

**SEIU LOCAL 500, INC. AND
ITS WHOLLY-OWNED SUBSIDIARY**

CONSOLIDATED STATEMENT OF EXPENSES AND
ALLOCATION OF EXPENSES BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES -
MODIFIED CASH BASIS

AND
REPORT OF INDEPENDENT AUDITORS

YEAR ENDED SEPTEMBER 30, 2021



**SEIU LOCAL 500, INC. AND
ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED STATEMENT OF EXPENSES AND
ALLOCATION OF EXPENSES BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES -
MODIFIED CASH BASIS**

YEAR ENDED SEPTEMBER 30, 2021

CONTENTS

	PAGE
Report of Independent Auditors	1
Consolidated Statement of Expenses and Allocation of Expenses Between Chargeable Expenses and Non-Chargeable Expenses - Modified Cash Basis	3
Notes to Consolidated Statement of Expenses and Allocation of Expenses Between Chargeable Expenses and Non-Chargeable Expenses - Modified Cash Basis	4



7501 WISCONSIN AVENUE | SUITE 1200 WEST
BETHESDA, MD 20814
202.331.9880 PHONE | 202.331.9890 FAX

REPORT OF INDEPENDENT AUDITORS

To the Executive Board of
SEIU Local 500, Inc. and its Wholly-Owned Subsidiary

We have audited the accompanying consolidated statement of expenses and allocation of expenses between chargeable expenses and non-chargeable expenses - modified cash basis (consolidated statement) for SEIU Local 500, Inc. and its Wholly-Owned Subsidiary (Local 500) for the year ended September 30, 2021, and the related notes to the consolidated statement.

Management's Responsibility for the Consolidated Statement of Expenses and Allocation of Expenses Between Chargeable Expenses and Non-Chargeable Expenses

Management is responsible for the preparation and fair presentation of this consolidated statement in accordance with the modified cash basis of accounting as described in Note 1, the description presented in Note 2 and the significant factors and assumptions described in Note 3. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of this consolidated 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 consolidated statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this consolidated 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 consolidated statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Local 500's preparation and fair presentation of the consolidated 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 Local 500'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 consolidated 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 consolidated statement referred to above presents fairly, in all material respects, total consolidated expenditures of Local 500 for the year ended September 30, 2021, and allocation of the consolidated expenses between chargeable expenses and non-chargeable expenses based on the descriptions presented in Note 2 and the significant factors and assumptions described in Note 3.

Basis of Accounting

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

Other Matters

We have audited in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Local 500 for the year ended September 30, 2021, and our report thereon dated February 14, 2022 expressed an unmodified opinion on those statements.

The total expenses reflected in Column A of the consolidated statement agree to the expenses in the audited consolidated financial statement - modified cash basis of the Local 500 for the year ended September 30, 2021, as modified to remove certain expenses, as detailed in Note 4. The allocation of consolidated expenses between chargeable expenses and non-chargeable expenses is based on the definitions and significant factors and assumptions described in Notes 2 and 3.

The accompanying consolidated statement was prepared for the purpose of determining the fairshare cost of services rendered by Local 500 for employees represented, but not members of Local 500. The accompanying consolidated statement is not intended to be a complete presentation of Local 500's financial statements.

Intended Use of This Report

This report is intended solely for the information and use of SEIU Local 500, Inc., its Wholly-Owned Subsidiary, and the agency fee payers and should not be used for any other purposes.

CaliberCPAGroup, PLLC

Bethesda, MD
February 14, 2022

**SEIU LOCAL 500, INC. AND
ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED STATEMENT OF EXPENSES AND
ALLOCATION OF EXPENSES BETWEEN CHARGEABLE
EXPENSES AND NON-CHARGEABLE EXPENSES -
MODIFIED CASH BASIS**

YEAR ENDED SEPTEMBER 30, 2021

	Column A	Column B	Column C	
	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Non-Chargeable Expenses</u>	<u>Note</u>
Contract and maintenance	\$ 1,653,272	\$ 1,653,272	\$ -	3a
Organizing	738,577	738,577	-	3b
Childcare	33	33	-	3c
Affiliation fees	1,318,450	872,777	445,673	3d
Legislative and political education	178,262	-	178,262	3e
Other contributions	1,000	-	1,000	3f
Management and general office	<u>753,944</u>	<u>753,944</u>	<u>-</u>	3g
 Total expenses	 <u>\$ 4,643,538</u>	 <u>\$ 4,018,603</u>	 <u>\$ 624,935</u>	
 Percentage	 <u>100%</u>	 <u>87%</u>	 <u>13%</u>	

See accompanying notes to consolidated statement.

**SEIU LOCAL 500, INC. AND
ITS WHOLLY-OWNED SUBSIDIARY**

**NOTES TO CONSOLIDATED
STATEMENT OF EXPENSES AND ALLOCATION OF
EXPENSES BETWEEN CHARGEABLE EXPENSES
AND NON-CHARGEABLE EXPENSES -
MODIFIED CASH BASIS**

YEAR ENDED SEPTEMBER 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Method of Accounting** - The consolidated statement of expenses and allocation of expenses has been prepared using the modified cash basis of accounting. Expenses are recognized when paid rather than when incurred. For purposes of this consolidated statement, the activity of the SEIU Local 500 PAC Fund, which is not funded with membership dues, has been excluded.
- b. **Depreciation** - Depreciation and amortization of buildings, improvements, furniture and equipment are generally computed over the estimated useful lives of the related assets by the straight-line method.
- c. **Tax Status** - SEIU Local 500, Inc. and the Building Corporation qualify for tax exempt status under the provisions of the Internal Revenue Code (IRC) and are, therefore, not subject to tax under present income tax laws, except that any unrelated business income is subject to certain taxes. Forms 990, *Return of Organization Exempt from Income Tax*, and Form 990-T, *Exempt Organization Unrelated Business Income Tax Return*, for the years ended September 30, 2018, through 2020 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

For the year ended September 30, 2021, Local 500 has documented its consideration of its uncertain tax positions and determined that no material uncertain tax positions qualify for either recognition or disclosure in this consolidated statement under current standards.

