

Coalition of University Employees

**Financial Statements
(Cash Basis)**

and

Independent Auditors' Report

**Other Financial Information
(Cash Basis)**

For Nine Months Ended December 31, 2000

Henry C. Levy & Company
Certified Public Accountants and Consultants
A Professional Corporation

Coalition of University Employees

December 31, 2000

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Independent Auditors' Report

Executive Board
Coalition of University Employees

We have audited the accompanying statement of assets, liabilities, and net assets-cash basis of Coalition of University Employees, a nonprofit organization, as of December 31, 2000 and the related statements of support, revenue, and expenses and other changes in net assets-cash basis for the nine month period then ended. These financial statements are the responsibility of Coalition of University Employees's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statement referred to in the first paragraph taken as a whole. The accompanying information on pages 7 to 10 is presented for purposes of additional analysis and is not a required part of the above financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coalition of University Employees, as of December 31, 2000 and the results of its activities and changes in its net assets for the nine month period then ended in conformity with the basis described above.

Oakland, California
April 30, 2001

Coalition of University Employees
Statement of Assets, Liabilities and Net Assets - Cash Basis
December 31, 2000

ASSETS

Assets

Cash	\$ 480,782
Security Deposit	9,702
Furniture and Equipment, net of accumulated depreciation	<u>20,119</u>
Total Assets	<u>510,603</u>

LIABILITIES AND NET ASSETS

Liabilities

Accrued Employee Compensation	<u>10,426</u>
Total Liabilities	10,426

Net Assets

Unrestricted	<u>500,177</u>
Total Liabilities and Net Assets	<u>\$ 510,603</u>

See accompanying notes to the cash basis financial statements

Coalition of University Employees
Statement of Revenue, Support, Expenses and Other Changes in Net Assets - Cash Basis
For the Nine Month Period Ended December 31, 2000

Revenues and Other Support

Membership Dues	\$ 1,110,395
Other Revenue	<u>20,915</u>
Total Revenues	1,131,310

Expenses

Arbitration & Bargaining:	
Grievance Processing	24,635
Advertising	46,104
Travel, Lodging and Meals	65,225
Contract Campaign Materials	12,302
Mediation	1,125
Personnel Expenses:	
Employee Compensation	143,960
Employee Benefits	3,960
Payroll Taxes	13,824
General & Administrative:	
Bank Service Charges	3,094
Depreciation Expense	863
Liability Insurance	1,867
Office Supplies	6,954
Interest Expense	3,028
Rent	29,599
Professional Fees	106,573
Telecommunications & Telephone	36,079
Miscellaneous Expenses	7,390
Other Expenses:	
Postage & Delivery	41,777
Printing & Reproduction	33,142
Officer Election Expenses	6,995
Conferences & Workshops	848
Donations	1,056
Travel, Lodging & Meals	<u>31,759</u>

Total Expenses	<u>622,159</u>
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Change in net assets	509,151
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Net assets - April 1, 2000	<u>(8,974)</u>
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Net assets - December 31, 2000	<u><u>\$ 500,177</u></u>
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See accompanying notes to the cash basis financial statements

Coalition of University Employees Notes to the Cash Basis Financial Statements

(1) The Organization

Coalition of University Employees, (CUE), a non-profit association, was founded in October 1995. The purpose of CUE is to represent clerical employees of the University of California system in order to secure fair wages and better working conditions.

(2) Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements have been prepared using the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues are recognized when received and expenses are recognized when paid with the following exceptions: depreciable property is capitalized when purchased and depreciated over its estimated useful life; and compensated absence obligations are recognized in the period in which they are incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, Coalition of University Employees is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are net assets whose use by **Coalition of University Employees** is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. Assets that are designated for specific purposes by either **Coalition of University Employees's** by-laws or by the Board of Directors are considered unrestricted net assets.

Temporarily restricted net assets are net assets whose use by **Coalition of University Employees** is limited by donor-imposed or other stipulations that either expire or are fulfilled and removed by actions of **Coalition of University Employees**. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets. There were no temporarily restricted net assets at December 31, 2000.

