

CALIFORNIA FEDERATION OF TEACHERS

FINANCIAL STATEMENTS

DECEMBER 31, 2017, 2016 AND 2015

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

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- EXHIBIT "B" - Statements of Activities - All Funds - January 1, 2017 to December 31, 2017, January 1, 2016 to December 31, 2016 and January 1, 2015 to December 31, 2015
- EXHIBIT "C" - Statements of Activities - General Fund - January 1, 2017 to December 31, 2017, January 1, 2016 to December 31, 2016 and January 1, 2015 to December 31, 2015

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- SCHEDULE C-2 - AFT Financial Assistance
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CALIFORNIA FEDERATION OF TEACHERS

C O N T E N T S

(Continued)

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EXHIBIT "F" - Western States Insurance Trust

EXHIBIT "G" - Dues Collection Fund

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EXHIBIT "I" - COPE Candidate Committee

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EXHIBIT "L" - Statements of Cash Flows - General Fund - January 1, 2017 to December 31, 2017, January 1, 2016 to December 31, 2016 and January 1, 2015 to December 31, 2015

EXHIBIT "M" - Statements of Cash Flows - All Funds Except General Fund - January 1, 2017 to December 31, 2017, January 1, 2016 to December 31, 2016 and January 1, 2015 to December 31, 2015

NOTES TO FINANCIAL STATEMENTS

DRAFT FOR DISCUSSION PURPOSES ONLY

INDEPENDENT AUDITORS' REPORT

Executive Council
California Federation of Teachers
2550 Hollywood Way, Suite 400
Burbank, California 91505

Members of the Council:

Report on the Financial Statements

We have audited the accompanying financial statements of California Federation of Teachers (the "CFT"), which comprise the statements of financial position as of December 31, 2017, 2016 and 2015, and the related statements of activities and 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 CFT as of December 31, 2017, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MILLER KAPLAN ARASE LLP
North Hollywood, California
_____, 2018

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF FINANCIAL POSITION
ALL FUNDS
DECEMBER 31, 2017

	Total	General Fund	Raoul Teilhet Scholarship Fund
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash - Note 2-C	\$ 10,657,185	\$ 3,567,062	\$ 276,287
Per Capita Taxes Receivable	6,046,903	6,046,903	-
Other Receivables	166,551	117,966	-
Interfunds	-	(1,123,063)	30,367
	<u>\$ 16,870,639</u>	<u>\$ 8,608,868</u>	<u>\$ 306,654</u>
<u>TOTAL CURRENT ASSETS</u>			
Office Furniture and Equipment, Net of Accumulated Depreciation of \$496,783 - Note 2-D	28,975	28,975	-
Investments - CAL Mesa Office Building - Note 5	218,232	218,232	-
Deposits	76,426	76,426	-
Prepaid Expenses	73,561	73,561	-
Pension Benefits Assets - Management/F.R.U. - Note 7	28,203,979	28,203,979	-
	<u>\$ 45,471,812</u>	<u>\$ 37,210,041</u>	<u>\$ 306,654</u>
<u>TOTAL ASSETS</u>			
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Expenses Payable	\$ 229,515	\$ 222,515	\$ -
Accrued Vacation and Sick Time - Note 2-F	612,873	612,873	-
Financial Assistance Payable	718,121	718,121	-
Financial Assistance Accrual	1,317,329	1,317,329	-
Due to Affiliates	32,039	-	-
	<u>\$ 2,909,877</u>	<u>\$ 2,870,838</u>	<u>\$ -</u>
<u>TOTAL CURRENT LIABILITIES</u>			
Postretirement Medical Benefits Liability - Management/F.R.U. - Note 6	2,729,762	2,729,762	-
Pension Benefits Liability - Management/F.R.U. - Funded - Note 7	28,203,979	28,203,979	-
Pension Benefits Liability - Management/F.R.U. - Unfunded - Note 7	3,933,164	3,933,164	-
O.P.E.I.U. Postretirement Medical Benefits Liability - Note 8	1,388,297	1,388,297	-
	<u>\$ 39,165,079</u>	<u>\$ 39,126,040</u>	<u>\$ -</u>
<u>TOTAL LIABILITIES</u>			
<u>NET ASSETS (LIABILITIES)</u>			
Balances, January 1, 2017	\$ (376,117)	\$ (5,159,921)	\$ 303,507
Net Increase (Decrease) for the Year	6,682,850	3,243,922	3,147
	<u>\$ 6,306,733</u>	<u>\$ (1,915,999)</u>	<u>\$ 306,654</u>
<u>NET ASSETS (LIABILITIES), DECEMBER 31, 2017* - NOTE 16</u>			
<u>TOTAL LIABILITIES AND NET ASSETS (LIABILITIES)</u>	<u>\$ 45,471,812</u>	<u>\$ 37,210,041</u>	<u>\$ 306,654</u>

* Includes \$601,856 of Temporary Restricted Net Assets for the General Fund. See Note 16.

Legal Defense Fund	Western States Insurance Trust	Dues Collection Fund	Proposition and Ballot Initiatives COPE Committee	COPE Candidate Committee	Militancy Fund	Disaster Relief Fund
\$ 779,352	\$ 1,514	\$ 34,246	\$ 3,896,459	\$ 1,624,421	\$ 458,807	\$ 19,037
-	-	-	-	-	-	-
-	-	-	-	48,585	-	-
<u>284,439</u>	<u>-</u>	<u>-</u>	<u>363,117</u>	<u>435,126</u>	<u>15,183</u>	<u>(5,169)</u>
\$ 1,063,791	\$ 1,514	\$ 34,246	\$ 4,259,576	\$ 2,108,132	\$ 473,990	\$ 13,868
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,063,791</u>	<u>\$ 1,514</u>	<u>\$ 34,246</u>	<u>\$ 4,259,576</u>	<u>\$ 2,108,132</u>	<u>\$ 473,990</u>	<u>\$ 13,868</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	32,039	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,000</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,000</u>
\$ 48,223	\$ 1,094	\$ 2,306	\$ 2,960,865	\$ 1,044,892	\$ 422,917	\$ -
<u>1,015,568</u>	<u>420</u>	<u>(99)</u>	<u>1,298,711</u>	<u>1,063,240</u>	<u>51,073</u>	<u>6,868</u>
\$ 1,063,791	\$ 1,514	\$ 2,207	\$ 4,259,576	\$ 2,108,132	\$ 473,990	\$ 6,868
<u>\$ 1,063,791</u>	<u>\$ 1,514</u>	<u>\$ 34,246</u>	<u>\$ 4,259,576</u>	<u>\$ 2,108,132</u>	<u>\$ 473,990</u>	<u>\$ 13,868</u>

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF FINANCIAL POSITION
ALL FUNDS
DECEMBER 31, 2016

	Total	General Fund	Raoul Teillet Scholarship Fund
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash - Note 2-C	\$ 5,953,643	\$ 2,279,172	\$ 234,854
Per Capita Taxes Receivable	5,685,805	5,685,805	-
Other Receivables	424,333	326,440	-
Interfunds	-	(1,041,636)	68,653
	<u>\$ 12,063,781</u>	<u>\$ 7,249,781</u>	<u>\$ 303,507</u>
<u>TOTAL CURRENT ASSETS</u>			
Office Furniture and Equipment, Net of Accumulated Depreciation of \$500,024 - Note 2-D	26,236	26,236	-
Investments - CAL Mesa Office Building - Note 5	214,466	214,466	-
Deposits	71,602	71,602	-
Prepaid Expenses	118,850	118,850	-
Pension Benefits Assets - Management/F.R.U. - Note 7	24,455,379	24,455,379	-
	<u>\$ 36,950,314</u>	<u>\$ 32,136,314</u>	<u>\$ 303,507</u>
<u>TOTAL ASSETS</u>			
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Expenses Payable	\$ 442,945	\$ 442,945	\$ -
Accrued Vacation and Sick Time - Note 2-F	632,354	629,084	-
Financial Assistance Payable	568,693	568,693	-
Financial Assistance Accrual	1,504,933	1,504,933	-
Due to Affiliates	26,926	-	-
	<u>\$ 3,175,851</u>	<u>\$ 3,145,655</u>	<u>\$ -</u>
<u>TOTAL CURRENT LIABILITIES</u>			
Postretirement Medical Benefits Liability - Management/F.R.U. - Note 6	2,309,092	2,309,092	-
Pension Benefits Liability - Management/F.R.U. - Funded - Note 7	24,455,379	24,455,379	-
Pension Benefits Liability - Management/F.R.U. - Unfunded - Note 7	6,291,685	6,291,685	-
O.P.E.I.U. Postretirement Medical Benefits Liability - Note 8	1,094,424	1,094,424	-
	<u>\$ 37,326,431</u>	<u>\$ 37,296,235</u>	<u>\$ -</u>
<u>TOTAL LIABILITIES</u>			
<u>NET ASSETS (LIABILITIES)</u>			
Balances, January 1, 2016	\$ (1,087,693)	\$ (6,531,123)	\$ 317,233
Net Increase (Decrease) for the Year	711,576	1,371,202	(13,726)
	<u>\$ (376,117)</u>	<u>\$ (5,159,921)</u>	<u>\$ 303,507</u>
<u>NET ASSETS (LIABILITIES), DECEMBER 31, 2016* - NOTE 16</u>			
<u>TOTAL LIABILITIES AND NET ASSETS (LIABILITIES)</u>	<u>\$ 36,950,314</u>	<u>\$ 32,136,314</u>	<u>\$ 303,507</u>

* Includes \$322,267 of Temporary Restricted Net Assets for the General Fund. See Note 16.

