

CSEA, SEIU LOCAL 2001

Financial Statements

June 30, 2010 and 2009

CSEA, SEIU LOCAL 2001

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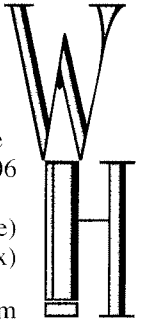
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INDEPENDENT AUDITORS' REPORT

To the Executive Council of the
CSEA, SEIU Local 2001

We have audited the accompanying statements of financial position of the CSEA, SEIU Local 2001 (the "Union") as of June 30, 2010 and 2009 and the related statements of activities - actual and budget and cash flows for the years then ended. These financial statements are the responsibility of the Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSEA, SEIU Local 2001 as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Exhibits A, B, and C 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 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.

Whittlesey & Hadley, P.C.

September 16, 2010

CSEA, SEIU LOCAL 2001

Statements of Financial Position

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets		
Cash	\$ 132,694	\$ 60,905
Accounts receivable-dues	232,772	227,027
Accounts receivable-other	127,066	837,563
Investments, at market value	<u>980,032</u>	<u>478,053</u>
Total current assets	<u>1,472,564</u>	<u>1,603,548</u>
Non-current assets		
Accounts receivable-other	524,112	845,062
Investments, at market value for retiree health insurance	332,373	272,842
Property and equipment, net	<u>283,585</u>	<u>310,884</u>
Total non current assets	<u>1,140,070</u>	<u>1,428,788</u>
Total assets	<u><u>\$ 2,612,634</u></u>	<u><u>\$ 3,032,336</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 371,633	\$ 384,377
Accrued vacation and sick pay	303,955	285,167
Note payable	17,664	20,654
Chapter and council dues refunds payable	<u>216,117</u>	<u>196,837</u>
Total current liabilities	<u>909,369</u>	<u>887,035</u>
Non-current liabilities		
Accrued retiree health insurance	332,373	272,842
Note payable	-	17,664
Accounts payable-other	<u>877,058</u>	<u>1,168,154</u>
Total non current liabilities	<u>1,209,431</u>	<u>1,458,660</u>
Total liabilities	2,118,800	2,345,695
Unrestricted net assets	<u>493,834</u>	<u>686,641</u>
Total liabilities and net assets	<u><u>\$ 2,612,634</u></u>	<u><u>\$ 3,032,336</u></u>

The accompanying notes are an integral part of the financial statements.

CSEA, SEIU LOCAL 2001

Statements of Activities – Actual and Budget

For the years ended June 30, 2010 and 2009

	2010		2009	
	Actual (Accrual)	Budgeted (Cash)	Actual (Accrual)	Budgeted (Cash)
Revenues	\$ 5,288,716	\$ 5,223,420	\$ 4,886,429	\$ 4,976,520
Expenses:				
Administration	4,948,540	5,172,163	5,152,510	4,899,152
Housing	148,373	163,130	148,335	158,050
Members' service - legal	153,121	147,000	123,362	172,330
Publications and information	69,538	81,525	57,184	80,600
Executive council, officers and committees	54,039	53,950	161,898	89,750
Members' service - field	57,904	75,000	70,465	75,000
Miscellaneous expense	818	820	1,394	1,400
Total expenses	<u>5,432,333</u>	<u>5,693,588</u>	<u>5,715,148</u>	<u>5,476,282</u>
Change in net assets from operations	(143,617)	(470,168)	(828,719)	(499,762)
Other changes in net assets:				
Depreciation	(49,190)	-	(46,269)	-
SEIU merger subsidy	-	700,000	-	500,000
Total other changes in net assets	<u>(49,190)</u>	<u>700,000</u>	<u>(46,269)</u>	<u>500,000</u>
Change in net assets	(192,807)	229,832	(874,988)	238
Unrestricted net assets, beginning of year	<u>686,641</u>	<u>-</u>	<u>1,561,629</u>	<u>-</u>
Unrestricted net assets, end of year	<u>\$ 493,834</u>	<u>\$ 229,832</u>	<u>\$ 686,641</u>	<u>\$ 238</u>

The accompanying notes are an integral part of the financial statements.

