

PROFESSIONAL STAFF CONGRESS/CUNY

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

AUGUST 31, 2011 AND 2010

PROFESSIONAL STAFF CONGRESS/CUNY

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Independent Auditor's Report

Board of Directors Professional Staff Congress/CUNY

We have audited the accompanying balance sheet of Professional Staff Congress/CUNY as of August 31, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Professional Staff Congress/CUNY's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Professional Staff Congress/CUNY's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Professional Staff Congress/CUNY as of August 31, 2011 and 2010, and the 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.

A handwritten signature in black ink that reads "Loeb & Troper LLP".

January 4, 2012

PROFESSIONAL STAFF CONGRESS/CUNY

BALANCE SHEET

AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 621,017	\$ 1,036,285
Certificates of deposit	992,000	991,000
Investments (Note 3)	5,298,999	4,903,193
Accounts receivable	365,000	379,408
Dues receivable	567,000	459,000
Prepaid expenses	10,165	10,165
Fixed assets - net (Note 4)	<u>325,196</u>	<u>368,472</u>
Total assets	<u>\$ 8,179,377</u>	<u>\$ 8,147,523</u>
LIABILITIES AND NET ASSETS		
Due to NYS United Teachers, Inc. and American Federation of Teachers	\$ 1,061,000	\$ 1,323,000
Accounts payable	175,696	239,228
Accrued expenses	61,476	61,896
Accrued compensated absences	470,530	470,165
Accrued pension payable (Note 6)	1,033,066	842,391
Deferred rent	<u>247,541</u>	<u>163,761</u>
Total liabilities	3,049,309	3,100,441
Net assets (Exhibit B)		
Unrestricted	<u>5,130,068</u>	<u>5,047,082</u>
Total liabilities and net assets	<u>\$ 8,179,377</u>	<u>\$ 8,147,523</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

PROFESSIONAL STAFF CONGRESS/CUNY

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Membership dues and agency fees	\$ 12,668,999	\$ 12,439,740
Subsidies from affiliates - NYS United Teachers, Inc. and American Federation of Teachers	2,554,044	2,142,584
Interest and dividends (net of \$15,744 in investment fees for 2011 and \$15,164 for 2010)	190,099	207,834
Gain on investments	156,982	227,049
Rental income (Note 5)	173,853	168,933
Total revenues	<u>15,743,977</u>	<u>15,186,140</u>
Expenses		
Salaries	2,665,816	2,619,566
Fringe benefits	1,353,818	1,229,800
Depreciation and amortization	59,211	53,414
Dues to affiliated organizations	8,279,023	7,990,646
Conferences and meetings	136,657	218,687
Occupancy (Note 5)	972,550	860,810
Repairs and maintenance	149,089	134,872
Office supplies, printing and publishing	311,154	287,808
Postage and delivery	53,539	68,211
Professional fees	369,197	330,646
Contract and budget campaigns	295,816	240,082
Insurance	37,445	17,995
Stipends and reassigned time	667,724	771,867
Mobilization and outreach	139,843	134,008
Community relations	23,585	25,476
Elections	10,798	13,645
Committees	10,388	36,681
Cultural activities	13,867	10,135
Other expenses	64,841	341,727
Total expenses	<u>15,614,361</u>	<u>15,386,076</u>
Change in unrestricted net assets before other changes	129,616	(199,936)
Pension adjustment (Note 6)	<u>(46,630)</u>	<u>(483,366)</u>
Change in unrestricted net assets (Exhibit C)	82,986	(683,302)
Net assets - unrestricted - beginning of year	<u>5,047,082</u>	<u>5,730,384</u>
Net assets - unrestricted - end of year (Exhibit A)	<u>\$ 5,130,068</u>	<u>\$ 5,047,082</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

PROFESSIONAL STAFF CONGRESS/CUNY

STATEMENT OF CASH FLOWS

AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 82,986	\$ (683,302)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	59,211	53,414
Gain on investments	(156,982)	(227,049)
Decrease (increase) in assets		
Accounts receivable	14,408	(18,674)
Dues receivable	(108,000)	3,000
Increase (decrease) in liabilities		
Due to NYS United Teachers, Inc. and American Federation of Teachers	(262,000)	97,000
Accounts payable	(63,532)	20,087
Accrued expenses	(420)	898
Deferred rent	83,780	74,195
Accrued pension payable	190,675	563,277
Accrued compensated absences	365	(265)
	<u>(159,509)</u>	<u>(117,419)</u>
Cash flows from investing activities		
Purchase of fixed assets	(15,935)	(63,896)
Purchase of certificate of deposits	(298,000)	
Liquidation of certificate of deposits	297,000	
Proceeds from sale of investments	931,031	15,164
Purchase of investments	(1,169,855)	(163,821)
	<u>(255,759)</u>	<u>(212,553)</u>
Net decrease in cash and cash equivalents	(415,268)	(329,972)
Cash and cash equivalents - beginning of year	<u>1,036,285</u>	<u>1,366,257</u>
Cash and cash equivalents - end of year	\$ <u><u>621,017</u></u>	\$ <u><u>1,036,285</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

