

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**CONTENTS**

	<b>PAGE</b>
Report of Independent Auditors	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Expenses	4
Consolidated Statement of Changes in Net Assets	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Consolidating Schedules – Building Fund	21

## REPORT OF INDEPENDENT AUDITORS



CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS

1850 K STREET, NW  
SUITE 1050  
WASHINGTON, DC 20006

202.331.9880 PHONE  
202.331.9890 FAX

CIVIC OPERA BUILDING  
20 NORTH WACKER DRIVE  
SUITE 900  
CHICAGO, IL 60606

312.920.9400 PHONE  
312.920.9494 FAX

www.calibrecpa.com



The Secretary-Treasurer  
American Federation of Teachers, AFL-CIO

We have audited the accompanying consolidated statement of financial position of the American Federation of Teachers, AFL-CIO and related controlled entities as of June 30, 2009, and the related consolidated statements of activities, expenses, changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We previously audited the consolidated statements of the American Federation of Teachers, AFL-CIO for the year ended June 30, 2008, and our report thereon dated December 30, 2008 expressed an unqualified opinion on those statements. Totals for that year are included in the accompanying financial statements for comparative purposes.

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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by the Federation's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Federation of Teachers, AFL-CIO and related controlled entities as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating schedules on pages 21 and 22 are presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities. Such schedules have been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relations to the basic financial statements taken as a whole.

*Calibre CPA Group, PLLC*

Washington, DC  
December 22, 2009

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2009**  
**(WITH COMPARATIVE TOTALS AT JUNE 30, 2008)**

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	June 30, 2009 Total	June 30, 2008 Total
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 10,744,891	\$ 527,559	\$ -	\$ 160,186	\$ -	\$ 11,432,636	\$ 25,915,124
Due from (to) other funds	(9,647,503)	(1,406,335)	16,530,275	(5,476,437)	-	-	-
Investments	359,842	20,266,007	-	14,863,799	-	35,489,648	38,085,151
Receivables							
Per capita taxes	29,227,813	-	-	-	-	29,227,813	16,805,847
Other	1,024,260	466,476	-	215,597	-	1,706,333	3,632,233
Prepaid expenses	539,694	-	-	126,763	-	666,457	1,705,688
Total current assets	<u>32,248,997</u>	<u>19,853,707</u>	<u>16,530,275</u>	<u>9,889,908</u>	<u>-</u>	<u>78,522,887</u>	<u>86,144,043</u>
<b>NET PROPERTY AND EQUIPMENT</b>	4,649,901	-	-	21,803,241	-	26,453,142	23,768,283
<b>OTHER ASSETS</b>							
Loans receivable	-	2,566,072	-	-	-	2,566,072	2,405,273
Deferred charges	-	-	-	116,197	-	116,197	145,247
Total assets	<u>\$ 36,898,898</u>	<u>\$ 22,419,779</u>	<u>\$ 16,530,275</u>	<u>\$ 31,809,346</u>	<u>\$ -</u>	<u>\$ 107,658,298</u>	<u>\$ 112,462,846</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 6,112,819	\$ 4,358,062	\$ -	\$ 742,059	\$ -	\$ 11,212,940	\$ 13,885,373
Current maturities of mortgage note payable	-	-	-	1,583,937	-	1,583,937	1,520,566
Accrued vacation and severance pay	8,969,647	-	-	-	-	8,969,647	8,204,190
Accrued expenses and other liabilities	6,815,800	-	-	86,862	-	6,902,662	6,418,765
Advance per capita taxes	186,726	-	-	-	-	186,726	206,068
Deferred revenue	301,990	-	-	-	-	301,990	48,338
Estimated self-insurance reserve - members' liability insurance	-	1,000,000	-	-	-	1,000,000	1,000,000
Postretirement benefits - current portion	-	-	-	-	726,711	726,711	515,626
Total current liabilities	<u>22,386,982</u>	<u>5,358,062</u>	<u>-</u>	<u>2,412,858</u>	<u>726,711</u>	<u>30,884,613</u>	<u>31,798,926</u>
<b>MORTGAGE NOTE PAYABLE, EXCLUDING CURRENT MATURITIES</b>							
	-	-	-	5,158,529	-	5,158,529	6,742,385
<b>ACCRUED POSTRETIREMENT HEALTHCARE COSTS - LONG TERM</b>							
	-	-	-	-	11,574,427	11,574,427	9,999,058
<b>ACCRUED PENSION LIABILITY - LONG TERM</b>							
	-	-	-	-	6,923,469	6,923,469	6,288,232
Total liabilities	<u>22,386,982</u>	<u>5,358,062</u>	<u>-</u>	<u>7,571,387</u>	<u>19,224,607</u>	<u>54,541,038</u>	<u>54,828,601</u>
<b>COMMITMENTS AND CONTINGENCIES</b>							
<b>UNRESTRICTED NET ASSETS</b>							
Designated	-	13,066,979	5,054,750	-	-	18,121,729	14,766,843
Undesignated	14,511,916	3,994,738	11,475,525	24,237,959	(19,224,607)	34,995,531	42,867,402
Total unrestricted net assets	<u>14,511,916</u>	<u>17,061,717</u>	<u>16,530,275</u>	<u>24,237,959</u>	<u>(19,224,607)</u>	<u>53,117,260</u>	<u>57,634,245</u>
Total liabilities and net assets	<u>\$ 36,898,898</u>	<u>\$ 22,419,779</u>	<u>\$ 16,530,275</u>	<u>\$ 31,809,346</u>	<u>\$ -</u>	<u>\$ 107,658,298</u>	<u>\$ 112,462,846</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2009

