AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

CALIBRE
CPA GROUP
Bethesda, MD

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of the American Federation of Teachers, AFL-CIO and related controlled entities (the Federation), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the American Federation of Teachers, AFL-CIO and related controlled entities as of June 30, 2016 and 2015, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

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 27 and 28 and the supplemental fund information on pages 3 through 7 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 and funds. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Calibre CPA Group, PLLC

Bethesda, MD
January 18, 2017

American Federation of Teachers, AFL-CIO

Consolidated Statements of Financial Position

June 30, 2016 and 2015
(With Supplemental Fund Information at June 30, 2016)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	June 30, 2016 Total	June 30, 2015 Total
Assets								
Current assets								
Cash and cash equivalents	$ 23,817,462	$ 1,982,905	$ 41,909	$ 577,161	$ -	$ 5,525,308	$ 31,944,745	$ 16,491,503
Due from (to) other funds	(31,188,227)	(7,655,377)	28,564,265	10,279,339	-	-	-	-
Receivables						-		
Per capita taxes	19,243,303	-	-	-	-	-	19,243,303	31,542,308
Other	5,070,616	294,572	-	199,229	-	-	5,564,417	4,471,989
Prepaid expenses	1,963,936	-	-	5,960	-	-	1,969,896	1,605,482
Total current assets	18,907,090	(5,377,900)	28,606,174	11,061,689	-	5,525,308	58,722,361	54,111,282
Investments at fair value	7,636,551	16,280,331	-	16,949,152	-	-	40,866,034	38,371,353
Property and equipment	3,788,144	-	-	16,277,997	-	-	20,066,141	19,612,122
Other assets								
Loans receivable, net of allowances of $1,670,510 as of June 30, 2016 and 2015.	4,406,838	-	-	-	-	-	4,406,838	3,470,088
Deferred commissions, net	-	-	-	49,009	-	-	49,009	71,629
Deferred charges	-	-	-	294,631	-	-	294,631	50,021
Total assets	$ 34,738,623	$ 10,902,431	$ 28,606,174	$ 44,632,478	$ -	$ 5,525,308	$ 124,405,014	$ 115,686,495
Liabilities and net assets								
Current liabilities								
Accounts payable	$ 7,461,761	$ 9,186,608	$ -	$ 464,917	$ -	$ 21,467	$ 17,134,753	$ 17,098,259
Current maturities of mortgage note payable	-	-	-	610,880	-	-	610,880	398,407
Accrued vacation and severance pay	11,221,158	-	-	-	-	-	11,221,158	10,887,966
Accrued expenses and other liabilities	7,993,214	-	-	-	-	-	7,993,214	7,839,561
Advance per capita taxes	308,354	-	-	-	-	-	308,354	401,387
Bank overdraft	-	-	-	-	-	-	-	1,149,451
Deferred revenue	191,992	-	-	6,433	-	-	198,425	57,199
Line of credit	-	-	-	-	-	-	-	9,125,000
Contributions payable	250,000	-	-	-	-	-	250,000	250,000
Estimated self-insurance reserve - members' liability insurance	-	1,000,000	-	-	-	-	1,000,000	1,000,000
Postretirement benefits - current portion	-	-	-	-	1,478,236	-	1,478,236	1,345,221
Total current liabilities	27,426,479	10,186,608	-	1,082,230	1,478,236	21,467	40,195,020	49,552,451
Interest rate swap	-	-	-	2,015,785	-	-	2,015,785	160,276
Contributions payable	-	-	-	-	-	-	-	250,000
Line of credit - long term	-	-	-	-	-	-	-	3,448,974
Mortgage note payable, excluding current maturities	-	-	-	24,119,871	-	-	24,119,871	8,201,401
Postretirement healthcare costs - long term	-	-	-	-	32,659,961	-	32,659,961	23,247,556
Accrued pension liability - long term	-	-	-	-	12,713,456	-	12,713,456	13,083,592
Total liabilities	27,426,479	10,186,608	-	27,217,886	46,851,653	21,467	111,704,093	97,944,250
Net asset								
Unrestricted net assets (deficit)								
Designated	-	3,066,979	6,833,795	-	-	-	9,900,774	9,211,180
Undesignated	7,312,144	(2,351,156)	21,772,379	17,414,592	(46,851,653)	-	(2,703,694)	4,506,150
Total unrestricted net assets (deficit)	7,312,144	715,823	28,606,174	17,414,592	(46,851,653)	-	7,197,080	13,717,330
Temporarily restricted net assets	-	-	-	-	-	5,503,841	5,503,841	4,024,915
Total net assets	7,312,144	715,823	28,606,174	17,414,592	(46,851,653)	5,503,841	12,700,921	17,742,245
Total liabilities and net assets	$ 34,738,623	$ 10,902,431	$ 28,606,174	$ 44,632,478	$ -	$ 5,525,308	$ 124,405,014	$ 115,686,495

