

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

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

June 30, 2022

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Independent Accountant's 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, 2022, 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.

Accountant's 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.

Accountant's 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, CPA's

Troy, Michigan
May 23, 2023

GRADUATE EMPLOYEES ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

STATEMENT OF FINANCIAL POSITION
(See Independent Accountant's Review Report)

June 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Notes B3 and I)		\$	318,461
Accounts receivable			
Member dues (Notes B4 and I)	\$	10,276	
Related party		<u>1,950</u>	12,226
Prepaid expenses and lease deposit			4,627
Investments (Notes B5, C and I)			<u>433,733</u>
Total current assets			769,047

PROPERTY AND EQUIPMENT (Note B6)

Office furniture and equipment		22,929	
Less: accumulated depreciation		<u>(22,484)</u>	<u>445</u>

TOTAL ASSETS

\$ 769,492

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$	33,541
Accrued compensation (Note B7)			<u>1,577</u>
Total current liabilities			35,118

COMMITMENTS AND CONTINGENCY (Notes E, F and G)

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NET ASSETS WITHOUT RESTRICTION

Undesignated	\$	698,626	
Designated (Note B8)		<u>35,748</u>	<u>734,374</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 769,492

The accompanying notes are an integral part of this statement.

GRADUATE EMPLOYEES ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

STATEMENT OF ACTIVITIES
(See Independent Accountant's Review Report)

For The Year Ended June 30, 2022

REVENUES		
Member dues	\$	395,330
Contributions		21,498
Investment loss, net		<u>(68,910)</u>
Total revenues		347,918
EXPENSES (Note B11)		
Program Services		
Member representation		352,776
Supporting Services		
Management and general		<u>64,760</u>
Total expenses		<u>417,536</u>
CHANGE IN NET ASSETS WITHOUT RESTRICTION		(69,618)
NET ASSETS WITHOUT RESTRICTION, July 1, 2021	\$	839,560
Prior period adjustment (Note M)		<u>(35,568)</u>
NET ASSETS WITHOUT RESTRICTION, as restated, July 1, 2021		<u>803,992</u>
NET ASSETS WITHOUT RESTRICTION, June 30, 2022	\$	<u>734,374</u>

The accompanying notes are an integral part of this statement.

GRADUATE EMPLOYEES ORGANIZATION,
 AMERICAN FEDERATION OF TEACHERS,
 LOCAL 3550, AFL-CIO

STATEMENT OF FUNCTIONAL ACTIVITIES
 (See Independent Accountant's Review Report)

For The Year Ended June 30, 2022

	Member Representation	Management and General	Total
Unallocated payments to affiliates			
AFT Michigan	\$ 65,500	\$ -	\$ 65,500
HVALF	80,406	-	80,406
AFL-CIO	3,714	-	3,714
Huron Valley Labor Council	4,468	-	4,468
	154,088	-	154,088
Salaries	102,938	44,456	147,394
Payroll taxes	8,158	3,523	11,681
Employee fringe benefits	21,533	9,300	30,833
Payroll processing	1,967	849	2,816
Rent	21,848	2,428	24,276
Staff training	4,178	-	4,178
Parking	3,672	918	4,590
Office supplies and maintenance	1,535	171	1,706
Conferences and conventions	5,496	-	5,496
Caucuses	4,619	-	4,619
Meetings and refreshments	5,700	(681)	5,019
Promotion	7,669	-	7,669
Copier lease and maintenance	506	89	595
IT expenses	2,597	285	2,882
Telephone	4,037	212	4,249
Depreciation	1,037	115	1,152
PayPal fees	1,134	-	1,134
Bank service charges	-	156	156
Outside copying charges	29	-	29
Accounting fees	-	1,290	1,290
Insurance	-	596	596
Postage	35	317	352
Contributions	-	736	736
 Total expenses	 \$ 352,776	 \$ 64,760	 \$ 417,536

The accompanying notes are an integral part of this statement.

