

UNITED ACADEMICS UNIVERSITY OF OREGON

**STATEMENT OF EXPENSES AND ALLOCATION
BETWEEN CHARGEABLE EXPENSES AND
NON-CHARGEABLE EXPENSES – CASH BASIS**

**For the Period October 9, 2013 (Inception)
through June 30, 2014**



UNITED ACADEMICS UNIVERSITY OF OREGON
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES – CASH BASIS
For the Period October 9, 2013 (Inception) Through June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Academics University of Oregon
Eugene, Oregon

We have audited the accompanying statement of expenses and allocation between chargeable expenses and non-chargeable expenses – cash basis of United Academics University of Oregon (a nonprofit organization) for the period October 9, 2013 (inception) through June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Statement of Expenses and Allocation Between Chargeable Expenses and Non-chargeable Expenses – Cash Basis

Management is responsible for the preparation and fair presentation of the statement of expenses and allocation between chargeable expenses and non-chargeable expenses – cash basis in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement of expenses and allocation between chargeable expenses and non-chargeable expenses – cash basis based on our audit. We conducted our audit 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, 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 statement 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 statement.

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

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Opinion

In our opinion, the statement of expenses and allocation between chargeable expenses and non-chargeable expenses – cash basis referred to above presents fairly, in all material respects, the expenses of United Academics University of Oregon for the period October 9, 2013 (inception) through June 30, 2014, and the allocated expenses between chargeable expenses and non-chargeable expenses, for the period then ended on the basis of the definitions and significant factors and assumptions described in Note 2 and Note 3 and in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 2 and Note 3, as well as Note 1 of the statement, which describes the significant factors and assumptions as well as the basis of accounting. The statement is prepared on the basis of these significant factors and assumptions as well as the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. It is not intended to be a complete presentation of United Academics University of Oregon's assets, liabilities, net assets, support and expenses on the basis of accounting described in Note 1, 2, and 3. Our opinion is not modified with respect to that matter.

Restriction of Use

This report is intended solely for the information and use of the Board of Directors and management of United Academics and its agency fee payers, and is not intended to be and should not be used by anyone other than these specified parties.



Jones & Roth, P.C.
Eugene, Oregon
December 12, 2014

UNITED ACADEMICS UNIVERSITY OF OREGON
STATEMENT OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES - CASH BASIS
For the Period October 9, 2013 (Inception) Through June 30, 2014

	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Non- chargeable Expenses</u>	<u>Note</u>
Direct expenses				
Representation and affiliation	\$ 497,954	\$ 337,035	\$ 160,919	3a
Conventions and meetings	11,045	11,045	-	3b
Member meetings	7,977	7,543	434	3b
Member communication	120	120	-	3b
Professional services	<u>2,983</u>	<u>2,983</u>	<u>-</u>	3b
 Total direct expenses	 <u>520,079</u>	 <u>358,726</u>	 <u>161,353</u>	
General, administrative, and operating expenses				
Payroll	44,289	44,082	207	3c
Payroll taxes and related fringe benefits	9,410	9,370	40	3d
Rent	3,800	3,689	111	3e
Insurance	1,328	1,289	39	3e
Office supplies, postage, printing, and fees	9,116	8,339	777	3f
Miscellaneous	<u>2,959</u>	<u>1,839</u>	<u>1,120</u>	3f
 Total general, administrative, and operating expenses	 <u>70,902</u>	 <u>68,608</u>	 <u>2,294</u>	
 Total expenses	 <u>\$ 590,981</u>	 <u>\$ 427,334</u>	 <u>\$ 163,647</u>	

The accompanying notes are an integral part of this statement.

UNITED ACADEMICS UNIVERSITY OF OREGON
NOTES TO STATEMENT

1. Summary of Significant Accounting Policies

Nature of Operations

United Academics University of Oregon (the Organization) is a nonprofit organization that negotiates terms and conditions of employment with the University of Oregon on behalf of its members. The Organization aims to promote and defend quality public higher education by working together to uphold the University of Oregon's academic and research priorities. The Organization facilitates the collective bargaining process between the University of Oregon and its employees. The Organization's members are employees of the University of Oregon in Lane County.

Basis of Accounting

The statement of expenses and allocation of expenses between chargeable expenses and non-chargeable expenses of the Organization have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. Accordingly, revenue is recorded when received, rather than when earned, and expenses are recorded when paid, rather than when the obligation is incurred.

