

ATTACHMENT #4

**NEW YORK STATE UNITED TEACHERS
AND SUBSIDIARY**

**Consolidated Schedule of Expenses
and Allocation Between Chargeable
and Nonchargeable Expenses – Private Sector**

For the Year Ended August 31, 2019

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

March 30, 2020

The Board of Directors
New York State United Teachers:

Report on the Consolidated Schedule of Expenses and Allocation between Chargeable and Nonchargeable Expenses – Private Sector

We have audited the accompanying consolidated schedule of expenses and allocation between chargeable and nonchargeable expenses – private sector of New York State United Teachers (NYSUT) and its subsidiary NYSUT Building Corporation (collectively, the Organization), for the year ended August 31, 2019, and the related notes to the consolidated financial schedule.

Management's Responsibility for the Consolidated Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses – Private Sector

Management is responsible for the preparation and fair presentation of this consolidated financial schedule in accordance with the basis of the definitions and significant factors and assumptions described in Notes 2, 3, and 4. This includes determining that this basis is an acceptable basis for the preparation of the consolidated financial schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this consolidated financial schedule 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 consolidated financial schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial schedule, 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 consolidated financial schedule 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 consolidated financial schedule.

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

(Continued)

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

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(Continued)

Opinion

In our opinion, the consolidated financial schedule referred to above presents fairly, in all material respects, the expenses of New York State United Teachers and its subsidiary NYSUT Building Corporation and the allocation between chargeable and nonchargeable expenses – private sector for the year ended August 31, 2019, in accordance with the basis of the definitions and significant factors and assumptions described in Notes 2, 3, and 4.

Basis of Accounting

We draw your attention to Notes 2, 3, and 4 which describe the basis of accounting. The consolidated financial schedule is prepared on a basis other than accounting principles generally accepted in the United States of America. The accompanying consolidated financial schedule is not intended to be a complete presentation of the Organization's consolidated financial statements. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the Organization, NYSUT members, and service fee payers and is not intended to be and should not be used by anyone other than those specified parties.

Bonadio & Co., LLP

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NEW YORK STATE UNITED TEACHERS AND SUBSIDIARY CONSOLIDATED SCHEDULE OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE AND NONCHARGEABLE EXPENSES - PRIVATE SECTOR FOR THE YEAR ENDED AUGUST 31, 2019

	Total Expenses	Chargeable Expenses	Non-Chargeable Expenses
Payroll	\$ 46,169,363	\$ 40,337,260	\$ 5,832,103
Provision for future cost of postretirement benefits	40,737,801	35,591,811	5,145,990
Aid to locals	18,551,326	18,551,326	-
Employee benefits and payroll taxes	16,575,389	14,481,590	2,093,799
Rent and utilities	4,267,996	3,728,948	539,048
Organization affiliation dues	3,576,555	-	3,576,555
Depreciation and amortization	2,347,732	2,026,208	321,524
Newspaper production costs	2,141,526	-	2,141,526
Office equipment repairs and rentals	2,052,272	1,775,449	276,823
Travel and related expenses	1,765,460	1,360,158	405,302
Property taxes	1,679,677	1,467,534	212,143
Committees	1,486,331	1,439,613	46,718
Regional workshops	1,264,331	1,264,331	-
Public relations	1,197,028	-	1,197,028
Insurance	1,150,365	996,925	153,440
Special projects	1,131,777	874,229	257,548
Professional fees	967,026	966,046	980
Office supplies	951,539	683,213	268,326
Telecommunication costs	701,867	585,167	116,700
Retiree services	576,382	547,143	29,239
Conventions	575,224	575,224	-
Special organizing projects	563,908	-	563,908
Miscellaneous	549,320	463,886	85,434
Publications and information systems	546,880	458,680	88,200
Postage	394,125	315,727	78,398
Staff development	360,782	360,737	45
Security services	223,580	195,342	28,238
Political and legislative meetings	178,730	-	178,730
Members' legal defense reimbursements	31,200	-	31,200
Contributions	17,867	-	17,867
Minor equipment	7,874	6,823	1,051
	<u>152,741,233</u>	<u>129,053,370</u>	<u>23,687,863</u>
Less: reimbursement of expenses	<u>2,171,368</u>	<u>1,897,124</u>	<u>274,244</u>
Total operating expenses	<u>\$ 150,569,865</u>	<u>\$ 127,156,246</u>	<u>\$ 23,413,619</u>
Overall union allocation rate	<u>100.00%</u>	<u>84.45%</u>	<u>15.55%</u>

