December 2016

AFSCME LOCAL 3299
NOTICE TO ALL NONMEMBER FAIR SHARE FEE PAYERS FOR THE FEE PERIOD
JANUARY 1, 2017 THROUGH DECEMBER 31, 2017

PLEASE READ THIS NOTICE CAREFULLY
IT CONTAINS IMPORTANT INFORMATION AND
PROCEDURES CONCERNING YOUR LEGAL RIGHTS

THE AFSCME LOCAL 3299 FAIR SHARE FEE

American Federation of State, County and Municipal Employees, Local 3299, AFL-CIO ("AFSCME Local 3299") serves as your collective bargaining representative and is required by law to represent your interests in matters related to your employment at the University of California. All University of California employees who work in bargaining units for which AFSCME Local 3299 has been elected as the exclusive representative are required, as a condition of continued employment, either to join AFSCME Local 3299 or, if they remain a non-member, to pay a fair share service fee (also known as "agency fee") equal to regular membership dues to AFSCME Local 3299 to be deducted monthly by the University from her or his wages and remitted to Local 3299. This notice is being provided to you, and all nonmembers who will pay fair share fees to AFSCME Local 3299 during the January 1, 2017-December 31, 2017 fee collection period, to inform you of the fee, what steps you must take if you object to paying for that portion of the fair share fee that is attributable to partisan political, ideological or other activities that have been deemed to be non-chargeable to objecting fee payers, the types of activities that are considered to be chargeable and non-chargeable to objecting fee payers, financial data in support of the calculation of chargeable expenses, what steps you must take if you object to the payment of a fair share fee based upon your religious tenets and steps that you should take if you wish to challenge the accuracy of the union's calculation of the chargeable portion of the fair share fee.

WHAT ACTIVITIES ARE INCLUDED AND EXCLUDED FROM THE FAIR SHARE FEE?

Agency fee payers in AFSCME Local 3299 bargaining units are legally required to pay the Union for the costs related to collective bargaining, contract administration, grievance adjustment, lobbying for contract ratification and for contract implementation, and all other activities reasonably employed to implement or effectuate the duties of the Union as exclusive representative of the employees in the bargaining unit (hereafter called “chargeable expenses”). Union expenditures are chargeable to agency fee payers if they fund activities that reasonably may be considered “germane” to collective-bargaining activity - such expenditures are justified by the government’s vital policy interest in labor peace and avoid allowing employees to benefit from union efforts without paying for union services and do not significantly add to the burdening of free speech that is inherent in the allowance of compulsory agency fees. However, union expenditures for non-representational activities such as political activities, lobbying concerning laws of general application, and expenses unrelated to collective bargaining and the work-related interests of employees (hereafter called “non-chargeable expenses”) may not be charged to agency fee payers who file timely objections under this notice.

Expenses associated with the following activities are considered to be chargeable to objectors in this calculation:

2. Gathering information from employees concerning collective bargaining positions.
4. Administration of ballot procedures on the ratification of negotiated agreements.
5. The public advertising of AFSCME’s positions on the negotiation, ratification, or implementation of collective bargaining agreements.
6. Lobbying for the negotiation, ratification or implementation of a collective bargaining agreement.
7. Adjusting grievances pursuant to the provisions of collective bargaining agreements, enforcing collective bargaining agreements and representing employees in contractual grievance proceedings or other work-related proceedings.
8. Purchasing books, reports, and advance sheets used in (a) negotiating and administering collective bargaining agreements, and (b) processing grievances, and (c) related subjects and issues.
9. Paying technicians in labor law, economics and other subjects for services used (a) in negotiating and administering collective bargaining agreements, and (b) in processing grievances, and (c) other related subjects and issues.
10. Defending AFSCME against efforts by other unions or organizing committees to gain representation rights in units represented by AFSCME.
11. Proceedings regarding jurisdictional controversies under the AFL-CIO constitution.
12. Serving as the exclusive representative in other bargaining units.
13. Membership meetings and conventions held at least in part to determine the positions of employees on collective bargaining issues, contract administration and other matters affecting wages, hours and working conditions, including the cost of sending representatives to such meetings and conventions.

14. Internal communications which concern collective bargaining issues, contract administration, public employment generally, employee development, unemployment, job opportunities, award programs and other matters affecting wages, hours and working conditions.

15. Impasse procedures, including fact finding, mediation, arbitration, strikes, and work stoppages, and preparation for such.

16. The prosecution or defense of arbitration, litigation or charges to obtain ratification, interpretation, implementation or enforcement of collective bargaining agreements and any other litigation before agencies or in the courts which concerns bargaining unit employees which is normally conducted by an exclusive representative.

17. Management and administration of AFSCME operations, including facilities and personnel management, and activities related to governance of AFSCME, including expenses of meetings, officers, and governing boards and committees.

Expenses associated with following activities are not charged to objecting fee payers in this calculation:

18. Training in voter registration, get-out-the-vote, and political campaign techniques.

19. Supporting and contributing to charitable organizations.

20. Supporting and contributing to political organizations and candidates for public office.

21. Supporting and contributing to ideological causes.

22. Supporting and contributing to international affairs.

23. The public advertising of AFSCME’s position on issues other than negotiation, ratification, or implementation of collective bargaining agreements.

