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**GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO**

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

June 30, 2023

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Independent Accountants' Review Report

To the Stewards' Council,
Graduate Employees Organization,
American Federation of Teachers,
Local 3550, AFL-CIO
Ann Arbor, Michigan

We have reviewed the accompanying financial statements of Graduate Employee's Organization, American Federation of Teachers, Local 3550, AFL-CIO (a Michigan non-profit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Graduate Employee's Organization, American Federation of Teachers, Local 3550, AFL-CIO, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Davison & Associates, CPAs

Troy, Michigan
August 15, 2024

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

STATEMENT OF FINANCIAL POSITION
(See Independent Accountants' Review Report)

June 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Notes B3 and I)		\$ 300,764
Prepaid expenses and lease deposit		3,296
Investments (Notes B4, D and I)		<u>467,882</u>

Total current assets 771,942

PROPERTY AND EQUIPMENT (Note B5)

Office furniture and equipment	\$ 25,299	
Less: accumulated depreciation	<u>(20,746)</u>	<u>4,553</u>

TOTAL ASSETS \$ 776,495

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 57,407
Accrued compensation (Note B7)		<u>6,853</u>

Total current liabilities 64,260

COMMITMENT AND CONTINGENCY (Notes F and G)

NET ASSETS (Notes B8 and H)

Without donor restrictions		
Undesignated	\$ 631,475	
Designated	<u>27,035</u>	658,510
With donor restrictions		<u>53,725</u>

Total net assets 712,235

TOTAL LIABILITIES AND NET ASSETS \$ 776,495

The accompanying notes are an integral part of this statement.

GRADUATE EMPLOYEE'S ORGANIZATION,
 AMERICAN FEDERATION OF TEACHERS,
 LOCAL 3550, AFL-CIO

STATEMENT OF ACTIVITIES
 (See Independent Accountants' Review Report)

For The Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Member dues	\$ 404,814	\$ -	\$ 404,814
Contributions			-
Solidarity	23,349	-	23,349
Strike hardship fund	-	390,450	390,450
Investment income, net	36,549	-	36,549
Net assets released from restrictions (Note H)	<u>336,725</u>	<u>(336,725)</u>	<u>-</u>
Total revenues and support	801,437	53,725	855,162
EXPENSES (Note B10)			
Program services			
Member representation	772,244	-	772,244
Supporting services			
Management and general	<u>105,057</u>	<u>-</u>	<u>105,057</u>
Total expenses	<u>877,301</u>	<u>-</u>	<u>877,301</u>
CHANGE IN NET ASSETS	(75,864)	53,725	(22,139)
NET ASSETS, July 1, 2022	<u>734,374</u>	<u>-</u>	<u>734,374</u>
NET ASSETS, June 30, 2023	<u>\$ 658,510</u>	<u>\$ 53,725</u>	<u>\$ 712,235</u>

The accompanying notes are an integral part of this statement.

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

STATEMENT OF FUNCTIONAL ACTIVITIES
(See Independent Accountants' Review Report)

For The Year Ended June 30, 2023

	<u>Member Representation</u>	<u>Management and General</u>	<u>Total</u>
Unallocated payments to affiliates			
AFT National	\$ 64,052	\$ -	\$ 64,052
AFT Michigan	64,542	-	64,542
Other labor affiliates	<u>5,029</u>	<u>-</u>	<u>5,029</u>
	133,623	-	133,623
Salaries	133,322	57,688	191,010
Payroll taxes and workers' compensation insurance	11,785	5,099	16,884
Employee fringe benefits	25,784	11,156	36,940
Bargaining	19,069	-	19,069
Conferences and conventions	2,917	-	2,917
Depreciation	439	49	488
Insurance	-	475	475
IT expenses	3,317	2,212	5,529
Membership meetings and events	5,001	-	5,001
Office expenses	3,194	355	3,549
Office lease	21,848	2,428	24,276
Organizing	12,774	-	12,774
Printing and postage	5,482	1,371	6,853
Processing fees	-	3,029	3,029
Professional fees	8,713	14,416	23,129
Promotions	17,689	-	17,689
Solidarity contributions	-	5,251	5,251
Staff training	2,731	-	2,731
Strike expenses			
Supplies	18,399	-	18,399
Hardship fund payments	336,725	-	336,725
Travel and parking	5,224	1,306	6,530
Telephone	<u>4,208</u>	<u>222</u>	<u>4,430</u>
 Total expenses	 <u>\$ 772,244</u>	 <u>\$ 105,057</u>	 <u>\$ 877,301</u>

The accompanying notes are an integral part of this statement.