PROFESSIONAL STAFF CONGRESS/CUNY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

NOTE 1 - NATURE OF ORGANIZATION

Professional Staff Congress/CUNY ("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.

PSC/CUNY is a not-for-profit organization exempt from federal income tax under Section 501(c)(5) of the Internal Revenue Code. PSC/CUNY's primary sources of revenues are membership dues and agency fees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - For financial statement purposes, the organization counts all liquid instruments with maturities at the time of purchase of three months or less to be cash equivalents. Included in cash is \$229,554 at August 31, 2011 and 2010, which is security for the lease (Note 5), which will be held as security until the termination of such lease in 2022.

Certificates of deposit - Certificates of deposit have maturity dates of more than three months and are considered investments for purposes of cash flow reporting.

Investments - Investments are recorded at fair value. PSC/CUNY invests in various securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

Accounts and dues receivable - Receivables are recorded as revenues are recognized. PSC/CUNY does not charge or accrue interest on outstanding receivables.

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PROFESSIONAL STAFF CONGRESS/CUNY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful accounts - Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. PSC/CUNY has determined that no allowance for doubtful accounts for receivables is necessary as of August 31, 2011 and 2010.

Fixed assets - Fixed assets are recorded at cost. Items with a cost in excess of \$500 and an estimated useful life of more than one year are capitalized. Depreciation is recorded on the straight-line method over the estimated useful life of the asset. Leasehold improvements are amortized on the straight-line method over the lesser of the life of the lease or the estimated useful life of the improvements.

Deferred rent - Operating leases are straight-lined over the term of the lease. Deferred rent has been recorded for the difference between the fixed payment and the rent expense.

Unrestricted net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

Membership dues - Membership dues are recognized as revenue over the membership period. Dues come directly from members through payroll deductions and direct payments.

Subsidies from affiliates - Subsidies from affiliates are reimbursements of certain costs agreed to benefit PSC-CUNY and the affiliates. Revenue is recognized as expenses are incurred.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Fair Value Measurements and Disclosures

Fair Value Measurements and Disclosures, ASC Topic 820, establishes a framework for measuring fair value. The framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that 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;

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PROFESSIONAL STAFF CONGRESS/CUNY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements and Disclosures (continued)

- 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 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2011 and 2010.

Money market funds - Valued at the closing price reported on the active market on which the individual securities are traded.

Equity and bond mutual funds - Valued at the net asset value (NAV) of shares held at year end.

Cash and cash equivalents, equities, fixed-income securities and corporate bonds - Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while PSC/CUNY believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See Note 3 for table which sets forth by level within the fair value hierarchy, the assets and liabilities of fair value at August 31, 2011 and 2010.

Uncertainty in income taxes - PSC/CUNY has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending August 31, 2008 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through January 4, 2012, which is the date the financial statements were available to be released.

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PROFESSIONAL STAFF CONGRESS/CUNY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

NOTE 3 - INVESTMENTS AND FAIR VALUE HIERARCHIES

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of August 31, 2011 and 2010:

	<u>2011</u> <u>Level 1</u>	<u>2010</u> <u>Level 1</u>
Money market funds	\$ 203	\$ 258
Equity mutual funds	852,606	864,451
Bond mutual funds	<u>4,446,190</u>	<u>4,038,484</u>
	<u>\$ 5,298,999</u>	<u>\$ 4,903,193</u>

NOTE 4 - FIXED ASSETS

	<u>2011</u>	<u>2010</u>	<u>Useful Lives</u>
Equipment	\$ 441,446	\$ 425,511	5 years
Leasehold improvements	374,725	374,725	15 years
Furniture and fixtures	<u>280,806</u>	<u>280,806</u>	5-7 years
	1,096,977	1,081,042	
Accumulated depreciation and amortization	<u>(771,781)</u>	<u>(712,570)</u>	
	<u>\$ 325,196</u>	<u>\$ 368,472</u>	

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PROFESSIONAL STAFF CONGRESS/CUNY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

NOTE 5 - LEASE COMMITMENTS

PSC/CUNY rents space for its administrative office. The lease includes provisions for escalations and utility charges. The lease expires August 31, 2022. Rent is being expensed on the straight-line method over the term of the lease.

