

PROFESSIONAL STAFF CONGRESS/CUNY  
FINANCIAL STATEMENTS with SUPPLEMENTAL INFORMATION  
AUGUST 31, 2016 and 2015

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## Independent Auditor's Report

## To the Executive Board of Professional Staff Congress of the City University of New York

We have audited the accompanying financial statements of the Professional Staff Congress of the City University of New York (PSC/CUNY), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements:** Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PSC/CUNY's preparation and fair presentation of the 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 PSC/CUNY'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 financial statements.

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

**Opinion:** In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Professional Staff Congress of the City University of New York as of August 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Report on Supplemental Information:** Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedules of Expenses by Category are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the PSC/CUNY's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

NOVAK FRANCELLA, LLC  
New York, New York, February 21, 2017

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2016 AND 2015

## NOTE 1. ORGANIZATION AND TAX STATUS

The Professional Staff Congress of the City University of New York (PSC/CUNY) was created by a merger of the Legislative Conference of The City University of New York and the United Federation of College Teachers. It was created to be the collective bargaining representative of the instructional staff of the City University of New York (CUNY). The Professional Staff Congress of the City University of New York is a Local (Local 2334) of the American Federation of Teachers (AFT). Through the AFT, PSC/CUNY is affiliated with The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO).

The purpose of PSC/CUNY is to advance and secure the professional and economic interest of the instructional staff of the CUNY and other members of the bargaining units of PSC/CUNY. The objectives of PSC/CUNY are to improve the quality of education, research and scholarships at the CUNY; to negotiate and administer collective bargaining agreements; to cooperate with other educational, professional, and labor organizations in order to enhance the quality of education in the nation and to promote the professional and economic interests and the welfare of all workers; to serve as the public representative of the instructional staff of the CUNY and other members of the bargaining units of the Professional Staff Congress; and to cooperate with other CUNY employee and academic organizations and student bodies in order to advance the interests of the faculty, staff and students of the CUNY and the community it serves. The benefits members receive are paid for by contributions from the employer, the CUNY, which are negotiated during bargaining as part of members' compensation. PSC/CUNY and its affiliated organizations have arranged for various special economic benefits for its members. PSC/CUNY also sponsors certain welfare benefits, which are paid from a separate trust fund and are not included in these financial statements.

PSC/CUNY is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code under a blanket exemption of the AFT.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by PSC/CUNY and recognize a tax liability if PSC/CUNY has taken an uncertain position that, more likely than not, would not be sustained upon examination by the U.S. Federal, state, or local taxing authorities. PSC/CUNY is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Typically, tax years will remain open for three years; however, this may differ depending upon the circumstances of PSC/CUNY.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Method of Accounting** - The accompanying financial statements are prepared using the accrual basis of accounting. Net assets are classified as unrestricted, temporarily restricted or permanently restricted. Net assets are generally reported as unrestricted unless assets are received from donors with explicit stipulations that limit the use of the asset. PSC/CUNY does not have any temporarily or permanently restricted net assets.

**Cash and Cash Equivalents** - PSC/CUNY considers all unrestricted cash and highly liquid investments, including certificates of deposit with initial maturities of three months or less, to be cash equivalents.

**Investments** - Investments are carried at fair value which generally represents quoted market prices, or the net asset value of the mutual funds, as of the last business day of the fiscal year as provided by the custodian or investment manager. Certificates of deposit are carried at cost which approximates fair value. Certificates of deposit that have initial maturity dates of more than three months are considered to be investments.

**Property and Equipment** - Property and equipment are recorded at cost. Major additions are capitalized

while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed over the assets' estimated useful lives, three to thirty years, by the straight line method. Depreciation expense was \$92,629 for the year ended August 31, 2016 and \$106,357 for 2015.

**Accrued Compensated Balances** - Future employee absences that have been earned but not yet taken are accrued within the contract limits. The accrued compensated balances were \$510,012 for the year ended August 31, 2016 and \$481,472 for 2015.

**Membership Dues and Dues Receivable** - Membership dues are recognized as revenue over the membership period. Dues come from members through payroll deductions and direct payments. Dues receivable are recorded as revenues are recognized. PSC/CUNY has determined that no allowance for doubtful accounts for receivables is necessary as of August 31, 2016 and 2015.

**Deferred Rent** - Operating leases are recognized on a straight-line basis over the term of the lease. Deferred rent has been recorded for the difference between the fixed payment and the rent expense. Deferred rent was \$881,203 for the year ended August 31, 2016 and \$893,170 for 2015.

