

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019



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

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2019 AND 2018**

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## **REPORT OF INDEPENDENT AUDITORS**

To the Secretary-Treasurer  
American Federation of Teachers, AFL-CIO

We have audited the accompanying consolidated financial statements of the American Federation of Teachers, AFL-CIO and related controlled entities (the Federation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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, 2019 and 2018, 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 32 and 33 and the supplemental fund information on pages 3 through 5 and 8 through 10 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.

*CalibreCPAGroup, PLLC*

Bethesda, MD  
January 31, 2020

# AMERICAN FEDERATION OF TEACHERS, AFL-CIO

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

(WITH SUPPLEMENTAL FUND INFORMATION AT JUNE 30, 2019)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	June 30, 2019 Total	June 30, 2018 Total
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	\$ 20,747,784	\$ 1,839,019	\$ 889,431	\$ 941,106	\$ -	\$ 7,347,104	\$ 315,763	\$ 32,080,207	\$ 46,802,593
Due from (to) other funds	(21,853,737)	(10,988,515)	23,688,393	9,153,859	-	-	-	-	-
Receivables									
Per capita taxes	31,742,530	-	-	-	-	-	-	31,742,530	22,603,715
Other	2,344,525	547,387	-	75,751	-	-	250	2,967,913	2,742,358
Prepaid expenses	3,503,288	-	-	39,620	-	-	-	3,542,908	2,572,706
Total current assets	<u>36,484,390</u>	<u>(8,602,109)</u>	<u>24,577,824</u>	<u>10,210,336</u>	<u>-</u>	<u>7,347,104</u>	<u>316,013</u>	<u>70,333,558</u>	<u>74,721,372</u>
INVESTMENTS AT FAIR VALUE	16,286,537	16,239,227	-	17,208,757	-	-	-	49,734,521	36,912,222
INTEREST RATE SWAP	-	-	-	-	-	-	-	-	813,474
PROPERTY AND EQUIPMENT	2,961,770	-	-	13,123,636	-	-	-	16,085,406	20,514,970
OTHER ASSETS									
Loans receivable, net of allowance of \$1,503,239 and \$1,403,239 as of June 30, 2019 and 2018, respectively	2,862,168	-	-	-	-	-	-	2,862,168	2,880,841
Deferred charges	-	-	-	-	-	-	-	-	3,769
Total assets	<u>\$ 58,594,865</u>	<u>\$ 7,637,118</u>	<u>\$ 24,577,824</u>	<u>\$ 40,542,729</u>	<u>\$ -</u>	<u>\$ 7,347,104</u>	<u>\$ 316,013</u>	<u>\$ 139,015,653</u>	<u>\$ 135,846,648</u>

See accompanying notes to consolidated financial statements.

# AMERICAN FEDERATION OF TEACHERS, AFL-CIO

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2019 AND 2018

(WITH SUPPLEMENTAL FUND INFORMATION AT JUNE 30, 2019)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	June 30, 2019 Total	June 30, 2018 Total
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Accounts payable	\$ 4,654,112	\$ 8,159,859	\$ -	\$ 444,701	\$ -	\$ -	60	\$ 13,258,732	\$ 15,724,245
Current maturities of mortgage note payable	-	-	-	683,016	-	-	-	683,016	659,597
Accrued vacation, severance and welfare benefits	11,399,392	-	-	-	-	-	-	11,399,392	11,407,992
Accrued expenses and other liabilities	6,287,310	-	-	-	-	-	-	6,287,310	6,378,290
Advance per capita taxes	56,259	-	-	-	-	-	-	56,259	104,917
Deferred revenue	279,852	-	-	4,740	-	-	-	284,592	185,407
Estimated self-insurance reserve - members' liability insurance	-	1,000,000	-	-	-	-	-	1,000,000	1,000,000
Postretirement benefits - current portion	-	-	-	-	1,608,649	-	-	1,608,649	1,421,252
Total current liabilities	<u>22,676,925</u>	<u>9,159,859</u>	<u>-</u>	<u>1,132,457</u>	<u>1,608,649</u>	<u>-</u>	<u>60</u>	<u>34,577,950</u>	<u>36,881,700</u>
INTEREST RATE SWAP	-	-	-	654,283	-	-	-	654,283	-
MORTGAGE NOTE PAYABLE, EXCLUDING CURRENT MATURITIES	-	-	-	21,941,721	-	-	-	21,941,721	22,593,449
POSTRETIREMENT HEALTHCARE COSTS - LONG TERM	-	-	-	-	20,941,527	-	-	20,941,527	20,119,341
ACCRUED PENSION LIABILITY - LONG TERM	-	-	-	-	13,503,506	-	-	13,503,506	12,212,427
Total liabilities	<u>22,676,925</u>	<u>9,159,859</u>	<u>-</u>	<u>23,728,461</u>	<u>36,053,682</u>	<u>-</u>	<u>60</u>	<u>91,618,987</u>	<u>91,806,917</u>
<b>NET ASSETS (DEFICIT)</b>									
Without donor restrictions									
Designated	-	3,000,000	7,041,828	-	-	-	-	10,041,828	8,986,978
Undesignated	35,917,940	(4,522,741)	17,535,996	16,814,268	(36,053,682)	-	-	29,691,781	28,437,787
Total	<u>35,917,940</u>	<u>(1,522,741)</u>	<u>24,577,824</u>	<u>16,814,268</u>	<u>(36,053,682)</u>	<u>-</u>	<u>-</u>	<u>39,733,609</u>	<u>37,424,765</u>
With donor restrictions									
Total net assets (deficit)	<u>35,917,940</u>	<u>(1,522,741)</u>	<u>24,577,824</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>	<u>44,039,731</u>
Total liabilities and net assets	<u>\$ 58,594,865</u>	<u>\$ 7,637,118</u>	<u>\$ 24,577,824</u>	<u>\$ 40,542,729</u>	<u>\$ -</u>	<u>\$ 7,347,104</u>	<u>\$ 316,013</u>	<u>\$ 139,015,653</u>	<u>\$ 135,846,648</u>

See accompanying notes to consolidated financial statements.

