that contributions to the PFT Committee to Support Public Education are not deductible as a charitable contribution for federal income tax purposes.

✓ Signature _____ Date _____

DUES SCHEDULE ON REVERSE SIDE

AUTHORIZATION FOR VOLUNTARY PAYROLL DEDUCTION



Print Name Here _____
Last First Middle

Work Location _____ School Code Number _____

Position _____ Social Security Number _____

I hereby authorize the School District of Philadelphia to deduct from my earnings each pay period the amount necessary to pay professional dues to the Philadelphia Federation of Teachers, Local 3, AFT, AFL-CIO, as set forth in the official notification filed by the Federation with the Board of Education. The amount so deducted shall be transmitted to the Philadelphia Federation of Teachers.

This authorization shall be irrevocable during the duration of the collective bargaining agreement in effect between the School District and the Federation, and shall be automatically renewable for the term of any successive collective bargaining agreement, unless revoked by me by notifying the School District of Philadelphia and the Philadelphia Federation of Teachers in writing during the period of fifteen days prior to the expiration of any such agreement, or at such times as I cease to be employed in a position included in any of the bargaining units represented by the Philadelphia Federation of Teachers.

✓ Signature _____ Date _____

FOLD AND MAIL TO PFT OR GIVE TO YOUR PFT BUILDING REPRESENTATIVE

PLEASE DO NOT DETACH FORMS





PHILADELPHIA
FEDERATION of TEACHERS

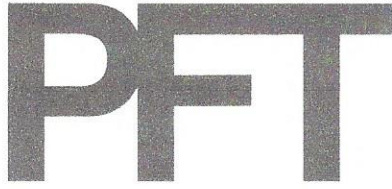
JOIN THE PHILADELPHIA FEDERATION OF TEACHERS

Membership in the Philadelphia Federation of Teachers includes affiliation with the American Federation of Teachers, AFT Pennsylvania, the AFL-CIO, the Pennsylvania AFL-CIO, the Philadelphia Council, AFL-CIO and subscriptions to the PFT Reporter, the American Teacher newspaper and certain other publications.

PFT Constitution
Article XIII Dues

Section 1. Dues of members shall be one percent (1%) of the individual member's total remuneration.

Section 2. All members whose employers provide a system of payroll deduction of dues must pay dues in this manner.



PHILADELPHIA FEDERATION
OF TEACHERS

1816 CHESTNUT STREET ■ PHILADELPHIA, PA 19103

(215) 587-6738



JERRY T. JORDAN

PRESIDENT

October, 2014

NOTICE TO ALL NON-UNION MEMBER
FAIR SHARE FEE PAYERS

Dear Colleague:

Pennsylvania law provides for school district employees who currently enjoy the benefits and advantages of a collective bargaining unit agreement but are not members of the union, to pay their fair share of the cost of collective bargaining, contract enforcement, and related activities. Any request for exemptions whether they had been granted or not must be filed each year.

Based on the auditors' calculations, your fair share, as a non-union member, is 83.09 percent of the regular dues paid by a PFT member. PFT members pay 1 percent of their earnings as union dues. Thus, your fair share will be .8309 percent of your earnings (83.09 percent \times 1 percent = .8309 percent).

This notice is being provided to all individuals who pay fair share fees to the Philadelphia Federation of Teachers (PFT), Local 3, AFT, AFL-CIO, under a collective bargaining agreement between PFT and the School District of Philadelphia. Such notice is required by Pennsylvania law.

PLEASE READ THIS NOTICE CAREFULLY. IT CONTAINS IMPORTANT INFORMATION AND PROCEDURES REGARDING YOUR LEGAL RIGHTS.

In Solidarity,

JERRY T. JORDAN
President

P.S. We are working from School District data and therefore may be behind in recording new memberships. If you are unsure, check your pay stub. Members should find the code letter "F" and an amount withheld equal to 1% (one percent) of earnings. If this is not so, please call the PFT at 215-587-6738.

If you are a recent retiree, please ignore this notice. The School District may not have removed your name.

If you were a member and had **any** break in service, you must rejoin. Call 215-587-6738.

The Philadelphia Federation of Teachers Fair Share Fee

As a nonmember fair share fee payer you are being charged a fair share fee which is equal to your pro rata share of expenses for activities or undertakings which are reasonably employed to implement or effectuate the duties of PFT as your exclusive bargaining representative. Included in the calculation of the fair share fee are expenses associated with the collective bargaining process, contract administration, and pursuing matters affecting the wages, hours and working conditions of employees represented by PFT. The categories of expenses which are chargeable to fair share fee payers, the categories of non-chargeable expenses and the actual calculation of chargeable and non-chargeable expenses of the PFT, the AFT Pennsylvania (formerly the Pennsylvania Federation of Teachers), and the American Federation of Teachers are set forth in detail below. Also included in this notice are descriptions of the procedures by which a nonmember fair share fee payer can object to the payment of the fair share fee to the PFT on bonafide religious grounds or challenge the accuracy of PFT's calculation of the fair share fee.