The accompanying notes are an integral part of the consolidated schedule of expenses and allocation between chargeable and nonchargeable expenses - private sector

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NEW YORK STATE UNITED TEACHERS AND SUBSIDIARY

NOTES TO CONSOLIDATED SCHEDULE OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE AND NONCHARGEABLE EXPENSES – PRIVATE SECTOR AUGUST 31, 2019

1. THE ORGANIZATION

New York State United Teachers (NYSUT) is a labor organization that through a representative democratic structure improves the professional, economic and personal lives of its members and their families, strengthens the institutions in which they work and furthers the cause of social justice through the trade union movement.

NYSUT Building Corporation was formed to hold title to real property utilized by NYSUT and certain related entities.

The two companies, together, are hereafter referred to as the "Organization."

Under law, individuals in the private sector who have chosen not to become a member of NYSUT are entitled to reduced fees. The refund or the reduction of fees is related to the pro rata share of total expenses incurred by NYSUT that aided in causes of a political and ideological nature that are only incidentally related to the terms and conditions of employment. NYSUT estimates the pro rata share of nonchargeable expense used to determine such refunds and reductions based on the definitions in Note 3 which are based on management's interpretation of legal precedent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial schedule was prepared for the purpose of determining the service fee cost of services rendered by the Organization for employees represented by, but not members of, the Organization. The accompanying consolidated financial schedule is not intended to be a complete presentation of the Organization's financial position, changes in net deficit, or its cash flows in accordance with generally accepted accounting principles.

Basis of Consolidation

The consolidated financial schedule of expenses and allocation between chargeable and nonchargeable expenses – private sector includes the accounts of New York State United Teachers and its wholly-owned subsidiary the NYSUT Building Corporation. All significant transactions and balances between the entities have been eliminated.

Use of Estimates

The preparation of consolidated financial information in accordance with the basis of presentation described in Notes 2, 3, and 4 requires management to make estimates and assumptions that affect the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Property assets other than transportation equipment are depreciated by the straight-line method, at rates calculated to amortize the cost of the assets over their respective estimated lives.

Transportation equipment is depreciated by accelerated methods, at rates calculated to amortize the cost of the automobiles over their respective estimated useful lives.

3. DEFINITIONS

The following definitions of chargeable and nonchargeable expenses are based on existing law and the Organization's interpretation of relevant court cases as applicable to private sector employees.

Total Expenses

Total expenses include total operating expenses incurred by the Organization, less expenses incurred by the board designated Advocacy, Legal Representation and Solidarity Funds, as these are funded by separate and distinct revenues.

Chargeable Expenses

Chargeable expenses are those reasonably incurred by the Organization, which reflect the share of costs of operations of the Union considered necessarily and reasonably incurred for and germane to the Union's purpose of assisting affiliated local unions in the performance of their duties as a representative of the employees in their bargaining unit in dealing with an employer on labor management issues, including the costs of negotiating, ratifying funding and administering their collective bargaining agreements; commencing assisting in and settling grievances and disputes; implementing resolution of grievances in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the local union as representative of the employees in the bargaining unit; and the governance and maintenance of NYSUT and its local affiliated unions and their associational existence.

It also includes expenses reasonably incurred by NYSUT which are germane to collective bargaining, contract administration, Union governance and administration and/or grievance adjustment. The following are examples of but not exclusive of all expenditures classified as chargeable: preparation for and negotiation of collective bargaining agreements; contract administration including investigation 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 NYSUT's position on work-related matters; maintaining membership; employee group programs; and provision of legal, economic, and technical expertise on behalf of employees in all work-related matters.

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3. DEFINITIONS (Continued)

Nonchargeable Expenses

Nonchargeable expenses are those of an ideological or political nature and those that are not germane to work-related interests of union bargaining unit members.

