American Federation of Teachers, AFL-CIO

Consolidated Financial Statements

June 30, 2018

CALIBRE
CPA GROUP

American Federation of Teachers, AFL-CIO

Consolidated Financial Statements

Years Ended June 30, 2018 and 2017

Contents

CALIBRE
CPA GROUP

7501 WISCONSIN AVENUE | SUITE 1200 WEST
BETHESDA, MD 20814
202.331.9880 PHONE | 202.331.9890 FAX

REPORT OF INDEPENDENT AUDITORS

To 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, 2018 and 2017, 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 auditors' 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 auditors consider 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, 2018 and 2017, 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 30 and 31 and the supplemental fund information on pages 3 through 9 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 22, 2019

American Federation of Teachers, AFL-CIO

Consolidated Statements of Financial Position

June 30, 2018 and 2017
(With Supplemental Fund Information at June 30, 2018)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	June 30, 2018 Total	June 30, 2017 Total
Assets									
Current assets									
Cash and cash equivalents	$ 32,674,295	$ 2,342,320	$ 1,529	$ 5,169,673	$ -	$ 6,087,763	$ 527,013	$ 46,802,593	$ 24,275,584
Due from (to) other funds	(25,141,739)	(9,167,144)	26,382,967	7,925,916	-	-	-	-	-
Receivables									
Per capita taxes	22,603,715	-	-	-	-	-	-	22,603,715	30,736,565
Other	2,234,777	253,291	-	254,040	-	-	250	2,742,358	4,753,224
Prepaid expenses	1,523,006	1,043,561	-	6,139	-	-	-	2,572,706	479,870
Total current assets	33,894,054	(5,527,972)	26,384,496	13,355,768	-	6,087,763	527,263	74,721,372	60,245,243
Investments at fair value	7,266,313	13,423,293	-	16,222,616	-	-	-	36,912,222	34,987,291
Interest rate swap	-	-	-	813,474	-	-	-	813,474	-
Property and equipment	6,186,331	-	-	14,328,639	-	-	-	20,514,970	20,743,520
Other assets									
Loans receivable, net of allowances of $1,403,239 as of June 30, 2018 and 2017.	2,880,841	-	-	-	-	-	-	2,880,841	3,283,480
Deferred charges	-	-	-	3,769	-	-	-	3,769	26,389
Total assets	$ 50,227,539	$ 7,895,321	$ 26,384,496	$ 44,724,266	$ -	$ 6,087,763	$ 527,263	$ 135,846,648	$ 119,285,923

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Financial Position (continued)

June 30, 2018 and 2017
(With Supplemental Fund Information at June 30, 2018)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	June 30, 2018 Total	June 30, 2017 Total
Liabilities and Net Assets									
Current liabilities									
Accounts payable	$ 7,688,167	$ 7,555,168	$ -	$ 480,850	$ -	$ -	60	$ 15,724,245	$ 15,735,710
Current maturities of mortgage note payable	-	-	-	659,597	-	-	-	659,597	634,771
Accrued vacation and severance pay	11,407,992	-	-	-	-	-	-	11,407,992	11,511,367
Accrued expenses and other liabilities	6,378,290	-	-	-	-	-	-	6,378,290	6,713,087
Advance per capita taxes	104,917	-	-	-	-	-	-	104,917	347,275
Deferred revenue	180,337	-	-	5,070	-	-	-	185,407	181,841
Estimated self-insurance reserve - members' liability insurance	-	1,000,000	-	-	-	-	-	1,000,000	1,000,000
Postretirement benefits - current portion	-	-	-	-	1,421,252	-	-	1,421,252	1,571,629
Total current liabilities	25,759,703	8,555,168	-	1,145,517	1,421,252	-	60	36,881,700	37,695,680
Interest rate swap	-	-	-	-	-	-	-	-	233,027
Mortgage note payable, excluding current maturities	-	-	-	22,593,449	-	-	-	22,593,449	23,221,758
Postretirement healthcare costs - long term	-	-	-	-	20,119,341	-	-	20,119,341	40,302,927
Accrued pension liability - long term	-	-	-	-	12,212,427	-	-	12,212,427	12,152,065
Total liabilities	25,759,703	8,555,168	-	23,738,966	33,753,020	-	60	91,806,917	113,605,457
Net asset									
Unrestricted net assets (deficit)									
Designated	-	3,000,000	5,986,978	-	-	-	-	8,986,978	8,926,856
Undesignated	24,467,836	(3,659,847)	20,397,518	20,985,300	(33,753,020)	-	-	28,437,787	(7,597,738)
Total unrestricted net assets (deficit)	24,467,836	(659,847)	26,384,496	20,985,300	(33,753,020)	-	-	37,424,765	1,329,118
Temporarily restricted net assets	-	-	-	-	-	6,087,763	527,203	6,614,966	4,351,348
Total net assets	24,467,836	(659,847)	26,384,496	20,985,300	(33,753,020)	6,087,763	527,203	44,039,731	5,680,466
Total liabilities and net assets	$ 50,227,539	$ 7,895,321	$ 26,384,496	$ 44,724,266	$ -	$ 6,087,763	$ 527,263	$ 135,846,648	$ 119,285,923

