

CHICAGO TEACHERS UNION

COMBINED FINANCIAL REPORT

JUNE 30, 2018 AND 2017

CHICAGO TEACHERS UNION

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INDEPENDENT AUDITOR'S REPORT

Chicago Teachers Union  
Chicago, Illinois

***Report on the Financial Statements***

We have audited the accompanying combined financial statements of Chicago Teachers Union, which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these combined 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 the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Chicago Teachers Union as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Consolidated Financial Statements of Chicago Teachers Union*

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Chicago Teachers Union, which comprise the consolidated statement of financial position as of June 30, 2018 and the related consolidated statements of activities and cash flows for the year then ended (none of which are presented herein), and we expressed an unmodified opinion on those financial statements. Such consolidated financial statements are the general purpose financial statements of Chicago Teachers Union, and the combined financial statements of Chicago Teachers Union presented herein are not a valid substitute for those consolidated financial statements.

*Bansley and Kiener, L.L.P.*

Certified Public Accountants

July 18, 2019

CHICAGO TEACHERS UNION

COMBINED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

<u>A S S E T S</u>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,318,179	\$ 6,860,051
Certificates of deposit	125,594	234,796
Receivables		
Due from Foundations	2,656,274	1,595,734
Due from affiliates	884,703	582,131
Other receivables	907,433	604,549
Prepaid expenses and other current assets	157,239	200,102
Total current assets	<u>8,049,422</u>	<u>10,077,363</u>
ACCRUED RENTAL REVENUE	<u>101,639</u>	<u>-</u>
DEFERRED LEASING COSTS, net	<u>96,174</u>	<u>125,766</u>
PROPERTY AND EQUIPMENT, net	<u>5,409,900</u>	<u>5,763,008</u>
Total	<u>\$13,657,135</u>	<u>\$15,966,137</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Current maturities of capital lease obligations	\$ 90,344	\$ 102,261
Accounts payable	2,042,298	2,626,258
Accrued expenses	5,467,356	4,663,974
Total current liabilities	<u>7,599,998</u>	<u>7,392,493</u>
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligations, less current maturities	233,297	323,641
Note payable - Foundation	5,021,213	4,812,965
Deferred rent	1,756,831	1,726,144
	<u>7,011,341</u>	<u>6,862,750</u>
<b>NET ASSETS (DEFICIENCY)</b>		
Unrestricted		
Undesignated	(1,195,435)	1,115,178
Temporarily restricted	239,231	593,716
Permanently restricted	2,000	2,000
Total net assets	<u>(954,204)</u>	<u>1,710,894</u>
Total	<u>\$13,657,135</u>	<u>\$15,966,137</u>

