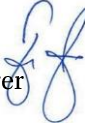




To: Affiliate Locals and State Federations 

From: Fedrick C. Ingram, Secretary-Treasurer

Date: August 20, 2024

Subject: State Agency Fee Rates 2024-25

The American Federation of Teachers (AFT) has carefully analyzed and followed, in consultation with its attorney and auditors, the legal standards governing the portion of the agency fee (fair share fee) that is chargeable and the amount that is non-chargeable ("rebate-able") to the agency fee payer.

The attached AFT agency fee report includes the calculation of chargeable and non-chargeable expenses and related chargeable and non-chargeable percentages of the AFT and the report of the independent auditors, Calibre CPA Group, PLLC for the year ended April 30, 2024. Based on the allocation of total expenses for the year, the AFT agency fee and per capita rates for the 2024-2025 year are as follows:

- AFT Convention approved per capita rates effective September 1, 2024 are \$20.18 per month (full-dues payer); \$10.09 (half-dues payer); \$5.04 (quarter-dues payer); and \$2.52 (eighth-dues payers).
- Chargeable percentage for 2024-2025 (effective 9/1/24) = 65.46%
- Non-chargeable percentage for 2024-2025 (effective 9/1/2024) = 34.54%

No expenses have been included in the AFT agency fee calculation for the occupational liability or AD&D insurance. If your local provides these insurances (one or both) to an agency fee payer, they should be listed on your local's agency fee calculation as a chargeable expense.

The AFT's agency fee calculation is relevant to those locals and state federations that have members subject to union security agreements regulated pursuant to the National Labor Relations Act. This entire AFT calculation and the accompanying auditors report are essential components of the "Beck package" along with your local and state federation reports and a copy of the local's challenge and objection procedures. The Beck package should be provided to agency fee payers and, in some cases, others as well pursuant to federal law and the local's challenge and objection procedures. For more information, please consult local counsel or the AFT legal department.

FCI : jlh

**AFT, AFL-CIO**

AFT Teachers  
AFT PSRP  
AFT Higher Education  
AFT Public Employees  
AFT Nurses and Health  
Professionals  
AFT Retirees

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Randi Weingarten  
PRESIDENT

Fedrick C. Ingram  
SECRETARY-TREASURER

Evelyn DeJesus  
EXECUTIVE VICE PRESIDENT

The AFT is a union of professionals that champions fairness; democracy; economic opportunity; and high-quality public education, healthcare and public services for our students, their families and our communities. We are committed to advancing these principles through community engagement, organizing, collective bargaining and political activism, and especially through the work our members do.





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To the Executive Council and Management of the  
American Federation of Teachers, AFL-CIO

We have audited the combined statement of General Fund Militancy/Defense Fund and Solidarity Fund expenses and allocation between chargeable expenses and non-chargeable expenses (the combined statement) of the American Federation of Teachers, AFL-CIO (the Federation) for the year ended April 30, 2024, and have issued our report thereon dated August 6, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 24, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by the Federation are described in Note 1 to the combined statement. No new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2024. We noted no transactions entered into by the Federation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the combined statement in the proper period.

Accounting estimates are an integral part of the combined statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined statement and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors used to develop the accounting estimates used in the combined statement taken as a whole.

The disclosures in the combined statement are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.





### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the combined statement taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement concerning a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combined statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 6, 2024.


### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Federation's combined statement or a determination of the type of auditor's opinion that may be expressed on the combined statement, our professional standards require the consulting accountant to discuss with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We have assisted in the preparation of the combined statement, with all required footnote disclosures, in accordance with U.S. generally accepted accounting principles. Management has assigned a representative with suitable skills, knowledge, and experience to review, approve, and accept responsibility for the combined statement.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Federation's auditors. However, these discussions occurred in the normal course of our professional relationship, and to our knowledge, our responses were not a condition to our retention.





**Intended Use of This Letter**

This communication is intended solely for the information and use of the Executive Council and management of the Federation and is not intended to be, and should not be, used by anyone other than these specified parties.