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Activities

Years Ended June 30, 2018 and 2017
(With Supplemental Fund Information for the Year Ended June 30, 2018)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	Eliminations	2018 Total	2017 Total
Revenue										
Per capita taxes (net of agency fee rebates of $2,038,014 in 2018 and $1,484,659 in 2017)	$ 167,979,841	$ 6,535,621	$ 24,774,989	$ 1,005,480	$ -	$ -	$ -	$ -	$ 200,295,931	$ 191,597,918
Members' liability insurance	-	1,570,473	-	-	-	-	-	-	1,570,473	1,519,109
Investment revenue (net of investment expenses of $125,730 in 2018 and $115,714 in 2017)	217,504	597,383	-	635,171	-	-	-	-	1,450,058	1,412,260
Net appreciation (depreciation) in fair value of investments	(71,444)	(147,615)	-	557,214	-	-	-	-	338,155	1,633,426
Appreciation in fair value of swap agreement	-	-	-	1,046,501	-	-	-	-	1,046,501	1,782,758
Publication revenue	9,728	-	-	-	-	-	-	-	9,728	10,127
Program administration and royalties	2,081,711	-	-	-	-	-	-	-	2,081,711	3,320,720
Reimbursements from related entities	477,397	-	-	-	-	-	-	-	477,397	488,636
Rental revenue on subleased office space	-	-	-	459,643	-	-	-	-	459,643	282,369
Net rental income	-	-	-	1,303,110	-	-	-	-	1,303,110	1,245,563
State AFL-CIO collection rebate	1,803,565	-	-	-	-	-	-	-	1,803,565	1,449,142
Contributions	-	-	5,533,043	-	-	6,800,769	3,284,803	(5,533,043)	10,085,572	6,853,317
Postretirement benefit credit	-	-	-	-	20,273,601	-	-	-	20,273,601	-
Other revenue	853,512	18,233	-	32,661	-	-	-	-	904,406	1,577,172
Total revenue	173,351,814	8,574,095	30,308,032	5,039,780	20,273,601	6,800,769	3,284,803	(5,533,043)	242,099,851	213,172,517
Expenses	164,241,072	9,639,411	23,711,908	3,859,284	-	4,929,003	2,892,951	(5,533,043)	203,740,586	220,318,066
Excess (deficiency) of revenue over expenses	$ 9,110,742	$ (1,065,316)	$ 6,596,124	$ 1,180,496	$ 20,273,601	$ 1,871,766	$ 391,852	$ -	$ 38,359,265	$ (7,145,549)

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Expenses

Years Ended June 30, 2018 and 2017
(With Supplemental Fund Information for the Year Ended June 30, 2018)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	Eliminations	2018 Total	2017 Total
Expenses										
Communications	$ 10,969,686	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,969,686	$ 11,273,430
National Officers/Governance	12,599,853	-	-	-	-	-	-	-	12,599,853	9,860,062
Mobilization, organizing and outside affiliation fees	64,361,264	-	-	-	-	-	-	-	64,361,264	62,915,334
Political	12,609,707	-	-	-	-	-	-	-	12,609,707	11,792,747
Professional issues	15,586,018	-	-	-	-	-	-	-	15,586,018	15,106,828
Strategic support	15,590,958	-	-	-	-	-	-	-	15,590,958	17,593,759
Funding Our Priorities	10,869,083	-	-	-	-	-	-	-	10,869,083	11,413,311
Legal fees	-	7,233,487	-	-	-	-	-	-	7,233,487	6,586,164
Occupational liability insurance	-	1,265,362	-	-	-	-	-	-	1,265,362	1,330,857
Other insurance	-	1,107,819	-	-	-	-	-	-	1,107,819	1,200,564
Capitol Place I operating expenses	-	-	-	3,656,345	-	-	-	-	3,656,345	3,649,434
Interest	60,934	-	-	947,072	-	-	-	-	1,008,006	993,083
State federations' solidarity funds	-	-	9,159,512	-	-	-	-	(188,579)	8,970,933	8,407,079
National solidarity fund	-	-	8,937,347	-	-	-	-	(5,344,464)	3,592,883	8,442,004
527 solidarity fund	-	-	5,615,049	-	-	-	-	-	5,615,049	14,782,911
Postretirement expenses	-	-	-	-	-	-	-	-	-	7,174,968
Committee on Political Education	-	-	-	-	-	4,929,003	-	-	4,929,003	8,087,231
Disaster Relief	-	-	-	-	-	-	2,891,902	-	2,891,902	43,673
Other	-	32,743	-	1,418,033	-	-	1,049	-	1,451,825	1,572,776
Total program expense	142,647,503	9,639,411	23,711,908	6,021,450	-	4,929,003	2,892,951	(5,533,043)	184,309,183	202,226,215
Administration	21,593,569	-	-	(2,162,166)	-	-	-	-	19,431,403	18,091,851
Total expenses	$ 164,241,072	$ 9,639,411	$ 23,711,908	$ 3,859,284	$ -	$ 4,929,003	$ 2,892,951	$ (5,533,043)	$ 203,740,586	$ 220,318,066

