

**REPORT ON THE AUDITED
AGENCY FEE CALCULATION OF
FOOTHILL-DE ANZA ASSOCIATION OF
CLASSIFIED EMPLOYEES, INC.
FOR THE YEAR ENDED
JUNE 30, 2016**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**Foothill-De Anza Association of
Classified Employees, Inc.**

We have audited the accompanying financial statement of **Foothill-De Anza Association of Classified Employees, Inc.** (a nonprofit organization), which comprises the statement of expenses and allocation of expenses between chargeable expenses and non-chargeable expenses - general fund only, for the year ended June 30, 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 statement referred to above presents fairly, in all material respects, the total expenses of **Foothill-De Anza Association of Classified Employees, Inc.**, as modified for the items discussed in Notes 3 and 4, and the allocation of those expenses between chargeable expenses and non-chargeable expenses for the year ended June 30, 2016, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction of Use

Our report is intended solely for the information and use of the officers and management of **Foothill-De Anza Association of Classified Employees, Inc.** and its agency fee objectors and is not intended to be and should not be used by anyone other than those specified parties.

Handwritten signature in blue ink that reads "I slip + Company, LLP". The signature is stylized with a large, looped initial "I" and a plus sign.

Sacramento, California
August 5, 2016

FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.
STATEMENT OF EXPENSES AND ALLOCATION OF
EXPENSES BETWEEN CHARGEABLE EXPENSES
AND NON-CHARGEABLE EXPENSES

-GENERAL FUND ONLY-

YEAR ENDED JUNE 30, 2016

CHARGEABLE EXPENSES

Accounting and audit fees	\$ 7,170
Arbitration fees	2,342
Depreciation	4,236
Insurance	3,355
Legal fees (95%)	114,143
Meetings/meals	6,200
Outside recorder services	8,417
Reclassification appeals	3,875
Salaries/Release time	31,225
Supplies (87%)	1,727
Taxes and licenses	10
Travel/mileage (96%)	548
Web hosting/domain	1,421
Total Chargeable Expenses	184,669

NON-CHARGEABLE EXPENSES

Legal fees (5%)	6,007
Marketing	209
Supplies (13%)	258
Travel/mileage (4%)	23
Total Non-Chargeable Expenses	6,497
Total Expenses	\$ 191,166

<u>PERCENTAGE CHARGEABLE EXPENSES</u>	97 %
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<u>PERCENTAGE NON-CHARGEABLE EXPENSES</u>	3 %
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See accompanying notes.

FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

Notes to Schedule of Chargeable and Non-Chargeable Expenditures

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Foothill-De Anza Association of Classified Employees, Inc., referred to as "ACE," is a non-profit mutual benefit corporation with the express purpose of providing representation to classified employees of Foothill-De Anza Community College District related to their terms and conditions of employment pursuant to Section 3540 of the California Government Code. The primary source of revenue for the Association are dues.

Method of Accounting - The financial statement has been prepared using the cash basis of accounting. Revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted. Net assets are generally reported as unrestricted unless assets are received from donors with explicit stipulations that limit the use of the asset. The Association has permanently restricted assets in its PAC fund; however, there were no PAC expenditures during the year ended June 30, 2016. The Association does not have any temporarily restricted net assets.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - The Association is a not-for-profit organization exempt from federal income tax under section 501(c)(5) of the Internal Revenue Code and from California Franchise Tax under section 23701a of the California Revenue and Taxation Code.

The Association's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 - CHARGEABLE AND NON-CHARGEABLE EXPENDITURES

Annual membership dues (dues) paid by members, and the annual fair share service fee (fee) paid by non-members that ACE is required to represent (fee payers), are the primary sources of ACE revenue. The monthly dues of members is 1.05% of gross salary, and fee payers pay 90% of member dues. Expenses chargeable to fee payers equal 97% of member dues, which is the amount ACE can charge to fee payers pursuant to this fiscal year's audit. The District deducts the dues or fee, whichever is applicable to the employee, from the employee's pay in equal monthly installments: 12 installments for full-time employees (annual work schedule is 12 months) or ten installments for part-time employees (annual work schedule is less than 12 months).

FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

Notes to Schedule of
Chargeable and Non-Chargeable Expenditures

NOTE 2 - CHARGEABLE AND NON-CHARGEABLE EXPENDITURES - *continued*

Pursuant to Government Code Section 3546(a), the fee can be used to cover the cost of negotiations, contract administration, and other activity that is germane to the function of ACE as exclusive bargaining representative. No portion of the fee may be used to defer member-only benefits.

Pursuant to Regulation 32992 of the Public Employment Relations Board (PERB), ACE must provide each fee payer annual written notice describing the amount of the fee expressed as a percentage of the dues paid by a member, based on the expenses chargeable to fee payers identified in that notice, as well as the basis for the calculations of the fee and a procedure for appealing the amount of the fee.

NOTE 3 - DESCRIPTION OF THE BASIS FOR CLASSIFYING CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES

- a. **Chargeable Expenses** - Chargeable expenses are those expenses related to the performance of providing representation to classified employees of Foothill-De Anza Community College District related to their terms and conditions of employment. For an expense to be chargeable, all employees represented by the Association, regardless of their Association membership status, must be eligible to enjoy the benefit obtained by the expenses. Activities that are classified as chargeable include the following: contract negotiation; contract administration; and internal governance and administration of the Association.
- b. **Non-chargeable Expenses** - Non-chargeable expenses are those attributable to any other activity. Activities that are considered as non-chargeable include the following: marketing; percentages of supplies and travel/mileage based on their purpose and use; and other activities primarily directed to persons not represented by the Association.

NOTE 4 - METHODS OF ALLOCATION BETWEEN CHARGEABLE AND NON-CHARGEABLE EXPENSES

The expenses of ACE are allocated between chargeable and non-chargeable using the following methods:

FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

Notes to Schedule of
Chargeable and Non-Chargeable Expenditures

NOTE 4 - METHODS OF ALLOCATION BETWEEN CHARGEABLE AND NON-CHARGEABLE EXPENSES - *continued*

Professional Services and Expenses - Legal expenses are incurred for specific matters and are allocated according to the purpose of such expense. 95% of legal expenses were chargeable for the year ended June 30, 2016. Thirteen months of legal expenses were paid during the year ended June 30, 2016, including the payment for July, 2016. Accounting services and administrative are considered to be 100% chargeable.

Meetings and Meals - Meeting expenses for Board Members, business representatives, and Local Inspector General's office are considered to be 100% chargeable and are included in professional expenses.

Insurance - Insurance is considered to be 100% chargeable.

Supplies - Supplies are chargeable based on their purpose and use; for the year ended June 30, 2016, 87% of supplies expenses were chargeable.

Travel/mileage - Travel/mileage are chargeable based on their purpose and use; for the year ended June 30, 2016, 96% of travel/mileage expenses were chargeable.

NOTE 5 - EVALUATION OF SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 5, 2016, the date which the financial statement was available to be issued.