**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 reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Reclassifications** - Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

## NOTE 3. CONCENTRATION OF CASH

PSC/CUNY places its cash with financial institutions deemed to be creditworthy. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances may at times exceed the insurance deposit limits.

## NOTE 4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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 or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

## Basis of Fair Value Measurement:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the PSC/CUNY has the ability to access.

Level 2 - Inputs to the valuation methodology include: 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; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of

financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

For the years ended August 31, 2016 and 2015, there were no transfers in or out of levels 1, 2, or 3.

|                         | Fair Value Measurements at August 31, 2016 |                     |             |             |
|-------------------------|--|---------------------|-------------|-------------|
|                         | Total                                      | Level 1             | Level 2     | Level 3     |
| Certificates of deposit | \$ 992,000                                 | \$ 992,000          | \$ -        | \$ -        |
| Mutual funds:           |  |                     |             |             |
| Fixed income            | 4,768,949                                  | 4,768,949           | -           | -           |
| Equity                  | 1,121,405                                  | 1,121,405           | -           | -           |
|                         | <u>\$ 6,882,354</u>                        | <u>\$ 6,882,354</u> | <u>\$ -</u> | <u>\$ -</u> |

|                         | Fair Value Measurements at August 31, 2015 |                     |             |             |
|-------------------------|--|---------------------|-------------|-------------|
|                         | Total                                      | Level 1             | Level 2     | Level 3     |
| Certificates of deposit | \$ 992,000                                 | \$ 992,000          | \$ -        | \$ -        |
| Mutual funds:           |  |                     |             |             |
| Fixed income            | 4,359,914                                  | 4,359,914           | -           | -           |
| Equity                  | 975,988                                    | 975,988             | -           | -           |
|                         | <u>\$ 6,327,902</u>                        | <u>\$ 6,327,902</u> | <u>\$ -</u> | <u>\$ -</u> |

## NOTE 5. SINGLE-EMPLOYER PENSION PLAN

PSC/CUNY contributes to the Professional Staff Congress of the City University of New York Pension Plan (the Plan), a single employer plan covering all non-collectively bargained employees who meet age and service requirements. Contributions are actuarially determined.

The Professional Staff Congress of the City University of New York Pension Plan is a defined benefit plan paying 2.2% of Final Average Compensation for each year of service, up to 25 years. Final Average Compensation is the average compensation over the last highest 5 consecutive years (or highest 60 months) of service. Plan assets do not include any securities of the employer or related entities. No amount of future annual benefits of plan participants is covered by insurance contracts. There were no significant transactions between the PSC/CUNY or related parties and the plan during the years ended 2016 and 2015.

The following are the balances as of or for the years ended August 31, 2016 and 2015 as provided by the Plan's actuary:

|                                | 2016                 | 2015                 |
|--------------------------------|----------------------|----------------------|
| Projected benefit obligation   | \$(6,825,437)        | \$(4,681,141)        |
| Fair value of plan assets      | <u>3,021,253</u>     | <u>2,732,837</u>     |
| Funded status                  | <u>\$(3,804,184)</u> | <u>\$(1,948,304)</u> |
| Accumulated benefit obligation | <u>\$(1,094,107)</u> | <u>\$(806,475)</u>   |

## Amounts recognized in the statement of financial position:

|                        |             |             |
|------------------------|-------------|-------------|
| Noncurrent assets      | \$ -        | \$ -        |
| Current liabilities    | -           | -           |
| Noncurrent liabilities | (3,804,184) | (1,948,304) |

Amounts in net assets not recognized as components of net periodic benefit cost:

|                                |             |             |
|--------------------------------|-------------|-------------|
| Accumulated net gain or (loss) | (2,710,077) | (1,141,829) |
|--------------------------------|-------------|-------------|

## Weighted-average assumptions:

|                                |       |       |
|--------------------------------|-------|-------|
| Discount rate                  | 4.50% | 3.75% |
| Expected return on plan assets | 7.00% | 7.00% |
| Rate of compensation increase  | 4.00% | 4.00% |

|                           |                   |                   |
|---------------------------|-------------------|-------------------|
| Employer contributions    | <u>\$ 215,004</u> | <u>\$ 215,004</u> |
| Benefits paid             | <u>\$ -</u>       | <u>\$ 13,621</u>  |
| Net periodic pension cost | <u>\$ 502,636</u> | <u>\$ 426,081</u> |