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Changes in Net Assets

Years Ended June 30, 2018 and 2017
(With Supplemental Fund Information for the Year Ended June 30, 2018)

	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	Disaster Relief Fund	Total
Net assets, July 1, 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 - previously reported	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
Disaster Relief Fund	-	-	-	-	-	-	-	-	-	91,657	91,657
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	91,657	5,595,498
Total net assets - restated	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	91,657	12,792,578
Changes in net assets, year ended June 30, 2017	7,044,950	318,176	(628,530)	(1,171,144)	(7,910,863)	264,205	3,390,212	(7,174,968)	(1,287,844)	43,694	(7,112,112)
Distribution from (to) partner	1,000,000	-	-	-	-	-	(1,000,000)	-	-	-	-
Board approved transfer of designated funds	-	(385,155)	385,155	-	-	-	-	-	-	-	-
Net assets, June 30, 2017											
Unrestricted	15,357,094	3,000,000	(2,594,531)	5,654,742	13,861,516	272,114	19,804,804	(54,026,621)	-	-	1,329,118
Temporarily restricted	-	-	-	-	-	-	-	-	4,215,997	135,351	4,351,348
Total net assets	15,357,094	3,000,000	(2,594,531)	5,654,742	13,861,516	272,114	19,804,804	(54,026,621)	4,215,997	135,351	5,680,466
Change in net assets, year ended June 30, 2018	9,110,742	346,492	(1,411,808)	330,707	6,536,002	(270,585)	1,180,496	20,273,601	1,871,766	391,852	38,359,265
Distribution from (to) partner	-	-	-	-	-	-	-	-	-	-	-
Board approved transfer of designated funds	-	(346,492)	346,492	-	-	-	-	-	-	-	-
Net assets, June 30, 2018											
Unrestricted	24,467,836	3,000,000	(3,659,847)	5,985,449	20,397,518	1,529	20,985,300	(33,753,020)	-	-	37,424,765
Temporarily restricted	-	-	-	-	-	-	-	-	6,087,763	527,203	6,614,966
Total net assets	$ 24,467,836	$ 3,000,000	$ (3,659,847)	$ 5,985,449	$ 20,397,518	$ 1,529	$ 20,985,300	$ (33,753,020)	$ 6,087,763	$ 527,203	$ 44,039,731

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Cash Flows

Years Ended June 30, 2018 and 2017
(With Supplemental Fund Information for the Year Ended June 30, 2018)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	2018 Total	2017 Total
Cash flows from operating activities									
Change in net assets	$ 9,110,742	$ (1,065,316)	$ 6,596,124	$ 1,180,496	$ 20,273,601	$ 1,871,766	$ 391,852	$ 38,359,265	$ (7,145,549)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities									
Depreciation and amortization	1,612,382	-	-	1,395,413	-	-	-	3,007,795	2,565,452
Amortization of debt issuance costs	-	-	-	31,288	-	-	-	31,288	31,288
Loss on disposal of property and equipment	81,165	-	-	-	-	-	-	81,165	12,846
Net depreciation (appreciation) in fair value of investments	71,444	147,615	-	(557,214)	-	-	-	(338,155)	(1,633,426)
Appreciation in fair value of swap agreement	-	-	-	(1,046,501)	-	-	-	(1,046,501)	(1,782,758)
Decrease (increase) in assets									
Due from (to) other funds	2,488,938	2,478,772	(6,608,280)	1,640,570	-	-	-	-	-
Per capita taxes receivable	8,132,850	-	-	-	-	-	-	8,132,850	(11,493,262)
Loans receivable	402,639	-	-	-	-	-	-	402,639	1,123,358
Other receivables	2,035,507	54,648	-	(81,017)	-	1,728	-	2,010,866	811,443
Prepaid expenses	(1,200,094)	(953,724)	-	60,982	-	-	-	(2,092,836)	1,490,026
Deferred commissions	-	-	-	22,620	-	-	-	22,620	22,620
Increase (decrease) in liabilities									
Accounts payable	174,016	(268,703)	-	94,929	-	(11,707)	-	(11,465)	(1,399,103)
Accrued vacation and severance pay	(103,375)	-	-	-	-	-	-	(103,375)	290,209
Accrued expenses and other liabilities	(334,797)	-	-	-	-	-	-	(334,797)	(1,280,127)
Contribution payable	-	-	-	-	-	-	-	-	(250,000)
Advance per capita taxes	(242,358)	-	-	-	-	-	-	(242,358)	38,921
Accrued postretirement health care costs	-	-	-	-	(20,317,886)	-	-	(20,317,886)	7,748,966
Accrued pension liability	-	-	-	-	44,285	-	-	44,285	(573,998)
Deferred revenue	3,497	-	-	69	-	-	-	3,566	(16,584)
Net cash provided by (used in) operating activities	22,232,556	393,292	(12,156)	2,741,635	-	1,861,787	391,852	27,608,966	(11,439,678)