24. Organizing other bargaining units.

25. Lobbying for purposes other than the negotiation, ratification or implementation of a collective bargaining agreement. Supporting and paying affiliation fees to other labor organizations which do not negotiate the collective bargaining agreements governing the fair share fee payer’s employment.

26. Members-only benefits.

CALCULATION OF LOCAL 3299 DUES AND CHARGEABLE AGENCY FEES PER AUDITED FINANCIAL RECORDS

Beginning in January 2017, the University of California will deduct a fair share fee equal to 1.50% of salary from your paycheck, up to a maximum of $78.74 per month. This sum is equal to the regular dues paid by members of Local 3299. The monthly agency fee that non-objecting non-members are required to pay as a condition of continued employment is equal to Local 3299 monthly dues. You may object to paying the full agency fee and request a reduction equal to the portion related to non-chargeable expenditures.

This notice includes a summary expense report, based on expenditures reported in audited financial statements for the fiscal year ending December 31, 2015, showing AFSCME International and AFSCME Local 3299 expenses in audited categories divided into: (1) chargeable expenses (i.e., expenditures chargeable to non-member objectors as agency fees); and (2) non-chargeable expenditures (i.e., expenditures not chargeable to non-member objectors as agency fees). Local 3299’s total expenditures in each audit category for FY-2015 are allocated between chargeable activities and non-chargeable activities, in accordance with the parameters and audited financial statements and audited allocations schedules identified herein.

The fair share fee charged to nonmembers who object to the expenditure of any portion of the fee for partisan political, ideological or other non-chargeable activities will be a dues rate equal to 1.045% of salary from your paycheck up to a maximum of $54.86. This sum is equal to 69.667% of the regular dues paid by members AFSCME Local 3299. This calculation is based upon the weighted average of the total combined expenditures of: 1) chargeable expenses of AFSCME International equaling 29.660% of total expenditures in 2015; and 2) the chargeable expenditures of AFSCME Local 3299 equaling 81.790%. 
AFSCME Local 3299 has established the following procedure for individual nonmembers who object to paying that portion of the fair share fee that is attributable to partisan political, ideological or other activities which are deemed to be non-chargeable in the calculation. Objections must be filed in writing with AFSCME Local 3299 and must include the objector's name, address, social security number, job title, employer and work location.

Finance Manager
AFSCME Local 3299
2201 Broadway, Suite 315
Oakland, CA 94612-3204

It is suggested that all objections be sent by certified mail, but certified mail is not a requirement. However, please note that a written objection must be timely in order to be valid. Objections filed by current agency fee payers will be deemed timely if postmarked on or before January 31, 2017. Individuals who after the date of this notice become new hires or agency fee payers may file an objection within 30 days of the date they become a new hire or agency fee payer and receive this notice.

Upon receipt of a timely written objection and identification of the fee payer as an objector, AFSCME Local 3299 will pay the objecting fair share fee payer lump sum rebate equal to the difference between the union dues rate and that portion of the fees found chargeable in accordance with the calculations set forth in this notice. Objectors may challenge the amount determined to be chargeable by following the procedures set forth below.

AFSCME LOCAL 3299 PROCEDURE FOR CHALLENGING THE CALCULATION OF CHARGEABLE AND NON-CHARGEABLE EXPENSES

AFSCME Local 3299 has established the following procedure for individual nonmembers who pay fair share fees and who wish to challenge the calculation of chargeable and non-chargeable expenses. PLEASE READ THIS SECTION CAREFULLY. YOU MUST COMPLY WITH THIS PROCEDURE IN ORDER TO CHALLENGE THE CALCULATION OF CHARGEABLE AND NON-CHARGEABLE EXPENSES.

A. Challenges

Individual nonmember fair share fee payers who wish to challenge AFSCME Local 3299's calculation of chargeable and non-chargeable expenses must inform AFSCME Local 3299 of their challenge in writing. The written challenge must include the challenging fair share payer's ("challenger's") name, address, social security number, job title, employer, and work location.

A written challenge must be timely in order to be valid. Challenges filed by current agency fee payers will be deemed timely if postmarked on or before January 31, 2017. Individuals who after the date of this notice become new hires or agency fee payers may file a challenge within 30 days of the date they become a new hire or agency fee payer and receive this notice. The written challenge must be sent to AFSCME Local 3299 at the following address:

Finance Manager
AFSCME Local 3299
2201 Broadway, Suite 315
Oakland, CA 94612-3204

B. Procedure for challenging the AFSCME Local 3299 calculation of chargeable versus non-chargeable expenses.

Upon receipt of challenges, AFSCME Local 3299 will arrange for an arbitration hearing by requesting the American Arbitration Association (AAA) to appoint a neutral arbitrator. AFSCME Local 3299 will ask that all challenges to its calculation be consolidated into a single proceeding. Challenges by new employees or agency fee payers will also be consolidated with the next upcoming proceeding. The impartial arbitrator will hold a hearing pursuant to the AAA Rules for Impartial Determination of Union Fees in which challengers can participate personally or through a representative. In the hearing, AFSCME and AFSCME Local 3299 will have the burden of proof regarding the accuracy of the calculation of chargeable and non-chargeable expenses. The challengers will be given the opportunity to present their own evidence and to present written arguments in support of their position. The arbitrator will issue a decision and award on the basis of the evidence and argument presented. AFSCME Local 3299 will be responsible for payment of fees and costs of the arbitration;
any other costs incurred by non-member objectors/challengers, including attorney's fees, will be the sole responsibility of the objector/challenger.