The change in unfunded pension benefit obligations consists of the following:

|                            | 2016             | 2015             |
|----------------------------|------------------|------------------|
| Net periodic pension cost  | \$ 502,636       | \$ 426,081       |
| Less: Employer remittances | <u>(215,004)</u> | <u>(215,004)</u> |
|                            | 287,632          | 211,077          |

Increase (decrease) in unrecognized

|                              |                     |                   |
|------------------------------|---------------------|-------------------|
| accumulated net gain or loss | <u>1,568,248</u>    | <u>285,028</u>    |
|                              | <u>\$ 1,855,880</u> | <u>\$ 496,105</u> |

| PROFESSIONAL STAFF CONGRESS/CUNY<br>STATEMENTS OF FINANCIAL POSITION<br>AUGUST 31, 2016 AND 2015 | 2016                |                     | 2015 |  |
|--|---------------------|---------------------|------|--|
|  | <b>Assets</b>       |                     |      |  |
| Cash and cash equivalents  | \$ 134,955          | \$ 832,714          |      |  |
| Investments - at fair value  |                     |                     |      |  |
| Certificates of deposit  | 992,000             | 992,000             |      |  |
| Mutual funds   | 5,890,354           | 5,335,902           |      |  |
| Total investments  | <u>6,882,354</u>    | <u>6,327,902</u>    |      |  |
| <b>Receivables</b>   |                     |                     |      |  |
| Dues   | 1,067,000           | 971,000             |      |  |
| Due from related entities  | 713,649             | 624,000             |      |  |
| Due from other   | -                   | 774                 |      |  |
| Total receivables  | <u>1,780,649</u>    | <u>1,595,774</u>    |      |  |
| <b>Property and equipment</b>  |                     |                     |      |  |
| Equipment  | 673,927             | 657,240             |      |  |
| Leasehold improvements   | 529,641             | 529,641             |      |  |
| Furniture and fixtures   | 339,612             | 330,967             |      |  |
|  | 1,543,180           | 1,517,848           |      |  |
| Less: accumulated depreciation   | <u>(1,204,270)</u>  | <u>(1,111,641)</u>  |      |  |
| Net property and equipment   | <u>338,910</u>      | <u>406,207</u>      |      |  |
| Total assets   | <u>\$ 9,136,868</u> | <u>\$ 9,162,597</u> |      |  |
| <b>Liabilities and Net Assets</b>  |                     |                     |      |  |
| <b>Current liabilities</b>   |                     |                     |      |  |
| Accrued expenses   | \$ 337,475          | \$ 226,646          |      |  |
| Accrued compensated balances   | 510,012             | 481,472             |      |  |
| Due to related entities  | 1,670,575           | 2,235,282           |      |  |
| Total current liabilities  | <u>2,518,062</u>    | <u>2,943,400</u>    |      |  |
| <b>Long-term liabilities</b>   |                     |                     |      |  |
| Deferred rent  | \$ 881,203          | \$ 893,170          |      |  |
| Unfunded projected pension benefit obligation  | <u>3,804,184</u>    | <u>1,948,304</u>    |      |  |
| Total long-term liabilities  | <u>4,685,387</u>    | <u>2,841,474</u>    |      |  |
| Total liabilities  | <u>7,203,449</u>    | <u>5,784,874</u>    |      |  |
| <b>Unrestricted net assets</b>   | <u>1,933,419</u>    | <u>3,377,723</u>    |      |  |
| Total liabilities and net assets   | <u>\$ 9,136,868</u> | <u>\$ 9,162,597</u> |      |  |

See accompanying notes to financial statements.