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

**CHICAGO TEACHERS UNION**

**COMBINED STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>							
Support and revenue							
Dues and fees	\$ 24,574,480	\$ -	\$ -	\$ 24,842,054	\$ -	\$ -	\$ 24,842,054
IFT organizational and other assistance	2,613,574	460,251	-	2,761,393	390,770	-	3,152,163
AFT reimbursement and special assistance	267,896	-	-	227,914	-	-	227,914
Contributions	-	337,747	-	-	228,831	-	228,831
Rent	378,249	-	-	3,000	-	-	3,000
Interest	2,320	-	-	1,453	-	-	1,453
Loss on disposal of fixed assets	-	-	-	(110,205)	-	-	(110,205)
Other	16,243	(19,812)	-	46,083	-	-	46,083
Net assets released from restrictions	1,132,671	(1,132,671)	-	1,074,275	(1,074,275)	-	-
<b>Total support and revenue</b>	<b>28,985,433</b>	<b>(354,485)</b>	<b>-</b>	<b>28,845,967</b>	<b>(454,674)</b>	<b>-</b>	<b>28,391,293</b>
<b>EXPENSES</b>							
Affiliations							
Program services							
Salaries	13,384,652	-	-	13,415,777	-	-	13,415,777
Employee benefits	2,449,413	-	-	2,292,792	-	-	2,292,792
Travel and staff expenses	799,677	-	-	878,753	-	-	878,753
Collective bargaining	250,243	-	-	300,801	-	-	300,801
Meetings	354,375	-	-	608,411	-	-	608,411
Defense	285,329	-	-	406,359	-	-	406,359
Publications	1,358,365	-	-	1,171,188	-	-	1,171,188
Death benefits	264,918	-	-	375,128	-	-	375,128
Political action committee	15,500	-	-	14,300	-	-	14,300
All other	1,132,671	-	-	798,083	-	-	798,083
<b>Total program services</b>	<b>367,797</b>	<b>-</b>	<b>-</b>	<b>980,015</b>	<b>-</b>	<b>-</b>	<b>980,015</b>
Administrative and general	7,278,288	-	-	7,825,830	-	-	7,825,830
Salaries	3,867,845	-	-	3,367,345	-	-	3,367,345
Employee benefits	1,524,930	-	-	1,158,570	-	-	1,158,570
Travel and staff expenses	133,860	-	-	250,371	-	-	250,371
Rent and utilities	3,214,082	-	-	4,357,260	-	-	4,357,260
Telephone	47,564	-	-	71,727	-	-	71,727
Office supplies and expense	398,979	-	-	587,430	-	-	587,430
Moving expense	30,585	-	-	138,583	-	-	138,583
Depreciation and amortization	744,724	-	-	631,239	-	-	631,239
Conventions and conferences	71,375	-	-	260,457	-	-	260,457
Executive board	50,176	-	-	25,084	-	-	25,084
Election expenses	340	-	-	-	-	-	-
Professional fees	237,769	-	-	462,889	-	-	462,889
Interest expense	227,616	-	-	122,326	-	-	122,326
Insurance	91,328	-	-	106,777	-	-	106,777
<b>Total administrative and general</b>	<b>10,641,173</b>	<b>-</b>	<b>-</b>	<b>11,546,058</b>	<b>-</b>	<b>-</b>	<b>11,546,058</b>
<b>Total expenses</b>	<b>31,304,113</b>	<b>-</b>	<b>-</b>	<b>32,787,665</b>	<b>-</b>	<b>-</b>	<b>32,787,665</b>
Decrease in net assets	(2,318,680)	(354,485)	-	(3,941,698)	(454,674)	-	(4,396,372)
Net assets, beginning of year	1,115,178	593,716	2,000	5,056,876	1,048,390	2,000	6,107,266
Net assets transferred in merger	8,067	-	-	-	-	-	8,067
<b>Net assets (deficiency) end of year</b>	<b>\$ (1,195,435)</b>	<b>\$ 239,231</b>	<b>\$ 2,000</b>	<b>\$ 1,115,178</b>	<b>\$ 593,716</b>	<b>\$ 2,000</b>	<b>\$ 1,710,894</b>

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

CHICAGO TEACHERS UNION

COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Decrease in net assets	\$(2,673,165)	\$(4,396,372)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	744,724	631,239
Deferred rent	30,687	24,087
Amortization of deferred leasing costs	29,592	-
Interest accrued on note payable	208,248	-
Loss on disposal of fixed assets	-	110,205
Changes in assets and liabilities:		
(Increase) decrease in:		
Due from Foundations	(1,060,540)	(1,339,550)
Due from affiliates	(302,572)	5,175
Other receivables	(302,884)	(4,942)
Prepaid expenses and other current assets	42,863	(189,473)
Accrued rental revenue	(101,639)	-
Increase (decrease) in:		
Accounts payable	(583,960)	799,660
Accrued expenses	803,382	2,547,273
Total adjustments	<u>(492,099)</u>	<u>2,583,674</u>
Net cash used in operating activities	<u>(3,165,264)</u>	<u>(1,812,698)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(391,616)	(5,475,195)
Purchase of certificates of deposit	(325)	(234,796)
Proceeds from maturities of certificates of deposit	<u>109,527</u>	<u>435,051</u>
Net cash used in investing activities	<u>(282,414)</u>	<u>(5,274,940)</u>
Cash flows from financing activities:		
Reduction of capital lease obligations	(102,261)	(136,280)
Note payable - Foundation	<u>-</u>	<u>4,812,965</u>
Net cash provided by (used in) financing activities	<u>(102,261)</u>	<u>4,676,685</u>
Assets transferred in merger	<u>8,067</u>	<u>-</u>
Net decrease in cash and cash equivalents	<u>(3,541,872)</u>	<u>(2,410,953)</u>
Cash and cash equivalents		
Beginning of year	<u>6,860,051</u>	<u>9,271,004</u>
End of year	<u>\$ 3,318,179</u>	<u>\$ 6,860,051</u>
Supplemental disclosures of cash flow information		
Cash payment for:		
Interest	\$ 19,281	\$ 16,417
Non-cash investing and financing activities:		
Obligations under capital lease for the acquisition of property and equipment	\$ -	\$ 461,664
Termination of capital lease	\$ -	\$ 76,819