CSEA, SEIU LOCAL 2001

Statements of Cash Flows

For the years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (192,807)	\$ (874,988)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	49,190	46,269
Realized (gains) on investments	-	(1,546)
Unrealized loss/(gains) on investments	6,904	(13,077)
(Increase) in:		
Accounts receivable - dues and other	1,025,702	318,930
Increase/(decrease) in:		
Accounts payable and accrued expenses	(303,840)	136,650
Accrued vacation and sick pay	18,788	51,844
Chapter and Council dues refunds payable	19,280	26,151
Accrued post-retirement benefit other than pension	59,531	(30,065)
Net change in cash from operating activities	682,748	(339,832)
Cash flows from investing activities:		
Purchases of investments	(568,414)	(100,000)
Proceeds from the sale of investments	-	564,657
Purchases of property and equipment	(21,891)	(87,779)
Net change in cash from investing activities	(590,305)	376,878
Cash flows from financing activities:		
Repayments of note payable	(20,654)	(20,654)
Net change in cash from financing activities	(20,654)	(20,654)
Net change in cash	71,789	16,392
Cash, beginning of year	60,905	44,513
Cash, end of year	\$ 132,694	\$ 60,905
Supplemental Information:		
Interest paid	\$ 818	\$ 1,394

The accompanying notes are an integral part of the financial statements.

CSEA, SEIU LOCAL 2001

Notes to Financial Statements

June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Nature and Organization

The CSEA, SEIU Local 2001, (the "Union") was incorporated in Connecticut on October 24, 1941 for the purpose of uniting employees and retirees of the State of Connecticut for their mutual welfare, protection, and advancement. The Union's revenues consist primarily of members' dues.

Accounting Standards

The Union follows *Accounting for Contributions Received and Contributions Made, Financial Statements of Not-for-Profit Organizations*, and *Accounting for Certain Investments Held by Not-for-Profit Organizations* topics of the FASB Codification.

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, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

All of the Union's net assets are considered to be unrestricted. As such, the Union's resources are available for use for any purpose authorized by the Executive Council.

Budget

The Budget Committee of the Executive Council is responsible for preparing the Union's annual budget, which is then approved by the Executive Council. Budget amendments, as necessary, are also required to be approved by the Executive Council.

Statement of Activities

The Union has established an operating measure in its statement of activities - actual and budgeted. The Union considers all revenues and expenses to be operating except for depreciation expense, which is considered to be non-operating.

Revenue Recognition

Membership dues and agency fees are recognized as revenue on a monthly basis.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONT'D.):

Endowment Assets and Investment Policies

Investments in marketable equity securities and all debt instruments are presented in the financial statements at fair market value. The Union's Surplus Funds Account assets are invested consistent with a strategy to preserve principal. The prime directive is to preserve initial investment while achieving the best return consistent with the preservation of the invested amounts. To achieve this goal, the Union's Surplus Funds Account is invested in various vehicles including certificates of deposits, money market accounts and treasury notes. UBS Financial Services provides professional investment advice to assist the Union in attaining this objective. As a board-designated endowment the spending policy is not subject to any donor restrictions.

Property and Equipment

Property and equipment and improvements thereon are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Repairs and maintenance costs are charged to expense as incurred.

Chapter and Council Dues Refunds

In accordance with the Union's constitution, the Union remits a portion of membership dues to the local Chapters and Council to defray its operating expenses. Amounts due as of June 30, 2010 are presented as Chapter and Council dues refunds payable in the accompanying statement of financial position.

Income Taxes

The Union is a nonprofit organization and is exempt from federal and state income taxes on exempt function income under Section 501(c)(5) of the Internal Revenue Code. However, the Union is subject to federal and state income taxes on its unrelated business income (see Note 9).

Fair Value Measurements

The Union follows the *Fair Value Measurements* topic of the FASB Codification, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. This topic also defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

- Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 — Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that reflect the Union's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONT'D.):

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

Concentrations of Credit Risk

The Union maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash equivalents.

