AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

CALIBRE CPA GROUP
Bethesda, MD

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of the American Federation of Teachers, AFL-CIO and related controlled entities (the Federation), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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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, 2017 and 2016, 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 29 and 30 and the supplemental fund information on pages 3 through 7 are presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and funds. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Calibre CPA Group, PLLC

Bethesda, MD
February 13, 2018

American Federation of Teachers, AFL-CIO

Consolidated Statements of Financial Position

June 30, 2017 and 2016
(With Supplemental Fund Information at June 30, 2017)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	June 30, 2017 Total	June 30, 2016 Total
Assets								
Current assets								
Cash and cash equivalents	$ 12,750,324	$ 1,692,641	$ 13,685	$ 1,685,316	$ -	$ 4,225,976	$ 20,367,942	$ 31,944,745
Due from (to) other funds	(22,652,801)	(6,688,372)	19,774,687	9,566,486	-	-	-	-
Receivables						-		
Per capita taxes	30,736,565	-	-	-	-	-	30,736,565	19,243,303
Other	4,270,284	307,939	-	173,023	-	1,728	4,752,974	5,564,417
Prepaid expenses	322,912	89,837	-	67,121	-	-	479,870	1,969,896
Total current assets	25,427,284	(4,597,955)	19,788,372	11,491,946	-	4,227,704	56,337,351	58,722,361
Investments at fair value	7,753,964	13,827,295	-	17,178,513	-	-	38,759,772	40,866,034
Property and equipment	5,155,086	-	-	15,588,434	-	-	20,743,520	20,066,141
Other assets								
Loans receivable, net of allowances of $1,403,239 and $1,670,510 as of June 30, 2017 and 2016, respectively.	3,283,480	-	-	-	-	-	3,283,480	4,406,838
Deferred charges	-	-	-	26,389	-	-	26,389	49,009
Total assets	$ 41,619,814	$ 9,229,340	$ 19,788,372	$ 44,285,282	$ -	$ 4,227,704	$ 119,150,512	$ 124,110,383

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Financial Position (continued)

June 30, 2017 and 2016
(With Supplemental Fund Information at June 30, 2017)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	June 30, 2017 Total	June 30, 2016 Total
Liabilities and net assets								
Current liabilities								
Accounts payable	$ 7,514,151	$ 7,823,871	$ -	$ 385,921	$ -	$ 11,707	$ 15,735,650	$ 17,134,753
Current maturities of mortgage note payable	-	-	-	634,771	-	-	634,771	610,880
Accrued vacation and severance pay	11,511,367	-	-	-	-	-	11,511,367	11,221,158
Accrued expenses and other liabilities	6,713,087	-	-	-	-	-	6,713,087	7,993,214
Advance per capita taxes	347,275	-	-	-	-	-	347,275	308,354
Deferred revenue	176,840	-	-	5,001	-	-	181,841	198,425
Contributions payable	-	-	-	-	-	-	-	250,000
Estimated self-insurance reserve - members' liability insurance	-	1,000,000	-	-	-	-	1,000,000	1,000,000
Postretirement benefits - current portion	-	-	-	-	1,571,629	-	1,571,629	1,478,236
Total current liabilities	26,262,720	8,823,871	-	1,025,693	1,571,629	11,707	37,695,620	40,195,020
Interest rate swap	-	-	-	233,027	-	-	233,027	2,015,785
Mortgage note payable, excluding current maturities	-	-	-	23,221,758	-	-	23,221,758	23,825,240
Postretirement healthcare costs - long term	-	-	-	-	40,302,927	-	40,302,927	32,659,961
Accrued pension liability - long term	-	-	-	-	12,152,065	-	12,152,065	12,713,456
Total liabilities	26,262,720	8,823,871	-	24,480,478	54,026,621	11,707	113,605,397	111,409,462
Net asset								
Unrestricted net assets (deficit)								
Designated	-	3,000,000	5,926,856	-	-	-	8,926,856	13,159,663
Undesignated	15,357,094	(2,594,531)	13,861,516	19,804,804	(54,026,621)	-	(7,597,738)	(5,962,583)
Total unrestricted net assets (deficit)	15,357,094	405,469	19,788,372	19,804,804	(54,026,621)	-	1,329,118	7,197,080
Temporarily restricted net assets	-	-	-	-	-	4,215,997	4,215,997	5,503,841
Total net assets	15,357,094	405,469	19,788,372	19,804,804	(54,026,621)	4,215,997	5,545,115	12,700,921
Total liabilities and net assets	$ 41,619,814	$ 9,229,340	$ 19,788,372	$ 44,285,282	$ -	$ 4,227,704	$ 119,150,512	$ 124,110,383

