Rita C. Villa
Certified Public Accountant

August 29, 2017

Executive Board
San Jose/Evergreen Federation of Teachers
2100 Moorpark Avenue
San Jose, CA 95128

Executive Board:

I have audited the Statement of Modified General Fund Expenses and Allocation between Chargeable Expenses and Nonchargeable Expenses of the San Jose/Evergreen Federation of Teachers, AFT 6157 (the "Federation") for the year ended June 30, 2017, (the "Statement"), and have issued my report thereon dated August 14, 2017. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated May 2, 2017. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Federation are described in Note 2 to the Statement described in the preceding paragraph. No new accounting policies were adopted and the application of existing policies was not changed during the year under audit. I noted no transactions entered into by the Federation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Statement in the proper period.

Accounting estimates are an integral part of the Statement prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Statement were related to the allocation of expenses between chargeable expenses and nonchargeable expenses. Management’s methodology for the allocation is set forth in Notes 3 and 4 of the Statement. I evaluated the key factors and assumptions used to develop the allocations in determining that they were reasonable in relation to the Statement taken as a whole.
Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatement

Professional standards require me to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the Statement taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Statement or the auditor’s report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

We have requested certain representations from management that were included in the management representation letter dated August 14, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Federation’s Statement or a determination of the type of auditor’s opinion that may be expressed on the Statement, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.
August 29, 2017
Executive Board
San Jose/Evergreen Federation of Teachers, AFT 6157

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Federation’s auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the executive board and management of the Federation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

[Signature]

Rita C. Villa
Certified Public Accountant
SAN JOSE/EVERGREEN FEDERATION OF TEACHERS, AFT 6157

Statement of Modified General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses
For the Year Ended June 30, 2017

(With Independent Auditor's Report Thereon)
Independent Auditor’s Report

San Jose/Evergreen Federation of Teachers, AFT 6157:

Report on Financial Statement
I have audited the accompanying statement of modified general fund expenses and allocation between chargeable expenses and nonchargeable expenses and related notes of the San Jose/Evergreen Federation of Teachers, AFT 6157 (the “Federation”) for the year ended June 30, 2017 (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 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 Statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
My responsibility is to express an opinion on the Financial Statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Financial Statement is free from 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 auditor’s judgement, including the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the Financial Statement referred to above presents fairly, in all material respects, the expenses of the general fund of the Federation for the year ended June 30, 2017, with regard to the accounting policies explained in Note 2, and the allocated expenses between chargeable expenses and nonchargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 3 and 4, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
I draw attention to Note 2(a) to the Financial Statement, which describes that the Financial Statement was prepared for the purpose of complying with the legislation regarding the determination of fair share service fee and is not intended to be a complete presentation of the revenues and expenses of the Federation’s general fund. My opinion is not modified with respect to this matter.

Restriction on Use
This report is intended solely for the information and use of the Federation and its fair share fee payers, and is not intended to be used by anyone other than these specified parties and should not be used for any other purpose.

Rita C. Villa
Certified Public Accountant

August 21, 2017

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# SAN JOSE/EVERGREEN FEDERATION OF TEACHERS, AFT 6157

Statement of Modified General Fund Expenses and Allocation
Between Chargeable Expenses and Nonchargeable Expenses

For the Year Ended
June 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Chargeable</td>
<td>Nonchargeable</td>
<td></td>
</tr>
<tr>
<td>American Federation of Teachers Per Capita Taxes</td>
<td>$92,400</td>
<td>$52,520</td>
<td>$39,880</td>
<td>4(a)</td>
</tr>
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<td>California Federation of Teachers Per Capita Taxes</td>
<td>209,496</td>
<td>156,577</td>
<td>52,919</td>
<td>4(a)</td>
</tr>
<tr>
<td>Other Per Capita Taxes</td>
<td>12,095</td>
<td>0</td>
<td>12,095</td>
<td>4(a)</td>
</tr>
<tr>
<td>Salaries</td>
<td>138,061</td>
<td>134,112</td>
<td>3,949</td>
<td>4(b)</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>43,812</td>
<td>42,559</td>
<td>1,253</td>
<td>4(c)</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>12,849</td>
<td>12,482</td>
<td>367</td>
<td>4(c)</td>
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<tr>
<td>Workers’ Compensation Insurance</td>
<td>4,297</td>
<td>4,174</td>
<td>123</td>
<td>4(c)</td>
</tr>
<tr>
<td>Secretarial</td>
<td>28,476</td>
<td>27,662</td>
<td>814</td>
<td>4(c)</td>
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<tr>
<td>Printing and Publications &amp; Website</td>
<td>1,299</td>
<td>983</td>
<td>316</td>
<td>4(d)</td>
</tr>
<tr>
<td>Good and Welfare</td>
<td>4,459</td>
<td>0</td>
<td>4,459</td>
<td>4(e)</td>
</tr>
<tr>
<td>Unit Members’ Insurance</td>
<td>2,910</td>
<td>2,910</td>
<td>0</td>
<td>4(f)</td>
</tr>
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<td>Meetings</td>
<td>9,572</td>
<td>8,615</td>
<td>957</td>
<td>4(g)</td>
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<tr>
<td>Conferences &amp; Conventions</td>
<td>8,945</td>
<td>8,751</td>
<td>194</td>
<td>4(g)</td>
</tr>
<tr>
<td>Legal</td>
<td>3,990</td>
<td>3,780</td>
<td>210</td>
<td>4(h)</td>
</tr>
<tr>
<td>Supplies &amp; Equipment</td>
<td>2,331</td>
<td>2,264</td>
<td>67</td>
<td>4(i)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>467</td>
<td>454</td>
<td>13</td>
<td>4(i)</td>
</tr>
<tr>
<td>Accounting</td>
<td>6,000</td>
<td>6,000</td>
<td>0</td>
<td>4(j)</td>
</tr>
<tr>
<td>Representation</td>
<td>308</td>
<td>308</td>
<td>0</td>
<td>4(j)</td>
</tr>
<tr>
<td>Total</td>
<td>581,767</td>
<td>464,151</td>
<td>117,616</td>
<td></td>
</tr>
<tr>
<td>Less: CFT Financial Assistance</td>
<td>(61,910)</td>
<td>(61,910)</td>
<td>(0)</td>
<td>4(k)</td>
</tr>
</tbody>
</table>

