

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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## REPORT OF INDEPENDENT AUDITORS

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, 2011, 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, 2010, and our report thereon dated January 10, 2011 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, 2011, 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 audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating schedules on pages 22 and 23 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 29, 2011

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS AT JUNE 30, 2010)**

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	June 30, 2011 Total	June 30, 2010 Total
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 2,562,724	\$ 2,213,431	\$ 23,031	\$ 758,371	\$ -	\$ 5,557,557	\$ 28,030,343
Due from (to) other funds	(8,097,072)	(5,616,660)	18,828,813	(5,115,081)	-	-	-
Investments	359,842	21,794,118	-	13,687,283	-	35,841,243	36,380,195
Receivables							
Per capita taxes	30,999,166	-	-	-	-	30,999,166	16,966,577
Other	3,180,317	457,464	-	177,789	-	3,815,570	3,645,708
Prepaid expenses	1,342,005	-	-	154,770	-	1,496,775	1,474,674
Total current assets	<u>30,346,982</u>	<u>18,848,353</u>	<u>18,851,844</u>	<u>9,663,132</u>	<u>-</u>	<u>77,710,311</u>	<u>86,497,497</u>
<b>NET PROPERTY AND EQUIPMENT</b>	4,102,236	-	-	20,774,097	-	24,876,333	26,860,397
<b>OTHER ASSETS</b>							
Loans receivable	-	2,512,404	-	-	-	2,512,404	2,530,974
Deferred charges	-	-	-	58,097	-	58,097	87,147
Total assets	<u>\$ 34,449,218</u>	<u>\$ 21,360,757</u>	<u>\$ 18,851,844</u>	<u>\$ 30,495,326</u>	<u>\$ -</u>	<u>\$ 105,157,145</u>	<u>\$ 115,976,015</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 7,617,484	\$ 6,721,807	\$ -	\$ 239,979	\$ -	\$ 14,579,270	\$ 11,685,891
Current maturities of mortgage note payable	-	-	-	1,718,710	-	1,718,710	1,649,948
Accrued vacation and severance pay	9,787,148	-	-	-	-	9,787,148	9,534,588
Accrued expenses and other liabilities	7,344,648	-	-	103,000	-	7,447,648	7,800,143
Advance per capita taxes	114,844	-	-	-	-	114,844	135,863
Deferred revenue	156,358	-	-	-	-	156,358	191,573
Estimated self-insurance reserve - members' liability insurance	-	1,000,000	-	-	-	1,000,000	1,000,000
Postretirement benefits - current portion	-	-	-	-	819,592	819,592	799,585
Total current liabilities	<u>25,020,482</u>	<u>7,721,807</u>	<u>-</u>	<u>2,061,689</u>	<u>819,592</u>	<u>35,623,570</u>	<u>32,797,591</u>
<b>MORTGAGE NOTE PAYABLE, EXCLUDING CURRENT MATURITIES</b>	-	-	-	1,790,999	-	1,790,999	3,509,599
<b>ACCRUED POSTRETIREMENT HEALTHCARE COSTS - LONG TERM</b>	-	-	-	-	14,431,321	14,431,321	14,074,766
<b>ACCRUED PENSION LIABILITY - LONG TERM</b>	-	-	-	-	9,073,887	9,073,887	8,560,951
Total liabilities	<u>25,020,482</u>	<u>7,721,807</u>	<u>-</u>	<u>3,852,688</u>	<u>24,324,800</u>	<u>60,919,777</u>	<u>58,942,907</u>
<b>COMMITMENTS AND CONTINGENCIES</b>							
<b>UNRESTRICTED NET ASSETS</b>							
Designated	-	5,066,979	4,540,406	-	-	9,607,385	10,819,223
Undesignated	9,428,736	8,571,971	14,311,438	26,642,638	(24,324,800)	34,629,983	46,213,885
Total unrestricted net assets	<u>9,428,736</u>	<u>13,638,950</u>	<u>18,851,844</u>	<u>26,642,638</u>	<u>(24,324,800)</u>	<u>44,237,368</u>	<u>57,033,108</u>
Total liabilities and net assets	<u>\$ 34,449,218</u>	<u>\$ 21,360,757</u>	<u>\$ 18,851,844</u>	<u>\$ 30,495,326</u>	<u>\$ -</u>	<u>\$ 105,157,145</u>	<u>\$ 115,976,015</u>

