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United for Quality Care

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SERVICE EMPLOYEES INTERNATIONAL UNION

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DATE: February 5, 2018

RE: **2018 Notice for Fair Share Fee Payers**

Healthcare works best when frontline nurses and healthcare workers have a direct say in how we provide care.

That's why 30,000 nurses, healthcare workers, and behavioral health workers across the state are united in our union, SEIU Healthcare 1199NW, so we have the strength to stand up for what our patients, clients, communities, and families need.

SEIU Healthcare 1199NW is stronger when we all participate and share in the costs of building an effective organization. That's how we win and continue to raise standards for wages, benefits, and staffing.

I am writing to urge you to join and remain an active member of SEIU Healthcare 1199NW. It's our collective voices speaking as one that gives us the power to sit at the table with management and bargain for improvements. Without our voice and action, management in our facilities could unilaterally make changes to our work at any time.

Join us and fill out the enclosed membership application. You are not required to become a member but withdrawing from the union membership makes us weaker at the bargaining table; it lets management know we're not united. We can't make changes alone.

If you decide to be a non-member, you are obligated under the contract's union security clause to pay a fair share fee equivalent to the standard initiation fee and uniform dues. The enclosed Notice further explains this obligation and your rights and is applicable for fair share fees collected by SEIU Healthcare 1199NW for the period of January 1, 2018 through December 31, 2018.

We're stronger together and the only way for us to protect our pay, health, and retirement benefits is when we're all members of the union. Return your card and join with thousands of other nurses and healthcare workers across the state to raise standards.

Should you have any questions about the enclosed Notice, please write to the Secretary-Treasurer of SEIU Healthcare 1199NW, 15 S. Grady Way, Suite 200, Renton, WA 98057.

Sincerely,

Robin Wyss
Secretary-Treasurer

Enclosures: (4):

Notice to Bargaining Unit Members
SEIU Healthcare 1199NW 2016 Audit
SEIU International 2015 Audit
1199NW membership application

Service Employees International Union, CTW, CLC

*Consolidated Statement of Expenses and Allocation Between
Chargeable Expenses and Nonchargeable Expenses Series 1*

For the Year Ended December 31, 2016

SERVICE EMPLOYEES INTERNATIONAL UNION, CTW, CLC
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FOR THE YEAR ENDED DECEMBER 31, 2016

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REPORT OF INDEPENDENT AUDITORS

To the Executive Board
Service Employees International Union, CTW,
CLC

Report on the Financial Statement

We have audited the accompanying consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses series 1 of Service Employees International Union, CTW, CLC for the year ended December 31, 2016, 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 1 to the statement, the definitions presented in Note 2 to the statement and the significant factors and assumptions described in Note 3 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.

REPORT OF INDEPENDENT AUDITORS

Opinion

In our opinion, the consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses series 1 presents fairly, in all material respects, the expenses of Service Employees International Union, CTW, CLC for the year ended December 31, 2016 and the allocation of those expenses between chargeable expenses and nonchargeable expenses on the basis of the definitions in Note 2 to the statement and the significant factors and assumptions described in Note 3 to the statement.

Basis of Accounting

We draw attention to the notes in the statement, which describe the basis of presentation. The total operating expenses reflected in the total expenses column in the statement agree to the expenses reflected in the audited consolidated financial statements of Service Employees International Union, CTW, CLC (the International Union) and Subsidiary for the year ended December 31, 2016. Notes 2 and 3 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, which are used for the purpose of determining the fair share cost of services rendered by the International Union chargeable to agency fee payers. 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 Service Employees International Union, CTW, CLC and Subsidiary as of and for the year ended December 31, 2016, and our report thereon dated April 25, 2017 expressed an unmodified opinion on those financial statements.

Restriction on Use

This report is intended solely for the information and use of the Executive Boards and management of the Service Employees International Union, CTW, CLC, and its Local Unions and their agency fee payers, and is not intended to be and should not be used by anyone other than these specified parties.