*Calibre CPA Group, PLLC*

Bethesda, MD  
August 6, 2024






**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

COMBINED STATEMENT OF GENERAL FUND,  
MILITANCY/DEFENSE FUND AND SOLIDARITY FUND EXPENSES  
AND ALLOCATION BETWEEN CHARGEABLE EXPENSES  
AND NON-CHARGEABLE EXPENSES -  
STATE REPORT

APRIL 30, 2024





**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**

COMBINED STATEMENT OF GENERAL FUND, MILITANCY/DEFENSE  
FUND AND SOLIDARITY FUND EXPENSES AND ALLOCATION BETWEEN  
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES -  
STATE REPORT

YEAR ENDED APRIL 30, 2024

CONTENTS

	PAGE
Independent Auditor's Report	1
Combined Statement of General Fund, Militancy/Defense Fund and Solidarity Fund Expenses and Allocation Between Chargeable Expenses and Non-Chargeable Expenses - State Report	4
Notes to Combined Statement	6





## INDEPENDENT AUDITOR'S REPORT

To the Executive Council and Management of the  
American Federation of Teachers, AFL-CIO

### Opinion

We have audited the accompanying combined statement of General Fund, Militancy/Defense Fund and Solidarity Fund expenses and allocation between chargeable expenses and non-chargeable expenses - state report (the combined statement) of the American Federation of Teachers, AFL-CIO (the Federation) for the year ended April 30, 2024, and the related notes to the combined statement.

In our opinion, the combined statement referred to above presents fairly, in all material respects, the combined expenses of the American Federation of Teachers, AFL-CIO for the year ended April 30, 2024 on the basis of accounting described in Note 1, as modified for the accounts and funds described in Note 1b, and the allocated combined expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3.


### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Statement of General Fund, Militancy/Defense Fund and Solidarity Fund Expenses and Allocation Between Chargeable Expenses and Non-Chargeable Expenses - State Report section of our report. We are required to be independent of the American Federation of Teachers, AFL/CIO, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Combined Statement of General Fund, Militancy/Defense Fund and Solidarity Fund Expenses and Allocation Between Chargeable Expenses and Non-Chargeable Expenses - State Report**

Management is responsible for the preparation and fair presentation of this combined statement in accordance with the basis of accounting described in Note 1, as modified for the accounts and funds described in Note 1b, and the allocated combined expenses between chargeable and non-chargeable expenses, on the basis of the definitions and





significant factors and assumptions described in Notes 2 and 3; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Combined Statement of General Fund, Militancy/Defense Fund and Solidarity Fund Expenses and Allocation Between Chargeable Expenses and Non-Chargeable Expenses -State Report**

Our objectives are to obtain reasonable assurance about whether the combined statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined statement.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined statement.
- Obtain an understanding of internal control relevant to the audit 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 Federation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.





## Other Matter

The total expenses reflected in column A of the combined statement are based on the expenses of the Federation for the year ended April 30, 2024, as modified for the accounts and funds described in Note 1b. The allocation of combined expenses between chargeable (column B) and non-chargeable (column C) is based on the definitions and significant factors and assumptions described in Notes 2 and 3. The accompanying combined statement was prepared for the purpose of determining the fairshare cost of services rendered by the American Federation of Teachers, AFL-CIO for employees represented by, but not members of the Federation and its affiliated local unions. The accompanying combined statement is not intended to be complete a presentation of the Federation's financial statements.

## Intended Use of Independent Auditor's Report

This report is intended solely for the information and use of the American Federation of Teachers, AFL-CIO and its agency fee payers and is not intended to be, and should not be, used by anyone other than these specified parties.

*Calibre CPA Group, PLLC*

Bethesda, MD  
August 6, 2024

## AMERICAN FEDERATION OF TEACHERS, AFL-CIO

### COMBINED STATEMENT OF GENERAL FUND, MILITANCY/DEFENSE FUND AND SOLIDARITY FUND EXPENSES AND ALLOCATION BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES - STATE REPORT