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Activities

Years Ended June 30, 2016 and 2015
(With Supplemental Fund Information for the Year Ended June 30, 2016)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Eliminations	2016 Total	2015 Total
Revenue									
Per capita taxes (net of agency fee rebates of $1,749,506 in 2016 and $1,424,888 in 2015)	$ 159,203,492	$ 5,659,507	21,893,796	$ 956,408	$ -	$ -	$ -	$ 187,713,203	$ 180,682,273
Members' liability insurance	-	1,926,294	-	-	-	-	-	1,926,294	1,990,642
Investment revenue (net of investment expenses of $120,076 in 2016 and $129,190 in 2015)	11,271	998,004	-	698,357	-	-	-	1,707,632	1,802,081
Net appreciation (depreciation) in fair value of investments	39,024	(404,457)	-	(550,415)	-	-	-	(915,848)	(1,502,533)
Publication revenue	380,830	-	-	-	-	-	-	380,830	31,554
Program administration and royalties	3,303,367	-	-	-	-	-	-	3,303,367	2,938,438
Reimbursements from related entities	528,077	-	-	-	-	-	-	528,077	1,303,406
Rental revenue on subleased office space	-	-	-	367,237	-	-	-	367,237	344,144
Net rental income	-	-	-	1,333,346	-	-	-	1,333,346	1,482,024
State AFL-CIO collection rebate	1,383,839	-	-	-	-	-	-	1,383,839	1,198,905
Contributions	-	-	3,877,000	-	-	6,343,326	(3,877,000)	6,343,326	6,876,563
Other revenue	3,499,272	218,979	-	53,724	-	-	-	3,771,975	1,764,913
Total revenue	168,349,172	8,398,327	25,770,796	2,858,657	-	6,343,326	(3,877,000)	207,843,278	198,912,410
Expenses	165,279,804	10,861,351	21,752,772	4,827,991	9,175,284	4,864,400	(3,877,000)	212,884,602	213,516,661
Excess (deficiency) of revenue over expenses	$ 3,069,368	$ (2,463,024)	$ 4,018,024	$ (1,969,334)	$ (9,175,284)	$ 1,478,926	$ -	$ (5,041,324)	$ (14,604,251)

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Expenses

Years Ended June 30, 2016 and 2015
(With Supplemental Fund Information for the Year Ended June 30, 2016)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Eliminations	2016 Total	2015 Total
Expenses									
Communications	$ 10,595,107	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,595,107	$ 10,941,415
National Officers/Governance	10,737,913	-	-	-	-	-	-	10,737,913	10,438,248
Mobilization and organizing	37,153,997	-	-	-	-	-	-	37,153,997	37,429,981
Political	15,001,177	-	-	-	-	-	-	15,001,177	14,668,618
Professional issues	16,619,339	-	-	-	-	-	-	16,619,339	18,541,283
Strategic support	16,511,574	-	-	-	-	-	-	16,511,574	14,738,557
Funding Our Priorities	12,973,756	-	-	-	-	-	-	12,973,756	11,579,651
Legal fees	-	8,562,663	-	-	-	-	-	8,562,663	7,195,607
Occupational liability insurance	-	1,123,967	-	-	-	-	-	1,123,967	1,055,216
Other insurance	-	1,123,147	-	-	-	-	-	1,123,147	1,066,914
Capitol Place I operating expenses	-	-	-	3,603,810	-	-	-	3,603,810	3,585,722
Interest	81,080	-	-	640,693	-	-	-	721,773	513,116
State federations' solidarity funds	-	-	8,067,451	-	-	-	-	8,067,451	7,625,490
National solidarity fund	-	-	9,808,737	-	-	-	(3,877,000)	5,931,737	6,559,258
527 solidarity fund	-	-	3,876,584	-	-	-	-	3,876,584	10,713,555
Postretirement expenses	-	-	-	-	9,175,284	-	-	9,175,284	2,144,339
Committee on Political Education	-	-	-	-	-	4,864,400	-	4,864,400	7,359,445
Other	-	51,574	-	3,515,924	-	-	-	3,567,498	1,431,006
Total program expense	119,673,943	10,861,351	21,752,772	7,760,427	9,175,284	4,864,400	(3,877,000)	170,211,177	167,587,421
Administration	45,605,861	-	-	(2,932,436)	-	-	-	42,673,425	45,929,240
Total expenses	$ 165,279,804	$ 10,861,351	$ 21,752,772	$ 4,827,991	$ 9,175,284	$ 4,864,400	$ (3,877,000)	$ 212,884,602	$ 213,516,661

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Changes in Net Assets

Years Ended June 30, 2016 and 2015
(With Supplemental Fund Information for the Year Ended)