# AMERICAN FEDERATION OF TEACHERS, AFL-CIO

## CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018  
(WITH SUPPLEMENTAL FUND INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	General Fund	Militancy/ Defense Fund	Solidarity Funds	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	Eliminations	2019 Total	2018 Total
<b>REVENUE</b>										
Per capita taxes (net of agency fee rebates of \$207,122 in 2019 and \$2,038,014 in 2018)	164,605,172	\$ 6,363,603	\$ 24,185,497	\$ 979,016	\$ -	\$ -	\$ -	\$ -	\$ 196,133,288	\$ 200,295,931
Members' liability insurance	-	1,575,980	-	-	-	-	-	-	1,575,980	1,570,473
Investment revenue (net of investment expenses of \$125,870 in 2019 and \$125,730 in 2018)	539,714	586,019	-	638,382	-	-	-	-	1,764,115	1,450,058
Net appreciation in fair value of investments	413,993	391,262	-	362,132	-	-	-	-	1,167,387	338,155
Appreciation (depreciation) in fair value of swap agreement	-	-	-	(1,467,757)	-	-	-	-	(1,467,757)	1,046,501
Publication revenue	12,148	-	-	-	-	-	-	-	12,148	9,728
Program administration and royalties	2,465,934	-	-	-	-	-	-	-	2,465,934	2,081,711
Reimbursements from related entities	71,107	-	-	-	-	-	-	-	71,107	477,397
Rental revenue on subleased office space	-	-	-	248,927	-	-	-	-	248,927	459,643
Net rental income	-	-	-	950,799	-	-	-	-	950,799	1,303,110
State AFL-CIO collection rebate	1,407,437	-	-	-	-	-	-	-	1,407,437	1,803,565
Contributions	-	-	12,542,655	-	-	8,246,043	82,389	(12,542,655)	8,328,432	10,085,572
Postretirement benefit credit	-	-	-	-	-	-	-	-	-	20,273,601
Other revenue	1,214,026	3,037,773	-	99,898	-	-	-	(3,000,000)	1,351,697	904,406
Total revenue	<u>170,729,531</u>	<u>11,954,637</u>	<u>36,728,152</u>	<u>1,811,397</u>	<u>-</u>	<u>8,246,043</u>	<u>82,389</u>	<u>(15,542,655)</u>	<u>214,009,494</u>	<u>242,099,851</u>
<b>EXPENSES</b>										
Program services										
National Officers/Governance	25,680,186	-	-	-	-	-	-	-	25,680,186	25,050,881
Mobilization and organizing	45,235,575	-	-	-	-	-	-	-	45,235,575	50,202,131
Political, legislation and advocacy	12,995,928	-	38,534,824	-	-	6,986,702	-	(12,542,655)	45,974,799	35,717,575
Constituency, community and professional issues	18,066,418	-	-	-	-	-	-	-	18,066,418	20,960,473
Strategic priorities and support	35,435,744	12,817,531	-	-	-	-	293,639	(3,000,000)	45,546,914	47,090,284
Total program services	<u>137,413,851</u>	<u>12,817,531</u>	<u>38,534,824</u>	<u>-</u>	<u>-</u>	<u>6,986,702</u>	<u>293,639</u>	<u>(15,542,655)</u>	<u>180,503,892</u>	<u>179,021,344</u>
Supporting services										
General and administrative	21,865,576	-	-	5,982,429	2,300,662	-	-	-	30,148,667	24,686,499
Total supporting services	<u>21,865,576</u>	<u>-</u>	<u>-</u>	<u>5,982,429</u>	<u>2,300,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,148,667</u>	<u>24,686,499</u>
Total expenses	<u>159,279,427</u>	<u>12,817,531</u>	<u>38,534,824</u>	<u>5,982,429</u>	<u>2,300,662</u>	<u>6,986,702</u>	<u>293,639</u>	<u>(15,542,655)</u>	<u>210,652,559</u>	<u>203,707,843</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 11,450,104</u>	<u>\$ (862,894)</u>	<u>\$ (1,806,672)</u>	<u>\$ (4,171,032)</u>	<u>\$ (2,300,662)</u>	<u>\$ 1,259,341</u>	<u>\$ (211,250)</u>	<u>\$ -</u>	<u>\$ 3,356,935</u>	<u>\$ 38,392,008</u>

