

Financial Statements

California Association of Professional Employees

December 31, 2009

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

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Haynie & Company

(a professional corporation)

Certified Public Accountants and Management Consultants

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Independent Auditors' Report

To the Board of Directors
California Association of Professional Employees
Los Angeles, California

We have audited the accompanying statement of financial position of the **California Association of Professional Employees** (a nonprofit organization) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In preparing its financial statements, the Association has not adopted all provisions issued by the Financial Accounting Standards Board in connection with financial statements of not-for-profit organizations (See Note 2). The accompanying financial statements do not include certain information required by accounting principles generally accepted in the United States of America, including information concerning functional expense classifications.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the California Association of Professional Employees as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Haynie & Company

June 2, 2010
Newport Beach, California

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Statement of Financial Position

December 31, 2009

	Total	General Fund (Unrestricted)	Political Action Committee (Temporarily Restricted)	FAIR Political Action Committee (Temporarily Restricted)
<u>ASSETS</u>				
Cash and cash equivalents:				
Petty cash	\$ 500	\$ 500	\$ -	\$ -
Checking accounts	105,648	67,440	18,225	19,983
Interest checking accounts	427,590	427,590	-	-
Certificates of deposit and money market funds	254,829	254,829	-	-
Total cash and cash equivalents	788,567	750,359	18,225	19,983
Other assets:				
Prepaid expenses	11,235	11,235	-	-
Other assets	5,095	5,095	-	-
Total other assets	16,330	16,330	-	-
Property and equipment:				
Office furniture and equipment	68,264	68,264	-	-
Computer hardware	30,664	30,664	-	-
Computer software	2,719	2,719	-	-
	101,647	101,647	-	-
Less accumulated depreciation	(92,527)	(92,527)	-	-
Leasehold improvements in progress	11,000	11,000	-	-
Net book value	20,120	20,120	-	-
Total assets	\$ 825,017	\$ 786,809	\$ 18,225	\$ 19,983

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Statement of Financial Position

December 31, 2009

	<u>Total</u>	<u>General Fund (Unrestricted)</u>	<u>Political Action Committee (Temporarily Restricted)</u>	<u>FAIR Political Action Committee (Temporarily Restricted)</u>
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Expenses payable	\$ 17,096	\$ 17,096	\$ -	\$ -
Accrued vacation benefits	76,045	76,045	-	-
Staff retirement payable	<u>44,446</u>	<u>44,446</u>	<u>-</u>	<u>-</u>
 Total liabilities	 137,587	 137,587	 -	 -
 Net assets	 <u>687,430</u>	 <u>649,222</u>	 <u>18,225</u>	 <u>19,983</u>
 Total liabilities and net assets	 <u>\$ 825,017</u>	 <u>\$ 786,809</u>	 <u>\$ 18,225</u>	 <u>\$ 19,983</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Statement of Activities - General Fund
For the Year Ended December 31, 2009

Revenues:	
Dues from members	\$ 1,114,880
Agency shop fees	221,813
Affiliated membership dues	1,152
Administration fees	135,120
Interest income	<u>1,428</u>
Total revenues	<u>1,474,393</u>
Expenses:	
Salaries and wages	690,304
Temporary help	37,154
Payroll taxes	51,072
Welfare benefits	90,896
401(k) retirement benefits	69,806
Office and administrative expenses (see schedule)	130,933
Legal fees and expenses	11,596
Accounting and auditing fees	29,407
Computer programming fees and expenses	27,687
401(k) Plan administrative fees	4,351
National Marine Engineers' Beneficial Association affiliation fees	35,396
Delegate and negotiations expense	38,096
Postage and delivery	15,584
Public relations	31,523
Auto expenses	11,560
Meeting expenses	54,169
Member communications	57,727
Movie tickets	1,998
Field program	11,952
Awards expense	3,272
Los Angeles County Coalition shared expenses	15,889
Depreciation and amortization expense	10,822
Elections	<u>8,699</u>
Total expenses	<u>1,439,893</u>
Increase in net assets	34,500
Net assets, beginning of year	<u>614,722</u>
Net assets, end of year	<u>\$ 649,222</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES
Statement of Activities - Political Action Committee ("PAC")
For the Year Ended December 31, 2009