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

STATEMENT OF CASH FLOWS
(See Independent Accountants' Review Report)

For The Year Ended June 30, 2023

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS USED IN OPERATING ACTIVITIES

Cash received from members and donors	\$ 830,838
Cash paid to members, affiliates, suppliers, and employees	(846,339)
Interest and dividends received	<u>11,578</u>
Net cash used in operating activities	(3,923)

CASH FLOWS USED IN INVESTING ACTIVITIES

Purchases of office furniture and equipment	(4,596)
Purchases of investments	<u>(9,178)</u>
Net cash used in investing activities	<u>(13,774)</u>

Net decrease in cash and cash equivalents	(17,697)
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CASH AND CASH EQUIVALENTS, July 1, 2022	<u>318,461</u>
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CASH AND CASH EQUIVALENTS, June 30, 2023	<u><u>\$ 300,764</u></u>
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The accompanying notes are an integral part of this statement.

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note A – NATURE OF ENTITY

Graduate Employees Organization, American Federation of Teachers, Local 3550, AFL-CIO (the Organization) (GEO) is an unincorporated, chartered local organization of the American Federation of Teachers and the AFL-CIO. The Organization is engaged in the representation of its membership (graduate student instructors and staff assistants employed by the University of Michigan in Ann Arbor, Michigan) in collective bargaining and related matters.

Note B – SUMMARY OF ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

2. 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 and disclosures 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 could differ from those estimates.

3. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

4. Investments

Investment objectives and policies are established by the Steward's Council and its investment committee and are implemented by external investment managers selected and monitored by the Council. Investment purchases are recorded at cost; thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note B – SUMMARY OF ACCOUNTING POLICIES - Continued

5. Property and Equipment

Property and equipment are stated at historical cost. Assets exceeding \$200 are capitalized and depreciated in amounts sufficient to relate the cost to operations over their estimated useful lives (ranging from five to seven years) utilizing the straight-line method. Routine maintenance and repair expenditures are expensed as incurred.

6. Right-of-Use Leases

Leased facilities with a term of more than one year are stated at net present value as right-of-use assets and related lease liabilities as of the commencement date of the lease. Net present value is determined using a stated interest rate or incremental borrowing rate. Amortization of right-of-use assets is provided for over the life of the lease utilizing the straight-line method.

7. Accrued Compensation

The Organization is liable for earned and unused compensatory and personal time off accumulated by its employees. In accordance with contractual provisions, certain earned and unused time off may be carried over indefinitely and is payable upon employee termination.

8. Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of member, donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note B – SUMMARY OF ACCOUNTING POLICIES - Continued

9. Revenue Recognition

The Organization provides representation services to its members in collective bargaining and related matters, and education and training to its membership at the University of Michigan. Members of the collective bargaining unit voluntarily remit union dues based on an established dues rate approved by the membership. Dues are withheld by the members' employer, the University of Michigan, and remitted monthly to the Organization. Dues revenue are recognized over time as the service obligations are rendered.

Contributions and support are recognized when cash or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

10. Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

11. Income Taxes

The Organization is recognized by the Internal Revenue Service as exempt from federal income taxes under IRC section 501(c)(5) as an affiliate of the American Federation of Teachers. It is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS and could be subject to income tax on net income derived from business activity that is unrelated to its exempt purpose. Management has determined that the Organization is not subject to unrelated business income tax. Accordingly, no provision for income tax is required.

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note C – LIQUIDITY AND AVAILABILITY

GEO relies primarily on voluntary member dues to meet its cash needs for general operating expenditures. These funds are supplemented by donor contributions and investment income. Management strives to maintain the Organization's assets in a manner to provide reasonable investment returns with relatively low risk, while maintaining sufficient liquid financial assets necessary to cover a minimum of 120 days of operating expenses throughout the year.

