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**UNITED ASSOCIATION LOCAL NO. 198**

**EDUCATIONAL FUND**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2009**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/3/10



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UNITED ASSOCIATION LOCAL NO. 198

EDUCATIONAL FUND

FINANCIAL STATEMENTS

AUGUST 31, 2009

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees

United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local No. 198 AFL -- CIO Educational Fund  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local No. 198 AFL -- CIO Educational Fund (referred to as the UA 198 Educational Fund or the Fund) as of August 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UA 198 Educational Fund as of August 31, 2009 and 2008, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010, on our consideration of the UA 198 Educational Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
February 19, 2010

**UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES**  
**OF THE PLUMBING AND PIPE FITTING INDUSTRY**  
**OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL-CIO**  
**EDUCATIONAL FUND**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2009 AND 2008**

	2009	2008
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 478,449	\$ 633,457
Accounts receivable	84,085	25,913
Accrued interest receivable	-	1,147
Prepaid expenses	8,112	8,403
Inventory	17,502	7,477
Total current assets	588,148	676,397
<b><u>PROPERTY AND EQUIPMENT - at cost</u></b>		
Buildings	411,217	411,217
Automotive	23,206	23,206
Office and school equipment	117,580	98,118
Computer equipment	18,142	14,704
	570,145	547,245
Less: Accumulated depreciation	(511,843)	(495,560)
	58,302	51,685
 <b><u>TOTAL ASSETS</u></b>	 \$ 646,450	 \$ 728,082

The accompanying notes are an integral part of these financial statements.

	<u>2009</u>	<u>2008</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 23,565	\$ 24,659
Payroll taxes payable	<u>6,937</u>	<u>4,345</u>
Total current liabilities	<u>30,502</u>	<u>29,004</u>
<b><u>NET ASSETS</u></b>		
Unrestricted	<u>615,948</u>	<u>699,078</u>
Total net assets	<u>615,948</u>	<u>699,078</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 646,450</u></b>	<b><u>\$ 728,082</u></b>

**UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES**  
**OF THE PLUMBING AND PIPE FITTING INDUSTRY**  
**OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL-CIO**  
**EDUCATIONAL FUND**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b><u>REVENUES</u></b>		
Employer contributions	\$ 189,336	\$ 191,280
Investment income - interest	5,603	23,670
Book sales	11,910	8,158
Grant revenue - City of Baton Rouge, Workforce Investment Board	70,840	-
Grant revenue - International Training Fund	20,351	-
Other income	7,689	-
Total revenues	<u>305,729</u>	<u>223,108</u>
<b><u>EXPENSES</u></b>		
<b>General</b>		
Auditing and tax returns	6,500	5,500
Building maintenance and supplies	33,725	22,989
Depreciation	16,283	14,877
Insurance	15,101	13,274
Legal	898	387
Miscellaneous	6,238	6,246
Rent	15,000	15,000
Telephone	3,878	5,270
Utilities	21,069	19,526
	<u>118,692</u>	<u>103,069</u>
<b>Program</b>		
Salaries	92,766	85,350
Payroll taxes and benefits	65,142	47,998
School and training supplies	37,674	40,945
Travel and meeting expense	21,223	19,172
Miscellaneous	20,757	15,505
Summer youth program	32,605	-
	<u>270,167</u>	<u>208,970</u>
Total expenses	<u>388,859</u>	<u>312,039</u>
Change in net assets	<u>(83,130)</u>	<u>(88,931)</u>
<b><u>NET ASSETS - UNRESTRICTED</u></b>		
Beginning of year	<u>699,078</u>	<u>788,009</u>
End of year	<u>\$ 615,948</u>	<u>\$ 699,078</u>

The accompanying notes are an integral part of these financial statements.

**UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES**  
**OF THE PLUMBING AND PIPE FITTING INDUSTRY**  
**OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL-CIO**  
**EDUCATIONAL FUND**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (83,130)	\$ (88,931)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation expense	16,283	14,877
Changes in operating assets and liabilities:		
Receivables	(57,025)	24,112
Inventory	(10,025)	(2,890)
Prepaid expenses	291	(866)
Accounts payable	(1,094)	5,558
Payroll taxes payable	2,592	713
Net cash used in operating activities	<u>(132,108)</u>	<u>(47,427)</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of equipment and vehicles	<u>(22,900)</u>	<u>(3,437)</u>
Net cash used in investing activities	<u>(22,900)</u>	<u>(3,437)</u>
Net decrease in cash and cash equivalents	(155,008)	(50,864)
Cash and cash equivalents, beginning of year	<u>633,457</u>	<u>684,321</u>
Cash and cash equivalents, end of year	<u>\$ 478,449</u>	<u>\$ 633,457</u>

The accompanying notes are an integral part of these financial statements.



**UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES**  
**OF THE PLUMBING AND PIPE FITTING INDUSTRY**  
**OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL - CIO**  
**EDUCATIONAL FUND**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Description of Fund**

The UA 198 Educational Fund (Educational Fund or Fund) operates under an agreement between participating contractors and the Labor Union. The agreement provides, among other things, for employers of members of the Union to make contributions to the Fund for each hour of covered employment, from \$0.10 to \$0.15 per hour. (Most employees are \$0.12)

The Fund provides education and apprenticeship training to eligible participants as specified in the trust agreement.

**2. Significant Accounting Policies**

**Basis of Presentation**

Financial statement presentation follows generally accepted accounting principles (GAAP), which requires the Fund to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Fund did not have any temporary or permanently restricted net assets at August 31, 2009 or 2008.

**Accounts Receivable**

No allowance for uncollectible receivables is established due to all receivables being deemed collectible.

**Inventory**

Inventory of educational material is carried at the lower of cost or market determined by utilizing the specific identification method.

**Property and Equipment**

Buildings and equipment are carried at cost and depreciated using the straight line method over the estimated useful lives of the assets: 5 years for automotive, 3 to 10 years for equipment, and from 25 to 50 years for buildings and improvements. Maintenance, repairs, and minor replacements are charged to expense as incurred. When property and equipment is sold or retired, the costs and accumulated depreciation are removed, and gains and losses are recognized.

**UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES**  
**OF THE PLUMBING AND PIPE FITTING INDUSTRY**  
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**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Significant Accounting Policies (continued)**

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 reported in the Statements of Activities as net assets released from restrictions. The Organization does not have any permanently restricted net assets.

Grants for fee income are recorded as unrestricted net assets in the Statements of Activities. All grantor-restricted support is reported as an increase in temporarily restricted net assets in the Statements of Activities. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released on the Statements of Activities.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

**Cash Flow Statements**

For the purposes of the Statements of Cash Flows, the Fund considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

**3. Income Taxes**

The Fund is exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Fund has a letter from the IRS dated March 29, 1961, stating such exemption. Management believes that the Fund is operating in accordance with the Internal Revenue Code and, therefore, is still considered exempt. In accordance with FASB Staff Position (FSP) FIN 48-3, the Fund has elected to defer the application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES  
OF THE PLUMBING AND PIPE FITTING INDUSTRY  
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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

**4. Custodial Credit Risk**

There are times the Funds cash balances with financial institutions may be in excess of the FDIC insured limits. The Fund has not experienced any losses in its cash accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**5. Related Party Transactions**

UA Local 198 Pension Fund and U.A. 198 Health and Welfare Fund are related parties to the Educational Fund because the same covered employees are members of the union and receive benefits from the Welfare plan.

The Fund leases the welding school building from UA Local 198 for \$1,250 per month or \$15,000 annually. The lessee may terminate the lease by giving a thirty day notice without further liability. As of August 31, 1996, the term of the lease expired. The Fund is presently leasing the building on a month to month basis. Rent paid totaled \$15,000 for the years ended August 31, 2009 and 2008

Each year the United Association Local No. 198 Health and Welfare Fund charges a fee to the Fund for administrative services including facilities and personnel provided. For the years ended August 31, 2009 and 2008, the fee was \$6,000.