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2011

(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2010)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	2011 Total	2010 Total
<b>REVENUE</b>							
Per capita taxes (net of agency fee rebates of \$1,192,034 in 2011 and \$1,367,138 in 2010)	\$ 146,830,744	\$ 2,761,542	\$ 16,472,281	\$ 1,013,316	\$ -	\$ 167,077,883	\$ 163,426,701
Members' liability insurance	-	1,887,362	-	-	-	1,887,362	1,845,901
Investment revenue (net of investment expenses of \$113,941 in 2011 and \$103,103 in 2010)	680	1,069,126	-	567,015	-	1,636,821	1,844,901
Net appreciation in fair value of investments	-	816,992	-	1,549,504	-	2,366,496	1,627,741
Publication revenue	484,310	-	-	-	-	484,310	295,053
Program administration and royalties	2,607,631	-	-	-	-	2,607,631	2,525,858
Reimbursements from related entities	575,026	-	-	-	-	575,026	471,667
Rental revenue on subleased office space	-	-	-	341,492	-	341,492	306,903
Net rental income	-	-	-	1,167,677	-	1,167,677	1,153,380
State AFL-CIO collection rebate	1,101,991	-	-	-	-	1,101,991	1,520,492
Other revenue	835,662	23,751	-	110,880	-	970,293	1,832,214
<b>Total revenue</b>	<b>152,436,044</b>	<b>6,558,773</b>	<b>16,472,281</b>	<b>4,749,884</b>	<b>-</b>	<b>180,216,982</b>	<b>176,850,811</b>
<b>EXPENSES</b>	<b>158,493,118</b>	<b>8,583,665</b>	<b>21,471,902</b>	<b>3,574,539</b>	<b>889,498</b>	<b>193,012,722</b>	<b>172,934,963</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ (6,057,074)</b>	<b>\$ (2,024,892)</b>	<b>\$ (4,999,621)</b>	<b>\$ 1,175,345</b>	<b>\$ (889,498)</b>	<b>\$ (12,795,740)</b>	<b>\$ 3,915,848</b>

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF EXPENSES**

YEAR ENDED JUNE 30, 2011

(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2010)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	2011 Total	2010 Total
<b>EXPENSES</b>							
Communications	\$ 12,272,399	\$ -	\$ -	\$ -	\$ -	\$ 12,272,399	\$ 11,456,718
National Officers/Governance	8,685,929	-	-	-	-	8,685,929	9,420,447
Organizing	40,471,454	-	-	-	-	40,471,454	38,988,575
Political	13,217,915	-	-	-	-	13,217,915	13,493,885
Professional Issues	17,193,694	-	-	-	-	17,193,694	15,744,414
Strategic Support/FOP	26,122,690	-	-	-	-	26,122,690	19,866,297
Legal fees	-	6,158,707	-	-	-	6,158,707	5,539,421
Occupational liability insurance	-	1,547,885	-	-	-	1,547,885	1,660,805
Other insurance	-	832,941	-	-	-	832,941	551,058
Capitol Place I operating expenses	-	-	-	3,323,970	-	3,323,970	3,651,756
Interest	-	-	-	194,248	-	194,248	247,697
State federations' solidarity funds	-	-	7,824,849	-	-	7,824,849	5,197,020
National solidarity fund	-	-	10,170,084	-	-	10,170,084	2,214,505
527 solidarity fund	-	-	3,476,969	-	-	3,476,969	-
Postretirement expenses	-	-	-	-	889,498	889,498	4,210,695
Other	-	44,132	-	1,841,756	-	1,885,888	1,862,471
Total program expense	117,964,081	8,583,665	21,471,902	5,359,974	889,498	154,269,120	134,105,764
Administration	\$ 40,529,037	\$ -	\$ -	\$ (1,785,435)	\$ -	\$ 38,743,602	\$ 38,829,199
Total expenses	\$ 158,493,118	\$ 8,583,665	\$ 21,471,902	\$ 3,574,539	\$ 889,498	\$ 193,012,722	\$ 172,934,963