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2019

	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		
<b>EXPENSES</b>								
Salaries, benefits and payroll tax	\$ 4,299,438	\$ 13,799,126	\$ 3,698,218	\$ 12,393,366	\$ 15,340,816	\$ 11,611,641	\$ 61,142,605	
Professional fees	1,257,271	364,836	12,335,354	380,177	14,503,342	1,269,084	30,110,064	
Travel, meetings, conferences and convention	2,646,791	4,503,436	405,204	3,215,060	1,803,913	221,379	12,795,783	
Assistance and state rebates	3,996,537	25,877,153	-	-	1,597,926	666,080	32,137,696	
Contributions and donations	1,801,492	5,000	29,261,496	1,097,404	3,794,694	50	35,960,136	
Marketing and promotion	169,716	14,415	14,963	83,533	2,974,312	227,103	3,484,042	
Publications	-	-	-	-	1,174,638	-	1,174,638	
Affiliation fees	10,577,119	-	-	-	-	-	10,577,119	
Subscriptions and memberships	239,515	18,692	1,576	14,265	663,848	30,624	968,520	
Postretirement expenses	-	-	-	-	-	2,300,662	2,300,662	
Office supplies and expenses	151,381	129,099	40,988	123,906	226,874	827,686	1,499,934	
Printing and postage	176,801	107,902	162,950	62,571	623,793	58,417	1,192,434	
Information technology	141,520	2,129	195	514,207	86,318	135,070	879,439	
Software and equipment rental	88,129	12,587	70	127,197	167,263	1,011,362	1,406,608	
Capitol Place I operating expenses	-	-	-	-	-	3,754,967	3,754,967	
Interest	-	-	-	-	-	922,246	922,246	
Occupancy	86,411	247,042	-	2,648	943	-	337,044	
Insurance	-	-	-	-	2,410,713	680,652	3,091,365	
Depreciation	-	-	-	-	-	2,822,516	2,822,516	
Loss on disposal of property and equipment	-	-	-	-	-	3,054,203	3,054,203	
Other	48,065	154,158	53,785	52,084	177,521	554,925	1,040,538	
Total expenses	<u>\$ 25,680,186</u>	<u>\$ 45,235,575</u>	<u>\$ 45,974,799</u>	<u>\$ 18,066,418</u>	<u>\$ 45,546,914</u>	<u>\$ 30,148,667</u>	<u>\$ 210,652,559</u>	

See accompanying notes to consolidated financial statements.

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	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		
<b>EXPENSES</b>								
Salaries, benefits and payroll tax	\$ 4,962,321	\$ 13,833,328	\$ 3,586,873	\$ 13,307,207	\$ 15,654,648	\$ 11,026,836	\$ 62,371,213	
Professional fees	643,642	696,434	6,788,764	790,726	12,838,895	1,423,624	23,182,085	
Travel, meetings, conferences and conventio	1,309,076	5,207,139	69,686	3,849,637	2,352,757	120,837	12,909,132	
Assistance and state rebates	3,671,204	29,426,823	-	-	1,129,329	655,068	34,882,424	
Contributions and donations	2,121,100	79,185	25,179,153	1,813,937	6,937,527	16,509	36,147,411	
Marketing and promotion	35,533	57,537	-	81,546	2,234,147	117,428	2,526,191	
Publications	-	8	15	-	1,226,522	-	1,226,545	
Affiliation fees	10,804,579	-	-	-	-	-	10,804,579	
Subscriptions and memberships	917,134	9,983	758	17,559	753,937	28,186	1,727,557	
Office supplies and expenses	109,428	283,539	32,248	303,524	375,097	850,506	1,954,342	
Printing and postage	288,654	143,360	8,962	115,356	755,138	82,194	1,393,664	
Information technology	5,090	2,269	-	474,526	32,183	98,791	612,859	
Software and equipment rental	48,776	8,138	168	41,351	108,318	577,782	784,533	
Capitol Place I operating expenses	-	-	-	-	-	1,494,179	1,494,179	
Interest	-	-	-	-	-	947,072	947,072	
Occupancy	96,939	256,899	-	1,198	-	2,448,411	2,803,447	
Insurance	2,625	21	-	-	2,366,111	518,855	2,887,612	
Depreciation	-	-	-	-	-	2,761,627	2,761,627	
Loss on disposal of property and equipment	-	-	-	-	-	100,538	100,538	
Other	34,780	197,468	50,948	163,906	325,675	1,418,056	2,190,833	
<b>Total expenses</b>	<b>\$ 25,050,881</b>	<b>\$ 50,202,131</b>	<b>\$ 35,717,575</b>	<b>\$ 20,960,473</b>	<b>\$ 47,090,284</b>	<b>\$ 24,686,499</b>	<b>\$ 203,707,843</b>	

See accompanying notes to consolidated financial statements.

# AMERICAN FEDERATION OF TEACHERS, AFL-CIO

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2019 AND 2018

(WITH SUPPLEMENTAL FUND INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	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, 2017											
Without donor restrictions	\$ 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
With donor restrictions	-	-	-	-	-	-	-	-	4,215,997	135,351	4,351,348
Total net assets	15,357,094	3,000,000	(2,594,531)	5,654,742	13,861,516	272,114	19,804,804	(54,026,621)	4,215,997	135,351	5,680,466
CHANGES IN NET ASSETS, YEAR ENDED JUNE 30, 2018	9,110,742	346,492	(1,411,808)	330,707	6,536,002	(270,585)	1,180,496	20,273,601	1,871,766	391,852	38,359,265
BOARD APPROVED TRANSFER OF DESIGNATED FUNDS	-	(346,492)	346,492	-	-	-	-	-	-	-	-
NET ASSETS, JUNE 30, 2018											
Without donor restrictions	24,467,836	3,000,000	(3,659,847)	5,985,449	20,397,518	1,529	20,985,300	(33,753,020)	-	-	37,424,765
With donor restrictions	-	-	-	-	-	-	-	-	6,087,763	527,203	6,614,966
Total net assets	24,467,836	3,000,000	(3,659,847)	5,985,449	20,397,518	1,529	20,985,300	(33,753,020)	6,087,763	527,203	44,039,731
CHANGES IN NET ASSETS, YEAR ENDED JUNE 30, 2019	11,450,104	3,732,517	(4,595,411)	172,044	(2,861,522)	882,806	(4,171,032)	(2,300,662)	1,259,341	(211,250)	3,356,935
BOARD APPROVED TRANSFER OF DESIGNATED FUNDS	-	(3,732,517)	3,732,517	-	-	-	-	-	-	-	-
NET ASSETS, JUNE 30, 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	\$ 35,917,940	\$ 3,000,000	\$ (4,522,741)	\$ 6,157,493	\$ 17,535,996	\$ 884,335	\$ 16,814,268	\$ (36,053,682)	\$ 7,347,104	\$ 315,953	\$ 47,396,666

See accompanying notes to consolidated financial statements.

