

AMALGAMATED TRANSIT UNION LOCAL 1704

STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES
(PUBLIC SECTOR)

FOR THE YEAR ENDED JUNE 30, 2011

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Independent Auditors' Report

Executive Board

Amalgamated Transit Union Local 1704
P.O. Box 172
San Bernardino, California 92402-0172

Members of the Board:

We have audited the accompanying statement of allocated chargeable and nonchargeable expenses of Amalgamated Transit Union Local 1704 for the year ended June 30, 2011. This statement is the responsibility of the Local Union's management. 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 of allocated chargeable and nonchargeable expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of allocated chargeable and nonchargeable expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Based upon the significant factors and assumptions described in Note 3, the accompanying statement of allocated chargeable and nonchargeable expenses was prepared for the purpose of determining the percentage of chargeable and nonchargeable expenses used in calculating nonmember fees. This statement is not intended to be a complete presentation of the Local Union's financial statements. The total expenses reported in this statement were derived from the Local Union's financial statements for the year ended June 30, 2011. Those financial statements were audited by another auditor who expressed an unqualified opinion thereon dated October 26, 2011.

In our opinion, the statement of allocated chargeable and nonchargeable expenses presents fairly, in all material respects, the chargeable and nonchargeable expenses of Amalgamated Transit Union Local 1704 for the year ended June 30, 2011 based on the significant factors and assumptions described in Note 3.

This report is intended solely for the information and use of the Amalgamated Transit Union Local 1704 and its Agency Fee Payers and should not be used for any other purpose.

MILLER, KAPLAN, ARASE & CO., LLP

December 23, 2011

AMALGAMATED TRANSIT UNION LOCAL 1704
STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES
(PUBLIC SECTOR)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Nonchargeable Expenses</u>
<u>PER CAPITA TAXES</u>			
Per Capita Taxes	\$ 29,863	\$ -	\$ 29,863
<u>DIRECT EXPENSES</u>			
Salaries and Wages	\$ 90,621	\$ 72,210	\$ 18,411
Payroll Taxes	12,200	9,721	2,479
Legal Fees	55,223	55,223	-
Professional Fees	13,923	13,923	-
Conferences and Meetings	18,875	15,040	3,835
Arbitrations	42,028	42,028	-
Omni Trans Reimbursements	18,638	14,850	3,788
Negotiations	6,101	6,101	-
Dues and Subscriptions	265	-	265
Public Relations	4,725	-	4,725
	<u>\$ 262,599</u>	<u>\$ 229,096</u>	<u>\$ 33,503</u>
<u>TOTAL DIRECT EXPENSES</u>			
<u>INDIRECT EXPENSES</u>			
Office Expense	\$ 12,078	\$ 10,537	\$ 1,541
Rent	23,900	20,850	3,050
Website	3,468	3,025	443
Telephone	6,932	6,047	885
Postage	665	580	85
Insurance	3,026	2,640	386
	<u>\$ 50,069</u>	<u>\$ 43,679</u>	<u>\$ 6,390</u>
<u>TOTAL INDIRECT EXPENSES</u>			
<u>TOTAL EXPENSES</u>			
	<u>\$ 342,531</u>	<u>\$ 272,775</u>	<u>\$ 69,756</u>
<u>PERCENTAGES</u>			
	<u>100.00%</u>	<u>79.64%</u>	<u>20.36%</u>

AMALGAMATED TRANSIT UNION LOCAL 1704
NOTES TO STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Expenses

The statement of allocated chargeable and nonchargeable expenses has been prepared on the accrual basis of accounting.

B. 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 nonchargeable. Accordingly, actual results may differ from those estimates.

C. Tax-Exempt Status

No provision for Federal or state income tax is made. The Local Union has received tax-exempt status from the Federal government under Internal Revenue Code Section 501(c)(5) and the State of California under Revenue and Taxation Code Section 23701a.

NOTE 2 - FAIR SHARE/AGENCY FEES

A. Background

In 1986, the United States Supreme Court issued a decision in Chicago Teachers Union vs. Hudson regarding certain procedures that must be followed by labor organizations that collect fair share fees from nonmembers under a collective bargaining agreement with a public employer. In its decision, the United States Supreme Court reaffirmed the constitutionality of such fair share fee agreements, originally upheld in Abood vs. Detroit Board of Education. In other cases, Ellis vs. Railway Clerks and Lehnert vs. Ferris Faculty Association, the United States Supreme Court held that certain union expenditures could be charged to fair share fee payers, but that certain others could not be charged.

B. Definitions

Expenses as to the following activities are chargeable:

1. Operation and governing of the Local Union, including Local elections.
2. Preparation for negotiation and administration of collective bargaining agreements.
3. Ratification of collective bargaining agreements.
4. Grievances and arbitrations.
5. Purchasing books, periodicals and reports relating to chargeable activities.
6. Using technicians and professionals in labor law, economics, and other subjects for services used in connection with chargeable activities.