Challengers will receive further information regarding the proceeding once the arbitration hearing is scheduled.

C. Escrow of Fair Share Fee

AFSCME Local 3299 maintains an escrow account where it places the amount of fair share fees reasonably in dispute collected from challengers, pending resolution of such challenges. Objectors who file challenges will receive any amount that may be determined to be owed them, plus accrued interest. The remainder with interest will be remitted to AFSCME Local 3299. If a deduction of fair share fees occurs before the close of the objection/challenge period on January 31, 2017, all fair share fees will be escrowed until rebates are provided. After the close of the objection/challenge period, only those fees of challengers reasonably in dispute will remain in the escrow account.

RELIGIOUS OBJECTIONS

If you are a member of a bona fide religion, body, or sect that has historically held conscientious objection to joining or financially supporting public employee organizations, you will not be required to pay AFSCME Local 3299 a fair share fee. However, you are required to pay a sum equal to the fair share fee to a nonreligious, non-labor charitable fund exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. AFSCME Local 3299 and the University of California have designated three charities that meet the statutory standards; United Way, NAACP Legal Defense and Educational Fund, Inc. and California Alliance for the Mentally Ill.

Nonmembers who are otherwise required to pay fair share fees to AFSCME Local 3299 who wish to object to the payment of a fee based upon the historically held conscientious objections of their faith must notify the Union of this fact in writing, and include their name, address, social security number, job title, employer, and work location. The written religious objection must be sent to AFSCME Local 3299 at the following address.

Finance Manager
AFSCME Local 3299
2201 Broadway, Suite 315
Oakland, CA 94612-3204

Religious objectors will receive further information regarding this procedure upon the Union's receipt of their objection. The union will request written confirmation of the objector's historically held religious objection.
AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, LOCAL 3299

SCHEDULE OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES

YEAR ENDED DECEMBER 31, 2015
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INDEPENDENT AUDITORS’ REPORT

To the Executive Board of
American Federation of State, County, and
Municipal Employees, Local 3299

REPORT ON THE SCHEDULE

We have audited the accompanying schedule of expenses and allocation between chargeable expenses and non-chargeable expenses (the schedule) of American Federation of State, County, and Municipal Employees, Local 3299 (the Local), which comprises the schedule for the year ended December 31, 2015, and the related notes to the schedule.

MANAGEMENT’S RESPONSIBILITY FOR THE SCHEDULE

Management is responsible for the preparation and fair presentation of the schedule based on the definitions and the significant factors and assumptions described in Notes 2 and 3. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a schedule that is free from material misstatement, whether due to fraud or error.

AUDITORS’ RESPONSIBILITY

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Local’s preparation and fair presentation of the
To the Executive Board of
American Federation of State, County, and
Municipal Employees, Local 3299
Page two

schedule 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 Local'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 schedule.

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 schedule referred to above presents fairly, in all material respects, the expenses and allocation between chargeable expenses and non-chargeable expenses of American Federation of State, County, and Municipal Employees, Local 3299 for the year ended December 31, 2015, based on the definitions and the significant factors and assumptions described in Notes 2 and 3.

OTHER MATTER

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of American Federation of State, County, and Municipal Employees, Local 3299 as of and for the year ended December 31, 2015, and our report thereon, dated November 14, 2016, expressed an unmodified opinion on those financial statements.

RESTRICTION ON USE

This report is intended solely for the information and use of the Executive Board and management of American Federation of State, County, and Municipal Employees, Local 3299 and its agency fee payers and should not be used for any other purposes.