GRADUATE EMPLOYEES ORGANIZATION,
AMERICAN FEDERATION OF TEACHERS,
LOCAL 3550, AFL-CIO

STATEMENT OF CASH FLOWS
(See Independent Accountant's Review Report)

For The Year Ended June 30, 2022

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from members and donors	\$ 431,777
Cash paid to affiliates, suppliers and employees	(499,614)
Interest and dividends received	<u>11,558</u>

Net cash used in operating activities (56,279)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of securities	<u>(11,039)</u>
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Net cash used in investing activities (11,039)

Net decrease in cash and cash equivalents (67,318)

CASH AND CASH EQUIVALENTS, July 1, 2021 385,779

CASH AND CASH EQUIVALENTS, June 30, 2022 \$ 318,461

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, 2022

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. Member Dues Receivable

The Organization records receivables from the University of Michigan on behalf of members in the collective bargaining unit for employee deductions of union dues. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

5. 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, 2022

Note B – SUMMARY OF ACCOUNTING POLICIES (Continued)

6. 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.

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 either *Net Assets With Restriction*, or *Net Assets Without Restriction*. As the Organization's sources of revenues are received without member or grantor-imposed restrictions, net assets and changes therein are reported as *Net Assets Without Restriction*.

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.

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,
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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note C – FAIR VALUE MEASUREMENT

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, 2022.

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, 2022.

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.

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.

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the assessment of the quality, risk, or liquidity profile of the asset. All investment assets are classified within Level 1 because they comprise open-end exchange traded mutual funds with readily determinable fair values based on daily redemption values.

The following table presents investments measured at fair value on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Exchange traded stock funds	\$210,556	\$ -	\$ -	\$210,556
Exchange traded bond funds	<u>223,177</u>	-	-	<u>223,177</u>
Total investments	<u>\$433,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$433,733</u>

GRADUATE EMPLOYEE'S ORGANIZATION,
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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note D – LIQUIDITY AND AVAILABILITY

GEO relies primarily on voluntary member dues to meet its cash needs for general operating expenditures. These funds are supplemented by 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, 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash	\$318,461
Accounts receivable	12,226
Investments	<u>433,733</u>
	764,420
Less: Board designated funds for future legal expenses	<u>(35,748)</u>
Financial assets available to meet cash needs for general expenditures within one year	 <u>\$728,672</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, 2022 was \$3,205 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 through June 2023. 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 rent and related operating costs. GEO's share of rent expense for the year ended June 30, 2022 was \$24,276. The Organization's share of the future remaining annual lease commitment under the lease agreement totals \$24,276.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note G - CONTINGENCY

The Organization is in a dispute with AFT Michigan over the amount of per capita dues owed for its members in years ending June 30, 2021 and 2022. The potential liability, if any, related to this matter cannot be reasonably estimated, and negotiations are on-going toward a resolution.

Note H - DESIGNATED NET ASSETS

The Steward's Council has designated a total of \$35,748 of GEO's unrestricted net assets for allocation to future legal and arbitration expenses.

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. All member dues receivable balances are from its members' employer, the University of Michigan. Credit risk associated with dues receivable is considered to be limited due to high historical collection rates. 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. Amounts receivable from the related entity for shared expenses totaled \$1,950 at June 30, 2022. 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, 2022 are included in accounts payable and total approximately \$5,700.

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 primary expenses that are allocated include compensation and related payroll taxes and employee benefits, which are allocated based on individuals' time and effort; rent, office expenses and depreciation which are allocated based on management's estimated percentage of use.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note L – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after June 30, 2022, but before the financial statements are issued or are available to be issued, and which may require recognition or disclosure in the financial statements. Beginning the Fall of 2022, GEO and its membership have been involved in a work stoppage at the University of Michigan due to their inability to negotiate a satisfactory collective bargaining agreement. This has resulted in the temporary cessation in the remittance of member dues revenue. In addition, the Organization has also begun to contribute strike benefits to its members during the work stoppage. The extent of the impact on GEO's revenues and expenses as a result of this matter cannot be reasonably estimated.

Otherwise, management has evaluated events or transactions through May 23, 2023 (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.

Note M - PRIOR PERIOD ADJUSTMENTS

During the year it was discovered that several accounting errors were made that related to the prior year. AFT and AFT Michigan per capita dues expenses were previously understated by \$32,643, and health insurance and training expenses were understated by \$2,104 and \$821, respectively. As a result, unrestricted net assets were reduced and re-stated as of July 1, 2021 in the accompanying statement of activities.