AMALGAMATED TRANSIT UNION LOCAL 1704
NOTES TO STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2 - FAIR SHARE/AGENCY FEES (Continued)

B. Definitions (Continued)

7. Publishing those portions of newspapers and newsletters which concern matters for which a local union can charge an agency fee payer, and/or concerning professional development, unemployment, job opportunities, award programs and other miscellaneous matters analogous to chargeable de minimis social activity.
8. Mediation, strikes, slow-down, and work stoppages as to representation and collective bargaining.
9. The prosecution or defense of litigation as to interpretation or enforcement of collective bargaining agreements or collective bargaining or representational rights.
10. Social and recreational activities open to both members and agency fee payers.
11. Payments for insurance, medical care, retirement, disability, and death-related benefits for persons paid for services in carrying out the representational interest of collective bargaining and contract administration.
12. Operating and administrative costs of the Local Union such as rent, utilities, automobiles, salaries, etc.

Expenses as to the following activities are not chargeable:

1. Training and voter registration, get-out-the-vote, and political campaigns.
2. Supporting and contributing to charitable or ideological organizations.
3. Supporting and contributing to political organizations and candidates for public office.
4. Supporting and contributing to ideological causes and committees, including ballot measures.
5. Supporting and contributing to activities as to foreign affairs.
6. Members - only benefits.
7. Litigation not related to bargaining unit matters, collective bargaining and representation.
8. Lobbying - federal, state and local.

NOTE 3 - SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES
BETWEEN CHARGEABLE AND NONCHARGEABLE

All expenses were segregated into two classes, with the exception of per capita taxes: direct and indirect expenses. Direct expenses consist of those expenses for which a clear, measurable relationship to representational activities could be identified. All other expenses were classified as indirect expenses. Management believes that the representational character of indirect expenses is related to direct expenses and, accordingly, that it is appropriate to allocate indirect expenses in proportion to the aggregate allocation percentage derived for the direct expenses. Significant factors

AMALGAMATED TRANSIT UNION LOCAL 1704
NOTES TO STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3 - SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES
BETWEEN CHARGEABLE AND NONCHARGEABLE (Continued)

and assumptions used in the allocation of the per capita taxes and direct expenses are discussed below.

A. Per Capita Taxes

The Local Union pays per capita taxes to the Amalgamated Transit Union (the "International Union"). The International Union issues its own report of chargeable and nonchargeable expenses and refunds the agency fee payers directly. Therefore, the amounts paid to the International Union were excluded from the statement of allocated chargeable and nonchargeable expenses.

Per capita taxes paid to state and local affiliates which do not provide an audited report of chargeable and nonchargeable expenses to the Local Union are deemed to be 100% nonchargeable.

B. Salaries and Wages

Officers completed time reports reporting their time spent on various representational and nonrepresentational activities. These reports were the basis for allocating their salaries commensurate to the proportion of time spent performing representational work. In the absence of time reports, salaries were allocated as nonchargeable. All remaining salaries were allocated based on the weighted average of the officer's allocation.

C. Payroll Taxes

Payroll taxes are allocated in proportion to the ratio of chargeable salaries pursuant to Note 3(B).

D. Legal Fees

The Local Union's legal fees were analyzed and inquiry made in order to determine the representational character of the underlying matters and allocated accordingly.

E. Professional Fees

The Local Union's professional fees were analyzed and inquiry made in order to determine the representational character of the underlying matters and allocated accordingly.

F. Conferences and Meetings

These expenses were related to the officers who incurred them and allocated commensurate to the allocation of the officer salaries pursuant to Note 3(B).

G. Arbitrations

The Local Union's arbitration fees were analyzed and inquiry made in order to determine the representational character of the underlying matters and allocated accordingly.

AMALGAMATED TRANSIT UNION LOCAL 1704
NOTES TO STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3 - SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES
BETWEEN CHARGEABLE AND NONCHARGEABLE (Continued)

H. OmniTrans Reimbursements

The OmniTrans billed the Local Union for officer salaries paid by OmniTrans while the officers were on Local Union business. The allocation was based on the allocation of officer salaries pursuant to Note 3(B).

I. Negotiations

These expenses were analyzed to identify the nature of the activities for which they were incurred and will be allocated accordingly. By definition, all these expenses are chargeable.

J. Dues and Subscriptions

These expenses were analyzed in order to identify the nature of the activities for which the Local Union incurred them and allocated accordingly.

K. Public Relations

These expenses were analyzed in order to identify the nature of the activities for which the Local Union incurred them and allocated accordingly.

NOTE 4 - ADJUSTMENT TO EXPENSES

The following adjustments have been made to the total expenses reported on the Local Union's financial statements as of June 30, 2011.

Total Expenses Per Audited Financial Statements	\$ 409,515
Less: International Union Per Capita Taxes	<u>(66,984)</u>
<u>Total Adjusted Expenses</u>	<u>\$ 342,531</u>

For purposes of this statement, per capita taxes were reduced by the amount of International Union per capita taxes. The International Union refunds agency fee payers directly and therefore, these per capita taxes are excluded from the statement of allocated chargeable and nonchargeable expenses.