

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021



AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

REPORT OF INDEPENDENT AUDITORS

To the Audit Committee of the
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, 2021 and 2020, and the related consolidated statements of activities, functional expenses, changes in fund balances, 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.

Auditor's 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 audits 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 Federation'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 Federation'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, 2021 and 2020, and the consolidated changes in their net assets and their consolidated 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 35 and 36 and the supplemental fund information on pages 3 through 5 and 8 through 11 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.

CaliberCPAGroup, PLLC

Bethesda, MD
February 11, 2022

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

(WITH SUPPLEMENTAL FUND INFORMATION AT JUNE 30, 2021)

| | General Fund | Militancy/ Defense Fund | Solidarity Funds | Building Fund | Postretirement Benefits Fund | Committee on Political Education | Disaster Relief Fund | June 30, 2021 Total | June 30, 2020 Total |
|--|----------------------|-------------------------------|----------------------|----------------------|------------------------------------|--|----------------------------|---------------------------|---------------------------|
| ASSETS | | | | | | | | | |
| CURRENT ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ 43,790,955 | \$ 6,108,956 | \$ - | \$ 6,978,661 | \$ - | \$ 11,832,062 | \$ 405,108 | \$ 69,115,742 | \$ 51,332,938 |
| Due from (to) other funds | (13,416,758) | (11,123,045) | 16,920,350 | 7,619,453 | - | - | - | - | - |
| Receivables | | | | | | | | | |
| Per capita taxes | 33,413,943 | - | - | - | - | - | - | 33,413,943 | 31,549,603 |
| Other | 1,458,895 | 351,824 | - | 83,508 | - | - | - | 1,894,227 | 2,335,412 |
| Prepaid expenses | 1,357,882 | 19,642 | - | 98,007 | - | - | - | 1,475,531 | 1,310,385 |
| Total current assets | <u>66,604,917</u> | <u>(4,642,623)</u> | <u>16,920,350</u> | <u>14,779,629</u> | <u>-</u> | <u>11,832,062</u> | <u>405,108</u> | <u>105,899,443</u> | <u>86,528,338</u> |
| INVESTMENTS AT FAIR VALUE | 16,471,221 | 12,269,863 | - | 12,156,607 | - | - | - | 40,897,691 | 48,506,072 |
| PROPERTY AND EQUIPMENT NET OF ACCUMULATED DEPRECIATION OF \$57,183,452 AND \$54,301,755 AS OF JUNE 30, 2021 AND 2020 | 4,387,515 | - | - | 11,445,305 | - | - | - | 15,832,820 | 17,317,183 |
| OTHER ASSETS | | | | | | | | | |
| Loans receivable, net of allowance of \$1,603,239 as of June 30, 2021 and 2020 | 4,615,858 | - | - | - | - | - | - | 4,615,858 | 5,216,644 |
| Total assets | <u>\$ 92,079,511</u> | <u>\$ 7,627,240</u> | <u>\$ 16,920,350</u> | <u>\$ 38,381,541</u> | <u>\$ -</u> | <u>\$ 11,832,062</u> | <u>\$ 405,108</u> | <u>\$ 167,245,812</u> | <u>\$ 157,568,237</u> |

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

(WITH SUPPLEMENTAL FUND INFORMATION AT JUNE 30, 2021)

| | General Fund | Militancy/ Defense Fund | Solidarity Funds | Building Fund | Postretirement Benefits Fund | Committee on Political Education | Disaster Relief Fund | June 30, 2021 Total | June 30, 2020 Total |
|--|----------------------|-------------------------------|----------------------|----------------------|------------------------------------|--|----------------------------|---------------------------|---------------------------|
| LIABILITIES AND NET ASSETS | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | |
| Accounts payable | \$ 10,906,643 | \$ 6,711,923 | \$ - | \$ 430,182 | \$ - | \$ - | \$ - | \$ 18,048,748 | \$ 15,623,321 |
| Current maturities of mortgage note payable | - | - | - | 739,958 | - | - | - | 739,958 | 712,107 |
| Accrued vacation, severance and welfare benefits | 13,375,034 | - | - | - | - | - | - | 13,375,034 | 12,623,598 |
| Accrued expenses and other liabilities | 6,449,114 | - | - | - | - | - | - | 6,449,114 | 7,440,005 |
| Advanced per capita taxes | 157,809 | - | - | - | - | - | - | 157,809 | 341,679 |
| Line of credit | - | - | - | - | - | - | - | - | 776,575 |
| Bank overdraft | - | - | 35,110 | - | - | - | - | 35,110 | - |
| Deferred revenue | - | - | - | - | - | - | - | - | 173,222 |
| Estimated self-insurance reserve - members' liability insurance | - | 1,000,000 | - | - | - | - | - | 1,000,000 | 1,000,000 |
| Postretirement healthcare costs - current portion | - | - | - | - | 691,750 | - | - | 691,750 | 708,739 |
| Total current liabilities | 30,888,600 | 7,711,923 | 35,110 | 1,170,140 | 691,750 | - | - | 40,497,523 | 39,399,246 |
| LONG-TERM LIABILITIES | | | | | | | | | |
| Interest rate swap | - | - | - | 1,309,834 | - | - | - | 1,309,834 | 2,173,484 |
| Mortgage note payable, excluding current maturities, net of unamortized debt issuance cost | - | - | - | 20,552,232 | - | - | - | 20,552,232 | 21,260,902 |
| Postretirement healthcare costs - long term | - | - | - | - | 24,498,935 | - | - | 24,498,935 | 24,560,963 |
| Excess of pension benefit obligation over plan assets - long term | - | - | - | - | 13,656,244 | - | - | 13,656,244 | 14,815,873 |
| Total liabilities | 30,888,600 | 7,711,923 | 35,110 | 23,032,206 | 38,846,929 | - | - | 100,514,768 | 102,210,468 |
| NET ASSETS (DEFICIT) | | | | | | | | | |
| Without donor restrictions | | | | | | | | | |
| Designated | - | 3,000,000 | 4,072,848 | - | - | - | - | 7,072,848 | 7,047,036 |
| Undesignated | 61,190,911 | (3,084,683) | 12,812,392 | 15,349,335 | (38,846,929) | - | - | 47,421,026 | 36,352,668 |
| Total | 61,190,911 | (84,683) | 16,885,240 | 15,349,335 | (38,846,929) | - | - | 54,493,874 | 43,399,704 |
| With donor restrictions | | | | | | | | | |
| Total net assets (deficit) | 61,190,911 | (84,683) | 16,885,240 | 15,349,335 | (38,846,929) | 11,832,062 | 405,108 | 66,731,044 | 55,357,769 |
| Total liabilities and net assets (deficit) | \$ 92,079,511 | \$ 7,627,240 | \$ 16,920,350 | \$ 38,381,541 | \$ - | \$ 11,832,062 | \$ 405,108 | \$ 167,245,812 | \$ 157,568,237 |