(WITH COMPARATIVE TOTALS AT JUNE 30, 2008)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	2009 Total	2008 Total
<b>REVENUE</b>							
Per capita taxes (net of agency fee rebates of \$1,200,134 in 2009 and \$1,063,461 in 2008)	\$ 141,037,491	\$ 2,735,013	\$ 12,259,755	\$ 1,005,217	\$ -	\$ 157,037,476	\$ 146,931,897
Members' liability insurance	-	2,144,386	-	-	-	2,144,386	2,336,227
Investment revenue (net of investment expenses of \$85,320 in 2009 and \$127,866 in 2008)	510,124	640,530	-	695,430	-	1,846,084	2,057,541
Net appreciation (depreciation) in fair value of investments	(409,005)	(241,528)	-	(1,425,632)	-	(2,076,165)	(1,032,951)
Publication revenue	518,149	-	-	-	-	518,149	627,215
Program administration and royalties	2,487,486	-	-	-	-	2,487,486	2,206,085
Reimbursements from related entities	502,032	-	-	-	-	502,032	875,139
Rental revenue on subleased office space	-	-	-	224,016	-	224,016	195,166
Net rental income	-	-	-	1,099,334	-	1,099,334	1,087,455
Other	3,091,988	29,172	-	123,176	-	3,244,336	5,529,307
<b>Total revenue</b>	<b>147,738,265</b>	<b>5,307,573</b>	<b>12,259,755</b>	<b>1,721,541</b>	<b>-</b>	<b>167,027,134</b>	<b>160,813,081</b>
<b>EXPENSES</b>	<b>146,288,303</b>	<b>8,175,038</b>	<b>12,692,279</b>	<b>1,966,808</b>	<b>2,421,691</b>	<b>171,544,119</b>	<b>155,660,891</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 1,449,962</b>	<b>\$ (2,867,465)</b>	<b>\$ (432,524)</b>	<b>\$ (245,267)</b>	<b>\$ (2,421,691)</b>	<b>\$ (4,516,985)</b>	<b>\$ 5,152,190</b>

See accompanying notes to consolidated financial statements.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**CONSOLIDATED STATEMENT OF EXPENSES**

YEAR ENDED JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2008)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	2009 Total	2008 Total
<b>EXPENSES</b>							
Office of the President	\$ 5,451,605	\$ -	\$ -	\$ -	\$ -	\$ 5,451,605	\$ 3,022,056
Office of the Secretary-Treasurer	6,908,485	-	-	-	-	6,908,485	4,289,049
Office of the Executive Vice President	1,131,416	-	-	-	-	1,131,416	1,497,362
The Albert Shanker Institute	700,652	-	-	-	-	700,652	682,560
Financial services department	1,081,047	-	-	-	-	1,081,047	1,120,021
Human resources department	1,668,388	-	-	-	-	1,668,388	1,186,116
Higher education department	1,295,437	-	-	-	-	1,295,437	1,200,889
Government relations department	11,631,974	-	-	-	-	11,631,974	11,655,533
Communications department	12,656,843	-	-	-	-	12,656,843	12,708,299
Educational issues department	7,727,501	-	-	-	-	7,727,501	8,042,838
Employee benefits department	-	-	-	-	-	-	602,233
Accounting department	4,009,948	-	-	-	-	4,009,948	3,345,806
Administration department	2,212,295	-	-	-	-	2,212,295	2,156,538
General operations	28,104,903	-	-	(3,505,518)	-	24,599,385	24,056,634
International affairs department	1,815,643	-	-	-	-	1,815,643	2,013,540
Organizing department	41,611,656	-	-	-	-	41,611,656	40,416,546
Research department	2,653,850	-	-	-	-	2,653,850	2,636,684
Meetings and business travel department	3,130,233	-	-	-	-	3,130,233	2,017,199
Strategic Campaigns	235,840	-	-	-	-	235,840	-
Legal department	1,009,461	-	-	-	-	1,009,461	938,551
Information technology department	4,936,862	-	-	-	-	4,936,862	4,801,862
Member benefits department	2,323,779	-	-	-	-	2,323,779	1,644,111
Healthcare department	929,559	-	-	-	-	929,559	899,651
PSRP department	2,021,839	-	-	-	-	2,021,839	2,177,572
Public employees department	1,039,087	-	-	-	-	1,039,087	784,809
Legal fees	-	5,963,906	-	-	-	5,963,906	4,479,271
Occupational liability insurance	-	1,608,669	-	-	-	1,608,669	2,186,746
Other insurance	-	546,962	-	-	-	546,962	571,415
Capitol Place I operating expenses	-	-	-	3,824,410	-	3,824,410	3,197,788
Interest	-	-	-	309,898	-	309,898	370,475
State federations' solidarity funds	-	-	2,882,492	-	-	2,882,492	3,361,492
National solidarity fund	-	-	9,809,787	-	-	9,809,787	4,528,061
Postretirement expenses	-	-	-	-	2,421,691	2,421,691	1,715,931
Other	-	55,501	-	1,338,018	-	1,393,519	1,353,253
<b>Total expenses</b>	<b>\$ 146,288,303</b>	<b>\$ 8,175,038</b>	<b>\$ 12,692,279</b>	<b>\$ 1,966,808</b>	<b>\$ 2,421,691</b>	<b>\$ 171,544,119</b>	<b>\$ 155,660,891</b>

See accompanying notes to consolidated financial statements.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

YEAR ENDED JUNE 30, 2009  
(WITH COMPARATIVE INFORMATION FOR YEARS ENDED JUNE 30, 2008)