Lindquist LLP

November 30, 2016
<table>
<thead>
<tr>
<th></th>
<th>Column A Expenses</th>
<th>Column B Chargeable Expenses</th>
<th>Column C Non-Chargeable Expenses</th>
<th>Note</th>
</tr>
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<tr>
<td>Bargaining expenses</td>
<td>6,226</td>
<td>6,226</td>
<td>-</td>
<td>3a</td>
</tr>
<tr>
<td>Media expenses</td>
<td>203,893</td>
<td>203,893</td>
<td>-</td>
<td>3a</td>
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<tr>
<td>Conferences, meetings and travel</td>
<td>719,537</td>
<td>695,701</td>
<td>23,836</td>
<td>3b</td>
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<td>Contract campaign</td>
<td>115,995</td>
<td>115,995</td>
<td>-</td>
<td>3c</td>
</tr>
<tr>
<td>Contributions</td>
<td>31,524</td>
<td>-</td>
<td>31,524</td>
<td>3c</td>
</tr>
<tr>
<td>Political Action Committee expenses</td>
<td>89,137</td>
<td>-</td>
<td>89,137</td>
<td>3c</td>
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<tr>
<td>Education and training</td>
<td>12,062</td>
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<td>Depreciation</td>
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<td>2,947</td>
<td>604</td>
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<td>Occupancy expenses</td>
<td>380,628</td>
<td>315,921</td>
<td>64,707</td>
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<tr>
<td>Other expenses</td>
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<td>37,417</td>
<td>7,664</td>
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<td>Postage</td>
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<td>29,900</td>
<td>5,993</td>
<td>3d</td>
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<td>Printing and publications</td>
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<td>113,477</td>
<td>11,620</td>
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<td>Supplies</td>
<td>66,800</td>
<td>56,120</td>
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<td>3d</td>
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<td>Telephone</td>
<td>189,102</td>
<td>156,955</td>
<td>32,147</td>
<td>3d</td>
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<td>Utilities</td>
<td>18,002</td>
<td>14,942</td>
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<tr>
<td>Employee benefits</td>
<td>1,044,848</td>
<td>867,224</td>
<td>177,624</td>
<td>3e</td>
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<td>Expense allowances</td>
<td>193,584</td>
<td>160,675</td>
<td>32,909</td>
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<tr>
<td>Payroll taxes</td>
<td>385,373</td>
<td>319,860</td>
<td>65,513</td>
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<tr>
<td>Salaries</td>
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<td>3,336,870</td>
<td>683,455</td>
<td>3e</td>
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<tr>
<td>Organizing expenses</td>
<td>269,285</td>
<td>-</td>
<td>269,285</td>
<td>3f</td>
</tr>
<tr>
<td>Bargaining unit</td>
<td>244,046</td>
<td>244,046</td>
<td>-</td>
<td>3g</td>
</tr>
<tr>
<td>Per-capita taxes</td>
<td>283,806</td>
<td>-</td>
<td>283,806</td>
<td>3h</td>
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<tr>
<td>Professional fees</td>
<td>991,651</td>
<td>962,677</td>
<td>28,974</td>
<td>3i</td>
</tr>
<tr>
<td>Union leave wages</td>
<td>523,133</td>
<td>523,133</td>
<td>-</td>
<td>3j</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$ 10,116,183</strong></td>
<td><strong>$ 8,273,652</strong></td>
<td><strong>$ 1,842,531</strong></td>
<td></td>
</tr>
<tr>
<td><strong>100%</strong></td>
<td><strong>81.79%</strong></td>
<td><strong>81.79%</strong></td>
<td><strong>18.21%</strong></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this schedule.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying schedule of expenses and allocation between chargeable expenses and non-chargeable expenses (the schedule) was prepared for the purpose of presenting the fair-share cost of services rendered by American Federation of State, County, and Municipal Employees, Local 3299 (the Local) for bargaining-unit employees who are represented by, but are not members of, the Local. The schedule includes the activities of the Local and the Local’s Political Action Committee. The Local is affiliated with AFSCME Local 3299 Political Action Committee (the PAC). The PAC is a separate, segregated fund established to support candidates for state and local offices as well as political issues of interest to the Local. The accompanying schedule is not intended to be a complete presentation of the Local’s financial position, activities or cash flows in accordance with accounting principles generally accepted in the United States of America.

Tax Status - The Local is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code and from state income taxes under Section 23701a of the Revenue and Taxation Code of the State of California. The PAC is exempt from income taxes under Internal Revenue Code Section 501(c)(27) and applicable California Revenue and Taxation Code sections.

Depreciation - Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Estimates - The preparation of the accompanying schedule requires management to make estimates and assumptions that affect the reported expenses during the reporting period and the allocation of expenses between chargeable expenses and non-chargeable expenses. Accordingly, actual results could differ from those estimates.
NOTE 2. DEFINITIONS

Chargeable expenses include those expenses incurred by the Local that reflect the share of the costs of operation of the union considered necessarily and reasonably incurred for the purpose of performing duties as representative of the employees in dealing with the employer on labor management issues, including the costs of negotiating, administering and securing the ratification and implementation of collective bargaining agreements; settling grievances and disputes by mutual agreement or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the Local as the representative of the employees; pursuing ratification or implementation of agreements affecting employees represented by the Local before legislative or administrative bodies; communicating with employees on matters of concern to them; and maintaining the associational existence of the Local.

The following are examples of expenditures classified as chargeable: preparation for the negotiation of collective bargaining agreements; contract administration, including investigating and processing grievances; meetings, conferences, administrative and arbitration proceedings, and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; certain expenses associated with organizing workers; communications with employers, elected officials, governmental agencies and media with respect to the Local’s position on collective bargaining-related matters; lobbying and legislative activities with respect to matters concerning the negotiation, ratification or implementation of collective bargaining agreements; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

Non-chargeable expenses are those of an ideological or political nature and other activities unrelated to collective bargaining and the work-related interests of employees. Also included as a category of non-chargeable expenses are affiliation fees and union benefits available only to members. The term “political” is defined as support of, or opposition to, political parties or candidates for political office and expenses associated with fundraising for such activities. Also included in the definition of “political” are voter registration and political “get out the vote” efforts. The term “ideological” is defined as support for certain positions the Local may take that are not work-related or do not have an impact on the wages, hours or working conditions of employees represented by the Local.