| PROFESSIONAL STAFF CONGRESS/CUNY<br>STATEMENTS OF ACTIVITIES<br>YEARS ENDED AUGUST 31, 2016 AND 2015 | 2016                |                     | 2015 |  |
|--|---------------------|---------------------|------|--|
|  | <b>Revenue</b>      |                     |      |  |
| Membership dues and agency fees  | \$ 14,521,393       | \$ 14,177,108       |      |  |
| Organizing assistance  | 4,384,739           | 3,568,744           |      |  |
| Investment income  |                     |                     |      |  |
| Net realized and unrealized gains (losses)   | 238,679             | (83,499)            |      |  |
| Interest and dividends   | 150,286             | 148,512             |      |  |
| Less investment fees   | (16,578)            | (15,325)            |      |  |
| Rental income  | 230,220             | 222,459             |      |  |
| Total revenue  | <u>19,508,739</u>   | <u>18,017,999</u>   |      |  |
| <b>Expenses</b>  |                     |                     |      |  |
| Affiliation fees   | 10,526,299          | 10,222,776          |      |  |
| Salaries, employee benefits, and payroll taxes   | 5,245,666           | 4,887,649           |      |  |
| Representational and governance  | 142,898             | 241,899             |      |  |
| Public relations   | 170,962             | 149,516             |      |  |
| Building expenses  | 1,393,907           | 1,359,201           |      |  |
| Administrative, office and general   | 404,365             | 434,858             |      |  |
| Professional fees  | 451,183             | 478,633             |      |  |
| Contract & budget campaigns  | 558,421             | 503,363             |      |  |
| Stipends and reassigned time   | 398,465             | 367,075             |      |  |
| Depreciation expense   | <u>92,629</u>       | <u>106,357</u>      |      |  |
| Total expenses   | <u>19,384,795</u>   | <u>18,751,327</u>   |      |  |
| <b>Net increase (decrease) in net assets</b>   | <u>123,944</u>      | <u>(733,328)</u>    |      |  |
| <b>Net assets, unrestricted</b>  |                     |                     |      |  |
| Beginning of year  | 3,377,723           | 4,396,079           |      |  |
| Adjustment to pension liability funded status  | <u>(1,568,248)</u>  | <u>(285,028)</u>    |      |  |
| End of year  | <u>\$ 1,933,419</u> | <u>\$ 3,377,723</u> |      |  |

See accompanying notes to financial statements.

| PROFESSIONAL STAFF CONGRESS/CUNY<br>STATEMENTS OF CASH FLOWS<br>YEARS ENDED AUGUST 31, 2016 AND 2015 | 2016  |                   | 2015 |  |
|--|---|-------------------|------|--|
|  | <b>Cash flows from operating activities</b> |                   |      |  |
| Change in net assets   | \$ 123,944                                  | \$ (733,328)      |      |  |
| Adjustments to reconcile change in net assets to net cash provided by operating activities           |   |                   |      |  |
| Depreciation   | 92,629                                      | 106,357           |      |  |
| Net realized and unrealized (gains) losses   | (238,679)                                   | 83,499            |      |  |
| Pension liability funded status  | (1,568,248)                                 | (285,028)         |      |  |
| (Increase) decrease in assets:   |   |                   |      |  |
| Dues receivable  | (96,000)                                    | (84,000)          |      |  |
| Due from related entities  | (89,649)                                    | (364,607)         |      |  |
| Due from other   | 774   | (774)             |      |  |
| Increase (decrease) in liabilities:  |   |                   |      |  |
| Accrued expenses   | 110,829                                     | (17,816)          |      |  |
| Accrued compensated absences   | 28,540                                      | 9,625             |      |  |
| Due to related entities  | (564,707)                                   | 989,142           |      |  |
| Unfunded pension liability   | 1,855,880                                   | 496,105           |      |  |
| Deferred rent  | (11,967)                                    | 21,480            |      |  |
| Net cash provided by (used for) operating activities   | <u>(356,654)</u>                            | <u>220,655</u>    |      |  |
| <b>Cash flows from investing activities</b>  |   |                   |      |  |
| Purchase of property and equipment   | (25,332)                                    | (7,186)           |      |  |
| Purchase of certificates of deposit  | (199,000)                                   | (198,000)         |      |  |
| Liquidation of certificates of deposit   | 199,000                                     | 198,000           |      |  |
| Sale of investments  | 2,873,607                                   | 553,204           |      |  |
| Purchase of investments  | <u>(3,189,380)</u>                          | <u>(667,844)</u>  |      |  |
| Net cash used for investing activities   | <u>(341,105)</u>                            | <u>(121,826)</u>  |      |  |
| <b>Net increase (decrease) in cash</b>   | <u>(697,759)</u>                            | <u>98,829</u>     |      |  |
| <b>Cash and cash equivalents</b>   |   |                   |      |  |
| Beginning of year  | 832,714                                     | 733,885           |      |  |
| End of year  | <u>\$ 134,955</u>                           | <u>\$ 832,714</u> |      |  |

See accompanying notes to financial statements.

In 2016 and 2015, PSC/CUNY has recorded a loss of \$1,568,248 and \$285,028, respectively, to its net assets for the additional change in accrued pension payable beyond the current-year pension expense.