	General Fund	Militancy/ Defense Fund - Designated	Militancy/ Defense Fund - Undesignated	State Solidarity Fund Designated	National Solidarity Fund Undesignated	Building Fund	Postretirement Benefits Fund	Total
Net assets, July 1, 2007	\$ 7,004,821	\$ 10,735,025	\$ 9,158,109	\$ 2,598,496	\$ 12,697,930	\$ 25,374,659	\$ (15,086,985)	\$ 52,482,055
Changes in net assets, year ended June 30, 2008	<u>6,057,133</u>	<u>1,005,005</u>	<u>(968,957)</u>	<u>428,317</u>	<u>1,238,056</u>	<u>(891,433)</u>	<u>(1,715,931)</u>	<u>5,152,190</u>
Net assets, June 30, 2008	13,061,954	11,740,030	8,189,152	3,026,813	13,935,986	24,483,226	(16,802,916)	57,634,245
Change in net assets, year ended June 30, 2009	<u>1,449,962</u>	<u>1,326,949</u>	<u>(4,194,414)</u>	<u>2,027,937</u>	<u>(2,460,461)</u>	<u>(245,267)</u>	<u>(2,421,691)</u>	<u>(4,516,985)</u>
Net assets, June 30, 2009	<u>\$ 14,511,916</u>	<u>\$ 13,066,979</u>	<u>\$ 3,994,738</u>	<u>\$ 5,054,750</u>	<u>\$ 11,475,525</u>	<u>\$ 24,237,959</u>	<u>\$ (19,224,607)</u>	<u>\$ 53,117,260</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2008)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	2009 Total	2008 Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Change in net assets	\$ 1,449,962	\$ (2,867,465)	\$ (432,524)	\$ (245,267)	\$ (2,421,691)	\$ (4,516,985)	\$ 5,152,190
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities							
Depreciation and amortization	1,539,643	-	-	1,331,972	-	2,871,615	2,554,575
Loss on disposal of property and equipment	160,188	-	-	-	-	160,188	147,643
Net depreciation in fair value of investments	31,731	618,802	-	1,425,632	-	2,076,165	1,032,949
Decrease (increase) in assets							
Due from (to) other funds	(4,457,858)	4,483,259	432,524	(457,925)	-	-	-
Per capita taxes receivable	(12,421,966)	-	-	-	-	(12,421,966)	9,801,127
Loans receivable	-	(160,799)	-	-	-	(160,799)	47,520
Other receivables	2,096,008	(134,072)	-	(36,036)	-	1,925,900	587,839
Prepaid expenses	947,982	-	-	91,249	-	1,039,231	(173,375)
Increase (decrease) in liabilities							
Accounts payable	(1,494,648)	(1,235,376)	-	57,591	-	(2,672,433)	2,547,602
Due to AFT Disaster Relief Fund	-	-	-	-	-	-	(1,804,606)
Accrued vacation and severance pay	765,457	-	-	-	-	765,457	63,713
Accrued expenses and other liabilities	408,840	-	-	75,057	-	483,897	(1,327,424)
Advance per capita taxes	(19,342)	-	-	-	-	(19,342)	18,368
Accrued postretirement health care costs	-	-	-	-	1,620,369	1,620,369	1,221,600
Accrued pension liability	-	-	-	-	-	-	494,331
Deferred revenue	253,652	-	-	-	801,322	1,054,974	(307,054)
Net cash provided by (used in) operating activities	<u>(10,740,351)</u>	<u>704,349</u>	<u>-</u>	<u>2,242,273</u>	<u>-</u>	<u>(7,793,729)</u>	<u>20,056,998</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchases of property and equipment	(1,993,884)	-	-	(3,693,728)	-	(5,687,612)	(3,586,792)
Purchases of investments	-	(6,561,470)	-	(8,700,586)	-	(15,262,056)	(22,342,288)
Proceeds from the sale of investments	-	5,925,298	-	9,856,096	-	15,781,394	21,217,493
Net cash used in investing activities	<u>(1,993,884)</u>	<u>(636,172)</u>	<u>-</u>	<u>(2,538,218)</u>	<u>-</u>	<u>(5,168,274)</u>	<u>(4,711,587)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Principal payments on mortgage note payable	-	-	-	(1,520,485)	-	(1,520,485)	(1,459,629)
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,520,485)</u>	<u>-</u>	<u>(1,520,485)</u>	<u>(1,459,629)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(12,734,235)</u>	<u>68,177</u>	<u>-</u>	<u>(1,816,430)</u>	<u>-</u>	<u>(14,482,488)</u>	<u>13,885,782</u>
<b>CASH AND CASH EQUIVALENTS</b>							
Beginning of year	23,479,126	459,382	-	1,976,616	-	25,915,124	12,029,342
End of year	<u>\$ 10,744,891</u>	<u>\$ 527,559</u>	<u>\$ -</u>	<u>\$ 160,186</u>	<u>\$ -</u>	<u>\$ 11,432,636</u>	<u>\$ 25,915,124</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2009

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization** - The American Federation of Teachers, AFL-CIO (the Federation) aims to obtain exclusive bargaining rights, including the right to strike, for teachers, paraprofessionals and school-related personnel, higher education faculty and professionals, state and local public employees, health care employees and other workers. The Federation also aims to improve workers rights, improve educational standards, improve health standards, improve public employee standards, improve education, promote child welfare, oppose bias, and to promote democracy. The major source of revenue to the Federation is per capita taxes paid by locals.

**Fund Accounting and Principles of Consolidation** - To ensure observance of limitations and restrictions placed on the use of resources available to the Federation, the accounts of the Federation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The Building Fund also includes the consolidated accounts of 555 New Jersey Avenue, N.W., Inc. (555 New Jersey), and a controlled limited partnership - Capitol Place I Associates Limited Partnership (Capitol Place I Associates) (see Note 2). All significant intercompany transactions have been eliminated in consolidation.

The assets, liabilities and net assets of the Federation are reported in five self-balancing, unrestricted net asset fund groups, as follows:

- General Fund - records all activity not accounted for in the other funds.
- Militancy/Defense Fund
  - Undesignated - the undesignated portion of net assets is to financially support members and locals involved in strikes and in legal matters concerning job security and other issues.
  - Designated - established to account for the net activity of the Federation's Occupational Liability Insurance Plan for members.
- Building Fund - established to account for the Federation's sub-leasing activities and its consolidated investment in 555 New Jersey Avenue, N.W., Inc., and in a limited partnership, Capitol Place I Associates Limited Partnership.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- |                             |   |
|-----------------------------|---|
| Solidarity Fund             | - established to assist the Federation and its affiliates in participating in legislative and political activities with significant potential impact on members and the institutions where they work. The designated portion of net assets is the amount available for state affiliates with similar funds. |
| Postretirement Benefit Fund | - established to record the unfunded liabilities and expenses associated with providing healthcare and life insurance benefits to the Federation's retirees and pension benefits to the retired officers of the Federation.   |

**Financial Statement Presentation** - The consolidated financial statements of the Federation report the amounts for each of three distinct classes of net assets and changes therein - permanently restricted net assets, temporarily restricted net assets and unrestricted net assets - based on the existence or absence of donor-imposed restrictions. The Federation has no permanently or temporarily restricted net assets for the years ended June 30, 2009 and 2008.

