

PACIFIC NORTHWEST HOSPITAL MEDICINE ASSOCIATION, AFT LOCAL #6552

SCHEDULE OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE AND NONCHARGEABLE EXPENSES

YEAR ENDED JUNE 30, 2024

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pacific Northwest Hospital Medicine Association, AFT Local #6552

Opinion

We have audited the Schedule of Expenses and Allocation Between Chargeable and Nonchargeable of Pacific Northwest Hospital Medicine Association, AFT Local #6552 (a nonprofit Association), for the year ended June 30, 2024, and the related notes (the schedule).

In our opinion, the accompanying schedule referred to above presents fairly, in all material respects, the expenses of Pacific Northwest Hospital Medicine Association, AFT Local #6552 as of June 30, 2024, on the basis of accounting described in Note 1, and the allocated expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses section of our report. We are required to be independent of Pacific Northwest Hospital Medicine Association, AFT Local #6552 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Notes 1 through 3 to the schedule, which describes the basis of accounting. The accompanying schedule was prepared for the purpose of determining the fairshare cost of services rendered by the Pacific Northwest Hospital Medicine Association, AFT Local #6552 for employees represented by, but not members of the Association, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the schedule may not be suitable for another purposes. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses

Management is responsible for the preparation and fair presentation of the schedule in accordance with the basis of accounting described in Note 1, and the allocated expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit 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 Pacific Northwest Hospital Medicine Association, AFT Local #6552's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Northwest Hospital Medicine Association, AFT Local #6552's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter – Restriction on Use

This report is intended solely for the information and use of the Pacific Northwest Hospital Medicine Association, AFT Local #6552 and its agency fee payers and is not intended to be, and should not be, used by anyone other than these specified parties.

Verity Accountancy, PC

Verity Accountancy, PC

Milwaukie, Oregon
July 3, 2025

PACIFIC NORTHWEST HOSPITAL MEDICINE ASSOCIATION, AFT LOCAL #6552

Schedule of Expenses and Allocation between Chargeable

and Nonchargeable Expenses

Year Ended June 30, 2024

	<u>Total Expenses</u>	<u>Nonchargeable Expenses</u>	<u>Chargeable Expenses</u>
Labor representation, organizing, and union administration	\$ 43,200	\$ -	\$ 43,200
AFT per capita dues	13,471	3,786	9,685
General and administrative	849	-	849
Member services	9,131	9,131	-
Charitable donations	3,900	3,900	-
 Total Expenses	 \$ <u>70,551</u>	 \$ <u>16,817</u>	 \$ <u>53,734</u>
Percentage	100.00%	23.84%	76.16%

See independent accountant's report

Notes to Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses

Year Ended June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses (the schedule) was prepared for the purpose of determining the fair share cost of services rendered by the Pacific Northwest Hospital Medicine Association, AFT Local #6552 (the Association) for employees represented by but not members of the Association. The accompanying schedule is not intended to be a complete presentation of the Association's financial position, changes in its net assets, or its cash flows in accordance with U.S. generally accepted accounting principles.

Income Taxes – The Association is exempt from Federal income taxes under Section 501(c)(5) of the Internal Revenue Code, except on net income from unrelated business activities.

Estimates – The preparation of a schedule requires management to make estimates and assumptions that affect the reported expenses during the reporting period and the allocation of expenses between chargeable and non-chargeable. Actual results could differ from those estimates.

NOTE 2 – DEFINITIONS

The following definitions of chargeable and non-chargeable expenses are based on existing law and the Association's interpretation of court cases.

Chargeable Expenses - Chargeable expenses are those incurred by the Association that reflect the share of the costs of operations of the Association which are considered necessary and reasonably incurred for the purpose of assisting affiliated local units in the performance of their duties as representatives of the employees in dealing with the employer 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 the Association as a representative of the employees; pursuing ratification or implementation of agreements affecting employees represented by the Association before legislative or administrative bodies; communicating with employees on matters of concern to them; and the maintenance of the associational existence of the Association.

The following are examples of expenses classified as chargeable: preparation for the negotiation 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, government agencies, and the media with respect to the Association'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.

Notes to Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses

Year Ended June 30, 2024

NOTE 2 – DEFINITIONS (continued)

Non-Chargeable Expenses - Nonchargeable expenses include 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 nonchargeable expenses is "members only benefits" or 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 the Association may take which are not work-related or do not have an impact on the wages, hours, or working conditions of employees represented by the Association.

NOTE 3 – SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE

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

Labor Representation and Collective Bargaining – Expenses of organizing, collective bargaining, assistance to local unions, grievance handling, contract administration, etc. are 100 percent chargeable.

General, Administrative, and Operating Expenses – General, administrative, and operating expenses have been allocated to chargeable and non-chargeable expenses based upon specific purpose and intent of the incurred expense.

Charitable donations – Charitable giving, donations, or other payments are 100 percent nonchargeable.

The following expenses are to be classified as non-chargeable: lobbying, electoral or political activities outside the limited context of contract ratification or implementation; litigation expenses that do not concern the objecting employees' bargaining unit; and public relations efforts designed to enhance the reputation of the medical profession.

NOTE 4 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 3, 2025, which is the date the schedule was available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying schedule.