



**California Attorneys, Administrative Law Judges
and Hearing Officers in State Employment**

**Schedule of Unrestricted General Operating Expenses and the
Allocation of Expenses Between Chargeable and Non-Chargeable
For the Year Ended June 30, 2017**



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Grant Bennett Associates

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
California Attorney's, Administrative Law Judges
and Hearing Officers in State Employment
Sacramento, CA

We have audited the financial statements of California Attorneys, Administrative Law Judges and Hearing Officers in State Employment for the year ended June 30, 2017, and have issued our report thereon dated November 13, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of unrestricted general operating expenses and the allocation of expenses between chargeable and non-chargeable is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Sacramento, California
November 13, 2017



www.gbacpa.com

1375 Exposition Blvd., Suite 230
Sacramento, CA 95815
V: 916/922-5109 F: 916/641-5200

P.O. Box 223096
Princeville, HI 96722
V: 800/763-7323

**California Attorneys, Administrative Law Judges and Hearing
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**Schedule of Unrestricted General Operating Expenses and the
Allocation of Expenses Between Chargeable and Non-Chargeable
For the Year Ended June 30, 2017**

	Total	Chargeable	Non- Chargeable
Payroll and Related Expenses:			
Salaries	\$ 395,116	\$ 395,116	\$ -
Payroll taxes	33,054	33,054	-
Workers compensation	7,826	7,826	-
Employee benefits	90,295	90,295	-
Retirement	18,623	18,623	-
Total Payroll and Related Expenses	\$ 544,914	\$ 544,914	\$ -
General and Administrative Expenses:			
Equipment leasing	3,789	3,789	-
Repairs and maintenance	36,603	36,603	-
Office supplies	3,276	3,276	-
Outside Labor	273,410	273,410	-
SCO processing fees	21,735	21,735	-
Telephone and internet	40,817	40,817	-
Parking	6,144	6,144	-
Printing	3,122	3,122	-
Insurance	11,210	11,210	-
Interest	42,105	42,105	-
Miscellaneous	692	692	-
Postage	2,965	2,965	-
Dues and subscriptions	1,997	1,997	-
Staff training	3,607	3,607	-
Local Representative Training	4,796	4,796	-
Donations	28,150	28,150	-
Taxes	14,130	14,130	-
Depreciation	52,185	52,185	-
Professional services:			
Legal	151,382	151,382	-
Accounting	27,588	27,588	-
Legislative	105,614	105,614	-
Administrative services	46,667	46,667	-
Elections	10,876	10,876	-
Research and consulting	17,250	17,250	-
Member Benefits	32,763	3,276	29,487
Representation	24,584	24,584	-

See the accompanying notes to the schedule.

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For the Year Ended June 30, 2017**

	Total	Chargeable	Non- Chargeable
General and Administrative Expenses: (Continued)			
Committees			
Bargaining	\$ 1,736	\$ 1,736	\$ -
Executive	2,667	2,667	-
Legislative	6	6	-
Representation	1,081	1,081	-
Meetings			
Board of Directors	53,950	53,950	-
Total General and Administrative Expenses	<u>1,026,897</u>	<u>997,410</u>	<u>29,487</u>
Total Expenses	<u>\$ 1,571,811</u>	<u>\$ 1,542,324</u>	<u>\$ 29,487</u>
Percentage Chargeable	-	98.12 %	-

See the accompanying notes to the schedule.

**California Attorneys, Administrative Law Judges and Hearing
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**Notes to the Schedule of Unrestricted General Operating Expenses and the
Allocation of Expenses Between Chargeable and Non-Chargeable
For the Year Ended June 30, 2017**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Nature and Purpose of the Union

The Purpose of California Attorneys, Administrative Law Judges and Hearing Officers in State Employment ("CASE") is to represent members and fee payers in the following matters: wages, benefits, terms and conditions of employment, assistance in filing and pursuing employee grievances, legal representation on both an individual and class basis, technical assistance in matters of job classification and legislative advocacy in support of programs beneficial to members and fee payers.

Dues and fees revenues are derived entirely from representing various employees of the State of California. The employees are represented by the Union, pursuant to the Ralph C. Dills Act (Gov. code 3512 et. seq.). The contract between the state and the union runs through June 30, 2017.

B. Background - Non-Member Fees

In 1986, the United States Supreme Court issued a decision regarding certain procedures that must be followed by a local union that is collecting fair share fees from non-members under a collective bargaining agreement with a public employer. In *Chicago Teachers Union v. Hudson*, the United States Supreme Court reaffirmed the constitutionality of such fair share fee agreements, originally upheld in *Aboord v. Detroit Board of Education*. In another earlier case, *Ellis v. Railway Clerks*, the United States Supreme Court held that certain union expenditures could be charged to fair share fee payers, but that certain others could not be charged if the fee payers object to paying them.

In 1988, the United States Supreme Court issued a decision holding that unions may not charge non-members fees for nonrepresentational activities when the non-members are covered by collective bargaining agreements and object to such fees for nonrepresentational activities. This decision, known as *Communications Workers of America v. Beck*, applies to the standard union shop, where the board and courts have long held that any bargaining unit employee may opt to be classified as a "financial core status employee" if he/she does not wish to join the union.

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Basis of Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to California Attorneys, Administrative Law Judges and Hearing Officers in State Employment, the accounts of the organization are maintained in accordance with the principles of non-profit accounting. The expenses detailed herein are from unrestricted net assets and do not include expenses from separate temporarily restricted net assets, such as the Political Action Fund.

D. Depreciation

Depreciation is recorded principally on an equal annual installment basis over the estimated useful lives of the assets.

E. Pension Plan

The Union maintains a retirement plan for all of its eligible employees.