The Plan's expected long-term rate of return on assets assumption is 7.00%. This assumption represents the rate of return on Plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

At August 31, 2016 and 2015, the Plan's net assets available for benefits were allocated as follows:

|  | 2016   | 2015   |
|--|--------|--------|
| Mutual funds   | 21.11% | 21.55% |
| Common stock   | 53.16% | 49.15% |
| United States Government and Government Agency obligations | 23.61% | 24.95% |
| Cash and cash equivalents                                  | 2.12%  | 4.35%  |

The major classes of Plan investments at August 31, 2016 and 2015 are:

|  | 2016<br>Fair Value | 2015<br>Fair Value |
|--|--------------------|--------------------|
| Mutual funds   | \$ 637,680         | \$ 588,950         |
| Common stock   | 1,606,195          | 1,343,214          |
| United States Government and Government Agency obligations | 713,194            | 681,877            |
| Cash and cash equivalents                                  | 64,184             | 118,796            |
|  | <u>\$3,021,253</u> | <u>\$2,732,837</u> |

For the years ended August 31, 2016 and 2015, there were no transfers in or out of levels 1, 2 and 3.

#### Fair Value Measurements at August 31, 2016

|  | Total              | Level 1            | Level 2          | Level 3    |
|--|--------------------|--------------------|------------------|------------|
| Cash and cash equivalents                          | \$ 64,184          | \$ 64,184          | \$ -             | \$ -       |
| Common stock:                                      |                    |                    |                  |            |
| Basic materials                                    | 235,349            | 235,349            | -                | -          |
| Consumer goods                                     | 167,521            | 167,521            | -                | -          |
| Financial  | 178,652            | 178,652            | -                | -          |
| Healthcare   | \$ 138,941         | \$ 138,941         | \$ -             | \$ -       |
| Industrial goods                                   | 51,131             | 51,131             | -                | -          |
| Services   | 335,602            | 335,602            | -                | -          |
| Technology   | 498,999            | 498,999            | -                | -          |
| U.S. Government and Government Agency obligations: |                    |                    |                  |            |
| United States Treasury                             | 279,632            | 279,632            | -                | -          |
| Government agencies                                | 433,562            | -                  | 433,562          | -          |
| Mutual funds:                                      |                    |                    |                  |            |
| Fixed income                                       | 409,637            | 409,637            | -                | -          |
| Equity   | 228,043            | 228,043            | -                | -          |
|  | <u>\$3,021,253</u> | <u>\$2,587,691</u> | <u>\$433,562</u> | <u>\$-</u> |

#### Fair Value Measurements at August 31, 2015

|  | Total              | Level 1            | Level 2          | Level 3    |
|--|--------------------|--------------------|------------------|------------|
| Cash and cash equivalents                          | \$ 118,796         | \$ 118,796         | \$ -             | \$ -       |
| Common stock:                                      |                    |                    |                  |            |
| Basic materials                                    | 185,187            | 185,187            | -                | -          |
| Consumer goods                                     | 155,715            | 155,715            | -                | -          |
| Financial  | 161,506            | 161,506            | -                | -          |
| Healthcare   | 170,883            | 170,883            | -                | -          |
| Industrial goods                                   | 76,730             | 76,730             | -                | -          |
| Services   | 310,548            | 310,548            | -                | -          |
| Technology   | 282,645            | 282,645            | -                | -          |
| U.S. Government and Government Agency obligations: |                    |                    |                  |            |
| United States Treasury                             | 195,242            | 195,242            | -                | -          |
| Government agencies                                | 486,635            | -                  | 486,635          | -          |
| Mutual funds:                                      |                    |                    |                  |            |
| Fixed income                                       | 333,317            | 333,317            | -                | -          |
| Equity   | 255,633            | 255,633            | -                | -          |
|  | <u>\$2,732,837</u> | <u>\$2,246,202</u> | <u>\$486,635</u> | <u>\$-</u> |

PSC/CUNY's investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, PSC/CUNY formulates the investment portfolio composed of the optimal combination of cash and cash equivalents, equities, fixed income and mutual funds.

#### Future Cash Flows

The projected contribution for next fiscal year is \$215,004.

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

|             |           |
|-------------|-----------|
| 2017        | \$ -      |
| 2018        | -         |
| 2019        | -         |
| 2020        | 1,067,228 |
| 2021        | 1,129,124 |
| 2022        | 860,880   |
| 2023 - 2027 | 1,214,401 |

#### NOTE 6. MULTIEMPLOYER DEFINED BENEFIT PENSION PLAN

PSC/CUNY participates in the Office and Professional Employees International Union, Local 153 Pension Fund, a multiemployer defined benefit pension plan, under the terms of a collective bargaining agreement that covers its union-represented employees who meet age and service requirements. The risks of participating in multiemployer defined benefit pension plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer defined benefit pension plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the multiemployer defined benefit pension plan, the unfunded obligations of the multiemployer defined benefit pension plan may be borne by the remaining participating employers.

c. If the Plan chooses to stop participating in the multiemployer defined benefit pension plan, the Plan may be required to pay the multiemployer defined benefit pension plan an amount based on the underfunded status of the multiemployer defined benefit pension plan, referred to as a withdrawal liability.