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

CHICAGO TEACHERS UNIONNOTES TO COMBINED FINANCIAL STATEMENTS

## Note 1 – Nature of Activities and Significant Accounting Policies

*Nature of Activities*

The Chicago Teachers Union (“Union”) is an organization whose objective is to improve the status of teachers, educational workers and other workers in the City of Chicago.

The Chicago Teachers Union Political Action Committee (PAC) was organized on January 4, 1975. The PAC is comprised of the officers and a trustee of the Union. Contributions to the PAC are voluntary from Union members.

The Chicagoans United for Economic Security Political Action Committee (CUES) was organized on February 5, 2014. CUES is also comprised of the officers and a trustee of the Union.

Chicago Teachers Union Local 1 PAC (CTU Local 1 PAC) was organized on February 14, 2018. CTU Local 1 PAC is also comprised of the officers and a trustee of the Union.

*Principles of Combination*

The combined financial statements include the accounts of the Union, the PAC, CUES and CTU Local 1 PAC after elimination of all significant interfund balances and transactions.

The Union is affiliated with the Chicago Teachers Union Foundation, Inc. (Foundation) which is not combined herein. During 2017, the Union relocated its offices from the Merchandise Mart to the building owned by the Foundation (See Note 5). Management evaluated its present relationship with the Foundation and determined both control and an economic interest exist. Consequently, the Union prepared separate general purpose financial statements as of and for the year ended June 30, 2018 consolidating the activities of the Foundation.

The Union has a controlling financial interest in the Children and Teachers Foundation of Chicago Teachers Union. The Union has elected not to combine this entity since the amounts are not significant.

*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. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Union considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all money market funds to be cash equivalents.



CHICAGO TEACHERS UNION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

*Property and Depreciation*

Depreciation of property and equipment is computed principally on the straight-line method over the following estimated useful lives:

	Years
Office equipment	5-7
Leasehold improvements	5-15

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. When assets (including equipment under capital lease) are sold, retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the change in net assets.

*Restricted and Unrestricted Revenue and Support*

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

*Deferred Leasing Costs and Tenant Improvements*

Leasing commissions, other leasing costs, and tenant improvements directly attributable to the tenant sublease are capitalized as deferred leasing costs or leasehold improvements and are amortized or depreciated over the term of the sublease agreement.

*Rental Revenue*

The Union records rental revenue on a straight-line basis for “free rent” and for minimum rental revenue increases scheduled over the lease term as required by accounting principles generally accepted in the United States of America. The difference between rental revenue earned on a straight-line basis and the cash rent due under provisions of the lease agreement is recorded as accrued rent revenue on the accompanying statement of financial position.

*Death Benefits*

The Union provides a discretionary death benefit for beneficiaries of individuals who are Union members at the time of death. The benefit is a one-time payment ranging from \$300 to \$1,000 based on the individual’s length of membership. The Union’s policy is to expense these benefits as they are incurred. Death benefit expense for the years ended June 30, 2018 and 2017 was \$15,500 and \$14,300, respectively.