A Professional Corporation
Bethesda, MD
October 11, 2017

SERVICE EMPLOYEES INTERNATIONAL UNION, CTW, CLC
CONSOLIDATED STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NONCHARGEABLE EXPENSES SERIES 1
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Non- Chargeable Expenses</u>
OPERATING EXPENSES			
Salaries	\$ 55,398,896	\$ 47,778,864	\$ 7,620,032
Benefits	24,962,961	20,871,409	4,091,552
Employee expenses	13,629,579	11,715,018	1,914,561
Professional fees	56,155,335	31,745,320	24,410,015
Non-employee generated expenses	7,771,172	5,944,436	1,826,736
Rent, utilities and building maintenance	3,596,820	3,577,015	19,805
Administrative expenses	13,002,084	12,410,571	591,513
Contributions	21,273,890	1,460,375	19,813,515
Subsidies, payments and withdrawals	52,886,679	42,796,166	10,090,513
Other Union expenses	<u>63,007,874</u>	<u>25,550,319</u>	<u>37,457,555</u>
TOTAL OPERATING EXPENSES	<u>311,685,290</u>	<u>203,849,493</u>	<u>107,835,797</u>
Less			
Political expenses paid from voluntary contributions	<u>(52,724,737)</u>	<u>-</u>	<u>(52,724,737)</u>
	<u>\$ 258,960,553</u>	<u>\$ 203,849,493</u>	<u>\$ 55,111,060</u>
PERCENTAGE	<u>100.000 %</u>	<u>78.718 %</u>	<u>21.282 %</u>

SERVICE EMPLOYEES INTERNATIONAL UNION, CTW, CLC
NOTES TO CONSOLIDATED STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NONCHARGEABLE EXPENSES SERIES 1
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses series 1 has been prepared on the accrual basis of accounting.

Basis of Presentation

The consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses series 1 was prepared for the purpose of determining the fair share cost of services rendered by the Service Employees International Union, CTW, CLC - United States Division (the International Union) chargeable to agency fee payers. This statement is not intended to be a complete presentation of the International Union's financial position, or changes in its net assets and its cash flows in accordance with generally accepted accounting principles.

Principles of Consolidation

The accompanying consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses series 1 includes the accounts of the United States Division, the Canadian Division, Political Education and Action Fund (PEA International), the Committee on Political Education (COPE) and 1800 Massachusetts Avenue Corporation, a not-for-profit corporation formed to be a title-holding corporation for the International Union's existing headquarters building. All significant intercompany balances and transactions have been eliminated in consolidation.

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.

Subsequent Events

In preparing this statement, management of the International Union has evaluated events and transactions that occurred after December 31, 2016 for potential recognition or disclosure in the statement. These events and transactions were evaluated through October 11, 2017, the date that the statement was available to be issued.

NOTE 2: DEFINITIONS

Chargeable Expenses

Chargeable expenses reflect the share of the costs of operations of the International Union which are considered necessarily and reasonably incurred for the purpose of assisting local unions in the performance of their duties as a representative of the employees in dealing with the employers on labor management issues, including the costs of:

- Negotiating and administering the collective bargaining contracts
- 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 union as representative of the employees in the bargaining unit
- Maintenance of the International Union's and local unions' existence

**NOTES TO CONSOLIDATED STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NONCHARGEABLE EXPENSES SERIES 1**

NOTE 2: DEFINITIONS - continued

The following are examples of expenses classified as chargeable:

- Preparation for and negotiations of collective bargaining agreements
- Contract administration including investigating 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
- Providing legal, economic and technical expertise on behalf of employees in all work-related matters
- Organizing

Nonchargeable Expenses

Nonchargeable expenses are those expenses incurred by the International Union for the benefit and advancement of represented employees and their union which are not considered representational activities for non-members. Non-chargeable activities include those services that are ideological or political in nature; those that are exclusively for the benefit of full union members; and those that otherwise are not considered germane to the collective bargaining process.