	General Fund	Militancy/ Defense Fund - Designated	Militancy/ Defense Fund - Undesignated	State Solidarity Fund Designated	National Solidarity Fund Undesignated	527 Solidarity Fund Designated	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Total
Net assets, July 1, 2014										
Unrestricted	$ 1,164,807	$ 3,066,979	$ 2,364,403	$ 5,717,837	$ 23,627,829	$ 9,623	$ 27,176,714	$ (35,532,030)	$ -	$ 27,596,162
Temporarily restricted	-	-	-	-	-	-	-	-	4,750,334	4,750,334
Total net assets	1,164,807	3,066,979	2,364,403	5,717,837	23,627,829	9,623	27,176,714	(35,532,030)	4,750,334	32,346,496
Changes in net assets, year ended June 30, 2015	(3,922,031)	1,028,415	(3,280,950)	418,871	(5,183,880)	(2,130)	(792,788)	(2,144,339)	(725,419)	(14,604,251)
Board approved transfer of designated funds	-	(1,028,415)	1,028,415	-	-	-	-	-	-	-
Net assets, June 30, 2015										
Unrestricted	(2,757,224)	3,066,979	111,868	6,136,708	18,443,949	7,493	26,383,926	(37,676,369)	(725,419)	12,991,911
Temporarily restricted	-	-	-	-	-	-	-	-	4,750,334	4,750,334
Total net assets	(2,757,224)	3,066,979	111,868	6,136,708	18,443,949	7,493	26,383,926	(37,676,369)	4,024,915	17,742,245
Change in net assets, year ended June 30, 2016	3,069,368	1,254,344	(3,717,368)	689,178	3,328,430	416	(1,969,334)	(9,175,284)	1,478,926	(5,041,324)
Distribution from (to) partner	7,000,000	-	-	-	-	-	(7,000,000)	-	-	-
Board approved transfer of designated funds	-	(1,254,344)	1,254,344	-	-	-	-	-	-	-
Net assets, June 30, 2016										
Unrestricted	7,312,144	3,066,979	(2,351,156)	6,825,886	21,772,379	7,909	17,414,592	(46,851,653)	-	7,197,080
Temporarily restricted	-	-	-	-	-	-	-	-	5,503,841	5,503,841
Total net assets	$ 7,312,144	$ 3,066,979	$ (2,351,156)	$ 6,825,886	$ 21,772,379	$ 7,909	$ 17,414,592	$ (46,851,653)	$ 5,503,841	$ 12,700,921

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Cash Flows

Years Ended June 30, 2016 and 2015
(With Supplemental Fund Information for the Year Ended June 30, 2016)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	Committee on Political Education	2016 Total	2015 Total
Cash flows from operating activities								
Change in net assets	$ 3,069,368	$ (2,463,024)	$ 4,018,024	$ (1,969,334)	$ (9,175,284)	$ 1,478,926	$ (5,041,324)	$ (14,604,251)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities								
Depreciation and amortization	1,048,831	-	-	1,466,599	-	-	2,515,430	2,470,616
Loss on disposal of property and equipment	41,269	-	-	-	-	-	41,269	51,936
Net depreciation (appreciation) in fair value of investments	(39,024)	404,457	-	550,415	-	-	915,848	1,502,533
Increase in fair value of swap agreement	-	-	-	1,954,809	-	-	1,954,809	(127,859)
Decrease (increase) in assets								
Due from (to) other funds	19,905,254	(4,290,848)	(3,983,608)	(11,630,798)	-	-	-	-
Per capita taxes receivable	12,299,005	-	-	-	-	-	12,299,005	(14,308,962)
Loans receivable	(936,750)	-	-	-	-	-	(936,750)	2,540,003
Other receivables	(1,222,600)	123,732	-	6,440	-	-	(1,092,428)	(307,934)
Prepaid expenses	(407,153)	-	-	42,739	-	-	(364,414)	(319,139)
Deferred commissions	-	-	-	22,620	-	-	22,620	(71,629)
Deferred charges	-	-	-	(244,610)	-	-	(244,610)	42,876
Increase (decrease) in liabilities								
Accounts payable	(1,854,824)	1,996,290	-	(111,397)	-	6,425	36,494	3,363,783
Accrued vacation and severance pay	333,192	-	-	-	-	-	333,192	435,200
Accrued expenses and other liabilities	153,653	-	-	-	-	-	153,653	2,202,923
Contribution payable	(250,000)	-	-	-	-	-	(250,000)	(250,000)
Advance per capita taxes	(93,033)	-	-	-	-	-	(93,033)	131,045
Accrued postretirement health care costs	-	-	-	-	9,493,405	-	9,493,405	1,565,610
Accrued pension liability	-	-	-	-	(318,121)	-	(318,121)	578,729
Deferred revenue	139,659	-	-	1,567	-	-	141,226	(187,906)
Net cash provided by (used in) operating activities	32,186,847	(4,229,393)	34,416	(9,910,950)	-	1,485,351	19,566,271	(15,292,426)
Cash flows from investing activities								
Distribution from (to) partner	7,000,000	-	-	(7,000,000)	-	-	-	-
Purchases of property and equipment	(2,413,023)	-	-	(597,695)	-	-	(3,010,718)	(1,353,531)
Purchases of investments	(7,000,094)	(4,852,588)	-	(5,538,914)	-	-	(17,391,596)	(9,038,171)
Proceeds from the sale of investments	-	9,005,654	-	4,975,413	-	-	13,981,067	12,431,823
Net cash provided by (used in) investing activities	(2,413,117)	4,153,066	-	(8,161,196)	-	-	(6,421,247)	2,040,121
Cash flows from financing activities								
Draws on line of credit	-	-	-	-	-	-	-	11,679,126
Repayments of line of credit	(12,573,974)	-	-	-	-	-	(12,573,974)	-
Change in principal payments on mortgage note payable	-	-	-	(8,869,057)	-	-	(8,869,057)	(384,225)
Mortgage loan obtained	-	-	-	25,000,000	-	-	25,000,000	-
Swap termination fees	-	-	-	(99,300)	-	-	(99,300)	-
Change in bank overdraft, net	(1,149,451)	-	-	-	-	-	(1,149,451)	(738,789)
Net cash provided by (used in) financing activities	(13,723,425)	-	-	16,031,643	-	-	2,308,218	10,556,112
Net increase (decrease) in cash and cash equivalents	16,050,305	(76,327)	34,416	(2,040,503)	-	1,485,351	15,453,242	(2,696,193)
Cash and cash equivalents								
Beginning of year	7,767,157	2,059,232	7,493	2,617,664	-	4,039,957	16,491,503	19,187,696
End of year	$ 23,817,462	$ 1,982,905	$ 41,909	$ 577,161	$ -	$ 5,525,308	$ 31,944,745	$ 16,491,503

Supplemental disclosure

AFT paid $688,551 and $513,116 in interest during 2016 and 2015, respectively.