Permanently restricted net assets are net assets whose use by **Coalition of University Employees** is limited by donor imposed or other stipulations that neither expire nor can be fulfilled or otherwise removed by actions of **Coalition of University Employees**. There were no permanently restricted net assets at December 31, 2000.

Contributions

Contributions and grants are accounted for under SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No.116, contributions and grants are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and / or nature of any donor restrictions. **Coalition of University Employees** has received no contribution with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the statement of assets, liabilities, and net assets under SFAS No. 124, Accounting for Certain Investments, Held by Not-for-Profit Organizations. Net realized and unrealized gains and losses are included in the change in net assets in the statement of activities and changes in net assets.

Use of Estimates

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

Cash and Cash Equivalents

Coalition of University Employees considers cash on hand, cash in banks, certificates of deposit, time deposits and U.S. government and other short-term securities with maturities of three months or less when purchased, as cash and cash equivalents.

Coalition of University Employees Notes to the Cash Basis Financial Statements

Fixed Assets

Property and equipment are recorded at cost on the date of acquisition, less accumulated depreciation. Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset using the straight-line method. Major additions are capitalized and depreciated using the straight-line method over their estimated useful lives as follows:

Computers and Equipment	5 years
Furniture and Fixtures	7 years
Leasehold Improvements	life of lease

Leases

Leases that transfer all of the risks and benefits of ownership are capital leases. Other leases are operating leases. Capital leases are included in property and equipment and are amortized over their respective term using the straight-line method. Operating leases are expensed in the period incurred.

Income Taxes

Coalition of University Employees is exempt from Federal income taxes under Section 501(c)(5) of the Internal Revenue Code and the applicable California Revenue and Taxation Code sections. Accordingly, no provision for income taxes has been provided for herein. **Coalition of University Employees** has no federal or state unrelated business taxable income (UBTI) and, as such, has no provision for UBTI tax.

(3) Fixed Assets

Fixed assets consisted of the following as of December 31, 2000:

Office Equipment	21,175
Less: Accumulated Depreciation & Amortization	<u>(1,056)</u>
	<u>20,119</u>

For the nine months ended December 31, 2000 **Coalition of University Employees** recorded \$863 of depreciation expense.

(4) Leases

Coalition of University Employees has operating leases for office space at four locations statewide. The statewide office lease expires September 30, 2003, the Riverside lease expires March 31, 2003, the Berkeley lease expires July 31, 2001, and the Los Angeles lease expires on September 30, 2002. Future minimum lease commitments under these leases as of December 31, 2000 are as follows:

Year ending December 31,	Operating leases
2001	\$ 72,967
2002	54,621
2003	<u>19,142</u>
Total minimum lease payments	<u>\$ 146,730</u>

(5) Concentrations of Credit Risk

In compliance with Statement of Financial Accounting Standards No. 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk," the Union has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist of cash deposits held at a local financial institution.

Coalition of University Employees maintains its demand deposit at California Bank and Trust. The amount in excess of federal insurance at December 31, 2000 was approximately \$369,000.

Coalition of University Employees
Notes to the Cash Basis Financial Statements

(6) Donated Materials, Facilities, and Services

Services of a chief negotiator, valued at approximately \$60,900 for the nine month period ended December 31, 2000 were donated to **Coalition of University Employees**. No amounts have been reflected in the statements for donated services because they do not meet the criteria for recognition under SFAS No. 116, Accounting for Contributions Received and Contributions Made.

(7) Line of Credit

Coalition of University Employees has a \$100,000 unsecured line of credit agreement with California Bank and Trust. Bank advances on the line of credit carry an interest rate of 2.0% over the bank's prime rate. Borrower will pay the outstanding balance on demand, or if no demand is made, one payment including all outstanding principal plus accrued interest is due February 15, 2001. In addition, borrower will make regular monthly payments of accrued interest. There is no outstanding balance on this line of credit as of December 31, 2000.