Applying the categories (indicated in the following reports) of chargeable and non-chargeable expenses to the activities and undertakings of the Philadelphia Federation of Teachers, the AFT Pennsylvania (formerly the Pennsylvania Federation of Teachers), and the American Federation of Teachers for the most recent periods for which independently audited financial expenses are available, it has been determined that 83.09% of the total expenses of PFT were chargeable to fair share payers. Applying this percentage to the dues rate charged PFT members (1% of monies earned) a fair share fee of .8309% of the monies earned was established. This fair share fee will be effective starting November 1, 2014, and be in effect until October 31, 2015.

The PFT fair share fee is based upon the following audited financial information. This financial information sets forth expenditures of the Philadelphia Federation of Teachers in major categories audited by an independent accounting firm. The following schedules detail the portions of the total audited expenditures which are chargeable to fair share fee payers. The independent audited reports include descriptions of chargeable and non-chargeable areas. Also, payments to the AFT Pennsylvania (formerly the Pennsylvania Federation of Teachers) and the American Federation of Teachers are based on the resulting percentage for chargeable and non-chargeable expenses using their most recent, independently audited reports. These reports are also included below in this mailing. Included with these reports are descriptions of their chargeable and non-chargeable items.

The reports that are included are as follows:

1. Report #1—Philadelphia Federation of Teachers, Auditors, Heffler, Radetich & Saitta LLP
2. Report #2—AFT Pennsylvania, Auditors, Heffler, Radetich & Saitta LLP
3. Report #3—American Federation of Teachers, Calibre CPA Group, PLLC

REPORT #1 Independent Auditors' Report

To the Executive Board
Philadelphia Federation of Teachers
Local 3—American Federation of Teachers

We have audited the accompanying combined statement of General Fund and Strike Fund expenses and allocation between chargeable expenses and non-chargeable expenses of the Philadelphia Federation of Teachers, Local 3—American Federation of Teachers (the Federation) for the year ended May 31, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this statement 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 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 this statement 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 statement is free from 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 Federation'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 Federations' 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 statement. 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 combined statement referred to above presents fairly, in all material respects, the combined expenses of the Philadelphia Federation of Teachers, Local 3—American Federation of Teachers for the year ended May 31, 2014, as modified for the accounts described in Note 1, and the allocated combined expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3.

Other Matter

The total expenses on the statement are based on the expenses of the Federation for the year ended May 31, 2014. The allocation of expenses between chargeable and non-chargeable is based on 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 Philadelphia Federation of Teachers, Local 3—American Federation of Teachers and its agency fee payers, and is not intended to be and should not be used by anyone other than these specified parties.

HEFFLER, RADETICH & SAITTA LLP
October 16, 2014

LOCAL 3—AMERICAN FEDERATION OF TEACHERS Combined Statement of General and Strike Fund Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses for the Year Ended May 31, 2014

	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Non- Chargeable Expenses</u>
Direct Expenses			
Salaries	\$2,898,101	\$2,685,461	\$ 212,640
Employee Benefits and Payroll Taxes	1,334,519	1,236,602	97,917
Accounting	93,098	93,098	—
Arbitration	21,827	21,827	—
Conferences, Conventions, Meetings, and Committees	52,184	52,184	—
Contributions	30,555	—	30,555
Executive Board Expense	22,212	22,212	—
Legal Expense	527,365	527,365	—
Membership Meetings	128,271	128,271	—
Per Capita Expense	3,099,436	1,977,601	1,121,835
Political Education of Members	16,200	—	16,200
Printing	74,572	74,572	—
Public Relations	408,461	408,461	—
School Representative Meetings	2,139	2,139	—
Staff Expenses:			
Mileage	30,397	28,167	2,230
Staff Reimbursements	116,223	107,695	8,528
Testimonials	8,975	—	8,975
Transcripts	1,225	1,225	—
Total Direct Expenses	\$8,865,760	\$7,366,880	\$1,498,880

The accompanying notes are an integral part of this statement.