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include information by fund as presented for the year ended June 30, 2009. Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

**Per Capita Taxes** - The Federation assesses each local a monthly per capita tax for each member. Annual per capita tax assessments and the allocation to the various funds are determined by the Federation's Executive Council pursuant to the Federation's constitution. Per capita taxes are recognized monthly as assessments become due from the various local organizations; taxes received in advance are deferred. The General Fund initially records all per capita tax receipts and receivables, and allocates the portion due to other funds on a monthly basis.

Effective September 1, 2008 and 2007, the monthly per capita tax was \$15.35 and \$14.70, respectively, per member. Since September 1, 1998, \$.27 of monthly per capita has been allocated to the Militancy/Defense Fund, \$.10 has been allocated to the Building Fund, and \$.05 has been allocated to the Albert Shanker Institute as a contribution from the Federation. Effective September 1, 2008 and 2007, \$1.25 and \$1.00 of monthly per capita has been allocated to the Solidarity Fund of which \$.50 and \$.40 has been designated for state affiliates with similar funds.

Also pursuant to the Federation's constitution, a rebate of per capita taxes of 20 cents per month is provided to each chartered state federation based on the number of dues paying members.

**Cash Equivalents** - For the purposes of the statement of cash flows, the Federation considers all money market and highly liquid monetary instruments purchased with a maturity of three months or less to be cash equivalents.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments** - Equity securities with readily determinable fair values and all debt securities are stated at fair value which represents publicly quoted market prices as of the last business day of the year.

The Federation considers all investment revenue earned on the undesignated portion of Militancy/Defense Fund investments, as being earned by the General Fund. Net investment revenue of \$357,392 and \$356,548 earned on Militancy/Defense Fund investments for the years ended June 30, 2009 and 2008, respectively, was recognized in the General Fund.

**Rental Income, Net** - Net rental income represents the rental income of Capitol Place I Associates, less rental income received from the Federation for all space leased by the Federation. Net rental income is recognized on a straight-line basis over the term of the respective leases, shown net of concessions.

**Property and Equipment** - Property and equipment are carried at cost less accumulated depreciation and amortization. Major additions are capitalized while replacements, maintenance, and repairs which do not improve or extend the lives of respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Building renovations and improvements	15 years
Furniture and equipment	5 to 10 years

**Deferred Charges** - Deferred charges consist of mortgage loan costs, which are being amortized on a straight-line basis over the term of the mortgage loan.

**Severance Pay, Accumulated Vacation, and Welfare Benefits** - The Federation recognizes accumulated severance and vacation expense and employees' welfare benefits as earned by its employees under various contracts and agreements.

**Estimated Self-Insurance Reserves** - Self-insurance reserves represent amounts provided for estimated claims to be submitted under the Federation's Occupational Liability Plan for members and Group Health Insurance Plan for employees. Premiums paid by the Federation's members to the Occupational Liability Plan are used primarily to pay premiums for a liability insurance policy; the remaining premiums are used to pay certain benefits or provide a reserve for benefits not covered under the insurance policy. The Federation provides its employees with health insurance coverage under a self-insured plan. Reserves have been established for amounts attributable to the Occupational Liability Plan which are to be used only for the payment of benefits, and for estimated health insurance claims to be submitted based on estimated claims incurred but not reported at June 30, 2009 and 2008.

**Income Taxes** - The Federation is exempt from federal income taxes, except on net income, if any, from unrelated business activities, under Section 501(c)(5) of the Internal Revenue Code. The Federation has approximately \$2,617,000 of net operating losses (NOL's) to offset any future taxable income. These NOL's expire over a 15 – 20 year period that generally ends in 2024.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

555 New Jersey is exempt from federal income taxes, except on net income, if any, from unrelated business activities, under Section 501(c)(2) of the Internal Revenue Code.

Capitol Place I Associates, as a partnership, passes all net income (loss) tax amounts through to the individual partners in accordance with the Partnership agreement and the Internal Revenue Code. For state tax purposes, the District of Columbia imposes unincorporated business taxes on any net income of the partnership.

**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 in the financial statements. Actual results could differ from those estimates.

**Subsequent Events Review** - Subsequent events have been evaluated through December 22, 2009, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

**Reclassifications** - Certain reclassifications have been made to expenses for the year ended June 30, 2008 to conform to the year ended June 30, 2009 presentation.

**NOTE 2. INVESTMENT IN CAPITOL PLACE I ASSOCIATES LIMITED PARTNERSHIP**

The Federation is a limited partner in Capitol Place I Associates Limited Partnership, a partnership established in 1982, for the purpose of building and owning an office building that was completed in 1984. From 1984 to October 29, 1992, the Federation had a non-controlling 66 percent interest in Capitol Place I Associates, and in distribution of profits and losses and cash flow of the office building. During 1992 and 1994, the Federation purchased the remaining interests in the partnership and established 555 New Jersey as the managing general partner with a 1% interest in the partnership. The purchase price or cost of assets exchanged in acquiring the remaining interests, plus the deficit balances in the former remaining partners' capital accounts, have been allocated to the cost of the land and building. These amounts are being amortized on a straight-line basis over the remaining useful life of the building, from the date of acquisition.