CHICAGO TEACHERS UNIONNOTES TO COMBINED FINANCIAL STATEMENTS

## Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

*Income Tax Status*

The Union is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code. The PAC, CUES and CTU Local 1 PAC, as political organizations under Section 527 of the Internal Revenue Code, are exempt from income taxes with the exception of their net investment income. No provision for income taxes was required for 2018 or 2017. The Union's and political organizations' tax filings for the prior three years are subject to review by the Internal Revenue Service, generally for three years after the returns have been filed.

*Recently Issued Accounting Standards Not Yet Adopted*

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. The issuance of ASU 2016-14 is the first phase of a FASB project with the broad objective of reexamining the standards for financial statement presentation by nonprofit organizations.

ASU 2016-14 makes various amendments to the standards in FASB Topic 958. Following are the most significant changes to the standards.

- Only two classes of net assets will be reported in the statement of financial position.
- All nonprofit organizations will be required to present an analysis of expenses by both nature and function either in the face of the statement of activities, as a separate statement, or in the notes to the financial statements.
- Investment returns will be reported net of external and direct internal investment expenses.
- The release of restrictions on donor-restricted capital gifts will be recognized when the assets are placed in service.
- Disclosures will be enhanced about net assets with donor restrictions and designations of net assets made by the governing board.
- Nonprofit organizations will be required to provide qualitative and quantitative information about the organization's liquidity and the availability of its resources to fund general expenditures.

The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The adoption of the ASU is expected to have a significant impact on the presentation of the Union's financial statements.

*Reclassifications*

Certain reclassifications have been made to the 2017 financial statements to conform to the current year presentation.

*Evaluation of Subsequent Events*

Management has evaluated subsequent events through July 18, 2019, the date the financial statements were available to be issued.

CHICAGO TEACHERS UNION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2 – Property and Equipment

Property and equipment at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Office equipment	\$2,040,111	\$1,958,695
Office equipment held under capital lease	551,116	551,116
Leasehold improvements	<u>4,218,991</u>	<u>3,913,248</u>
	6,810,218	6,423,059
Less accumulated depreciation and amortization	<u>1,400,318</u>	<u>660,051</u>
	<u>\$5,409,900</u>	<u>\$5,763,008</u>

Note 3 – Cash and Certificates of Deposit Concentration

The Union maintains cash balances and certificates of deposit at several banks. Accounts at these institutions may from time to time exceed amounts insured by the Federal Deposit Insurance Corporation.

Note 4 – Due from Chicago Teachers Union Foundation, Inc.

The Union is affiliated with the Chicago Teachers Union Foundation, Inc. (Foundation). Major transactions with the Foundation include payment by the Union of salary, taxes and benefits on behalf of the Foundation. During 2017, the Foundation paid for furniture and fixtures and computer equipment on behalf of the Union. The amount due from the Foundation at June 30, 2018 and 2017 is \$2,656,374 and \$1,595,834, respectively.

Beginning in 2017, the Union leased its office space from the Foundation (See Note 5).

A summary of the Foundation's statement of financial position as of June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and investments	\$13,507,868	\$16,953,543
Property and equipment - net	32,570,446	30,594,636
Note receivable - CTU	5,021,213	4,812,965
Other assets	<u>1,290,935</u>	<u>1,276,957</u>
Total	<u>\$52,390,462</u>	<u>\$53,638,101</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 1,025,870	\$ 381,894
Deferred grant income	50,000	92,580
Due to CTU	<u>2,656,374</u>	<u>1,595,834</u>
	3,732,244	2,070,308
Net assets	<u>48,658,218</u>	<u>51,567,793</u>
Total	<u>\$52,390,462</u>	<u>\$53,638,101</u>

CHICAGO TEACHERS UNION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 – Leases

*Operating Lease with the Merchandise Mart*

The Union has a lease agreement for office space which expires on October 31, 2021. The agreement provides that the lessee pay its proportionate share of the operating costs plus a base rental amount. As an inducement, the lessor agreed to provide the Union allowances to be used for leasehold improvements and monthly rental payments as detailed in the lease agreement. In conformity with accounting requirements, the Union is recognizing the deferred rent credit over the lease term.