The following are examples of expenses classified as nonchargeable:

- Legislative and government activities outside the limited context of contract ratification or implementation
- Public relations and other efforts directed towards functional activities that are not considered germane to the collective bargaining process
- Political activity expenses which include support at the Federal, state, or local level
- Contributions to political and charitable organizations, or for community service activities
- Per capita tax fees paid to a labor organization
- Cost of benefits that are not available to non-members

**NOTES TO CONSOLIDATED STATEMENT OF EXPENSES AND ALLOCATION BETWEEN
CHARGEABLE EXPENSES AND NONCHARGEABLE EXPENSES SERIES 1**

**NOTE 3: 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 expenses are summarized as follows:

Personnel expenses are allocated to chargeable and nonchargeable expenses based on the allocation of personnel costs as determined through a time study. The following are considered personnel expenses:

- Salaries
- Benefits
- Employee expenses

Non-personnel expenses are allocated to chargeable and nonchargeable expenses based on the specific purpose of the expense as determined when the expense is incurred. The following are considered non-personnel expenses:

- Professional fees
- Non-employee generated expenses
- Rent, utilities and building maintenance
- Administrative expenses
- Contributions
- Subsidies, payments and withdrawals
- Other Union expenses

Expenses incurred by the SEIU Canadian Division and paid directly from Canadian per capita taxes are not included in the expenses reported on this statement.

2018 Notice to Public Sector Fair Share Fee Payers

Under the terms of the collective bargaining agreement in effect between your Employer and SEIU Healthcare 1199NW ("Union"), you may be obligated as a condition of employment, under a valid union security clause, to become and remain a member of the Union or to pay fees to the Union equal to the standard initiation fee and periodic dues. Employees represented by a union for the purpose of collective bargaining are not required by law to become members of the union. If you elect not to join the Union and thereby to limit your obligation to the Union to the payment of fees, you will lose all the rights of union membership, including the right to attend union meetings, the right to vote for union officers, the right to run for union leadership positions, the right to vote for contract proposals, and the right to take advantage of the SEIU Member Benefits Program, which includes a low-interest union credit card, home financing, consolidation loans, Costco membership, AT&T mobile discounts and discounted brand name merchandise.

If you have elected not to join the Union and thereby to limit your obligation to the Union to the payment of fees equal to the standard initiation fee and periodic dues, you have the right to object to providing financial support to union activities not germane to collective bargaining. If you object, the Union will reduce your fees proportional to the percentage of the Union's total expenditures that are not germane to collective bargaining. Individuals who object to providing financial support to union activities not germane to collective bargaining also have the right to challenge the calculation of their reduced objector fee and to receive a reasonably prompt determination of their challenge. If you file a challenge, the Union will place into an interest-bearing account all the fees collected from you, pending resolution of your challenge.

As a non-member of the Union, and regardless of whether you object to providing financial support to activities not germane to collective bargaining or challenge the calculation of the reduced objector fee, the Union will fairly represent you.

This Notice, which covers the 2018 fee year (January 1, 2018 – December 31, 2018), sets forth the amounts of the fair share fee ("FSF") and the reduced objector fee, explains how the objector fee was calculated, provides financial disclosure regarding the Union's major categories of expenditure, and explains how fee payers may exercise their rights to pay the objector fee and to challenge the Union's calculation of that fee.

The more workers who elect full union membership and participate fully in union affairs, the greater our collective strength to improve wages, benefits and other working conditions. We strongly encourage you to support your union with full membership and dues, and to join the ranks of health care workers across Washington State who are working together for ourselves, our families and our patients. You can join the Union by filling out and returning the enclosed membership application.

Amount of FSF and Objector Fee

Regular monthly membership dues are currently 1.8% of monthly gross salary and are presently capped at a maximum of \$90 per month. The fair share fee is equal to that amount. Dues are subject to change without further notice, but the fair share fee will not increase during the 2018 fee year.

Effective January 1, 2018 through December 31, 2018, SEIU Healthcare 1199NW will charge fee payers who timely object to paying for expenditures not germane to collective bargaining a reduced objector fee of no more than 86.14% of regular membership dues. Provided along with this Notice is the SEIU Healthcare 1199NW audited financial statement for the year ended December 31, 2016, which provides audited financial disclosure of the Union's major categories of expenses and thereby describes the basis in SEIU Healthcare 1199NW's 2016 expenditures for setting the reduced objector fee at this level. Certain of the amounts attributed to these categories of expenditures are also based on an independent audit of SEIU International's 2015 financial records, a copy of which is also provided. (See enclosed SEIU International's 2015 financial statement and audit report.) Please see below at pages 2-3 for important information as to how you may exercise your rights to pay the reduced objector fee and to challenge the Union's calculation of that fee.