**NOTE 3. INVESTMENTS**

Investments by fund at June 30, 2009 and 2008 consisted of:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
General Fund	\$ 359,842	\$ 359,842	\$ 391,573	\$ 391,573
Militancy/Defense Fund	20,817,823	20,266,007	20,736,233	20,248,637
Building Fund	<u>16,332,692</u>	<u>14,863,799</u>	<u>18,210,101</u>	<u>17,444,941</u>
	<u>\$ 37,510,357</u>	<u>\$ 35,489,648</u>	<u>\$ 39,337,907</u>	<u>\$ 38,085,151</u>

**NOTE 3. INVESTMENTS (CONTINUED)**

Investments at June 30, 2009 and 2008 are comprised of the following:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Corporate obligations	\$ 16,866,382	\$ 16,355,526	\$ 10,036,024	\$ 9,345,335
Corporate stocks	7,413,267	5,841,592	7,541,194	7,178,488
U.S. Government and agency securities	12,461,025	12,563,555	20,577,337	20,395,625
Certificates of deposit	-	-	300,000	300,345
Other bonds	769,683	728,975	883,352	865,358
	<u>\$ 37,510,357</u>	<u>\$ 35,489,648</u>	<u>\$ 39,337,907</u>	<u>\$ 38,085,151</u>

Realized net gains (loss) on investments for the years ended June 30, 2009 and 2008 totaled \$(899,210) and \$451,895, respectively. Realized net gains (loss) on Militancy Fund investments recognized by the General Fund totaled \$(409,005) and \$49,764 for the years ended June 30, 2009 and 2008, respectively.

The Federation adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), effective July 1, 2008. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of the fair value measurements. SFAS 157 also establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three levels of the fair value hierarchy under SFAS 157 are described below:

**Level 1** – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Federation has the ability to access at the measurement date;

**Level 2** – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

**Level 3** – Inputs that are unobservable (including the Federation's own assumptions in determining the fair value of investments)

**NOTE 3. INVESTMENTS (CONTINUED)**

The following is a summary of the inputs used as of June 30, 2009, in valuing investments carried at fair value:

Description	Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate obligations	\$16,355,526	\$ -	\$ 16,355,526	\$ -
Corporate stocks	5,841,592	5,841,592	-	-
U.S. Government and Agency securities	12,563,555	-	12,563,555	-
Other bonds	<u>728,975</u>	<u>138,341</u>	<u>61,438</u>	<u>529,196</u>
<b>Total</b>	<b><u>\$ 35,489,648</u></b>	<b><u>\$ 5,979,933</u></b>	<b><u>\$ 28,980,519</u></b>	<b><u>\$ 529,196</u></b>

Changes in Level 3 Category	Other Bonds
Beginning balance – 7/1/2008	\$ 529,196
Net losses (realized/unrealized)	-
Purchases, issuances, settlements	-
Ending balance – 6/30/2009	<u>\$ 529,196</u>

**NOTE 4. RELATED PARTY TRANSACTIONS**

The Federation established the American Federation of Teachers Benefit Trust (the Trust), as a separate organization which is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code. The Trust has been formed as a welfare benefit plan for members and is fully subject to the various requirements and fiduciary provisions of the Employee Retirement Income Security Act. The purpose of the Trust is to provide various medical, life and disability insurance benefits to participating Federation members as an enhancement to collectively bargained benefits. Certain Federation Executive Council members and officers serve as trustees of the Trust. In addition, the Federation provides facilities and administration assistance for which the Trust reimburses the Federation. The Federation recognized \$334,420 and \$420,140 of reimbursements for services provided to the Trust for the years ended June 30, 2009 and 2008, respectively. As of June 30, 2009 and 2008, the Trust owed the Federation \$70,628 and \$662,566, respectively, which is included in other receivables in the statement of financial position.

The Federation established the AFT Committee on Political Education (AFT/COPE) as a separate segregated fund which is exempt from federal income taxes. AFT/COPE is primarily financed by contributions from affiliates. The Executive Committee of AFT/COPE consists of the same individuals who are members of the Federation’s Executive Council. The Federation provided administrative assistance totaling \$687,806 and \$530,729 for the years ended June 30, 2009 and 2008, respectively, to AFT/COPE. These amounts are included in the government relations department in the consolidated statement of expenses.

**NOTE 4. RELATED PARTY TRANSACTIONS (CONTINUED)**

The Federation established the AFT Education Foundation (AFTEF) as a separate organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. AFTEF is principally financed by the research grants from the U.S. Government and related agencies. The officers and directors of AFTEF are comprised of the Federation's officers and Executive Council. The Federation provides accounting and administrative services to the Foundation without charge, the value of which has not been separately identified in these financial statements. For the years ended June 30, 2009 and 2008, the Federation was reimbursed \$1,088,008 and \$1,054,627 for salaries, fringe benefits and other expenses incurred on behalf of AFTEF. The Federation also advances funds for payment of AFTEF expenses until AFTEF receives reimbursements under the grants. At June 30, 2009 and 2008, the Federation was owed \$500,901 and \$689,512, respectively, from the AFTEF. These amounts are included in other receivables on the statement of financial position.

The Federation established the AFT Disaster Relief Fund (the Fund) during the year ended June 30, 2006 as a separate organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund was formed to provide assistance to persons adversely affected by natural or man-made disasters. The officers and directors of the Fund are comprised of the Federation's officers and several Executive Council members. The Federation provided accounting and administrative services to the Fund without charge, the value of which has not been separately identified in these financial statements. The Federation's Executive Council authorized a contribution to the Fund of up to \$5,000,000 from the Militancy/Defense Fund during the year ended June 30, 2006. For the years ended June 30, 2007 and 2006, the Federation contributed \$311,079 and \$4,688,921, respectively. At June 30, 2007, the Militancy/Defense Fund owed the Disaster Relief Fund \$1,804,606, which was included in liabilities on the statement of financial position. During the year ended June 30, 2008, the Disaster Relief Fund no longer needed the committed funding and forgave the receivable and accordingly the Militancy/Defense Fund recorded a contribution.