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Cash Flows (continued)

Years Ended June 30, 2018 and 2017
(With Supplemental Fund Information for the Year Ended June 30, 2018)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	2018 Total	2017 Total
Cash flows from investing activities									
Purchases of property and equipment	$ (2,736,392)	$ -	$ -	$ (135,618)	$ -	$ -	$ -	$ (2,872,010)	$ (3,255,677)
Proceeds from the sale of property and equipment	11,600	-	-	-	-	-	-	11,600	-
Purchases of investments	(3,767,964)	(3,247,020)	-	(3,709,246)	-	-	-	(10,724,230)	(6,991,780)
Proceeds from the sale of investments	411,690	3,503,407	-	5,222,357	-	-	-	9,137,454	14,503,949
Net cash provided by (used in) investing activities	(6,081,066)	256,387	-	1,377,493	-	-	-	(4,447,186)	4,256,492
Cash flows from financing activities									
Advances on line of credit	(99,036,508)	-	-	-	-	-	-	(99,036,508)	(88,245,287)
Repayments of line of credit	99,036,508	-	-	-	-	-	-	99,036,508	88,245,287
Principal payments on mortgage note payable	-	-	-	(634,771)	-	-	-	(634,771)	(610,879)
Net cash provided used in financing activities	-	-	-	(634,771)	-	-	-	(634,771)	(610,879)
Net change in cash and cash equivalents	16,151,490	649,679	(12,156)	3,484,357	-	1,861,787	391,852	22,527,009	(7,794,065)
Cash and cash equivalents									
Beginning of year - previously reported	16,522,805	1,692,641	13,685	1,685,316	-	4,225,976	135,161	24,275,584	31,944,745
Disaster Relief Fund	-	-	-	-	-	-	-	-	124,904
Beginning of year - restated	16,522,805	1,692,641	13,685	1,685,316	-	4,225,976	135,161	24,275,584	32,069,649
End of year	$ 32,674,295	$ 2,342,320	$ 1,529	$ 5,169,673	$ -	$ 6,087,763	$ 527,013	$ 46,802,593	$ 24,275,584

Supplemental disclosure

AFT paid $976,718 and $993,739 in interest during 2018 and 2017, 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 4). 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 engage members and 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
Disaster Relief Fund	-	established to provide assistance to persons affected by natural and man-made disasters.

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 net assets are reported as follows:

Unrestricted net assets - includes unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Federation and include both internally-designated and undesignated resources.

Temporarily restricted net assets - includes revenue and contributions subject to donor-imposed stipulations that will be met by actions of the Federation and/or passage of time. When a restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - includes contributions to be held as investments in perpetuity as directed by the original donor. The Federation did not have any permanently restricted net assets at June 30, 2018 and 2017, respectively.

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. With the exception of the State and National Solidarity Funds which are recorded directly, 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, 2017, the monthly per capita tax increased from $19.03 to $19.28, per member per month. Of the monthly per capita tax, within the general fund, $1.10 and $1.00 have been designated to engage members and provide services to assist locals in crisis for the years ended June 30, 2018 and 2017, respectively. All monies had been spent from this designation at June 30, 2018 and 2017. Further, the monthly per capita tax allocated to the Solidarity Fund increased from $2.40 to $2.50. Of the amount allocated to the Solidarity Fund, the portion of this amount designated for state affiliates with similar funds increased from $0.94 to $0.96 for the years ended June 30, 2017 and 2018, respectively. Additionally, $0.65 has been allocated to the Militancy/Defense Fund and $0.10 has been allocated to the Building Fund for the years ended June 30, 2018 and 2017.

The Federation has allocated $0.05 to the Albert Shanker Institute, a separate unconsolidated entity, which is recorded as a contribution from the Federation and $0.05 to the AFT Innovation Fund, a temporarily restricted fund within the AFT Educational Foundation, a separate, unconsolidated entity. These have been recorded as contributions from the Federation for the years ended June 30, 2018 and 2017.

Also pursuant to the Federation's constitution, a rebate of per capita taxes of $0.20 per member 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments - Common stocks, mutual funds, preferred stock, exchange traded and closed end funds 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, U.S. Government and government agency obligations and certificates of deposit 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 probable 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.

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

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.

Deferred Charges - Deferred charges consist of commissions paid as part of the negotiation of a lease with a tenant. These charges are amortized over the life of the lease.

Estimated Self-Insurance Health Claims Incurred but Not Reported - The Federation provides its employees with health insurance coverage under a self-insured plan. Self-insurance claims incurred but not reported represent amounts estimated for claims incurred but not reported at year end under the Federation's group health insurance plan for employees.