# AMERICAN FEDERATION OF TEACHERS, AFL-CIO

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018  
(WITH SUPPLEMENTAL FUND INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	2019 Total	2018 Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Change in net assets	\$ 11,450,104	\$ (862,894)	\$ (1,806,672)	\$ (4,171,032)	\$ (2,300,662)	\$ 1,259,341	\$ (211,250)	\$ 3,356,935	\$ 38,359,265
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities									
Depreciation and amortization	1,786,088	-	-	1,301,446	-	-	-	3,087,534	3,007,795
Amortization of debt issuance costs	-	-	-	31,288	-	-	-	31,288	31,288
Loss on disposal of property and equipment	3,042,203	-	-	-	-	-	-	3,042,203	81,165
Net appreciation in fair value of investments	(413,993)	(391,262)	-	(362,132)	-	-	-	(1,167,387)	(338,155)
Depreciation (appreciation) in fair value of swap agreement	-	-	-	1,467,757	-	-	-	1,467,757	(1,046,501)
Decrease (increase) in assets									
Due from (to) other funds	(3,288,002)	1,821,371	2,694,574	(1,227,943)	-	-	-	-	-
Per capita taxes receivable	(9,138,815)	-	-	-	-	-	-	(9,138,815)	8,132,850
Loans receivable	18,673	-	-	-	-	-	-	18,673	402,639
Other receivables	(109,748)	(294,096)	-	178,289	-	-	-	(225,555)	2,010,866
Prepaid expenses	(1,980,282)	1,043,561	-	(33,481)	-	-	-	(970,202)	(2,092,836)
Deferred commissions	-	-	-	3,769	-	-	-	3,769	22,620
Increase (decrease) in liabilities									
Accounts payable	(3,034,055)	604,691	-	(36,149)	-	-	-	(2,465,513)	(11,465)
Accrued vacation and severance pay	(8,600)	-	-	-	-	-	-	(8,600)	(103,375)
Accrued expenses and other liabilities	(90,980)	-	-	-	-	-	-	(90,980)	(334,797)
Advance per capita taxes	(48,658)	-	-	-	-	-	-	(48,658)	(242,358)
Accrued postretirement health care costs	-	-	-	-	851,717	-	-	851,717	(20,317,886)
Accrued pension liability	-	-	-	-	1,448,945	-	-	1,448,945	44,285
Deferred revenue	99,515	-	-	(330)	-	-	-	99,185	3,566
Net cash provided by (used in) operating activities	<u>(1,716,550)</u>	<u>1,921,371</u>	<u>887,902</u>	<u>(2,848,518)</u>	<u>-</u>	<u>1,259,341</u>	<u>(211,250)</u>	<u>(707,704)</u>	<u>27,608,966</u>

See accompanying notes to consolidated financial statements.

# AMERICAN FEDERATION OF TEACHERS, AFL-CIO

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2019 AND 2018  
(WITH SUPPLEMENTAL FUND INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	Committee on Political Education	Disaster Relief Fund	2019 Total	2018 Total
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Purchases of property and equipment	\$ (1,615,730)	\$ -	\$ -	\$ (96,443)	\$ -	\$ -	\$ -	\$ (1,712,173)	\$ (2,872,010)
Proceeds from the sale of property and equipment	12,000	-	-	-	-	-	-	12,000	11,600
Purchases of investments	(16,754,943)	(6,420,104)	-	(4,725,851)	-	-	-	(27,900,898)	(10,724,230)
Proceeds from the sale of investments	8,148,712	3,995,432	-	4,101,842	-	-	-	16,245,986	9,137,454
Net cash used in investing activities	<u>(10,209,961)</u>	<u>(2,424,672)</u>	<u>-</u>	<u>(720,452)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,355,085)</u>	<u>(4,447,186)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Advances on line of credit	(3,426,511)	-	-	-	-	-	-	(3,426,511)	(99,036,508)
Repayments of line of credit	3,426,511	-	-	-	-	-	-	3,426,511	99,036,508
Principal payments on mortgage note payable	-	-	-	(659,597)	-	-	-	(659,597)	(634,771)
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(659,597)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(659,597)</u>	<u>(634,771)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(11,926,511)	(503,301)	887,902	(4,228,567)	-	1,259,341	(211,250)	(14,722,386)	22,527,009
<b>CASH AND CASH EQUIVALENTS</b>									
Beginning of year	<u>32,674,295</u>	<u>2,342,320</u>	<u>1,529</u>	<u>5,169,673</u>	<u>-</u>	<u>6,087,763</u>	<u>527,013</u>	<u>46,802,593</u>	<u>24,275,584</u>
End of year	<u>\$ 20,747,784</u>	<u>\$ 1,839,019</u>	<u>\$ 889,431</u>	<u>\$ 941,106</u>	<u>\$ -</u>	<u>\$ 7,347,104</u>	<u>\$ 315,763</u>	<u>\$ 32,080,207</u>	<u>\$ 46,802,593</u>

**SUPPLEMENTAL DISCLOSURE**

AFT paid \$892,723 and \$976,718 in interest during 2019 and 2018, respectively.

See accompanying notes to consolidated financial statements.