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2010)

	<u>General Fund</u>	<u>Militancy/ Defense Fund - Designated</u>	<u>Militancy/ Defense Fund - Undesignated</u>	<u>State Solidarity Fund Designated</u>	<u>National Solidarity Fund Undesignated</u>	<u>527 Solidarity Fund Designated</u>	<u>Building Fund</u>	<u>Postretirement Benefits Fund</u>	<u>Total</u>
Net assets, July 1, 2009	\$ 14,511,916	\$ 13,066,979	\$ 3,994,738	\$ 5,054,750	\$ 11,475,525	\$ -	\$ 24,237,959	\$(19,224,607)	\$ 53,117,260
Changes in net assets, year ended June 30, 2010	973,894	1,226,029	(2,623,904)	697,494	6,623,696	-	1,229,334	(4,210,695)	3,915,848
Board approved transfer of designated funds	-	(9,226,029)	9,226,029	-	-	-	-	-	-
Net assets, June 30, 2010	15,485,810	5,066,979	10,596,863	5,752,244	18,099,221	-	25,467,293	(23,435,302)	57,033,108
Change in net assets, year ended June 30, 2011	(6,057,074)	1,046,381	(3,071,273)	(1,234,869)	(3,787,783)	23,031	1,175,345	(889,498)	(12,795,740)
Board approved transfer of designated funds	-	(1,046,381)	1,046,381	-	-	-	-	-	-
Net assets, June 30, 2011	<u>\$ 9,428,736</u>	<u>\$ 5,066,979</u>	<u>\$ 8,571,971</u>	<u>\$ 4,517,375</u>	<u>\$ 14,311,438</u>	<u>\$ 23,031</u>	<u>\$ 26,642,638</u>	<u>\$(24,324,800)</u>	<u>\$ 44,237,368</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2010)**

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	2011 Total	2010 Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Change in net assets	\$ (6,057,074)	\$ (2,024,892)	\$ (4,999,621)	\$ 1,175,345	\$ (889,498)	\$ (12,795,740)	\$ 3,915,848
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities							
Depreciation and amortization	1,603,775	-	-	1,811,701	-	3,415,476	3,156,878
Loss on disposal of property and equipment	216,247	-	-	-	-	216,247	10,069
Net appreciation in fair value of investments	-	(816,992)	-	(1,549,504)	-	(2,366,496)	(1,627,741)
Decrease (increase) in assets							
Due from (to) other funds	(4,066,159)	860,595	5,022,652	(1,817,088)	-	-	-
Per capita taxes receivable	(12,629,720)	-	-	-	-	(12,629,720)	10,858,367
Loans receivable	-	18,570	-	-	-	18,570	35,098
Other receivables	(1,495,092)	(142,811)	-	65,172	-	(1,572,731)	(536,506)
Prepaid expenses	5,906	-	-	(28,007)	-	(22,101)	(808,217)
Increase (decrease) in liabilities							
Accounts payable	164,139	3,008,236	-	(278,996)	-	2,893,379	472,951
Accrued vacation and severance pay	252,560	-	-	-	-	252,560	564,941
Accrued expenses and other liabilities	(293,412)	-	-	(59,083)	-	(352,495)	897,481
Advance per capita taxes	(21,019)	-	-	-	-	(21,019)	(50,863)
Accrued postretirement health care costs	-	-	-	-	376,555	376,555	2,538,339
Accrued pension liability	-	-	-	-	512,943	512,943	1,672,356
Deferred revenue	(35,215)	-	-	29,050	-	(6,165)	(110,417)
Net cash provided by (used in) operating activities	<u>(22,355,064)</u>	<u>902,706</u>	<u>23,031</u>	<u>(651,410)</u>	<u>-</u>	<u>(22,080,737)</u>	<u>20,988,584</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchases of property and equipment	(1,221,239)	-	-	(426,420)	-	(1,647,659)	(3,754,124)
Purchases of investments	-	(10,506,259)	-	(6,264,876)	-	(16,771,135)	(20,022,074)
Proceeds from the sale of investments	-	<u>10,358,807</u>	-	<u>9,317,776</u>	-	<u>19,676,583</u>	<u>20,968,240</u>
Net cash used in investing activities	<u>(1,221,239)</u>	<u>(147,452)</u>	<u>-</u>	<u>2,626,480</u>	<u>-</u>	<u>1,257,789</u>	<u>(2,807,958)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Principal payments on mortgage note payable	-	-	-	(1,649,838)	-	(1,649,838)	(1,582,919)
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,649,838)</u>	<u>-</u>	<u>(1,649,838)</u>	<u>(1,582,919)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(23,576,303)</b>	<b>755,254</b>	<b>23,031</b>	<b>325,232</b>	<b>-</b>	<b>(22,472,786)</b>	<b>16,597,707</b>
<b>CASH AND CASH EQUIVALENTS</b>							
Beginning of year	<u>26,139,027</u>	<u>1,458,177</u>	<u>-</u>	<u>433,139</u>	<u>-</u>	<u>28,030,343</u>	<u>11,432,636</u>
End of year	<u>\$ 2,562,724</u>	<u>\$ 2,213,431</u>	<u>\$ 23,031</u>	<u>\$ 758,371</u>	<u>\$ -</u>	<u>\$ 5,557,557</u>	<u>\$ 28,030,343</u>