PSC/CUNY's participation in the multiemployer defined benefit pension plan for the annual periods ended August 31, 2016 and 2015, is outlined in the table below. The zone status is based on information that PSC/CUNY received from the multiemployer defined benefit pension plan and is certified by the multiemployer defined benefit pension plan's actuary. Among other factors, pension plans in the red zone are generally less than 65 percent funded, pension plans in the yellow zone are less than 80 percent funded, and pension plans in the green zone are at least 80 percent funded.

#### SEE TABLE 1

\* PSC/CUNY participates in the Local 153 Pension Fund through a collective bargaining agreement between PSC/CUNY and the Office & Professional Employees International Union, Local 153 AFL-CIO (Local 153). The collective bargaining agreement has a three year term of October 1, 2015 through September 30, 2018.

#### SEE TABLE 2

\* The employer contribution rate of the Pension Plan was \$177 per week per employee effective June 1, 2014, \$195 effective June 1, 2015, and \$215 effective June 1, 2016.

#### SEE TABLE 3

#### NOTE 7. MULTIEMPLOYER PLAN THAT PROVIDES POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

PSC/CUNY contributed to one multiemployer defined benefit health and welfare plan during the years ended August 31, 2016 and 2015 that provides postretirement benefits for its full-time support staff employees. PSC/CUNY's contributions to the welfare plan on behalf of its full-time support staff employees, contribution rates, and number of employees covered are as follows:

#### SEE TABLE 4

\* Effective January 1, 2015 under a collective bargaining agreement between Local 153 and PSC/CUNY, regular contributions for support staff employees to Local 153 Health Fund ceased, and PSC/CUNY established coverage under an insured Preferred Provider Organization Plan to provide medical, dental and prescription benefits. Effective October 1, 2015, PSC/CUNY contributed \$66 per month to Local 153 Health Fund per active employee and \$8 per month per retiree under a collective bargaining agreement between Local 153 and PSC/CUNY to provide supplement benefits for life insurance coverage and vision benefits.

#### NOTE 8. RELATED PARTY TRANSACTIONS

##### Identification of Related Organizations

PSC/CUNY has the following related entities:

- American Federation of Teachers (AFT)
- New York State United Teachers (NYSUT)
- Professional Staff Congress of the City University of New York Welfare Fund
- The American Association of University Professors (AAUP)

The entities listed above share common trustees, officers or affiliation with PSC/CUNY.

PSC/CUNY is affiliated with New York State United Teachers (NYSUT) and the American Federation of Teachers (AFT) through arrangements whereby PSC/CUNY pays dues to each entity in order for its members to participate in affiliated programs and, in turn, is reimbursed for various expenses, including reimbursements for meetings, organizing, legislative representation, training programs, and arbitration.

Dues paid to NYSUT for the years ended August 31, 2016 and 2015 were \$6,868,292 and \$6,604,035, respectively. As of August 31, 2016 and 2015, PSC/CUNY owed NYSUT for dues \$1,103,000 and \$1,460,512, respectively. Dues paid to AFT for the years ended August 31, 2016 and 2015 were \$3,373,994 and \$3,333,962, respectively. As of August 31, 2016 and 2015, PSC/CUNY owed AFT for dues \$559,000 and \$762,630, respectively.

Reimbursements from NYSUT for the years ended August 31, 2016 and 2015 were \$3,641,829 and \$3,315,113, respectively. As of August 31, 2016 and 2015, NYSUT owed PSC/CUNY \$447,649 and \$585,000, respectively. Reimbursements from AFT for the years ended August 31, 2016 and 2015 were \$737,081 and \$247,801, respectively. As of August 31, 2016 and 2015, AFT owed PSC/CUNY \$266,000 and \$32,000, respectively.

PSC/CUNY pays NYSUT a monthly fee for dues processing. Dues processing fees totaled \$70,200 and \$67,000 for the years ended August 31, 2016 and 2015, respectively. As of August 31, 2016 and 2015, PSC/CUNY owed NYSUT \$5,850 and \$5,650, respectively, for dues processing.