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

(WITH SUPPLEMENTAL FUND INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

| | General Fund | Militancy/Defense Fund | Solidarity Funds | Building Fund | Postretirement Benefits Fund | Committee on Political Education | Disaster Relief Fund | Eliminations | 2021 Total | 2020 Total |
|--|----------------------|------------------------|-----------------------|---------------------|------------------------------|----------------------------------|----------------------|---------------------|----------------------|---------------------|
| REVENUE | | | | | | | | | | |
| Per capita taxes (net of agency fee rebates of \$65,790 in 2021 and \$140,283 in 2020) | \$ 164,805,180 | \$ 6,824,916 | \$ 25,500,190 | \$ 980,492 | \$ - | \$ - | \$ - | \$ - | \$ 198,110,778 | \$ 198,022,247 |
| Members' liability insurance | - | 1,587,607 | - | - | - | - | - | - | 1,587,607 | 1,559,160 |
| Investment revenue (net of investment expenses of \$117,545 in 2021 and \$135,960 in 2020) | 385,928 | 446,527 | - | 404,711 | - | - | - | - | 1,237,166 | 1,859,831 |
| Net appreciation in fair value of investments | 1,982,199 | 1,175,620 | - | 3,040,550 | - | - | - | - | 6,198,369 | 928,549 |
| Appreciation (depreciation) in fair value of swap agreement | - | - | - | 863,650 | - | - | - | - | 863,650 | (1,519,201) |
| Program administration and royalties | 2,322,382 | - | - | - | - | - | - | - | 2,322,382 | 2,130,161 |
| Net rental income | - | - | - | 260,013 | - | - | - | - | 260,013 | 316,770 |
| State AFL-CIO collection rebate | 2,029,185 | - | - | - | - | - | - | - | 2,029,185 | 1,448,333 |
| Contributions | - | - | 14,321,331 | - | - | 8,507,777 | 77,988 | (14,321,331) | 8,585,765 | 7,848,476 |
| Other revenue | 929,396 | 2,431,986 | - | 5,986 | - | - | - | (2,400,000) | 967,368 | 883,175 |
| Total revenue | <u>172,454,270</u> | <u>12,466,656</u> | <u>39,821,521</u> | <u>5,555,402</u> | <u>-</u> | <u>8,507,777</u> | <u>77,988</u> | <u>(16,721,331)</u> | <u>222,162,283</u> | <u>213,477,501</u> |
| EXPENSES | | | | | | | | | | |
| Program services | | | | | | | | | | |
| National Officers/Governance | 25,540,999 | - | - | - | - | - | - | - | 25,540,999 | 24,794,218 |
| Mobilization and organizing | 41,325,133 | - | - | - | - | - | - | - | 41,325,133 | 42,946,484 |
| Political, legislation and advocacy | 15,377,582 | - | 46,160,121 | - | - | 8,180,364 | - | (14,321,331) | 55,396,736 | 39,679,386 |
| Constituency, community and professional issues | 20,132,584 | - | - | - | - | - | - | - | 20,132,584 | 20,765,423 |
| Strategic priorities and support | 39,158,632 | 11,600,999 | - | - | - | - | 126,296 | (2,400,000) | 48,485,927 | 53,269,097 |
| Total program services | <u>141,534,930</u> | <u>11,600,999</u> | <u>46,160,121</u> | <u>-</u> | <u>-</u> | <u>8,180,364</u> | <u>126,296</u> | <u>(16,721,331)</u> | <u>190,881,379</u> | <u>181,454,608</u> |
| Supporting services | | | | | | | | | | |
| General and administrative | 14,727,754 | - | - | 6,418,521 | (214,397) | - | - | - | 20,931,878 | 19,396,306 |
| Total supporting services | <u>14,727,754</u> | <u>-</u> | <u>-</u> | <u>6,418,521</u> | <u>(214,397)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,931,878</u> | <u>19,396,306</u> |
| Total expenses | <u>156,262,684</u> | <u>11,600,999</u> | <u>46,160,121</u> | <u>6,418,521</u> | <u>(214,397)</u> | <u>8,180,364</u> | <u>126,296</u> | <u>(16,721,331)</u> | <u>211,813,257</u> | <u>200,850,914</u> |
| CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES | <u>16,191,586</u> | <u>865,657</u> | <u>(6,338,600)</u> | <u>(863,119)</u> | <u>214,397</u> | <u>327,413</u> | <u>(48,308)</u> | <u>-</u> | <u>10,349,026</u> | <u>12,626,587</u> |
| OTHER COMPONENTS OF DEFINED BENEFIT | | | | | | | | | | |
| NET PERIODIC BENEFIT COSTS | | | | | | | | | | |
| Pension benefits | - | - | - | - | (390,640) | - | - | - | (390,640) | (446,807) |
| Postretirement health care benefits | - | - | - | - | (261,110) | - | - | - | (261,110) | (191,246) |
| DEFINED BENEFIT RELATED CHANGES OTHER THAN NET PERIODIC BENEFIT COSTS | | | | | | | | | | |
| Pension benefits | - | - | - | - | 643,308 | - | - | - | 643,308 | (865,560) |
| Postretirement health care benefits | - | - | - | - | 1,032,691 | - | - | - | 1,032,691 | (3,161,871) |
| CHANGE IN NET ASSETS | <u>\$ 16,191,586</u> | <u>\$ 865,657</u> | <u>\$ (6,338,600)</u> | <u>\$ (863,119)</u> | <u>\$ 1,238,646</u> | <u>\$ 327,413</u> | <u>\$ (48,308)</u> | <u>\$ -</u> | <u>\$ 11,373,275</u> | <u>\$ 7,961,103</u> |

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

| | Program Services | | | | | Support Services | | Total |
|---|-----------------------------------|--------------------------------|--|---|-------------------------------------|-------------------------------|-----------------------|-------|
| | National Officers / Governance | Mobilization and Organizing | Political, Legislation and Advocacy | Constituency, Community and Professional Issues | Strategic Priorities and Support | General and Administrative | | |
| Salaries, benefits and payroll tax | \$ 4,958,806 | \$ 11,349,206 | \$ 4,805,082 | \$ 13,466,020 | \$ 16,674,485 | \$ 11,478,499 | \$ 62,732,098 | |
| Professional fees | 937,391 | 390,931 | 14,945,846 | 1,494,453 | 14,240,773 | 1,670,696 | 33,680,090 | |
| Travel, meetings, conferences and convention | 369,283 | 336,229 | 3,075 | 665,036 | 90,860 | 190,678 | 1,655,161 | |
| Assistance and state rebates | 3,973,612 | 27,576,096 | - | - | 1,443,270 | 752,067 | 33,745,045 | |
| Contributions and donations | 2,138,880 | - | 34,938,430 | 1,806,554 | 3,197,537 | - | 42,081,401 | |
| Marketing and promotion | 942,041 | 141,417 | - | 80,910 | 4,018,913 | 436,162 | 5,619,443 | |
| Publications | - | - | - | - | 1,747,029 | - | 1,747,029 | |
| Affiliation fees | 10,677,712 | - | - | - | - | 9,180 | 10,686,892 | |
| Subscriptions and memberships | 537,186 | 10,667 | 366 | 26,946 | 641,094 | 26,719 | 1,242,978 | |
| Office supplies and expenses | 121,719 | 28,168 | 161,799 | 2,184 | 1,167,774 | 741,711 | 2,223,355 | |
| Printing and postage | 27,308 | 45,272 | 236 | 21,293 | 520,280 | 262,607 | 876,996 | |
| Information technology | 1,172 | 3,321 | - | 792,836 | 25,826 | 360,532 | 1,183,687 | |
| Software and equipment rental | 173,095 | 12,725 | 119 | 253,027 | 419,008 | 1,241,602 | 2,099,576 | |
| Capitol Place I operating expenses | 322,201 | 737,420 | 312,212 | 874,960 | 1,083,432 | 745,820 | 4,076,045 | |
| Interest | - | - | - | - | - | 869,736 | 869,736 | |
| Occupancy | 35,380 | 166,164 | - | - | - | - | 201,544 | |
| Insurance | - | - | - | - | 2,302,674 | 629,359 | 2,932,033 | |
| Depreciation | 228,412 | 522,765 | 221,331 | 620,269 | 768,057 | 528,720 | 2,889,554 | |
| Loss on disposal of property and equipment | - | 1,318 | - | - | - | 44,659 | 45,977 | |
| Other | 96,801 | 3,434 | 8,240 | 28,096 | 144,915 | 943,131 | 1,224,617 | |
| Total operating expenses | <u>25,540,999</u> | <u>41,325,133</u> | <u>55,396,736</u> | <u>20,132,584</u> | <u>48,485,927</u> | <u>20,931,878</u> | <u>211,813,257</u> | |
| Other components of postretirement net periodic benefit cost | <u>51,519</u> | <u>117,912</u> | <u>49,922</u> | <u>139,904</u> | <u>173,238</u> | <u>119,255</u> | <u>651,750</u> | |
| Total expenses | <u>\$ 25,592,518</u> | <u>\$ 41,443,045</u> | <u>\$ 55,446,658</u> | <u>\$ 20,272,488</u> | <u>\$ 48,659,165</u> | <u>\$ 21,051,133</u> | <u>\$ 212,465,007</u> | |