Total Expenses | $519,857 | $402,241 | $117,616 |

Percentage | 100.00% | 77.37% | 22.63% |

See report of independent auditor and accompanying notes.
SAN JOSE/EVERGREEN FEDERATION OF TEACHERS, AFT 6157

Notes to Statement of Modified General Fund Expenses and Allocation
Between Chargeable Expenses and Nonchargeable Expenses

(1) San Jose/Evergreen Federation, AFT 6157

The San Jose/Evergreen Federation of Teachers, AFT 6157 (the “Federation”) was formed to represent certificated persons in all matters relating to employment conditions and employer-employee relations including, but not limited to, wages, benefits, hours and other terms and conditions of employment covered in the collective bargaining agreement. The objectives of the Federation are to: promote the welfare of students and the advancement of the community college education in the public interest, promote the highest standards of professional services in education, obtain for teachers their rightful voice in shaping educational policy and in establishing the conditions under which they teach, promote the welfare of teachers by obtaining full and just compensation for professional services rendered, and maintain for teachers the right to free collective bargaining as a necessary means for achieving the substantive aims and purposes of this organization. The Federation is Local 6157 of the American Federation of Teachers (the “AFT”) and is affiliated with the California Federation of Teachers (the “CFT”), the California Labor Federation, the South Bay Labor Council and the Bay Faculty Association. The Federation is the exclusive bargaining agent for the certificated employees of the San Jose/Evergreen Community College District (the “District”). The District has approximately 700 certificated employees.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Statement of Modified General Fund Expenses and Allocation between Chargeable Expenses and Nonchargeable Expenses (the “Statement”) was prepared for the purpose of determining the fair share cost of services rendered by the Federation for employees represented by, but not members of, the Federation. The Statement is not intended to be a complete presentation of the Federation’s financial position, changes in its net assets or its cash flows in accordance with generally accepted accounting principles.

(b) Accrued Expenses

The Statement has been prepared on the accrual basis. The accrual basis recognizes expenses when incurred rather than when paid.

(c) Income Taxes

The Federation is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code and Section 23701(a) of the Revenue and Taxation Code of the State of California.

(d) Accumulated Vacation

The Federation accrues vacation expense on both its executive director and clerical employee.
(c) Depreciation

Asset acquisitions greater than $1,000 are capitalized. Depreciation on equipment was computed by using the 200% double declining balance method until July 1, 2003, when the policy was changed to using the straight-line method over the expected life of the asset.

(f) Pension Plan

The Federation established a SEP-IRA effective January 1, 2002 for both its staff and clerical employee. The Federation contributes a maximum of 25% of compensation for persons employed at the plan's effective date and follows the practice of recording as expense its required contributions on an accrual basis. Contributions for employees hired after the plan's effective date start at 10% of compensation and the contribution rate increases by 1% on the employee's anniversary date. Total contributions for the year ended June 30, 2017, were $37,183.

(g) Modification of General Fund Expenses

Contributions received from third parties in support of specific activities of the Federation have been treated as a reduction of the expense of the activity to which they relate.

(h) Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates and assumptions. In the preparation of the Statement, management's estimates have been used in the allocation of expenses between chargeable and nonchargeable expenses. The nature of those estimates is such that actual results could differ from those estimates.