**SUPPLEMENTAL DISCLOSURE**

AFT paid \$239,744 and \$247,750 in interest during 2011 and 2010, respectively.

See accompanying notes to consolidated financial statements.

# AMERICAN FEDERATION OF TEACHERS, AFL-CIO

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Organization** - The American Federation of Teachers, AFL-CIO (the Federation) is committed to advancing an agenda that provides educational opportunity, lifts the disadvantaged, rebuilds the middle class, improves the American economy and public infrastructure, and fosters the democratic principles of respect, dignity and economic security for all those who call America home and seek the American dream.

The Federation, working with local and state affiliates, seeks to ensure that the educators, healthcare providers and public employees who make up our membership have the tools and resources they need to make this vision a reality. 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 Funds - 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 State Solidarity Fund net assets are amounts designated for state affiliates with similar funds. The 527 Solidarity Fund net assets are amounts designated for electoral activities.
- 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, 2011 and 2010.

**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, 2010 and 2009, the monthly per capita tax was \$16.55 and \$16.00, 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, 2010 and 2009, \$1.70 and \$1.50 of monthly per capita has been allocated to the Solidarity Fund of which \$.68 and \$.60 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. Corporate bonds and asset backed securities along with U.S. Government and Government Agency obligations are valued based on quoted market prices when significant inputs are observable either directly or indirectly. Foreign bonds and certain equity securities are valued as estimated by the investment manager.

**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, 2011 and 2010.

**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 \$1,838,000 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 29, 2011, 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.

**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, 2011 and 2010 consisted of:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
General Fund	\$ 359,842	\$ 359,842	\$ 359,842	\$ 359,842
Militancy/Defense Fund	21,195,268	21,794,118	20,713,302	20,829,674
Building Fund	<u>13,006,092</u>	<u>13,687,283</u>	<u>15,516,676</u>	<u>15,190,679</u>
	<u>\$ 34,561,202</u>	<u>\$ 35,841,243</u>	<u>\$ 36,589,820</u>	<u>\$ 36,380,195</u>

**NOTE 3. INVESTMENTS (CONTINUED)**

Investments at June 30, 2011 and 2010 are comprised of the following:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Common stocks and mutual funds	\$ 8,664,320	\$ 9,373,995	\$ 7,628,615	\$ 7,296,160
Preferred stocks	414,939	484,100	303,762	314,803
Corporate bonds and asset backed securities	17,741,610	17,926,307	18,079,599	17,897,958
U.S. Government and agency securities	7,440,333	7,756,841	10,277,844	10,571,274
Foreign bonds	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
	<u>\$ 34,561,202</u>	<u>\$ 35,841,243</u>	<u>\$ 36,589,820</u>	<u>\$ 36,380,195</u>

Realized net gains (loss) on investments for the years ended June 30, 2011 and 2010 totaled \$876,829 and \$(208,156), respectively. Realized net gains (loss) on Militancy Fund investments recognized by the General Fund totaled \$24,817 for the year ended June 30, 2010.

