

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554

Consolidated Financial Statements

For the Year Ended May 31, 2019

(With Independent Accountant's Review Report Thereon)

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2019

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Rita C. Villa
Certified Public Accountant

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Executive Board
West Valley-Mission Federation of Teachers, AFT Local 6554:

I have reviewed the accompanying consolidated financial statements of the West Valley-Mission Federation of Teachers, AFT Local 6554 (the "Federation") which comprise the consolidated statement of financial position as of May 31, 2019, and the related consolidated statements of changes in net assets without donor restrictions and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Federation's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Rita C. Villa

September 19, 2019

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MAY 31, 2019

	<u>General Fund</u>	<u>COPE Fund</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$204,888	\$38,024	\$242,912
Investments (Note 3)	201,849		201,849
Accounts receivable (Note 4)	<u>70,228</u>	<u> </u>	<u>70,228</u>
Total Current Assets	476,965	38,024	514,989
Furniture & Equipment (net)	<u>0</u>	<u> </u>	<u>0</u>
Total Assets	<u>\$476,965</u>	<u>\$38,024</u>	<u>\$514,989</u>
LIABILITIES AND NET ASSETS:			
CURRENT LIABILITIES:			
Owed to Affiliates	\$29,681	(\$1,365)	\$28,316
Accrued expenses (Note 4)	<u>1,858</u>	<u>347</u>	<u>2,205</u>
Total Current Liabilities	<u>31,539</u>	<u>(1,018)</u>	<u>30,521</u>
NET ASSETS:			
Without donor restrictions	<u>445,426</u>	<u>39,042</u>	<u>484,468</u>
Total Net Assets	<u>445,426</u>	<u>39,042</u>	<u>484,468</u>
Total Liabilities and Net Assets	<u>\$476,965</u>	<u>\$38,024</u>	<u>\$514,989</u>

See accompanying notes and independent accountant's review report.

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
YEAR ENDED MAY 31, 2019

	<u>General Fund</u>	<u>COPE Fund</u>	<u>Total</u>
REVENUES WITHOUT DONOR RESTRICTIONS:			
Dues & fees	\$555,708		\$555,708
Affiliate funding	65,132		65,132
Interest	2,055		2,055
Voluntary contributions	<u> </u>	<u>\$14,629</u>	<u>14,629</u>
Total income	<u>622,895</u>	<u>14,629</u>	<u>637,524</u>
EXPENSES:			
Affiliate per capita taxes	324,725		324,725
Office	4,983		4,983
Depreciation	318		318
Conferences and meetings	5,516		5,516
Member insurance	3,012		3,012
Personnel costs	166,753		166,753
Legal	19,026		19,026
Accounting	7,200		7,200
Political expenditures		7,042	7,042
Taxes	<u>202</u>	<u> </u>	<u>202</u>
Total expenses	<u>531,735</u>	<u>7,042</u>	<u>538,777</u>
Change in net assets without donor restrictions	91,160	7,587	98,747
NET ASSETS - beginning	<u>354,266</u>	<u>31,455</u>	<u>385,721</u>
NET ASSETS - ending	<u>\$445,426</u>	<u>\$39,042</u>	<u>\$484,468</u>

See accompanying notes and independent accountant's review report.

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2019

	<u>General Fund</u>	<u>COPE Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Increase in net assets	\$91,160	\$7,587	\$98,747
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	318		318
Decrease in accounts receivable	1,012	21	1,033
Decrease in owed to affiliates	(1,999)		(1,999)
Decrease in prepayments	1,907		1,907
Increase/(decrease) in accrued expenses	<u>1,648</u>	<u>35</u>	<u>1,683</u>
Net cash provided by operating activities	<u>94,046</u>	<u>7,643</u>	<u>101,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	<u>(201,849)</u>		<u>(201,849)</u>
Net cash used by investing activities	<u>(201,849)</u>	_____	<u>(201,849)</u>
Net (decrease)/increase in cash	(107,803)	7,643	(100,160)
CASH AT BEGINNING OF YEAR	<u>312,691</u>	<u>30,381</u>	<u>343,072</u>
CASH AT END OF YEAR	<u>\$204,888</u>	<u>\$38,024</u>	<u>\$242,912</u>

See accompanying notes and independent accountant's review report.

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2019

1. ORGANIZATIONAL PURPOSE

The West Valley-Mission Federation of Teachers, Local 6554 (the "Federation"), formerly known as the Association of College Educators, was formed to: (i) secure full trade union rights, including the rights to exclusive recognition and collective bargaining, for all employees who are eligible for membership; (ii) advance the economic, social, and political well-being of the membership; (iii) obtain for members their rightful voice in shaping educational policy and establishing the conditions under which they work; (iv) encourage communication, mutual understanding, cooperation, transparency, and accountability to and among membership; (v) promote the interests of students and communities who are served by the membership; (vi) promote the advancement of community college education at the local, state and national level; (vii) promote the effectiveness and quality of the institutions in which our members work and (viii) promote democracy, equality, social justice and trade unionism in society at large. On December 1, 2015, the Federation affiliated with the American Federation of Teachers as Local 6554. It also affiliated with the California Federation of Teachers and the AFL-CIO. The Federation is the exclusive bargaining agent for all full and part-time faculty employees, counselors, nurses, librarians, and relevant substitute employees of the West Valley-Mission Community College District.