PSC/CUNY reimburses the Welfare Fund for shared computer services. PSC/CUNY's portion of shared computer expenses totaled \$29,557 and \$32,433 for the years ended August 31, 2016 and 2015, respectively. As of August 31, 2016 and 2015, PSC/CUNY owed the Welfare Fund \$2,725 and \$6,490, respectively, for shared computer services.

#### Office Space Leases

PSC/CUNY leases office space from 61 Broadway Owner, LLC (the Realty Corp). On September 30, 2005, PSC/CUNY entered into a sixteen year lease with the Realty Corp for Suites 1500 and 1615 of the 61 Broadway building. The lease was amended on August 4, 2009 and May 17, 2012 to include Suites 1630 and 1610, respectively. The leases, all which expire on August 31, 2022, are classified as operating leases and provide for minimum annual rentals, plus certain additional expense escalations and utility charges. Per the agree-

ment, PSC/CUNY is also responsible for its portion of real estate taxes.

The minimum annual future rental payments under the three leases are summarized as follows:

| Year ending August 31, |                     |
|------------------------|---------------------|
| 2017                   | \$ 1,171,395        |
| 2018                   | 1,195,401           |
| 2019                   | 1,219,899           |
| 2020                   | 1,247,967           |
| 2021                   | 1,282,830           |
| Thereafter             | <u>1,309,149</u>    |
| Total                  | <u>\$ 7,426,641</u> |

Rent including utilities was \$1,197,099 for the year ended August 31, 2016 and \$1,206,201 for 2015.

PSC/CUNY subleases office space to the Professional Staff Congress of the City University of New York Welfare Fund, a related party. The Welfare Fund pays PSC/CUNY a sum equal to 23.90% of the lease of Suite 1500. The sublease expires on August 31, 2022.

The minimum annual future rental income under the sublease with the related party is summarized as follows:

| Year ending August 31, |                     |
|------------------------|---------------------|
| 2017                   | \$ 200,055          |
| 2018                   | 204,056             |
| 2019                   | 208,137             |
| 2020                   | 212,300             |
| 2021                   | 216,546             |
| Thereafter             | <u>220,877</u>      |
| Total                  | <u>\$ 1,261,971</u> |

Total rental income for the years ended August 31, 2016 and 2015 was \$230,220 and \$222,459, respectively. As of August 31, 2015, the Welfare Fund owed PSC/CUNY \$7,000 for rent. The Welfare Fund reimbursed PSC/CUNY in full during the year ended August 31, 2016.

#### NOTE 9. FUNCTIONAL EXPENSES

PSC/CUNY expended \$19,459,795 for the year ended August 31, 2016 and \$18,751,327 for 2015. PSC/CUNY has estimated that on a functional classification basis these expenses would be allocated as follows:

|                             | 2016        | 2015        |
|-----------------------------|-------------|-------------|
| Union activities            | 79%         | 83%         |
| Management & administrative | 21%         | 17%         |
| Total                       | <u>100%</u> | <u>100%</u> |

#### NOTE 10. LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against PSC/CUNY. In the opinion of PSC/CUNY's management and legal counsel, the ultimate outcome of these claims will not have a material adverse effect on the financial position of PSC/CUNY.

#### NOTE 11. SUBSEQUENT EVENTS

PSC/CUNY has evaluated subsequent events through February 21, 2017, the date the financial statements were available to be issued, and they have been evaluated in accordance with relevant accounting standards.