	Total Expenses	Chargeable Expenses	Non- Chargeable Expenses
General, Administrative and Operating Expenses			
Auto Expense	\$ 6,016	\$ 4,999	\$ 1,017
Data Processing	35,992	29,907	6,085
Depreciation	24,785	20,595	4,190
Insurance	44,631	37,086	7,545
Interest	808	671	137
Maintenance and Repairs	19,725	16,390	3,335
Office Supplies and Expense	63,365	52,652	10,713
Postage	13,143	10,921	2,222
Professional Fees	35,972	29,890	6,082
Public Relations	16,077	13,359	2,718
Rent—Equipment	16,954	14,088	2,866
Rent—Office	99,313	82,523	16,790
Subscriptions and Publications	2,086	1,733	353
Telephone	62,295	54,256	11,039
Total General, Administrative and Operating Expenses	444,162	369,070	75,092
Total Expenses	\$9,309,922	\$7,735,950	\$1,573,972
Allocation Percentage	100.00%	83.09%	16.91%
Dues Allocation	1.0000	0.8309	0.1691

The accompanying notes are an integral part of this statement.

**Philadelphia Federation of Teachers
Local 3—American Federation of Teachers
Notes to Combined Statement of General and
Strike Fund Expenses and Allocation Between
Chargeable Expenses and Non-chargeable Expenses
May 31, 2014**

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying combined statement was prepared on the accrual basis of accounting for the purpose of determining the fair share cost of services rendered by the Philadelphia Federation of Teachers, Local 3—American Federation of Teachers (the Federation) for employees represented by, but not members of, the Federation. The accompanying combined 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 accounting principles generally accepted in the United States.

Combined Accounts

The per capita expense paid to the American Federation of Teachers—Pennsylvania is offset by the allowable rebate to result in a net expense. The payroll is offset by American Federation of Teachers staff assistance reimbursements to result in a net expense.

Income Taxes

The Federation is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code.

Pension and Retirement Plans

The Federation contributes a percentage of eligible employees' salaries to retirement plans. The Federation follows the practice of recording as an expense its required contributions under such plans in each year.

Depreciation and Amortization

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Accumulated Vacation and Sick Pay

The Federation accrues accumulated vacation and sick pay expense as it is earned by its employees under various contracts and agreements. Accordingly, annual adjustments to vacation and sick pay are reflected in employee benefits and payroll taxes expenses.

Use of 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. Accordingly, actual results could differ from those estimates.

Note 2. Definitions

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

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 in the performance of its duties as the exclusive representative of the employees of the School District of Philadelphia in dealing with the employer on labor management issues, including the cost of: negotiating and administering the collective bargaining contracts; 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 of the School District of Philadelphia.

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigating 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, community organizations, civic groups, government agencies and the media respecting the Federation's position on work-related matters; lobbying and legislative activities with respect to matters concerning employees' work-related issues; maintaining membership employee group programs; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

Non-chargeable Expenses

Non-chargeable expenses are those of an ideological and 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 Federation may take which are not work-related.

The following expenses are classified as non-chargeable: lobbying, electoral or political activities outside the limited context of contract ratification or implementation; and public relations efforts designed to enhance the reputation of the teaching profession.

Note 3. Significant Factors and Assumptions Used in the Allocation of Combined Expenses Between Chargeable and Non-chargeable

Salaries

Salary expenses of executives, field staff and grievance chairperson have been allocated to chargeable and non-chargeable expenses based on time spent by personnel on chargeable and non-chargeable activities. The salaries of office and clerical personnel are allocated between chargeable and non-chargeable in the same percentage as their supervisors.

Fringe Benefits, Payroll Taxes, Executive and Staff Expenses

These expenses are allocated on the basis of salary expense allocations described above.

Contributions and Donations

Contributions and donations to all organizations are considered to be 100 percent non-chargeable.

PFT/Reporter

Direct printing expenses of the publication are allocated based on the specific content of articles. Expenses allocable to articles considered to be political or ideological in nature and deemed not to benefit nonmembers are non-chargeable. The content of articles deemed chargeable are directly related to issues in collective bargaining, contract administration and grievance matters. Chargeable articles also include pending legislation including topics such as salary and fringe benefit improvements, health and welfare areas, occupational safety, etc. Other chargeable articles deal with specific topics like classroom size and educational reform issues on new and advanced methods of classroom instruction. Other preparation and printing of literature expenses are considered to be 100 percent chargeable unless the subject matter relates to an ideological or political issue which is non-work related.

Public Relations

Public Relation expenses which promote the union and provide a method of disseminating information on union activities in areas of collective bargaining, contract administration and grievance matters and explain the PFT's positions in educational issues such as educational reforms and educational restructuring of schools are considered to be 100 percent chargeable. Public relations on the subject of enhancing the reputation of the teaching profession are non-chargeable.

Per Capita Expense

Per Capita expense is the payment of dues to the American Federation of Teachers (AFT), American Federation of Teachers-Pennsylvania (AFTPA), and other various union affiliates. Allocation is based on the resulting percentage for chargeable and non-chargeable expenses for AFT and AFTPA using their most recent reports. Per Capita expenses of other various union affiliates is considered 100% non-chargeable due to the lack of audited determinations from these affiliates. AFT liability insurance benefits are not considered 100% non-chargeable.