Legal Defense Fund	Western States Insurance Trust	Dues Collection Fund	Proposition and Ballot Initiatives COPE Committee	COPE Candidate Committee	Militancy Fund	Disaster Relief Fund
\$ 99,375	\$ 1,094	\$ 29,232	\$ 2,048,353	\$ 872,972	\$ 388,591	\$ -
-	-	-	-	-	-	-
-	-	-	-	97,893	-	-
(51,152)	-	-	915,782	74,027	34,326	-
<u>\$ 48,223</u>	<u>\$ 1,094</u>	<u>\$ 29,232</u>	<u>\$ 2,964,135</u>	<u>\$ 1,044,892</u>	<u>\$ 422,917</u>	<u>\$ -</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 48,223</u>	<u>\$ 1,094</u>	<u>\$ 29,232</u>	<u>\$ 2,964,135</u>	<u>\$ 1,044,892</u>	<u>\$ 422,917</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	3,270	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	26,926	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,926</u>	<u>\$ 3,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,926</u>	<u>\$ 3,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 107,736	\$ 132	\$ 2,306	\$ 3,348,109	\$ 1,298,634	\$ 369,280	\$ -
(59,513)	962	-	(387,244)	(253,742)	53,637	-
<u>\$ 48,223</u>	<u>\$ 1,094</u>	<u>\$ 2,306</u>	<u>\$ 2,960,865</u>	<u>\$ 1,044,892</u>	<u>\$ 422,917</u>	<u>\$ -</u>
<u>\$ 48,223</u>	<u>\$ 1,094</u>	<u>\$ 29,232</u>	<u>\$ 2,964,135</u>	<u>\$ 1,044,892</u>	<u>\$ 422,917</u>	<u>\$ -</u>

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF FINANCIAL POSITION

ALL FUNDS
DECEMBER 31, 2015

	<u>Total</u>	<u>General Fund</u>	<u>Raoul Teilhet Scholarship Fund</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash - Note 2-C	\$ 5,536,190	\$ 1,367,819	\$ 258,024
Per Capita Taxes Receivable	5,326,213	5,326,213	-
Other Receivables	174,833	127,787	-
Interfunds	-	(1,342,406)	59,209
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 11,037,236</u>	<u>\$ 5,479,413</u>	<u>\$ 317,233</u>
Office Furniture and Equipment, Net of Accumulated Depreciation of \$504,107 - Note 2-D	35,392	35,392	-
Investments - CAL Mesa Office Building - Note 5	200,647	200,647	-
Deposits	54,602	54,602	-
Prepaid Expenses	54,296	54,296	-
Pension Benefits Assets - Management/F.R.U. - Note 7	22,284,043	22,284,043	-
<u>TOTAL ASSETS</u>	<u>\$ 33,666,216</u>	<u>\$ 28,108,393</u>	<u>\$ 317,233</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Expenses Payable	\$ 361,191	\$ 303,579	\$ -
Accrued Vacation and Sick Time - Note 2-F	614,674	607,270	-
Financial Assistance Payable	714,450	714,450	-
Financial Assistance Accrual	1,161,405	1,161,405	-
Due to Affiliates	49,377	-	-
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 2,901,097</u>	<u>\$ 2,786,704</u>	<u>\$ -</u>
Postretirement Medical Benefits Liability - Management/F.R.U. - Note 6	1,857,595	1,857,595	-
Pension Benefits Liability - Management/F.R.U. - Funded - Note 7	22,284,043	22,284,043	-
Pension Benefits Liability - Management/F.R.U. - Unfunded - Note 7	6,948,687	6,948,687	-
O.P.E.I.U. Postretirement Medical Benefits Liability - Note 8	762,487	762,487	-
<u>TOTAL LIABILITIES</u>	<u>\$ 34,753,909</u>	<u>\$ 34,639,516</u>	<u>\$ -</u>
<u>NET ASSETS (LIABILITIES)</u>			
Balances, January 1, 2015	\$ (1,425,856)	\$ (5,272,855)	\$ 315,864
Net Increase (Decrease) for the Year	338,163	(1,258,268)	1,369
<u>NET ASSETS (LIABILITIES), DECEMBER 31, 2015* - NOTE 16</u>	<u>\$ (1,087,693)</u>	<u>\$ (6,531,123)</u>	<u>\$ 317,233</u>
<u>TOTAL LIABILITIES AND NET ASSETS (LIABILITIES)</u>	<u>\$ 33,666,216</u>	<u>\$ 28,108,393</u>	<u>\$ 317,233</u>

* Includes \$236,103 of Temporary Restricted Net Assets for the General Fund. See Note 16.

Legal Defense Fund	Western States Insurance Trust	Dues Collection Fund	Proposition and Ballot Initiatives COPE Committee	COPE Candidate Committee	Militancy Fund	Disaster Relief Fund
\$ 102,647	\$ 1,832	\$ 51,683	\$ 2,400,468	\$ 1,014,041	\$ 339,676	\$ -
-	-	-	-	-	-	-
-	-	-	-	47,046	-	-
<u>62,701</u>	<u>(1,700)</u>	<u>-</u>	<u>955,045</u>	<u>237,547</u>	<u>29,604</u>	<u>-</u>
\$ 165,348	\$ 132	\$ 51,683	\$ 3,355,513	\$ 1,298,634	\$ 369,280	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 165,348</u>	<u>\$ 132</u>	<u>\$ 51,683</u>	<u>\$ 3,355,513</u>	<u>\$ 1,298,634</u>	<u>\$ 369,280</u>	<u>\$ -</u>
\$ 57,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	7,404	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>49,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 57,612	\$ -	\$ 49,377	\$ 7,404	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 57,612</u>	<u>\$ -</u>	<u>\$ 49,377</u>	<u>\$ 7,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 206,426	\$ 1,000	\$ 2,537	\$ 2,330,003	\$ 666,573	\$ 324,596	\$ -
<u>(98,690)</u>	<u>(868)</u>	<u>(231)</u>	<u>1,018,106</u>	<u>632,061</u>	<u>44,684</u>	<u>-</u>
\$ 107,736	\$ 132	\$ 2,306	\$ 3,348,109	\$ 1,298,634	\$ 369,280	\$ -
<u>\$ 165,348</u>	<u>\$ 132</u>	<u>\$ 51,683</u>	<u>\$ 3,355,513</u>	<u>\$ 1,298,634</u>	<u>\$ 369,280</u>	<u>\$ -</u>

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
ALL FUNDS

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
REVENUE			
Per Capita Taxes	\$ 25,273,598	\$ 23,829,974	\$ 22,415,527
AFT Financial Assistance	450,767	493,187	469,419
Other Revenue	243,474	318,510	100,309
Reimbursements	298,724	257,555	274,224
Other Contributions:			
Proposition and Ballot Initiatives			
COPE Committee	535,116	509,540	551,930
COPE Candidate Committee	340,808	235,987	283,683
TOTAL REVENUE	\$ 27,142,487	\$ 25,644,753	\$ 24,095,092
EXPENSES			
Personnel Expenses:			
Management	\$ 1,069,754	\$ 1,104,654	\$ 1,043,845
F.R.U.	3,782,777	3,617,724	3,713,363
O.P.E.I.U.	1,792,040	1,845,498	1,797,623
Other Personnel-Related Expenses	(2,272,875)	968,562	5,408,243
Operating Expenses	1,397,122	1,440,134	1,403,431
Financial Assistance to Locals	8,257,975	8,158,986	7,746,786
Departments:			
Communications and Publications	345,297	390,217	364,959
Governmental Relations	47,476	61,540	56,476
Information Technology	7,686	8,585	10,789
Leadership Development and Training	220,407	161,108	132,100
Research	10,810	10,361	10,437
Organizing	351,586	336,482	362,438
Councils:			
Community College Council	162,507	182,074	184,940
Council of Classified Employees	148,131	190,426	187,860
EC/K-12 Council	226,916	228,373	144,475
Retiree Council	4,735	7,895	8,744
Governance	456,405	507,510	486,635
Committees and Task Forces	12,982	14,729	13,575
Professional Services	257,749	388,307	279,481
Miscellaneous	209,455	543,541	220,466
Raoul Teilhet Scholarship Fund Expenses	99,000	124,000	97,000
Legal Defense Fund Expenses	462,748	627,278	426,778
Dues Collection Fund Expenses	99	-	231
Proposition and Ballot Initiatives			
COPE Committee Expenses	454,691	1,914,604	827,048
COPE Candidate Committee Expenses	334,330	945,925	356,468
Militancy Fund Expenses	-	-	3,000
Disaster Relief Fund Expenses	15,682	-	-
TOTAL EXPENSES	17,855,485	23,778,513	25,287,191
NET OPERATING INCREASE (DECREASE) FOR THE YEAR			
PRIOR TO NET ADJUSTMENT FOR IMPLEMENTATION			
OF EMPLOYERS' ACCOUNTING FOR BENEFIT			
PENSION AND OTHER POSTRETIREMENT PLANS	\$ 9,287,002	\$ 1,866,240	\$ (1,192,099)
NET ADJUSTMENT FOR IMPLEMENTATION OF			
EMPLOYERS' ACCOUNTING FOR BENEFIT			
PENSION AND OTHER POSTRETIREMENT PLANS			
Postretirement Medical Benefits -			
Management/F.R.U. - Note 6	\$ (381,055)	\$ (284,960)	\$ (171,615)
Pension Benefits - Management/			
F.R.U. - Note 7	(1,944,941)	(783,827)	1,563,239
O.P.E.I.U. Postretirement Medical			
Benefits - Note 8	(278,156)	(85,877)	138,638
NET ADJUSTMENT FOR IMPLEMENTATION OF			
EMPLOYERS' ACCOUNTING FOR BENEFIT			
PENSION AND OTHER POSTRETIREMENT PLANS	(2,604,152)	(1,154,664)	1,530,262
NET INCREASE FOR THE YEAR	\$ 6,682,850	\$ 711,576	\$ 338,163