Dues Receivable

All of the Union's members are current or retired publicly funded employees whose dues are remitted through withholding. Management believes the credit risk relative to dues receivable is negligible and the Union has historically experienced no credit losses and, therefore, no allowance for doubtful receivable is considered necessary.

Subsequent Events Measurement Date

The Union monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended June 30, 2010 through September 16, 2010, the date on which the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The carrying value and estimated market value of investments are as follows at June 30:

	2010		2009	
	Cost	Market	Cost	Market
Equities	\$ 63,836	\$ 92,576	\$ 63,836	\$ 96,284
Certificates of deposits	827,068	828,053	299,143	304,204
Money market	59,403	59,403	77,565	77,565
	<u>\$ 950,307</u>	<u>\$ 980,032</u>	<u>\$ 440,544</u>	<u>\$ 478,053</u>

The carrying value and estimated market value of the Retiree Health Insurance investments are as follows at June 30:

	2010		2009	
	Cost	Market	Cost	Market
Equities	\$ 68,528	\$ 52,863	\$ 67,750	\$ 47,160
Mutual funds	270,824	184,150	260,882	163,244
Fixed income	44,003	45,032	41,704	40,167
Money market	50,328	50,328	22,271	22,271
	<u>\$ 433,683</u>	<u>\$ 332,373</u>	<u>\$ 392,607</u>	<u>\$ 272,842</u>

NOTE 2 - INVESTMENTS (CONTINUED)

Change in the Union's investment portfolio is as follows:

	Executive Council		Total
	Designated	Unrestricted	
Investments, June 30, 2008	\$ 302,907	\$ 897,446	\$ 1,200,353
Interest and dividends	36,361	25,681	62,042
Realized gains/losses	(1,056)	1,546	490
Unrealized gains/losses	(86,457)	13,077	(73,380)
Deposits	21,087	100,000	121,087
Appropriation of investments for expenditure	-	(559,697)	(559,697)
Investments, June 30, 2009	272,842	478,053	750,895
Interest and dividends	7,281	8,883	16,164
Realized gains/losses	-	-	-
Unrealized gains/losses	18,455	(6,904)	11,551
Deposits	33,795	500,000	533,795
Appropriation of investments for expenditure	-	-	-
Investments, June 30, 2010	<u>\$ 332,373</u>	<u>\$ 980,032</u>	<u>\$ 1,312,405</u>

Investment income for unrestricted investments are included in revenues in the accompanying Statements of Activities - Actual and Budgeted. Investment income for the board designated investment is included in the liability account, accrued retiree health insurance, in the accompanying Statements of Financial Position.

NOTE 3 – ACCOUNTS RECEIVABLE – OTHER

Accounts Receivable - Other consists of three categories. The first relates to SEIU's payments to the Union to subsidize past-service-credit costs related to the pension plan. Payments are approximately \$10,000 per month over 10 years, ending during the year 2015. The amount of the receivable from SEIU to the Union for past-service-credit costs totals \$645,062 and \$766,012 for the years ended June 30, 2010 and 2009, respectively. The current asset amount for both years is \$120,950 with the balance of \$524,112 and \$645,062 recorded as noncurrent assets for years ended June 30, 2010 and 2009, respectively.

The second category of accounts receivable - other consists of payments due from SEIU relating to an amendment to the merger between the Union and SEIU made during the year ended June 30, 2008. Per the amended agreement the total amount of \$1,100,000 is to be made in three annual payments which consist of \$400,000, \$500,000 and \$200,000 during fiscal year ends June 30, 2008, 2009 and 2010, respectively. As of June 30, 2010, all amounts have been received. As of June 30, 2009, of the total amount due, \$700,000 was recorded as a current asset and the balance of \$200,000 was recorded as a non-current asset. Actual cash received was \$200,000, \$-0-, and \$900,000 for the years ended June 30, 2008, 2009, and 2010, respectively.

The third category of accounts receivable - other consists of miscellaneous amounts of \$6,116 and \$16,613 for the years ended June 30, 2010 and 2009.