General, Administrative and Operating Expenses

General, administrative and operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as allocable direct expenses.

Note 4. Dues Allocation

Applying the categories of chargeable and non-chargeable expenses to the activities and undertakings of the Federation, it was determined that 83.09% of the total expenses of the Federation were chargeable to fair share fee payers. Applying this percentage to the rate charged to PFT members (1% of base wages) a fair share fee of the monies earned by the nonmember fee payer was established ($83.09 \times 1\% = .8309$).

REPORT #2 Independent Auditors' Report

To the Executive Board
AFT Pennsylvania

We have audited the accompanying statement of Expenses and Allocation between Chargeable and Non-Chargeable Expenses of AFT Pennsylvania (the Federation) for the year ended May 31, 2013, and the related notes to the statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this statement 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 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 this statement 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 statement is free from 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 Federation'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 Federation'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 statement. 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 combined statement referred to above presents fairly, in all material respects, the expenses of the American Federation

of Teachers, Pennsylvania for the year ended May 31, 2013 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.

Other Matter

The total expenses on the statement are based on the expenses of the Federation for the year ended May 31, 2013. The allocation of expenses between chargeable and non-chargeable is based on 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 American Federation of Teachers, Pennsylvania and its agency fee payers and is not intended to be and should not be used by anyone other than these specified parties.

Philadelphia, PA HEFFLER, RADETICH & SAITTA LLP
October 31, 2013

AFT PENNSYLVANIA Statement of Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses

Year Ended May 31, 2013

	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Non- Chargeable Expenses</u>
Direct Expenses			
Salaries	\$1,666,105	\$1,291,356	\$374,749
Employee Benefits and Payroll Taxes	611,683	438,943	172,740
Conferences, Conventions, and Committees	11,939	11,939	—
Contributions	125	—	125
Defense Grants	6,297	6,297	—
Executive Committee Meeting Expense	9,888	9,888	—
Legal Expense	11,413	11,413	—
Organizing	94,975	—	94,975
Phone Bank Expense	6,921	—	6,921
Printing	2,281	—	2,281
State Affiliate Political Organizers	116,982	—	116,982
Staff Expenses	77,641	57,284	20,357
Total Direct Expenses	<u>2,616,250</u>	<u>1,827,120</u>	<u>789,130</u>
General, Administrative and Operating Expenses			
Accounting	33,571	23,445	10,126
Depreciation	21,781	15,211	6,570
Insurance	28,983	20,241	8,742
Office Supplies and Expense	36,428	25,440	10,988
Pension Administration Fee	8,423	5,882	2,541
Postage	9,377	6,549	2,828
Printing	6,834	4,773	2,061
Rent	140,761	98,304	42,457
Subscriptions and Publications	5,264	3,676	1,588
Telephone	10,895	7,609	3,286
Total General, Administrative and Operating Expenses	<u>302,317</u>	<u>211,130</u>	<u>91,187</u>
Total Expenses	<u>\$2,918,567</u>	<u>\$2,038,250</u>	<u>\$880,317</u>
Allocation Percentage	<u>100.00%</u>	<u>69.84%</u>	<u>30.16%</u>

The accompanying notes are an integral part of this statement.

AFT Pennsylvania Notes to Statement of Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses

May 31, 2013

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 AFT Pennsylvania (AFT-PA) for employees represented by, but not members of, the AFT-PA and its affiliated local unions. The accompanying statement is not intended to be a complete presentation of the AFT-

PA's financial position, changes in its net assets, or its cash flows in accordance with generally accepted accounting principles.

Salary Expense

The salary expense is offset by the American Federation of Teachers staff assistance reimbursement programs to result in a net salary expense.

Income Taxes

The AFT-PA is exempt from Federal income taxes under Section 501(c)(5) of the Internal Revenue Code.

Pension and Retirement Plans

The AFT-PA contributes to a multi-employer defined contribution pension plan and annuity plan covering substantially all of its clerical employees. The expenses incurred for the year ended May 31, 2013 were \$14,315 and are included in employee benefits and payroll taxes within the statement of expenses and allocation between chargeable expenses and non-chargeable expenses.

The AFT-PA contributes to an annuity plan covering substantially all professional and staff members. Contributions are based upon a percentage of salary. The AFT-PA also contributes a fixed monthly dollar amount into a separate annuity for each employee covered in the plan. The expenses incurred for the year ended May 31, 2013 were \$57,848 and are included in employee benefits and payroll taxes within the statement of expenses and allocation between chargeable expenses and non-chargeable expenses.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Accumulated Vacation and Sick Pay

The AFT-PA accrues accumulated sick and vacation expense as it is earned by its employees under various contracts and agreements.