Explanation of germane & non-germane expenditures

SEIU Healthcare 1199NW believes that all of the Union's expenditures, both those germane and those not germane to collective bargaining, benefit you and all the employees the Union represents. For example, the Union may support improvements in health care funding or protection of overtime rights through legislation rather than collective bargaining. This would benefit all workers. We therefore believe that it is in your interest not to limit your financial obligation to the Union. However, the law provides that you have a right to object to paying for expenses not germane to collective bargaining, as described below.

SEIU Healthcare 1199NW's expenditures may be grouped into two general categories — those that are germane to collective bargaining and are charged to all fee payers, even if they object, and those that are not germane to collective bargaining and are not charged to fee payers who object. This fair share fee is legal and enforceable under Washington law and United States Supreme Court decisions.

The criteria for determining germane expenses, which are charged to all non-members, have been approved by the courts and include, but are not limited to, the following expenses:

1. Preparation for and negotiation of collective bargaining agreements.
2. Contract administration, including grievance activities.
3. Economic actions including strike and related expenses.
4. Arbitration proceedings, preparation, and associated costs.
5. Research and agreement analysis and other information retrieval processes to support representational activities.
6. Communications directed to represented employees to support representational activities.
7. Governance of the Union including conventions, and administration of constitution and bylaws.
8. Education and training for union officers and employees.
9. Professional fees incurred to support internal governance and the other germane activities described above.

The reduced fair share fee rate paid by objectors does not include expenses, either direct or indirect, for the following activities, which are not germane to collective bargaining and are deemed non-chargeable to objectors:

1. Supporting and contributing to charitable organizations.
2. Political activities.
3. Legislative activities and publications not related to collective bargaining or the employment-related interests of members, or that are not otherwise germane to representing non-members in the collective bargaining process.
4. Services and benefits that are exclusively for the benefit of members.
5. Public relations and other efforts directed toward activities that are not considered germane to representing non-members in the collective bargaining process.

The amount of the objector fee for the 2018 fee year is based on the allocation of SEIU Healthcare 1199NW's major categories of expenditure in calendar year 2016 into chargeable and non-chargeable classifications set forth in the audited financial statements provided along with this Notice and incorporated by reference herein. The amounts attributed to these categories of expenditure are taken from an independent audit of SEIU Healthcare 1199NW's 2016 financial records contained in the financial statement audited by Minar Northey, a certified public accounting firm. This statement shows that 86.14% of SEIU Healthcare 1199NW's expenditures were chargeable to objecting fee payers in 2016.

How to exercise right to object to paying for non-germane expenditures

If you wish to object to paying for expenses that are not germane to collective bargaining, you must do so in writing by mailing or hand-delivering notice of your objection to the Secretary-Treasurer of SEIU Healthcare 1199NW, 15 S. Grady Way, Suite 200, Renton, WA 98057. You should include your name, original signature, valid address, Employer, and employee ID number, work location, and a statement that you object to paying for non-germane expenses. No particular form or language is required, as long as you make clear your desire to pay only the reduced objector fee. Objections sent by facsimile or e-mail transmittal, or sent to other office locations will not be accepted.

Any objection letters submitted for prior fee years are not applicable to the 2018 fee year. Except for new employees hired after January 1, 2018, objection letters must be postmarked or hand-delivered no later than **March 12, 2018**. If your letter has no postmark, it must be received no later than **March 12, 2018**.

Individuals hired after January 1, 2018 who wish to object must do so to the address set forth earlier in this section within 30 days of receiving their notice of being subject to Fair Share Fees deduction, if they wish to pay the reduced objector fee.

Upon receiving your timely objection letter, your fee will be reduced to the objector level, either by the advance reduction or the advance rebate method, and you will be sent a refund, with interest, of any fees deducted above the objector fee level prior to receipt of your objection.