(Attached notes are an integral part of this statement)

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
GENERAL FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
REVENUE			
Per Capita Taxes - Schedule C-1	\$ 25,273,598	\$ 23,829,974	\$ 22,415,527
AFT Financial Assistance - Schedule C-2	450,767	493,187	469,419
Other Revenue - Schedule C-3	200,830	292,803	80,255
Reimbursements - Schedule C-4	857,090	1,121,601	928,967
TOTAL REVENUE	\$ 26,782,285	\$ 25,737,565	\$ 23,894,168
EXPENSES			
Personnel Expenses:			
Management - Schedule C-5	\$ 1,069,754	\$ 1,104,654	\$ 1,043,845
F.R.U. - Schedule C-6	3,782,777	3,617,724	3,713,363
O.P.E.I.U. - Schedule C-7	1,792,040	1,845,498	1,797,623
Other Personnel-Related Expenses - Schedule C-8	(2,272,875)	968,562	5,408,243
Operating Expenses - Schedule C-9	1,397,122	1,440,134	1,403,431
Financial Assistance to Locals - C-10	8,257,975	8,158,986	7,746,786
Departments:			
Communications and Publications - Schedule C-11	345,297	390,217	364,959
Governmental Relations - Schedule C-12	47,476	61,540	56,476
Information Technology	7,686	8,585	10,789
Leadership Development and Training - Schedule - C-13	220,407	161,108	132,100
Research	10,810	10,361	10,437
Organizing - Schedule C-14	351,586	336,482	362,438
Councils:			
Community College Council - Schedule C-15	162,507	182,074	184,940
Council of Classified Employees - Schedule C-16	148,131	190,426	187,860
EC/K-12 Council - Schedule C-17	226,916	228,373	144,475
Retiree Council - Schedule C-18	4,735	7,895	8,744
Transfers - Schedule C-19	4,445,276	3,044,993	3,106,032
Governance - Schedule C-20	456,405	507,510	486,635
Committees and Task Forces - Schedule C-21	12,982	14,729	13,575
Professional Services - Schedule C-22	257,749	388,307	279,481
Miscellaneous - Schedule C-23	209,455	543,541	220,466
TOTAL EXPENSES	20,934,211	23,211,699	26,682,698
NET OPERATING INCREASE (DECREASE) FOR THE YEAR PRIOR TO NET ADJUSTMENT FOR IMPLEMENTATION OF EMPLOYERS' ACCOUNTING FOR BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS			
	\$ 5,848,074	\$ 2,525,866	\$ (2,788,530)
NET ADJUSTMENT FOR IMPLEMENTATION OF EMPLOYERS' ACCOUNTING FOR BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS			
Postretirement Medical Benefits -			
Management/F.R.U. - Note 6	\$ (381,055)	\$ (284,960)	\$ (171,615)
Pension Benefits - Management/F.R.U. - Note 7	(1,944,941)	(783,827)	1,563,239
O.P.E.I.U. Postretirement Medical Benefits - Note 8	(278,156)	(85,877)	138,638
NET ADJUSTMENT FOR IMPLEMENTATION OF EMPLOYERS' ACCOUNTING FOR BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS	(2,604,152)	(1,154,664)	1,530,262
NET INCREASE (DECREASE) FOR THE YEAR	\$ 3,243,922	\$ 1,371,202	\$ (1,258,268)

(Attached notes are an integral part of this statement)

CALIFORNIA FEDERATION OF TEACHERS
SCHEDULES IN SUPPORT OF EXHIBIT "C"
GENERAL FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>PER CAPITA TAXES - SCHEDULE C-1</u>			
Bargaining Agent	\$ 16,825,583	\$ 15,671,679	\$ 14,401,165
MAL Dues	-	42	55
Non-Bargaining Agent	28,617	27,620	38,205
UESF Local 61	1,541,194	1,466,436	1,272,589
UTLA Agency Fee and Fair Share	482,267	422,678	442,740
UTLA	4,417,085	4,267,714	4,178,763
Agency Fee	1,978,852	1,973,805	2,082,010
<u>TOTALS</u>	<u>\$ 25,273,598</u>	<u>\$ 23,829,974</u>	<u>\$ 22,415,527</u>
<u>AFT FINANCIAL ASSISTANCE - SCHEDULE C-2</u>			
AFT (20c) State Rebate	\$ 115,163	\$ 110,363	\$ 110,012
AFT Retiree Organizing Grant	5,000	5,000	10,000
AFT Service Formula	106,560	113,760	98,640
AFT Staff Funding	224,044	264,064	250,767
<u>TOTALS</u>	<u>\$ 450,767</u>	<u>\$ 493,187</u>	<u>\$ 469,419</u>
<u>OTHER REVENUE - SCHEDULE C-3</u>			
Building Power Campaign - AFT	\$ 98,110	\$ 157,073	\$ -
10% Dues Collection Fee	1,137	1,532	1,408
CFT Calendar Sales	67	6,266	6,096
CFT Convention and Conferences	25,173	33,226	24,900
Other Revenue	30,183	61,751	8,841
Attendance for Summer ULI	46,160	32,955	39,010
<u>TOTALS</u>	<u>\$ 200,830</u>	<u>\$ 292,803</u>	<u>\$ 80,255</u>
<u>REIMBURSEMENTS - SCHEDULE C-4</u>			
ABC Clerical	\$ 8,041	\$ 52,599	\$ 48,437
COPE Reimbursement	472,182	920,234	715,931
Newport-Mesa Clerical	16,723	38,963	50,869
Western States Clerical	-	-	1,700
Postage Reimbursement	1,633	2,170	998
Rent Reimbursement	27,281	26,670	21,959
Building Power Campaign	275,000	-	-
Other Reimbursements	56,230	80,965	89,073
<u>TOTALS</u>	<u>\$ 857,090</u>	<u>\$ 1,121,601</u>	<u>\$ 928,967</u>
<u>PERSONNEL EXPENSES:</u>			
<u>MANAGEMENT - SCHEDULE C-5</u>			
Management Salaries	\$ 939,971	\$ 953,805	\$ 878,810
Benefits	129,783	150,849	165,035
<u>TOTALS</u>	<u>\$ 1,069,754</u>	<u>\$ 1,104,654</u>	<u>\$ 1,043,845</u>
<u>F.R.U. - SCHEDULE C-6</u>			
F.R.U. Salaries	\$ 3,150,137	\$ 3,018,968	\$ 3,120,773
Sunday Pay	2,567	7,254	5,211
Benefits	630,073	591,502	587,379
<u>TOTALS</u>	<u>\$ 3,782,777</u>	<u>\$ 3,617,724</u>	<u>\$ 3,713,363</u>