Use of 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. Accordingly, actual results could differ from those estimates.

Note 2. Definitions

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

Chargeable Expenses

Chargeable expenses are those incurred by the AFT-PA that reflect the share of the costs of operations of the AFT-PA which are considered necessarily and reasonably incurred for the purpose of assisting local unions and councils in the performance of their duties as a representative of the employees in dealing with the employer on labor management issues, including the cost 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 local union or council as representative of the employees in the bargaining unit; and the maintenance of the AFT-PA's local unions' and councils' associational existence.

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigating 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 AFT-PA's position on work-related matters; maintaining membership; employee group programs; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

Non-chargeable Expenses

Non-chargeable expenses are those of an ideological and 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 non-chargeable: lobbying, electoral or political activities outside the limited context of contract ratification or implementation; and public relations efforts designed to enhance the reputation of the teaching profession.

Note 3. Significant Factors and Assumptions Used in the Allocation of Expenses Between Chargeable and Non-chargeable

Salaries

Salary expenses of offices and field staff have been allocated to chargeable and non-chargeable expenses based on time spent by personnel on chargeable and non-chargeable activities. The salaries of office and clerical personnel are allocated between chargeable and non-chargeable in the same percentage as their supervisors.

Fringe Benefits and Payroll Taxes

The expenses are allocated on the basis of salary expense allocations described above.

Contributions and Donations

Contributions and donations to all organizations are considered to be 100 percent non-chargeable.

General, Administrative and Operating Expenses

General, administrative and operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as chargeable direct expenses to non-chargeable direct expenses.

REPORT #3

Report of Independent Auditors

The Secretary-Treasurer
American Federation of Teachers, AFL-CIO

We have audited the accompanying combined statement of General Fund, Militancy/Defense Fund and Solidarity Fund expenses and allocation between chargeable expenses and non-chargeable expenses for the state of California of the American Federation of Teachers, AFL-CIO (the Federation) for the year ended April 30, 2014, and the related notes to the combined statement.

Management's Responsibility for the Combined Statement of General Fund, Militancy/Defense Fund and Solidarity Fund Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses

Management is responsible for the preparation and fair presentation of this combined statement in accordance with the basis of accounting described in Note 1, as modified for the accounts and funds described in Note 1b, and the allocated combined 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this combined statement 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 combined statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Federation's preparation and fair presentation of the combined statement 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 Federations' 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 combined statement.

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 combined statement referred to above presents fairly, in all material respects, the combined expenses of the American Federation of Teachers, AFL-CIO for the year ended April 30, 2014 on the basis of accounting described in Note 1, as modified for the accounts and funds described in Note 1b, and the allocated combined expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3.

Other Matter

The total expenses reflected in Column A of the combined statement are based on the expenses of the Federation for the year ended April 30, 2014, as modified for the accounts and funds described in Note 1b. The allocation of combined 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. The accompanying combined statement was prepared for the purpose of determining the Fairshare cost of services rendered by the American Federation of Teachers, AFL-CIO for employees represented by, but not members of the Federation and its affiliated local unions. The accompanying statement is not intended to be complete presentation of the Federations financial statements.

This report is intended solely for the information and use of the American Federation of Teachers, AFL-CIO and its agency fee payers in the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Bethesda, MD CALIBRE CPA GROUP, PLLC
August 1, 2014

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

Combined Statement of General Fund, Militancy/Defense Fund and Solidarity Fund Expenses and Allocation Between Chargeable Expenses and Non-Chargeable Expenses for the State of California

