

**NEW YORK STATE UNITED TEACHERS
AND SUBSIDIARY**

**Consolidated Schedule of Expenses
and Allocation Between Chargeable
and Nonchargeable Expenses**

For the Year Ended August 31, 2016

Bonadio & Co., LLP
Certified Public Accountants

CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Consolidated schedule of expenses and allocation between chargeable and nonchargeable expenses	1
Notes to consolidated schedule of expenses and allocation between chargeable and nonchargeable expenses	2-5

INDEPENDENT AUDITOR'S REPORT

February 16, 2017

The Board of Directors
New York State United Teachers:

Report on the Consolidated Schedule of Expenses and Allocation between Chargeable and Nonchargeable Expenses

We have audited the accompanying consolidated schedule of expenses and allocation between chargeable and nonchargeable expenses of New York State United Teachers (NYSUT) and its subsidiary NYSUT Building Corporation (collectively, the Organization), for the year ended August 31, 2016, and the related notes to the financial schedule.

Management's Responsibility for the Consolidated Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses

Management is responsible for the preparation and fair presentation of this consolidated financial schedule in accordance with the basis of the definitions and significant factors and assumptions described in Notes 2, 3, and 4. This includes determining that this basis is an acceptable basis for the preparation of the consolidated financial schedule 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 consolidated financial schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this consolidated financial schedule 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 consolidated financial schedule is free from material misstatement.

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the consolidated financial schedule referred to above presents fairly, in all material respects, the expenses of New York State United Teachers and its subsidiary NYSUT Building Corporation and the allocation between chargeable and nonchargeable expenses for the year ended August 31, 2016, in accordance with the basis of the definitions and significant factors and assumptions described in Notes 2, 3, and 4.

Basis of Accounting

We draw attention to Notes 2, 3, and 4 which describe the basis of accounting. The consolidated financial schedule is prepared on a basis other than accounting principles generally accepted in the United States of America. The accompanying consolidated financial schedule is not intended to be a complete presentation of the Organization's consolidated financial statements. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the Organization, NYSUT members, and agency fee payers and is not intended to be and should not be used by anyone other than these specified parties.

**NEW YORK STATE UNITED TEACHERS AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE
AND NONCHARGEABLE EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Nonchargeable Expenses</u>
Payroll	\$ 50,742,641	\$ 48,604,331	\$ 2,138,310
Provision for future cost of postretirement benefits	49,853,976	47,753,115	2,100,861
Aid to locals	17,791,605	17,791,605	-
Employee benefits and payroll taxes	15,927,932	15,256,724	671,208
Rent and utilities	3,791,184	3,631,575	159,609
Public relations	3,352,509	2,493,829	858,680
Organization affiliation dues	3,337,150	3,334,909	2,241
Newspaper production costs	2,648,513	387,513	2,261,000
Depreciation and amortization	2,628,962	2,518,283	110,679
Travel and related expenses	2,122,249	2,032,902	89,347
Office equipment repairs and rentals	1,940,570	1,858,872	81,698
Special projects	1,720,391	1,280,730	439,661
Property taxes	1,677,210	1,606,599	70,611
Conventions	1,459,231	1,459,231	-
Regional workshops	1,452,210	1,452,210	-
Committees	1,419,369	1,384,470	34,899
Office supplies	1,322,088	1,141,667	180,421
Insurance	1,030,576	987,189	43,387
Telecommunication costs	812,806	778,587	34,219
Professional fees	648,779	648,779	-
Special organizing projects	635,438	195,100	440,338
Retiree services	625,134	601,014	24,120
Publications and information systems	570,728	546,700	24,028
Postage	454,647	435,506	19,141
Miscellaneous	326,915	313,152	13,763
Political and legislative meetings	319,708	19,864	299,844
Contributions	267,226	-	267,226
Staff development	208,001	208,001	-
Security services	177,688	170,207	7,481
Membership AD&D Insurance	67,016	67,016	-
Members' legal defense reimbursements	35,250	35,250	-
Minor equipment	25,929	24,837	1,092
	<u>169,393,631</u>	<u>159,019,767</u>	<u>10,373,864</u>
Less: reimbursement of expenses	<u>2,707,207</u>	<u>2,593,234</u>	<u>113,973</u>
Total operating expenses	<u>\$ 166,686,424</u>	<u>\$ 156,426,533</u>	<u>\$ 10,259,891</u>
Overall union allocation rates	<u>100.00%</u>	<u>93.84%</u>	<u>6.16%</u>

The accompanying notes are an integral part of the consolidated schedule of expenses and allocation between chargeable and nonchargeable expenses

NEW YORK STATE UNITED TEACHERS AND SUBSIDIARY

NOTES TO CONSOLIDATED SCHEDULE OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE AND NONCHARGEABLE EXPENSES AUGUST 31, 2016

1. THE ORGANIZATION

New York State United Teachers (NYSUT) is a labor organization that through a representative democratic structure improves the professional, economic and personal lives of its members and their families, strengthens the institutions in which they work and furthers the cause of social justice through the trade union movement.

NYSUT Building Corporation was formed to hold title to real property utilized by NYSUT and certain related entities.

The two companies, together, are hereafter referred to as the "Organization."