The following table reflects the Organization's financial assets at June 30, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash	\$300,764
Investments	<u>467,882</u>
	768,646
Less funds unavailable due to:	
Board-designations	(27,035)
Donor restrictions	<u>(53,725)</u>
Financial assets available to meet cash needs	
For general expenditures within one year	<u>\$687,886</u>

Note D – FAIR VALUE MEASUREMENT

Investments are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at June 30, 2023. Financial assets and liabilities recorded at fair value are measured by the following criteria in decreasing order of priority:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at June 30, 2023.

Level 2 - Other quoted prices that are observable either directly or indirectly, including:

- Quoted prices for similar assets and liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets which are not active
- Other quoted prices that are observable for the asset or liability
- Information derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable informational input for the asset or liability.

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note D – FAIR VALUE MEASUREMENT (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments at June 30, 2023 are stated at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1), and consist of the following:

Exchange traded stock funds	\$245,445
Exchange traded bond funds	<u>222,437</u>
	<u>\$467,882</u>

Note E – RETIREMENT PLAN

GEO sponsors a Savings Incentive Match Plan for Employees (SIMPLE), which provides for voluntary employee contributions and an annual employer matching contribution capped at 3% of eligible employee's compensation. Retirement contribution expense for the SIMPLE plan for the year ended June 30, 2023 was \$2,838 and is included in employee fringe benefits expense in the accompanying statement of activities.

Note F – LEASE COMMITMENT

The Organization co-leases office space with another faculty union under a non-cancelable operating lease agreement that has been extended through June 2025. Although each co-signer has joint and severable liability under the terms of the lease, an operating agreement between the two co-tenants provides for each to pay one-half of the lease and related operating costs. GEO's share of lease expense for the year ended June 30, 2023 was \$24,276.

The minimum remaining annual lease commitments under this operating lease are as follows:

<u>Years Ended June 30,</u>	
2024	\$24,882
2025	<u>25,506</u>
Total minimum payments required	<u>\$50,338</u>

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note G - CONTINGENCY

The Organization is in a dispute with an affiliate over the amount of per capita dues owed for its members in prior years, resulting from differing interpretations of the dues calculation methods. The potential liability, if any, related to this matter, could be up to \$86,000.

Note H - BOARD-DESIGNATED AND DONOR-RESTRICTED NET ASSETS

The Steward's Council has designated a total of \$27,035 of GEO's unrestricted net assets for allocation to future legal and arbitration expenses.

Beginning in March 2023, the Organization created a strike fund to accept donations restricted to supporting members with financial needs resulting from the labor union strike. Donations of \$390,450 were received, of which \$336,725 were disbursed to members, leaving a balance of \$53,725 of net assets with donor restrictions as of June 30, 2023.

Note I - FINANCIAL INSTRUMENTS AND CREDIT RISK

GEO manages cash deposit concentration risk by placing funds with various financial institutions believed to be creditworthy, and balances are insured at each financial institution up to a maximum amount of \$250,000 through the Federal Deposit Insurance Corporation.

Investments are made by diversified investment managers whose performance is monitored by the Steward's Council and its investment committee. Balances are protected against loss due to fraud or insolvency of the brokerage institution by the Securities Investor Protection Corporation up to \$500,000. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Note J - RELATED PARTY TRANSACTIONS

The Organization shares certain office expenses with an affiliated entity. The Organization is obligated to pay per capita dues to national, state, and local affiliate organizations as reported in the accompanying statement of functional expenses. Amounts owed to affiliate organizations at June 30, 2023 are included in accounts payable and total approximately \$48,928.

GRADUATE EMPLOYEE'S ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE K – FUNCTIONAL EXPENSE ALLOCATIONS

The statement of activities reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The allocation of employee salaries and related expenses are based on management's estimates of individual employee's time and effort. Office lease and depreciation are based on square footage. Allocation of other expenses are based on specifically identified uses or management's estimates of percentage of use.

Note L – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after June 30, 2023, but before the financial statements are issued or are available to be issued, and which may require recognition or disclosure in the financial statements. Management has evaluated events or transactions through August 15, 2024 (the date the financial statements were available to be issued), and determined that such additional occurrences, if any, do not require recognition or disclosure in the financial statements.