Year Ended April 30, 2014

	Column A	Column B	Column C	
	Total Expenses	Chargeable Expenses	Non-Chargeable Expenses	Notes
Direct expenses				
Salaries	\$ 38,877,246	\$ 31,298,109	\$ 7,579,137	3(a)
Fringe benefits	14,533,177	11,844,979	2,688,198	3(b)
Payroll and other taxes	2,931,227	2,357,060	574,167	3(b)
Severance and vacation pay	1,474,263	1,185,485	288,778	3(b)
Travel and related expenses	4,690,778	3,296,841	1,393,937	3(b)
Dues, donations, and membership fees	5,938,950	—	5,938,950	3(c)
Publications:				
American Teacher	38,717	14,170	24,547	3(d)
American Educator	1,141,638	474,122	667,516	3(d)
Health Wire	90,557	47,416	43,141	3(d)
Public Employee Advocate	98,065	41,756	56,309	3(d)
On Campus	267,302	84,655	182,647	3(d)
PSRP Reporter	212,061	113,262	98,799	3(d)
AFT-COPE and related activities	6,478,451	—	6,478,451	3(e)
Affiliation fees	10,731,061	—	10,731,061	3(f)
Educational training programs	965,581	667,709	297,872	3(g)
Regional conferences and training	2,691,229	2,691,229	—	3(g)
AFT Teach Conference	1,152,823	1,152,823	—	3(g)
Assistance and collective bargaining	29,969,005	25,482,229	4,486,776	3(h)
State federation rebates	2,274,309	2,274,309	—	3(i)
Militancy Fund	53,101	—	53,101	3(j)
Defense Fund	11,010,978	11,010,978	—	3(k)
Solidarity Fund—National	5,304,907	100,000	5,204,907	3(l)
Solidarity Fund—State Federations	8,925,321	8,925,321	—	3(l)
Legal, audit, and consulting	1,531,009	690,650	840,359	3(m)
Legal, audit, and consulting—agency shop	148,961	148,961	—	3(m)
Legislative activities (non-collective bargaining)	1,561,390	—	1,561,390	3(n)
Member benefits activities	1,900,494	—	1,900,494	3(n)
International affairs activities	391,642	—	391,642	3(n)
Convention and executive council meetings	634,209	634,209	—	3(o)
Departmental meetings and projects	10,885,853	3,279,517	7,606,336	3(p)
Funding Our Priorities	12,499,545	10,453,923	2,045,622	3(q)
Regional offices	278,301	221,765	56,536	3(r)
Total direct expenses	\$179,682,151	\$118,491,478	\$61,190,673	

	Column A	Column B	Column C	
	Total Expenses	Chargeable Expenses	Non-Chargeable Expenses	Notes
General, administrative, and operating expenses				3(s)
National office and equipment rental	\$ 1,046,107	\$ 689,856	\$ 356,251	
Depreciation and amortization	1,230,602	811,521	419,081	
Repairs and maintenance	456,765	301,214	155,551	
Information technology	34,275	22,603	11,672	
Computer implementation	394,215	259,965	134,250	
General insurance	728,696	480,539	248,157	
General legal, audit, and consulting	2,933,009	1,934,174	998,835	
Postage, express and delivery, and telephone	587,733	387,581	200,152	
Office supplies, subscriptions, books, and other	2,132,196	1,406,078	726,118	
Total general, administrative, and operating expenses	9,543,598	6,293,530	3,250,068	
Total expenses	\$189,225,749	\$124,785,008	\$64,440,741	
	100.00%	65.95%	34.05%	

See report of independent auditors and accompanying notes to combined statement.

American Federation of Teachers, AFL-CIO Notes to Combined Statement of General Fund, Militancy/Defense Fund and Solidarity Fund Expenses and Allocation Between Chargeable Expenses and Non-Chargeable Expenses for the State of California

Year Ended April 30, 2014

Note 1. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying combined statement was prepared for the purpose of determining the fair share cost of services rendered by the American Federation of Teachers, AFL-CIO (the Federation) for employees represented by, but not members of, the Federation and its affiliated local unions in the State of California. The accompanying combined 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.

(b) Accounts and Funds Excluded from the Combined Statement

The expense of providing accident and liability insurance to members and agency fee payers is recovered through premium charges to locals and has been excluded from the combined expense statement. Rent and various other operating expenses associated with the subletting operations of the Federation, which are accounted for in the Federation's Building Fund, have been excluded from the combined expense statement.

(c) Income Taxes

The Federation is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code, except on net income from unrelated business activities.

(d) Retirement Plans

The Federation contributes a percentage of eligible employees' salaries to retirement plans. The amount of the contribution is included in net periodic pension expense. The adjustment required as a result of the change in the liability to recognize the underfunded status of the Plan is not reflected in these statements.

(e) Severance and Accumulated Vacation

The Federation accrues accumulated severance and vacation expense as it is earned by its employees under various contracts and agreements.

(f) Depreciation and Amortization

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

(g) *Leases*

The Federation occupies office space in a building which is owned by a limited partnership of which the Federation, through its wholly owned subsidiary, 555 New Jersey Avenue, N.W., Inc., is the controlling partner. Annual rental payments were approximately \$4,525,000 of which 96 percent or approximately \$4,354,000, is charged to the General Fund based on the space occupied by the Federation.

(h) *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.

Note 2. Definitions

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

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 assisting state federations and local unions and councils in the 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 local union or council as representative of the employees in the bargaining unit; and the maintenance of the Federation's, state federations', local unions' and councils' associational existence.

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigating 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 regarding the Federation's position on work-related matters; maintaining membership; employee group programs; and providing legal, economic, and technical expertise on behalf of employees in all work-related matters.

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.

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 non-chargeable: 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.