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

| | Program Services | | | | | Support Services | | Total |
|---|-----------------------------------|--------------------------------|--|---|-------------------------------------|-------------------------------|-----------------------|-------|
| | National Officers / Governance | Mobilization and Organizing | Political, Legislation and Advocacy | Constituency, Community and Professional Issues | Strategic Priorities and Support | General and Administrative | | |
| Salaries, benefits and payroll tax | \$ 4,562,657 | \$ 11,736,887 | \$ 3,984,698 | \$ 12,273,986 | \$ 14,940,489 | \$ 11,615,956 | \$ 59,114,673 | |
| Professional fees | 1,609,308 | 269,569 | 11,025,972 | 634,591 | 17,923,191 | 1,370,668 | 32,833,299 | |
| Travel, meetings, conferences and convention | 1,290,447 | 3,829,291 | 496,440 | 3,928,941 | 1,203,374 | 81,742 | 10,830,235 | |
| Assistance and state rebates | 3,841,028 | 25,447,410 | - | - | 1,709,559 | 683,744 | 31,681,741 | |
| Contributions and donations | 1,228,911 | 100 | 23,508,345 | 1,754,925 | 2,713,128 | 350 | 29,205,759 | |
| Marketing and promotion | 36,097 | 6,174 | 4,800 | 47,838 | 4,136,563 | 175,332 | 4,406,804 | |
| Member assistance - COVID-19 | - | - | - | - | 3,089,795 | - | 3,089,795 | |
| Publications | - | - | - | - | 1,333,492 | - | 1,333,492 | |
| Affiliation fees | 10,764,096 | - | - | - | - | 9,180 | 10,773,276 | |
| Subscriptions and memberships | 408,984 | 12,229 | 77,667 | 19,545 | 793,969 | 36,275 | 1,348,669 | |
| Office supplies and expenses | 262,668 | 81,141 | 61,349 | 98,588 | 142,039 | 691,329 | 1,337,114 | |
| Printing and postage | 137,814 | 71,817 | 11,883 | 52,655 | 402,763 | 73,984 | 750,916 | |
| Information technology | 422 | 1,994 | 28 | 491,560 | 28,429 | 188,581 | 711,014 | |
| Software and equipment rental | 7,995 | 12,484 | 334 | 125,461 | 386,790 | 1,356,367 | 1,889,431 | |
| Capitol Place I operating expenses | 284,163 | 730,975 | 248,167 | 764,425 | 930,495 | 723,443 | 3,681,668 | |
| Interest | - | - | - | - | - | 898,827 | 898,827 | |
| Occupancy | 64,806 | 187,608 | - | 177 | 563 | - | 253,154 | |
| Insurance | - | - | - | - | 2,714,067 | 467,054 | 3,181,121 | |
| Depreciation | 192,895 | 496,198 | 168,460 | 518,905 | 631,636 | 491,085 | 2,499,179 | |
| Loss on disposal of property and equipment | - | 71 | - | - | - | 4,535 | 4,606 | |
| Other | 101,927 | 62,536 | 91,243 | 53,826 | 188,755 | 527,854 | 1,026,141 | |
| Total operating expenses | <u>24,794,218</u> | <u>42,946,484</u> | <u>39,679,386</u> | <u>20,765,423</u> | <u>53,269,097</u> | <u>19,396,306</u> | <u>200,850,914</u> | |
| Other components of postretirement net periodic benefit cost | <u>49,247</u> | <u>126,682</u> | <u>43,009</u> | <u>132,479</u> | <u>161,260</u> | <u>125,376</u> | <u>638,053</u> | |
| Total expenses | <u>\$ 24,843,465</u> | <u>\$ 43,073,166</u> | <u>\$ 39,722,395</u> | <u>\$ 20,897,902</u> | <u>\$ 53,430,357</u> | <u>\$ 19,521,682</u> | <u>\$ 201,488,967</u> | |

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENTS OF CHANGES IN FUND BALANCES

YEARS ENDED JUNE 30, 2021 AND 2020
(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 | Disaster Relief Fund | Total |
|---|----------------------|--------------------------------------|--|----------------------------------|---------------------------------------|--------------------------------|----------------------|------------------------------|----------------------------------|----------------------|----------------------|
| NET ASSETS, JULY 1, 2019 | | | | | | | | | | | |
| Without donor restrictions | \$ 35,917,940 | \$ 3,000,000 | \$ (4,522,741) | \$ 6,157,493 | \$ 17,535,996 | \$ 884,335 | \$ 16,814,268 | \$ (36,053,682) | \$ - | \$ - | \$ 39,733,609 |
| With donor restrictions | - | - | - | - | - | - | - | - | 7,347,104 | 315,953 | 7,663,057 |
| Total net assets | <u>35,917,940</u> | <u>3,000,000</u> | <u>(4,522,741)</u> | <u>6,157,493</u> | <u>17,535,996</u> | <u>884,335</u> | <u>16,814,268</u> | <u>(36,053,682)</u> | <u>7,347,104</u> | <u>315,953</u> | <u>47,396,666</u> |
| CHANGE IN NET ASSETS, YEAR ENDED JUNE 30, 2020 | <u>20,081,385</u> | <u>6,731,117</u> | <u>(12,158,716)</u> | <u>(2,163,258)</u> | <u>1,640,808</u> | <u>(831,534)</u> | <u>(5,601,814)</u> | <u>(4,031,893)</u> | <u>4,157,545</u> | <u>137,463</u> | <u>7,961,103</u> |
| DISTRIBUTION FROM (TO) PARTNER | (5,000,000) | - | - | - | - | - | 5,000,000 | - | - | - | - |
| CONTRIBUTION FROM (TO) MILITANCY AND DEFENSE FUND | (6,000,000) | - | 6,000,000 | - | - | - | - | - | - | - | - |
| BOARD APPROVED TRANSFER OF DESIGNATED FUNDS | - | (6,731,117) | 6,731,117 | - | - | - | - | - | - | - | - |
| | <u>(11,000,000)</u> | <u>(6,731,117)</u> | <u>12,731,117</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET ASSETS, JUNE 30, 2020 | | | | | | | | | | | |
| Without donor restrictions | 44,999,325 | 3,000,000 | (3,950,340) | 3,994,235 | 19,176,804 | 52,801 | 16,212,454 | (40,085,575) | - | - | 43,399,704 |
| With donor restrictions | - | - | - | - | - | - | - | - | 11,504,649 | 453,416 | 11,958,065 |
| Total net assets | <u>44,999,325</u> | <u>3,000,000</u> | <u>(3,950,340)</u> | <u>3,994,235</u> | <u>19,176,804</u> | <u>52,801</u> | <u>16,212,454</u> | <u>(40,085,575)</u> | <u>11,504,649</u> | <u>453,416</u> | <u>55,357,769</u> |
| CHANGE IN NET ASSETS, YEAR ENDED JUNE 30, 2021 | <u>16,191,586</u> | <u>3,149,961</u> | <u>(2,284,304)</u> | <u>75,914</u> | <u>(6,364,412)</u> | <u>(50,102)</u> | <u>(863,119)</u> | <u>1,238,646</u> | <u>327,413</u> | <u>(48,308)</u> | <u>11,373,275</u> |
| BOARD APPROVED TRANSFER OF DESIGNATED FUNDS | - | (3,149,961) | 3,149,961 | - | - | - | - | - | - | - | - |
| NET ASSETS, JUNE 30, 2021 | | | | | | | | | | | |
| Without donor restrictions | 61,190,911 | 3,000,000 | (3,084,683) | 4,070,149 | 12,812,392 | 2,699 | 15,349,335 | (38,846,929) | - | - | 54,493,874 |
| With donor restrictions | - | - | - | - | - | - | - | - | 11,832,062 | 405,108 | 12,237,170 |
| Total net assets | <u>\$ 61,190,911</u> | <u>\$ 3,000,000</u> | <u>\$ (3,084,683)</u> | <u>\$ 4,070,149</u> | <u>\$ 12,812,392</u> | <u>\$ 2,699</u> | <u>\$ 15,349,335</u> | <u>\$ (38,846,929)</u> | <u>\$ 11,832,062</u> | <u>\$ 405,108</u> | <u>\$ 66,731,044</u> |