Minimum future rental payments under the non-cancelable operating lease which has a remaining term in excess of one year as of June 30, 2018, for each of the next four years are as follows:

Year Ending June 30,	Amount
2019	\$1,446,449
2020	1,510,244
2021	1,561,818
2022	524,873
Total minimum future rental payments	<u>\$5,043,384</u>

During 2015, management decided to relocate its offices to the building owned by the Foundation. Negotiations for a buyout of this lease with the lessor and efforts to sublease this former office space are ongoing.

On July 18, 2017, a portion of the leased space in the Merchandise Mart was subleased. However, the Union is obligated to continue to pay the Merchandise Mart in accordance with the lease terms. The sublease provides for noncancelable terms for four years and three months at lease inception. Rents are scheduled to increase \$0.75 per square foot on each anniversary of the lease commencement date. The lease also provides for the abatement of monthly rents for the first three months during the first year of the lease. The Union recognizes such rental revenue earned on a straight-line basis. The difference between rental revenue earned and the cash rent due under the provision of the lease agreement will be recorded as accrued rent revenue on the accompanying statement of financial position.

Minimum future rentals under this lease are as follows:

Year ending June 30	Amount
2019	\$ 387,203
2020	397,265
2021	407,327
2022	104,348
Total	<u>\$1,296,143</u>

CHICAGO TEACHERS UNIONNOTES TO COMBINED FINANCIAL STATEMENTS

## Note 5 – Leases (Continued)

*Operating Lease with the Merchandise Mart (Continued)*

The lessor has been cooperative in attracting new tenants to mitigate any potential losses. However, the Union has incurred losses on the lease for its former office space after its relocation. For operating leases, the amount of loss is the amount by which costs to be incurred exceed the amounts reasonably expected to be received from the subleases. These amounts are adjusted annually for amounts paid while the property is vacant. The Union recorded an expense and a liability related to the projected shortfall between the rent obligation under the lease and the rental income to be received over the term of the sublease. During 2017, the Union recorded a loss of \$3,042,000. During 2018, the Union recorded an additional loss totaling \$705,000 based upon the revised projected shortfall at June 30, 2018. The amount of loss included in accrued expenses at June 30, 2018 and 2017 was \$3,747,000 and \$3,042,000, respectively.

*Operating Lease with the Foundation*

On December 1, 2016, a portion of the building owned by the Foundation was leased to the Union. The lease provides for noncancelable terms for 15 years at lease inception. Rents are scheduled to increase every five years by a fixed rate of 2.5% compounded annually. The lease also provides for the abatement of monthly rents for the first three months during each of the first five years of the lease. The Union is recognizing office rent expense on a straight-line basis over the lease term.

Minimum future rentals under this lease are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2019	\$ 700,489
2020	700,489
2021	700,489
2022	1,004,742
2023	1,055,283
Thereafter	<u>9,568,158</u>
Total	<u>\$13,729,650</u>

Rent expense under this operating lease was \$913,504 in 2018 and \$659,890 in 2017.

As an additional lease incentive, the Foundation agreed to provide the Union with an improvement allowance of \$3,561,300 towards the costs and expenses actually incurred by the Foundation in the design and construction of the Union's premises including the purchase of the Union's furniture and fixtures; however, the cost exceeded the allowance by \$4,707,056. The Foundation has agreed to provide the Union with financing necessary to repay the cost exceeding the allowance. A promissory note was entered into, with an interest rate of 4.5% per annum, payable monthly, with the principal amortized over 30 years, but subject to a balloon payment of all unpaid principal and accrued interest on the fifth anniversary of the note. Scheduled repayments of the note have not commenced as of June 30, 2018 and final repayment terms are presently under negotiation with the Foundation. The note is secured by the Union's assets, including furniture, fixtures, equipment and other personal property. As of June 30, 2018 and 2017, the balance of the note, including accrued interest was \$5,021,213 and 4,812,965, respectively.