The following are examples of expenses classified as non-chargeable: contributions to political candidates and political parties; fundraising for political candidates, political parties or political action committees; voter registration and political “get out the vote” activities; international affairs; activities concerning judicial nominations and endorsements of political candidates; contributions to or participation in activities sponsored by organizations that are unrelated to collective bargaining or other work-related interests; scholarships and other monetary aid provided to the families of members; and members-only discounted benefits.
NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE

a. **Bargaining Expenses and Media Expenses** - Bargaining expenses and media expenses are considered to be 100% chargeable based on the subject matter of the expenses included in the category.

b. **Conferences, Meetings and Travel** - Specific costs are classified as either chargeable or non-chargeable based on the nature of the costs incurred. The remaining costs are allocated based on the same percentage as salaries.

c. **Contract Campaign; Contributions; Political Action Committee Expenses; and Education and Training** - Costs are classified as either chargeable or non-chargeable based on the nature of the costs incurred.

d. **Depreciation; Equipment Rental and Maintenance; Insurance; Occupancy Expenses; Other Expenses; Postage; Printing and Publications; Supplies; Telephone; and Utilities (Office and Administrative Expenses)** - Specific costs are classified as either chargeable or non-chargeable based on the nature of the costs incurred. The remaining costs are allocated based on the same percentage as salaries.

e. **Employee Benefits; Expense Allowances; Payroll Taxes; and Salaries** - Employee benefits, expense allowances, payroll taxes and salaries of the Local’s officers, management and personnel are allocated between chargeable and non-chargeable based on timesheets documenting the time actually spent by these personnel on chargeable and non-chargeable activities.

f. **Organizing Expenses** - The subject matters of these expenses were examined, and items considered to promote the Local’s ideological beliefs were considered 100% non-chargeable.

g. **Bargaining Unit** - Time spent within the bargaining unit in which fair-share fee payers are employed is considered 100% chargeable.

h. **Per-Capita Taxes** - The Local does not obtain any information relating to the activities of the various affiliates’ paid per-capita taxes. Therefore, per-capita taxes are paid to various affiliates and are considered 100% non-chargeable.
NOTE 3. SIGNSIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE (CONT'D)

i. **Professional Fees** - Specific costs are classified as either chargeable or non-chargeable based on the nature of the costs incurred. The remaining costs are allocated based on the same percentage as salaries.

j. **Union Leave Wages** - Union leave wages paid to employees or members representing members in collective bargaining issues are considered 100% chargeable. Union leave wages paid to employees for political or ideological purposes are considered 100% non-chargeable.
REVISED CALCULATION OF CHARGEABLE EXPENSE
BASED ON EXPENSE DURING THE YEAR ENDED 12/31/15
APPLICABLE TO FAIR SHARE FEES FOR THE PERIOD JANUARY - DECEMBER 2017

<table>
<thead>
<tr>
<th>INTERNATIONAL EXPENSE</th>
<th>Total 2015 INTERNATIONAL EXPENSE</th>
<th>TOTAL CHARGEABLE EXPENSE</th>
<th>ALLOCATED NON-CHARGEABLE EXPENSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSISTANCE TO AFFILIATES</td>
<td>4,754,287</td>
<td>3,840,725</td>
<td>913,562</td>
</tr>
<tr>
<td>COMMUNICATIONS</td>
<td>7,549,605</td>
<td>433,818</td>
<td>7,115,787</td>
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<tr>
<td>CONFERENCE &amp; TRAVEL SERVICES</td>
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<td>812,685</td>
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<tr>
<td>EDUCATION</td>
<td>3,758,061</td>
<td>2,667,165</td>
<td>1,090,896</td>
</tr>
<tr>
<td>EXECUTIVE BOARD</td>
<td>949,810</td>
<td>949,810</td>
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</tr>
<tr>
<td>FEDERAL GOVERNMENT AFFAIRS</td>
<td>3,545,279</td>
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<td>FIELD SERVICES</td>
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<tr>
<td>FINANCIAL SERVICES</td>
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<td>4,965,166</td>
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<tr>
<td>GENERAL COUNSEL</td>
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<td>3,728,403</td>
<td>802,959</td>
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<tr>
<td>GENERAL OPERATING &amp; BUILDING SRVC.*</td>
<td>6,501,137</td>
<td>6,501,137</td>
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<tr>
<td>HUMAN RESOURCES</td>
<td>1,366,711</td>
<td>452,381</td>
<td>914,330</td>
</tr>
<tr>
<td>INFORMATION SYSTEMS</td>
<td>5,931,595</td>
<td>1,963,356</td>
<td>3,968,237</td>
</tr>
<tr>
<td>INTER-UNION AFFILIATIONS</td>
<td>19,981,716</td>
<td>15,500</td>
<td>19,966,216</td>
</tr>
<tr>
<td>INTERNATIONAL RELATIONS</td>
<td>20,103</td>
<td>-</td>
<td>20,103</td>
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<td>1,057,964</td>
<td>-</td>
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<tr>
<td>POLITICAL ACTION &amp; PEOPLE</td>
<td>24,432,014</td>
<td>216,134</td>
<td>24,215,880</td>
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<tr>
<td>PRESIDENT'S OFFICE</td>
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<td>3,144,216</td>
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<td>5,320,779</td>
<td>1,373,550</td>
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<td>RETIRE</td>
<td>1,416,811</td>
<td>241,235</td>
<td>1,175,576</td>
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<tr>
<td>SECRETARY-TREASURER'S OFFICE</td>
<td>1,047,362</td>
<td>346,677</td>
<td>700,685</td>
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<tr>
<td>TOTALS</td>
<td>$ 146,085,608</td>
<td>$ 43,031,980</td>
<td>$ 102,053,628</td>
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</table>