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2021 AND 2020

(WITH SUPPLEMENTAL FUND INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

| | Net Assets Without Donor Restrictions | Net Assets with Donor Restrictions | | Total Net Assets With Donor Restrictions | Total Net Assets |
|---|---|--|----------------------------|--|---------------------|
| | | Committee on Political Education | Disaster Relief Fund | | |
| NET ASSETS, JULY 1, 2019 | \$ 39,733,609 | \$ 7,347,104 | \$ 315,953 | \$ 7,663,057 | \$ 47,396,666 |
| Revenues | 205,629,025 | 7,480,927 | 367,549 | 7,848,476 | 213,477,501 |
| Net assets released from restrictions | 3,553,468 | (3,323,382) | (230,086) | (3,553,468) | - |
| Expenses | (200,850,914) | - | - | - | (200,850,914) |
| Other changes in defined benefit plan obligations other than expense | (4,665,484) | - | - | - | (4,665,484) |
| NET ASSETS, JUNE 30, 2020 | 43,399,704 | 11,504,649 | 453,416 | 11,958,065 | 55,357,769 |
| Revenues | 213,576,518 | 8,507,777 | 77,988 | 8,585,765 | 222,162,283 |
| Net assets released from restrictions | 8,306,660 | (8,180,364) | (126,296) | (8,306,660) | - |
| Expenses | (211,813,257) | - | - | - | (211,813,257) |
| Other changes in defined benefit plan obligations other than expense | 1,024,249 | - | - | - | 1,024,249 |
| NET ASSETS, JUNE 30, 2021 | \$ 54,493,874 | \$ 11,832,062 | \$ 405,108 | \$ 12,237,170 | \$ 66,731,044 |

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

(WITH SUPPLEMENTAL FUND INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

| | General Fund | Militancy/ Defense Fund | Solidarity Fund | Building Fund | Postretirement Benefits Fund | Committee on Political Education | Disaster Relief Fund | 2021 Total | 2020 Total |
|--|------------------|-------------------------------|--------------------|------------------|------------------------------------|--|----------------------------|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | |
| Change in net assets | \$ 16,191,586 | \$ 865,657 | \$ (6,338,600) | \$ (863,119) | \$ 1,238,646 | \$ 327,413 | \$ (48,308) | \$ 11,373,275 | \$ 7,961,103 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | | | | | | | | |
| Depreciation and amortization | 1,416,814 | - | - | 1,472,740 | - | - | - | 2,889,554 | 2,499,179 |
| Amortization of debt issuance costs | - | - | - | 31,288 | - | - | - | 31,288 | 31,288 |
| Loss on disposal of property and equipment | 45,977 | - | - | - | - | - | - | 45,977 | 4,606 |
| Net (appreciation) depreciation in fair value of investments | (1,982,199) | (1,175,620) | - | (3,040,550) | - | - | - | (6,198,369) | (928,549) |
| (Appreciation) depreciation in fair value of swap agreement | - | - | - | (863,650) | - | - | - | (863,650) | 1,519,201 |
| Decrease (increase) in assets | | | | | | | | | |
| Due from (to) other funds | (7,169,230) | (21,337) | 6,671,059 | 519,508 | - | - | - | - | - |
| Distribution receivable/payable | (4,000,000) | - | - | 4,000,000 | - | - | - | - | - |
| Per capita taxes receivable | (1,864,340) | - | - | - | - | - | - | (1,864,340) | 192,927 |
| Loans receivable | 600,786 | - | - | - | - | - | - | 600,786 | (2,354,476) |
| Other receivables | 377,099 | (25,060) | - | 88,896 | - | - | - | 440,935 | 632,501 |
| Prepaid expenses | (105,082) | (19,642) | - | (40,422) | - | - | - | (165,146) | 2,232,523 |
| Increase (decrease) in liabilities | | | | | | | | | |
| Accounts payable | 3,179,543 | (159,474) | (392,807) | (179,360) | - | (22,415) | 190 | 2,425,677 | 2,364,589 |
| Accrued vacation and severance pay | 751,436 | - | - | - | - | - | - | 751,436 | 1,224,206 |
| Accrued expenses and other liabilities | (990,891) | - | - | - | - | - | - | (990,891) | 1,152,695 |
| Advance per capita taxes | (183,870) | - | - | - | - | - | - | (183,870) | 285,420 |
| Accrued postretirement health care costs | - | - | - | - | (79,017) | - | - | (79,017) | 3,637,944 |
| Accrued pension liability | - | - | - | - | (1,159,629) | - | - | (1,159,629) | 393,949 |
| Bank overdraft | - | - | 35,110 | - | - | - | - | 35,110 | - |
| Deferred revenue | (173,222) | - | - | - | - | - | - | (173,222) | (111,370) |
| Net cash provided by (used in) operating activities | <u>6,094,407</u> | <u>(535,476)</u> | <u>(25,238)</u> | <u>1,125,331</u> | <u>-</u> | <u>304,998</u> | <u>(48,118)</u> | <u>6,915,904</u> | <u>20,737,736</u> |

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020
(WITH SUPPLEMENTAL FUND INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

| | General Fund | Militancy/ Defense Fund | Solidarity Fund | Building Fund | Postretirement Benefits Fund | Committee on Political Education | Disaster Relief Fund | 2021 Total | 2020 Total |
|---|----------------------|-------------------------------|--------------------|---------------------|------------------------------------|--|----------------------------|----------------------|----------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | |
| Purchases of property and equipment | \$ (785,221) | \$ - | \$ - | \$ (665,947) | \$ - | \$ - | \$ - | \$ (1,451,168) | \$ (3,747,562) |
| Proceeds from the sale of property and equipment | - | - | - | - | - | - | - | - | 12,000 |
| Purchases of investments | (3,107,903) | (2,192,021) | - | (2,123,763) | - | - | - | (7,423,687) | (13,403,847) |
| Proceeds from the sale of investments | 5,020,212 | 8,049,566 | - | 8,160,659 | - | - | - | 21,230,437 | 15,560,845 |
| Net cash provided by (used in) investing activities | <u>1,127,088</u> | <u>5,857,545</u> | <u>-</u> | <u>5,370,949</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,355,582</u> | <u>(1,578,564)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | |
| Advances on line of credit | 206,032 | - | - | - | - | - | - | 206,032 | 4,171,275 |
| Repayments of line of credit | (982,607) | - | - | - | - | - | - | (982,607) | (3,394,700) |
| Principal payments on mortgage note payable | - | - | - | (712,107) | - | - | - | (712,107) | (683,016) |
| Net cash (used in) provided by financing activities | <u>(776,575)</u> | <u>-</u> | <u>-</u> | <u>(712,107)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,488,682)</u> | <u>93,559</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 6,444,920 | 5,322,069 | (25,238) | 5,784,173 | - | 304,998 | (48,118) | 17,782,804 | 19,252,731 |
| CASH AND CASH EQUIVALENTS | | | | | | | | | |
| Beginning of year | <u>37,346,035</u> | <u>786,887</u> | <u>25,238</u> | <u>1,194,488</u> | <u>-</u> | <u>11,527,064</u> | <u>453,226</u> | <u>51,332,938</u> | <u>32,080,207</u> |
| End of year | <u>\$ 43,790,955</u> | <u>\$ 6,108,956</u> | <u>\$ -</u> | <u>\$ 6,978,661</u> | <u>\$ -</u> | <u>\$11,832,062</u> | <u>\$ 405,108</u> | <u>\$ 69,115,742</u> | <u>\$ 51,332,938</u> |

SUPPLEMENTAL DISCLOSURE

AFT paid \$840,256 and \$868,672 in interest during 2021 and 2020, respectively.

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

The assets, liabilities and net assets of the Federation are reported in seven self-balancing, 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 reserve 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
Undesignated - 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.
- Designated - 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.

Consolidated Financial Statement Presentation - Consolidated financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Federation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets without donor restrictions - These net assets are available to finance the general operations of the Federation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Federation, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Federation is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual. The net assets of the Disaster Relief Fund and the Committee on Political Education are considered net assets with donor restriction and have been restricted for purpose.

Cash and Cash Equivalents - For the purposes of the consolidated statements of cash flows, the Federation considers all cash on hand, held in bank demand deposit accounts and money market and highly liquid monetary instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Accounts Receivable - Accounts receivable consists of amounts due from locals and others for which the Federation has an unconditional right to receive payment. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Due to the large number of locals and their dispersion across different geographic areas, there are no significant economic factors that might impact the nature, timing and uncertainty of cash collections. Management provides for probable uncollectable amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts. There is no allowance for doubtful accounts as of June 30, 2021 and 2020.

Investments - Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are reported on a trade-date-basis. Interest income is reported on the accrual basis. Dividends are reported on the ex-dividend date. Net appreciation (depreciation) includes the Federation's gains and losses on investments bought and sold, as well as held during the year.

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 |

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and the AFL-CIO on a monthly basis.