Occupational Liability Insurance - Participating employees can elect to pay premiums to the Federations occupational liability plan. Premiums paid by participating employees are used primarily to pay premiums for a liability insurance policy. Remaining amounts are used to pay certain benefits or provide a reserve for benefits not covered under the insurance policy. A reserve has been established which is to be used for the payment of benefits in excess of the policy.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassification - Certain amounts have been reclassified in the 2017 consolidated financial statements to conform to the 2018 presentation. These reclassifications did not have an effect on the net assets of the Federation. The reclassifications do not include the restatement of the prior year balances to include the Disaster Relief Fund as described in Note 19.

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. The Disaster Relief Fund is exempt from Federal income taxes, except on net income, if any, from unrelated business activities, under Section 501(c)(3) 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. 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 years ended June 30, 2018 and 2017, and determined that there were no matters that would require recognition in the consolidated financial statements. As of June 30, 2018, the statute of limitations for the tax years 2014 through 2016 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

NOTE 4. INVESTMENT IN CAPITOL PLACE I ASSOCIATES LIMITED PARTNERSHIP (CONTINUED)

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, 2018 and 2017 consisted of:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
General Fund	$ 7,297,930	$ 7,266,313	$ 3,927,716	$ 3,981,483
Militancy/Defense Fund	13,312,979	13,423,293	13,167,318	13,827,295
Building Fund	15,200,947	16,222,616	15,612,210	17,178,513
	$ 35,811,856	$ 36,912,222	$ 32,707,244	$ 34,987,291

Investments at June 30, 2018 and 2017 are comprised of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Common stocks and mutual funds	$ 9,488,625	$ 11,251,755	$ 9,179,526	$11,236,087
Preferred stocks	7,106,532	7,152,471	4,532,304	4,762,061
Exchange traded and closed end funds	1,175,932	805,888	1,685,510	1,386,944
Corporate bonds and asset backed securities	12,528,572	12,270,226	14,075,517	14,344,408
U.S. Government and agency securities	2,906,104	2,853,338	2,628,026	2,683,343
Municipal bonds	406,091	378,544	406,361	374,448
Foreign bond	200,000	200,000	200,000	200,000
Certificates of deposit	2,000,000	2,000,000	-	-
	$ 35,811,856	$ 36,912,222	$32,707,244	$34,987,291

Realized net gain (loss) on investments for the years ended June 30, 2018 and 2017 totaled $1,517,830 and $(76,871), respectively.

NOTE 5. INVESTMENTS (CONTINUED)

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification Topic, *Fair Value Measurements*, are described as follows:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access.

Level 2 – inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 5. INVESTMENTS (CONTINUED)

The following is a summary of the inputs used as of June 30, 2018 and 2017, in valuing investments at fair value:

Description	06/30/18 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	$ 10,332,423	$ 10,332,423	$ -	$ -
Mutual funds	53,729	53,729	-	-
Corporate stock	865,603	-	-	865,603
Preferred stock	7,152,471	7,152,471	-	-
Exchange traded and closed end funds	805,888	805,888	-	-
Corporate bonds and asset backed securities				
Corporate bonds - domestic	10,409,054	-	10,409,054	-
Corporate bonds - foreign	621,050	-	621,050	-
Fixed rate securities	1,155,015	-	1,155,015	-
Mortgage backed securities	85,107	-	85,107	-
U.S. Government agency securities				
U.S. Treasury obligations	522,881	522,881	-	-
U.S. Government agency obligations	2,330,457	-	2,330,457	-
Foreign bond - State of Israel	200,000	-	-	200,000
Municipal bonds	378,544	-	378,544	-
Certificates of deposit	2,000,000	-	2,000,000	-
Total	$ 36,912,222	$ 18,867,392	$ 16,979,227	$ 1,065,603

The following table sets forth the summary of changes in the fair value of the Federation's Level 3 assets for the year ended June 30, 2018:

Changes in Level 3 Category	Corporate Stocks	Foreign Bonds
Beginning balance - 7/1/2017	$ 865,603	$ 200,000
Sales	-	-
Ending balance - 6/30/2018	$ 865,603	$ 200,000

NOTE 5. INVESTMENTS (CONTINUED)

Description	06/30/17 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	$ 10,316,755	$ 10,316,755	$ -	$ -
Mutual funds	53,729	53,729	-	-
Corporate stock	865,603	-	-	865,603
Preferred stock	4,762,061	4,762,061	-	-
Exchange traded and closed end funds	1,386,944	1,386,944	-	-
Corporate bonds and asset backed securities				
Corporate bonds - domestic	12,432,380	-	12,432,380	-
Corporate bonds - foreign	650,390	-	650,390	-
Fixed rate securities	1,149,331	-	1,149,331	-
Mortgage backed securities	112,307	-	112,307	-
U.S. Government agency securities				
U.S. Treasury obligations	556,847	556,847	-	-
U.S. Government agency obligations	2,126,496	-	2,126,496	-
Foreign bond - State of Israel	200,000	-	-	200,000
Municipal bonds	374,448	-	374,448	-
Total	$ 34,987,291	$ 17,076,336	$ 16,845,352	$ 1,065,603

The following table sets forth the summary of changes in the fair value of the Federation's Level 3 assets for the year ended June 30, 2017:

Category	Stocks	Bonds
Beginning balance - 7/1/2016	$ 865,603	$ 300,000
Sales	-	(100,000)
Ending balance - 6/30/2017	$ 865,603	$ 200,000

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

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

Note 5. Investments (continued)

Corporate bonds, asset backed securities, U.S. Government agency obligations and municipal bonds: 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.