The Federation reports fair value using a hierarchy for observable independent market inputs and unobservable market assumptions about fair value measurements. Observable inputs are inputs that market participants operating within the same marketplace as the Federation would use in pricing the Federation's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Federation are traded.

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Plan 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 Plan's own assumptions in the determining the fair value of investments)

**NOTE 3. INVESTMENTS (CONTINUED)**

The following table sets forth the Federation's financial assets and liabilities that were measured at fair value on a recurring basis as of June 30, 2011 and 2010 by level within the fair value hierarchy:

Description	2011			
	Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks and mutual funds				
Common stocks	\$ 8,553,925	\$ 8,553,925	\$ -	\$ -
Mutual funds	231,032	231,032	-	-
Other	589,038	-	-	589,038
Preferred Stock	484,100	484,100	-	-
Corporate bonds and asset backed securities				
Corporate bonds – domestic	14,267,737	-	14,267,737	-
Corporate bonds - foreign	2,108,675	-	2,108,675	-
Fixed rate capital securities	1,056,920	-	1,056,920	-
Mortgage backed securities	492,975	-	492,975	-
US Government and Agency securities				
US Treasuries Obligations	342,272	-	342,272	-
US Government Agency Obligations	7,414,569	-	7,414,569	-
Foreign bond	300,000	-	-	300,000
<b>Total</b>	<b>\$ 35,841,243</b>	<b>\$ 9,269,057</b>	<b>\$ 25,683,148</b>	<b>\$ 889,038</b>
Changes in Level 3 Category				Other Bonds
Beginning balance – 7/1/2010	\$ 889,038			
Net losses (realized/unrealized)	-			
Purchases, issuances, settlements	-			
Ending balance – 6/30/2011	<u>\$ 889,038</u>			

**NOTE 3. INVESTMENTS (CONTINUED)**

Description	2010			
	Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks and mutual funds				
Common stock	\$ 6,674,969	\$ 6,674,969	\$ -	\$ -
Mutual fund	32,153	32,153	-	-
Other	589,038	-	-	589,038
Preferred stock	314,803	314,803	-	-
Corporate bonds and asset backed securities				
Corporate bonds – domestic	15,087,930	-	15,087,930	-
Corporate bonds - foreign	198,128	-	198,128	-
Fixed rate capital securities	899,209	-	899,209	-
Collateralized mortgage obligations	260,994	-	260,994	-
Mortgage backed securities	1,451,697	-	1,451,697	-
US Government and Agency securities				
US Treasuries Obligations	1,221,914	-	1,221,914	-
US Government Agency Obligations	9,349,360	-	9,349,360	-
Foreign bond	300,000	-	-	300,000
<b>Total</b>	<b>\$ 36,380,195</b>	<b>\$ 7,021,925</b>	<b>\$ 28,469,232</b>	<b>\$ 889,038</b>

Changes in Level 3 Category	Other Stock/ Foreign Bonds
Beginning balance – 7/1/2009	\$ 889,038
Net losses (realized/unrealized)	-
Purchases, issuances, settlements	-
Ending balance – 6/30/2010	<u>\$ 889,038</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

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

which the Trust reimburses the Federation. The Federation recognized \$111,695 and \$154,107 of reimbursements for services provided to the Trust for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, the Trust owed the Federation \$108,502 and \$150,000, 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 \$450,873 and \$531,732 for the years ended June 30, 2011 and 2010, respectively, to AFT/COPE.