YEAR ENDED APRIL 30, 2024

	Column A	Column B	Column C	
	Total Expenses	Chargeable Expenses	Non- Chargeable Expenses	Notes
<b>Direct expenses</b>				
Salaries	\$ 45,671,030	\$ 37,047,646	\$ 8,623,384	3a
Fringe benefits	19,103,930	15,449,205	3,654,725	3b
Payroll and other taxes	3,479,522	2,818,439	661,083	3b
Severance and vacation pay	2,036,961	1,649,954	387,007	3b
Travel and related expenses	6,272,045	4,268,456	2,003,589	3b
Dues, donations and membership fees	4,989,443	-	4,989,443	3c
Publications				
American Educator	1,887,650	971,013	916,637	3d
AFT-COPE and related activities	7,737,503	-	7,737,503	3e
Affiliation fees	12,326,855	-	12,326,855	3f
Educational training programs	628,296	552,320	75,976	3g
Regional conferences and training	2,126,854	2,126,854	-	3g
AFT Teach conference	1,055,334	1,055,334	-	3g
Assistance and collective bargaining	37,758,486	31,256,636	6,501,850	3h
State federation rebates	1,924,529	1,924,529	-	3i
Militancy Fund	33,430	-	33,430	3j
Defense Fund	13,886,414	13,886,414	-	3k
Solidarity Fund - National	13,335,904	-	13,335,904	3l
Solidarity Fund - State Federations	334,753	334,753	-	3l
Legal, audit, and consulting	1,932,835	1,528,412	404,423	3m
Legislative activities (non-collective bargaining)	327,917	-	327,917	3n
Member benefits activities	2,439,559	-	2,439,559	3n
International affairs activities	329,410	-	329,410	3n
Convention and executive council meetings	503,305	503,305	-	3o
Departmental meetings	13,374,115	10,445,601	2,928,514	3p
Funding Our Priorities	5,994,037	4,705,422	1,288,615	3q
Regional offices	209,057	191,340	17,717	3r
Total direct expenses	<u>199,699,174</u>	<u>130,715,633</u>	<u>68,983,541</u>	

See accompanying notes to combined statement.



## AMERICAN FEDERATION OF TEACHERS, AFL-CIO

### COMBINED STATEMENT OF GENERAL FUND, MILITANCY/DEFENSE FUND AND SOLIDARITY FUND EXPENSES AND ALLOCATION BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES - STATE REPORT (CONTINUED)

YEAR ENDED APRIL 30, 2024

	Column A	Column B	Column C	
	Total Expenses	Chargeable Expenses	Non- Chargeable Expenses	Notes
<b>General, administrative, and operating expenses</b>				3s
National office and equipment rental	\$ 2,132,121	\$ 1,395,607	\$ 736,514	
Depreciation and amortization	1,304,650	853,975	450,675	
Repairs and maintenance	67,079	43,907	23,172	
Computer implementation	2,324,904	1,521,795	803,109	
General insurance	978,038	640,187	337,851	
General legal, audit, and consulting	4,637,295	3,035,400	1,601,895	
Postage, express and delivery, and telephone	548,002	358,702	189,300	
Office supplies, subscriptions, books and other	<u>2,484,370</u>	<u>1,626,176</u>	<u>858,194</u>	
Total general, administrative, and operating expenses	<u>14,476,459</u>	<u>9,475,749</u>	<u>5,000,710</u>	
Total expenses	<u>\$ 214,175,633</u>	<u>\$ 140,191,382</u>	<u>\$ 73,984,251</u>	
	<u>100.00%</u>	<u>65.46%</u>	<u>34.54%</u>	

See accompanying notes to combined statement.



## AMERICAN FEDERATION OF TEACHERS, AFL-CIO

### COMBINED STATEMENT OF GENERAL FUND, MILITANCY/DEFENSE FUND AND SOLIDARITY FUND EXPENSES AND ALLOCATION BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES - STATE REPORT

