

LOS RIOS COLLEGE FEDERATION OF  
TEACHERS  
LOCAL 2279

JUNE 30, 2019



INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

**Los Rios College Federation of Teachers  
Local 2279**

**Independent Auditors' Report  
and Financial Statements**

---

|                                     |       |
|-------------------------------------|-------|
| <b>Independent Auditors' Report</b> | 1 - 2 |
|-------------------------------------|-------|

**Financial Statements**

|   |        |
|---|--------|
| Statement of Assets, Liabilities and Net Assets – Modified Cash Basis                               | 3      |
| Statement of Support, Revenue and Expenses and Other Changes in<br>Net Assets – Modified Cash Basis | 4      |
| Statement of Functional Expenses – Modified Cash Basis  | 5      |
| Notes to Financial Statements – Modified Cash Basis   | 6 - 11 |



## **Independent Auditors' Report**

THE BOARD OF DIRECTORS  
LOS RIOS COLLEGE FEDERATION OF TEACHERS, LOCAL 2279  
Sacramento, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **LOS RIOS COLLEGE FEDERATION OF TEACHERS, LOCAL 2279 (the Local)**, which comprise the statement of assets, liabilities and net assets – modified cash basis, as of June 30, 2019, the related statements of support, revenue and expenses and other changes in net assets – modified cash basis and functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements (collectively the financial statements).

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Local as of June 30, 2019, and its revenues collected and expenses paid during the year then ended in accordance with the modified cash basis of accounting described in Note 1(b).

**Basis of Accounting**

We draw attention to Note 1(b) of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited the Local's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Effect of Adopting New Accounting Standard**

As described in Note 1(l), the Local adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
January 13, 2020

**Los Rios College Federation of Teachers  
Local 2279**

**Statement of Assets, Liabilities and Net Assets  
Modified Cash Basis**

| <i>June 30, 2019 (with comparative totals for 2018)</i> | 2019         | 2018         |
|---|--------------|--------------|
| <b>Assets</b>   |              |              |
| <b>Current Assets:</b>                                  |              |              |
| Cash  | \$ 187,290   | \$ 179,125   |
| Short-term investments                                  | 876,437      | 887,814      |
| Total current assets                                    | 1,063,727    | 1,066,939    |
| <b>Property and Equipment</b>                           | 618,696      | 625,794      |
| Total assets  | \$ 1,682,423 | \$ 1,692,733 |
| <b>Liabilities and Net Assets</b>                       |              |              |
| <b>Net Assets:</b>                                      |              |              |
| Net assets without donor restrictions                   | \$ 1,682,423 | \$ 1,692,733 |
| Total liabilities and net assets                        | \$ 1,682,423 | \$ 1,692,733 |

See accompanying notes to financial statements.

# Los Rios College Federation of Teachers

## Local 2279

### Statement of Support, Revenue and Expenses and Other Changes in Net Assets Modified Cash Basis

| <i>Year Ended June 30, 2019 (with comparative totals for 2018)</i> | 2019                | 2018                |
|--|---------------------|---------------------|
| <b>Revenues:</b>   |                     |                     |
| Dues from members and fee payers                                   | \$ 1,538,322        | \$ 1,664,173        |
| Staff funding from CFT/AFT   | 195,183             | 218,124             |
| Investment gain (loss)   | 8,704               | (1,133)             |
| Other income   | 7,228               | -                   |
| <b>Total revenue</b>   | <b>1,749,437</b>    | <b>1,881,164</b>    |
| <b>Expenses:</b>   |                     |                     |
| Member services  | 1,752,349           | 1,923,788           |
| Support services   | 7,398               | -                   |
| <b>Total expenses</b>  | <b>1,759,747</b>    | <b>1,923,788</b>    |
| <b>Decrease in Net Assets</b>                                      | <b>(10,310)</b>     | <b>(42,624)</b>     |
| <b>Net Assets Without Donor Restrictions, beginning of year</b>    | <b>1,692,733</b>    | <b>1,735,357</b>    |
| <b>Net Assets Without Donor Restrictions, end of year</b>          | <b>\$ 1,682,423</b> | <b>\$ 1,692,733</b> |

See accompanying notes to financial statements.