How to Exercise Right to Challenge Union's Calculation of the Amount of the Objector Fee

If you wish to challenge the calculation of your reduced objector fee, you must do so in writing by mailing or hand-delivering notice of your challenge to the Secretary-Treasurer of SEIU Healthcare 1199NW, 15 S. Grady Way, Suite 200, Renton, WA 98057. You should include your name, valid address, Employer, employee ID number, work location, and a statement that you wish to challenge the Union's calculation of the objector fee. No particular form or language is required, as long as you make clear your desire to challenge the Union's calculation of the objector fee. Upon receiving your challenge letter, you will be treated as an objector (as described above), and further the Union will place all fees collected from you into an interest-bearing escrow account, pending resolution of your challenge.

Challenge letters must be postmarked or hand-delivered no later than **March 12, 2018**. If your letter has no postmark, it must be received no later than **March 12, 2018**. The challenge need not be sent separately from your objection letter; both can be combined in a single letter, so long as that letter clearly indicates your desire to challenge the Union's calculation of the objector fee. Such notice should, if possible, include the grounds for the challenge so that the Union may be able to consider those grounds and determine whether any further reduction in the fee is warranted before the matter proceeds to a hearing.

Challenges shall be heard by an impartial arbitrator selected by the American Arbitration Association in accordance with its Rules for Impartial Determination of Union Fees, under which a reasonably prompt decision will be rendered. All challenges will be consolidated into a single hearing. The Arbitrator will have authority to determine whether the objector fee is correct, to order any necessary adjustments thereto, and to order that the funds being held in the interest bearing escrow account be distributed in accordance with the Arbitrator's decision.

Subsequent to receipt of the Arbitrator's decision, the Union will release the escrowed funds in accordance with that decision and take all other steps necessary to comply with that decision. The arbitration will be scheduled and conducted in accordance with the foregoing American Arbitration Association Rules. The Arbitrator's fees and expenses will be paid by the Union. You need not personally attend the arbitration hearing or send a representative to the hearing in order to file a challenge, but if you choose to do so you will bear your own expenses for representation at the hearing.

Questions

If you have any questions regarding the above described procedures and rights, please write to the Secretary-Treasurer of SEIU Healthcare 1199NW, 15 S. Grady Way, Suite 200, Renton, WA 98057.

DISTRICT 1199 NORTHWEST,
HOSPITAL AND HEALTHCARE
EMPLOYEES UNION, SEIU
STATEMENT OF EXPENSES AND ALLOCATION OF
EXPENSES BETWEEN CHARGEABLE EXPENSES
AND NON-CHARGEABLE EXPENSES -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

DISTRICT 1199 NORTHWEST, HOSPITAL AND HEALTHCARE EMPLOYEES UNION, SEIU
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FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To The Executive Board of District 1199 Northwest,
Hospital and Healthcare Employees Union, SEIU
Renton, Washington

We have audited the accompanying statement of expenses and allocation of expenses – modified cash basis, between chargeable expenses and non-chargeable expenses of District 1199 Northwest, Hospital and Healthcare Employees Union, SEIU (a nonprofit Organization), for the year ended December 31, 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

The District's management is responsible for the preparation and fair presentation of the financial statement in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial 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 financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial 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 District'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 financial 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 financial statement referred to above presents fairly, in all material respects, the expenses and allocation of expenses between chargeable expenses and non-chargeable expenses of District 1199 Northwest, Hospital and Healthcare Employees Union, SEIU for the year ended December 31, 2016, in accordance with the basis of accounting as described in Note 1.

Other Matters and Basis of Accounting

The total expenses presented in Column A agree with the expenses reported in the audited financial statements of District 1199 Northwest, Hospital and Healthcare Employees Union, SEIU for the year ended December 31, 2016. The allocations of expenses between chargeable (Column B) and non-chargeable (Column C) are based on the descriptions presented in Note 2 and the significant factors and assumptions described in Note 3. The accompanying statement was prepared for the purpose of determining the fair share cost of services rendered by the District for employees represented by, but not members of, District 1199 Northwest, Hospital and Healthcare Employees Union, SEIU. The accompanying statement is not intended to be a complete presentation of the District's financial statements.

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of District 1199 Northwest, Hospital and Healthcare Employees Union, SEIU and its nonmembers and should not be used for any other purpose.