Certificates of deposit: The fair value is estimated using the rates currently offered for deposits of similar remaining maturities.

Corporate stocks: The Federation's holdings in corporate stocks are 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.

Foreign bonds: 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, 2018 and 2017, the Federation had total loans receivable, including interest, of $4,284,080 and $4,686,719, respectively. Of this amount, management has estimated an allowance of $1,403,239 as of June 30, 2018 and 2017. 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 was originally to provide various medical, life and disability insurance benefits to participating Federation members as an enhancement to collectively bargained benefits. In 2015, Union Privilege became the primary third-party provider in use by the Trust. 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 $117,966 and $403,316 of reimbursements for services provided to the Trust for the years ended June 30, 2018 and 2017, respectively. The Federation also made contributions of $1,159,800 and $540,000 to the Trust for the years ended June 30, 2018 and 2017, respectively, to pay insurance premiums for accidental death and dismemberment coverage for members. As of June 30, 2018, and 2017, the amount owed to (due from) the Federation was $20,259 and $161,630, respectively, which is included in other receivables in the consolidated statements of financial position.

NOTE 7. RELATED PARTY TRANSACTIONS (CONTINUED)

The Federation established the AFT Education Foundation (AFTEF) as a separate organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. AFTEF is principally financed by the research grants from the U.S. Government and related agencies. The officers and directors of AFTEF are comprised of the Federation's officers and select members of the 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, 2018 and 2017, the Federation was reimbursed $373,670 and $350,936, 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, 2018 and 2017, the Federation was owed $76,407 and $200,721, respectively, from the AFTEF. These amounts are included in other receivables on the statements of financial position. During the years ended June 30, 2018 and 2017, the Federation also made contributions to AFTEF of $863,000 and $-, respectively. 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, 2018 and 2017 was $512,826 and $500,603, respectively.

The Federation established The Albert Shanker Institute (the Institute) as a separate organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Institute is to promote quality public education as a cornerstone of democracy. The Institute reimbursed all administrative costs for the years ended June 30, 2018 and 2017. 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, 2018 and 2017 was $548,017 and $536,788, respectively. The Federation also made contributions to the Institute of $350,000 and $75,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017
Land	$ 5,084,148	$ 5,084,148
Office building and improvements	44,611,737	44,480,312
Furniture and equipment	20,909,169	18,610,509
	70,605,054	68,174,969
Less: accumulated depreciation and amortization	(50,090,084)	(47,431,449)
	$ 20,514,970	$ 20,743,520

Depreciation expense for the years ended June 30, 2018 and 2017 was $3,007,795 and $2,565,452, respectively.

NOTE 9. MORTGAGE NOTE PAYABLE, SWAP AGREEMENT AND GUARANTEE

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 a 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, 2018 and 2017, the fair value of the interest rate swap agreement was $813,474 and $(233,027), respectively.

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 swap agreement appreciated in value by $1,046,501 and $1,782,758, respectively during the years ended June 30, 2018 and 2017.

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, 2018	$23,485,101
Debt issuance costs, less accumulated amortization	$ 232,055
Note payable, net	$23,253,046

The mortgage note payable contains certain financial and non-financial covenants. The Federation has complied with these covenants. 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,	2019	$ 659,597
	2020	683,016
	2021	712,107
	2022	739,958
	2023	768,898
	Thereafter	19,921,525
	Total	$ 23,485,101

NOTE 10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following at June 30, 2018 and 2017:

	2018	2017
Assistance payable to state and local federations	$ 1,447,295	$ 1,941,120
State federation per capita taxes	2,691,557	2,671,484
Affiliation fees payable	813,774	801,678
Estimated self-insurance health claims incurred but not reported	386,891	293,867
Other accrued expenses	1,038,773	1,004,938
	$ 6,378,290	$ 6,713,087

NOTE 11. OTHER REVENUE

Other revenue consisted of the following at June 30, 2018 and 2017:

	2018	2017
Conference and meeting registration	$ 377,833	$ 318,782
Locals insurance reimbursements	140,145	89,165
Insurance reimbursement	-	127,737
Union Privilege benefits program	117,966	403,316
Miscellaneous income	268,462	638,172
	$ 904,406	$ 1,577,172

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, 2018 and 2017, the Federation received affinity card royalties from the AFL-CIO which totaled $1,130,048 and $1,929,594, 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, 2018 and 2017. Total retirement plan expense was $9,151,597 and $9,274,715 for the years ended June 30, 2018 and 2017, 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 1/60th 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, 2018 and 2017 valuations.