(8) Payable

As of December 31, 2000, **Coalition of University Employees** has a payable of \$36,423 that is not reflected on the financial statements, as they are presented on the modified cash basis of accounting. This amount is owed the University of California for an overpayment of dues/agency fee payments from the University of California Los Angeles. If this amount was reflected in the financial statements, total net assets would be reduced by \$36,423.

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**Independent Auditors' Report on
Schedule of Chargeable and Nonchargeable Expenses**

Executive Board
Coalition of University Employees

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Chargeable and Nonchargeable expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of Coalition of University Employees's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Oakland, California
April 30, 2001

Coalition of University Employees
Schedule of Chargeable and Nonchargeable Expenses - Cash Basis
For the Nine Month Period Ended December 31, 2000

Expenses	Total	Chargeable	Non- Chargeable
Arbitration & Bargaining			
Grievance Processing	\$ 24,635	\$ 24,635	\$ -
Advertising	46,104	46,104	-
Travel, Lodging & Meals	65,225	65,225	-
Contract Campaign Materials	12,302	12,302	-
Mediation	1,125	1,125	-
Personnel Expenses			
Employee Compensation	143,960	141,901	2,059
Employee Benefits	3,960	3,903	57
Payroll Taxes	13,824	13,626	198
General & Administrative			
Bank Service Charges	3,094	3,050	44
Depreciation Expense	863	851	12
Liability Insurance	1,867	1,840	27
Office Supplies	6,954	6,855	99
Interest Expense	3,028	2,985	43
Rent	29,599	29,265	334
Professional Fees	106,573	106,573	-
Telecommunications & Telephone	36,079	35,944	135
Miscellaneous Expenses	7,390	5,599	1,791
Other Expenses			
Postage & Delivery	41,777	37,573	4,204
Printing & Reproduction	33,142	30,833	2,309
Officer Election Expense	6,995	6,995	-
Conferences & Workshops	848	748	100
Donations	1,056	-	1,056
Travel, Lodging & Meals	<u>31,759</u>	<u>29,903</u>	<u>1,856</u>
Total Expenses	\$ <u>622,159</u>	\$ <u>607,835</u>	\$ <u>14,324</u>
Percent Chargeable/Nonchargeable		97.70%	2.30%

See accompanying notes to the schedule

Coalition of University Employees

Notes to the Cash Basis Schedule of Chargeable and Nonchargeable Expenses

(1) The Organization

Coalition of University Employees (CUE), a non-profit association, was founded in October 1995. The purpose of CUE is to represent clerical employees of the University of California system in order to secure fair wages and better working conditions.

(2) Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of CUE have been prepared using the cash basis of accounting, whereby revenues and support are recognized when received rather than when earned and expenses are generally recorded when paid rather than when the related obligation is incurred.

(3) Agency Fee Overview

The United States and California Supreme Courts, as well as lower courts, have decided that unions may not charge agency fee payers, over their objections, for certain "non-representational" activities. Non-representational activities are considered to be "nonchargeable" to objecting fee payers; conversely, representational activities are considered "chargeable."

The categorization and determination as to what expenses are chargeable and nonchargeable is based primarily on court cases. The most recent court cases which are relevant to this determination are a California Supreme Court Case, *Cumero v. Public Employment Relations Board* (1989) 49 Cal. 3d 575 and a United States Supreme Court case, *Lehnert v. Ferris Faculty Association* (1991) 500 U.S. 507. The categorization of chargeable and nonchargeable expenses used by CUE management is based on the CUE Guidelines for Allocating Chargeable and Nonchargeable Expenditures.