The following are examples of but not exclusive of all expenditures classified as nonchargeable: 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; and public relations efforts designed to enhance the reputation of the teaching profession. In addition, recruiting members to NYSUT (organizing); charitable contributions and expenses; scholarship fund; community services; legislative activity, including contacts with government agencies concerning NYSUT's views as to appropriate regulations; contributions to organizations outside NYSUT; affiliation fees and contributions to other (non-NYSUT) labor organizations; NYSUT publications not concerning matters germane to collective bargaining, contract administration, Union governance and administration and/or grievance adjustment; meetings and conventions of other labor organizations that do not provide background information directly related to collective bargaining; registration and get-out-the-vote activity; VOTE/COPE activities and expenses; other political activity; foreign affairs, including hosting foreign visitors, international relief efforts, international trade union activity (other than within NYSUT); members-only benefit expenses, including events to which only members are invited; citizenship activities and expenses; non-litigation legal expenses that are not directly related to collective bargaining contract enforcement, grievance adjustment or union administration; committees and conferences identified as political, ideological or not on topics germane to collective bargaining, contract administration and grievance adjustment; vouchers identified as political, ideological, or not germane to collective bargaining, contract administration and grievance adjustment; rent on meeting rooms for purposes identified as political, ideological or not germane to collective bargaining, contract administration and grievance adjustment; education programs concerning topics identified as political, ideological or not germane to collective bargaining, contract administration and grievance adjustment.

4. SIGNIFICANT FACTORS AND ASSUMPTIONS

Nonchargeable Departments

For the purposes of the private sector calculation, all the expenses relating to the Digital Communications, Publications & Design, Organizing, Office of the Political Director, Call Center and Legislation departments have been determined to be 100% nonchargeable.

Payroll

Payroll expenses for employees not in a 100% nonchargeable department have been allocated to nonchargeable based upon a survey of time spent by all NYSUT personnel on nonchargeable activities for the year ended August 31, 2019.

Employee Benefits and Payroll Taxes and Provision for Future Cost of Postretirement Benefits

These expenses are allocated on the basis of payroll expense allocations described in the nonchargeable departments and payroll notes above.

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4. SIGNIFICANT FACTORS AND ASSUMPTIONS (Continued)

Overhead Expenses and Reimbursement of Expenses

The nonchargeable allocations of these expenses and reimbursement of expenses were determined by computing the ratio between nonchargeable personnel expenses to total personnel expenses, the result was applied to the various overhead expenses and reimbursement of expenses.

Aid to Locals

Aid to locals includes reimbursements to local unions for grievances and arbitrations; affiliate support in connection with collective bargaining issues and actions and direct field support provided to large city locals for collective bargaining and work-related interests of their members. Therefore, these expenses have been determined to be 100% chargeable.

Organization Affiliation Dues

All organization affiliation dues were determined to be 100% nonchargeable.

Conventions

All convention costs were determined to be 100% chargeable.

Public Relations

All public relation expenses were determined to be 100% nonchargeable.

Newspaper Production Costs

Printing and publishing expenses of the NYSUT United and NY Teacher newspapers are allocated based on the specific content of articles. Articles considered political or ideological in nature are determined to be nonchargeable. The nonchargeable expenses are calculated based upon the current per column inch advertising rate for endorsed vendors. This calculation resulted in the newspaper production costs being determined 100% nonchargeable.

Special Projects

This category includes projects that are germane to work-related issues and are determined to be 100% chargeable. Also included in this category are activities designed to carry out the Organization's civic and social mission. These activities are determined to be 100% nonchargeable. The remaining expenses in this category are allocated using a nonchargeable allocation ratio described in the overhead expenses and reimbursement of expenses note above.

Regional Workshops

The Organization sponsors numerous workshops available to members and service fee payers which are determined to be 100% chargeable.

Committees

This category includes expenses for committees formed to discuss a variety of work-related issues and are determined to be 100% chargeable. Also included in this category are committees formed to carry out the Organization's civic and social mission. These expenses are determined to be 100% nonchargeable.

Political and Legislative Meetings

Lobbying and legislative activities are determined to be 100% nonchargeable.

Included in this category are expenses for membership political education such as union sponsored phone banks for voter registration or to get out the vote and lobbying and legislative activities with respect to work related issues.

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4. SIGNIFICANT FACTORS AND ASSUMPTIONS (Continued)

Office Supplies

Included in this category is the cost of the Union's membership card which is determined to be 100% nonchargeable. The remaining expenses in this category are allocated using a nonchargeable allocation ratio described in the overhead expenses and reimbursement of expenses note above.

Contributions

All contributions are determined to be 100% nonchargeable.

Members' Legal Defense Reimbursements

Legal defense services are only available to members, therefore all members' legal defense reimbursements are determined to be 100% nonchargeable.

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 30, 2020, which is the date the consolidated schedule of expenses and allocation between chargeable and nonchargeable expenses – private sector was available to be issued.