The monthly per capita tax is \$19.58 per member for the years ended June 30, 2021 and 2020. Of the monthly per capita tax, within the general fund, \$1.20 has been designated to engage members and provide services to assist locals in crisis for the years ended June 30, 2021 and 2020. All monies had been spent from this designation at June 30, 2021 and 2020. Further, the monthly per capita tax allocated to the Solidarity Fund was \$2.60 for the years ended June 30, 2021 and 2020. Of the amount allocated to the Solidarity Fund, the portion of this amount designated for state affiliates with similar funds was \$0.99 for the years ended June 30, 2021 and 2020. Additionally, \$.70 has been allocated to the Militancy/Defense Fund and \$0.10 has been allocated to the Building Fund for the years ended June 30, 2021 and 2020.

The Federation has allocated \$0.10 to the Albert Shanker Institute, a separate unconsolidated entity for the years ended June 30, 2021 and 2020, which is reported as a contribution from the Federation, and \$0.05 to the AFT Innovation Fund, a restricted fund within the AFT Educational Foundation, a separate, unconsolidated entity. These have also been reported as contributions from the Federation for the years ended June 30, 2021 and 2020. 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.

Rental Income, Net - Net rental income represents the rental income of Capitol Place I Associates. Net rental income is recognized on a straight-line basis over the term of the respective leases, shown net of concessions.

Revenue Recognition - Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised goods or services is transferred to our members and customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Except for goods and services provided in connection with per capita taxes and State AFL-CIO collections, which are transferred over the period of membership, members' liability insurance premiums, which are recognized over the coverage period, and royalties, which are recognized ratably over the period of the license agreement, all goods and services are transferred at a point in time.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Payments are generally required in advance and are reported as deferred revenue until the related revenue is recognized. Unconditional contributions are recognized upon receipt of cash or other assets, or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

Per capita taxes and State AFL-CIO collections - Per capita taxes and State AFL-CIO collections entitle members to a bundle of goods and services that are considered a single performance obligation provided ratably over the membership period.

Members' liability insurance premiums - The premiums entitle participating affiliates to occupational liability insurance coverage. Premiums are used to pay for a liability insurance policy. A reserve has been established which is to be used for the payment of benefits in excess of the policy. There are no distinct performance obligations, and these are considered a bundled group of performance obligations that are delivered to participating affiliates throughout the coverage period.

Program administration and royalties - The Federation has licensed the use of its name, logo and certain other intangible assets to third parties wishing to market products and services to our members and customers, in exchange for a royalty payment. Royalty revenue is generally recognized based on underlying sales made by the licensee.

Conference and meeting registration income - Conference and meeting registration income is recognized when the related events are held. Conference and meeting registration income is included in other revenue in the consolidated statements of activities.

Publication revenue - Publication revenue is recognized as periodical issues are published and distributed.

Estimates - The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Functional Allocation of Expenses - The costs of providing various programs and supporting activities of the Federation have been summarized on a functional basis in the consolidated statements of activities and of functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among program and supporting services benefited based on management's best estimates.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The expenses of the Federation are in the following functional programs:

- **National Officers/Governance:** This program area represents the offices of the president, secretary-treasurer, and executive vice president and their work to lead the Federation in all areas including policy, program, administration, member benefits and staff. Specific directives set forth by the Federation constitution and by-laws fall within Federation's governance programs including executive council meetings, convention, formula assistance and rebates, as well as Federation's affiliation with the AFL-CIO.
- **Mobilization and Organizing:** This program area focuses on organizing new affiliates, recruiting new members, engaging and mobilizing current members including retirees, and securing effective collective bargaining agreements. This area also manages discretionary assistance programs to organizing projects and Federation affiliates.
- **Political, Legislative, and Advocacy:** This program area coordinates the political activity of the Federation at the local, state, and national levels by raising awareness and activism around key policies and legislation in support of candidates and elected officials who address issues of concern to Federation members. The Federation's political action committee and electoral campaign program is also represented within this service area.
- **Constituency, Community and Professional Issues:** This program area supports all constituency groups including PreK - 12 public teachers; paraprofessionals and school-related personnel; higher education; nurses and health professionals; and public employees to enrich the lives of Federation members and their communities both domestically and abroad through innovation, research, professional development, and capacity building.
- **Strategic Priorities and Support:** This program area accounts for the strategic activities necessary to both advance the mission of the Federation and its members, and help affiliates navigate through crises. The Funding Our Priorities program is reflected within this classification along with the support Federation officers and affiliate leaders receive from communications; legal and defense support; membership, data and analytics; research and strategic initiatives; and the union leadership institute. The occupational liability and union officials' insurance programs are also represented within this service area.
- **General and Administrative:** This support area represents the day-to-day operations of the Federation including administration and infrastructure; finance; human resources; and meetings and travel.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Adopted - During the year ended June 30, 2021, the Federation adopted the provisions of Accounting Standards Update 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (the Update). The Update requires that only the service cost component of net periodic pension and postretirement benefit plan costs be reported with other compensation costs in the consolidated statements of activities. The other components of net periodic benefit cost (interest cost, amortization of net gain, amortization of prior service cost) are to be reported elsewhere in the consolidated statements of activities. The effects of this change have been applied retrospectively. Accordingly, certain amounts previously reported for the year ended June 30, 2020 have been reclassified to conform with the June 30, 2021 presentation.

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 (IRC). 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 IRC. 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 IRC. 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 IRC. For state tax purposes, the District of Columbia imposes unincorporated business income taxes on any net income of the partnership.

The Federation accounts for income taxes in accordance with 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, 2021 and 2020, and determined that there were no matters that would require recognition or disclosure in the consolidated financial statements.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Federation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Federation invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

Financial assets available for general expenditures within one year of June 30, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| Total assets at end of year | \$ 167,245,812 | \$ 157,568,237 |
| Less nonfinancial assets | | |
| Prepaid expenses | (1,475,531) | (1,310,385) |
| Net property and equipment | <u>(15,832,820)</u> | <u>(17,317,183)</u> |
| Total financial assets at end of year | 149,937,461 | 138,940,669 |
| Less amounts not available to meet general expenditures coming due within one year | | |
| Receivables due in more than one year | (4,615,858) | (5,216,644) |
| ULLICO common stock | (237,671) | (237,671) |
| Amounts subject to donor-imposed restrictions | <u>(12,237,170)</u> | <u>(11,958,065)</u> |
| Total financial assets available for general expenditures coming due in the next year | <u>\$ 132,846,762</u> | <u>\$ 121,528,289</u> |

The Federation also has the ability to draw upon an available line of credit in the amount of \$10,000,000.

NOTE 5. 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 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments by fund at June 30, 2021 and 2020 consisted of:

| | 2021 | | 2020 | |
|------------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| General Fund | \$ 14,284,276 | \$ 16,471,221 | \$ 15,530,844 | \$ 16,401,331 |
| Militancy/Defense Fund | 11,053,707 | 12,269,863 | 16,270,139 | 16,951,788 |
| Building Fund | 9,658,284 | 12,156,607 | 14,155,397 | 15,152,953 |
| | <u>\$ 34,996,267</u> | <u>\$ 40,897,691</u> | <u>\$ 45,956,380</u> | <u>\$ 48,506,072</u> |

Investments at June 30, 2021 and 2020 are comprised of the following:

| | 2021 | | 2020 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Common stocks and mutual funds | \$ 13,176,796 | \$ 18,332,371 | \$ 15,806,863 | \$ 18,267,861 |
| Preferred stocks | 4,555,688 | 4,830,272 | 6,207,050 | 5,985,171 |
| Exchange traded and closed end funds | 1,112,087 | 708,344 | 1,083,489 | 505,637 |
| Corporate bonds and asset backed securities | 13,738,527 | 14,492,097 | 19,603,135 | 20,303,383 |
| U.S. Government and agency obligations | 2,213,169 | 2,334,607 | 2,650,337 | 2,838,240 |
| Municipal bonds | - | - | 405,506 | 405,780 |
| Foreign bond | 200,000 | 200,000 | 200,000 | 200,000 |
| | <u>\$ 34,996,267</u> | <u>\$ 40,897,691</u> | <u>\$ 45,956,380</u> | <u>\$ 48,506,072</u> |

Realized net gain (loss) on investments for the years ended June 30, 2021 and 2020 totaled \$2,846,637 and \$(106,808), respectively.