See accompanying notes to consolidated financial statements.

NOTE 1. DESCRIPTION OF THE 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 3). All significant intercompany transactions have been eliminated in consolidation.

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

General Fund

- Undesignated - records all activity not accounted for in the other funds.
- Designated - to provide services to assist locals in crisis.

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.

Militancy/Defense Fund 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.
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.
Committee on Political Education	-	established to improve public education through involvement in political activities. The Committee on Political Education is financed by contributions. Funds are disbursed via procedures established by the Executive Committee.

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 restricted net assets for the years ended June 30, 2016 and 2015.

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, 2015, the monthly per capita tax increased from $18.23 to $18.78, per member per month, of which $.70 and $.90 has been dedicated to the AFT crisis response fund, a designated fund within the general fund, for the years ended June 30, 2016 and 2015, respectively. All monies had been spent from this designation at June 30, 2016 and 2015 respectively. Further, the monthly per capita tax allocated to the Militancy/Defense Fund and the Solidarity Fund increased from $.55 to $.60, and from $2.20 to $2.30, respectively. Of the amount allocated to the Solidarity Fund, the portion of this amount designated for state affiliates with similar funds increased from $.88 to $.92 for the years ended June 30, 2016 and 2015, respectively. Additionally, $.10 has been allocated to the Building Fund for the years ended June 30, 2016 and 2015.

Effective September 1, 2015, $.05 has been allocated to the Albert Shanker Institute, a separate unconsolidated entity, as a contribution from the Federation for the years ended June 30, 2016 and 2015. Effective September 1, 2015, $.05 has been allocated to the AFT Innovation Fund, a temporarily restricted fund within the AFT Educational Foundation, a separate, unconsolidated entity, as a contribution from the Federation for the years ended June 30, 2016 and 2015.

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

Cash Equivalents - For the purposes of the consolidated statements 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.

Investments - Common stocks, mutual funds, preferred stock, exchange traded and closed end funds and unit investment trusts are stated at fair value which represents publicly quoted market prices as of the last business day of the year. Corporate bonds, asset backed securities, municipal bonds and 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.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectable amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment - Property and equipment is 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 participating members and Group Health Insurance Plan for employees. Premiums paid by the Federation's participating members to the Occupational Liability Plan are used primarily to pay premiums for a liability insurance policy; the remaining amounts 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 which are to be used only for the payment of benefits, and for health insurance claims submitted based on claims incurred but not reported at June 30, 2016 and 2015.

Estimates - The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

NOTE 3. TAX STATUS

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.
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.

NOTE 3. TAX STATUS (CONTINUED)

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.

The Federation accounts for income taxes in accordance with the Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Federation performed an evaluation of uncertain tax positions for the year ended June 30, 2016, and determined that there were no matters that would require recognition in the consolidated financial statements. As of June 30, 2016, the statute of limitations for the tax years 2012 through 2014 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Federation files returns.

NOTE 4. 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 5. INVESTMENTS

Investments by fund at June 30, 2016 and 2015 consisted of:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
General Fund	$ 7,636,551	$ 7,636,551	$ 597,433	$ 597,433
Militancy/Defense Fund	15,922,162	16,280,331	20,560,250	20,837,854
Building Fund	16,736,794	16,949,152	16,316,398	16,936,066
	$ 40,295,507	$ 40,866,034	$ 37,474,081	$ 38,371,353

NOTE 5. INVESTMENTS (CONTINUED)

Investments at June 30, 2016 and 2015 are comprised of the following:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Common stocks and mutual funds	$ 7,755,138	$ 8,719,846	$ 9,843,773	$11,172,859
Preferred stocks	5,703,070	5,739,696	5,664,764	5,465,490
Exchange traded and closed end funds	1,834,307	1,103,500	2,430,168	1,766,168
Unit investment trusts	100,396	97,851	300,360	279,349
Corporate bonds and asset backed securities	13,324,274	13,448,679	14,859,544	15,202,575
U.S. Government and agency securities	3,871,609	4,071,940	3,668,608	3,812,132
Municipal bonds	406,619	384,428	406,864	372,780
Foreign bond	300,000	300,000	300,000	300,000
Short-term investments	7,000,094	7,000,094	-	-
	$40,295,507	$ 40,866,034	$37,474,081	$38,371,353

Realized net (loss) gain on investments for the years ended June 30, 2016 and 2015 totaled $(628,125) and $640,799, respectively.