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, 2011 and 2010, the Federation was reimbursed \$888,683 and \$1,651,560 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, 2011 and 2010, the Federation was owed \$710,237 and \$674,328, 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 Albert Shanker Institute reimbursed all administrative costs for the years ended June 30, 2011 and 2010. 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, 2011 and 2010 was \$534,367 and \$463,080, respectively.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2011 and 2010:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 5,084,148	\$ 5,084,148
Office building and improvements	41,120,974	40,709,527
Furniture and equipment	<u>14,921,567</u>	<u>15,436,695</u>
	61,126,689	61,230,370
Less accumulated depreciation and amortization	<u>(36,250,356)</u>	<u>(34,369,973)</u>
	<u>\$ 24,876,333</u>	<u>\$ 26,860,397</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 the 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.

**NOTE 6. MORTGAGE NOTE PAYABLE AND GUARANTEE (CONTINUED)**

Future minimum principal obligations under the agreement as of June 30, 2011 are as follows:

Year Ending June 30,	
2012	\$ 1,718,710
2013	<u>1,790,999</u>
	<u>\$ 3,509,709</u>

Subsequent to June 30, 2011, Capital Place entered into a secured mortgage for \$10,000,000. This agreement is payable over 5 years with a balloon payment due in August of 2016.

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

Accrued expenses and other liabilities consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assistance payable to state and local federations	\$ 3,338,010	\$ 2,300,829
State federation per capita taxes	1,838,731	2,094,404
Affiliation fees payable	824,708	1,638,305
Accrued employees' welfare benefits	242,386	474,243
Estimated self-insurance reserve - employees' health insurance	360,000	360,000
Other accrued expenses	<u>843,813</u>	<u>932,362</u>
	<u>\$ 7,447,648</u>	<u>\$ 7,800,143</u>

**NOTE 8. OTHER REVENUE**

Other revenue consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Conference and meeting registration	\$ 610,492	\$ 796,460
Miscellaneous income	<u>359,801</u>	<u>1,035,754</u>
	<u>\$ 970,293</u>	<u>\$1,832,214</u>

**NOTE 9. 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

**NOTE 9. AFFINITY CARD AGREEMENT (CONTINUED)**

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, 2011 and 2010, the Federation received affinity card royalties from the AFL-CIO which totaled \$1,589,627 and \$1,512,013, respectively. These amounts are included in program administration and royalties in the statement of activities.

**NOTE 10. RETIREMENT PLANS**

The Federation contributed 23 percent of eligible employees' salaries to defined contribution retirement plans during the years ended June 30, 2011 and 2010. Total retirement plan expense was \$8,240,584 and \$7,847,979 for the years ended June 30, 2011 and 2010, 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.

The annual measurement date is June 30. The net periodic pension cost for the plan for the years ended June 30, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Interest cost	\$ 483,131	\$ 445,587
Service cost	305,477	95,873
Net amortization and deferral	<u>489,966</u>	<u>479,106</u>
Net periodic pension cost	<u>\$ 1,278,574</u>	<u>\$ 1,020,566</u>

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

	<u>2011</u>	<u>2010</u>
Discount rate	5.50%	6.25%
Average rate of compensation increase	3.00%	3.00%

**NOTE 10. RETIREMENT PLANS (CONTINUED)**

The plan's obligations and funded status as of June 30, 2010 and 2009 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Fair value of plan assets	\$ -	\$ -
Projected benefit obligation	<u>9,514,479</u>	<u>9,001,536</u>
Excess (deficiency) of plan assets over projected benefit obligation	<u>(9,514,479)</u>	<u>(9,001,536)</u>
Net accrued pension liability	<u>\$(9,514,479)</u>	<u>\$(9,001,536)</u>

Employer contributions and benefit payments for the years ended June 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Employer contributions	\$ 329,406	\$ 321,380
Benefit payments	\$ 329,406	\$ 321,380

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, 2012	\$ 440,592
2013	447,906
2014	684,588
2015	690,186
2016	694,202
2017 - 2021	<u>4,212,903</u>
Total	<u>\$7,170,377</u>

The assumptions changed the mortality table used from the RP-2000 Combined Mortality table projected to the year 2010 to the RP-2000 Combined Mortality Tables projected using Scale AA.