# AMERICAN FEDERATION OF TEACHERS, AFL-CIO

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

### NOTE 1. DESCRIPTION OF THE ORGANIZATION

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

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

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Fund Accounting and Principles of Consolidation** - To ensure observance of limitations and restrictions placed on the use of resources available to the Federation, the accounts of the Federation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The Building Fund also includes the consolidated accounts of 555 New Jersey Avenue, N.W., Inc. (555 New Jersey), and a controlled limited partnership - Capitol Place I Associates Limited Partnership (Capitol Place I Associates) (see Note 4). All significant intercompany transactions have been eliminated in consolidation.

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

General Fund	
Undesignated	- records all activity not accounted for in the other funds.
Designated	- to engage members and provide services to assist locals in crisis.
Militancy/Defense Fund	
Undesignated	- the undesignated portion of net assets is to financially support members and locals involved in strikes and in legal matters concerning job security and other issues.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Militancy/Defense Fund

- Designated - established to account for the 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, *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.

Net assets previously reported as of June 30, 2018 were restated to conform to the presentation and disclosure requirements necessitated by the adoption of Accounting Standards Update (ASU) 2016-14. Accordingly, net assets as of June 30, 2018 were restated as follows:

Net Asset Classes	As Previously Reported	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 37,424,765	\$ -
Net assets without donor restrictions	-	37,424,765
Temporarily restricted net assets	6,614,966	-
Net assets with donor restrictions	-	6,614,966
	<u>\$ 44,039,731</u>	<u>\$ 44,039,731</u>

**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.

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

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

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

**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.

**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 \$19.28 per member per month for the years ended June 30, 2019 and 2018. Of the monthly per capita tax, within the general fund, \$1.10 has been designated to engage members and provide services to assist locals in crisis. All monies had been spent from this designation at June 30, 2019 and 2018. Further, the monthly per capita tax allocated to the Solidarity Fund was \$2.50 for the years ended June 30, 2019 and 2018. Of the amount allocated to the Solidarity Fund, the portion of this amount designated for state affiliates with similar funds was \$0.96. Additionally, \$0.65 has been allocated to the Militancy/Defense Fund and \$0.10 has been allocated to the Building Fund for the years ended June 30, 2019 and 2018.

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, 2019 and 2018.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**Occupational Liability Insurance** - Participating affiliates can elect to pay premiums to the Federation's occupational liability plan available to Federation members. Premiums are used primarily 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.

**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.

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.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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.

**New Accounting Pronouncements** - During the year ended June 30, 2019, the Federation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include: requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources; requiring the presentation of investment return net of all external and direct internal expenses.

**Reclassification** - Certain amounts have been reclassified in the 2018 consolidated financial statements to conform to the 2019 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 (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 taxes on any net income of the partnership.

### NOTE 3. TAX STATUS (CONTINUED)

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, 2019 and 2018, and determined that there were no matters that would require recognition in the consolidated financial statements. As of June 30, 2019, the statute of limitations for the tax years 2015 through 2017 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Federation files returns.

### 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.

Total assets at end of year	\$ 139,015,653
Less nonfinancial assets	
Prepaid expenses	(3,542,908)
Net property and equipment	<u>(16,085,406)</u>
Total financial assets at end of year	119,387,339
Less amounts not available to meet general expenditures coming due within one year	
Receivables due in more than one year	(2,862,168)
Amounts subject to donor-imposed restrictions	<u>(7,663,057)</u>
Total financial assets available for general expenditures coming due in the next year	<u>\$ 108,862,114</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, 2019 and 2018 consisted of:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
General Fund	\$ 15,951,035	\$ 16,286,537	\$ 7,297,930	\$ 7,266,313
Militancy/Defense Fund	15,831,045	16,239,227	13,312,979	13,423,293
Building Fund	<u>16,273,122</u>	<u>17,208,757</u>	<u>15,200,947</u>	<u>16,222,616</u>
	<u>\$ 48,055,202</u>	<u>\$ 49,734,521</u>	<u>\$ 35,811,856</u>	<u>\$ 36,912,222</u>

Investments at June 30, 2019 and 2018 are comprised of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Common stocks and mutual funds	\$ 16,127,071	\$ 17,772,008	\$ 9,488,625	\$ 11,251,755
Preferred stocks	7,381,474	7,428,884	7,106,532	7,152,471
Exchange traded and closed end funds	1,151,769	764,428	1,175,932	805,888
Corporate bonds and asset backed securities	20,506,400	20,822,889	12,528,572	12,270,226
U.S. Government and agency obligations	2,282,683	2,325,080	2,906,104	2,853,338
Municipal bonds	405,805	421,232	406,091	378,544
Foreign bond	200,000	200,000	200,000	200,000
Certificates of deposit	-	-	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 48,055,202</u>	<u>\$ 49,734,521</u>	<u>\$ 35,811,856</u>	<u>\$ 36,912,222</u>

Realized net gain on investments for the years ended June 30, 2019 and 2018 totaled \$594,808 and \$1,517,830, respectively.

## **NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

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
- 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 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.

**NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables set forth by level, within the fair value hierarchy, the Federation's assets at fair value as of June 30, 2019 and 2018:

Description	06/30/19 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 stock	\$ 12,012,739	\$ 12,012,739	\$ -	\$ -
Mutual funds	4,893,666	4,893,666	-	-
Corporate stock	865,603	-	-	865,603
Preferred stock	7,428,884	7,428,884	-	-
Exchange traded and closed end funds	764,428	764,428	-	-
Corporate bonds and asset backed securities				
Corporate bonds - domestic	16,650,846	-	16,650,846	-
Corporate bonds - foreign	1,257,961	-	1,257,961	-
Fixed rate securities	2,848,890	-	2,848,890	-
Mortgage backed securities	65,192	-	65,192	-
U.S. Government agency securities				
U.S. Treasury obligations	550,076	550,076	-	-
U.S. Government agency obligations	1,775,004	-	1,775,004	-
Foreign bond - State of Israel	200,000	-	-	200,000
Municipal bonds	421,232	-	421,232	-
Total	<u>\$ 49,734,521</u>	<u>\$ 25,649,793</u>	<u>\$ 23,019,125</u>	<u>\$ 1,065,603</u>
Description	06/30/18 Total	Quoted Market Price for Assets (level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock and mutual funds				
Common stock	\$ 10,332,423	\$ 10,332,423	\$ -	\$ -
Mutual funds	53,729	53,729	-	-
Corporate stock	865,603	-	-	865,603
Preferred stocks	7,152,471	7,152,471	-	-
Exchange traded and closed end funds	805,888	805,888	-	-
Corporate bonds and asset backed securities				
Corporate bonds - domestic	10,409,054	-	10,409,054	-
Corporate bonds - foreign	621,050	-	621,050	-
Fixed rate securities	1,155,015	-	1,155,015	-
Mortgage backed securities	85,107	-	85,107	-
U.S. Government agency securities				
U.S. Treasury obligations	522,881	522,881	-	-
U.S. Government agency obligations	2,330,457	-	2,330,457	-
Foreign bond - State of Israel	200,000	-	-	200,000
Municipal bonds	378,544	-	378,544	-
Certificates of deposit	2,000,000	-	2,000,000	-
Total	<u>\$ 36,912,222</u>	<u>\$ 18,867,392</u>	<u>\$ 16,979,227</u>	<u>\$ 1,065,603</u>

## **NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2019 and 2018.

*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.

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

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

There were no changes in the fair value of the Federation's Level 3 assets for the years ended June 30, 2019 and 2018.

## **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. As of June 30, 2019 and 2018, the Federation had total loans receivable, including interest, of \$4,365,407 and \$4,284,080, respectively. Of this amount, management has estimated an allowance of \$1,503,239 and \$1,403,239 as of June 30, 2019 and 2018, respectively. 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 Trust. In addition, the Federation provides facilities and administration assistance for which the Trust reimburses the Federation.

**NOTE 8. RELATED PARTY TRANSACTIONS (CONTINUED)**

The Federation recognized \$189,095 and \$117,966 of reimbursements for services provided to the Trust for the years ended June 30, 2019 and 2018, respectively. The Federation also made contributions of \$1,477,663 and \$1,159,800 to the Trust for the years ended June 30, 2019 and 2018, respectively. These contributions were to pay insurance premiums for accidental death and dismemberment coverage for members. During 2019 the scope of benefits was expanded to include identity theft protection. As of June 30, 2019, and 2018, the amount owed to (due from) the Federation was \$15,602 and \$20,259, 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, 2019 and 2018, the Federation was reimbursed \$390,690 and \$373,670, 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, 2019 and 2018, the Federation was owed \$4,084 and \$76,407, respectively, from the AFTEF. These amounts are included in other receivables on the statements of financial position. During the years ended June 30, 2019 and 2018, the Federation also made contributions to AFTEF of \$500,000 and \$863,000, respectively. As discussed in Note 2, the Federation also allocates a portion of per capita taxes to the AFTEF. The amount allocated for the years ended June 30, 2019 and 2018 was \$499,494 and \$512,826, 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, 2019 and 2018. 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, 2019 and 2018 was \$534,622 and \$548,017, respectively. The Federation also made an additional contribution to the Institute of \$350,000 for the year ended June 30, 2018.

**NOTE 9. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 5,084,148	\$ 5,084,148
Office building and improvements	44,720,430	44,611,737
Furniture and equipment	<u>18,108,402</u>	<u>20,909,169</u>
	67,912,980	70,605,054
Less: accumulated depreciation and amortization	<u>(51,827,574)</u>	<u>(50,090,084)</u>
	<u>\$ 16,085,406</u>	<u>\$ 20,514,970</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$3,087,534 and \$3,007,795, respectively.

During the year ended June 30, 2019, the Federation determined that certain assets have been impaired. Accordingly, this resulted in a \$3,053,432 write-down of the asset, which is included in the loss on disposal of property and equipment in the Statement of Functional Expenses.

**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 new mortgage loan is payable over 10 years with interest accruing 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%. 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, 2019 and 2018, the fair value of the interest rate swap agreement was \$(654,283) and \$813,474, respectively.

The fair value of the swap agreement is estimated using Level 3 inputs. The fair value is based on the Partnerships floating interest rate on the mortgage note payable compared to the hedged fixed rate as reported by the lender. The swap agreement appreciated (depreciated) in value by \$(1,467,757) and \$1,046,501, respectively, during the years ended June 30, 2019 and 2018.

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

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, 2019	\$22,825,504
Debt issuance costs, less accumulated amortization	\$ 200,767
Note payable, net	\$22,624,737

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 as follows:

Year Ending June 30,	2020	\$ 683,016
	2021	712,107
	2022	739,958
	2023	768,898
	2024	796,908
	Thereafter	<u>19,124,617</u>
	Total	<u>\$ 22,825,504</u>

**NOTE 11. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Assistance payable to state and local federations	\$ 1,539,588	\$ 1,447,295
State federation per capita taxes	2,134,981	2,691,557
Affiliation fees payable	803,269	813,774
Estimated self-insurance health claims		
incurred but not reported	487,644	386,891
AFL-CIO collections	686,727	685,118
Accrued salaries	363,460	200,425
Other accrued expenses	<u>271,641</u>	<u>153,230</u>
	<u>\$ 6,287,310</u>	<u>\$ 6,378,290</u>

**NOTE 12. OTHER REVENUE**

Other revenue consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Conference and meeting registration	\$ 237,233	\$ 377,833
Locals insurance reimbursements	88,400	140,145
Insurance reimbursement	86,326	-
Union Privilege benefits program	189,095	117,966
Agency fee rebate write-off	374,928	-
Miscellaneous income	375,715	268,462
	<u>\$ 1,351,697</u>	<u>\$ 904,406</u>

**NOTE 13. 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, 2019 and 2018, the Federation received affinity card royalties from the AFL-CIO which totaled \$679,190 and \$1,130,048, respectively. These amounts are included in program administration and royalties in the statement of activities.