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Activities

Years Ended June 30, 2017 and 2016
(With Supplemental Fund Information for the Year Ended June 30, 2017)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Eliminations	2017 Total	2016 Total
Revenue									
Per capita taxes (net of agency fee rebates of $1,484,659 in 2017 and $1,749,506 in 2016)	$ 161,466,667	$ 6,330,587	$ 22,814,192	$ 986,472	$ -	$ -	$ -	$ 191,597,918	$ 187,713,203
Members' liability insurance	-	1,519,109	-	-	-	-	-	1,519,109	1,926,294
Investment revenue (net of investment expenses of $115,714 in 2017 and $120,076 in 2016)	93,508	660,665	-	658,087	-	-	-	1,412,260	1,707,632
Net appreciation (depreciation) in fair value of investments	53,767	311,567	-	1,268,092	-	-	-	1,633,426	(915,848)
Appreciation in (depreciation) fair value of swap agreement	-	-	-	1,782,758	-	-	-	1,782,758	(1,855,509)
Publication revenue	10,127	-	-	-	-	-	-	10,127	380,830
Program administration and royalties	3,320,720	-	-	-	-	-	-	3,320,720	3,303,367
Reimbursements from related entities	488,636	-	-	-	-	-	-	488,636	528,077
Rental revenue on subleased office space	-	-	-	282,369	-	-	-	282,369	367,237
Net rental income	-	-	-	1,245,563	-	-	-	1,245,563	1,333,346
State AFL-CIO collection rebate	1,449,142	-	-	-	-	-	-	1,449,142	1,383,839
Contributions	-	-	16,776,122	-	-	6,799,387	(16,776,122)	6,799,387	6,343,326
Other revenue	1,519,548	16,774	-	40,850	-	-	-	1,577,172	3,771,975
Total revenue	168,402,115	8,838,702	39,590,314	6,264,191	-	6,799,387	(16,776,122)	213,118,587	205,987,769
Expenses	161,357,165	9,149,056	48,408,116	2,873,979	7,174,968	8,087,231	(16,776,122)	220,274,393	211,029,093
Excess (deficiency) of revenue over expenses	$ 7,044,950	$ (310,354)	$ (8,817,802)	$ 3,390,212	$ (7,174,968)	$ (1,287,844)	$ -	$ (7,155,806)	$ (5,041,324)

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Expenses

Years Ended June 30, 2017 and 2016
(With Supplemental Fund Information for the Year Ended June 30, 2017)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Eliminations	2017 Total	2016 Total
Expenses									
Communications	$ 11,273,430	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,273,430	$ 10,595,107
National Officers/Governance	9,320,062	-	-	-	-	-	-	9,320,062	10,737,913
Mobilization and organizing	37,236,226	-	-	-	-	-	-	37,236,226	37,153,997
Political	14,978,008	-	-	-	-	-	-	14,978,008	15,001,177
Professional issues	15,106,828	-	-	-	-	-	-	15,106,828	16,619,339
Strategic support	14,408,498	-	-	-	-	-	-	14,408,498	16,511,574
Funding Our Priorities	11,413,311	-	-	-	-	-	-	11,413,311	12,973,756
Legal fees	-	6,586,164	-	-	-	-	-	6,586,164	8,562,663
Occupational liability insurance	-	1,330,857	-	-	-	-	-	1,330,857	1,123,967
Other insurance	-	1,200,564	-	-	-	-	-	1,200,564	1,123,147
Capitol Place I operating expenses	-	-	-	3,649,434	-	-	-	3,649,434	3,603,810
Interest	53,407	-	-	939,676	-	-	-	993,083	790,046
State federations' solidarity funds	-	-	10,136,085	-	-	-	(1,729,006)	8,407,079	8,067,451
National solidarity fund	-	-	23,489,120	-	-	-	(15,047,116)	8,442,004	5,931,737
527 solidarity fund	-	-	14,782,911	-	-	-	-	14,782,911	3,876,584
Postretirement expenses	-	-	-	-	7,174,968	-	-	7,174,968	9,175,284
Committee on Political Education	-	-	-	-	-	8,087,231	-	8,087,231	4,864,400
Other	-	31,471	-	1,541,305	-	-	-	1,572,776	1,643,716
Total program expense	113,789,770	9,149,056	48,408,116	6,130,415	7,174,968	8,087,231	(16,776,122)	175,963,434	168,355,668
Administration	47,567,395	-	-	(3,256,436)	-	-	-	44,310,959	42,673,425
Total expenses	$ 161,357,165	$ 9,149,056	$ 48,408,116	$ 2,873,979	$ 7,174,968	$ 8,087,231	$ (16,776,122)	$ 220,274,393	$ 211,029,093