TOTAL CHARGEABLE EXPENSE (2015) $ 43,031,980
TOTAL INTERNATIONAL EXPENSE (2015) $ 145,085,608

* TOTAL EXPENSE, CONVENTION EXPENSE, AFFILIATION REBATES AS AUDITED BY BOND BEEBE, CERTIFIED PUBLIC ACCOUNTANTS.
** GENERAL OPERATING & BUILDING SERVICES EXPENSES HAVE BEEN ALLOCATED AS INDIRECT OVERHEAD TO HQ AND FIELD DEPARTMENTS ON A PERCENTAGE BASIS.
American Federation of State, County and Municipal Employees, AFL-CIO

Revised Consolidated Statement of Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses

For the Year Ended December 31, 2015
# Table of Contents

**AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, AFL-CIO**  
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**FOR THE YEAR ENDED DECEMBER 31, 2015**

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<tr>
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<th>Pages</th>
</tr>
</thead>
<tbody>
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<td>1 - 2</td>
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<tr>
<td>FINANCIAL STATEMENT</td>
<td></td>
</tr>
<tr>
<td>Revised Consolidated Statement of Expenses and Allocation Between</td>
<td>3</td>
</tr>
<tr>
<td>Chargeable Expenses and Nonchargeable Expenses</td>
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<tr>
<td>Notes to Revised Consolidated Statement of Expenses and Allocation</td>
<td>4 - 8</td>
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<tr>
<td>Between Chargeable Expenses and Nonchargeable Expenses</td>
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</table>
REPORT OF INDEPENDENT AUDITORS

To the Executive Board
American Federation of State, County and Municipal Employees, AFL-CIO

Report on the Financial Statement

We have audited the accompanying revised consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses of American Federation of State, County and Municipal Employees, AFL-CIO for the year ended December 31, 2015, and the related notes to the statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this statement in accordance with the significant accounting policies presented in Note 2 to the statement, the definitions presented in Note 3 to the statement and the significant factors and assumptions described in Note 4 to the statement; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the revised consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses presents fairly, in all material respects, the expenses of American Federation of State, County and Municipal Employees, AFL-CIO for the year ended December 31, 2015 and the allocation of those expenses between chargeable expenses and nonchargeable expenses on the basis of the definitions in Note 3 to the statement and the significant factors and assumptions described in Note 4 to the statement.

Basis of Accounting

We draw attention to the notes to the statement, which describe the basis of presentation. Except as discussed in Note 2, the total expenses reflected in the statement agree to the expenses reflected in the audited consolidated financial statements of American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME) for the year ended December 31, 2015. Notes 3 and 4 to the statement describe the definitions of chargeable expenses and nonchargeable expenses and the significant factors and assumptions used in the allocation of expenses between chargeable and nonchargeable used for the purpose of determining the fair share cost of services rendered by AFSCME for agency fee payers represented by, but not members of, AFSCME. Our opinion is not modified with respect to that matter.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of American Federation of State, County and Municipal Employees, AFL-CIO as of and for the year ended December 31, 2015, and our report thereon dated April 25, 2016 expressed an unmodified opinion on those financial statements.

Restriction on Use

This report is intended solely for the information and use of the Executive Board and management of American Federation of State, County and Municipal Employees, AFL-CIO and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

A Professional Corporation
Bethesda, MD
October 31, 2016
<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Total Expenses</th>
<th>Chargeable Expenses</th>
<th>Non-Chargeable Expenses</th>
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<td>Assistance to Affiliates</td>
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<td>General Counsel</td>
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<td>General Operating and Building Services</td>
<td>6,501,137</td>
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<td>20,103</td>
<td>-</td>
<td>20,103</td>
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<td>Judicial Panel</td>
<td>1,057,954</td>
<td>1,057,954</td>
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<td>Political Action</td>
<td>24,432,014</td>
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<tr>
<td>Research</td>
<td>6,694,329</td>
<td>5,320,779</td>
<td>1,373,550</td>
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<tr>
<td>Retirees</td>
<td>1,416,811</td>
<td>241,235</td>
<td>1,175,576</td>
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<tr>
<td>Secretary - Treasurer's Office</td>
<td>1,047,352</td>
<td>346,677</td>
<td>700,685</td>
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**Total** $145,065,608 $43,031,980 $102,033,628