Accounting standards provide the framework for measuring fair value which 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 (Level 1) and the lowest priority to unobservable inputs (Level 3). The Federation uses the three levels of the fair value hierarchy 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 other significant observable inputs including:

- 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

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

- 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 relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Federation's assets and liabilities at fair value as of June 30, 2021:

| Description | 06/30/21 Total | Quoted Market Price for Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|-----------------------|---|--|--|
| ASSETS | | | | |
| Common stock and mutual funds | | | | |
| Common stock | \$ 14,277,557 | \$ 14,277,557 | \$ - | \$ - |
| Mutual funds | 3,016,246 | 3,016,246 | - | - |
| Privately held stock | 1,038,568 | - | - | 1,038,568 |
| Preferred stock | 4,830,272 | 4,830,272 | - | - |
| Exchange traded and closed end funds | 708,344 | 708,344 | - | - |
| Corporate bonds and asset backed securities | | | | |
| Corporate bonds - domestic | 13,224,719 | - | 13,224,719 | - |
| Corporate bonds - foreign | 97,144 | - | 97,144 | - |
| Fixed rate securities | 1,138,710 | - | 1,138,710 | - |
| Mortgage backed securities | 31,524 | - | 31,524 | - |
| U.S. Government agency securities | | | | |
| U.S. Treasury obligations | 543,934 | 543,934 | - | - |
| U.S. Government agency obligations | 1,790,673 | - | 1,790,673 | - |
| Foreign bond - State of Israel | 200,000 | - | - | 200,000 |
| | <u>\$ 40,897,691</u> | <u>\$ 23,376,353</u> | <u>\$ 16,282,770</u> | <u>\$ 1,238,568</u> |
| LIABILITIES | | | | |
| Interest rate swap | <u>\$ (1,309,834)</u> | <u>\$ -</u> | <u>\$ (1,309,834)</u> | <u>\$ -</u> |

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Federation's assets and liabilities at fair value as of June 30, 2020:

| Description | 06/30/20 Total | Quoted Market Price for Assets (level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|----------------------|---|--|--|
| ASSETS | | | | |
| Common stock and mutual funds | | | | |
| Common stock | \$ 13,013,457 | \$ 13,013,457 | \$ - | \$ - |
| Mutual funds | 4,231,539 | 4,231,539 | - | - |
| Privately held stock | 1,022,865 | - | - | 1,022,865 |
| Preferred stocks | 5,985,171 | 5,985,171 | - | - |
| Exchange traded and closed end funds | 505,637 | 505,637 | - | - |
| Corporate bonds and asset backed securities | | | | |
| Corporate bonds - domestic | 16,691,798 | - | 16,691,798 | - |
| Corporate bonds - foreign | 852,681 | - | 852,681 | - |
| Fixed rate securities | 2,711,780 | - | 2,711,780 | - |
| Mortgage backed securities | 47,124 | - | 47,124 | - |
| U.S. Government agency securities | | | | |
| U.S. Treasury obligations | 747,354 | 747,354 | - | - |
| U.S. Government agency obligations | 2,090,886 | - | 2,090,886 | - |
| Foreign bond - State of Israel | 200,000 | - | - | 200,000 |
| Municipal bonds | 405,780 | - | 405,780 | - |
| | <u>\$ 48,506,072</u> | <u>\$ 24,483,158</u> | <u>\$ 22,800,049</u> | <u>\$ 1,222,865</u> |
| LIABILITIES | | | | |
| Interest rate swap | \$ (2,173,484) | \$ - | \$ - | \$ (2,173,484) |

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

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

Corporate bonds and asset backed securities, U.S. Government and 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.

Foreign bonds: Estimated at cost due to their limited salability.

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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

The following tables set forth the summary of changes in the fair value of the Federation's Level 3 assets for the years ended June 30, 2021 and 2020.

| <u>Changes in Level 3 Category</u> | <u>Corporate Stocks</u> | <u>Foreign Bonds</u> |
|--|-----------------------------|--------------------------|
| Beginning balance - 7/1/2020 | \$ 1,022,865 | \$ 200,000 |
| Unrealized gains | 15,703 | - |
| Ending balance - 6/30/2021 | <u>\$ 1,038,568</u> | <u>\$ 200,000</u> |

| <u>Changes in Level 3 Category</u> | <u>Corporate Stocks</u> | <u>Foreign Bonds</u> |
|--|-----------------------------|--------------------------|
| Beginning balance - 7/1/2019 | \$ 865,603 | \$ 200,000 |
| Unrealized gains | 157,262 | - |
| Ending balance - 6/30/2020 | <u>\$ 1,022,865</u> | <u>\$ 200,000</u> |

During the year ended June 30, 2021, the Federation reassessed the methodology used to determine the fair value of the swap. It was determined the fair value of the swap agreement is estimated using Level 2 inputs. The fair value is based on Capitol Place I's floating interest rate on the mortgage note payable compared to the hedged fixed rate as reported by the lender. The swap agreement appreciated (depreciated) in value by \$863,650 and \$(1,519,201), respectively, during the years ended June 30, 2021 and 2020.

NOTE 7. 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. Terms of the loans call for monthly payments. As of June 30, 2021 and 2020, the Federation had total loans receivable, including interest, of \$6,219,097 and \$6,819,883, respectively. Of this amount, management has estimated an allowance of \$1,603,239 as of June 30, 2021 and 2020. This estimate is based on management's analysis of historical data.

NOTE 8. 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 IRC. 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

NOTE 8. RELATED PARTY TRANSACTIONS (CONTINUED)

Trust. In addition, the Federation provides facilities and administration assistance for which the Trust reimburses the Federation.

The Federation recognized \$16,413 and \$15,895 of reimbursements for services provided to the Trust for the years ended June 30, 2021 and 2020, respectively. The Federation also made contributions of

\$1,626,000 and \$1,400,000 to the Trust for the years ended June 30, 2021 and 2020, respectively, which is included in contributions and donations in the consolidated statements of functional expenses. These contributions were to pay insurance premiums for accidental death and dismemberment coverage for members and identity theft protection. As of June 30, 2021, and 2020, the amount owed to the Federation was \$16,258 and \$15,740, 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 IRC. AFTEF is principally financed by grant funds received and contributions from donors. 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, 2021 and 2020, the Federation was reimbursed \$388,251 and \$371,860, 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, 2021 and 2020, the Federation was owed \$18,363 and \$4,494, respectively, from the AFTEF. These amounts are included in other receivables in the statements of financial position. During the years ended June 30, 2021 and 2020, the Federation also made contributions to AFTEF of \$500,000 and \$600,000, respectively, which are included in contributions and donations in the consolidated statements of functional expenses. 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, 2021 and 2020 was \$616,451 and \$502,982, 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 IRC. 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, 2021 and 2020. 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, 2021 and 2020 was \$1,193,554 and \$986,856, respectively.

NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Land | \$ 5,084,148 | \$ 5,084,148 |
| Office building and improvements | 45,898,298 | 45,242,026 |
| Furniture and equipment | <u>22,033,826</u> | <u>21,292,784</u> |
| | 73,016,272 | 71,618,958 |
| Less: accumulated depreciation and amortization | <u>(57,183,452)</u> | <u>(54,301,775)</u> |
| | <u>\$ 15,832,820</u> | <u>\$ 17,317,183</u> |

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$2,889,554 and \$2,499,179, respectively.

NOTE 10. MORTGAGE NOTE PAYABLE, SWAP AGREEMENT AND GUARANTEE

In December 2015, Capitol 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 mortgage loan is payable over 10 years with a balloon payment of \$17,940,809 due in December 2025. Interest accrues at a per annum rate equal to LIBOR plus 1.60%. Capitol Place I Associates has entered into an interest rate hedge agreement with the lender to provide for a fixed rate hedge against increases in LIBOR effectively fixing Capitol Place I Associates interest rate exposure on its floating rate mortgage loan to 3.79%. LIBOR will remain in effect until June 2023, at which time it will be replaced by the Secured Overnight Financing Rate (SOFR).

The interest rate swap agreement matures at the time the mortgage loan matures. In the event of default by the counterparty, Capitol Place I Associates may be exposed to increased interest rates. Capitol Place I Associates does not anticipate default by the counterparty. In the event that Capitol 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, 2021 and 2020, the fair value of the liability under the interest rate swap agreement was \$1,309,834 and \$2,173,484, respectively.