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Changes in Net Assets

Years Ended June 30, 2017 and 2016
(With Supplemental Fund Information for the Year Ended)

	General Fund	Militancy/ Defense Fund - Designated	Militancy/ Defense Fund - Undesignated	State Solidarity Fund Designated	National Solidarity Fund Undesignated	527 Solidarity Fund Designated	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Total
Net assets, July 1, 2015										
Unrestricted	$ (2,757,224)	$ 3,066,979	$ 111,868	$ 6,136,708	$ 18,443,949	$ 7,493	$ 26,383,926	$ (37,676,369)	$ (725,419)	$ 12,991,911
Temporarily restricted	-	-	-	-	-	-	-	-	4,750,334	4,750,334
Total net assets	(2,757,224)	3,066,979	111,868	6,136,708	18,443,949	7,493	26,383,926	(37,676,369)	4,024,915	17,742,245
Changes in net assets, year ended June 30, 2016	3,069,368	1,254,344	(3,717,368)	689,178	3,328,430	416	(1,969,334)	(9,175,284)	1,478,926	(5,041,324)
Distribution from (to) partner	7,000,000	-	-	-	-	-	(7,000,000)	-	-	-
Board approved transfer of designated funds	-	(1,254,344)	1,254,344	-	-	-	-	-	-	-
Net assets, June 30, 2016										
Unrestricted	7,312,144	3,066,979	(2,351,156)	6,825,886	21,772,379	7,909	17,414,592	(46,851,653)	-	7,197,080
Temporarily restricted	-	-	-	-	-	-	-	-	5,503,841	5,503,841
Total net assets	7,312,144	3,066,979	(2,351,156)	6,825,886	21,772,379	7,909	17,414,592	(46,851,653)	5,503,841	12,700,921
Change 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)	(7,155,806)
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	4,215,997
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	$ 5,545,115

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016
(WITH SUPPLEMENTAL FUND INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	Committee on Political Education	2017 Total	2016 Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in net assets	$ 7,044,950	$ (310,354)	$ (8,817,802)	$ 3,390,212	$ (7,174,968)	$ (1,287,844)	$ (7,155,806)	$ (5,041,324)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities								
Depreciation and amortization	1,078,055	-	-	1,487,397	-	-	2,565,452	2,447,157
Amortization of debt issuance costs	-	-	-	31,288	-	-	31,288	68,273
Loss on disposal of property and equipment	12,846	-	-	-	-	-	12,846	41,269
Net depreciation (appreciation) in fair value of investments	(53,767)	(311,567)	-	(1,268,092)	-	-	(1,633,426)	915,848
Depreciation (appreciation) in fair value of swap agreement	-	-	-	(1,782,758)	-	-	(1,782,758)	1,954,809
Decrease (increase) in assets								
Due from (to) other funds	(8,535,426)	(967,005)	8,789,578	712,853	-	-	-	-
Per capita taxes receivable	(11,493,262)	-	-	-	-	-	(11,493,262)	12,299,005
Loans receivable	1,123,358	-	-	-	-	-	1,123,358	(936,750)
Other receivables	800,332	(13,367)	-	26,206	-	(1,728)	811,443	(1,092,428)
Prepaid expenses	1,641,024	(89,837)	-	(61,161)	-	-	1,490,026	(364,414)
Deferred commissions	-	-	-	22,620	-	-	22,620	22,620
Deferred charges	-	-	-	-	-	-	-	(244,610)
Increase (decrease) in liabilities								
Accounts payable	52,390	(1,362,737)	-	(78,996)	-	(9,760)	(1,399,103)	36,494
Accrued vacation and severance pay	290,209	-	-	-	-	-	290,209	333,192
Accrued expenses and other liabilities	(1,280,127)	-	-	-	-	-	(1,280,127)	153,653
Contribution payable	(250,000)	-	-	-	-	-	(250,000)	(250,000)
Advance per capita taxes	38,921	-	-	-	-	-	38,921	(93,033)
Accrued postretirement health care costs	-	-	-	-	7,748,966	-	7,748,966	9,493,405
Accrued pension liability	-	-	-	-	(573,998)	-	(573,998)	(318,121)
Deferred revenue	(15,152)	-	-	(1,432)	-	-	(16,584)	141,226
Net cash provided by (used in) operating activities	(9,545,649)	(3,054,867)	(28,224)	2,478,137	-	(1,299,332)	(11,449,935)	19,566,271

See accompanying notes to consolidated financial statements.