<table>
<thead>
<tr>
<th>PERCENTAGE</th>
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<tr>
<td>100.000 %</td>
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</table>

See Notes to Revised Consolidated Statement of Expenses and Allocation Between Chargeable Expenses and Non-Chargeable Expenses
NOTE 1: ORGANIZATION

The American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME) is an international labor organization representing workers in the public service and health care sectors. Its organization authority vests in its International Executive Board, and its Officers are elected every four years, by its membership, at a constitutional convention.

The AFSCME Building Corporation (the Building Corporation) maintains and operates AFSCME’s headquarters.

The Public Employees Organized to Promote Legislative Equality (PEOPLE) Committee receives voluntary financial contributions from AFSCME members to be used exclusively for the purpose of influencing, or attempting to influence, the nominations or election of one or more candidates for federal, state, or local elective public office.

The AFSCME Fallen Heroes Fund (the Fallen Heroes Fund), receives voluntary contributions from AFSCME, its affiliates and members to be used exclusively for providing financial assistance to public service employees and their families who are victims of the September 11th terrorist attack, or other disasters.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The revised consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses includes the expense accounts of the American Federation of State, County and Municipal Employees, AFL-CIO and the Building Corporation. All intercompany transactions have been eliminated in consolidation. The direct expenses related to PEOPLE and the Fallen Heroes Fund, which are included in the audited consolidated financial statements of AFSCME, are not included in this consolidated statement. Per capita rebates of $3,587,186 which are offset against per capita income in the audited consolidated financial statements of AFSCME are classified as assistance to affiliates in this statement.

Accounting Estimates

The preparation of this financial statement requires management to make estimates and assumptions that affect the reported amounts of expenses during the reported period. Actual results could differ from those estimates.

Depreciation

Property assets are depreciated by the straight-line method at rates calculated to amortize the cost of the assets over their respective estimated useful lives.

Subsequent Events

In preparing this statement, management of AFSCME has evaluated events and transactions that occurred after December 31, 2015 for potential recognition or disclosure in the statement. These events and transactions were evaluated through October 31, 2016, the date that the statement was available to be issued.
NOTE 3: DEFINITIONS

The revised consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses reflects a revision of the regular consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses (the regular consolidated statement). Affiliation fees and expenses associated with organizing workers are considered chargeable on the regular consolidated statement and are considered nonchargeable on the revised statement.

Chargeable Expenses

Chargeable expenses include the share of the costs of operations of AFSCME which are considered necessarily and reasonably incurred for the purposes of assisting affiliated councils and local unions in the performance of their duties as representatives of the employees in dealing with the employers on labor management issues, including the costs of:

- Negotiating and administering, and securing the ratification and implementation of collective bargaining agreements
- Settling grievances and disputes by mutual agreement, or in arbitration, court or otherwise
- Activities and undertakings normally and reasonably employed to implement the duties of AFSCME as the representative of the employees
- Pursuing ratification or implementation of agreements affecting employees represented by AFSCME before legislative or administrative bodies
- Communicating with employees on matters of concern to them
- Maintenance of the associational existence of AFSCME and its affiliates

The following are examples of expenses classified as chargeable:

- Preparation for, and the negotiation of, collective bargaining agreements
- Contract administration, including investigating and processing grievances
- Meetings, conferences, administrative and arbitral proceedings, and pertinent investigation and research in connection with work-related subjects and issues
- Handling work-related problems of employees
- Communications with employers, elected officials, governmental agencies, and media with respect to AFSCME’s position on collective bargaining related matters
- Lobbying and legislative activities with respect to matters concerning the negotiation, ratification or implementation of collective bargaining agreements
- Providing legal, economic and technical expertise on behalf of employees in all work-related matters
NOTE 3: DEFINITIONS - continued

Nonchargeable Expenses

Nonchargeable expenses include those of an ideological or political nature and expenses incurred for activities unrelated to collective bargaining and the work-related interests of employees. Also included as a category of nonchargeable expenses are affiliation fees, expenses associated with organizing workers, and union benefits available only to members.

The term "political" is defined as support of, or opposition to, political parties or candidates for political office and expenses associated with fundraising for such activities. Also included in the definition of "political" are voter registration and political get out the vote efforts. The term "ideological" is defined as support for certain positions that AFSCME may take which are not work-related or do not have an impact on the wages, hours or working conditions of employees represented by AFSCME.

