

LOS RIOS COLLEGE FEDERATION OF
TEACHERS
LOCAL 2279

JUNE 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

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

**Independent Auditors' Report
and Financial Statements**

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A Century Strong

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, 2020 and 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 years 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 audits. We conducted our audits 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, 2020 and 2019, and its revenues collected and expenses paid during the years 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.

Hood & Strong LLP

San Francisco, California
April 6, 2021

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

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

<i>June 30,</i>	2020	2019
Assets		
Current Assets:		
Cash	\$ 314,494	\$ 187,290
Advance to political action committee	1,000	
Short-term investments	843,562	876,437
Total current assets	1,159,056	1,063,727
Property and Equipment	574,695	618,696
Total assets	\$ 1,733,751	\$ 1,682,423
Liabilities and Net Assets		
Net Assets:		
Net assets without donor restrictions	\$ 1,733,751	\$ 1,682,423
Total liabilities and net assets	\$ 1,733,751	\$ 1,682,423

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>Years Ended June 30,</i>	2020	2019
Revenues:		
Dues from members	\$ 1,523,520	\$ 1,538,322
Staff funding from CFT/AFT	180,445	195,183
Investment gain, net	20,911	8,704
Other income	20,425	7,228
Total revenue	1,745,301	1,749,437
Expenses:		
Member services	1,685,670	1,752,349
Support services	8,303	7,398
Total expenses	1,693,973	1,759,747
Change in Net Assets	51,328	(10,310)
Net Assets Without Donor Restrictions, beginning of year	1,682,423	1,692,733
Net Assets Without Donor Restrictions, end of year	\$ 1,733,751	\$ 1,682,423

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, 2020 (with comparative totals for 2019)

	Member Services Representation	Support Services Administration	2020 Total	2019 Total
Expenses:				
Insurance	\$ 13,422		\$ 13,422	\$ 15,280
Advertising and promotions	24,812	\$ 600	25,412	44,205
Per capita tax	1,027,928		1,027,928	1,064,392
Dues and subscriptions	2,882		2,882	2,857
Legal	28,080	1,625	29,705	46,793
Government relations/legislation			-	100
Education	8,580		8,580	2,695
Printing	9,707		9,707	20,211
Art Gallery			-	24,249
Accounting	16,440	1,308	17,748	17,417
Equipment lease	2,687		2,687	3,647
Loss on disposal of property and equipment	23,985	2,665	26,650	-
Miscellaneous	1,038		1,038	596
Parking	6,900		6,900	6,900
License, taxes and fees	10,581	1,090	11,671	11,717
Postage	2,374	125	2,499	3,150
Repairs and maintenance	10,542		10,542	20,014
Telecommunications	10,254		10,254	11,882
Supplies	4,785	503	5,288	6,409
Utilities	5,787		5,787	5,924
Depreciation	20,748		20,748	20,748
Janitorial and yard services	10,640		10,640	9,131
Meals	9,187		9,187	10,647
Travel/conferences/conventions	6,697		6,697	48,761
Executive board meeting	4,975	387	5,362	3,539
College fund	11,181		11,181	12,320
Automobile	694		694	845
Retirement benefits	56,331		56,331	48,174
Salary reimbursement	26,738		26,738	84,877
Staff release time	95,502		95,502	-
Payroll taxes	16,278		16,278	15,371
Wages	215,915		215,915	196,896
Total expenses	\$ 1,685,670	\$ 8,303	\$ 1,693,973	\$ 1,759,747

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 Services <u>Representation</u>	Support Services <u>Administration</u>	2019 <u>Total</u>	2018 <u>Total</u>
Expenses:				
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
Total expenses	\$ 1,752,349	\$ 7,398	\$ 1,759,747	\$ 1,923,788

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 from members, 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.

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.

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.

Los Rios College Federation of Teachers Local 2279

Notes to Financial Statements Modified Cash Basis

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 formulas approved by the Board of Directors.

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 on net assets as of year end.

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 employee time, considering the functional roles as determined by management.

Los Rios College Federation of Teachers Local 2279

Notes to Financial Statements Modified Cash Basis

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.

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 years open to 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. Subsequent Events

The Local has reviewed the change in net assets for the period of time from its fiscal year ended June 30, 2020 through April 6, 2021, the date the financial statements were available to be issued, and has determined that, except as disclosed in Note 7, there were no material subsequent events that required recognition or additional disclosure in the accompanying financial statements.

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, 2020 and 2019, the Local carried a balance of \$314,494 and \$187,290, respectively.

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

**Notes to Financial Statements
Modified Cash Basis**

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

As of June 30, 2020 and 2019, respectively, the Local carried balances, in a Wells Fargo investment fund, which were made up of the following:

Asset Type	2020	%	2019	%
Cash and Sweep Balances	\$ 2	-	\$ 121,830	14
Mutual Funds	211,400	25	154,607	18
Annuities	632,160	75	600,000	68
	<u>\$ 843,562</u>	<u>100</u>	<u>\$ 876,437</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.

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. At certain times during the year, the Local has maintained cash balances in excess of FDIC insurance.

Note 4 - Property and Equipment:

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 290,433	\$ 290,433
Buildings	405,798	405,798
Building Improvements	128,475	128,475
Office Furniture and Equipment	85,734	82,337
Software	-	26,650
	<u>910,440</u>	<u>933,693</u>
Less: accumulated depreciation	<u>(335,745)</u>	<u>(314,997)</u>
	<u>\$ 574,695</u>	<u>\$ 618,696</u>

Depreciation expense amounted to \$20,748 for both of the years ended June 30, 2020 and 2019.

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

**Notes to Financial Statements
Modified Cash Basis**

Note 5 - Nature of Funds:

During the years ended June 30, 2020 and 2019, 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.

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 at June 30, 2020 and 2019:

	2020	2019
Cash	\$ 314,494	\$ 187,290
Advance to political action committee	1,000	
Short-term investments	843,562	876,437
<hr/>		
Total financial assets	1,159,056	1,063,727
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
<hr/>		
Financial assets available to meet general expenditures over the next twelve months	\$ 1,159,056	\$ 1,063,727
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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, 2020 and 2019.

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

**Notes to Financial Statements
Modified Cash Basis**

Note 7 - Employee Benefit Plans:

The Local contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement (CBA) that covers one of its employees. The risk of participating in a multiemployer plan is different from single-employer plans in the following aspects.

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Local chooses to stop participating in this plan then the Local may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Contributions to the plan during fiscal years 2020, 2019 and 2018 were \$19,558, \$13,218 and \$9,865, respectively.

Subsequent to year end, the Executive Board resolved to completely withdraw from the multiemployer plan. To that effect, the Local entered into a Pension Withdrawal Liability Settlement Agreement with Western States Office and Professional Employees Pension Fund on March 2, 2021. The Local has agreed to make a lump sum payment of \$110,000 by March 31, 2021.

The Local also contributes to a Simplified Employee Pension Retirement Arrangement (SEP-IRA) that covers its Executive Director. Contributions to the SEP-IRA during fiscal years 2020, 2019 and 2018 were \$31,959, \$29,814 and \$29,814, respectively.

Note 8 - COVID – 19 Pandemic:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Local operates.

It is unknown how long these conditions will last and what the complete financial effect on the Local will be. It is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.