American Federation of Teachers, AFL-CIO

Consolidated Statements of Cash Flows (continued)

Years Ended June 30, 2017 and 2016
(With Supplemental Fund Information for the Year Ended June 30, 2017)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	Committee on Political Education	2017 Total	2016 Total
Cash flows from investing activities								
Distribution from (to) partner	$ 1,000,000	$ -	$ -	$ (1,000,000)	$ -	$ -	$ -	$ -
Purchases of property and equipment	(2,457,843)	-	-	(797,834)	-	-	(3,255,677)	(3,010,718)
Purchases of investments	(4,653,337)	(2,979,706)	-	(3,131,218)	-	-	(10,764,261)	(17,391,596)
Proceeds from the sale of investments	4,589,691	5,744,309	-	4,169,949	-	-	14,503,949	13,981,067
Net cash provided by (used in) investing activities	(1,521,489)	2,764,603	-	(759,103)	-	-	484,011	(6,421,247)
Cash flows from financing activities								
Advances on line of credit	(88,245,287)	-	-	-	-	-	(88,245,287)	(67,904,999)
Repayments of line of credit	88,245,287	-	-	-	-	-	88,245,287	55,331,025
Principal payments on mortgage note payable	-	-	-	(610,879)	-	-	(610,879)	(8,869,057)
Mortgage loan obtained	-	-	-	-	-	-	-	25,000,000
Swap termination fees	-	-	-	-	-	-	-	(99,300)
Change in bank overdraft, net	-	-	-	-	-	-	-	(1,149,451)
Net cash provided by (used in) financing activities	-	-	-	(610,879)	-	-	(610,879)	2,308,218
Net increase (decrease) in cash and cash equivalents	(11,067,138)	(290,264)	(28,224)	1,108,155	-	(1,299,332)	(11,576,803)	15,453,242
Cash and cash equivalents								
Beginning of year	23,817,462	1,982,905	41,909	577,161	-	5,525,308	31,944,745	16,491,503
End of year	$ 12,750,324	$ 1,692,641	$ 13,685	$ 1,685,316	$ -	$ 4,225,976	$ 20,367,942	$ 31,944,745

Supplemental disclosure

AFT paid $939,676 and $605,614 in interest during 2017 and 2016, respectively.

See accompanying notes to consolidated financial statements.

NOTE 1. DESCRIPTION OF THE ORGANIZATION

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

The Federation, working with local and state affiliates, seeks to ensure that the educators, healthcare providers and public employees who make up our membership have the tools and resources they need to make this vision a reality. The major source of revenue to the Federation is per capita taxes paid by locals.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting and Principles of Consolidation - To ensure observance of limitations and restrictions placed on the use of resources available to the Federation, the accounts of the Federation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The Building Fund also includes the consolidated accounts of 555 New Jersey Avenue, N.W., Inc. (555 New Jersey), and a controlled limited partnership - Capitol Place I Associates Limited Partnership (Capitol Place I Associates) (see Note 3). All significant intercompany transactions have been eliminated in consolidation.

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

General Fund

Undesignated	-	records all activity not accounted for in the other funds.
Designated	-	to 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.

Financial Statement Presentation - The consolidated financial statements of the Federation report the amounts for each of three distinct classes of net assets and changes therein - permanently restricted net assets, temporarily restricted net assets and unrestricted net assets - based on the existence or absence of donor-imposed restrictions. The Federation has no permanently restricted net assets for the years ended June 30, 2017 and 2016.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective September 1, 2016, the monthly per capita tax increased from $18.78 to $19.03, per member per month, of which $1.00 and $0.90 have been dedicated to a special fund within the general fund to engage members and provide services to assist locals in crisis, for the years ended June 30, 2017 and 2016, respectively. All monies had been spent from this designation at June 30, 2017 and 2016, respectively. Further, the monthly per capita tax allocated to the Militancy/Defense Fund and the Solidarity Fund increased from $0.60 to $0.65, and from $2.30 to $2.40, respectively. Of the amount allocated to the Solidarity Fund, the portion of this amount designated for state affiliates with similar funds increased from $0.92 to $0.94 for the years ended June 30, 2016 and 2017, respectively. Additionally, $0.10 has been allocated to the Building Fund for the years ended June 30, 2017 and 2016.