The following are examples of expenses classified as nonchargeable:

- Contributions to political candidates and political parties
- Fundraising for political candidates, political parties, or political action committees: voter registration and political get out the vote activities
- International affairs; activities concerning judicial nominations
- Endorsements of political candidates
- Contributions to or participation in activities sponsored by organizations that are unrelated to collective bargaining or other work-related interests
- Scholarships and other monetary aid provided to the families of members
- Members only discounted benefits
- Affiliation fees and expenses associated with organizing workers

NOTE 4: SIGNIFICANT FACTORS AND ASSUMPTIONS RELATING TO THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE EXPENSES AND NONCHARGEABLE EXPENSES

Significant factors and assumptions underlying the allocation of expenses between chargeable and nonchargeable amounts are summarized as follows:

a. For purposes of the calculation, except as noted below, departments are classified as either programmatic or administrative departments. Programmatic departments implement the programs of AFSCME, and provide services to AFSCME affiliates. Allocations of chargeable expenses and nonchargeable expenses of the programmatic departments are made on the basis of a review of the activities and expenses of the individual departments.

Administrative departments oversee and coordinate the functions of AFSCME and provide support functions to the programmatic departments. Included among the administrative departments are the International Union Officers and their staffs, Financial Services, Information systems, Human Resources and Conference and Travel. The expenses for the administrative departments are allocated as chargeable and nonchargeable in the same proportion as the total chargeable expenses and nonchargeable expenses of the programmatic departments. The overhead attributable to the programmatic departments is included as an administrative department expense in determining the chargeable and nonchargeable proportion of their expenses.
NOTE 4: SIGNIFICANT FACTORS AND ASSUMPTIONS RELATING TO THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE EXPENSES AND NONCHARGEABLE EXPENSES - continued

b. For purposes of this calculation, organizing expenses are treated as nonchargeable. The Field Services Department is responsible for all of the International Union's organizing activities. The Field Services Department engages in organizing activities in two ways. First, the Field Services Department has certain employees who have, as one of their responsibilities, the organizing of new members. Second, the Field Services Department provides grants to AFSCME affiliates to permit them to engage in organizing.

The Union examines the staff who may have any involvement in organizing, either internal organizing in pre-existing bargaining units, or external organizing of new bargaining units. To the extent such staff are involved in organizing, their salaries are treated as nonchargeable.

The cost of all health and retirement benefits and all travel expenses of each permanent field service staff person who engaged in any organizing activities are treated as nonchargeable to the same extent as the salary of such person. Additionally, all overhead costs associated with organizing are treated as nonchargeable.

Certain of the activities of the Field Services Department are conducted through projects. Each of those projects is examined, and, if the purpose of the project includes any organizing, that portion of the project related to organizing, including that portion of the salaries, benefits and travel expenses of project staff employed in connection with such project is treated as nonchargeable.

Finally, the Field Services Department makes certain grants to AFSCME locals and councils for a variety of purposes, including organizing by the Union. All of these grants are reexamined by the Union and if the purpose of the grant includes organizing, that portion of the grant is treated as nonchargeable.

Nonchargeable and chargeable expenses, which totaled $58,674,553 and $85,411,055 on the basic consolidated statement, have been restated herein to $102,063,628 and $43,531,980, as a result of this revised calculation.

c. Costs associated with AFSCME publications, including editorial, production, and distribution expenses, are allocated on the basis of a square inch analysis of the chargeable content of the publication.

d. For the purpose of allocating personnel costs, it is assumed that employees work 7 hours per day and 232 days per year. The employee benefits percentage rate is based on a comparison of total department employee benefits to total department salary costs. Employee benefits are allocated on a departmental basis, based upon total chargeable and nonchargeable salary, multiplied by the benefits percentage rate.

e. Activities of the programmatic department staff are individually analyzed and are allocated on the basis of chargeable activities. The personnel costs of the Communications staff involved in the editing or production of AFSCME's publications are allocated on the basis of the time spent on chargeable content of the publications.

f. Reimbursed and charged travel expenses of the programmatic department staff are individually analyzed and allocated as chargeable or nonchargeable depending on the nature of the activity. Reimbursed expenses of the Communications staff involved in the editing and production of AFSCME publications are allocated on the basis of the time spent on chargeable content of the publications.
NOTE 4: SIGNIFICANT FACTORS AND ASSUMPTIONS RELATING TO THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE EXPENSES AND NONCHARGEABLE EXPENSES - continued

g. Overhead expenses are allocated among the programmatic departments and on the basis of the activities of programmatic department personnel in the headquarters and field. Overhead expenses are allocated on the basis of the individual department’s percentage of total headquarters or field salaries, reimbursed salaries and lost time costs. Overhead expenses are separated between chargeable and nonchargeable on the same ratio as chargeable to nonchargeable salaries within the headquarters or field departments to which the overhead applies. Included in the calculation of overhead expense are general operating and building service costs. For the year ended December 31, 2015, $2,617,997 of headquarters and field general operating and building services costs have been allocated to nonchargeable expenses in the programmatic departments.

h. Assistance to AFSCME affiliates are individually analyzed and allocated on the basis of their chargeable content.

i. Contributions and participations are individually analyzed and allocated on the basis of their chargeable content.

j. Affiliation payments to other labor organizations are treated as nonchargeable expenses in this revised calculation.

k. The expenses of the Executive Board and the Judicial Panel are determined to be fully chargeable.