Minar and Northey LLP
Seattle, Washington

August 9, 2017, except for Note 4, as
to which the date is December 22, 2017

DISTRICT 1199 NORTHWEST, HOSPITAL AND HEALTHCARE EMPLOYEES UNION, SEIU
STATEMENT OF EXPENSES AND ALLOCATION OF EXPENSES BETWEEN
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Column A	Column B	Column C	
	Total Expenses	Chargeable Expenses	Non-Chargeable Expenses	Notes
Salaries	\$ 8,012,436	\$ 7,615,886	\$ 396,550	3-A
Payroll taxes	732,301	697,386	34,915	3-A
Employee benefits	2,392,607	2,278,531	114,076	3-A
Bank charges and fees	1,199	1,033	166	3-B
Computer expense and supplies	5,672	4,888	784	3-B
Conference and conventions	24,722	24,722	-	3-C
Depreciation expense	66,339	57,168	9,171	3-B
Donations	923,218	-	923,218	3-D
Dues and subscriptions	38,521	33,196	5,325	3-B
Education and training	50,394	50,394	-	3-E
Equipment rentals	169,887	146,401	23,486	3-B
Insurance expense	2,589	2,231	358	3-B
Meeting expense	373,574	373,574	-	3-C
Member communications	146,941	125,372	21,569	3-C
Office supplies and expense	201,316	173,485	27,831	3-B
Payroll processing fees	28,683	24,718	3,965	3-B
Per capita tax and unity fund	3,409,941	2,914,783	495,158	3-G
Per capita paid to other labor affiliates	414,658	-	414,658	3-G
Postage and delivery expense	112,463	100,685	11,778	3-H
Printing expense	18,787	16,190	2,597	3-B
Professional fees	853,148	853,148	-	3-F
Rent expense	553,144	476,673	76,471	3-B
Repairs and maintenance	414	357	57	3-B
Telephone expense	193,169	166,464	26,705	3-B
Travel, hotel and meals expense	645,386	549,905	95,481	3-B
Total expenses	<u>\$19,371,509</u>	<u>\$16,687,190</u>	<u>\$ 2,684,319</u>	
Percentage	<u>100.00%</u>	<u>86.14%</u>	<u>13.86%</u>	

See notes to financial statement.

DISTRICT 1199 NORTHWEST, HOSPITAL AND HEALTHCARE EMPLOYEES UNION, SEIU
NOTES TO THE STATEMENT OF EXPENSES AND ALLOCATION OF EXPENSES
BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES - MODIFIED
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD OF ACCOUNTING

The District maintains its accounting records and prepares its financial statement on the basis of modified cash receipts and disbursements except as noted below. Under this method, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. The District capitalizes long-term assets and leases and records depreciation as appropriate. Investments are accounted for using fair value.

INCOME TAXES

The District is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code.

The District's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed. There are currently no tax examinations in progress.

DEPRECIATION

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

Expenditures for repairs and maintenance that are immaterial and do not extend the lives of the assets are charged to operations.

SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date this financial statement was available to be issued on August 9, 2017.

MANAGEMENT ESTIMATES AND ASSUMPTIONS

The preparation of the statement of expenses and allocation of expenses between chargeable expenses and non-chargeable expenses requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

DISTRICT 1199 NORTHWEST, HOSPITAL AND HEALTHCARE EMPLOYEES UNION, SEIU
NOTES TO THE STATEMENT OF EXPENSES AND ALLOCATION OF EXPENSES
BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES – MODIFIED
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - DESCRIPTION OF THE BASIS FOR CLASSIFYING CHARGEABLE EXPENSES AND
NON-CHARGEABLE EXPENSES

CHARGEABLE EXPENSES

Chargeable expenses are those incurred by District 1199 Northwest, Hospital and Healthcare Employees Union, SEIU for representational activities, general overhead and union administration. Representational activities are those duties that the District performs as the representative of the employees in dealing with their employers, including collective bargaining, contract administration, grievance adjustment and other activities germane to the collective bargaining process.