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 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; and

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

NOTE 5. INVESTMENTS (CONTINUED)

The following table sets forth the Federation's investments that were measured at fair value on a recurring basis as of June 30, 2016 and 2015 by level within the fair value hierarchy:

Description	06/30/16 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock and mutual funds				
Common stocks	$ 7,800,514	$ 7,800,514	$ -	$ -
Mutual funds	53,729	53,729	-	-
Corporate stock	865,603	-	-	865,603
Preferred stock	5,739,696	5,739,696	-	-
Exchange traded and closed end funds	1,103,500	1,103,500	-	-
Unit investment trust	97,851	97,851	-	-
Corporate bonds and asset backed securities				
Corporate bonds - domestic	11,391,105	-	11,391,105	-
Corporate bonds - foreign	888,018	-	888,018	-
Fixed rate securities	1,021,436	-	1,021,436	-
Mortgage backed securities	148,120	-	148,120	-
U.S. Government agency securities				
U.S. Treasury obligations	756,802	756,802	-	-
U.S. Government agency obligations	3,315,138	-	3,315,138	-
Foreign bond - State of Israel	300,000	-	-	300,000
Municipal bonds	384,428	-	384,428	-
Short-term investments	7,000,094	7,000,094	-	-
Total	$ 40,866,034	$ 22,552,186	$ 17,148,245	$ 1,165,603

Changes in Level 3 Category	Corporate Stocks	Foreign Bonds
Beginning balance - 7/1/2015	$ 826,579	$ 300,000
Net gains		
Unrealized	39,024	-
Ending balance - 6/30/2016	$ 865,603	$ 300,000

NOTE 5. INVESTMENTS (CONTINUED)

Description	06/30/15 Total	Quoted Market Price for Assets (level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock and mutual funds				
Common stocks	$ 10,130,256	$ 10,130,256	$ -	$ -
Mutual funds	216,024	216,024	-	-
Corporate stock	826,579	-	-	826,579
Preferred stock	5,465,490	5,465,490	-	-
Exchange traded and closed end funds	1,766,168	1,766,168	-	-
Unit investment trust	279,349	279,349	-	-
Corporate bonds and asset backed securities				
Corporate bonds - domestic	12,898,455	-	12,898,455	-
Corporate bonds - foreign	1,351,442	-	1,351,442	-
Fixed rate securities	762,015	-	762,015	-
Mortgage backed securities	190,663	-	190,663	-
U.S. Government agency securities				
U.S. Treasury obligations	486,828	486,828	-	-
U.S. Government agency obligations	3,325,304	-	3,325,304	-
Foreign bond - State of Israel	300,000	-	-	300,000
Municipal bonds	372,780	-	372,780	-
Total	$ 38,371,353	$ 18,344,115	$ 18,900,659	$ 1,126,579

Changes in Level 3 Category	Corporate Stocks	Foreign Bonds
Beginning balance - 7/1/2014	$ 589,038	$ 300,000
Net gains		
Unrealized	237,541	-
Ending balance - 6/30/2015	$ 826,579	$ 300,000

Common and preferred stocks, mutual funds, exchange traded and closed end funds, unit investment trusts and U.S. Treasury obligations are valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds and asset backed securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Note 5. Investments (continued)

U.S. Government agency obligations and municipal bonds are valued using pricing models maximizing the use of observable inputs for similar securities.

The Federation's holdings in corporate stocks were comprised of two investments. One is estimated at fair value based upon the entities annual, audited share price. The second is at cost due to its limited salability.

Short term investments are valued at amortized cost which approximates fair value.

Foreign bonds were estimated at cost to their limited salability.

Note 6. Loans Receivable

The Federation has entered into signed loan agreements with various locals which are carried at cost, plus interest, less an estimate made for uncollectible amounts. As of June 30, 2016 and 2015, the Federation had total loans receivable, including interest, of $5,874,742 and $5,140,598, respectively. Of this amount, management has estimated an allowance of $1,670,510 and for June 30, 2016 and 2015. This estimate is based on management's analysis of historical data.

Note 7. 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 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 $305,416 and $178,958 of reimbursements for services provided to the Trust for the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, the Trust owed the Federation $611,003 and $110,298, respectively, which is included in other receivables in the consolidated statements of financial position.

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, 2016 and 2015, the Federation was

NOTE 7. RELATED PARTY TRANSACTIONS (CONTINUED)

reimbursed $499,663 and $963,634, respectively, 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, 2016 and 2015, the Federation was owed $51,268 and $154,927, respectively, from the AFTEF. These amounts are included in other receivables on the statements of financial position. As discussed in Note 2, the Federation also allocates a portion of per capita taxes to the AFTEF. The amount allocated for the years ended June 30, 2016 and 2015 was $472,097 and $415,416, respectively. The Federation also contributes to the AFTEF Innovation Fund. The Federation contributed $1,000,000 during the year ended June 30, 2015. No contribution was made during the year ended June 30, 2016. Additionally, during the year ended June 30, 2016, the AFTEF returned unspent contributed funds of $1,500,000 to the Federation.

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 consolidated financial statements.