**NOTE 14. RETIREMENT PLANS**

The Federation contributed 23 percent of eligible employees' salaries to defined contribution retirement plans during the years ended June 30, 2019 and 2018. Total retirement plan expense was \$8,922,611 and \$9,151,597 for the years ended June 30, 2019 and 2018, respectively.

The Federation adopted a defined benefit plan for officers of the Federation who have completed 5 years of service in the capacity of President, Executive Vice President, or Secretary-Treasury, and have served the Federation or any of its state or local affiliates for a period of at least 20 years. The benefit, payable upon retirement, is equal to 60% of final annual compensation and is adjusted annually for an amount equal to Social Security cost of living increases. The surviving spouse of an eligible officer will receive a benefit of 50% of the officer's benefit. Normal retirement age is 62, with a reduction of 6% per year for retirement benefits beginning prior to age 62. Additionally, the monthly benefit is offset by 1/60<sup>th</sup> of the amount contributed by the Federation on behalf of each eligible officer under the AFT Management Retirement Plan, one of the defined contribution plans maintained by the Federation for its employees.

**NOTE 14. RETIREMENT PLANS (CONTINUED)**

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, 2019 and 2018 valuations.

The annual measurement date is June 30. The net periodic pension cost for the plan for the years ended June 30, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest cost	\$ 503,708	\$ 470,398
Service cost	442,784	358,860
Net amortization deferral	<u>325,341</u>	<u>354,914</u>
Net periodic pension cost	<u>\$ 1,271,833</u>	<u>\$ 1,184,172</u>

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

	<u>2019</u>	<u>2018</u>
Discount rate	4.00%	3.75%
Average rate of compensation increase	N/A	N/A

The plan's obligations and funded status as of June 30, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets	\$ -	\$ -
Projected benefit obligation	<u>14,421,924</u>	<u>12,972,979</u>
Excess (deficiency) of plan assets over projected benefit obligation	<u>(14,421,924)</u>	<u>(12,972,979)</u>
Net accrued pension liability	<u>\$ (14,421,924)</u>	<u>\$ (12,972,979)</u>

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

	<u>2019</u>	<u>2018</u>
Discount rate	3.20%	4.00%
Cost of living increase	2.25%	2.25%

**NOTE 14. RETIREMENT PLANS (CONTINUED)**

Employer contributions and benefit payments for the years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Employer contributions	\$ 760,552	\$ 655,068
Benefit payments	760,552	655,068

The Federation expects to contribute \$918,418 for the June 30, 2020 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,	2020	\$ 918,418
	2021	909,971
	2022	899,454
	2023	866,936
	2024	872,476
	2025-2029	<u>4,699,347</u>
	Total	<u>\$ 9,166,602</u>

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

**NOTE 15. 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 15. POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS (CONTINUED)**

Postretirement benefit costs for the years ended June 30, 2019 and 2018 include the following components:

	<u>2019</u>	<u>2018</u>
Service cost (with interest)	\$ 1,094,378	\$ 2,127,873
Interest cost	838,438	1,587,325
Amortization of losses	506,907	829,612
Amortization of prior service cost (credit)	(1,201,155)	113,771
Amortization of transition obligation	<u>193,622</u>	<u>193,622</u>
Total postretirement benefit costs	<u>\$ 1,432,190</u>	<u>\$ 4,852,203</u>

The accumulated postretirement benefit obligation at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets	\$ -	\$ -
Projected benefit obligation	<u>21,631,758</u>	<u>20,780,041</u>
Excess (deficiency) of plan assets over postretirement benefit obligation	<u>(21,631,758)</u>	<u>(20,780,041)</u>
Net accrued healthcare liability	<u>\$ (21,631,758)</u>	<u>\$ (20,780,041)</u>

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

	<u>2019</u>	<u>2018</u>
Discount rate	3.50%	4.10%

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

- The discount rate used for determining the benefit obligation decreased from 4.10% for June 30, 2018 to 3.50% for June 30, 2019.
- Assumptions related to claims costs, trend rates, mortality, participant election and discount rate were updated.

**NOTE 15. POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS (CONTINUED)**

The assumed health care cost trend rates used to measure the expected cost of medical, prescription, and dental benefits for the year ended June 30, 2019 were as follows:

- Pre-65 medical: 8.00% for 2020 decreasing to 5.00% in 2025
- Pre-65 prescription: 9.00% for 2020 decreasing to 5.00% in 2027
- Dental: 5.75% for 2020 decreasing to 3.00% in 2025
- Post-65 officers medical: 5.75% for 2020 decreasing to 4.50% in 2024
- EGWP: 6.00% for 2020 decreasing to 4.50% in 2025

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

Year Ending June 30,	2020	\$ 690,231
	2021	677,245
	2022	725,629
	2023	763,490
	2024	787,371
	2023-2027	<u>4,440,940</u>
	Total	<u>\$ 8,084,906</u>

The plan is unfunded and benefits will be paid from the General Fund of the Federation. The amount expected to be recognized as net periodic costs in the coming fiscal year ending June 30, 2020 is \$1,166,304. The amount expected to be required in contributions to the plan during the year ending June 30, 2020 is \$690,231.