CALIFORNIA FEDERATION OF TEACHERS
SCHEDULES IN SUPPORT OF EXHIBIT "C"
GENERAL FUND

	<u>January 1, 2017</u> to <u>December 31, 2017</u>	<u>January 1, 2016</u> to <u>December 31, 2016</u>	<u>January 1, 2015</u> to <u>December 31, 2015</u>
<u>PERSONNEL EXPENSES:</u> (Continued)			
<u>O.P.E.I.U. - SCHEDULE C-7</u>			
O.P.E.I.U. Salaries	\$ 1,366,520	\$ 1,400,702	\$ 1,375,607
Overtime	24,906	17,693	20,573
Benefits	400,614	427,103	401,443
TOTALS	\$ 1,792,040	\$ 1,845,498	\$ 1,797,623
<u>OTHER PERSONNEL-RELATED EXPENSES - SCHEDULE C-8</u>			
Administrative Fees	\$ 540	\$ 1,130	\$ 900
Retiree Benefits	139,049	136,090	116,677
Retirement Plan Fees	53,513	56,930	80,521
Payroll Taxes	426,537	420,734	406,874
Workers' Compensation Insurance	56,299	64,759	77,184
Change in Accrued Vacation Payable	(8,329)	28,054	34,891
Change in Accrued Sick Time Payable	(7,881)	(6,241)	3,324
Pension Benefits - Management/F.R.U.	(3,200,983)	(358,991)	4,255,816
Postretirement Medical Benefits - Management/F.R.U.	39,615	166,537	15,023
O.P.E.I.U. Postretirement Medical Benefits	15,717	246,060	204,079
O.P.E.I.U. Employer Retirement Contribution	212,058	212,310	212,596
Staff Development	990	1,190	358
TOTALS	\$ (2,272,875)	\$ 968,562	\$ 5,408,243
<u>OPERATING EXPENSES - SCHEDULE C-9</u>			
Travel and Lodging	\$ 260,026	\$ 286,366	\$ 278,618
Mileage Reimbursement	97,432	105,002	121,797
O.P.E.I.U. Travel Reimbursement	5,842	4,002	2,469
Building Occupancy	692,894	680,137	624,759
Building Repairs and Maintenance	6,228	4,523	4,125
Furniture and Equipment Acquisition	123,703	120,926	112,124
Furniture and Equipment Repairs and Maintenance	1,286	26,860	35,515
Office Supplies	44,032	49,701	57,439
Postage and Shipping	29,557	31,694	30,545
Printing	10,678	9,616	11,077
Subscriptions	6,430	6,424	7,411
Telecommunications	86,522	84,758	78,912
Depreciation	20,024	19,605	19,007
Bank Charges	3,609	451	5,255
Property Insurance	6,784	8,359	9,119
Property Taxes	2,075	1,710	3,092
Uncollectible Per Capita	-	-	2,167
TOTALS	\$ 1,397,122	\$ 1,440,134	\$ 1,403,431
<u>FINANCIAL ASSISTANCE TO LOCALS - SCHEDULE C-10</u>			
UTLA - Staff Funding	\$ 3,246,587	\$ 3,154,335	\$ 3,086,941
UTLA - Agency Fee Funding	356,877	312,782	327,628
UESF Local 61	439,827	532,682	483,143
Funding - Bargaining	3,671,239	3,544,216	3,219,295
Funding - Agency Fee	410,715	452,508	449,525
University Council Grant	107,730	137,463	138,154
Local 1475 Grant	25,000	25,000	42,100
TOTALS	\$ 8,257,975	\$ 8,158,986	\$ 7,746,786

CALIFORNIA FEDERATION OF TEACHERS
SCHEDULES IN SUPPORT OF EXHIBIT "C"
GENERAL FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
DEPARTMENTS:			
<u>COMMUNICATIONS AND PUBLICATIONS - SCHEDULE C-11</u>			
Cartoons and Graphics	\$ 2,625	\$ 1,119	\$ 1,728
Design and Layout	26,605	26,180	24,843
Photography	5,505	10,430	11,496
Video Productions	2,231	4,142	3,315
CFT Website	9	-	228
California Teacher Mailing	75,468	65,844	56,438
California Teacher Printing	126,489	105,764	89,157
California Teacher Reporter	18,023	15,930	17,061
CFT Pocket Calendars	-	29,023	26,061
Labor Communications Organization	625	500	500
Software Updates	664	-	79
Printing	3,970	26,245	2,266
Subscriptions	951	530	298
Public Relations	78,800	95,446	127,572
Media Training	-	1,986	-
Paid Media	550	1,160	425
CFT Communication Awards	1,789	2,485	2,272
New Member Orientation Materials	-	819	115
Unanticipated Publications	993	2,614	1,105
<u>TOTALS</u>	<u>\$ 345,297</u>	<u>\$ 390,217</u>	<u>\$ 364,959</u>
<u>GOVERNMENTAL RELATIONS - SCHEDULE C-12</u>			
California For Retirement Security	\$ 10,000	\$ 10,000	\$ -
California Tax Reform Association	6,000	6,000	6,000
California Consumer Federation	1,100	1,000	1,000
Education Coalition	6,856	6,908	7,039
Education Coalition Healthcare Reform	-	7,922	2,561
Grassroots Lobbying	6,623	7,766	16,950
Health Access	5,000	5,000	5,000
Legislative Bill Service	4,801	7,864	8,102
TV Cable Subscription	2,096	3,580	3,824
US Law	-	500	1,000
California Alliance for Retired Americans	5,000	5,000	5,000
<u>TOTALS</u>	<u>\$ 47,476</u>	<u>\$ 61,540</u>	<u>\$ 56,476</u>
<u>LEADERSHIP DEVELOPMENT AND TRAINING - SCHEDULE C-13</u>			
CFT Leadership Institute/Summer School	\$ 145,708	\$ 80,688	\$ 85,661
Leadership Conference	51,622	45,394	43,249
Local Training Assistance	1,586	21,228	483
Training for Trainers	21,491	13,798	2,707
<u>TOTALS</u>	<u>\$ 220,407</u>	<u>\$ 161,108</u>	<u>\$ 132,100</u>

CALIFORNIA FEDERATION OF TEACHERS
SCHEDULES IN SUPPORT OF EXHIBIT "C"
GENERAL FUND

<u>DEPARTMENTS:</u> (Continued)	<u>January 1, 2017</u> <u>to</u> <u>December 31, 2017</u>	<u>January 1, 2016</u> <u>to</u> <u>December 31, 2016</u>	<u>January 1, 2015</u> <u>to</u> <u>December 31, 2015</u>
<u>ORGANIZING - SCHEDULE C-14</u>			
Travel and Lodging	\$ 209	\$ -	\$ 3,303
Training and Meetings	-	1,060	1,432
Legal Services	10,022	-	113
Organizing Expenses	2,430	422	2,560
Assistance to Locals	-	-	52,000
Summer Interns	-	-	12,400
ECE Organizing Grant	-	50,000	50,000
AFT Organizing Grant	335,000	285,000	240,000
Retiree Organizing	-	-	630
New Member Materials	3,925	-	-
<u>TOTALS</u>	<u>\$ 351,586</u>	<u>\$ 336,482</u>	<u>\$ 362,438</u>
<u>COUNCILS:</u>			
<u>COMMUNITY COLLEGE COUNCIL - SCHEDULE C-15</u>			
President's Release Time	\$ 80,000	\$ 80,000	\$ 80,000
President's Travel and Lodging	8,922	8,341	10,563
Officer's Travel and Lodging	1,076	1,533	725
Governance Meetings	9,848	16,376	6,563
Part Timer Newsletter	-	13,045	8,766
Council Representative Stipends	15,737	16,720	17,573
CCC Perspective	46,832	45,697	51,015
ACCJC Informational Panel	92	362	9,735
<u>TOTALS</u>	<u>\$ 162,507</u>	<u>\$ 182,074</u>	<u>\$ 184,940</u>
<u>COUNCIL OF CLASSIFIED EMPLOYEES - SCHEDULE C-16</u>			
President's Release Time	\$ 21,251	\$ 51,197	\$ 50,776
President's Travel and Lodging	603	2,291	3,619
Officer's Release Time and Stipends	20,068	16,969	21,015
Officer's Travel and Lodging	10,701	8,040	9,175
Governance Meetings	8,757	23,205	18,365
Classified Newsletter	17,926	17,022	15,129
CCE Conference	65,794	64,805	63,771
CCE Conference Scholarships	369	2,698	-
Council Representation	2,662	4,199	6,010
<u>TOTALS</u>	<u>\$ 148,131</u>	<u>\$ 190,426</u>	<u>\$ 187,860</u>
<u>EC/K-12 COUNCIL - SCHEDULE C-17</u>			
President's Release Time	\$ 138,670	\$ 127,079	\$ 94,102
President's Travel and Lodging	16,782	10,090	4,930
Officer's Release Time and Stipends	13,716	15,259	9,138
Officer's Travel and Lodging	13,376	15,913	14,839
Council on Teacher Education	3,412	3,198	3,151
Commission on Teacher Credentials	2,230	2,583	2,215
EC/K-12 Conference	23,962	16,882	-
Governance Meetings	13,768	34,148	14,313
Parent Teacher Association	-	-	152
Council Representation	1,000	3,221	1,635
<u>TOTALS</u>	<u>\$ 226,916</u>	<u>\$ 228,373</u>	<u>\$ 144,475</u>

CALIFORNIA FEDERATION OF TEACHERS
SCHEDULES IN SUPPORT OF EXHIBIT "C"
GENERAL FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>COUNCILS: (Continued)</u>			
<u>RETIREE COUNCIL - SCHEDULE C-18</u>			
President's Travel and Lodging	\$ 328	\$ 1,577	\$ 291
Officer's Travel and Lodging	1,648	4,723	3,000
Governance Meetings	2,759	1,595	5,453
<u>TOTALS</u>	<u>\$ 4,735</u>	<u>\$ 7,895</u>	<u>\$ 8,744</u>
<u>TRANSFERS - SCHEDULE C-19</u>			
COPE Candidate Committee	\$ 1,203,402	\$ 769,374	\$ 719,246
Proposition and Ballot Initiatives COPE Committee	1,535,193	1,615,346	1,978,855
Legal Defense Fund	1,222,518	453,386	220,033
Raoul Teilhet Scholarship Fund	102,147	107,211	95,281
Militancy Fund	51,073	53,605	47,641
Educational Issues Fund	55,943	46,071	44,976
Building Power Campaign	275,000	-	-
<u>TOTALS</u>	<u>\$ 4,445,276</u>	<u>\$ 3,044,993</u>	<u>\$ 3,106,032</u>
<u>GOVERNANCE - SCHEDULE C-20</u>			
AFT Convention	\$ -	\$ 12,021	\$ -
CFT Convention	230,769	286,860	261,138
Executive Council Officer's Release Time	37,500	50,000	50,000
Executive Council	55,059	60,646	48,773
State Council	63,878	10,376	36,278
Committee Expenses	69,199	86,826	90,446
CLF Convention	-	781	-
<u>TOTALS</u>	<u>\$ 456,405</u>	<u>\$ 507,510</u>	<u>\$ 486,635</u>
<u>COMMITTEES AND TASK FORCES - SCHEDULE C-21</u>			
Adult Education Commission	\$ 350	\$ 735	\$ -
Early Childhood Committee	500	518	709
Educational Issues Committee	-	164	-
Part-Timer Committee	-	1,911	3,200
Retirement Committee	277	564	502
Safe Schools Committee	-	414	-
Special Education Committee	-	884	491
Technology in Education Committee	-	794	-
Civil, Human and Women's Rights	1,847	1,183	1,008
Labor in the Schools Committee	6,626	7,128	6,955
Charter Committees	249	-	-
English Learner	510	434	710
Ethnic Diversity Participation	2,457	-	-
Classified and Faculty Unity	166	-	-
<u>TOTALS</u>	<u>\$ 12,982</u>	<u>\$ 14,729</u>	<u>\$ 13,575</u>
<u>PROFESSIONAL SERVICES - SCHEDULE C-22</u>			
Agency Fee Arbitrations	\$ 2,398	\$ 4,410	\$ 3,292
Financial Audit Fees	115,500	115,500	110,000
Consulting Services	29,433	10,276	11,757
Management Support Services	4,850	18,050	12,625
Legal Services	105,568	240,071	141,807
<u>TOTALS</u>	<u>\$ 257,749</u>	<u>\$ 388,307</u>	<u>\$ 279,481</u>