The details of the mortgage note payable maturing December 10, 2025 are as follows:

| | |
|---|--------------|
| Fixed rate | 3.79% |
| Variable rate | LIBOR |
| Original note payable balance covered by agreement (notional amount) | \$25,000,000 |
| Notional amount outstanding at June 30, 2021 | \$21,430,381 |
| Debt issuance costs, less accumulated amortization | \$ 138,191 |
| Note payable, net | \$21,292,190 |

NOTE 10. MORTGAGE NOTE PAYABLE, SWAP AGREEMENT AND GUARANTEE (CONTINUED)

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.

Future minimum principal obligations under the agreement are due as follows:

| | | | |
|----------------------|-------|----|-------------------|
| Year Ending June 30, | 2022 | \$ | 739,958 |
| | 2023 | | 768,898 |
| | 2024 | | 796,908 |
| | 2025 | | 830,137 |
| | 2026 | | 18,294,480 |
| | Total | \$ | <u>21,430,381</u> |

NOTE 11. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following at June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Assistance payable to state and local federations | \$ 1,448,736 | \$ 1,801,382 |
| State federation per capita taxes payable | 2,160,694 | 3,233,015 |
| Affiliation fees payable | 1,124,201 | 855,485 |
| Estimated self-insurance health claims incurred but not reported | 365,900 | 357,387 |
| AFL-CIO collections payable | 712,396 | 688,013 |
| Accrued salaries | 237,291 | 237,504 |
| Other accrued expenses | 399,896 | 267,219 |
| | <u>\$ 6,449,114</u> | <u>\$ 7,440,005</u> |

NOTE 12. CONTRACT BALANCES

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities associated with revenue from exchange transactions. All of the Federation's contract assets are considered accounts receivable and are included within the per capita taxes and other receivables balances in the consolidated statements of financial position. The Federation's contract liabilities are included with deferred revenues in the consolidated statements of financial position.

NOTE 12. CONTRACT BALANCES (CONTINUED)

Balances in these accounts as of the beginning and end of the years ended June 30, 2021 and 2020 are as follows.

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-------------------------------------|----------------------|----------------------|----------------------|
| Assets | | | |
| Accounts receivable | | | |
| Per capita taxes | \$ 33,413,943 | \$ 31,549,603 | \$ 31,742,530 |
| Royalties | <u>363,988</u> | <u>400,000</u> | <u>389,327</u> |
| | <u>\$ 33,777,931</u> | <u>\$ 31,949,603</u> | <u>\$ 32,131,857</u> |
| Liabilities | | | |
| Deferred revenue | | | |
| Conference and meeting registration | \$ - | \$ 173,222 | \$ 279,852 |
| Advanced per capita taxes | <u>157,809</u> | <u>341,679</u> | <u>56,259</u> |
| | <u>\$ 157,809</u> | <u>\$ 514,901</u> | <u>\$ 336,111</u> |

NOTE 13. OTHER REVENUE

Other revenue consisted of the following for the years ended June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|-------------------|-------------------|
| Conference and meeting registration | \$ 256,621 | \$ 321,594 |
| Locals insurance reimbursements | 63,382 | 27,273 |
| Insurance reimbursement | - | 17,675 |
| Union Privilege benefits program | 188,905 | 182,946 |
| Miscellaneous income | <u>458,460</u> | <u>333,687</u> |
| | <u>\$ 967,368</u> | <u>\$ 883,175</u> |

NOTE 14. 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, 2021 and 2020, the Federation received affinity card royalties from the AFL-CIO which totaled \$350,942 and \$440,421, respectively. These amounts are included in program administration and royalties in the consolidated statements of activities.

NOTE 15. RETIREMENT PLANS

The Federation contributed between 21% and 22% of eligible employees' salaries to defined contribution retirement plans during the years ended June 30, 2021 and 2020. Total retirement plan expense was \$8,889,404 and \$8,729,305 for the years ended June 30, 2021 and 2020, 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.

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, 2021 and 2020 valuations.

The plan's obligations and funded status as of June 30, 2021 and 2020 is summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|------------------------|------------------------|
| Fair value of plan assets | \$ - | \$ - |
| Projected benefit obligation | <u>13,656,244</u> | <u>14,815,873</u> |
| Funded status of the plan | <u>\$ (13,656,244)</u> | <u>\$ (14,815,873)</u> |
| Accumulated benefit obligation | \$ (13,656,244) | \$ (14,815,873) |
| Benefit payments | \$ (906,961) | \$ (918,418) |
| Employer contributions | \$ 906,961 | \$ 918,418 |

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

| | <u>2021</u> | <u>2020</u> |
|-------------------------|-------------|-------------|
| Discount rate | 2.50% | 2.25% |
| Cost of living increase | 2.25% | 2.00% |

NOTE 15. RETIREMENT PLANS (CONTINUED)

Information on net periodic pension cost and other amounts recognized as of June 30, 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|--------------------------|
| Service cost recognized in salaries, benefits and payroll tax | <u>\$ -</u> | <u>\$ -</u> |
| Other components of net periodic benefit costs | | |
| Interest cost | 323,154 | 446,807 |
| Net loss amortization | <u>67,486</u> | <u>-</u> |
| | <u>390,640</u> | <u>446,807</u> |
| Total net periodic pension cost | <u><u>\$ 390,640</u></u> | <u><u>\$ 446,807</u></u> |
| | <u>2021</u> | <u>2020</u> |
| Items not yet recognized as a component of net periodic benefit cost | | |
| Unrecognized net (gain) loss | \$ (1,078,985) | \$ 865,560 |
| Unrecognized prior service cost | <u>435,677</u> | <u>-</u> |
| | <u><u>\$ (643,308)</u></u> | <u><u>\$ 865,560</u></u> |

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

| | <u>2021</u> | <u>2020</u> |
|---------------|-------------|-------------|
| Discount rate | 2.25% | 3.20% |

Amounts that have not yet been recognized as components of net periodic benefit cost that will be amortized over the next fiscal year are estimated as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------|-------------|-------------|
| Net prior service cost | \$ 87,135 | \$ 67,486 |

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, | 2022 | \$ 923,612 |
| | 2023 | 906,585 |
| | 2024 | 888,071 |
| | 2025 | 868,194 |
| | 2026 | 873,693 |
| | 2027-2031 | <u>4,168,034</u> |
| | Total | <u><u>\$ 8,628,189</u></u> |

NOTE 15. RETIREMENT PLANS (CONTINUED)

The plan is unfunded and benefits will be paid from the General Fund of the Federation. Total expected employer contributions for the year ending June 30, 2022 are \$923,000.

Changes in assumptions and methods since the last valuation:

- The discount rate was adjusted from 2.25% to 2.50%.
- The assumed cost of living adjustment was changed from 2.00% to 2.25%.
- The mortality improvement scale was changed from the SOA MP-2019 improvement scale to the SOA MP-2020 improvement scale.

NOTE 16. 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 age 70. Substantially all of the Federation's employees may become eligible for certain of these benefits if they retire while working for the Federation.

The plan's obligations and funded status as of June 30, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Fair value of plan assets | \$ - | \$ - |
| Projected benefit obligation | <u>25,190,685</u> | <u>25,269,701</u> |
| Funded status of the plan | <u>(25,190,685)</u> | <u>(25,269,701)</u> |
| Accumulated postretirement benefit obligation | \$ (25,190,685) | \$ (25,269,701) |
| Benefits paid | \$ (708,739) | \$ (690,231) |
| Employer contributions | \$ 708,739 | \$ 690,231 |

Postretirement benefit costs for the years ended June 30, 2021 and 2020 include the following components:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Service cost recognized in salaries, benefits and payroll tax | <u>\$ 1,401,303</u> | <u>\$ 975,058</u> |
| Other components of net periodic benefit cost | | |
| Interest cost | 685,172 | 745,032 |
| Loss | 583,471 | 453,747 |
| Prior service cost | (1,201,155) | (1,201,155) |
| Transition costs | <u>193,622</u> | <u>193,622</u> |
| | <u>261,110</u> | <u>191,246</u> |
| Total net periodic postretirement benefit costs | <u>\$ 1,662,413</u> | <u>\$ 1,166,304</u> |

NOTE 16. POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS (CONTINUED)

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|---------------------|
| Items not yet recognized as a component of net postretirement costs | | |
| Unrecognized net (gain) loss | \$ (2,040,224) | \$ 2,154,338 |
| Unrecognized net transition obligation | (193,622) | (193,622) |
| Unrecognized prior service cost | <u>1,201,155</u> | <u>1,201,155</u> |
| Total other postretirement adjustments | <u>\$ (1,032,691)</u> | <u>\$ 3,161,871</u> |

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

| | <u>2021</u> | <u>2020</u> |
|---------------|-------------|-------------|
| Discount rate | 2.75% | 2.75% |

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, | 2022 | \$ 691,750 |
| | 2023 | 731,439 |
| | 2024 | 763,093 |
| | 2025 | 831,028 |
| | 2026 | 859,730 |
| | 2027-2031 | <u>4,438,763</u> |
| | Total | <u>\$ 8,315,803</u> |

The plan is unfunded and benefits will be paid from the General Fund of the Federation. The amount expected to be required in contributions to the plan during the year ending June 30, 2022 is \$691,750.