CHICAGO TEACHERS UNION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5 – Leases (Continued)

*Capital Leases*

The Union leases office equipment under contracts qualifying as capital leases. Such contracts have original terms between four and six years. The contracts qualifying as capital leases each contain a bargain purchase option. Some of the leases also provide for a monthly charge for equipment maintenance which is included in the lease payment.

The capitalized leased assets included in office equipment at June 30, 2018 and 2017 are detailed as follows:

	2018	2017
Office equipment	\$551,116	\$551,116
Less: accumulated depreciation	174,799	91,987
	\$376,317	\$459,129

Minimum future rental payments under capital leases having remaining terms in excess of one year as of June 30, 2018, for each of the next four years and in the aggregate are:

Year Ending June 30,	Amount
2019	\$112,104
2020	112,104
2021	112,104
2022	41,599
Total minimum lease payments	377,911
Less amount representing maintenance	24,897
Less amount representing interest	29,373
Present value of net minimum capital lease payments	323,641
Less current portion of obligations under capital leases	90,344
Obligations under capital leases, excluding current portion	\$233,297

Note 6 – Pension Plans

The Union contributes to various defined contribution pension plans that cover substantially all of the Union's employees. Contribution expense for the years ended June 30, 2018 and 2017, amounted to \$966,447 and \$882,969, respectively, and is based on a percentage of each participating employee's salary.

CHICAGO TEACHERS UNION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7 – Affiliations

The Union is affiliated with the American Federation of Teachers (“AFT”) and the Illinois Federation of Teachers (“IFT”). Major transactions with these affiliates include receipt of organizational assistance funds and COPE reimbursements from IFT, and special assistance and legal fee reimbursements from AFT. The Union is also required to pay fees to both IFT and AFT based on the number of Union members. The amounts due from affiliates at June 30, 2018 and 2017 are \$884,703 and \$582,131, respectively.

Note 8 – Temporarily Restricted Net Assets

A summary of temporarily restricted net assets and net assets released from temporary restriction for the years ended June 30, 2018 and 2017 follows:

	2018			
	Beginning Balance	Additions	Net Assets Released	Ending Balance
Political action committees	<u>\$ 593,716</u>	<u>\$778,186</u>	<u>\$1,132,671</u>	<u>\$239,231</u>
	2017			
	Beginning Balance	Additions	Net Assets Released	Ending Balance
RAPP Memorial	\$ 9,748	\$ -	\$ 9,748	\$ -
Financial assistance	695,029	-	695,029	-
Political action committee	339,533	619,601	365,418	593,716
Thomas H. Reece Scholarship Fund	<u>4,080</u>	<u>-</u>	<u>4,080</u>	<u>-</u>
	<u>\$1,048,390</u>	<u>\$619,601</u>	<u>\$1,074,275</u>	<u>\$593,716</u>

Net assets are released from donor restrictions when the Union incurs expenses satisfying the restricted purposes, or by occurrence of other events specified by the donors.

Following is a summary of temporarily restricted net assets:

RAPP Memorial	– accumulated earnings, which may be used for the benefit of deaf and hard of hearing children attending the public schools of Chicago.
Financial assistance	– contributions (including support received from the Board of Education of the City of Chicago disclosed below) to be used by the Union to train teams of educators in fashioning restructured approaches to learning and instruction.
Political action committees	– committees support candidates in state and local governmental elections.
Thomas H. Reece Scholarship Fund	– contributions which were received from an affiliate to be used by the Union to pay scholarships.

CHICAGO TEACHERS UNION

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9 – Permanently Restricted Net Assets

Permanently restricted net assets in the possession of the Union at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
RAPP Memorial – earnings on the fund may be used to benefit the deaf and hard of hearing children attending the Chicago public schools.	<u>\$2,000</u>	<u>\$2,000</u>

Note 10 – Functional Allocation of Expenses

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

Note 11 – Merger of Alliance Charter Teachers and Staff Local 4343

On March 1, 2018, the members of the Chicago Alliance of Charter Teachers and Staff Local 4343 (Local 4343) merged with the Union. Local 4343 transferred net assets totaling \$8,067 to the Union. The merger of Local 4343 had no significant effect on the Union's operating activities.