Revenues:	
Member contributions	\$ 14,991
	<hr/>
Total revenues	14,991
	<hr/>
Expenses:	
Political contributions:	
Price for Senate	500
Councilmember Jeffrey Prang	100
Paul Koretz for City Council	500
Assessor Rick Auerbach	2,000
Paul Krekorian for L.A. City Council	1,000
Michael D. Antonovich	800
Supervisor Knabe	1,000
Ridley-Thomas	1,000
Yaroslavsky for Supervisor	1,000
	<hr/>
	7,900
FPPC reports & FTB responses	581
	<hr/>
Total expenses	8,481
	<hr/>
Increase in net assets	6,510
Net assets, beginning of year	11,715
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Net assets, end of year	\$ 18,225
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See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES
Statement of Activities - FAIR Political Action Committee ("FAIR PAC")
For the Year Ended December 31, 2009

Revenues:		
Member contributions	\$	1,857
Vendor contributions		<u>5,250</u>
Total revenues		<u>7,107</u>
Expenses:		
FPPC reports & FTB responses		<u>566</u>
Total expenses		<u>566</u>
Increase in net assets		6,541
Net assets, beginning of year		<u>13,442</u>
Net assets, end of year	\$	<u><u>19,983</u></u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Statement of Cash Flows - All Funds
For the Year Ended December 31, 2009

Cash flows from operating activities:

Increase in net assets:

General fund	\$ 34,500
Political Action Committee	6,510
FAIR Political Action Committee	<u>6,541</u>

Subtotal 47,551

Adjustments to reconcile changes in net assets to net cash provided by operating activities:

Depreciation and amortization expense	10,822
Loss on disposal of assets	261

(Increase) decrease in:

Trust admin fees receivable	49,500
Prepaid expenses	(406)
Other assets	(2,107)

Increase (decrease) in:

Expenses payable	(7,431)
Accrued vacation benefits	22,696
Staff retirement payable	<u>2,599</u>

Total from operating activities 123,485

Cash flows from investing activities:

Purchases of leasehold improvements in progress	(11,000)
Purchases of property and equipment	<u>(9,476)</u>

Total from investing activities (20,476)

Cash flows from financing activities:

-

Net increase in cash and cash equivalents 103,009

Cash and cash equivalents, beginning of year 685,558

Cash and cash equivalents, end of year \$ 788,567

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Income taxes	<u>\$ -</u>
Interest	<u>\$ -</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES
Notes to Financial Statements

1. DESCRIPTION OF ENTITY

General Fund

The California Association of Professional Employees (the "Association") was formed in 1964 in Los Angeles, California, as a nonprofit corporation to initiate, sponsor, promote and carry out plans, policies and activities, which will tend to advance the health, comfort, morale and economic welfare of all member employees of public agencies or public corporations. The Association represents approximately 2,700 employees of the County of Los Angeles and sanitation districts of Los Angeles County in collective bargaining matters and its primary source of revenues are dues from approximately 1,441 members.

Political Action Committee ("PAC")

The Association formed a Political Action Committee ("PAC") for the purpose of supporting state and local candidates to further the goals of organized labor and collective bargaining within the State of California. PAC is funded by voluntary dues allocations from the General Fund and voluntary contributions from members of the Association. The monthly allocation is \$1 per member, and has been in effect since January 1, 1994.

FAIR Political Action Committee ("FAIR PAC")

In February 2005, the Board of Directors formed a second political action committee, the Fight Arnold's Irresponsible Reforms Political Action Committee ("FAIR PAC"), for the purpose of protecting the pension and post-retirement benefits of its members by supporting certain state-wide elections and propositions in California. FAIR PAC is funded by voluntary contributions from the Association's members, certain vendors of the Association and special events organized to further the goals of FAIR PAC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of accounting

Dues from members, affiliation fees, interest income, reimbursements and other revenues are reported on the accrual basis. All expenses are reported on the accrual basis except for a nominal amount of recurring monthly expenses.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand (petty cash) and cash deposited with financial institutions in checking accounts, certificates of deposit and money market funds. For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Association, from time to time, maintains cash balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage limits. As of December 31, 2009, the aggregate balances that exceeded this limit approximated \$323,000. The Association performs reviews of the relative credit rating of its banks to lower its risk.

Property and equipment

Property and equipment are stated at cost. Depreciation is determined for related groups of assets under the straight-line and accelerated methods based upon their estimated useful lives, ranging from three to ten years. Minor renewals or replacements and maintenance and repairs are expensed. Major replacements and improvements are capitalized.

