

the maintenance of PEF's local divisions' associational existence.

The following are examples of expenditures classified as chargeable; preparation for and negotiation of collective bargaining agreements; contract administration including investigation and processing 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; communications with community organizations, civic groups, government agencies, and the media with respect to PEF's position on work related matters; lobbying and legislative activities with respect to matters concerning employees' work-related issues; maintaining membership and recruitment of members; employee group programs; and providing legal, economic, and technical expertise on behalf of employees in all work-related matters.

Nonchargeable Expenses

Nonchargeable expenses are those of a political or ideological nature and those that are not relevant 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 PEF may take which are not work-related.

3. SIGNIFICANT FACTORS AND MANAGEMENT ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE AND NONCHARGEABLE

Divisional Distributions

Divisional distributions represent allocations to local organizations of PEF members. Each division was paid \$5.00 per member up to 200 members and \$4.00 for each member in excess of 200, in each calendar quarter, for the year ended March 31, 1998. This expense is estimated by management to be 50% nonchargeable.

Political, Charitable and Other Contributions

All contributions are considered by management to be 100% nonchargeable.

Scholarship Fund Committee

All actual expenses associated with this committee, including employee organizational leave and travel expenses, have been considered by management to be 100% nonchargeable.

Community Services Awards Committee

All expenses related to this committee, such as employee organizational leave, travel, and printing, are considered by management to be 100% nonchargeable.

Departments

Based on estimates of time spent and expenses incurred for each department in connection with nonchargeable activities, management has designated the following allocation of nonchargeable expenditures for each department:

Data Processing - 10% nonchargeable
Legislative Department - 50% nonchargeable
Executive Board - 10% nonchargeable
Administration and Building Department - 10.72% nonchargeable
12 Field Offices - 10% nonchargeable
Research Department - 10% nonchargeable
Legal Department - 10% nonchargeable
Labor Relations Department - 10% nonchargeable
Divisions Department - 10% nonchargeable
Public Relations Department - 10% nonchargeable

All other departments' expenses are considered by management to be 100% chargeable. Management has determined that interest expense accrued on the AFT judgment is not considered allocable for purposes of this schedule.

4. RECONCILIATION OF TOTAL ALLOCABLE EXPENSES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Allocable expenses per the financial statements:

Total consolidated expenses per financial statements	\$15,875,577
Divisional distributions	882,922
Affiliation dues	143,547
Total Allocable Expenses - Consolidated Schedule of Chargeable and Nonchargeable Expenses	<u>\$16,902,046</u>

Per capita taxes paid to AFT and SEIU are not considered allocable for purposes of this schedule as separate allocation schedules, audited by other auditors, are prepared for these unions. PEF utilizes the nonchargeable percentages determined in the most recent schedules to compute the rebate related to the portion of agency shop fees paid to AFT and SEIU. AFT's nonchargeable percentage for the year ended April 30, 1997, applied to the 1997-98 fiscal year was determined to be 27.78%; SEIU's nonchargeable percentage for the year ended December 31, 1997 applied to the 1997-98 fiscal year was determined to be 25.68%.