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment by major classification are as follows as of June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 21,000	\$ 21,000
Building	651,093	651,093
Office furniture and equipment	<u>310,798</u>	<u>288,907</u>
	982,891	961,000
Less: accumulated depreciation	<u>(699,306)</u>	<u>(650,116)</u>
	<u>\$ 283,585</u>	<u>\$ 310,884</u>

NOTE 5 - NOTE PAYABLE

The Union took out a loan from its subordinate organization, Council 400, during the fiscal year ended June 30, 2006 for renovations to the parking lot. The unpaid principal and accrued interest of 2.83% is payable in monthly installments of \$1,789 ending April 2011. As of June 30, 2010, the Union had an outstanding balance of \$17,664, which is all payable by June 30, 2011.

Interest expense for the years ended June 30, 2010 and 2009 was \$818 and \$1,394, respectively.

NOTE 6 - ACCOUNTS PAYABLE - OTHER

Accounts payable - other consists of two categories. The first is the Union's portion of payments due to SEIU relating to past-service-credit costs related to the pension plan. Payments are approximately \$7,900 per month over 15 years, ending during the year 2021. The amount of the payable from the Union to SEIU for past-service-credit costs totals \$971,874 and \$1,066,690 for the years ended June 30, 2010 and 2009, respectively. The current liability amount for both years is \$94,816 with the balance of \$877,058 and \$971,874 recorded as noncurrent liability for years ended June 30, 2010 and 2009, respectively.

The second category of accounts payable - other consists of payments due to SEIU from the Union relating to the American Dream Fund. The total amount due is \$- and \$196,280, for the years ended June 30, 2010 and 2009, respectively. Actual cash paid was \$196,280 and \$- for the years ended June 30, 2010 and 2009, respectively.

NOTE 7 - LEASE COMMITMENTS:

Operating Leases:

The Union leases equipment and several automobiles under various leases, which expire at various times. The Union also leases a parking lot on a 5-year term, which expires in January of 2014. The Union has an exclusive options for an additional 5-year term. The future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 46,184
2012	35,530
2013	25,530
2014	9,800

Lease payments made during the years ended June 30, 2010 and 2009 totaled approximately \$50,000 and \$46,000, respectively.

NOTE 8 - INCOME TAXES:

The Union has income attributable to its newspaper operations and other promotional activities that is subject to federal and state unrelated business income taxes. For the years ended June 30, 2010 and 2009, the Union has experienced a loss in these activities, and therefore no taxes have been paid.

NOTE 9 - EXPENSES BY FUNCTION:

Expenses by function are as follows:

	<u>2010</u>	<u>2009</u>
Member services	\$ 2,685,946	\$ 2,823,094
Membership development	<u>383,707</u>	<u>403,300</u>
Total program	3,069,653	3,226,394
Management and general	<u>2,411,870</u>	<u>2,535,023</u>
	<u>\$ 5,481,523</u>	<u>\$ 5,761,417</u>

NOTE 10 - UNIONIZED LABOR CONCENTRATIONS:

As of June 30, 2010, approximately 75% of the Union's personnel were covered by two collective bargaining agreements. The effective dates of the agreements are July 1, 2005 with expiration dates of June 30, 2010. The new collective bargaining agreements are currently under negotiation.

NOTE 11 - PENSION PLAN:

As a result of the Union's affiliation with SEIU, all employees of the Union became participants in SEIU's defined benefit pension plan effective October 1, 2001. SEIU retains the name of the plan and as such carries the pension cost and liability on their balance sheet. The plan covers SEIU affiliate officers and employees who have earned \$4,000 in any twelve-month period.

Under the SEIU plan, the Union's liability to the plan is limited to monthly contributions equal to 14% of monthly-qualified compensation. Pension expense for the years ended 2010 and 2009 totaled \$232,048 and \$228,457, respectively.