CALIFORNIA FEDERATION OF TEACHERS
SCHEDULES IN SUPPORT OF EXHIBIT "C"
GENERAL FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>MISCELLANEOUS - SCHEDULE C-23</u>			
Storage of Benefits Supplies	\$ 30	\$ -	\$ 1,939
Benefit Supplies and Shipping	1,550	1,036	1,636
CFT Affiliations	771	328	229
CFT Archives/Storage	660	660	660
Donations/Contributions	8,446	2,670	13,700
Hudson Rebates	66,225	123,080	72,436
Labor/Community Outreach	13,495	29,595	22,174
Other Expenses	9,290	12,930	13,340
Conferences/Meetings	15,466	45,617	70,101
Building Power Campaign	93,522	327,625	24,251
	<u>209,455</u>	<u>543,541</u>	<u>220,466</u>
<u>TOTALS</u>	<u>\$ 209,455</u>	<u>\$ 543,541</u>	<u>\$ 220,466</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
RAOUL TEILHET SCHOLARSHIP FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>REVENUE</u>			
Per Capita Tax Allocation	\$ 102,147	\$ 107,211	\$ 95,281
Member Dues	-	50	88
Refunds	-	3,000	3,000
Other Revenue	-	13	-
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL REVENUE</u>	\$ 102,147	\$ 110,274	\$ 98,369
<u>EXPENSES</u>			
Scholarships Awarded	<u>99,000</u>	<u>124,000</u>	<u>97,000</u>
<u>NET INCREASE (DECREASE) FOR THE YEAR</u>	<u>\$ 3,147</u>	<u>\$ (13,726)</u>	<u>\$ 1,369</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
LEGAL DEFENSE FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>REVENUE</u>			
Per Capita Tax Allocation	\$ 1,222,518	\$ 453,386	\$ 220,033
Member Dues	-	184	191
Prior Year Voided Checks	18,224	-	-
AFT Reimbursements	236,257	99,332	105,183
Refunds and Reimbursements	-	-	2,681
Legal Settlement	-	12,364	-
Other Revenue	1,317	2,499	-
	<u>1,317</u>	<u>2,499</u>	<u>-</u>
<u>TOTAL REVENUE</u>	<u>\$ 1,478,316</u>	<u>\$ 567,765</u>	<u>\$ 328,088</u>
<u>EXPENSES</u>			
Defense Grants	\$ 138,291	\$ 107,042	\$ 153,835
Legal Services	324,447	520,226	272,933
Miscellaneous	10	10	10
	<u>10</u>	<u>10</u>	<u>10</u>
<u>TOTAL EXPENSES</u>	<u>462,748</u>	<u>627,278</u>	<u>426,778</u>
<u>NET INCREASE (DECREASE) FOR THE YEAR</u>	<u>\$ 1,015,568</u>	<u>\$ (59,513)</u>	<u>\$ (98,690)</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
WESTERN STATES INSURANCE TRUST

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>REVENUE</u>			
Royalty Income	\$ 420	\$ 962	\$ 832
<u>EXPENSES</u>			
Salary and Salary Related Expenses	-	-	1,700
<u>NET INCREASE (DECREASE) FOR THE YEAR</u>	<u>\$ 420</u>	<u>\$ 962</u>	<u>\$ (868)</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
DUES COLLECTION FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>REVENUE</u>	\$ -	\$ -	\$ -
<u>EXPENSES</u>			
Bank Charges	<u>99</u>	<u>-</u>	<u>231</u>
<u>NET (DECREASE) FOR THE YEAR</u>	<u>\$ (99)</u>	<u>\$ -</u>	<u>\$ (231)</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
PROPOSITION AND BALLOT INITIATIVES COPE COMMITTEE

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>REVENUE</u>			
Per Capita Tax Allocation and Other Contributions	\$ 2,070,309	\$ 2,124,886	\$ 2,530,785
Refunds and Reimbursements	8,503	-	-
Prior Year Voided Checks	133	4,853	15,300
<u>TOTAL REVENUE</u>	<u>\$ 2,078,945</u>	<u>\$ 2,129,739</u>	<u>\$ 2,546,085</u>
 <u>EXPENSES</u>			
Contributions to State Ballot Measures	\$ 51,090	\$ 994,943	\$ 45,000
Contributions to Local Ballot Measures	-	33,625	11,000
Independent Expenditures	-	3,244	-
Salaries and Salary Related Expenses	256,366	530,036	618,542
Member Communications	4,859	90,909	-
Accounting and Legal Fees	20,528	25,873	20,178
Charitable/Civic Donations	318,435	732,635	670,931
Travel Expenses	-	-	4,537
Staff/Volunteer Travel Expenses	17,610	12,736	13,775
Surveys/Signature Gatherers	26,800	-	41,250
Rent/Utilities	-	-	2,725
Office Supplies	464	4,068	3,443
Telephone	-	-	2,449
Postage and Shipping	407	188	240
Printing	3,156	-	-
Taxes	50	140	265
Professional Campaign Management	37,561	36,000	74,500
Receptions/Retreats Expense	38,459	49,404	13,829
Miscellaneous	4,449	3,182	5,315
<u>TOTAL EXPENSES</u>	<u>780,234</u>	<u>2,516,983</u>	<u>1,527,979</u>
<u>NET INCREASE (DECREASE) FOR THE YEAR</u>	<u>\$ 1,298,711</u>	<u>\$ (387,244)</u>	<u>\$ 1,018,106</u>

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
COPE CANDIDATE COMMITTEE

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>REVENUE</u>			
Per Capita Tax Allocation and Other Contributions	\$ 1,544,210	\$ 1,005,361	\$ 1,002,929
Refunds and Reimbursements	-	2,927	-
Prior Year Voided Checks	-	1,750	600
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL REVENUE</u>	\$ 1,544,210	\$ 1,010,038	\$ 1,003,529
<u>EXPENSES</u>			
State/Local Candidates and Other Political Contributions	\$ 285,048	\$ 882,251	\$ 332,967
Salaries and Salary Related Expenses	137,562	271,932	15,000
Travel and Other Reimbursements	29,689	5,100	5,000
Accounting and Legal Fees	25,452	30,191	15,277
Taxes	228	50	50
Independent Expenditures	-	38,220	-
Member Communications	1,055	20,198	-
Member Subscriptions	-	1,700	-
Printing	-	3,313	1,441
Information Technology	-	4,839	-
Charitable/Civic Donations	300	-	-
Miscellaneous	1,636	5,986	1,733
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL EXPENSES</u>	480,970	1,263,780	371,468
<u>NET INCREASE (DECREASE) FOR THE YEAR</u>	<u>\$ 1,063,240</u>	<u>\$ (253,742)</u>	<u>\$ 632,061</u>