Chargeable expenses, in general, are those expenses incurred by the Coalition of University Employees, in its capacity as "the exclusive representative of the employees in dealing with the employer on labor-management issues." These expenses include, but are not limited to, negotiating and administering collective bargaining contracts, settling employee-employer disputes and grievances, as well as all other expenses related to the discharge of the union's duties as the exclusive representative of the employees in the bargaining unit. For purposes of this audit, chargeable activities and expenditures include the following:

1. Contract preparation, negotiation and ratification work
2. Contract administration including grievance handling and arbitrations
3. Bargaining Unit Membership education related to collective bargaining
4. Internal union governance and administration
5. Training and education on representational matters
6. Lobbying activities concerning contract ratification and contract implementation
7. Activities to elicit outside support as to collective bargaining or representational matters
8. Activities designed to preserve established bargaining unit rights and support
9. Litigation concerning representational matters

Nonchargeable expenses, in general, are expenses that are not directly related to representational and collective bargaining activities. The following activities and expenditures are considered nonchargeable for purposes of this audit:

1. Partisan or nonpartisan political activities including voter registration drives, support for political candidates or parties, and activities related to pending legislation or ballot initiatives
2. Activities directed towards persons not represented by the union including contributions to outside labor or charitable organizations and affiliation fees or activities related to other unions or labor councils
3. Organizing activities designed to acquire new members or obtain new representation rights
4. Training and education on nonrepresentational matters
5. Litigation on nonrepresentational matters

Coalition of University Employees
Notes to the Cash Basis Schedule of Chargeable and Nonchargeable Expenses

(4) Significant Factors and Assumptions Used in the Allocation of Expenses Between Chargeable and Nonchargeable Expenses

The allocation between chargeable and nonchargeable expenses of CUE's dues is based upon the assumptions described in Note 3. Various expenses have been allocated by specific identification, while others have been allocated using percentages established by the analysis of specific publications, events, and meetings.

The following categories have been allocated in the following manner:

- Arbitration & Bargaining: Expenses for arbitration and bargaining are fully chargeable. They include grievance processing, advertising, travel, lodging and meals, contract campaign materials, and mediation expenses related to bargaining and labor relations issues.
- Personnel Expenses: Personnel expenses include employee compensation, employee benefits, and payroll taxes. They are allocated by a ratio of time spent in chargeable and nonchargeable activities. The ratio is based on guidelines developed by CUE's management in consultation with CUE's legal counsel as reflected in the Staff Activity Reports. For the period being reported on, 98.57% of staff time was devoted to chargeable activities.
- General & Administrative Expenses: General and administrative expenses include bank service charges, depreciation, liability insurance, office supplies, interest, rent, professional fees, telecommunications and telephone, and miscellaneous expenses. Allocations of these expenses are based on the salary ratio except for the following: Rent and telephone for the statewide office is 100% chargeable, professional fees-accounting are 100% chargeable, and miscellaneous expenses are allocated based on specific identification. Miscellaneous expenses represent out of pocket expenditures by officers and staff, primarily for copying, postage, travel, and meals for union governance activities.
- Postage, Delivery, Printing and Reproduction: Postage, delivery, printing and reproduction expenses are for both general & administrative and arbitration & bargaining purposes. Printing charges and mailing house handling fees related to contract ratification, contract enforcement, and newsletters are specifically identified while other postage, delivery, printing and reproduction charges are allocated on the salary ratio.
- Officer Election Expense: Expenses related to the election of CUE officers are fully chargeable.
- Conferences & Workshops: Conferences and workshops are allocated on specific identification.
- Donations: Donations are nonchargeable.
- Legal: Legal fees incurred in representing the union and members of the unit in grievances and arbitrations, unfair labor practices, administrative proceedings, investigating, researching and attempting to resolve issues which involve the rights of unit members are fully chargeable. All legal fees paid during the period were chargeable.
- Travel, Lodging & Meals: Travel, lodging and meals not directly related to arbitration and bargaining is specifically identified.
- Donated Services: Donated services are allocated according to the chargeable nature of the activity. No expenses were recognized this period, see note 6. These services, if recognized, would have been fully chargeable since they concern contract negotiations.

Coalition of University Employees
Notes to the Cash Basis Schedule of Chargeable and Nonchargeable Expenses