**NOTE 16. BORROWINGS AND CONTINGENT LIABILITIES**

The Federation has a line of credit with a financial institution at June 30, 2019. 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 \$3,426,511 and \$99,036,508 during the years ended June 30, 2019 and 2018, respectively. The Federation has no outstanding balances on the lines of credit at June 30, 2019 or 2018.

At June 30, 2019, the Federation has guaranteed loans obtained by an affiliate not to exceed \$1,133,383.

**NOTE 17. 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,	2020	\$ 115,029
	2021	115,029
	2022	115,029
	2023	<u>38,435</u>
	Total	<u>\$ 383,522</u>

Rental expense for office equipment leases totaled \$314,547 and \$286,354 for the years ended June 30, 2019 and 2018, 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,	2020	\$ 105,295
	2021	<u>26,453</u>
	Total	<u>\$ 131,748</u>

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

**NOTE 18. 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, 2019 is as follows:

Year Ending June 30,	2020	\$ 188,744
	2021	196,173
	2022	129,762
	2023	59,999
	2024	60,899
	Thereafter	<u>691,195</u>
		<u>\$ 1,326,772</u>

**NOTE 19. 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, 2019 were approximately \$37.2 million. Additionally, the Federation had approximately \$500,000 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 20. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 31, 2020, which is the date the consolidated financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an 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, 2019

	<u>Building Fund</u>	<u>555 New Jersey Avenue N.W., Inc.</u>	<u>Capitol Place I Associates Limited Partnership</u>	<u>Elimination Entries</u>	<u>Consolidated Building Fund</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 3,440	\$ -	\$ 937,666	\$ -	\$ 941,106
Due (to) from other funds	7,266,600	(112,741)	2,000,000	-	9,153,859
Other receivables	-	-	75,751	-	75,751
Prepaid expenses	-	-	39,620	-	39,620
Total current assets	<u>7,270,040</u>	<u>(112,741)</u>	<u>3,053,037</u>	<u>-</u>	<u>10,210,336</u>
INVESTMENTS	-	-	17,208,757	-	17,208,757
PROPERTY AND EQUIPMENT	-	-	10,115,221	3,008,415	13,123,636
<b>OTHER ASSETS</b>					
Investment in Capitol Place I Associates Limited Partnership	16,616,344	(16,228)	-	(16,600,116)	-
Deferred commission, net	-	-	-	-	-
Total assets	<u>\$ 23,886,384</u>	<u>\$ (128,969)</u>	<u>\$ 30,377,015</u>	<u>\$ (13,591,701)</u>	<u>\$ 40,542,729</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 3,399	\$ -	\$ 441,302	\$ -	\$ 444,701
Current maturities of mortgage note	-	-	683,016	-	683,016
Deferred rent	-	-	4,740	-	4,740
Total current liabilities	<u>3,399</u>	<u>-</u>	<u>1,129,058</u>	<u>-</u>	<u>1,132,457</u>
INTEREST RATE SWAP AGREEMENT	-	-	654,283	-	654,283
MORTGAGE NOTE PAYABLE, EXCLUDING CURRENT MATURITIES	-	-	21,941,721	-	21,941,721
Total liabilities	3,399	-	23,725,062	-	23,728,461
NET ASSETS AND PARTNERS' EQUITY	<u>23,882,985</u>	<u>(128,969)</u>	<u>6,651,953</u>	<u>(13,591,701)</u>	<u>16,814,268</u>
Total liabilities and net assets	<u>\$ 23,886,384</u>	<u>\$ (128,969)</u>	<u>\$ 30,377,015</u>	<u>\$ (13,591,701)</u>	<u>\$ 40,542,729</u>

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

**CONSOLIDATING SCHEDULE – BUILDING FUND SCHEDULE OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

	Building Fund	555 New Jersey Avenue N.W., Inc.	Capitol Place I Associates Limited Partnership	Elimination Entries	Consolidated Building Fund
<b>REVENUE</b>					
Per capita taxes	\$ 979,016	\$ -	\$ -	\$ -	\$ 979,016
Investment revenue, net of expenses of \$91,107	-	-	638,382	-	638,382
Net appreciation in fair value of investments	-	-	362,132	-	362,132
Rental revenue on subleased office space	248,927	-	-	-	248,927
Rental income, net	-	-	950,799	-	950,799
Appreciation in fair value of swap agreement	-	-	(1,467,757)	-	(1,467,757)
Equity in income (loss) of Capitol Place I Investments Limited Partnership-AFT	(5,078,885)	(51,302)	-	5,130,187	-
Other	-	-	99,898	-	99,898
Total revenue	(3,850,942)	(51,302)	583,454	5,130,187	1,811,397
<b>EXPENSES</b>					
General operations - depreciation and amortization	-	-	1,036,428	-	1,036,428
General operations - General Fund rental expense	-	-	-	-	-
Rental expense on subleased office space	-	-	-	-	-
Operating expenses	-	-	3,754,967	-	3,754,967
Interest expense	-	-	922,246	-	922,246
Other	-	-	-	268,788	268,788
Total expenses	-	-	5,713,641	268,788	5,982,429
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(3,850,942)	(51,302)	(5,130,187)	4,861,399	(4,171,032)
<b>NET ASSETS AND PARTNERS' EQUITY,</b>					
Beginning of year	27,733,927	(77,667)	9,782,140	(16,453,100)	20,985,300
Net partnership transactions affecting equity	-	-	2,000,000	(2,000,000)	-
Net assets and partners' equity, end of year	\$ 23,882,985	\$ (128,969)	\$ 6,651,953	\$ (13,591,701)	\$ 16,814,268