During December of 2009, the Association commenced renovations of its office space. Based upon current estimates, the Association anticipates the renovation project to be completed in 2010 at a cost of approximately \$45,000. Costs incurred are classified as leasehold improvements in progress and will be depreciated upon completion of the project when the assets are placed in service. As of December 31, 2009, the Association had capitalized \$11,000 in related costs, which are included in property and equipment.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES
Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-exempt status

No provision is made in the General Fund for federal or state income tax. The Association has 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 Political Action Committees (PAC and FAIR-PAC) are subject to federal and California income taxes assessed on the lesser of investment earnings (net of a \$100 exclusion) or the amount of political contributions.

Financial statements of not-for-profit organizations

The management of the Association has elected not to adopt all of the Financial Accounting Standards Board's ("FASB") authoritative guidance in connection with financial statements of not-for-profit organizations. The FASB's authoritative guidance requires, among other things, that the financial statements of not-for-profit entities provide information about expenses by their functional classification, organization-wide revenues and expenses, and donor-imposed restrictions on the Association's funds. The presentation of the Association's financial statements without the adoption of the authoritative guidance does not change the total amounts of assets, liabilities, net assets, and the changes in net assets and cash flows reported on the Association's financial statements. In the opinion of management, its decision not to adopt all the guidance does not significantly affect the usefulness of the Association's financial statements.

Fair value of financial instruments

The carrying value of cash and cash equivalents, prepaid expenses, and expenses payable approximate their fair values due to the short-term nature of these instruments.

Subsequent events

Subsequent events have been evaluated through June 2, 2010, which is the date the financial statements were available.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES
Notes to Financial Statements

3. LEASE COMMITMENTS

The Association leases office space located in Los Angeles, California. Monthly rent for the year ended December 31, 2009 was \$4,366. The lease continues through December of 2011 with monthly rent payments ranging from \$5,048 to \$5,458.

The Association leases postal equipment under a five year operating lease expiring in September of 2012. Annual lease payments are \$1,872. Lease expense in connection with office equipment was \$1,872 for the year ended December 31, 2009.

The future annual minimum lease payments required under the above operating leases as of December 31, 2009 are as follows:

2010	\$ 62,448
2011	67,368
2012	<u>1,404</u>
Total	<u>\$ 131,220</u>

4. RELATED PARTY TRANSACTION - BENEFIT TRUST ADMINISTRATION

The Association established the California Association of Professional Employees Benefit Trust ("the Trust") to provide alternate health and welfare coverage for its members and other participants affiliated with the County of Los Angeles. The Trust is governed by a board of trustees consisting of 5 members appointed by the officers of the Association.

The Association charges the Trust an administrative fee based on an estimate of the costs incurred by the Association to administer the Trust. Administration fees for the year ended December 31, 2009 were \$135,120.

The Association also is a contributing employer to the Trust. Total employer contributions to the Trust for health and welfare benefits for the year ended December 31, 2009 were \$303,049, which includes Association member life insurance benefit premiums of \$47,635.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES
Notes to Financial Statements

5. RETIREMENT PLAN

The Association has a retirement savings 401(k) plan covering substantially all employees. The plan provides that employees who have attained age 18 and completed one year of service with the Association can voluntarily contribute up to 15% of their compensation for the plan year. Employer contributions are equal to 100% of the employee's contributions up to 4% of that employee's compensation. Employer contributions approximated \$70,000 for the year ended December 31, 2009.

6. CONTINGENCIES

The Association is subject to claims arising in the normal course of business and, in the opinion of management and legal counsel, any unfavorable outcome would not have a significant impact on the financial condition of the Association.



Haynie & Company

(a professional corporation)

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Independent Auditors' Report on Accompanying Information

To the Board of Directors

California Association of Professional Employees

Los Angeles, California

Our report on our audit of the basic financial statements of the **California Association of Professional Employees** for 2009 appears on page 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of office and administrative expenses-general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HAYNIE & COMPANY

June 2, 2010

Newport Beach, California

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Schedule of Office and Administrative Expenses - General Fund

For the Year Ended December 31, 2009

Bank charges	\$	330
Educational expenses		127
Insurance expense		9,448
Miscellaneous expenses		5,930
Office supplies and expenses		10,412
Payroll processing fees		2,666
Photocopier expense		3,157
Postage and delivery		6,533
Printing		2,605
Recruitment expenses		2,550
Rent expense		58,197
Subscriptions and publications		7,813
Taxes and licenses		252
Telephone		<u>20,913</u>
Totals	\$	<u>130,933</u>

See notes to financial statements.