The Federation provided administrative assistance totaling \$336,492 and \$333,905 for the years ended June 30, 2009 and 2008, respectively, to the Albert Shanker Institute (the Institute). These amounts are included in the consolidated statement of expenses. As discussed in Note 1, the Federation allocates a portion of per capita taxes to the Institute. The amount allocated for the years ended June 30, 2009 and 2008 was \$573,703 and \$485,251, respectively, and is included in the General Operations department in the consolidated statement of expenses.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2009 and 2008:

	June 30,	
	2009	2008
Land	\$ 5,084,148	\$ 5,084,148
Office building and improvements	38,632,962	34,940,988
Furniture and equipment	<u>13,924,480</u>	<u>13,598,688</u>
	57,641,590	53,623,824
Less accumulated depreciation and amortization	<u>(31,188,448)</u>	<u>(29,855,541)</u>
	<u>\$ 26,453,142</u>	<u>\$ 23,768,283</u>

**NOTE 6. MORTGAGE NOTE PAYABLE AND GUARANTEE**

Capitol Place I Associates refinanced its property with a \$15,000,000 mortgage loan in July 2003. The loan is payable over 10 years with interest accruing at a per annum rate equal to LIBOR plus 0.75%. Capitol Place I Associates has entered into an interest rate hedge agreement with the lender to provide for a fixed rate hedge against increases in LIBOR. The notional amount of the hedge agreement is \$15,000,000 amortizing as principal payments are made on the mortgage loan. This agreement effectively changes Capitol Place I Associates' interest rate exposure on its floating rate mortgage loan to a fixed 4.09%. The interest rate hedge agreement matures at the time the mortgage loan matures.

The loan is secured by a deed of trust, assignment and security agreement, creating a first lien on the property and all related improvements, fixtures and equipment, all leases and rents with respect thereto, and all contracts and intangible property related thereto. In addition, the lender has required that all amounts payable to the partnership under the interest rate hedge agreement be assigned as additional security under the loan. There are no interest rate hedge settlement transactions as the lender nets the hedge amount with the floating rate interest amount to equal the fixed rate of 4.09%. In the event that Capitol Place I Associates pays off the mortgage loan before the 10 year term, it could be liable for a yield differential payment to the lender based on the remaining term of the loan. The Federation has also guaranteed the full amount of loan for its entire term.

The mortgage loan agreement with the lender contains various covenants which among other things, requires that the ownership of the property and control of Capitol Place I Associates and the Federation will not change during the term of the loan, and Capitol Place I Associates will not further encumber the property; Capitol Place I Associates and the Federation will indemnify the lender for any environmental liability; the Federation will maintain certain financial ratios related to cash flow and debt service payments and minimum levels of liquidity; and that neither the Federation nor Capitol Place I Associates will be party to a merger, consolidation, acquisition or similar transaction without the written consent of the lender.

The aggregate remaining maturities of the mortgage note payable are:

Year Ending June 30,	
2010	\$ 1,583,937
2011	1,649,948
2012	1,718,710
2013	<u>1,789,871</u>
	<u>\$ 6,742,466</u>

**NOTE 7. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assistance payable to state and local federations	\$ 2,587,150	\$ 2,069,028
State federation per capita taxes	1,830,871	1,921,809
Affiliation fees payable	833,737	866,311
Accrued employees' welfare benefits	455,414	413,844
Estimated self-insurance reserve - employees' health insurance	360,000	360,000
Other accrued expenses	<u>835,490</u>	<u>787,773</u>
	<u>\$ 6,902,662</u>	<u>\$ 6,418,765</u>

**NOTE 8. AFFINITY CARD AGREEMENT**

The Federation has entered into a multi-year License Agreement and a List Use Agreement with the AFL-CIO, under which the AFL-CIO has obtained rights to use certain intangible property belonging to the Federation, including the right to use the name, logo, trademarks, and membership lists of the Federation, in exchange for specified royalty payments to be paid to the Federation by the AFL-CIO. In turn the AFL-CIO has sub-licensed the rights to use the Federation's intangible property to Household Bank Nevada, N.A., for use by the bank in connection with its marketing of credit card and certain other financial products to members of the Federation. The current agreement which was effective on March 1, 1997, extends the term from March 2009 to February 2017.

For the years ended June 30, 2009 and 2008, the Federation received affinity card royalties from the AFL-CIO which totaled \$1,354,458 and \$2,018,374, respectively. These amounts are included in program administration and royalties in the statement of activities.

**NOTE 9. RETIREMENT PLANS**

The Federation contributed 23 percent of eligible employees' salaries to defined contribution retirement plans during the years ended June 30, 2009 and 2008. Total retirement plan expense was \$7,546,715 and \$7,045,075 for the years ended June 30, 2009 and 2008, respectively.

On May 25, 2004, the Federation adopted a defined benefit plan for officers of the Federation who have completed 5 years of service in the capacity of President, Executive Vice President, or Secretary-Treasury, and have served the Federation or any of its state or local affiliates for a period of at least 20 years. The benefit, payable upon retirement, is equal to 60% of final annual compensation and is adjusted annually for an amount equal to Social Security cost of living increases. The surviving spouse of an eligible officer will receive a benefit of 50% of the officer's benefit. Normal retirement age is 62, with a reduction of 6% per year for retirement benefits beginning prior to age 62. Additionally, the monthly benefit is offset by 1/60<sup>th</sup> of the amount contributed by the Federation on behalf of each eligible officer under the AFT Management Retirement Plan, one of the defined contribution plans maintained by the Federation for its employees.