NOTE 13. RETIREMENT PLANS (CONTINUED)

The annual measurement date is June 30. The net periodic pension cost for the plan for the years ended June 30, 2018 and 2017 is summarized as follows:

	2018	2017
Interest cost	$ 470,398	$ 458,901
Service cost	358,860	378,441
Net amortization deferral	354,914	354,914
Net periodic pension cost	$ 1,184,172	$ 1,192,256

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

	2018	2017
Discount rate	3.75%	3.50%
Average rate of compensation increase	N/A	N/A

The plan's obligations and funded status as of June 30, 2018 and 2017 is summarized as follows:

	2018	2017
Fair value of plan assets	$ -	$ -
Projected benefit obligation	12,972,979	12,928,694
Excess (deficiency) of plan assets over projected benefit obligation	(12,972,979)	(12,928,694)
Net accrued pension liability	$ (12,972,979)	$ (12,928,694)

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

	2018	2017
Discount rate	4.00%	3.75%
Cost of living increase	2.25%	2.25%

NOTE 13. RETIREMENT PLANS (CONTINUED)

Employer contributions and benefit payments for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Employer contributions	$ 655,068	$ 642,441
Benefit payments	655,068	642,441

The Federation expects to contribute $760,552 for the June 30, 2019 benefit payments.

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,	2019	$ 760,552
	2020	901,214
	2021	893,735
	2022	884,228
	2023	872,725
	2024-2027	4,651,164
	Total	$ 8,963,618

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.

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

Postretirement benefit costs for the years ended June 30, 2018 and 2017 include the following components:

	2018	2017
Service cost (with interest)	$ 2,127,873	$ 1,742,783
Interest cost	1,587,325	1,254,163
Amortization of losses	829,612	570,981
Amortization of prior service cost	113,771	113,771
Amortization of transition obligation	193,622	193,622
Total postretirement benefit costs	$ 4,852,203	$ 3,875,320

The accumulated postretirement benefit obligation at June 30, 2018 and 2017 is as follows:

	2018	2017
Fair value of plan assets	$ -	$ -
Projected benefit obligation	20,780,041	41,097,927
Excess (deficiency) of plan assets over postretirement benefit obligation	(20,780,041)	(41,097,927)
Net accrued healthcare liability	$(20,780,041)	$(41,097,927)

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

	2018	2017
Discount rate	4.10%	3.90%

Change in Accumulated Post-Retirement Benefit Obligation -The Plan's accumulated post-retirement benefit obligation changed due to the following changes in assumptions:

- The discount rate used for determining the benefit obligation increased from 3.90% for June 30, 2017 to 4.10% for June 30, 2018.
- Assumptions related to claims costs, trend rates, mortality and discount rate were updated.
- The retiree drug benefits were changed to the Employer Group Waiver Program (EGWP). Retirees, once reaching eligible age, are required to seek drug benefits through Medicare Part D. Under the new program, employees are eligible to receive retiree medical benefits upon attaining age 55 and completing 20 years of service. Former officers are eligible upon attaining age 55 and 3 years of service. Employees may elect to pay the full cost of coverage for pre-65 medical and dental coverage if retiring at age 55 with 10 years of service.

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

The assumed health care cost trend rates used to measure the expected cost of medical, prescription, and dental benefits for the year ended June 30, 2018 were as follows:

- Pre-65 medical: 8.00% for 2019 decreasing to 5.00% in 2025
- Pre-65 prescription: 9.00% for 2019 decreasing to 5.00% in 2027
- Dental: 5.75% for 2019 decreasing to 3.00% in 2025
- Post-65 officers medical: 5.75% for 2019 decreasing to 4.50% in 2024
- EGWP: 6.00% for 2019 decreasing to 4.50% in 2025

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,	2019	$ 660,700
	2020	688,500
	2021	668,600
	2022	702,800
	2023	741,600
	2023-2027	4,462,800
	Total	$ 7,925,000

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, 2019 is $1,432,190. The amount expected to be required in contributions to the plan during the year ending June 30, 2019 is $660,700.

NOTE 15. BORROWINGS AND CONTINGENT LIABILITIES

The Federation has a line of credit with a financial institution at June 30, 2018. 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 financial institutions.

The Federation obtained advances on the line of credit totaling $99,036,508 and $88,245,287 during the years ended June 30, 2018 and 2017, respectively. The Federation has no outstanding balances on the lines of credit at June 30, 2018 or 2017.

At June 30, 2018, the Federation has guaranteed loans obtained by an affiliate not to exceed $1,133,383.