Use of Estimates

The preparation of financial statements, in conformity 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. Actual results could differ from those estimates.

Income Tax Status

The Organization qualifies as a tax-exempt organization as a subordinate under the American Federation of Teachers group exemption under Section 501(c)(5) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the statement. The Organization's information returns are generally subject to an examination by taxing authorities for a period of three years after filing.

2. Definitions

The following definitions of chargeable expenses and non-chargeable expenses are based on federal and Oregon law and the Organization's interpretation of court decisions.

Chargeable Expenses

Chargeable expenses are those incurred by the Organization that reflect the share of the costs of operation of the Organization which are considered necessarily and reasonably incurred for the purpose of negotiating and administering the collective bargaining contract; settling grievances, and disputes by mutual agreement, or in arbitration court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the local union or council as representative of the employees in the bargaining unit; and the maintenance of the local affiliate dues and donations to the extent those are chargeable or non-chargeable.

UNITED ACADEMICS UNIVERSITY OF OREGON
NOTES TO STATEMENT

2. Definitions, continued

Non-chargeable Expenses

Non-chargeable expenses are those of an ideological or political nature and those that are not germane to collective bargaining.

The term political is defined as support for or against candidates for political office of any level of government and any office in the union structure. The term ideological is defined as support for or against certain positions that the union may take which are not work related.

3. Significant Factors and Assumptions

The Organization used the following factors and assumptions in the allocation of combined expenses between chargeable and non-chargeable:

- a. **Representation and Affiliation** – Representation and affiliation fees are allocated to chargeable expenses and non-chargeable expenses based on receipt of audit reports on the allocation of expenses of those organizations. For organizations that do not receive audits, the fees are allocated based on the rates for entities of similar nature. A breakdown of representation and affiliation is as follows:

	Total Expenses	Chargeable Expenses	Non- chargeable Expenses
AAUP	\$ 135,097	\$ 83,314	\$ 51,783
AAUP – Oregon	36,287	22,378	13,909
AFT	120,402	86,039	34,363
AFT – Oregon	203,222	142,946	60,276
Lane County Labor Council	2,946	2,358	588
Total	\$ 497,954	\$ 337,035	\$ 160,919

- b. **Conventions and Meetings, Member Meetings, Member Communication, Professional Services** – Conventions and meetings, member meetings, member communication, and professional services have been allocated to chargeable expenses and non-chargeable expenses based on the chargeable and non-chargeable activities of operations.
- c. **Salaries** – Salary expenses of the Executive Director and Administrative Assistant have been allocated between chargeable and non-chargeable activities based on time spent by personnel on such activities.
- d. **Payroll Taxes and Related Fringe Benefits** – Payroll taxes and related fringe benefits have been allocated between chargeable and non-chargeable activities based on the allocation of salary expense as described in Note 3c.

UNITED ACADEMICS UNIVERSITY OF OREGON
NOTES TO STATEMENT

3. Significant Factors and Assumptions, continued

- e. **Rent and Insurance** – Rent and insurance are allocated to chargeable and non-chargeable expenses based on the allocation of direct chargeable expenses and non-chargeable expenses of the Organization.
- f. **Office Supplies, Postage, Printing and Fees and Miscellaneous** – Office supplies, postage, printing and fees, and miscellaneous are allocated to chargeable and non-chargeable expenses based on the chargeable and non-chargeable activities of operations for expenses that can be directly identified, and based on the allocation of direct chargeable expenses and non-chargeable expenses of the Organization for expenses that cannot be directly identified.

4. Reconciliation of Expenses from Audited Financial Statements to Statement of Chargeable Expenses and Non-Chargeable Expenses – Cash Basis

Rent and various other operating expense associated with the subletting operations of the Organization have been excluded from the statement of expenses and allocation of expenses between chargeable expenses and non-chargeable expenses – cash basis. The following is a reconciliation of total expenses as reported on the audited statement to the total expense allocated between chargeable expenses and non-chargeable expenses.

Total expense as reported on the audited statement	\$ 597,609
Less rent and administrative costs reimbursed from subletting	<u>(6,628)</u>
Total expenses subjected to allocation	<u>\$ 590,981</u>

5. Subsequent Events

Management evaluates events and transactions that occur after the statement of expenses and allocation between chargeable expenses and non-chargeable expenses – cash basis date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.