F. Taxable Status

The Corporation is organized pursuant to the General Non-Profit Law of the State of California and is exempt from Federal and State income taxes under I.R.C. Section 501(c)(5) and California Revenue and Taxation Code Section 23701A.

G. 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. Accordingly, actual results could differ from those estimates.

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**Notes to the Schedule of Unrestricted General Operating Expenses and the
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(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES:

A. Chargeable Expenses:

These expenses are those which relate to California Attorneys, Administrative Law Judges and Hearing Officers in State Employment services to represented employee groups with respect to collective bargaining, contract enforcement, field representation and union governance.

Any expenses as to the following activities are considered totally chargeable:

1. Governing the union, including union elections.
2. Gathering information in preparation for negotiating collective bargaining agreements.
3. Gathering information from employees concerning collective bargaining positions.
4. Negotiating collective bargaining agreements.
5. Handling grievances, as well as representing employees under civil service laws or regulations.
6. Ratification of collective bargaining agreements.
7. Public advertising on the negotiations, or provisions in collective bargaining agreements, as well as on matters relating to representational interests in the collective bargaining process and contract administration.
8. Purchasing books, reports, and advance sheets used in matters relating to representation and contract administration.
9. Paying technicians and professionals in labor law, economics, and other subjects for services used in (a) negotiating and administering collective bargaining agreements and in (b) processing grievances, arbitration and civil service proceedings.
10. Membership meetings and conventions.
11. Publishing those portions of newspapers and newsletters which concern matters for which a union can charge a fair share fee payer.
12. Lawful impasse procedures and fact finding, mediation, arbitration, strikes, slowdowns, and work stoppages as to representation and collective bargaining.

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(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES: (Continued)

13. The prosecution or defense of litigation and administrative agency procedures to obtain ratification, interpretation, or enforcement of collective bargaining agreements, or collective bargaining rights, and representational rights.
14. The prosecution or defense of litigation or charges to enforce rights relating to concerted activity, the duty of fair representation and collective bargaining as well as collective bargaining agreements, and any litigation related to chargeable activities.
15. Social and recreational activities open to all persons represented by the union.
16. Payments for salary, insurance, medical care, retirement, disability, and death-related benefits for persons paid for services in carrying out the representational interests of collective bargaining and contract administration.
17. Lobbying the state legislative bodies to secure ratification and/or funding of negotiated agreements or improvements in wages, benefits, and terms and conditions of employment within the scope of representation.

B. Non-Chargeable Expenses

These expenses are those dealing with political and ideological matters, and do not relate to matters involving collective bargaining, contract enforcement, field representation and union governance.

The expenses as to the following activities are non-chargeable:

1. Training and voter registration, get-out-the-vote, and political campaigns.
2. Supporting and contributing to charitable or ideological organizations.
3. Supporting and contributing to political organizations and candidates for public office.
4. Supporting and contributing to ideological causes and committees, including ballot measures.

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(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES: (Continued)

5. Member only benefits.
6. Litigation not related to bargaining unit members, collective bargaining, and representation.
7. Lobbying for legislation not directly affecting wages, benefits, and terms and conditions of employment of represented employees before the state legislature and agencies.
8. Organizing non-union or unaffiliated employees.

C. Allocation Methodology

1. Salaries

During the fiscal year, most of the employees of the Union compiled time sheets for each pay period. Based on the functions performed, hours were allocated between chargeable and non-chargeable activities as categorized above. The employees' salaries are allocated based on the ratio of specific chargeable and non-chargeable hours. The remaining administrative employees' salaries are allocated based on the ratio of total chargeable/non-chargeable hours for all employees who do compile their time sheets. For the year ended June 30, 2017, none of the employees' hours were categorized as non-chargeable.

2. Payroll taxes, workers compensation, employee benefits and retirement

All payroll related expenses are allocated based on the ratio of chargeable/non-chargeable salaries for all employees of the Union.

3. Printing

Printing costs related to printing contracts, negotiation materials, and the distribution of this schedule are allocated as fully chargeable. All remaining costs are allocated based on the ratio of total chargeable/non-chargeable hours for all employees.

4. Postage

Costs related to Union elections are allocated as fully chargeable. Costs related to member only benefits are allocated as non-chargeable. All remaining costs are allocated based on the ratio of total chargeable/non-chargeable hours for all employees.

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(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES: (Continued)

5. Legal

Legal costs are allocated as chargeable based on the nature of the actual services provided as detailed on the consultant's billings.

6. Accounting

A percentage of the annual cost that management believes, based on discussions with our accountant, is reflective of the cost of this schedule is directly chargeable to fee payers. Costs related to required information returns are allocated as fully chargeable. All remaining costs are allocated based on the ratio of total chargeable/non-chargeable hours for all employees.

7. Legislative

These are costs directly connected with securing ratification, funding or implementation of negotiated agreements concerning wages, benefits, and terms and conditions of employment as enumerated in the Unit 2 Memorandum of Understanding which are allocated as chargeable.

8. Member benefits

Member benefit costs that benefit all fee payers (i.e. MOU production, special events) are allocated as chargeable. All other costs are allocated to non-chargeable as they are expenses for benefits provided only to Union members.

9. Representation

Representation costs are allocated as fully chargeable to fee payers.

10. Committees

These costs are allocated as chargeable or non-chargeable according to the nature of the activities performed by the individual committee. CASE committees include: Bargaining; Classification; Communications; Election; Bylaws and Policy; Executive; Legislative; Membership and Recruitment; Political Action.

11. Meetings

Meeting costs that have not been specifically identified as non-chargeable are allocated as fully chargeable to fee payers.

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(2) ALLOCATION OF CHARGEABLE/NON-CHARGEABLE EXPENSES: (Continued)

12. All other expenses

All other expense account costs are allocated based on the ratio of total chargeable/non-chargeable hours for all employees.