Note 3. Significant Factors and Assumptions Used in the Allocation of Combined Expenses Between Chargeable and Non-chargeable

(a) *Salaries*

Salary expenses of executives, editorial department editors and administrative staff, as well as salary expenses for personnel responsible for office management, finance, travel and meetings have been allocated between chargeable and non-chargeable activities based on time spent by personnel on such activities. The salaries of office and clerical personnel are allocated between chargeable and non-chargeable in the same percentage as their supervisors.

(b) *Fringe Benefits, Payroll and Other Taxes, Severance and Vacation Pay, and Travel and Related Expenses*

These expenses are allocated on the basis of salary expense allocations described in Note 3a above.

(c) *Dues, Donations, and Membership Fees*

Dues, donations, and membership fees to all organizations are considered to be 100 percent non-chargeable.

(d) *Publications*

Direct printing and publishing expenses of the publications are allocated based on the specific content of articles in the publications as determined by the Federation's editorial department. Expenses allocable to articles considered political or ideological in nature are deemed not to benefit nonmembers and are non-chargeable. Expenses allocable to reporting on legislative and lobbying activities, litigation activities, public relations activities, illegal strike activities, and articles relating to enhancement of the reputation of the teaching profession as a whole are non-chargeable, except for those related to collective bargaining. The contents of articles deemed chargeable were reviewed by editorial staff and are directly related to issues in collective bargaining, contract administration, and grievance matters. Chargeable articles include topics such as collective bargaining contracts negotiated by locals throughout the country and arbitrations won by the Federation's locals. Chargeable articles also include topics such as salary and fringe benefit improvements, health and welfare areas such as asbestos removal, etc. Other chargeable articles deal with specific topics like class size and educational reform issues on new and advanced methods of classroom instruction. Expenses allocable to advertising, net of advertising revenue, are considered non-chargeable.

(e) *AFT-COPE and Related Activities*

Expenses related to the Federation's Committee on Political Education (COPE) Fund are considered to be 100 percent non-chargeable.

(f) *Affiliation Fees*

Affiliation fees are considered to be 100 percent non-chargeable.

(g) *Educational Training Programs and Conferences*

Educational training programs and conferences are for local, state, and national staff and are to enhance staff skills in collective bargaining, grievance handling, and contract administration. These educational training programs and conferences are considered to be 100 percent chargeable, except that items of a political or public relations nature contained within the programs are non-chargeable.

The AFT Teach conference is a biennial conference that concentrates on educational reform and new instructional methods. As this conference focuses on education related issues, the related expenses are considered to be 100 percent chargeable.

(h) *Assistance and Collective Bargaining*

Expenses of organizing, collective bargaining, assistance to local unions, grievance handling, contract administration, etc. are 100 percent chargeable; however, expenses relating to organizing activities in new areas, including campaigns for collective bargaining where AFT is not the agent, preparation of literature and workers meetings, are 100 percent non-chargeable.

(i) *State Federation Rebates*

State federation rebates are required by the Federation's constitution and are therefore 100 percent chargeable. These funds are to be used to hire staff at the state and local level, to negotiate collective bargaining agreements, and to enforce contract administration. Also, funds are used to service members directly.

(j) *Militancy Fund*

The Militancy Fund supports members and locals involved in strikes. These expenses are considered to be 100 percent non-chargeable.

(k) *Defense Fund*

The Defense Fund is a legal defense fund available to members and nonmembers which grants assistance to local and state bodies to help protect the rights of teachers, career service personnel, and other educational workers, as well as health care and Federal, state, and local employees. Matters involving contract administration, grievance handling, and litigation involving the defense of the

Federation are considered to be chargeable. Expenses of litigation unrelated to an objecting employee's unit and not germane to the Federation's duties as exclusive bargaining representative are not considered to be chargeable as defined in *Lehnert v. Ferris Faculty Association* (1991). However, based on *Locke v. Karass*, U.S. Supreme Court, January 21, 2009, nonmembers could be charged by the local or national union for national litigation expenses as long as the subject matter of the extra-local litigation was of a kind that would be chargeable if the litigation were local and the charge was reciprocal in nature. This fund is administered through a committee comprised of Vice Presidents, the Secretary-Treasurer and the General Counsel, all of the Federation.

(l) Solidarity Funds

National expenses consist of payments made related to political and legislative activities. These payments are considered to be 100 percent non-chargeable unless the expense is directly related to improving the wages, hours, or working conditions of the members of the bargaining unit(s).

State expenses consist of payments made to AFT State Federation Solidarity Funds as required by the Federation's Constitution and are considered 100 percent chargeable.

(m) Legal, Audit, and Consulting Expenses

Legal, audit, and consulting expenses related to specific projects are allocated based on the chargeable percentages of the related departments, except that legal, audit and consulting expenses primarily for non-chargeable activities are considered to be 100 percent non-chargeable.