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

**NOTE 11. 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.

**NOTE 11. POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS (CONTINUED)**

Postretirement benefit costs for the years ended June 30, 2011 and 2010 include the following components:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 736,368	\$ 689,348
Interest cost	855,265	793,170
Amortization of losses	146,621	60,594
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>\$ 2,045,647</u>	<u>\$ 1,850,505</u>

The accumulated postretirement benefit obligation at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Fair value of plan assets	\$ -	\$ -
Postretirement benefit obligation	<u>14,810,321</u>	<u>14,433,766</u>
Excess (deficiency) of plan assets over postretirement benefit obligation	(14,810,321)	(14,433,766)
Unrecognized net actuarial losses	<u>-</u>	<u>-</u>
Net accrued healthcare liability	<u>\$ (14,810,321)</u>	<u>\$ (14,433,766)</u>

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

	<u>2011</u>	<u>2010</u>
Discount rate	6.00%	6.00%

The assumed health care cost trend rates used to measure the expected cost of benefits for the year ended June 30, 2011 were assumed to increase by 8%. Thereafter, rate increases were assumed to gradually decrease until they reached 5% in 2017.

The assumptions also changed the mortality table used from the RP-2000 Combined Mortality table projected to the year 2010 to the RP-2000 Fully Generational Mortality Table.

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, 2012	\$ 379,000
2013	419,000
2014	466,000
2015	532,000
2016	548,000
2017 - 2021	<u>3,474,000</u>
Total	<u>\$5,818,000</u>

The plan is unfunded and benefits will be paid from the General Fund of the Federation. The amounts expected to be recognized as net periodic costs in fiscal year 2012 is \$382,930.

## NOTE 12. BORROWINGS AND CONTINGENT LIABILITIES

The Federation has lines of credit with two financial institutions at June 30, 2011 for a total amount of \$9,000,000. 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, 2011 and 2010, the Federation had no borrowings or commitments under the lines of credit.

At June 30, 2011 the Federation has guaranteed a loan obtained by an affiliate in an amount not to exceed \$1,000,000.

## NOTE 13. COMMITMENTS AND CONTINGENCIES

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, 2011 are:

Year Ending June 30,	
2012	\$ 228,375
2013	155,080
2014	<u>25,229</u>
Total	<u>\$ 408,684</u>

Rental expense for office equipment leases totaled approximately \$160,315 and \$69,035 for the years ended June 30, 2011 and 2010, 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, 2011 are:

Year Ending June 30,	
2012	\$ 53,985
2013	55,065
2014	56,166
2015	57,289
Thereafter	<u>14,393</u>
Total	<u>\$ 236,898</u>

The Federation has been named as a defendant in a number of actions, none of which, based on currently available information, appear to present significant potential liability in relation to the Federation's total net assets. The Federation intends to defend itself vigorously against pending litigation and maintains that it has no liability.

**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, 2011, are:

Year Ending June 30,	
2011	\$1,302,423
2012	891,426
2013	78,315
2014	<u>30,132</u>
Total	<u>\$2,302,296</u>

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

The Federation maintains its cash accounts primarily with two banks in the United States. Beginning December 31, 2010, and continuing through December 31, 2012, non-interest bearing cash balances are fully insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2011 the Federation did not have any cash balances on deposit with these banks that were not fully insured by the FDIC. Additionally, the Federation had approximately \$2.2 million in money market accounts held by investment custodians and \$1.6 million 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**

The Federation made a pledge to the Edward M. Kennedy Institute for \$1,500,000, of which the Federation has paid \$750,000. This amount includes a \$250,000 payment made by the Federation during the year ending June 30, 2011. The remaining \$750,000 is payable over the next three years remaining as of June 30, 2011.