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
MILITANCY FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>REVENUE</u>			
Per Capita Tax Allocation	\$ 51,073	\$ 53,605	\$ 47,641
Member Dues	-	32	43
<u>TOTAL REVENUE</u>	\$ 51,073	\$ 53,637	\$ 47,684
<u>EXPENSES</u>			
Militancy Grants	-	-	3,000
<u>NET INCREASE FOR THE YEAR</u>	<u>\$ 51,073</u>	<u>\$ 53,637</u>	<u>\$ 44,684</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF ACTIVITIES
DISASTER RELIEF FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>REVENUE</u>			
AFT Donations	\$ 21,520	\$ -	\$ -
Other Donations	1,030	-	-
<u>TOTAL REVENUE</u>	\$ 22,550	\$ -	\$ -
<u>EXPENSES</u>			
Bank Charges	\$ 263	\$ -	\$ -
Donations to members	15,419	-	-
<u>TOTAL EXPENSES</u>	15,682	-	-
<u>NET INCREASE FOR THE YEAR</u>	<u>\$ 6,868</u>	<u>\$ -</u>	<u>\$ -</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF CASH FLOWS
GENERAL FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
<u>CHANGE IN NET ASSETS (LIABILITIES)</u>	\$ 3,243,922	\$ 1,371,202	\$ (1,258,268)
Adjustments to Reconcile Change in Net Assets (Liabilities) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	\$ 20,024	\$ 19,605	\$ 19,007
(Increase) in Receivables	(152,624)	(558,245)	(533,743)
Increase (Decrease) in Due to Other Funds	81,427	(300,770)	(224,499)
(Increase) in Deposits	(4,824)	(17,000)	-
(Increase) Decrease in Prepaid Expenses	45,289	(64,554)	(1,905)
Increase (Decrease) in Expenses Payable	(220,430)	139,366	41,485
Increase (Decrease) in Accrued Vacation and Sick Time Payable	(16,211)	21,814	38,215
Increase (Decrease) in Financial Assistance Payable	149,428	(145,757)	124,511
Increase (Decrease) in Financial Assistance Accrual	(187,604)	343,528	(162,877)
Increase in Postretirement Medical Benefits Liability - Management/F.R.U.	420,670	451,497	186,638
Increase (Decrease) in Pension Benefits Liability - Management/F.R.U. - Unfunded	(2,358,521)	(657,002)	1,402,577
Increase in O.P.E.I.U. Postretirement Medical Benefits Liability	293,873	331,937	65,441
	(1,929,503)	(435,581)	954,850
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	\$ 1,314,419	\$ 935,621	\$ (303,418)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of Office Furniture and Equipment	\$ (22,763)	\$ (10,449)	\$ (28,610)
Investment in Cal Mesa Office Building	(3,766)	(13,819)	(10,561)
<u>NET CASH (USED) BY INVESTING ACTIVITIES</u>	(26,529)	(24,268)	(39,171)
<u>NET INCREASE (DECREASE) IN CASH</u>	\$ 1,287,890	\$ 911,353	\$ (342,589)
<u>CASH AT BEGINNING OF YEAR</u>	2,279,172	1,367,819	1,710,408
<u>CASH AT END OF YEAR</u>	\$ 3,567,062	\$ 2,279,172	\$ 1,367,819

CALIFORNIA FEDERATION OF TEACHERS
STATEMENTS OF CASH FLOWS
ALL FUNDS EXCEPT GENERAL FUND

	January 1, 2017 to December 31, 2017	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
<u>CHANGE IN NET ASSETS</u>	\$ 3,438,928	\$ (659,626)	\$ 1,596,431
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Due from General Fund	\$ (81,427)	\$ 300,770	\$ 224,499
(Increase) Decrease in Receivables	49,308	(50,847)	1,353
Increase (Decrease) in Expenses Payable	7,000	(57,612)	57,612
Increase (Decrease) in Accrued Vacation and Sick Time Payable	(3,270)	(4,134)	2,044
Increase (Decrease) in Due to Affiliates	5,113	(22,451)	19,701
	<u>(23,276)</u>	<u>165,726</u>	<u>305,209</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 3,415,652</u>	<u>\$ (493,900)</u>	<u>\$ 1,901,640</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>\$ 3,415,652</u>	<u>\$ (493,900)</u>	<u>\$ 1,901,640</u>
<u>CASH AT BEGINNING OF YEAR</u>	<u>3,674,471</u>	<u>4,168,371</u>	<u>2,266,731</u>
<u>CASH AT END OF YEAR</u>	<u>\$ 7,090,123</u>	<u>\$ 3,674,471</u>	<u>\$ 4,168,371</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

CALIFORNIA FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The California Federation of Teachers (the "CFT") was formed to organize the educational employees of California into locals chartered by the American Federation of Teachers (the "AFT"), and to bring them into relations of mutual assistance and cooperation; to obtain for them all the rights and benefits to which they are entitled; to raise the standards of the educational profession and to secure conditions essential to the best professional service; and to promote such democratization of the educational institutions as will enable them better to equip their students to take their places in the economic, social and political life of the community; to strive for equal educational opportunities for all; and to initiate and support state legislation to benefit students and educational employees of the State of California.

The CFT consists of locals of AFT members chartered in California by the AFT. The CFT consists of public and private school educational employees. The CFT has members-at-large who work in areas where there is not a CFT local. Additionally, active members who retire are admitted as CFT retiree members. The CFT has approximately 98,000 members, including fair share fee payers. The primary source of revenue for the CFT is from per capita taxes.

General Fund

General operations of the CFT.

Educational Issues Fund

The CFT has established an Educational Issues Fund to develop and publicize CFT positions of educational issues. The Educational Issues Fund is funded by a specific allocation of per capita taxes collected by the General Fund.

The Educational Issues Fund is part of the General Fund.

Raoul Teilhet Scholarship Fund

The Fund was established to assist some well deserving high school students with funds that will assist them in pursuing their college education. The Raoul Teilhet Scholarship Fund is funded by a specific allocation of per capita taxes collected by the General Fund and funds received directly from various affiliated local unions.

Legal Defense Fund

The CFT has established a Legal Defense Fund to support cases that particular affiliate local unions file against specific school districts. The Legal Defense Fund is funded by a specific allocation of per capita taxes collected by the General Fund.

Western States Insurance Trust

The Trust collects royalties received from various insurance companies for members participation in various insurance programs.

Dues Collection Fund

The Fund collects dues on behalf of various small affiliated local unions who do not have a mechanism in place to collect union dues. The dues are collected on behalf of these specific local unions and distributed to them.

CALIFORNIA FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

NOTE 1 - DESCRIPTION OF THE ORGANIZATION (Continued)

Proposition and Ballot Initiatives COPE Committee

The CFT has established this committee for the purpose of supporting state and local ballot initiatives which the CFT believes further the goals of education and students. The committee is funded by a specific allocation of per capita taxes from the General Fund and other contributions.

COPE Candidate Committee

The CFT has established this committee for the purpose of supporting state and local candidates running for public office and other political contributions who further the goals of the CFT and its membership. The committee is funded by a specific allocation of per capita taxes from the General Fund and other contributions.

Militancy Fund

The CFT has established a Militancy Fund to help and defend persons who have been targeted for retaliation by employers as a result of their CFT union activities and other similar purposes as determined by the Executive Council. The Militancy Fund is funded by a specific allocation of per capita taxes collected by the General Fund.

Disaster Relief Fund

The CFT has established a Disaster Relief Fund to assist members, staff and other union activists who have been impacted by disasters, and is being funded through donations from CFT's affiliates, employees and others.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements are presented using the accrual basis of accounting. The use of the accrual basis recognizes revenue when earned or otherwise available and recognizes expenses when incurred.

B. 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 and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

C. Cash

Cash consists of cash deposited with financial institutions in checking accounts.

D. Office Furniture and Equipment

Office furniture and equipment are stated at cost. Depreciation is determined for related groups of assets under the straight-line method, based upon their estimated useful lives,

CALIFORNIA FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Office Furniture and Equipment (Continued)

which range from 3 to 5 years. Minor renewals or replacements, and maintenance and repairs are expensed. Major replacements and improvements are capitalized.

E. Tax-Exempt Status

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the CFT and recognize a tax liability if the CFT has taken a tax position that more likely than not would not be sustained upon examination by a tax authority. The CFT is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

No provision for federal or state income tax is made. The CFT and the Legal Defense Fund have received tax-exempt status from the federal government under Internal Revenue Code Section 501(c)(5) and the state of California under Revenue and Taxation Code Section 23701a.

The General, Scholarship, Dues Collections, Proposition and Ballot Initiatives COPE Committee, and Militancy Funds share the same federal and state employer identification numbers and are included in the same returns.

The Western States Insurance Trust is a taxable complex trust.

The COPE Candidate Committee is subject to taxation under Internal Revenue Code Section 527 and the state of California Revenue and Taxation Code Section 23701r on investment income in excess of \$100.

The Disaster Relief Fund has pending tax-exempt status from the federal government under Internal Revenue Code Section 501(c)(3) and the state of California under Revenue and Taxation Code Section 23701d.

F. Accrued Vacation and Sick Time Payable

The CFT accrues accumulated vacation expense as it is earned by its employees under various contracts and agreements. Accumulated sick leave of over 20 days is payable to clerical employees at 50% of their regular pay rate.

G. Reclassifications

Certain account balances on the December 31, 2016 and 2015 financial statements have been reclassified to conform to the December 31, 2017 financial statement presentation.

NOTE 3 - LEASE COMMITMENTS

The CFT leases office space in various cities throughout California under lease agreements. The estimated future lease payments for years ending after December 31, 2017 are as follows:

CALIFORNIA FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

NOTE 3 - LEASE COMMITMENTS (Continued)

2018	\$ 459,784
2019	356,129
2020	344,451
2021	215,603
2022	199,204
Thereafter	<u>67,052</u>
<u>TOTAL</u>	<u>\$ 1,642,223</u>

The CFT leases office equipment under operating lease agreements. The estimated future lease payments for years ending after December 31, 2017 are as follows:

2018	\$ 43,293
2019	37,311
2020	30,361
2021	<u>18,801</u>
<u>TOTAL</u>	<u>\$ 129,766</u>

NOTE 4 - CONCENTRATION OF CREDIT RISK

As of December 31, 2017, the CFT maintained bank accounts with cash balances in excess of the federally insured limits of \$250,000 per bank. The amount in excess of the limits was subject to risk if the financial Institution did not perform. The CFT has not incurred any losses on the uninsured balances.