The Albert Shanker Institute reimbursed all administrative costs for the years ended June 30, 2016 and 2015. As discussed in Note 2, the Federation allocates a portion of per capita taxes to the Institute. The amount allocated for the years ended June 30, 2016 and 2015 was $531,489 and $529,268, respectively.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2016 and 2015:

	2016	2015
Land	$ 5,084,148	$ 5,084,148
Office building and improvements	43,727,687	43,261,058
Furniture and equipment	16,261,494	17,559,074
	65,073,329	65,904,280
Less: accumulated depreciation and amortization	(45,007,188)	(46,292,158)
	$ 20,066,141	$ 19,612,122

NOTE 9. MORTGAGE NOTE PAYABLE, SWAP AGREEMENT AND GUARANTEE

In August 2011, Capital Place I Associates refinanced the property with a $10,000,000 mortgage loan. The mortgage loan was payable over 5 years with interest accruing at a per annum rate equal to LIBOR plus 1.52%. Capital Place I Associates entered into an interest rate hedge agreement with the lender to provide for a fixed rate hedge against increases in LIBOR effectively fixing Capital Place I Associates interest rate exposure on its floating rate mortgage loan to 3.63%. The interest rate swap agreement matured at the time the mortgage loan matures. At June 30, 2015, the fair value of the interest rate swap agreement was $(160,276).

In December 2015, Capital Place I Associates refinanced its property with a $25,000,000 mortgage loan with a portion of the proceeds being used to repay the previous mortgage loan and interest rate swap agreement. The new mortgage loan is payable over 10 years with interest accruing at a per annum rate equal to LIBOR plus 1.60%. Capital 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 effectively fixing Capital Place I Associates interest rate exposure on its floating rate mortgage loan to 3.79%. The interest rate swap agreement matures at the time the mortgage loan matures. In the event of default by the counterparty, Capital Place I Associates may be exposed to increased interest rates. Capital Place I Associates does not anticipate default by the counterparty. In the event that Capital Place I Associates pays off the mortgage loan before the full term, it could be liable for a yield differential payment to the lender based on the remaining term of the loan. At June 30, 2016, the fair value of the interest rate swap agreement was $(2,015,785)

The fair value of the swap agreement is estimated using Level 3 inputs. The fair value is based on the Partnerships floating interest rate on the mortgage note payable compared to the hedged fixed rate as reported by the lender. The fair value of the swap portion appreciated in value by $127,859 during the year ended June 30, 2015. During the year ended June 30, 2016, the fair value of the original swap agreement appreciated by $60,976 at which point it was repaid as part of the refinanced mortgage loan. The new swap agreement depreciated in value by $2,015,785.

The details of the interest rate swap agreement maturing December 10, 2025 are as follows:

Fixed rate	3.79%
Variable rate	LIBOR
Remaining term of contract in years	10
Original note payable balance covered by agreement (notional amount)	$25,000,000
Notional amount outstanding at June 30, 2016	$24,730,751

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.

NOTE 9. MORTGAGE NOTE PAYABLE, SWAP AGREEMENT AND GUARANTEE (CONTINUED)

Future minimum principal obligations under the agreement are as follows:

Year Ending June 30,	2017	$ 610,880
	2018	634,770
	2019	659,597
	2020	683,015
	2021	712,107
	Thereafter	21,430,382
	Total	$ 24,730,751

NOTE 10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following at June 30, 2016 and 2015:

	2016	2015
Assistance payable to state and local federations	$ 2,788,963	$ 2,886,071
State federation per capita taxes	2,039,034	2,637,412
Affiliation fees payable	1,602,376	768,182
Estimated self-insurance reserve - employees' health insurance	886,359	470,381
Other accrued expenses	676,482	1,077,515
	$ 7,993,214	$ 7,839,561

NOTE 11. OTHER REVENUE

Other revenue consisted of the following at June 30, 2016 and 2015:

	2016	2015
Conference and meeting registration	$ 293,548	$ 593,157
Locals insurance reimbursements	112,280	76,105
Legal fee reimbursements	179,150	-
TLS transitional contribution	994,500	506,466
Parking garage revenue	34,097	60,868
Union Privilege benefits program	305,416	178,958
Refund of unspent contributions	1,500,000	-
Miscellaneous income	352,984	349,359
	$ 3,771,975	$ 1,764,913

NOTE 12. 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 a financial institution, for use by the institution, in connection with its marketing of credit card and certain other financial products to members of the Federation. The current agreement is effective through December 2022.

For the years ended June 30, 2016 and 2015, the Federation received affinity card royalties from the AFL-CIO which totaled $1,896,284 and $1,853,173, respectively. These amounts are included in program administration and royalties in the statement of activities.

NOTE 13. RETIREMENT PLANS

The Federation contributed 23 percent of eligible employees' salaries to defined contribution retirement plans during the years ended June 30, 2016 and 2015. Total retirement plan expense was $9,113,317 and $9,275,674 for the years ended June 30, 2016 and 2015, respectively.

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 $1/60^{th}$ 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.

Effective June 30, 2016, the plan was closed to new participants and the pay used for benefit calculation purposes was frozen as of June 30, 2016. Contributions to the AFT Management Retirement Plan, which offset the benefit in the plan have resumed. This freeze in benefits is reflected in the June 30, 2016 valuation.