#### SUPPLEMENTAL INFORMATION SCHEDULES OF EXPENSES BY CATEGORY YEARS ENDED AUGUST 31, 2016 AND 2015

|   | 2016                 | 2015                 |
|---|----------------------|----------------------|
| <b>Affiliation fees</b>                               |                      |                      |
| New York State United Teachers                        | \$ 6,848,292         | \$ 6,604,035         |
| American Federation of Teachers                       | 3,373,995            | 3,333,962            |
| The American Association of University Professors     | 251,653              | 233,640              |
| Municipal Labor Committee                             | 20,584               | 20,019               |
| Other   | 31,775               | 31,120               |
|   | <u>10,526,299</u>    | <u>10,222,776</u>    |
| <b>Salaries, employee benefits, and payroll taxes</b> |                      |                      |
| Salaries  | 3,537,730            | 3,312,043            |
| Payroll taxes   | 271,117              | 265,856              |
| Health benefit expense                                | 736,669              | 732,815              |
| Pension benefit expense                               | 629,946              | 534,614              |
| Other   | 70,204               | 42,321               |
|   | <u>5,245,666</u>     | <u>4,887,649</u>     |
| <b>Representational and governance</b>                |                      |                      |
| Conferences and conventions                           | 114,908              | 149,594              |
| Elections   | 15,095               | 82,786               |
| Committees  | 12,895               | 9,519                |
|   | <u>142,898</u>       | <u>241,899</u>       |
| <b>Public relations</b>                               |                      |                      |
| Mobilization and outreach                             | 135,989              | 114,592              |
| Community relations                                   | 27,890               | 27,365               |
| Cultural activities                                   | 7,083                | 7,559                |
|   | <u>170,962</u>       | <u>149,516</u>       |
| <b>Building expenses</b>                              |                      |                      |
| Rent and services                                     | 1,197,099            | 1,206,201            |
| Real estate taxes                                     | 87,557               | 78,444               |
| Repairs and maintenance                               | 109,251              | 74,556               |
|   | <u>1,393,907</u>     | <u>1,359,201</u>     |
| <b>Administrative, office and general</b>             |                      |                      |
| Office  | \$ 252,805           | \$ 280,125           |
| Postage   | 36,262               | 45,384               |
| Insurance   | 38,692               | 36,292               |
| Dues processing                                       | 70,200               | 67,000               |
| Other   | 6,406                | 6,057                |
|   | <u>404,365</u>       | <u>434,858</u>       |
| <b>Professional fees</b>                              |                      |                      |
| Legal   | 168,336              | 234,122              |
| Consulting  | 147,755              | 88,878               |
| Accounting and auditing                               | 40,000               | 39,375               |
| Computer  | 95,092               | 116,258              |
|   | <u>451,183</u>       | <u>478,633</u>       |
| <b>Contract and budget campaigns</b>                  | 558,421              | 503,363              |
| <b>Stipends and reassigned time</b>                   | 398,465              | 367,075              |
| <b>Depreciation expense</b>                           | 92,629               | 106,357              |
| <b>Total expenses</b>                                 | <u>\$ 19,384,795</u> | <u>\$ 18,751,327</u> |

See accompanying notes to financial statements.

TABLE 1

| Legal Name of Pension Plan | Pension Plan's Employer Identification Number | Pension Plan's Plan Number | Pension Protection Act Zone Status |  |                    |  | Expiration Date of Collective Bargaining Agreement |
|----------------------------|---|----------------------------|------------------------------------|--|--------------------|--|--|
|                            |   |                            | Zone Status                        | Extended Amortization Provisions Used? | Zone Status        | Extended Amortization Provisions Used? |  |
| Local 153 Pension Fund     | 13-2864289                                    | 001                        | Red as of 01/01/16                 | No                                     | Red as of 01/01/15 | No                                     | *  |

TABLE 2

| Legal Name of Pension Plan | Contributions paid by the Plan directly to the Pension Plan |            | Contributions to the Pension Plan greater than 5% of total Pension Plan contributions (Plan year ending) |                               | Employer Contribution Rate of the Pension Plan |           | Number of Employees Covered by the Pension Plan for which the Plan contributes directly to the Pension Plan |           |
|----------------------------|---|------------|--|-------------------------------|--|-----------|---|-----------|
|                            | 8/31/2016   | 8/31/2015  | 8/31/2016  | 8/31/2015                     | 8/31/2016                                      | 8/31/2015 | 8/31/2016   | 8/31/2015 |
| Local 153 Pension Fund     | \$ 127,310  | \$ 108,533 | No, Plan year ending 8/31/16.  | No, Plan year ending 8/31/15. | *  | *         | 13  | 13        |

TABLE 3

| Legal Name of Pension Plan | Funding Improvement Plan or Rehabilitation Plan Implemented or Pending? | Surcharge paid to Pension Plan by the Benefit Funds? | Minimum contributions required in future by CBA, statutory requirements, or other contractual requirements? |                     |
|----------------------------|---|--|---|---------------------|
|                            |   |  | No?   | If yes, description |
| Local 153 Pension Fund     | Rehabilitation Plan Implemented   | Yes  | No  | N/A                 |

TABLE 4

| Legal Name of Plan providing postretirement benefits other than pension | Contributions to Plan |            | Employer contribution rates |           | Number of employees covered by Plan |           |
|---|-----------------------|------------|-----------------------------|-----------|-------------------------------------|-----------|
|   | 8/31/2016             | 8/31/2015  | 8/31/2016                   | 8/31/2015 | 8/31/2016                           | 8/31/2015 |
| Local 153 Health Fund   | \$ 11,312             | \$ 104,736 | *                           | *         | 18                                  | 17        |