**NOTE 9. RETIREMENT PLANS (CONTINUED)**

The annual measurement date is June 30. The net periodic pension cost for the plan for the years ended June 30, 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
Interest cost	\$ 400,616	\$ 375,742
Net amortization and deferral	<u>354,917</u>	<u>409,774</u>
Net periodic pension cost	<u>\$ 755,533</u>	<u>\$ 785,516</u>

The net periodic pension cost is based on the following weighted-average assumptions at the end of the year:

	<u>2009</u>	<u>2008</u>
Discount rate	6.25%	6.25%
Average rate of compensation increase	3.00%	3.00%

The plan's obligations and funded status as of June 30, 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
Fair value of plan assets	\$ -	\$ -
Projected benefit obligation	<u>7,329,180</u>	<u>6,527,858</u>
Excess (deficiency) of plan assets over projected benefit obligation	<u>(7,329,180)</u>	<u>(6,527,858)</u>
Net accrued pension liability	<u>\$(7,329,180)</u>	<u>\$(6,527,858)</u>

Employer contributions and benefit payments for the years ended June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Employer contributions	\$ 239,626	\$ 43,985
Benefit payments	\$ 239,626	\$ 43,985

Estimated future benefits expected to be paid in each of the next five fiscal years and in the aggregate for the five years thereafter are as follows:

Year Ending June 30, 2010	\$ 405,711
2011	456,900
2012	475,415
2013	494,485
2014	757,148
2015 - 2019	<u>4,836,134</u>
Total	<u>\$7,425,793</u>

The plan is unfunded and benefits will be paid from the General Fund of the Federation.

**NOTE 10. POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS**

In addition to providing pension benefits, the Federation also provides certain medical and life insurance benefits for retired employees meeting certain minimum age and years of service requirements, based on benefits negotiated in various collective bargaining agreements. Generally, medical and dental benefits are provided until age 65, prescription drugs are provided until death, and life insurance is provided until 70. Substantially all of the Federation's employees may become eligible for certain of these benefits if they retire while working for the Federation.

Postretirement benefit costs for the years ended June 30, 2009 and 2008 include the following components:

	<u>2009</u>	<u>2008</u>
Service cost	\$ 626,109	\$ 512,260
Interest cost	635,158	558,990
Amortization of losses	39,560	25,534
Amortization of prior service cost	113,771	113,771
Amortization of transition obligation	<u>193,622</u>	<u>193,622</u>
Total postretirement benefit costs	<u>\$ 1,608,220</u>	<u>\$ 1,404,177</u>

The accumulated postretirement benefit obligation at June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Fair value of plan assets	\$ -	\$ -
Postretirement benefit obligation	11,895,427	10,275,058
Excess (deficiency) of plan assets over postretirement benefit obligation	(11,895,427)	(10,275,058)
Unrecognized net actuarial losses	<u>-</u>	<u>-</u>
Net accrued healthcare liability	<u>\$ (11,895,427)</u>	<u>\$ (10,275,058)</u>

Weighted-average assumptions used to determine benefit obligations at end of year:

	<u>2009</u>	<u>2008</u>
Discount rate	6.75%	6.25%

The assumed health care cost trend rates used to measure the expected cost of benefits for the year ended June 30, 2009 were assumed to increase by 9%. Thereafter, rate increases were assumed to gradually decrease until they reached 5% in 2017.

**NOTE 10. POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS (CONTINUED)**

Estimated future benefits expected to be paid in each of the next five fiscal years and in the aggregate for the five years thereafter are as follows:

Year Ending June 30, 2010	\$ 321,000
2011	401,000
2012	405,000
2013	444,000
2014	505,000
2015 - 2019	<u>3,235,000</u>
Total	<u>\$5,311,000</u>

The plan is unfunded and benefits will be paid from the General Fund of the Federation.

**NOTE 11. FUNCTIONAL ALLOCATION OF EXPENSES**

The following is a summary of expenses by functional classification for the years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Organizing and membership services	\$ 65,339,314	\$ 62,014,448
Professional and institutional development	22,041,095	16,449,525
Communications	10,426,497	10,518,592
Unallocable affiliation fees	10,867,216	10,558,784
Governance	8,918,623	9,326,760
Political activities	10,053,811	9,820,793
Collective bargaining	2,653,850	2,636,684
Building operations	1,962,041	3,121,239
Postretirement benefits	2,421,691	1,715,931
Solidarity fund	<u>12,692,279</u>	<u>7,889,553</u>
Total program services	147,376,417	134,052,309
General and administrative	<u>24,167,702</u>	<u>21,608,582</u>
Total expenses	<u>\$ 171,544,119</u>	<u>\$ 155,660,891</u>

**NOTE 12. BORROWINGS AND CONTINGENT LIABILITIES**

The Federation has lines of credit with two financial institutions at June 30, 2009 for a total amount of \$11,000,000. Interest is payable monthly at the financial institutions' prime interest rate. The lines of credit are secured by cash and investments held by the institutions. At June 30, 2009 and 2008, the Federation had no borrowings or commitments under the lines of credit.

At June 30, 2009 the Federation has guaranteed a loan obtained by an affiliate in an amount not to exceed \$1,000,000.

**NOTE 13. COMMITMENTS**

The Federation has several non-cancelable operating leases, primarily for office equipment. Future minimum lease payments, under non-cancelable operating leases for office equipment, as of June 30, 2009 are:

Year Ending June 30,	
2010	\$ 279,074
2011	244,027
2012	228,375
2013	155,080
2014	<u>25,229</u>
Total	<u>\$ 931,786</u>

Rental expense for office equipment leases totaled approximately \$70,129 and \$190,374 for the years ended June 30, 2009 and 2008, respectively.

The Federation also has several office space subleases. Future minimum receipts under these non-cancelable office space subleases, excluding executory costs, as of June 30, 2009 are:

Year Ending June 30,	
2010	\$ 183,480
2011	151,620
2012	53,985
2013	55,065
2014	56,166
Thereafter	<u>71,682</u>
Total	<u>\$ 571,999</u>

**NOTE 14. CAPITOL PLACE I ASSOCIATES LEASE RENTAL INCOME COMMITMENTS**

Leases of space in the office building owned by Capitol Place I Associates provide for base rentals plus provisions for escalation in the event of increased operating expenses, real estate taxes, and changes in the Consumer Price Index. The minimum annual future rental income on non-cancelable leases, excluding any lease payments from the Federation, as of June 30, 2009, is as follows:

Year Ending June 30,	
2010	\$1,072,156
2011	<u>688,668</u>
Total	<u>\$1,760,824</u>

**NOTE 15. UNINSURED CASH AND CASH EQUIVALENTS**

The Federation maintains its cash accounts primarily with two banks in the United States. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At June 30, 2009 the Federation had cash balances on deposit with these banks that exceeded the balance insured by the FDIC by approximately \$6,311,000. Additionally, the Federation had approximately \$6,038,000 in money market accounts held by investment custodians and \$5,285,000 in bank overnight sweep accounts which are not insured by the FDIC. The Federation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

**NOTE 16. PLEDGES PAYABLE**

During 2009, the Federation made a pledge to the Edward M. Kennedy Institute for \$1,500,000. The Federation had paid \$500,000 by June 30, 2009. The remaining \$1,000,000 is payable over a five year period.