# Los Rios College Federation of Teachers

## Local 2279

### Statement of Functional Expenses Modified Cash Basis

*Year Ended June 30, 2019 (with comparative totals for 2018)*

|                                  | Member<br>Services<br><u>Representation</u> | Support<br>Services<br><u>Administration</u> | 2019<br><u>Total</u> | 2018<br><u>Total</u> |
|----------------------------------|---|--|----------------------|----------------------|
| <b>Expenses:</b>                 |   |  |                      |                      |
| Insurance                        | \$ 15,280                                   |  | \$ 15,280            | \$ 15,224            |
| Advertising and promotions       | 43,205                                      | \$ 1,000                                     | 44,205               | 78,232               |
| Per capita tax                   | 1,064,392                                   |  | 1,064,392            | 1,062,785            |
| Dues and subscriptions           | 2,857                                       |  | 2,857                | 4,610                |
| Legal                            | 44,293                                      | 2,500  | 46,793               | 120,115              |
| Government relations/legislation | 100   |  | 100                  | 300                  |
| Education                        | 2,695                                       |  | 2,695                | 613                  |
| Printing                         | 20,211                                      |  | 20,211               | 17,184               |
| Art Gallery                      | 23,499                                      | 750  | 24,249               | 26,911               |
| Accounting                       | 16,217                                      | 1,200  | 17,417               | 17,579               |
| Equipment lease                  | 3,647                                       |  | 3,647                | 7,107                |
| Miscellaneous                    | 596   |  | 596                  | 535                  |
| Parking                          | 6,900                                       |  | 6,900                | 6,900                |
| License, taxes and fees          | 10,717                                      | 1,000  | 11,717               | 11,770               |
| Postage                          | 3,000                                       | 150  | 3,150                | 3,179                |
| Repairs and maintenance          | 20,014                                      |  | 20,014               | 37,978               |
| Telecommunications               | 11,882                                      |  | 11,882               | 13,660               |
| Supplies                         | 5,850                                       | 559  | 6,409                | 9,808                |
| Utilities                        | 5,924                                       |  | 5,924                | 5,672                |
| Student scholarships             | -   |  | -                    | 10,000               |
| Depreciation                     | 20,748                                      |  | 20,748               | 21,048               |
| Janitorial and yard services     | 9,131                                       |  | 9,131                | 8,189                |
| Meals                            | 10,647                                      |  | 10,647               | 11,415               |
| Travel/conferences/conventions   | 48,761                                      |  | 48,761               | 56,514               |
| Executive board meeting          | 3,300                                       | 239  | 3,539                | 11,408               |
| College fund                     | 12,320                                      |  | 12,320               | 12,599               |
| Automobile                       | 845   |  | 845                  | 1,096                |
| Retirement benefits              | 48,174                                      |  | 48,174               | 33,458               |
| Salary reimbursement             | 84,877                                      |  | 84,877               | 105,551              |
| Payroll taxes                    | 15,371                                      |  | 15,371               | 15,376               |
| Wages                            | 196,896                                     |  | 196,896              | 196,972              |
| <b>Total expenses</b>            | <b>\$ 1,752,349</b>                         | <b>\$ 7,398</b>                              | <b>\$ 1,759,747</b>  | <b>\$ 1,923,788</b>  |

See accompanying notes to financial statements.

# **Los Rios College Federation of Teachers Local 2279**

## **Notes to Financial Statements Modified Cash Basis**

---

### **Note 1 - Nature of the Entity and Summary of Significant Accounting Policies:**

The significant accounting policies followed by Los Rios College Federation of Teachers, Local 2279 (the Local) are as follows:

#### **a. Nature and Purpose of the Local**

The Local, a California nonprofit labor union, provides representation to approximately 2,500 full and part time teachers employed in the Los Rios Community College District. The District is made up of four colleges; Sacramento City College, American River College, Cosumnes River College and Folsom Lake College.