NOTE 5 - INVESTMENT

Accounting standards establish a fair value hierarchy that prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 – Inputs are quoted prices in active markets.

Level 2 – Inputs are based on quoted prices for similar instruments and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

Level 3 – Inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability.

The following tables summarize the CFT investment at December 31, 2017, 2016 and 2015 based on the input used to value them:

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Partnership in the Cal MESA Office Building, an LLC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,232</u>	<u>\$ 218,232</u>

CALIFORNIA FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

NOTE 5 - INVESTMENT (Continued)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Partnership in the Cal MESA Office Building, an LLC	\$ -	\$ -	\$ 214,466	\$ 214,466
	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Partnership in the Cal MESA Office Building, an LLC	\$ -	\$ -	\$ 200,647	\$ 200,647
	December 31, 2017	December 31, 2016	December 31, 2015	
	Level 3	Level 3	Level 3	
Balance as of Beginning of the Year	\$ 214,466	\$ 200,647	\$ 190,086	
Undistributed Partnership Income	3,766	13,819	10,561	
Balance as of End of Year	\$ 218,232	\$ 214,466	\$ 200,647	

The Level 3 investment consists of a partnership in a real estate LLC for which market quotations are not readily available and is recorded at cost.

NOTE 6 - POSTRETIREMENT MEDICAL BENEFITS LIABILITY - MANAGEMENT/F.R.U.

The CFT provides postretirement medical benefits to certain employees. The postretirement medical benefits liability and other related amounts are calculated by the CFT's actuary.

The CFT adopted the Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, which requires that the funded status of defined pension and other postretirement plans be fully recognized in the statement of financial position. The items not yet recognized as a periodic expense and included as a separate charge or credit to net assets at December 31, 2017, 2016 and 2015 are:

	December 31, 2017	December 31, 2016	December 31, 2015
Net Actuarial Gain/Loss	\$ (381,055)	\$ (284,960)	\$ (171,615)

Net postretirement benefit cost for the years ended December 31, 2017, 2016 and 2015, included the following:

	December 31, 2017	December 31, 2016	December 31, 2015
Service Cost	\$ 73,264	\$ 60,413	\$ 57,074
Interest Cost	87,573	80,021	70,222
Amortization of Prior Service Cost	4,491	-	-
	\$ 165,328	\$ 140,434	\$ 127,296
Less: Recognized Net Actuarial Gain	-	(8,176)	(15,499)
<u>TOTAL COST</u>	<u>\$ 165,328</u>	<u>\$ 132,258</u>	<u>\$ 111,797</u>

CALIFORNIA FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

NOTE 6 - POSTRETIREMENT MEDICAL BENEFITS LIABILITY - MANAGEMENT/F.R.U. (Continued)

The following schedule reports the changes in postretirement medical benefit liability during:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance - January 1	\$ 2,309,092	\$ 1,857,595	\$ 1,670,957
Net Unrecognized Loss Charged to Net Assets at December 31	381,055	284,960	171,615
Total Cost for the Year Ended December 31	165,328	132,258	111,797
Benefits Paid During the Year Ended December 31	(121,222)	(112,785)	(96,774)
2015 Other Comprehensive Income Remeasured	-	147,064	-
Amortization of Prior Service Cost	<u>(4,491)</u>	<u>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 2,729,762</u>	<u>\$ 2,309,092</u>	<u>\$ 1,857,595</u>

The significant actuarial assumptions used are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
i Interest Rate Used to Calculate Net Periodic Benefit Cost	3.88%	4.10%	3.80%
i Interest Rate Used to Calculate Year End Disclosure Information	3.41%	3.88%	4.10%
i Expected Return on Plan Assets	0.00%	0.00%	0.00%
i Rate of Compensation Increase	0.00%	0.00%	0.00%

The cost for medical benefits has a significant effect on the postretirement medical benefits liability reported. A 1% increase in medical benefit cost would increase the postretirement medical benefits liability as of December 31, 2017, 2016 and 2015 by \$196,778, \$182,405 and \$65,945, respectively.

The following is a projection of expected future benefits to be paid as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Projected Benefits</u>
2018	\$ 165,530
2019	174,710
2020	188,440
2021	199,103
2022	179,653
2023-2027	709,478

NOTE 7 - PENSION BENEFITS - MANAGEMENT/F.R.U.

The CFT sponsors a defined benefit pension plan (single employer plan) to provide pension benefits to its employees. The benefit obligation and other related amounts are calculated by the CFT's actuary.

CALIFORNIA FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

NOTE 7 - PENSION BENEFITS - MANAGEMENT/F.R.U. (Continued)

The CFT adopted the Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, which requires that the funded status of defined pension and other postretirement plans be fully recognized in the statement of financial position. The following are various reconciliations, schedules and relevant disclosures that are required under the Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans:

i Computation of changes in benefit obligations for the year ended:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Benefit Obligations at the Beginning of the Year	\$ 30,747,064	\$ 29,232,730	\$ 28,429,249
Employer Service Cost	516,821	530,296	918,529
Employee Contributions	105,119	107,144	96,021
Interest Cost	1,577,056	1,593,242	1,459,829
Actuarial Loss (Gain)	459,857	(1,263,932)	(435,107)
Benefits Paid	(1,268,774)	(1,261,330)	(1,235,791)
2015 Benefit Obligation Remeasurement	-	1,808,914	-
Benefit Obligations at the End of the Year	<u>\$ 32,137,143</u>	<u>\$ 30,747,064</u>	<u>\$ 29,232,730</u>

i Computation of changes in plan assets for pension benefits for the year ended:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Plan Assets at the Beginning of the Year	\$ 24,455,379	\$ 22,284,043	\$ 22,883,139
Actual Return on Plan Assets	3,809,776	2,243,684	(749,326)
Employer Contributions	1,102,479	1,081,838	1,290,000
Employee Contributions	105,119	107,144	96,021
Benefits Paid	(1,268,774)	(1,261,330)	(1,235,791)
Plan Assets at the End of the Year	<u>\$ 28,203,979</u>	<u>\$ 24,455,379</u>	<u>\$ 22,284,043</u>

i (Unfunded) status at the end of the year:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accrued Pension Cost	\$ (2,552,950)	\$ (2,966,530)	\$ (2,839,705)
Unrecognized Net Actuarial Loss	(1,541,643)	(3,504,670)	(4,209,435)
Unrecognized Prior Service Credit	161,429	179,515	100,453
Unfunded Plan Benefit Obligations	<u>\$ (3,933,164)</u>	<u>\$ (6,291,685)</u>	<u>\$ (6,948,687)</u>

CALIFORNIA FEDERATION OF TEACHERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

NOTE 7 - PENSION BENEFITS - MANAGEMENT/F.R.U. (Continued)

i Significant actuarial assumptions used at:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Interest Rate Used to Calculate Net Periodic Pension Cost	5.25%	5.25%	5.25%
Interest Rate Used to Calculate Year End Disclosure Information	5.25%	5.25%	5.25%
Expected Return on Plan Assets	5.50%	5.50%	5.50%
Salary Scale to Calculate Net Periodic Pension Cost at the Beginning of the Year	2.00%	2.00%	2.00%
Salary Scale for Disclosure Information as of Year End	2.00%	2.00%	2.00%

i Components of net periodic benefit cost:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Service Cost	\$ 516,821	\$ 530,296	\$ 918,529
Interest Cost	1,577,056	1,593,242	1,459,829
Expected Return on Plan Assets	(1,333,266)	(1,214,597)	(1,262,738)
Amortization of Prior Service Cost	(18,086)	79,062	109,738
Amortization of Actual Cost	51,493	327,805	-
Net Periodic Benefit Cost	<u>\$ 794,018</u>	<u>\$ 1,315,808</u>	<u>\$ 1,225,358</u>

i Projection of benefits for next ten years:

<u>Year Ending December 31,</u>	<u>Projected Benefits</u>
2018	\$ 1,453,081
2019	1,587,971
2020	1,702,779
2021	1,771,284
2022	1,797,160
2023-2027	10,105,836

NOTE 8 - O.P.E.I.U. POSTRETIREMENT MEDICAL BENEFITS LIABILITY

Effective January 1, 2009, the CFT provides postretirement medical benefits to its O.P.E.I.U. employees. The postretirement medical benefits liability and other related amounts are calculated by the CFT's actuary.