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, 2017 and 2016.

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.

Investments - Common stocks, mutual funds, preferred stock, exchange traded and closed end funds and unit investment trusts are stated at fair value which represents publicly quoted market prices as of the last business day of the year. Corporate bonds, asset backed securities, municipal bonds and U.S. Government and government agency obligations are valued based on quoted market prices when significant inputs are observable either directly or indirectly. Foreign bonds and certain equity securities are valued as estimated by the investment manager.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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.

New Accounting Pronouncement - In April 2015, Accounting Standards Update (ASU) 2015-03, *Imputation of Interest and Simplifying of Debt Issuance Costs,* was issued with one of its objectives being to simplify the treatment of debt issuance costs. The standard became effective for years beginning after December 15, 2015. Previously, the Federation reported debt issuance costs in the consolidated statements of financial position as deferred charges and the related amortization of these costs as depreciation and amortization expense. In accordance with ASU 2015-03, the Federation now reports these costs as a direct deduction from the notional amount of the related outstanding debt and the amortization of these costs as interest expense. Previously reported financial information has been reclassified to be consistent with the 2017 presentation. As a result, the mortgage note payable at June 30, 2016, was decreased (and deferred charges, net, was decreased) by $294,631 and interest expense was increased (and depreciation and amortization expense was decreased) by $68,273.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification - Certain amounts have been reclassified in the 2016 consolidated financial statements to conform to the 2017 presentation. These reclassifications did not have an effect on the net assets of the Federation.

NOTE 3. TAX STATUS

The Federation is exempt from Federal income taxes, except on net income, if any, from unrelated business activities, under Section 501(c)(5) of the Internal Revenue Code. 555 New Jersey is exempt from Federal income taxes, except on net income, if any, from unrelated business activities, under Section 501(c)(2) of the Internal Revenue Code. 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, 2017 and 2016, and determined that there were no matters that would require recognition in the consolidated financial statements. As of June 30, 2017, the statute of limitations for the tax years 2013 through 2015 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Federation files returns.

NOTE 4. INVESTMENT IN CAPITOL PLACE I ASSOCIATES LIMITED PARTNERSHIP

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

NOTE 5. INVESTMENTS

Investments by fund at June 30, 2017 and 2016 consisted of:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
General Fund	$ 7,700,197	$ 7,753,964	$ 7,636,551	$ 7,636,551
Militancy/Defense Fund	13,167,318	13,827,295	15,922,162	16,280,331
Building Fund	15,612,210	17,178,513	16,736,794	16,949,152
	$ 36,479,725	$ 38,759,772	$ 40,295,507	$ 40,866,034

Investments at June 30, 2017 and 2016 are comprised of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Common stocks and mutual funds	$ 9,179,526	$ 11,236,087	$ 7,755,138	$ 8,719,846
Preferred stocks	4,532,304	4,762,061	5,703,070	5,739,696
Exchange traded and closed end funds	1,685,510	1,386,944	1,834,307	1,103,500
Unit investment trusts	-	-	100,396	97,851
Corporate bonds and asset backed securities	14,075,517	14,344,408	13,324,274	13,448,679
U.S. Government and agency securities	2,628,026	2,683,343	3,871,609	4,071,940
Municipal bonds	406,361	374,448	406,619	384,428
Foreign bond	200,000	200,000	300,000	300,000
Short-term investments	3,772,481	3,772,481	7,000,094	7,000,094
	$ 36,479,725	$ 38,759,772	$ 40,295,507	$ 40,866,034

Realized net loss on investments for the years ended June 30, 2017 and 2016 totaled $76,871 and $628,125, respectively.

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

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

NOTE 5. INVESTMENTS (CONTINUED)

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

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

The following table sets forth the Federation's investments that were measured at fair value on a recurring basis as of June 30, 2017 and 2016 by level within the fair value hierarchy:

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	-	-
Unit investment trust	-	-	-	-
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	-
Short-term investments	3,772,481	3,772,481	-	-
Total	$ 38,759,772	$ 20,848,817	$ 16,845,352	$ 1,065,603

Changes in Level 3 Category	Corporate Stocks	Foreign Bonds
Beginning balance - 7/1/2016	$ 865,603	$ 300,000
Sales	-	(100,000)
Ending balance - 6/30/2017	$ 865,603	$ 200,000

NOTE 5. INVESTMENTS (CONTINUED)

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

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

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

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

NOTE 5. INVESTMENTS (CONTINUED)

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

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

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

Foreign bonds were estimated at cost to their limited salability.