YEAR ENDED APRIL 30, 2024

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Basis of Presentation** - The accompanying combined statement of General Fund, Militancy/Defense Fund and Solidarity Fund expenses and allocation between chargeable expenses and non-chargeable expenses - state report (the combined statement) was prepared for the purpose of determining the fair share cost of services rendered by the American Federation of Teachers, AFL-CIO (the Federation) for employees represented by, but not members of, the Federation and its affiliated local unions. The accompanying combined statement is not intended to be a complete presentation of the Federation's financial position, changes in its net assets, or its cash flows in accordance with U.S. generally accepted accounting principles.
- b. **Accounts and Funds Excluded from the Combined Statement** - The expense of providing accident and liability insurance to members and agency fee payers is recovered through premium charges to locals and has been excluded from the combined statement. Rent and various other operating expenses associated with the subletting operations of the Federation, which are accounted for in the Federation's Building Fund, have been excluded from the combined statement.
- c. **Income Taxes** - The Federation is exempt from Federal income taxes under Section 501(c)(5) of the Internal Revenue Code, except on net income from unrelated business activities.
- d. **Retirement Plans** - The Federation contributes a percentage of eligible employees' salaries to retirement plans. The amount of the contribution is included in net periodic pension expense. The adjustment required as a result of the change in the liability to recognize the underfunded status of the plan is not reflected in this combined statement.
- e. **Severance and Accumulated Vacation** - The Federation accrues accumulated severance and vacation expense as it is earned by its employees under various contracts and agreements.
- f. **Depreciation and Amortization** - Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- g. **Leases** - The Federation occupies office space in a building which is owned by a limited partnership of which the Federation, through its wholly owned subsidiary, 555 New Jersey Avenue, N.W., Inc., is the controlling partner.
- h. **Estimates** - The preparation of a combined statement requires management to make estimates and assumptions that affect the reported expenses during the reporting period and the allocation of expenses between chargeable and non-chargeable. Actual results could differ from those estimates.

## NOTE 2. DEFINITIONS

The following definitions of chargeable and non-chargeable expenses are based on existing law and the Federation's interpretation of court cases.

**Chargeable Expenses** - Chargeable expenses are those incurred by the Federation that reflect the share of the costs of operations of the Federation which are considered necessary and reasonably incurred for the purpose of assisting state federations and local unions and councils in the performance of their duties as a representative of the employees in dealing with the employer on labor management issues, including the costs of: negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement, or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the local union or council as representative of the employees in the bargaining unit; and the maintenance of the Federation's, state federations', local unions' and councils' associational existence.

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigating and processing grievances; meetings, conferences, administrative, arbitral and court proceedings, and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; communications with community organizations, civic groups, government agencies, and the media regarding the Federation's position on work-related matters; maintaining membership; employee group programs; and providing legal, economic, and technical expertise on behalf of employees in all work-related matters.

**Non-Chargeable Expenses** - Non-chargeable expenses are those of an ideological or political nature and those that are not germane to work-related interests of employees.

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



### NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE

The following expenses are classified as non-chargeable: lobbying, electoral or political activities outside the limited context of contract ratification or implementation; litigation expenses that do not concern the objecting employees' bargaining unit; public relations efforts designed to enhance the reputation of the teaching profession; and the costs of activities primarily aimed at recruiting new members.

- a. **Salaries** - Salary expenses of executives, editorial department editors and administrative staff, as well as salary expenses for personnel responsible for office management, finance, travel and meetings have been allocated between chargeable and non-chargeable activities based on time spent by personnel on such activities. The salaries of office and clerical personnel are allocated between chargeable and non-chargeable in the same percentage as their supervisors.
- b. **Fringe Benefits, Payroll and Other Taxes, Severance and Vacation Pay, and Travel and Related Expenses** - These expenses are allocated on the basis of salary expense allocations described in Note 3a above.
- c. **Dues, Donations, and Membership Fees** - Dues, donations, and membership fees to all organizations are considered to be 100 percent non-chargeable.
- d. **Publications** - Direct printing and publishing expenses of the publications are allocated based on the specific content of articles in the publications as determined by the Federation's editorial department. Expenses allocable to articles considered political or ideological in nature are deemed not to benefit nonmembers and are non-chargeable. Expenses allocable to reporting on legislative and lobbying activities, litigation activities, public relations activities, illegal strike activities, and articles relating to enhancement of the reputation of the teaching profession as a whole are non-chargeable, except for those related to collective bargaining. The contents of articles deemed chargeable were reviewed by editorial staff and are directly related to issues in collective bargaining, contract administration, and grievance matters.

Chargeable articles include topics such as collective bargaining contracts negotiated by locals throughout the country and arbitrations won by the Federation's locals. Chargeable articles also include topics such as salary and fringe benefit improvements, health and welfare areas such as asbestos removal, etc. Other chargeable articles deal with specific topics like class size and educational reform issues on new and advanced methods of classroom instruction. Expenses allocable to advertising, net of advertising revenue, are considered non-chargeable.

- e. **AFT-COPE and Related Activities** - Expenses related to the Federation's Committee on Political Education (COPE) Fund are considered to be 100 percent non-chargeable.



**NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE (CONTINUED)**

- f. **Affiliation Fees** - Affiliation fees are considered to be 100 percent non-chargeable.
- g. **Educational Training Programs and Conferences** - Educational training programs and conferences are for local, state, and national staff and are to enhance staff skills in collective bargaining, grievance handling, and contract administration. These educational training programs and conferences are considered to be 100 percent chargeable, except that items related to organizing activities in new areas, or of a political or public relations nature contained within the programs are non-chargeable.

The AFT Teach conference is a biennial conference that concentrates on educational reform and new instructional methods. As this conference focuses on education related issues, the related expenses are considered to be 100 percent chargeable.

- h. **Assistance and Collective Bargaining** - Expenses of organizing, collective bargaining, assistance to local unions, grievance handling, contract administration, etc. are 100 percent chargeable; however, expenses relating to organizing activities in new areas, including campaigns for collective bargaining where AFT is not the agent, preparation of literature and workers meetings, are 100 percent non-chargeable.
- i. **State Federation Rebates** - State federation rebates are required by the Federation's constitution and are therefore 100 percent chargeable. These funds are to be used to hire staff at the state and local level, to negotiate collective bargaining agreements, and to enforce contract administration. Also, funds are used to service members directly.
- j. **Militancy Fund** - The Militancy Fund supports members and locals involved in strikes. These expenses are considered to be 100 percent non-chargeable.
- k. **Defense Fund** - The Defense Fund is a legal defense fund available to members and nonmembers which grants assistance to local and state bodies to help protect the rights of teachers, career service personnel, and other educational workers, as well as, health care and Federal, state, and local employees. Matters involving contract administration, grievance handling, and litigation involving the defense of the Federation are considered to be chargeable. Expenses of litigation unrelated to an objecting employee's unit and not germane to the Federation's duties as exclusive bargaining representative are not considered to be chargeable as defined in Lehnert v. Ferris Faculty Association (1991). However, based on Locke v. Karass, U.S. Supreme Court, January 21, 2009, nonmembers could be charged by the local or national union for national litigation expenses as long as the subject matter of the extra-local litigation was of a kind that would be chargeable if the litigation were



**NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE (CONTINUED)**

local and the charge was reciprocal in nature. This fund is administered through a committee comprised of Vice Presidents, the Secretary-Treasurer and the General Counsel, all of the Federation.

- l. **Solidarity Funds** - Solidarity Funds - National - National expenses consist of payments made related to political and legislative activities. These payments are considered to be 100 percent non-chargeable unless the expense is directly related to improving the wages, hours, or working conditions of the members of the bargaining unit(s).

Solidarity Fund - State - State expenses consist of payments made to AFT State Federation Solidarity Fund as required by the Federation's Constitution and are considered 100 percent chargeable.

- m. **Legal, Audit, and Consulting Expenses** - Legal, audit, and consulting expenses related to specific projects are allocated based on the chargeable percentages of the related departments, except that legal, audit, and consulting expenses primarily for non-chargeable activities are considered to be 100 percent non-chargeable.

Legal, audit, and consulting expenses - agency shop are fees paid to outside lawyers, auditors, and consultants for services directly relating to agency shop matters. These expenses are considered to be 100 percent chargeable.

General legal, audit, and consulting expenses are allocated as described in Note 3s on the next page.

- n. **Legislative Activities (Non-Collective Bargaining), Member Benefits Activities and International Affairs Activities** - Activities related to legislative (non-collective bargaining), public affairs, member benefits, and International affairs expenses are generally considered to be 100 percent non-chargeable.
- o. **Convention and Executive Council Meetings** - Expenses related to the Federation's biennial convention and periodic Executive Council meetings are considered to be 100 percent chargeable.
- p. **Departmental Meetings** - Departmental meeting expenses are allocated based on the chargeable percentages of the related departments, except that meeting expenses primarily for non-chargeable activities, or activities in California related to classified employees, are considered to be 100 percent non-chargeable.
- q. **Funding Our Priorities** - Funding Our Priorities expenses are allocated based on the chargeability or non-chargeability of each project.





**NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE (CONTINUED)**

- r. **Regional Offices** - Regional offices expenses are allocated based on the chargeable percentages of the regional office directors.
- s. **General, Administrative, and Operating Expenses** - General, administrative, and operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as total direct expenses.

**NOTE 4. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 6, 2024, which is the date the combined statement was available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying combined statement.