Legal, audit, and consulting expenses—agency shop are fees paid to outside lawyers, auditors, and consultants for services directly relating to agency shop matters. These expenses are considered to be 100 percent chargeable.

General legal, audit and consulting expenses are allocated as described in Note 3s below.

(n) Legislative Activities (non-collective bargaining), Member Benefits Activities and International Affairs Activities

Activities related to legislative (non-collective bargaining), public affairs, member benefits, and International affairs expenses are generally considered to be 100 percent non-chargeable.

(o) Convention and Executive Council Meetings

Expenses related to the Federation's biennial convention and periodic Executive Council meetings are considered to be 100 percent chargeable.

(p) Departmental Meetings

Departmental meeting expenses are allocated based on the chargeable percentages of the related departments, except that meeting expenses primarily for non-chargeable activities, or activities in California related to classified employees, are considered to be 100 percent non-chargeable.

(q) Funding Our Priorities

Funding Our Priorities expenses are allocated based on the chargeability or non-chargeability of each project.

(r) Regional Offices

Regional offices expenses are allocated based on the chargeable percentages of the regional office directors.

(s) General, Administrative, and Operating Expenses

General, administrative, and operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as total direct expenses.

Note 4. Subsequent Events Review

Subsequent events have been evaluated through August 1, 2014, which is the date 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 statement.

PFT Procedures for Objecting to the Pay of a Fair Share Fee on Bona Fide Religious Ground or Challenging the Amount of the Fair Share Fee

Under Pennsylvania law nonmember fair share fee payers have a right to challenge the accuracy of PFT's calculation of the amount of the fair share fee. Nonmembers also have a right to object to the payment of a fair share fee to PFT on bona fide religious grounds.

The PFT has implemented the following procedures for the protection of these rights. **Please read these procedures carefully. You must comply with these procedures in order to object to the payment of the fair share fee on religious grounds or to challenge the amount of the fair share fee.**

Religious Objection to the Payment of Fair Share Fees

A nonmember fair share fee payer may register an objection to the payment of the fair share fee to PFT on bona fide religious grounds. If the nonmember's religious objection is sustained the objector shall pay the equivalent of the fair share fee to a non religious charity agreed upon by the objecting nonmember and the PFT.

In order to register a religious objection a nonmember fair share fee payer must notify PFT, individually, in writing, mailed to the address indicated below and postmarked no later than 45 days after the date of this notice. The written objection must contain the following information: the objecting nonmember's name, social security number, job title, and work location. In addition, the religious objector must provide verification that the objection is based on bona fide religious grounds.

Religious objections must be filed each year, even if the same conditions exist.

Upon receipt of the nonmember's religious objection the PFT will review the information provided and decide whether to accept the nonmember's religious objection. If the PFT accepts the religious objection the union will contact the objector regarding the selection of an appropriate non religious charity to which the fair share fee shall be paid. If the PFT does not accept the nonmember's religious objection the union will so inform the objecting nonmember. Upon receipt of the notification the objecting nonmember will have 40 days to appeal the rejection to an impartial decisionmaker.

Nonmember fee payers must mail their written religious objection postmarked no later than 45 days from the date of this notice, to:

Religious Objection
Philadelphia Federation of Teachers
1816 Chestnut Street, Philadelphia, PA 19103
Attn: Crystal Barnett

Challenge to the Amount of the Fair Share Fee

Individual nonmember fair share fee payers who wish to challenge the PFT calculation of chargeable expenses and the amount of the fair share fee set forth in this notice must do so individually and in writing. The written challenge must include the challenger's name, address, social security number, job title, and work location.

The written challenge must be sent to PFT by mail, postmarked no later than 45 days from the date of this notice, to the following address:

Fair Share Fee Challenge
Philadelphia Federation of Teachers
1816 Chestnut Street, Philadelphia, PA 19103
Attn: Crystal Barnett

An impartial decisionmaker will be appointed by the American Arbitration Association to resolve all challenges to the PFT fair share fee. All challenges to the PFT fair share fee will be consolidated into a single proceeding. The impartial arbitrator will hold hearings in which the challenger(s) can participate personally or through a representative. In these hearings PFT will have the burden of proof regarding the amount of the fair share fee and the accuracy of the underlying calculation of chargeable expenses. The challenger(s) will be given an opportunity to present their own evidence and to present written arguments in support of their challenge(s). The arbitrator will issue a written decision and award on the basis of the evidence and argument presented. The challenger(s) will receive further information regarding the hearing, including the time and the place of the hearing, directly from the American Arbitration Association.

Upon receipt of a written challenge the PFT will deposit, in an interest bearing escrow account, 100% of the fair share fee paid by the challenger pending resolution of their challenge. The fair share fee shall remain in escrow until the arbitration award issues and shall be distributed, along with accrued interest, pursuant to the arbitrator's ruling.