Amounts that have not yet been recognized as components of net periodic benefit cost that will be amortized over the next fiscal year are estimated as follows:

| | <u>2021</u> | <u>2020</u> |
|---|--------------|-------------|
| Service cost | \$ 1,401,303 | \$ 975,058 |
| Other components of net periodic benefit cost | \$ 261,110 | \$ 191,246 |

NOTE 16. 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 years ended June 30, 2021 and 2020 were as follows:

| | Assumed rate as of | | |
|---------------------------|----------------------|----------------------|--------------|
| | <u>June 30, 2021</u> | <u>Decreasing to</u> | <u>As of</u> |
| Pre-65 Medical | 8.00% | 5.00% | 2027 |
| Pre-65 perscription drugs | 9.00% | 5.00% | 2029 |
| Dental | 5.75% | 3.00% | 2027 |
| Post-65 officer medial | 5.75% | 4.50% | 2026 |
| EDWP | 6.00% | 4.50% | 2027 |

| | Assumed rate as of | | |
|---------------------------|----------------------|----------------------|--------------|
| | <u>June 30, 2020</u> | <u>Decreasing to</u> | <u>As of</u> |
| Pre-65 Medical | 7.50% | 5.00% | 2025 |
| Pre-65 perscription drugs | 8.50% | 6.00% | 2027 |
| Dental | 5.25% | 3.00% | 2025 |
| Post-65 officer medial | 5.50% | 4.50% | 2024 |
| EDWP | 4.75% | 4.50% | 2025 |

Change in Accumulated Post-Retirement Benefit Obligation - The plan's accumulated post-retirement benefit obligation changed due to changes in assumptions related to per capita health care costs and assumed administrative fees. Mortality improvement scales were also updated.

NOTE 17. BORROWINGS AND CONTINGENT LIABILITIES

The Federation has a line of credit with a financial institution at June 30, 2021. It is 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%. Effective June 2023, LIBOR will be replaced by SOFR. 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 \$206,032 and \$4,171,275 during the years ended June 30, 2021 and 2020, respectively. The Federation had outstanding balances on the lines of credit of \$-0- and \$776,575 at June 30, 2021 and 2020, respectively.

At June 30, 2021, the Federation has guaranteed loans obtained by an affiliate not to exceed \$1,133,383.

NOTE 18. 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, | 2022 | \$ 115,029 |
| | 2023 | <u>38,435</u> |
| | Total | <u>\$ 153,464</u> |

Rental expense for office equipment leases totaled \$432,598 and \$336,655 for the years ended June 30, 2021 and 2020, respectively.

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 19. 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, 2021 is as follows:

| | | |
|----------------------|------------|-------------------|
| Year Ending June 30, | 2022 | \$ 215,206 |
| | 2023 | 155,752 |
| | 2024 | 158,647 |
| | 2025 | 161,597 |
| | 2026 | 75,230 |
| | Thereafter | <u>228,145</u> |
| | | <u>\$ 994,577</u> |

NOTE 20. 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, 2021 were approximately \$50.1 million. Additionally, the Federation had approximately \$16.6 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 21. SIGNIFICANT UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of the pandemic on the Federation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Federation's members, employees and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which the pandemic may impact the Federation's financial position, changes in net assets, and cash flows is uncertain, and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

NOTE 22. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 11, 2022, which is the date the financial statements were available to be issued and revealed no events requiring 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, 2021

| | 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 | \$ - | \$ 6,975,221 | \$ - | \$ 6,978,661 |
| Due (to) from other funds | 7,732,194 | (112,741) | - | - | 7,619,453 |
| Other receivables | - | - | 83,508 | - | 83,508 |
| Prepaid expenses | - | - | 98,007 | - | 98,007 |
| Total current assets | 7,735,634 | (112,741) | 7,156,736 | - | 14,779,629 |
| INVESTMENTS | - | - | 12,156,607 | - | 12,156,607 |
| PROPERTY AND EQUIPMENT | - | - | 8,974,466 | 2,470,839 | 11,445,305 |
| OTHER ASSETS | | | | | |
| Investment in Capitol Place I Associates Limited Partnership | 15,359,195 | (94,583) | - | (15,264,612) | - |
| Total assets | \$ 23,094,829 | \$ (207,324) | \$ 28,287,809 | \$ (12,793,773) | \$ 38,381,541 |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$ 3,399 | \$ - | \$ 426,783 | \$ - | \$ 430,182 |
| Current maturities of mortgage note | - | - | 739,958 | - | 739,958 |
| Total current liabilities | 3,399 | - | 1,166,741 | - | 1,170,140 |
| INTEREST RATE SWAP AGREEMENT | - | - | 1,309,834 | - | 1,309,834 |
| MORTGAGE NOTE PAYABLE, EXCLUDING CURRENT MATURITIES, NET OF UNAMORTIZED DEBT ISSUANCE | - | - | 20,552,232 | - | 20,552,232 |
| Total liabilities | 3,399 | - | 23,028,807 | - | 23,032,206 |
| NET ASSETS AND PARTNERS' EQUITY | 23,091,430 | (207,324) | 5,259,002 | (12,793,773) | 15,349,335 |
| Total liabilities and net assets | \$ 23,094,829 | \$ (207,324) | \$ 28,287,809 | \$ (12,793,773) | \$ 38,381,541 |

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATING SCHEDULE – BUILDING FUND SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

| | Building Fund | 555 New Jersey Avenue N.W., Inc. | Capitol Place I Associates Limited Partnership | Elimination Entries | Consolidated Building Fund |
|--|----------------------|---|---|------------------------|-------------------------------|
| REVENUE | | | | | |
| Per capita taxes | \$ 980,492 | \$ - | \$ - | \$ - | \$ 980,492 |
| Investment revenue, net of expenses of \$82,590 | - | - | 404,711 | - | 404,711 |
| Net appreciation in fair value of investments | - | - | 3,040,550 | - | 3,040,550 |
| Rental income, net | - | - | 260,013 | - | 260,013 |
| Appreciation in fair value of swap agreement | - | - | 863,650 | - | 863,650 |
| Equity in (loss) income of Capitol Place I Associates Limited Partnership - AFT | (1,559,075) | (15,748) | - | 1,574,823 | - |
| Other | - | - | 5,986 | - | 5,986 |
| Total revenue | <u>(578,583)</u> | <u>(15,748)</u> | <u>4,574,910</u> | <u>1,574,823</u> | <u>5,555,402</u> |
| EXPENSES | | | | | |
| General operations - depreciation and amortization | - | - | 1,203,952 | 268,788 | 1,472,740 |
| Operating expenses | - | - | 4,076,045 | - | 4,076,045 |
| Interest expense | - | - | 869,736 | - | 869,736 |
| Total expenses | <u>-</u> | <u>-</u> | <u>6,149,733</u> | <u>268,788</u> | <u>6,418,521</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | (578,583) | (15,748) | (1,574,823) | 1,306,035 | (863,119) |
| NET ASSETS AND PARTNERS' EQUITY, | | | | | |
| Beginning of year | 23,670,013 | (191,576) | 5,333,825 | (12,599,808) | 16,212,454 |
| Net partnership transactions affecting equity | - | - | 1,500,000 | (1,500,000) | - |
| Net assets and partners' equity, end of year | <u>\$ 23,091,430</u> | <u>\$ (207,324)</u> | <u>\$ 5,259,002</u> | <u>\$ (12,793,773)</u> | <u>\$ 15,349,335</u> |