The Local is affiliated with the American Federation of Teachers (AFT), the California Federation of Teachers (CFT), and the Sacramento Central Labor Council. A portion of dues and agency fees, known as per capita payments, are paid to these affiliated Locals. The CFT and AFT reimburse approximately 35% of the per capita payments to the Local for professional staff salaries and benefits, with the CFT providing the majority of the staff funding.

On June 27, 2018, the Supreme Court of the United States (the Court) rendered an opinion on the Janus vs. AFSCME case. The Court ruled that non-union (public workers) members will no longer be required to pay agency fees. In anticipation of this decision, the Local reduced its expectations of dues collections for fiscal 2019 and beyond. During fiscal 2019, the Local experienced a decrease in dues from members and fee payers, which was more than offset by a reduction in operating expenses.

#### **b. Method of Accounting and Presentation**

The modified cash basis of accounting has been used in the preparation of the financial statements. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. Although this basis may recognize certain accruals (acquisition of long-lived assets and investments are reported as assets and depreciation of long-lived assets are reported as expenses), revenue and related assets are generally recognized when received rather than when earned, and expenses are generally recognized when paid rather than when the obligation is incurred. A statement of cash flows is not required in presentations using the modified cash basis of accounting.

#### **c. Cash**

The Local considers all highly liquid investments with maturities of three months or less at the date of the acquisition to be cash equivalents.



# **Los Rios College Federation of Teachers Local 2279**

## **Notes to Financial Statements Modified Cash Basis**

---

d. Short-Term Investments/Fair Value Measurements

The Local's short-term investments are recorded at fair value. Fair value is the price that could be received to sell assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Related realized and unrealized gains and losses are reflected in the statement of support, revenue and expenses and other changes in net assets.

The Local classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar assets or liabilities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Local's determination of assumptions that market participants might reasonably use in valuing these assets or liabilities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

e. Property and Equipment

Land, building, furniture and equipment improvements are stated at cost. Depreciation is determined for related groups of assets under the straight-line method, based upon their estimated useful lives. Minor renewals or replacements, maintenance and repairs are expensed. Major replacements and improvements that extend the life or service of the asset are capitalized.

f. Revenues

The principal revenue source of the Local is monthly dues received from members. These dues are established under the formula prescribed by the Local's constitution and approved by the membership. All dues are received by the General Fund and allocated to the appropriate Restricted/Designated Purpose Fund according to the approved formulas.

Contributions are recognized as revenue when they are received by the Local. The Local reports gifts of cash or other assets as restricted support if they are received with contributor stipulations that limit the use of the donated assets. When such contributor restrictions expire, that is, when stipulated time restrictions end or purpose restrictions are accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported as net assets released from restrictions. Contributions with restrictions are reported as support without restrictions when the restrictions are accomplished in the same period the contribution is received. There are no restrictions as of year end.

# **Los Rios College Federation of Teachers Local 2279**

## **Notes to Financial Statements Modified Cash Basis**

---

g. Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Direct expenses are charged to the related program or supporting services. Non-direct costs have been allocated to the programs and supporting services benefited, based upon estimates of full time equivalent basis of employee time considering the functional roles as determined by management.

h. Income Taxes

The Local is exempt from income taxes on related business income pursuant to Internal Revenue Code Section 501(c)(5) and California Franchise Tax Board (FTB) Revenue and Taxation Code Section 23710a.

The Local has adopted ASC 740 *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity's uncertain tax positions. Management evaluated the Local's tax positions and concluded that the Local had maintained its tax exempt status and had taken no uncertain tax positions that required recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Management has represented that the Local has no open years under Internal Revenue Service or FTB audit. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed to be unrelated to the Local's non-taxable status is not expected to have a material effect on the Local's net assets and/or revenue and expenses.

i. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2018.

# Los Rios College Federation of Teachers Local 2279

## Notes to Financial Statements Modified Cash Basis

### k. Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 presentation.

### l. Recent Accounting Pronouncements

#### *Adopted*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to contributors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. The ASU was adopted as of July 1, 2018. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of prior year liquidity and availability of resource information as permitted by the ASU.