The annual measurement date is June 30. The net periodic pension cost for the plan for the years ended June 30, 2016 and 2015 is summarized as follows:

NOTE 13. RETIREMENT PLANS (CONTINUED)

	2016	2015
Interest cost	$ 605,532	$ 547,614
Service cost	617,573	911,119
Net amortization deferral	354,914	514,637
Net periodic pension cost	$ 1,578,019	$ 1,973,370

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

	2016	2015
Discount rate	4.50%	4.25%
Average rate of compensation increase	3.00%	3.00%

The plan's obligations and funded status as of June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Fair value of plan assets	$ -	$ -
Projected benefit obligation	13,502,692	13,820,813
Excess (deficiency) of plan assets over projected benefit obligation	(13,502,692)	(13,820,813)
Net accrued pension liability	$ (13,502,692)	$ (13,820,813)

The net accrued pension liability is based on the following weighted average assumptions at the end of the year:

	2016	2015
Discount rate	3.50%	4.50%
Average rate of compensation increase	2.25%	3.00%

Employer contributions and benefit payments for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Employer contributions	$ 607,278	$ 596,624
Benefit payments	607,278	596,624

The Federation expects to contribute $789,236 for the June 30, 2017 benefit payments.

NOTE 13. RETIREMENT PLANS (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,	2017	$ 789,236
	2018	784,246
	2019	777,384
	2020	928,818
	2021	922,175
	2022-2026	4,721,344
	Total	$ 8,923,203

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

NOTE 14. 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, 2016 and 2015 include the following components:

	2016	2015
Service cost (with interest)	$ 1,097,922	$ 1,042,095
Interest cost	1,154,037	1,012,160
Amortization of losses	151,924	168,902
Amortization of prior service cost	113,771	113,771
Amortization of transition obligation	193,622	193,622
Total postretirement benefit costs	$ 2,711,276	$ 2,530,550

NOTE 14. POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS (CONTINUED)

The accumulated postretirement benefit obligation at June 30, 2016 and 2015 is as follows:

	2016	2015
Fair value of plan assets	$ -	$ -
Projected benefit obligation	33,348,961	23,855,556
Excess (deficiency) of plan assets over postretirement benefit obligation	(33,348,961)	(23,855,556)
Net accrued healthcare liability	$ (33,348,961)	$ (23,855,556)

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

	2016	2015
Discount rate	3.80%	4.90%

The assumed health care cost trend rates used to measure the expected cost of benefits for the year ended June 30, 2016 were assumed to increase by 8.00%. Thereafter, rate increases were assumed to gradually decrease until they reached 4.5% in 2030. Previously, the medical trend rate was assumed to reach 4.50% in 2022. The assumed prescription drug cost trend rates used to measure the expected cost of benefits for the year ended June 30, 2016 and were assumed to increase by 6.00%. Thereafter, rate increases were assumed to gradually decrease until they reached 4.5% in 2022. Previously the prescription drug rate was assumed to reach 4.5% in 2018.

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,	2017	$ 689,000
	2018	750,000
	2019	792,000
	2020	897,000
	2021	947,000
	2022-2026	5,790,000
	Total	$ 9,865,000

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 the coming fiscal year ending June 30, 2017 is $878,000. The amount expected to be required in contributions to the plan during the year ending June 30, 2017 is $689,000.

NOTE 15. BORROWINGS AND CONTINGENT LIABILITIES

The Federation has a line of credit with a financial institution at June 30, 2016. This line of credit has a 364-day revolving line of credit up to $10,000,000. Interest on this line of credit is payable monthly at LIBOR plus 1.44%. The line of credit is secured by cash and investments held by the institutions.

The Federation borrowed $12,573,974 at June 30, 2015. This amount was repaid during the year ended June 30, 2016. The Federation had not borrowed against the lines of credit at June 30, 2016.

At June 30, 2016, the Federation has guaranteed loans obtained by an affiliate not to exceed $1,500,000.

NOTE 16. 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 are:

Year Ending June 30,	2017	$ 48,899
	2018	24,450
	Total	$ 73,349

Rental expense for office equipment leases totaled $207,359 and $190,564 for the years ended June 30, 2016 and 2015, respectively.

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

Year Ending June 30,	2017	$ 99,710
	2018	101,206
	2019	103,230
	2020	105,295
	2021	26,453
	Total	$ 435,894

NOTE 16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 17. 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. During the year ended June 30, 2016, an unaffiliated tenant signed a 5 year lease with Capital Place. The minimum future annual base rental income on leases as of June 30, 2016 is as follows:

Year Ending June 30,	2017	$ 1,299,813
	2018	1,184,918
	2019	839,337
	2020	55,557
	2021	56,390
	Thereafter	925,080
	Total	$ 4,361,095

NOTE 18. UNINSURED CASH AND CASH EQUIVALENTS

The Federation maintains its cash accounts primarily with two banks in the United States which at times may exceed the federally insured limits per bank. Bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insured limits at June 30, 2016 were approximately $26.3 million. Additionally, the Federation had approximately $8.4 million in money market accounts held by investment custodians 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 19. PLEDGES PAYABLE

During the year ending June 30, 2014, the Federation made a pledge to the Bill, Hillary and Chelsea Clinton Foundation of $1,000,000, of which the Federation has paid $750,000 as of June 30, 2016. The remaining $250,000 is payable over the next year.