NOTE 12 - POSTRETIREMENT BENEFITS OTHER THAN PENSION:

Staff who retire on or after July 1, 1991 are eligible for health insurance coverage by the Union. The Union contributes two percent of the gross payroll to the fund yearly. Retired employees will be eligible for benefits beginning at age 60 based upon the number of years of full-time service. The benefit to be paid will be a percentage (up to 100%) of their health insurance carried by the Union or Medicare Part B, dependent on years of service. Benefits for retirees will cease upon the depletion of funds available. Postretirement benefits other than pension for the years ended June 30, 2010 and 2009 was \$33,819 and \$33,893, respectively.

NOTE 13 – FAIR VALUE MEASUREMENT:

The following table presents assets measured at fair value at:

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Investments, at market value	\$ 980,032	\$ -	\$ -	\$ 980,032
Investments, at market value for retiree health insurance	269,114	63,259	-	332,373
	<u>\$ 1,249,146</u>	<u>\$ 63,259</u>	<u>\$ -</u>	<u>\$ 1,312,405</u>
	June 30, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
Investments, at market value	\$ 478,053	\$ -	\$ -	\$ 478,053
Investments, at market value for retiree health insurance	211,510	61,332	-	272,842
	<u>\$ 689,563</u>	<u>\$ 61,332</u>	<u>\$ -</u>	<u>\$ 750,895</u>

NOTE 14 – PRIOR PERIOD ADJUSTMENT:

During the year ended June 30, 2010, the Union found an error in the calculation of the accrued vacation and sick pay relating to which employees are eligible for payment. The Union recognized a decrease in accrued vacation and sick pay of \$98,696 on the Statement of Financial Position, for the year ended June 30, 2009 as well as a decrease in administration expenses on the Statement of Activities - Actual and Budget. Therefore, the Union recognized an overall increase of \$98,696 to unrestricted net assets for the year ended June 30, 2009. The Union also recognized an increase of \$141,442 to Unrestricted net assets as of July 1, 2008.

CSEA, SEIU LOCAL 2001

Revenues – Actual and Budget

For the year ended June 30, 2010

	<u>Actual (Accrual)</u>	<u>Budget (Cash)</u>
Revenues:		
Active member dues	\$ 4,534,828	\$ 4,412,020
Dues - Council 400	546,196	576,000
Investment income	2,950	11,200
Agency fees	124,722	140,730
Miscellaneous income	9,732	3,500
CSEA News - advertisement	38,178	50,900
AMECSS (affiliate members)	21,546	17,550
SEIU rebates	10,564	11,520
	<u>\$ 5,288,716</u>	<u>\$ 5,223,420</u>

CSEA, SEIU LOCAL 2001

Administration Expenses – Actual and Budget

For the year ended June 30, 2010

	<u>Actual (Accrual)</u>	<u>Budget (Cash)</u>
Administration:		
Personnel services	\$ 1,730,497	\$ 1,713,117
Insurance	407,839	375,879
Pension plan	287,964	290,835
Payroll taxes	147,141	148,019
Travel - miscellaneous	163,465	160,000
Telephone	40,778	49,920
Office supplies	30,656	38,245
Postage	46,606	37,180
Maintenance of equipment	30,496	34,950
SEIU per capita payments	1,783,058	1,767,556
Council/chapter fundings	213,011	218,482
SEIU American Dream Fund	-	197,000
Sundry	10,745	12,980
Accounting fees	15,750	24,000
Computer service	10,296	10,000
Bernard H. McCusker Scholarship Fund donation	3,500	3,500
Dues and subscriptions	14,253	13,000
Other taxes	4,513	500
Staff training	7,639	15,000
Capital expenses	333	62,000
	<u>\$ 4,948,540</u>	<u>\$ 5,172,163</u>

CSEA, SEIU LOCAL 2001

Housing Expenses – Actual and Budget

For the year ended June 30, 2010

	<u>Actual (Accrual)</u>	<u>Budget (Cash)</u>
Housing:		
Insurance	\$ 55,115	\$ 50,000
Taxes	42,707	42,710
Electricity	15,669	22,000
Building maintenance	20,611	26,000
Janitorial supplies	2,852	5,000
Parking lease	5,160	5,160
Heating	5,667	11,660
Water	592	600
	<u>\$ 148,373</u>	<u>\$ 163,130</u>