### Note 2 - **Cash:**

The Local maintains a general checking account at Wells Fargo Bank. The purpose of this account is to receive all dues and contribution revenue and disburse operational expenses of the Local, including payroll. At June 30, 2019 and 2018, the Local carried a balance of \$187,290 and \$179,125, respectively.

### Note 3 - **Short-term Investments/Fair Value Measurements:**

As of June 30, 2019 and 2018, the Local carried balances, respectively, in a Wells Fargo investment fund, which were made up of the following:

| Asset Type              | 2019              | %          | 2018              | %          |
|-------------------------|-------------------|------------|-------------------|------------|
| Cash and Sweep Balances | \$ 121,830        | 14         | \$ 741,513        | 84         |
| Mutual Funds            | 154,607           | 18         | 146,301           | 16         |
| Annuities               | 600,000           | 68         | -                 | -          |
|                         | <u>\$ 876,437</u> | <u>100</u> | <u>\$ 887,814</u> | <u>100</u> |

Cash and sweep balances accounts and mutual funds are classified as Level 1 investments. Annuities are classified as Level 2 investments.

**Los Rios College Federation of Teachers  
Local 2279**

**Notes to Financial Statements  
Modified Cash Basis**

---

Cash and sweep accounts are not covered by the Securities Investor Protection Corporation (SIPC), however, they are covered by the Federal Deposit Insurance Corporation (FDIC) with coverage up to \$250,000.

**Note 4 - Property and Equipment:**

Property and equipment consisted of the following at June 30, 2019 and 2018:

|                                    | 2019       |    | 2018      |
|------------------------------------|------------|----|-----------|
| Land                               | \$ 290,433 | \$ | 290,433   |
| Buildings                          | 405,798    |    | 405,798   |
| Building Improvements              | 128,475    |    | 128,475   |
| Office Furniture and Equipment     | 82,337     |    | 82,337    |
| Software (Work in Process in 2018) | 26,650     |    | 13,000    |
|                                    | 933,693    |    | 920,043   |
| Less: accumulated depreciation     | (314,997)  |    | (294,249) |
|                                    | \$ 618,696 | \$ | 625,794   |

Depreciation expense amounted to \$20,748 and \$21,048 for the years ended June 30, 2019 and 2018, respectively.

**Note 5 - Nature of Funds:**

During the years ended June 30, 2019 and 2018, the Local maintained a General Fund and no Restricted/Designated Purpose Funds. The General Fund is the operating fund of the Local which receives all member dues and pays all administrative expenses which are not directly related to Restricted/Designated Purpose Funds, if any.

**Los Rios College Federation of Teachers  
Local 2279**

**Notes to Financial Statements  
Modified Cash Basis**

---

**Note 6 - Availability of Financial Assets and Liquidity:**

The Local's financial assets available within one year of the statement of assets, liabilities and net assets date for general expenditures are as follows:

Financial assets at year-end:

|                        |            |
|------------------------|------------|
| Cash                   | \$ 187,290 |
| Short-term investments | 876,437    |

---

|                        |           |
|------------------------|-----------|
| Total financial assets | 1,063,727 |
|------------------------|-----------|

Less amounts not available to be used within one year:

|                                    |   |
|------------------------------------|---|
| Net assets with donor restrictions | - |
|------------------------------------|---|

---

|  |              |
|--|--------------|
| Financial assets available to meet general expenditures<br>over the next twelve months | \$ 1,063,727 |
|--|--------------|

---

The Local is mainly supported by the membership fees due from the union members which is considered to be non-donor restricted revenue. Contributions with donor restrictions require resources to be used in a particular manner or in a future period. The Local must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Local does not have any donor restricted net assets as of June 30, 2019 and 2018.

**Note 7 - Subsequent Events:**

The Local has evaluated the impact of events that have occurred from June 30, 2019 through January 13, 2020, the date the financial statements were available to be issued, and has determined that there are no subsequent events that need to be recognized or disclosed in the financial statements.