



# New York State Public Employees Federation and Subsidiary Financial Statements and Other Financial Information

March 31, 1998

**Marvin & Co.**  
11 British American Boulevard  
Latham, NY 12110

## INDEPENDENT AUDITORS' REPORT

Officers and Trustees  
New York State Public Employees Federation

We have audited the accompanying consolidated statement of financial position of the New York State Public Employees Federation and Subsidiary (Federation) as of March 31, 1998, and the related consolidated statement of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New York State Public Employees Federation and Subsidiary as of March 31, 1998, and the

changes in their net assets and their cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 7 to the consolidated financial statements, the Federation was unsuccessful in its appeal of a judgment which confirmed its liability for certain per capita taxes. The impact of this judgment raises substantial doubt about the Federation's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 7. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating schedule of financial position, consolidating schedule of activities, and schedule of consolidated detail of expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Marvin and Company, P.C.

June 19, 1998

## NEW YORK STATE PUBLIC EMPLOYEES FEDERATION AND SUBSIDIARY Notes to Consolidated Financial Statements March 31, 1998

### 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New York State Public Employees Federation (PEF) is affiliated with the American Federation of Teachers (AFT) and the Service Employees International Union (SEIU). It is a self-governing unit representing predominantly the professional, scientific and technical employees of the State of New York.

The consolidated financial statements include the accounts of PEF and its subsidiary, PEF Land Holding Corporation. The accounts of PEF include a general fund, a political action fund, a Committee on Political Education (COPE) fund and a plant fund. PEF Land Holding Corporation is a not-for-profit corporation formed to

hold title to the land and office building used to house PEF's headquarters. All material interfund accounts and transactions between the entities have been eliminated in arriving at the consolidated totals.

PEF and its subsidiary adhere to generally accepted accounting principles as described in the American Institute of Certified Public Accountants Industry (AICPA) Audit Guide, *Not-for-Profit Organizations*. In 1996, PEF adopted the guidance in AICPA Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*. As such, the consolidated financial statements include the activities of the COPE fund established to submit donations to political activities and organizations based upon voluntary contributions from PEF members.

In 1996, PEF adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under the provisions of these Statements, net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Changes in unrestricted net assets include certain grants whose donor imposed restrictions are for current or developing programs which were met during the fiscal year. When a donor 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 are reported in the consolidated