2. ACCOUNTING POLICIES

(a) Fund Accounting and Principles of Consolidation

To ensure observance of limitations and restrictions placed on the use of resources available to the Federation, the accounts of the Federation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. All significant inter-fund transactions have been eliminated in consolidation.

The assets, liabilities and net assets of the Federation are reported in two self-balancing, unrestricted net asset fund groups. (1) The COPE Fund is a committee of political education formed for the purpose of making contributions to candidates and to proposition-ballot measures. This Fund is administered through a Board of Directors comprised of members of the Federation. (2) The General Fund records all activity of the Federation that is not related to the COPE Fund. None of the assets of either fund is subject to donor restrictions.

(b) Financial Statement Presentation

The consolidated financial statements of the Federation report the amounts for each fund in two distinct classes of net assets and changes therein - net assets with donor restrictions, and net assets without donor restrictions - based on the existence or absence of donor-imposed restrictions. The Federation had no net assets with donor restrictions for the year ended May 31, 2019.

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2019

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recognized when earned. Expenses are recognized when incurred.

The primary source of revenue of the Federation is the dues paid by its members. Revenue is recognized on the accrual basis. The dues for members have been established at the rate of 1.2% of gross earnings.

(c) Cash Equivalents and Liquidity

The Federation defines cash equivalents as short-term, highly liquid (maturing in 90 days) instruments that are readily convertible to cash.

The Federation had \$514,989 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures, consisting of cash and equivalents of \$242,912, investments of \$201,849 and accounts receivable of \$70,228. None of the financial assets is subject to donor or other contractual restrictions that make them unavailable for general expenditures within each respective fund within one year of the balance sheet date. The Federation's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(d) Depreciation

Equipment purchases over \$500 are capitalized. Depreciation is computed by using the straight-line method over the estimated useful lives of the assets.

(e) Income Taxes

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

(f) Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain amounts and disclosures in the financial statements. The nature of those estimates is such that actual results could differ from those estimates.

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2019

3. INVESTMENTS

Investments are reported at fair value in accordance with the framework for measuring fair value under accounting principles generally accepted in the United States of America. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access.

Level 2 – Inputs to the valuation methodology include: (i) Quoted prices for similar assets or liabilities in active markets; (ii) Quoted prices for identical or similar assets or liabilities in inactive markets; (iii) Inputs other than quoted prices that are observable for the asset or liability; and (iv) Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Federation has invested in one certificate of deposit maturing on June 7, 2020. The market value approximated its cost basis.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. ACCOUNTS RECEIVABLE

General Fund accounts receivable at May 31, 2019 consisted of dues collected by the District of \$53,588 and Affiliate Funding of \$16,640.

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2019

5. ACCRUED EXPENSES

Accrued expenses consisted of trade payables at May 31, 2019.

6. SUPPLEMENTAL CASH FLOW DISCLOSURES

The Federation paid no interest expense for the year ended May 31, 2019. During the year, \$202 of Federal income tax was withheld from interest income.

7. CONTINGENCIES

The Federation maintains various bank accounts which from time to time have balances which exceed the amount guaranteed by the Federal Deposit Insurance Corporation coverage limit. At May 31, 2019, the aggregate balance in such accounts was \$410,176 of which \$160,176 exceeded the insured limit.

8. FUNCTIONAL EXPENSES

The Federation's exclusive function is to serve as collective bargaining agent for all full-time and part-time faculty in their employment relations with the District. The table below presents expenses by both their nature and function. Representational expenses and expenses related to internal and external communications about contract negotiations, improvement of working conditions and other matters directly related to collective bargaining have been classified as program expenses. Other expenses not directly related to the Federation's function as bargaining agent have been classified as support expenses.

	<u>Program</u>	<u>Support</u>	<u>Total</u>
Affiliate per capita taxes	\$324,725		\$324,725
Legal	19,026		19,026
Conferences and meetings	5,516		5,516
Personnel	141,519	\$25,234	166,753
Member benefits	3,012		3,012
Political and social		7,042	7,042
Professional		7,200	7,200
Administrative		<u>5,503</u>	<u>5,503</u>
Total expenses	<u>\$493,798</u>	<u>\$44,979</u>	<u>\$538,777</u>

WEST VALLEY-MISSION FEDERATION OF TEACHERS, AFT LOCAL 6554
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2019

9. SUBSEQUENT EVENTS

The Federation has evaluated subsequent events through September 19, 2019, the date the financial statements were available to be issued.