NOTE 6. LOANS RECEIVABLE

The Federation has entered into signed loan agreements with various locals which are carried at cost, plus interest, less an estimate made for uncollectible amounts. As of June 30, 2017 and 2016, the Federation had total loans receivable, including interest, of $4,686,719 and $6,077,348, respectively. Of this amount, management has estimated an allowance of $1,403,239 and $1,670,510 as of June 30, 2017 and 2016. This estimate is based on management’s analysis of historical data.

NOTE 7. RELATED PARTY TRANSACTIONS

The Federation established the American Federation of Teachers Benefit Trust (the Trust), as a separate organization which is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code. The purpose of the Trust is to provide various medical, life and disability insurance benefits to participating Federation members as an enhancement to collectively bargained benefits. Certain Federation Executive Council members and officers serve as trustees of the Trust. In addition, the Federation provides facilities and administration assistance for which the Trust reimburses the Federation. The Federation recognized $403,316 and $305,416 of reimbursements for services provided to the Trust for the years ended June 30, 2017 and 2016, respectively. The Federation also made a contribution of $540,000 to the Trust for the year ended June 30, 2017. No additional contributions were made during the year ended June 30, 2016. As of June 30, 2017, and 2016, the amount owed to (due from) the Federation was $161,630 and $611,003, respectively, which is included in other receivables in the consolidated statements of financial position.

The Federation established the AFT Education Foundation (AFTEF) as a separate organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. AFTEF is principally financed by the research grants from the U.S. Government and related agencies. The officers and directors of AFTEF are comprised of the Federation’s officers and Executive Council. The Federation provides accounting and administrative services to the Foundation without charge, the value of which has not been separately identified in these financial statements. For the years ended June 30, 2017 and 2016, the Federation was

NOTE 7. RELATED PARTY TRANSACTIONS (CONTINUED)

reimbursed $209,586 and $499,663, 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, 2017 and 2016, the Federation was owed $200,721 and $51,268, respectively, from the AFTEF. These amounts are included in other receivables on the statements of financial position. As discussed in Note 2, the Federation also allocates a portion of per capita taxes to the AFTEF. The amount allocated for the years ended June 30, 2017 and 2016 was $500,603 and $472,097, respectively. During the year ended June 30, 2016, the AFTEF returned unspent contributed funds of $1,500,000 to the Federation.

The Federation established the AFT Disaster Relief Fund (the Fund) during the year ended June 30, 2006 as a separate organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund was formed to provide assistance to persons adversely affected by natural or man-made disasters. The officers and directors of the Fund are comprised of the Federation's officers and several Executive Council members. The Federation provided accounting and administrative services to the Fund without charge, the value of which has not been separately identified in these consolidated financial statements.

The Federation established the 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, 2017 and 2016. 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, 2017 and 2016 was $536,788 and $531,489, respectively.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017 and 2016:

	2017	2016
Land	$ 5,084,148	$ 5,084,148
Office building and improvements	44,480,312	43,727,687
Furniture and equipment	18,610,509	16,261,494
	68,174,969	65,073,329
Less: accumulated depreciation and amortization	(47,431,449)	(45,007,188)
	$ 20,743,520	$ 20,066,141

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, 2017 and 2016, the fair value of the interest rate swap agreement was $(233,027) and $(2,015,785), 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. During the year ended June 30, 2016, the fair value of the original swap agreement appreciated by $60,976 at which point it was repaid as part of the refinanced mortgage loan. The new swap agreement appreciated (depreciated) in value by $1,782,758 and $(2,015,785), respectively during the years ended June 30, 2017 and 2016.

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, 2017	$24,119,872
Debt issuance costs, less accumulated amortization	$ 263,343
Note payable, net	$23,856,529

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,	2018	$ 634,771
	2019	659,597
	2020	683,016
	2021	712,107
	2022	739,958
	Thereafter	20,690,423
	Total	$ 24,119,872

NOTE 10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following at June 30, 2017 and 2016:

	2017	2016
Assistance payable to state and local federations	$ 1,941,120	$ 2,788,963
State federation per capita taxes	2,671,484	2,039,034
Affiliation fees payable	801,678	1,602,376
Estimated self-insurance health claims incurred but not reported	293,867	886,359
Other accrued expenses	1,004,938	676,482
	$ 6,713,087	$ 7,993,214