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,	2019	$ 65,633
	2020	64,299
	2021	64,299
	2022	64,299
	2023	15,684
	Total	$ 274,214

Rental expense for office equipment leases totaled $286,354 and $220,327 for the years ended June 30, 2018 and 2017, 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,	2019	$ 103,230
	2020	105,295
	2021	26,453
	Total	$ 234,978

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 (Capitol Place) 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 future annual base rental income on leases as of June 30, 2018 is as follows:

Year Ending June 30,	2019	$ 952,379
	2020	188,744
	2021	196,173
	2022	129,762
	2023	59,999
	Thereafter	752,094
		$ 2,279,151

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, 2018 were approximately $38 million. Additionally, the Federation had approximately $12.7 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. PRIOR PERIOD ADJUSTMENT

The Federation's 2018 consolidated financial statements include the assets, liabilities, net assets and changes in net assets of the American Federation of Teachers Disaster Relief Fund (Disaster Relief Fund), a separate organization. Previously, the activity of the Disaster Relief Fund had been determined to be immaterial and was not included in the consolidated financial statements of the Federation. The Federation's June 30, 2017 consolidated financial statements have been restated to include the activity of the Disaster Relief Fund. The adjustment had the following effect on the Federation as of June 30, 2017:

	Previously Reported	Disaster Relief Fund	Restated
Assets	$ 119,150,512	$ 135,411	$ 119,285,923
Liabilities	113,605,397	60	113,605,457
Net assets	5,545,115	135,351	5,680,466
Revenue	213,118,587	53,930	213,172,517
Expense	220,274,393	43,673	220,318,066

NOTE 20. SUPREME COURT RULING

On June 27, 2018, the United States Supreme Court ruled in the Janus v. AFSCME, ruling fair share fees paid by public sector workers who choose not to join the union unconstitutional. The implications of the decision are being evaluated by management.

NOTE 21. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 22, 2019, 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, 2018

	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	$ -	$ 5,166,233	$ -	$ 5,169,673
Due (to) from other funds	8,038,657	(112,741)	-	-	7,925,916
Other receivables	-	-	254,040	-	254,040
Prepaid expenses	-	-	6,139	-	6,139
Total current assets	8,042,097	(112,741)	5,426,412	-	13,355,768
Investments	-	-	16,222,616	-	16,222,616
Interest rate swap agreement	-	-	813,474	-	813,474
Property and equipment	-	-	11,051,436	3,277,203	14,328,639
Other assets					
Investment in Capitol Place I Associates Limited Partnership	19,695,229	35,074	-	(19,730,303)	-
Deferred commission, net	-	-	3,769	-	3,769
Total assets	$ 27,737,326	$ (77,667)	$ 33,517,707	$ (16,453,100)	$ 44,724,266
Liabilities and Net Assets					
Current liabilities					
Accounts payable	$ 3,399	$ -	$ 477,451	$ -	$ 480,850
Current maturities of mortgage note	-	-	659,597	-	659,597
Deferred rent	-	-	5,070	-	5,070
Total current liabilities	3,399	-	1,142,118	-	1,145,517
Mortgage note payable, excluding current maturities	-	-	22,593,449	-	22,593,449
Total liabilities	3,399	-	23,735,567	-	23,738,966
Net assets and partners' equity	27,733,927	(77,667)	9,782,140	(16,453,100)	20,985,300
Total liabilities and net assets	$ 27,737,326	$ (77,667)	$ 33,517,707	$ (16,453,100)	$ 44,724,266

American Federation of Teachers, AFL-CIO

Consolidating Schedule – Building Fund Schedule of Activities

Year Ended June 30, 2018

	Building Fund	555 New Jersey Avenue N.W., Inc.	Capitol Place I Associates Limited Partnership	Elimination Entries	Consolidated Building Fund
Revenue					
Per capita taxes	$ 1,005,480	$ -	$ -	$ -	$ 1,005,480
Investment revenue, net of expenses of $87,433	-	-	635,171	-	635,171
Net depreciation in fair value of investments	-	-	557,214	-	557,214
Rental revenue on subleased office space	459,643	-	-	-	459,643
Rental income, net	-	-	3,497,776	(2,194,666)	1,303,110
Appreciation in fair value of swap agreement	-	-	1,046,501	-	1,046,501
Equity in income (loss) of Capitol Place I Investments Limited Partnership-AFT	(30,301)	(306)	-	30,607	-
Other	-	7,461	25,200	-	32,661
Total revenue	1,434,822	7,155	5,761,862	(2,164,059)	5,039,780
Expenses					
General operations - depreciation and amortization	-	-	1,149,245	-	1,149,245
General operations - General Fund rental expense	-	-	-	(2,162,166)	(2,162,166)
Rental expense on subleased office space	(7,307)	-	-	(32,500)	(39,807)
Operating expenses	-	-	3,696,152	-	3,696,152
Interest expense	-	-	947,072	-	947,072
Other	-	-	-	268,788	268,788
Total expenses	(7,307)	-	5,792,469	(1,925,878)	3,859,284
Excess (deficiency) of revenue over expenses	1,442,129	7,155	(30,607)	(238,181)	1,180,496
Net assets and partners' equity,					
Beginning of year	26,291,798	(84,822)	6,699,747	(13,101,919)	19,804,804
Net partnership transactions affecting equity	-	-	3,113,000	(3,113,000)	-
Net assets and partners' equity, end of year	$ 27,733,927	$ (77,667)	$ 9,782,140	$ (16,453,100)	$ 20,985,300