Rent expense for the years ended August 31, 2011 and 2010 was \$928,319 and \$752,749, respectively.

Minimum payments required under the lease are as follows:

2012	\$	856,071
2013		880,992
2014		898,765
2015		924,186
2016		944,243
Thereafter		<u>6,371,161</u>
	\$	<u>10,875,418</u>

PSC/CUNY rents out a portion of its premises to an affiliated organization. Total rental income for the years ended August 31, 2011 and 2010 was \$173,853 and \$168,933, respectively. The sublease is effective through August 31, 2022. The affiliated organization shall pay PSC/CUNY a sum equal to 23.90% of the 15th-floor rent due from PSC/CUNY to the owner of the premises.

Rental income over the term of the lease is as follows:

2012	\$	171,845
2013		175,282
2014		178,788
2015		182,361
2016		187,824
Thereafter		<u>1,228,630</u>
	\$	<u>2,124,730</u>

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PROFESSIONAL STAFF CONGRESS/CUNY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

NOTE 6 - PENSION PLANS

Clerical and support staff are covered by a noncontributory defined contribution pension plan administered by Local 153 - OPEIU. Contributions to this plan amounted to \$55,945 for the year ended August 31, 2011 and \$54,198 for the year ended August 31, 2010.

PSC/CUNY also sponsors a defined benefit pension plan covering all professional (non-clerical/support) employees who are over the age of twenty-one and have completed one year of service, except those covered above and temporary professional employees. All contributions are made by PSC/CUNY.

The following table summarizes the benefit obligations, fair value of assets, funded status and accrued benefit costs as of August 31, 2011 and 2010 and employer contributions, benefits paid and net periodic pension costs for the years then ended:

	<u>2011</u>	<u>2010</u>
Benefit obligation	\$ (2,458,978)	\$ (2,716,304)
Fair value of plan assets	<u>1,425,912</u>	<u>1,873,913</u>
Funded status	\$ <u>(1,033,066)</u>	\$ <u>(842,391)</u>
Accrued pension payable benefit cost recognized in the balance sheet	\$ <u>(1,033,066)</u>	\$ <u>(842,391)</u>
Benefits paid	\$ <u>910,021</u>	\$ <u>10,831</u>
Contributions	\$ <u>206,374</u>	\$ <u>174,898</u>
Net periodic pension cost	\$ <u>350,419</u>	\$ <u>254,809</u>

Weighted average assumptions as of August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Discount rate	5.0%	5.5%
Expected return on plan assets	7.0%	7.0%
Rate of compensation increase	4.0%	4.0%

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PROFESSIONAL STAFF CONGRESS/CUNY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

NOTE 6 - PENSION PLANS (continued)

PSC/CUNY's pension plan asset allocations by asset category are as follows:

Asset Category	2011 Level 1	2010 Level 1
Cash and cash equivalents	\$ 61,845	\$ 132,958
Equities		
Common stock - domestic	723,867	890,784
Common stock -American depository receipts	69,232	96,421
Fixed-income securities		
U.S. Treasury notes		379,968
Government agencies	89,711	190,648
Mutual funds		
Equity funds	481,257	177,911
Corporate bonds		5,223
Total	\$ 1,425,912	\$ 1,873,913

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 and fixed income.

Cash Flows

PSC/CUNY does not expect to contribute to its pension plan in 2012.

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

2012	\$ -
2013	-
2014	551,709
2015	-
2016	-
2017-2021	2,720,339

In 2011 and 2010, PSC/CUNY has recorded an adjustment of \$46,631 and \$483,366, respectively, to its net assets for the additional change in prepaid pension asset/accrued pension liability beyond the current-year pension expense.

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PROFESSIONAL STAFF CONGRESS/CUNY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011 AND 2010

NOTE 7 - FUNCTIONAL EXPENSES

PSC/CUNY provides collective bargaining and other union-related services to its members. Expenses related to these programs are:

	<u>2011</u>	<u>2010</u>
Union activities	\$ 12,101,201	\$ 12,016,488
Management and general	<u>3,528,904</u>	<u>3,384,752</u>
Total expenses	<u>\$ 15,630,105</u>	<u>\$ 15,401,240</u>

NOTE 8 - CONCENTRATIONS

Financial instruments which potentially subject PSC/CUNY to a concentration of credit risk are cash and cash equivalents with major financial institutions in excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.