NOTE 11. OTHER REVENUE

Other revenue consisted of the following at June 30, 2017 and 2016:

	2017	2016
Conference and meeting registration	$ 318,782	$ 293,548
Locals insurance reimbursements	89,165	112,280
Legal fee reimbursements	-	179,150
TSL transitional contribution	-	994,500
Insurance reimbursement	127,737	-
Parking garage revenue	25,961	34,097
Union Privilege benefits program	403,316	305,416
Refund of unspent contributions	-	1,500,000
Miscellaneous income	612,211	352,984
	$ 1,577,172	$ 3,771,975

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, 2017 and 2016, the Federation received affinity card royalties from the AFL-CIO which totaled $1,929,594 and $1,896,284, 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, 2017 and 2016. Total retirement plan expense was $9,458,418 and $9,113,317 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 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, 2017 and 2016 is summarized as follows:

	2017	2016
Interest cost	$ 458,901	$ 605,532
Service cost	378,441	617,573
Net amortization deferral	354,914	354,914
Net periodic pension cost	$ 1,192,256	$ 1,578,019

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

	2017	2016
Discount rate	3.50%	4.50%
Average rate of compensation increase	N/A	3.00%

The plan's obligations and funded status as of June 30, 2017 and 2016 is summarized as follows:

	2017	2016
Fair value of plan assets	$ -	$ -
Projected benefit obligation	12,928,694	13,502,692
Excess (deficiency) of plan assets over projected benefit obligation	(12,928,694)	(13,502,692)
Net accrued pension liability	$ (12,928,694)	$ (13,502,692)

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

	2017	2016
Discount rate	3.75%	3.50%
Cost of living increase	2.25%	2.25%

NOTE 13. RETIREMENT PLANS (CONTINUED)

Employer contributions and benefit payments for the years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Employer contributions	$ 642,441	$ 607,278
Benefit payments	642,441	607,278

The Federation expects to contribute $776,629 for the June 30, 2018 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,	2018	$ 776,629
	2019	768,909
	2020	911,531
	2021	903,935
	2022	894,183
	2023-2027	4,667,799
	Total	$ 8,922,986

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, 2017 and 2016 include the following components:

	2017	2016
Service cost (with interest)	$ 1,742,783	$ 1,097,922
Interest cost	1,254,163	1,154,037
Amortization of losses	570,981	151,924
Amortization of prior service cost	113,771	113,771
Amortization of transition obligation	193,622	193,622
Total postretirement benefit costs	$ 3,875,320	$ 2,711,276

The accumulated postretirement benefit obligation at June 30, 2017 and 2016 is as follows:

	2017	2016
Fair value of plan assets	$ -	$ -
Projected benefit obligation	41,097,927	33,348,961
Excess (deficiency) of plan assets over postretirement benefit obligation	(41,097,927)	(33,348,961)
Net accrued healthcare liability	$ (41,097,927)	$ (33,348,961)

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

	2017	2016
Discount rate	3.90%	3.80%

The assumed health care cost trend rates used to measure the expected cost of benefits for the year ended June 30, 2017 were assumed to increase by 7.75%. Thereafter, rate increases were assumed to gradually decrease until they reached 4.5% in 2030. The assumed prescription drug cost trend rates used to measure the expected cost of benefits for the year ended June 30, 2017 were assumed to increase by 7.75%. Thereafter, rate increases were assumed to gradually decrease until they reached 4.5% in 2030. Previously, the prescription drug cost trend rate was assumed at an initial rate of 6.00% reaching 4.5% in 2022. Additionally, pre and postretirement mortality tables were updated to reflect recent research and experience. These changes in assumptions increased the liability.

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

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

Year Ending June 30,	2018	$ 795,000
	2019	848,000
	2020	968,000
	2021	1,028,000
	2022	1,118,000
	2023-2027	7,192,000
	Total	$ 11,949,000

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, 2018 is $1,137,000. The amount expected to be required in contributions to the plan during the year ending June 30, 2018 is $795,000.

NOTE 15. BORROWINGS AND CONTINGENT LIABILITIES

The Federation has a line of credit with a financial institution at June 30, 2017. 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 $88,245,287 and $55,331,025 during the years ended June 30, 2017 and 2016, respectively. The Federation has no outstanding balances on the lines of credit at June 30, 2017 or 2016.

At June 30, 2017, the Federation has guaranteed loans obtained by an affiliate not to exceed $1,500,000.