## **CONSOLIDATING SCHEDULES**

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**CONSOLIDATING SCHEDULE - BUILDING FUND SCHEDULE OF FINANCIAL POSITION**

JUNE 30, 2009

	<u>Building Fund</u>	<u>555 New Jersey Avenue N.W., Inc.</u>	<u>Capitol Place I Associates Limited Partnership</u>	<u>Elimination Entries</u>		<u>Consolidated Building Fund</u>
				Debit	Credit	
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 3,440	\$ -	\$ 156,746	\$ -	\$ -	\$ 160,186
Due (to) from other funds	(5,363,386)	(120,512)	7,461	-	-	(5,476,437)
Investments	-	-	14,863,799	-	-	14,863,799
Other receivables	-	-	215,597	-	-	215,597
Prepaid expenses	-	-	126,763	-	-	126,763
Total current assets	<u>(5,359,946)</u>	<u>(120,512)</u>	<u>15,370,366</u>	<u>-</u>	<u>-</u>	<u>9,889,908</u>
NET PROPERTY AND EQUIPMENT	-	-	16,106,946	9,944,309	4,248,014	21,803,241
<b>OTHER ASSETS</b>						
Investment in Capitol Place I Associates Limited Partnership	33,892,500	77,328	-	1,087,574	35,057,402	-
Deferred charges	-	-	116,197	-	-	116,197
Total assets	<u>\$ 28,532,554</u>	<u>\$ (43,184)</u>	<u>\$ 31,593,509</u>	<u>\$ 11,031,883</u>	<u>\$ 39,305,416</u>	<u>\$ 31,809,346</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 742,059	\$ -	\$ -	\$ 742,059
Current maturities of mortgage note	-	-	1,583,937	-	-	1,583,937
Accrued expenses and other liabilities	3,399	-	83,537	74	-	86,862
Total current liabilities	<u>3,399</u>	<u>-</u>	<u>2,409,533</u>	<u>74</u>	<u>-</u>	<u>2,412,858</u>
MORTGAGE NOTE PAYABLE, EXCLUDING CURRENT MATURITIES	<u>-</u>	<u>-</u>	<u>5,158,529</u>	<u>-</u>	<u>-</u>	<u>5,158,529</u>
Total liabilities	3,399	-	7,568,062	74	-	7,571,387
NET ASSETS AND PARTNER'S EQUITY	<u>28,529,155</u>	<u>(43,184)</u>	<u>24,025,447</u>	<u>36,640,106</u>	<u>8,366,647</u>	<u>24,237,959</u>
Total liabilities and net assets	<u>\$ 28,532,554</u>	<u>\$ (43,184)</u>	<u>\$ 31,593,509</u>	<u>\$ 36,640,180</u>	<u>\$ 8,366,647</u>	<u>\$ 31,809,346</u>

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

**CONSOLIDATING SCHEDULE - BUILDING FUND SCHEDULE OF ACTIVITIES**

YEAR ENDED JUNE 30, 2009

	Building Fund	555 New Jersey Avenue N.W., Inc.	Capitol Place I Associates Limited Partnership	Elimination Entries		Consolidated Building Fund
				Debit	Credit	
<b>REVENUE</b>						
Per capita taxes	\$ 1,005,217	\$ -	\$ -	\$ -	\$ -	\$ 1,005,217
Investment revenue, net of expenses of \$49,896	-	-	695,430	-	-	695,430
Net depreciation in fair value of investments	-	-	(1,425,632)	-	-	(1,425,632)
Rental revenue on subleased office space	224,016	-	-	-	-	224,016
Rental income, net	-	-	4,717,000	3,617,666	-	1,099,334
Equity in gain (loss) of Capitol Place I Investments Limited Partnership-AFT	(1,076,699)	(10,875)	-	(1,087,574)	-	-
Other	-	-	123,176	-	-	123,176
<b>Total revenue</b>	<u>152,534</u>	<u>(10,875)</u>	<u>4,109,974</u>	<u>2,530,092</u>	<u>-</u>	<u>1,721,541</u>
<b>EXPENSES</b>						
General operations - depreciation and amortization	-	-	1,063,184	-	-	1,063,184
General operations - General Fund rental expense	-	-	-	-	3,505,518	(3,505,518)
Consulting Fees	-	-	-	-	-	-
Rental expense on subleased office space	112,148	-	-	-	112,148	-
Operating expenses	-	-	3,824,410	-	-	3,824,410
Interest expense	(57)	-	309,955	-	-	309,898
Other	-	6,046	-	268,788	-	274,834
<b>Total expenses</b>	<u>112,091</u>	<u>6,046</u>	<u>5,197,549</u>	<u>268,788</u>	<u>3,617,666</u>	<u>1,966,808</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>40,443</b>	<b>(16,921)</b>	<b>(1,087,575)</b>	<b>2,798,880</b>	<b>3,617,666</b>	<b>(245,267)</b>
<b>NET ASSETS AND PARTNERS' EQUITY,</b>						
Beginning of year	28,488,712	(26,263)	24,459,948	33,188,152	4,748,981	24,483,226
Net partnership transactions affecting equity	-	-	653,074	653,074	-	-
<b>Net assets and partners' equity, end of year</b>	<u>\$ 28,529,155</u>	<u>\$ (43,184)</u>	<u>\$ 24,025,447</u>	<u>\$ 36,640,106</u>	<u>\$ 8,366,647</u>	<u>\$ 24,237,959</u>