**6. Significant Employer Contributions**

During the year ended August 31, 2009, the Fund received contributions from individual employers totaling greater than 10% of total employer contributions. Those employers contributing in excess of 10% are shown below:

Turner Industries	<u>25%</u>
Bernhard Mechanical	<u>17%</u>
Johnson Controls, Inc.	<u>16%</u>

Accounts receivable from the above employers totaled \$20,506 at August 31, 2009.

Turner Industries	<u>19%</u>
Bernhard Mechanical	<u>15%</u>
Jacobs Construction	<u>12%</u>
Johnson Controls, Inc.	<u>12%</u>

Accounts receivable from the above employers totaled \$15,361 at August 31, 2008.

**UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES**  
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**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**7. Grants**

The Fund entered into an agreement with the City of Baton Rouge, Parish of East Baton Rouge, Baton Rouge Workforce Investment Board, to offer classroom instruction related to the Workforce Investment Act. The agreement is for the period of January 1, 2009 through December 31, 2009. The Fund provided instruction to eligible individuals in order to obtain the occupational skills necessary to secure employment. The classroom instruction was an approved curriculum and course work described by the Industry Training Authority. Over the life of the grant the Fund will hold two 16-week training courses; one began June 29, 2009 and the second class began in September of 2009. Revenue related to the agreement for fiscal year 2009 is \$70,840.

**8. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 19, 2010, and determined that no events occurred that require disclosure.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees

United Association of Journeymen and Apprentices of the Plumbing and Pipe

Fitting Industry of the United States and Canada, Local No. 198 AFL – CIO Educational Fund  
Baton Rouge, Louisiana

We have audited the financial statements of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local No. 198 AFL – CIO, Educational Fund, (the Fund), as of and for the year ended August 31, 2009, and have issued our report thereon dated February 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described in the schedule of findings and questioned costs as 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Fund's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Board of Trustees, Management, and The State of Louisiana Legislative Auditors Office and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
February 19, 2010

**UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES**  
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**EDUCATIONAL FUND**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**A. Summary of Audit Results**

- 1) The auditors' report expressed an unqualified opinion on the financial statements of the Fund as of and for the year ended August 31, 2009.

**B. Findings and Questioned Costs**

**2009-1 Financial Reporting**  
(Repeat finding of 2008-1)

**Criteria:** As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures.

**Condition:** The definition of internal control over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Fund, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

**Effect:** Because our involvement is so key to that process that is an indication that the internal control over financial reporting of the Fund meets the definition of a significant deficiency as defined above.

**Recommendation:**

We recommend that management continues to assess the complexity of disclosures and evaluate the potential need for assistance in the preparation of their financial statements and related notes.

***View of Responsible Official and Planned Corrective Action:***

Management takes full responsibility for all financial statements and their related disclosures. In doing so, Management provides all information needed to prepare the financial statements and their related disclosures to its auditors. Management does not believe that there are any complex disclosures and as a result relies on the auditors to draft the financial statements and related notes.

**B. Findings and Questioned Costs (continued)**

**2009-2 Financial Reporting**  
(Repeat finding of 2008-2)

- Criteria:** Although the year-end audited financial statements are adjusted to the accrual basis of accounting, the Fund maintains its books on a cash basis.
- Condition:** Recording transactions on an accrual basis is in accordance with generally accepted accounting principles, and it provides more meaningful financial information.
- Effect:** We realize the cash basis method of accounting is easy to administer and understand. We also understand that the procedure to maintain the accounting records on an accrual basis throughout the year can be a time-consuming task.

**Recommendation:**

We recommend that you consider a procedure in which books are kept on a cash basis, and accrual adjustments are made only at year-end. Interim financial statements could then be maintained on the cash basis to simplify the monthly closing procedures. This practice would enable the Fund to enjoy the best features of both methods: properly adjusted accrual financial statements for year-end accounting, and more easily produced interim financial statements for monthly reporting.

***View of Responsible Official and Planned Corrective Action:***

For internal reporting purposes Management uses the cash basis of accounting. Management provides all information needed to prepare the financial statements and their related disclosures on the accrual basis of accounting to its auditors. Management does not intend to change its internal reporting practices.

**C. Prior Year Findings and Questioned Costs**

2008-1 and 2008-2 are repeat findings in 2009.