The CFT adopted the Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, which requires that the funded status of defined pension and other postretirement plans be fully recognized in the statement of financial position. The items not yet recognized as a periodic expense and included as a separate charge or credit to net assets at December 31, 2017, 2016 and 2015 are:

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NOTE 8 - O.P.E.I.U. POSTRETIREMENT MEDICAL BENEFITS LIABILITY (Continued)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Net Transition (Obligation)	\$ (215,924)	\$ (267,685)	\$ (319,446)
Net Actuarial Gain (Loss)	<u>(62,232)</u>	<u>181,808</u>	<u>458,084</u>
<u>Net Amount</u>	<u>\$ (278,156)</u>	<u>\$ (85,877)</u>	<u>\$ 138,638</u>

Net postretirement benefit cost for the years ended December 31, 2017, 2016 and 2015, included the following:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cost at the Beginning of the Year	\$ 1,008,547	\$ 901,125	\$ 835,147
Service Cost	46,314	46,466	33,314
Interest Cost	42,203	40,703	28,459
Amortization of Transition Obligation	<u>51,761</u>	<u>51,761</u>	<u>51,761</u>
	\$ 1,148,825	\$ 1,040,055	\$ 948,681
Less: Contributions Made	(32,743)	(24,427)	(19,907)
Recognized Net Actuarial Gain	<u>(5,941)</u>	<u>(7,081)</u>	<u>(27,649)</u>
<u>TOTAL COST</u>	<u>\$ 1,110,141</u>	<u>\$ 1,008,547</u>	<u>\$ 901,125</u>

The following schedule reports the changes in postretirement medical benefit liability during:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance - January 1	\$ 1,094,424	\$ 762,487	\$ 697,046
Net Recognized (Revenue) Expense (Credited) Charged to Net Assets at December 31	192,279	(47,288)	(537)
Total Cost for the Year Ended December 31	134,337	131,849	85,885
Benefits Paid During the Year Ended December 31	(32,743)	(24,427)	(19,907)
2015 Benefit Obligation Remeasurement	<u>-</u>	<u>271,803</u>	<u>-</u>
Balance - December 31,	<u>\$ 1,388,297</u>	<u>\$ 1,094,424</u>	<u>\$ 762,487</u>

In February 2009, the CFT opened a bank account which holds the funds for the O.P.E.I.U. Postretirement Medical Benefit. The account had balances of \$746,042, \$696,038 and \$646,034 as of December 31, 2017, 2016 and 2015, respectively, and were not reflected on the O.P.E.I.U. Postretirement Medical Benefits Liability as of December 31, 2017, 2016 and 2015.

The CFT funded the bank account \$4,167 per month in 2017, 2016 and 2015 with a total of \$50,004 in 2017, 2016 and 2015.

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NOTE 8 - O.P.E.I.U. POSTRETIREMENT MEDICAL BENEFITS LIABILITY (Continued)

The significant actuarial assumptions used are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
i Interest Rate Used to Calculate Net Periodic Benefit Cost	3.90%	4.03%	3.80%
i Interest Rate Used to Calculate Year End Disclosure Information	3.42%	3.90%	4.10%
i Expected Return on Plan Assets	0.00%	0.00%	0.00%
i Rate of Compensation Increase	0.00%	0.00%	0.00%

The following is a projection of expected future benefits to be paid as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Projected Benefits</u>
2018	\$ 61,988
2019	77,291
2020	107,893
2021	127,170
2022	128,957
2023-2027	271,898

NOTE 9 - POSTRETIREMENT HEALTH BENEFITS

The CFT participates in the OPE Welfare Fund, a defined benefit multiemployer health plan that provides postretirement benefits to retired employees. The cost of these benefits was \$256,020, \$254,736 and \$241,536 in 2017, 2016 and 2015, respectively. The CFT's per individual contribution rate per month at December 31, 2017, 2016 and 2015 was \$1,774, \$1,769 and \$1,669, respectively.

The CFT participates in the Office and Professional Employees Locals 30 and 537 Trust Fund, a defined benefit multiemployer health plan that provides postretirement benefits to retired employees. The cost of these benefits was \$126,872, \$152,410 and \$144,300 in 2017, 2016 and 2015, respectively. The CFT's per individual contribution rate per month at December 31, 2017, 2016 and 2015 was \$1,360, \$1,345 and \$1,250, respectively.

NOTE 10 - MULTIEMPLOYER PENSION PLANS

The CFT contributes to the Office and Professional Employees Locals 30 & 537 Retirement Trust Funds and to the Western States Office and Professional Employees Pension Fund. These are multiemployer defined benefit pension plans under the terms of collective bargaining agreements that covers its employees. Contributions to these plans are based on employee hours worked and rates are based upon contractual arrangements. The risks of participating in these multiemployer plans are different from single-employer plans in the following respects:

- i Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- i If a participating employer stops contributing to a plan, the unfunded obligation of the plan may be borne by the remaining participating employers.

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NOTE 10 - MULTIEMPLOYER PENSION PLANS (Continued)

- i If the CFT chooses to stop participating in any of its multiemployer plans, the CFT may be required to pay those plans an amount based on the underfunded status of the plans, referred to as a withdrawal liability.

The CFT's participation in these plans for the years ended December 31, 2017, 2016 and 2015 is outlined in the table below. The information included in this table is as follows:

- i The "EIN/Pension Plan Number" column provides the employer identification number ("EIN") and the three-digit plan number.
- i The Pension Protection Act of 2006 ("PPA") zone status is based on information that the CFT received from the pension plan and is certified by the pension plan's actuaries. Among other factors, pension plans in the red zone are generally less than 65% funded, pension plans in the yellow and orange zones are less than 80% funded or are projected to become insolvent within seven years, and pension plans in the green zone are at least 80% funded. Unless otherwise noted, the PPA zone status for 2017, 2016 and 2015 are for the pension plans' years ended at December 31, 2016, 2015 and 2014, respectively.
- i The "FIP/RP Status" column indicates pension plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.
- i The column "Surcharge Imposed" indicates whether the CFT was required to pay a surcharge to the pension plan.
- i The last column lists the expiration date of the collective bargaining agreement to which the pension plan is subject.

Pension Fund	EIN/Pension Plan Number	PPA Zone Status			FIP/RP Status	Contributions by the CFT			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2016	2015	2014		2017	2016	2015		
Office and Professional Employees Locals 30 & 537 Retirement Trust Funds*	95-6072309/ 001	Green	Green	Green	No	\$ 61,748	\$ 63,352	\$ 63,174	No	09/30/19
Western States Office and Professional Employees Pension Fund	94-6076144/ 001	Red	Red	Red	Yes	124,845	127,998	128,302	Yes	09/30/19
						<u>\$ 186,593</u>	<u>\$ 191,350</u>	<u>\$ 191,476</u>		

* January 31, 2017

The management of the CFT has expressed no intent to withdraw from the Plans and the withdrawal liability, if any, to the CFT has not been computed.

There have been no significant changes that affect the comparability of 2017, 2016, and 2015 contributions.

The CFT also contributes to the Western States 401(k) Retirement Fund of OPEIU and to The Hartford Retirement Plan - Mass Mutual. Effective September 2015, Principal Financial Group replaced The Hartford Retirement Plan - Mass Mutual as the custodian for the retirement plan. Total contributions made by the CFT to the Western States 401(k) Retirement Fund of OPEIU were \$25,465, \$20,960 and \$21,120 in 2017, 2016 and 2015, respectively, and total contributions made by the CFT to The Hartford Retirement Plan - Mass Mutual and Principal Financial Group were \$169,131, \$165,207 and \$160,085 in 2017, 2016 and 2015, respectively.

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NOTE 11 - SUMMARY OF EXPENSES BY FUNCTIONAL CLASSIFICATION

The following table provides a summary of the CFT's total expenses by their functional classification, e.g. major class of program services and supporting activity, as required by accounting principles generally accepted in the United States of America:

	January 1, 2017 to <u>December 31, 2017</u>	January 1, 2016 to <u>December 31, 2016</u>	January 1, 2015 to <u>December 31, 2015</u>
Class of Program Services and Supporting Activities:			
Membership Representation	\$ 5,763,533	\$ 6,104,652	\$ 5,656,872
General and Administrative	5,422,308	5,812,664	5,517,464
Financial Assistance to Affiliates	8,257,975	8,158,986	7,746,786
Communications and Publications	345,297	390,217	364,959
Governmental Relations	47,476	61,540	56,476
Information Technology	7,686	8,585	10,789
Leadership Development and Training	220,407	161,108	132,100
Research	10,810	10,361	10,437
Contributions and Scholarships	455,358	888,900	803,805
Political Activities	470,286	2,127,894	512,585
Postretirement Pension and Medical Benefits	<u>(541,499)</u>	<u>1,208,270</u>	<u>2,944,656</u>
<u>TOTAL EXPENSES</u>	<u>\$ 20,459,637</u>	<u>\$ 24,933,177</u>	<u>\$ 23,756,929</u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The CFT is involved in various lawsuits and claims where the outcome or financial ramifications have yet to be determined. The financial statements have not been adjusted to reflect any potential negative impact on the CFT's finances.

NOTE 13 - RISKS AND UNCERTAINTIES

The actuarial present value of pension benefits liability and the postretirement medical benefits liabilities are reported based on certain assumptions that are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE 14 - INTERFUND LOAN

In March 2014, the Executive Council approved to loan \$250,000 from the Emergency Fund (part of the General Fund) to the Legal Defense Fund at a zero interest rate, and repaid over 24 months. During 2016, the term of the loan was extended for an indefinite time. In September 2016, the Executive Council approved an additional loan for \$300,000 at a zero interest rate, and with an indefinite period to repay the loan. The loans outstanding balance as of December 31, 2017 was \$72,917.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through _____, 2018, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

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NOTE 16 - TEMPORARY RESTRICTED NET ASSETS

Temporary restricted funds are for the Building Power Campaign ("Campaign") which is focused on protecting and improving quality education in California through securement of proper funding for adequate resources. The Campaign's emphasis is the building of representation and involvement of the communities and its membership through organizing. The Campaign started in July 2015. Any remaining unused funds will become unrestricted.

DRAFT FOR DISCUSSION PURPOSES ONLY