Activities that are classified as chargeable include, but are not limited to, the following: preparation for and negotiation of collective bargaining agreements; contract administration including grievance activities; economic actions including strike related expenses; arbitration proceedings, preparation and associated costs; research and agreement analysis and other information retrieval processes to support representational activities; communications directed to represented employees on union policy and on related germane activities; governance of the union including conventions, and administration of constitution and bylaws; education and training for union officers and employees; and professional fees incurred to support internal governance and the other germane activities described above.

NON-CHARGEABLE EXPENSES

Non-chargeable expenses are those expenses incurred by District 1199 Northwest, Hospital and Healthcare Employees Union, SEIU for the benefit and advancement of its members, which are not considered representational activities for non-members. Non-chargeable activities are those services that are political in nature and not related to collective bargaining or the employment-related interests of members; those that are exclusively for the benefit of members; and those that otherwise are not considered germane to representing non-members in the collective bargaining process.

Activities that are classified as non-chargeable include, but are not limited to, the following: charitable support; legislative and political activities; publications; public relations and other efforts directed toward activities that are not considered germane to representing non-members in the collective bargaining process.

DISTRICT 1199 NORTHWEST, HOSPITAL AND HEALTHCARE EMPLOYEES UNION, SEIU
 NOTES TO THE STATEMENT OF EXPENSES AND ALLOCATION OF EXPENSES
 BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES - MODIFIED
 CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2016

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

- A. SALARIES, PAYROLL TAXES AND EMPLOYEE BENEFITS - These expenses have been allocated based on actual time spent by the District's personnel on chargeable and non-chargeable activities.
- B. ADMINISTRATIVE AND GENERAL EXPENSES - This category includes administrative and general expenses incurred by the District. For the purposes of this report, the expenditures included in this category have been allocated between chargeable and non-chargeable on the basis of the allocated results of all other expenditures. The following expenses represent the components of this category:

Bank charges and fees	\$ 1,199
Computer expense and supplies	5,672
Depreciation expense	66,339
Dues and subscriptions	38,521
Equipment rentals	169,887
Insurance expense	2,589
Office supplies and expense	201,316
Payroll processing fees	28,683
Printing expense	18,787
Rent	553,144
Repairs and maintenance	414
Telephone expense	193,169
Travel, hotel and meals expense	645,386
Total administrative and operating expenses	<u>\$1,925,106</u>

- C. CONFERENCE AND CONVENTIONS, MEETING EXPENSE AND MEMBER COMMUNICATIONS - The expenditures that are not directly related to the function of representation are considered non-chargeable for this report. The expenditures that benefit the District members as a whole are fully chargeable.
- D. DONATIONS - All donations are considered non-chargeable.
- E. EDUCATION AND TRAINING - These expenditures benefit the District members as a whole and are considered fully chargeable.
- F. PROFESSIONAL FEES - The fees paid for accounting, auditing and computer services are considered fully chargeable. The legal expenses incurred have been allocated based on a case-by-case basis to determine if they are chargeable or non-chargeable.

DISTRICT 1199 NORTHWEST, HOSPITAL AND HEALTHCARE EMPLOYEES UNION, SEIU
NOTES TO THE STATEMENT OF EXPENSES AND ALLOCATION OF EXPENSES
BETWEEN CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES – MODIFIED
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 - SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION
BETWEEN CHARGEABLE AND NON-CHARGEABLE EXPENSES (CONTINUED)

- G. PER CAPITA TAXES AND UNITY FUND - International per capita taxes have been allocated between chargeable and non-chargeable based on information provided by Service Employees International Union's 2015 audited financial statements. Per capita paid to other labor affiliates are considered to be 100% non-chargeable.
- H. POSTAGE AND DELIVERY EXPENSE - These expenditures include both chargeable and non-chargeable items. Expenses relating to political and legislative activities have been separately identified as non-chargeable.

NOTE 4 - RESTATEMENT

This statement of Expenses and allocation of expenses between chargeable expenses and non-chargeable expenses – modified cash basis has been restated to correct for an error. Subsequent to the original issuance of this statement, it was determined that rent expense is properly included in allocable administrative and general expenses as described in Note 3 above. Accordingly, all allocated administrative and general expenses have been restated to correct for this error.