NOTE 20. AFT RESOURCE CENTER

During the year ended June 30, 2012, the Federation entered into a collaborative agreement with TSL Education US, Inc. (TSL) to form SML JV LLC for the purposes of developing, marketing, launching and operating the AFT Resource Center. The website, targeted to educators both within and outside the United States, provides a forum for educators to communicate and share information and materials. The Federation was a 50% partner in SML JV LLC. Effective June 4, 2015, the Federation and TSL entered into an agreement to dissolve the joint venture.

As part of the dissolution, TSL agreed to pay the Federation 1,000,000 British pounds or approximately $1,500,000 dollars for costs necessary to construct, develop and launch a replacement website for the program. The Federation had received approximately $500,000 during the year ended June 30, 2015. The remaining $1,000,000 was received during the year ended June 30, 2016. No amounts remain receivable as of June 30, 2016.

NOTE 21. IN KIND CONTRIBUTIONS

The Federation contributed staff to perform work with independent expenditure committees. The value of these services were $383,457 for the year ended June 30, 2015. No such contributions were made during the year ended June 30, 2016.

NOTE 22. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 18, 2017, which is the date the consolidated 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 consolidated financial statements.

Supplemental Information

American Federation of Teachers, AFL-CIO

Consolidating Schedule - Building Fund Schedule of Financial Position

June 30, 2016

	Building Fund	555 New Jersey Avenue N.W., Inc.	Capitol Place I Associates Limited Partnership	Elimination Entries	Consolidated Building Fund
Assets					
Current assets					
Cash and cash equivalents	$ 3,440	$ -	$ 573,721	$ -	$ 577,161
Due (to) from other funds	10,392,080	(120,202)	7,461	-	10,279,339
Other receivables	-	-	199,229	-	199,229
Prepaid expenses	-	-	5,960	-	5,960
Total current assets	10,395,520	(120,202)	786,371	-	11,061,689
Investments	-	-	16,949,152	-	16,949,152
Property and equipment	-	-	12,463,218	3,814,779	16,277,997
Other assets					
Investment in Capitol Place I Associates Limited Partnership	13,265,476	10,581	-	(13,276,057)	-
Deferred commission, net	-	-	49,009	-	49,009
Deferred charges	-	-	294,631	-	294,631
Total assets	$ 23,660,996	$ (109,621)	$ 30,542,381	$ (9,461,278)	$ 44,632,478
Liabilities and Net Assets					
Current liabilities					
Accounts payable	$ 3,399	$ -	$ 461,518	$ -	$ 464,917
Current maturities of mortgage note	-	-	610,880	-	610,880
Deferred rent	-	-	6,433	-	6,433
Total current liabilities	3,399	-	1,078,831	-	1,082,230
Interest rate swap agreement	-	-	2,015,785	-	2,015,785
Mortgage note payable, excluding current maturities	-	-	24,119,871	-	24,119,871
Total liabilities	3,399	-	27,214,487	-	27,217,886
Net assets and partner's equity	23,657,597	(109,621)	3,327,894	(9,461,278)	17,414,592
Total liabilities and net assets	$ 23,660,996	$ (109,621)	$ 30,542,381	$ (9,461,278)	$ 44,632,478

American Federation of Teachers, AFL-CIO

Consolidating Schedule - Building Fund Schedule of Activities

Year Ended June 30, 2016

	Building Fund	555 New Jersey Avenue N.W., Inc.	Capitol Place I Associates Limited Partnership	Elimination Entries	Consolidated Building Fund
Revenue					
Per capita taxes	$ 956,408	$ -	$ -	$ -	$ 956,408
Investment revenue, net of expenses of $64,958	-	-	698,357	-	698,357
Net depreciation in fair value of investments	-	-	(550,415)	-	(550,415)
Rental revenue on subleased office space	367,237	-	-	-	367,237
Rental income, net	-	-	4,464,819	(3,131,473)	1,333,346
Equity in gain (loss) of Capitol Place I Investments Limited Partnership-AFT	(2,913,644)	(29,431)	-	2,943,075	-
Other	-	-	53,724	-	53,724
Total revenue	(1,589,999)	(29,431)	4,666,485	(188,398)	2,858,657
Expenses					
General operations - depreciation and amortization	-	-	1,288,704	-	1,288,704
General operations - General Fund rental expense	-	-	-	(2,932,436)	(2,932,436)
Rental expense on subleased office space	77,493	-	-	(199,037)	(121,544)
Operating expenses	-	-	3,725,354	-	3,725,354
Interest expense	-	-	640,693	-	640,693
Change in fair value of interest rate swap	-	-	1,855,509	-	1,855,509
Other	806	2,816	99,300	268,789	371,711
Total expenses	78,299	2,816	7,609,560	(2,862,684)	4,827,991
Excess of revenue over expenses	(1,668,298)	(32,247)	(2,943,075)	2,674,286	(1,969,334)
Net assets and partners' equity,					
Beginning of year	32,325,895	(77,374)	23,659,238	(29,523,833)	26,383,926
Net partnership transactions affecting equity	(7,000,000)	-	(17,388,269)	17,388,269	(7,000,000)
Net assets and partners' equity, end of year	$ 23,657,597	$ (109,621)	$ 3,327,894	$ (9,461,278)	$ 17,414,592