## **CONSOLIDATING SCHEDULES**

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

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

JUNE 30, 2011

	<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	\$ -	\$ 754,931	\$ -	\$ -	\$ 758,371
Due (to) from other funds	(5,005,889)	(116,653)	7,461	-	-	(5,115,081)
Investments	-	-	13,687,283	-	-	13,687,283
Other receivables	-	-	177,789	-	-	177,789
Prepaid expenses	-	-	154,770	-	-	154,770
Total current assets	<u>(5,002,449)</u>	<u>(116,653)</u>	<u>14,782,234</u>	-	-	<u>9,663,132</u>
<b>NET PROPERTY AND EQUIPMENT</b>	-	-	15,615,378	9,944,309	4,785,590	20,774,097
<b>OTHER ASSETS</b>						
Investment in Capitol Place I Associates Limited Partnership	36,468,603	82,307	-	537,000	37,087,910	-
Deferred charges	-	-	58,097	-	-	58,097
Total assets	<u>\$ 31,466,154</u>	<u>\$ (34,346)</u>	<u>\$ 30,455,709</u>	<u>\$ 10,481,309</u>	<u>\$ 41,873,500</u>	<u>\$ 30,495,326</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 3,399	\$ -	\$ 236,580	\$ -	\$ -	\$ 239,979
Current maturities of mortgage note	-	-	1,718,710	-	-	1,718,710
Accrued expenses and other liabilities	-	-	103,000	-	-	103,000
Total current liabilities	<u>3,399</u>	<u>-</u>	<u>2,058,290</u>	<u>-</u>	<u>-</u>	<u>2,061,689</u>
<b>MORTGAGE NOTE PAYABLE, EXCLUDING CURRENT MATURITIES</b>	<u>-</u>	<u>-</u>	<u>1,790,999</u>	<u>-</u>	<u>-</u>	<u>1,790,999</u>
Total liabilities	3,399	-	3,849,289	-	-	3,852,688
<b>NET ASSETS AND PARTNER'S EQUITY</b>	<u>31,462,755</u>	<u>(34,346)</u>	<u>26,606,420</u>	<u>44,391,170</u>	<u>12,998,979</u>	<u>26,642,638</u>
Total liabilities and net assets	<u>\$ 31,466,154</u>	<u>\$ (34,346)</u>	<u>\$ 30,455,709</u>	<u>\$ 44,391,170</u>	<u>\$ 12,998,979</u>	<u>\$ 30,495,326</u>

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

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

YEAR ENDED JUNE 30, 2011

	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	\$ 1,013,316	\$ -	\$ -	\$ -	\$ -	\$ 1,013,316
Investment revenue, net of expenses of \$49,896	-	-	567,015	-	-	567,015
Net depreciation in fair value of investments	-	-	1,549,504	-	-	1,549,504
Rental revenue on subleased office space	341,492	-	-	-	-	341,492
Rental income, net	-	-	3,112,343	1,944,666	-	1,167,677
Equity in gain (loss) of Capitol Place I Investments Limited Partnership-AFT	162,586	1,642	-	164,228	-	-
Other	-	-	110,880	-	-	110,880
<b>Total revenue</b>	<u>1,517,394</u>	<u>1,642</u>	<u>5,339,742</u>	<u>2,108,894</u>	<u>-</u>	<u>4,749,884</u>
<b>EXPENSES</b>						
General operations - depreciation and amortization	-	-	1,571,963	-	-	1,571,963
General operations - General Fund rental expense	-	-	-	-	1,785,435	(1,785,435)
Rental expense on subleased office space	73,898	-	-	-	159,231	(85,333)
Operating expenses	-	-	3,409,303	-	-	3,409,303
Interest expense	-	-	194,248	-	-	194,248
Other	-	822	-	268,971	-	269,793
<b>Total expenses</b>	<u>73,898</u>	<u>822</u>	<u>5,175,514</u>	<u>268,971</u>	<u>1,944,666</u>	<u>3,574,539</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>1,443,496</b>	<b>820</b>	<b>164,228</b>	<b>2,377,865</b>	<b>1,944,666</b>	<b>1,175,345</b>
<b>NET ASSETS AND PARTNERS' EQUITY,</b>						
Beginning of year	30,019,259	(35,166)	26,979,192	42,550,305	11,054,313	25,467,293
Net partnership transactions affecting equity	-	-	(537,000)	(537,000)	-	-
<b>Net assets and partners' equity, end of year</b>	<u>\$ 31,462,755</u>	<u>\$ (34,346)</u>	<u>\$ 26,606,420</u>	<u>\$ 44,391,170</u>	<u>\$ 12,998,979</u>	<u>\$ 26,642,638</u>