NOTE 16. COMMITMENTS AND CONTINGENCIES

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

Year Ending June 30,	2018	$ 53,254
	2019	27,470
	2020	26,136
	2021	26,136
	2022	26,136
	Thereafter	13,068
	Total	$ 172,200

Rental expense for office equipment leases totaled $220,327 and $207,359 for the years ended June 30, 2017 and 2016, 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,	2018	$ 101,206
	2019	103,230
	2020	105,295
	2021	26,453
	Total	$ 336,184

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. During the year ended June 30, 2017, an unaffiliated tenant signed a 5 year lease with Capital Place. The minimum future annual base rental income on leases as of June 30, 2017 is as follows:

Year Ending June 30,	2017	$ 1,275,610
	2018	945,946
	2019	188,744
	2020	196,173
	2021	129,762
	Thereafter	812,094
	Total	$ 3,548,329

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, 2017 were approximately $16.2 million. Additionally, the Federation had approximately $4.1 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. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2018, 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, 2017

	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	$ -	$ 1,681,876	$ -	$ 1,685,316
Due (to) from other funds	9,679,227	(120,202)	7,461	-	9,566,486
Other receivables	-	-	173,023	-	173,023
Prepaid expenses	-	-	67,121	-	67,121
Total current assets	9,682,667	(120,202)	1,929,481	-	11,491,946
Investments	-	-	17,178,513	-	17,178,513
Property and equipment	-	-	12,042,443	3,545,991	15,588,434
Other assets					
Investment in Capitol Place I Associates Limited Partnership	16,612,530	35,380	-	(16,647,910)	-
Deferred commission, net	-	-	26,389	-	26,389
Total assets	$26,295,197	$ (84,822)	$ 31,176,826	$(13,101,919)	$ 44,285,282
Liabilities and Net Assets					
Current liabilities					
Accounts payable	$ 3,399	$ -	$ 382,522	$ -	$ 385,921
Current maturities of mortgage note	-	-	634,771	-	634,771
Deferred rent	-	-	5,001	-	5,001
Total current liabilities	3,399	-	1,022,294	-	1,025,693
Interest rate swap agreement	-	-	233,027	-	233,027
Mortgage note payable, excluding current maturities	-	-	23,221,758	-	23,221,758
Total liabilities	3,399	-	24,477,079	-	24,480,478
Net assets and partner's equity	26,291,798	(84,822)	6,699,747	(13,101,919)	19,804,804
Total liabilities and net assets	$26,295,197	$ (84,822)	$ 31,176,826	$(13,101,919)	$ 44,285,282

American Federation of Teachers, AFL-CIO

Consolidating Schedule - Building Fund Schedule of Activities

Year Ended June 30, 2017

	Building Fund	555 New Jersey Avenue N.W., Inc.	Capitol Place I Associates Limited Partnership	Elimination Entries	Consolidated Building Fund
Revenue					
Per capita taxes	$ 986,472	$ -	$ -	$ -	$ 986,472
Investment revenue, net of expenses of $79,355	-	-	658,087	-	658,087
Net depreciation in fair value of investments	-	-	1,268,092	-	1,268,092
Rental revenue on subleased office space	282,369	-	-	-	282,369
Rental income, net	-	-	4,701,036	(3,455,473)	1,245,563
Appreciation in fair value of swap agreement	-	-	1,782,758	-	1,782,758
Equity in income (loss) of Capitol Place I Investments Limited Partnership-AFT	2,455,054	24,799	-	(2,479,853)	-
Other	-	-	40,850	-	40,850
Total revenue	3,723,895	24,799	8,450,823	(5,935,326)	6,264,191
Expenses					
General operations - depreciation and amortization	-	-	1,272,517	-	1,272,517
General operations - General Fund rental expense	-	-	-	(3,256,436)	(3,256,436)
Rental expense on subleased office space	89,694	-	-	(199,037)	(109,343)
Operating expenses	-	-	3,758,777	-	3,758,777
Interest expense	-	-	939,676	-	939,676
Other	-	-	-	268,788	268,788
Total expenses	89,694	-	5,970,970	(3,186,685)	2,873,979
Excess (deficiency) of revenue over expenses	3,634,201	24,799	2,479,853	(2,748,641)	3,390,212
Net assets and partners' equity, Beginning of year	23,657,597	(109,621)	3,327,894	(9,461,278)	17,414,592
Net partnership transactions affecting equity	(1,000,000)	-	892,000	(892,000)	(1,000,000)
Net assets and partners' equity, end of year	$ 26,291,798	$ (84,822)	$ 6,699,747	$ (13,101,919)	$ 19,804,804