Under law, individuals who have chosen not to become a member of NYSUT are entitled to reduced fees. The refund or the reduction of fees is related to the pro rata share of total expenses incurred by NYSUT that aided in causes of a political and ideological nature that are only incidentally related to the terms and conditions of employment. NYSUT estimates the pro rata share of nonchargeable expense used to determine such refunds and reductions based on the definitions in Note 3, which are based on management's interpretation of legal precedent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial schedule was prepared for the purpose of determining the agency fee cost of services rendered by the Organization for employees represented by, but not members of, the Organization. The accompanying consolidated financial schedule is not intended to be a complete presentation of the Organization's financial position, changes in net deficit, or its cash flows in accordance with generally accepted accounting principles.

Basis of Consolidation

The consolidated financial schedule of expenses and allocation between chargeable and nonchargeable expenses includes the accounts of New York State United Teachers and its wholly-owned subsidiary NYSUT Building Corporation. All significant transactions and balances between the entities have been eliminated.

Use of Estimates

The preparation of consolidated financial information in accordance with the basis of presentation described in Notes 2, 3, and 4 requires management to make estimates and assumptions that affect the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Depreciation

Property assets other than transportation equipment are depreciated by the straight-line method, at rates calculated to amortize the cost of the assets over their respective estimated lives.

Transportation equipment is depreciated by accelerated methods, at rates calculated to amortize the cost of the automobiles over their respective estimated useful lives.

3. DEFINITIONS

The following definitions of chargeable and nonchargeable expenses are based on existing law and the Organization's interpretation of relevant court cases as applicable to public sector employees.

Total Expenses

Total expenses include total operating expenses incurred by the Organization, less expenses incurred by the board designated Advocacy, Legal Representation and Solidarity Funds, as these are funded by separate and distinct revenues.

Chargeable Expenses

Chargeable expenses are those incurred by the Organization which reflect the costs of operations of the Union and those incurred for the purpose of assisting, directly or indirectly, affiliated local unions and their members with respect to terms and conditions of employment.

Nonchargeable Expenses

Nonchargeable expenses are those of an ideological or political nature only incidentally related to terms and conditions of employment. Also included as a category of nonchargeable expenses are "members' only benefits" or union benefits available only to members.

The term "political" is defined as support of, or opposition to, political parties or candidates for political office and expenses associated with fund raising for such activities. Also included in the definition of "political" are voter registration and political get out the vote efforts. The term "ideological" is defined as support for certain positions that the Union may take which are not work-related or do not have an impact on the terms and conditions of employment of employees represented by the Union or its affiliates.

The following are examples of expenses classified as nonchargeable: membership political education such as union sponsored phone banks for voter registration or to get out the vote; international affairs; activities concerning judicial nominations; endorsements of political candidates; representing the Organization at fundraising and charitable events and representing the Organization in volunteer activities of an ideological nature.

4. SIGNIFICANT FACTORS AND ASSUMPTIONS

Payroll

Payroll expenses for employees in the Organizing department have been determined to be 100% nonchargeable.

Payroll expenses for other employees have been allocated to nonchargeable based upon a survey of time spent by all NYSUT personnel on nonchargeable activities for the year ended August 31, 2016.

Employee Benefits and Payroll Taxes and Provision for Future Cost of Postretirement Benefits

These expenses are allocated on the basis of payroll expense allocations described in the payroll note above.

Aid to Locals

Aid to locals includes reimbursements to local unions for grievances and arbitrations; affiliate support in connection with collective bargaining issues and actions and direct field support provided to large city locals for collective bargaining and work-related interests of their members. Therefore, these expenses have been determined to be 100% chargeable.

4. SIGNIFICANT FACTORS AND ASSUMPTIONS (Continued)

Public Relations

Public relations expenses consist primarily of expenses for media campaigns. Media campaigns undertaken for the purpose of assisting affiliated local unions and their members, directly or indirectly, with respect to terms and conditions of employment are considered 100% chargeable. Media buys of a political or ideological nature are deemed to be 100% nonchargeable.

Newspaper Production Costs

Printing and publishing expenses of the NYSUT United and NY Teacher newspapers are allocated based on the specific content of articles. Articles considered political or ideological in nature are determined to be nonchargeable. The nonchargeable expenses are calculated based upon the current per column inch advertising rate for endorsed vendors. The NYSUT United and NY Teacher circulation includes both the Organizations members and agency fee payers.

Special Projects

This category includes projects that are germane to work-related issues and are determined to be 100% chargeable. Also included in this category are activities designed to carry out the Organization's civic and social mission. These activities are determined to be 100% nonchargeable.

Regional Workshops

The Organization sponsors numerous workshops available to members and agency fee payers which are determined to be 100% chargeable.

Committees

This category includes expenses for committees formed to discuss a variety of work-related issues and are determined to be 100% chargeable. Also included in this category are committees formed to carry out the Organization's civic and social mission. These expenses are determined to be 100% nonchargeable.

Political and Legislative Meetings

Lobbying and legislative activities with respect to work-related issues are determined to be 100% chargeable.

Included in this category are expenses for membership political education such as union sponsored phone banks for voter registration or to get out the vote. These expenses are determined to be 100% nonchargeable.

Office Supplies

Included in this category is the cost of the membership cards which is determined to be 100% nonchargeable.

Contributions

All contributions are determined to be 100% nonchargeable.

Overhead Expenses and Reimbursement of Expenses

The nonchargeable allocations of these expenses and reimbursement of expenses were determined by computing the ratio between nonchargeable personnel expenses to total personnel expenses, the result was applied to the various overhead expenses and reimbursement of expenses.

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 16, 2017, which is the date the consolidated schedule of expenses and allocation between chargeable and nonchargeable expenses was available to be issued.