(3) Definitions

(a) Chargeable Expenses

Chargeable expenses are those incurred by the Federation that reflect the share of the costs of operations of the Federation which are considered necessarily and reasonably incurred for the purpose of performing its duty as representative of the employees in the bargaining unit in dealing with the employer on labor management issues, including the costs of: negotiating and administering the collective bargaining agreement; investigating, resolving and settling grievances and disputes by mutual agreement, or in conciliation or arbitration, or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the Federation as representative of the employees in the bargaining unit; and the maintenance of the Federation's organizational existence.
Notes to Statement of Modified General Fund Expenses and Allocation
Between Chargeable Expenses and Nonchargeable Expenses

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements including analysis of district budgets, fees and expenses of fiscal analysts and accountants; contract administration including investigating and processing faculty complaints and grievances; meetings, conferences, administrative, arbitral and court proceedings and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; communication with faculty and community organizations, civic groups, government agencies respecting the Federation's involvement in work-related matters; cost of lobbying activities designed to foster collective bargaining negotiations and contract administration, or to secure for the represented employees advantages in wages, hours, and other conditions of employment in addition to those secured through meeting and negotiating with the employer; or, such activities undertaken at the request of the employer when it seeks the Federation's help in bringing about a legislative change that would affect the District's powers or resources on matters within the scope of union representation or consultation; maintaining records; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

(b) Nonchargeable Expenses

Nonchargeable expenses are those of an ideological or political nature unless otherwise allowed by law and those that are not germane to work-related interests of employees. The term "political" is defined as support for or against candidates for political office of any level of government and any office in the union structure. The term "ideological" is defined as support for or against certain positions that the Federation may take which are not work-related.

The following expenses are classified as nonchargeable: member-only benefits, lobbying except as permitted by law (such as the cost of lobbying activities designed to foster collective bargaining negotiations and contract administration, or to secure for the represented employees advantages in wages, hours, and other conditions of employment in addition to those secured through meeting and negotiating with the employer; or, such activities undertaken at the request of the employer as summarized above); electoral or political activities outside of contacts related to contract ratification or implementation; litigation expenses that do not concern the bargaining unit; public relations efforts designed to enhance the reputation of the teaching profession; and the costs of activities primarily aimed at recruiting new members.

(4) Significant Factors and Assumptions used in the Allocation of Expenses Between Chargeable and Nonchargeable

(a) Per Capita Taxes

The AFT and the CFT provided the Federation with audited reports of chargeable and nonchargeable expenses. Based on those reports, the Federation allocated as chargeable expense 56.84% and 74.74% of the per capita taxes, respectively.

Per capita taxes paid to all other affiliates were deemed to be 100% nonchargeable.
SAN JOSE/EVERGREEN FEDERATION OF TEACHERS, AFT 6157

Notes to Statement of Modified General Fund Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

(b) **Salaries**

The salary of the executive director has been allocated to nonchargeable expenses based on time spent on nonchargeable activities as recorded on weekly activity reports.

(c) **Employee Benefits, Payroll Taxes, Workers’ Compensation Insurance, and Secretarial**

These expenses are allocated on the basis of salary expense allocations described in note 4(b) above.

(d) **Printing and Publications & Website**

Direct printing and publishing expenses of the Faculty Matters newsletter are allocated based on the specific content of articles as determined by the Federation's management. Expenses allocated to articles considered political or ideological in nature are deemed not to benefit nonmembers and are nonchargeable. The content of articles deemed chargeable are directly related to issues in collective bargaining, contract administration and grievance matters and legislation directly affecting employees. The Federation generates income from advertisements in its publications. Total expenses are net of the income from such advertisements.

(e) **Good and Welfare**

Good and welfare costs are considered political or ideological, are deemed not to benefit nonmembers and are therefore considered nonchargeable.

(f) **Unit Members' Insurance**

The Federation pays for insurance on all unit members, which is therefore considered 100% chargeable.

(g) **Meetings and Conferences & Conventions**

Except for expenses unrelated to the Federation's collective bargaining duties, these expenses are considered chargeable.

(h) **Legal**

Legal costs, which were part of contract enforcement or in defense of the Federation's associational existence, are considered chargeable. Other legal costs are nonchargeable.
SAN JOSE/EVERGREEN FEDERATION OF TEACHERS, AFT 6157

Notes to Statement of Modified General Fund Expenses and Allocation
Between Chargeable Expenses and Nonchargeable Expenses

(i) Supplies & Equipment, and Depreciation

In recognition that a part of these office costs may be used for nonchargeable purposes, these expenses have been allocated in the same proportion as salaries.

(j) All Other Expenses

All other expenses, including the costs of preparing this report, are related to the operation of the Federation as the collective bargaining representative for certificated employees of the District and are considered 100% chargeable.

(k) Financial Assistance

Staff financial assistance from the CFT is included as 100% chargeable in the CFT's Statement of Allocated Chargeable and Nonchargeable Expenses for the year ended December 31, 2016. Accordingly, the Federation has deducted this funding from both total and chargeable expenses.

(5) Contingencies

The Federation maintains various bank and investment accounts which, from time to time, may have balances which exceed the amount guaranteed by the Federal Deposit Insurance Corporation (the “FDIC”). At June 30, 2017, the aggregate balance in such accounts was $359,283, of which $109,283 was not insured by the FDIC based on the current coverage limits.

(6) Subsequent Events

The Federation has evaluated subsequent events through August 21, 2017, the date the financial statements were available to be issued.