- d. **Management Estimates and Assumptions** - The presentation of this consolidated statement requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates.

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

- a. **Chargeable Expenses** - Chargeable expenses are those expenses incurred by Local 500 for representational activities. Representational activities are those duties that Local 500 performs as a representative of the employees in dealings with the employers, including collective bargaining, contract administration, grievance arbitration, and other activities germane to the collective bargaining process.

Activities that are classified as chargeable include the following: preparation for and negotiation of collective bargaining agreements; contract administration including grievance activities; economic actions including strike related expenses such as strikes, picketing, boycotts and demonstrations to maintain a unified front in support of collective bargaining objectives; expenses of litigation incident to negotiating and administering contracts, settling grievances and disputes, arbitrations, and conducting other litigation before administrative agencies; publications to the extent they report on Local 500's representational or administrative activities; membership education and training pertaining to grievance handling and arbitration; legislative and government activities which are worker related including preparation of literature, correspondence, demonstrations and meetings; organizing (including internal organizing); governance of Local 500 including conventions, Executive Board meetings and expenses; internal administration of Local 500 including formulating policy, judicial administration, financial administration, and maintenance of membership status; and, per capita tax or fees paid to various labor organizations to the extent they are expended for germane items.

- b. **Non-Chargeable Expenses** - Non-chargeable expenses are those expenses incurred by Local 500 for the benefit and advancement of the members and their union which are not considered representational activities for non-members. Non-chargeable activities are those services that are ideological or political in nature, exclusively for the benefit of members, and those that are not considered germane to representing non-members in the collective bargaining process.

Activities that are classified as non-chargeable include the following: legislative and government activities which are citizen related; litigation costs that are not germane to member representation; public relations and other efforts directed toward functional activities that are not considered germane to representing non-members in the collective bargaining process; political activity expenses which include support at the Federal, state or local level; and publications to the extent they report on non-administrative or non-representational activities. Other non-chargeable examples include: charitable contributions; per capita tax or fees paid to a labor organization to the extent they are spent on non-chargeable items; and, the cost of benefits that are not available to non-members.

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

- a. **Contract and Maintenance** - The costs incurred during grievance and arbitration activities are considered to be chargeable based on the description of chargeable costs in Note 2a.
- b. **Organizing (Including Internal Organizing)** - The costs incurred pertaining to recruitment of members are considered to be chargeable based on the description of chargeable costs in Note 2a.
- c. **Childcare** - The cost incurred related to the childcare division are considered chargeable based on the description of chargeable costs in Note 2a.
- d. **Affiliation Fees** - The payment of per capita taxes to the International Union were allocated between chargeable and non-chargeable based on the International's chargeable and non-chargeable percentage as reported in their statement of expenses and allocation of expenses between chargeable expenses and non-chargeable expenses for the year ended December 31, 2020. All other affiliation fees are considered to be non-chargeable.
- e. **Legislative and Political Education** - Costs incurred in the education of voters, voter registration drives and communication surrounding political matters affecting Local 500 members are considered to be non-chargeable based on the description of non-chargeable costs in Note 2b.
- f. **Other Contributions** - Charitable or civic contributions are considered to be non-chargeable.
- g. **Management and General Office** - Administrative costs incurred in the ordinary course of business are considered to be chargeable based on the description of chargeable costs in Note 2a. These costs include office supplies, stationary, telephone expense, utilities, etc.

NOTE 4. RECONCILIATION TO AUDITED FINANCIAL STATEMENTS

The expenses included in this consolidated statement are based upon the total expenses of \$4,777,123 reported in the audited consolidated financial statements of Local 500 for the year ended September 30, 2021. The total expenses per the consolidated financial statements have been modified for certain adjustments, as shown below:

Total expenses as reported in the audited consolidated financial statements	\$ 4,777,123
Salaries funded by SEIU	-
Third-party rental revenue	(48,921)
SEIU Local 500 PAC Fund expenses paid from a fund of voluntary contributions from members	<u>(84,664)</u>
Total expenses as reported on this consolidated statement	<u>\$ 4,643,538</u>

NOTE 5. SUBSEQUENT EVENTS

All subsequent events have been evaluated through February 14, 2022, which is the date the consolidated statement was available to be issued, and revealed no other events requiring adjustment to or disclosure in the accompanying consolidated statement.



MEMORANDUM

TO: U.S. Local Unions
FROM: Mary Kay Henry, International President
DATE: July 13, 2021
RE: **International Union Audits for Agency Fee Programs**

MARY KAY HENRY
International President

GERRY HUDSON
International Secretary-Treasurer

NEAL BISNO
Executive Vice President

HEATHER CONROY
Executive Vice President

LESLIE FRANE
Executive Vice President

VALARIE LONG
Executive Vice President

ROCIO SÁENZ
Executive Vice President

As you are aware, under the Supreme Court decision of *CWA v. Beck*, international and local unions are required to provide non-members with information regarding the allocation of the union's expenditures on bargaining and non-bargaining matters, as a condition of collecting from them an agency (or fair share) fee under the National Labor Relations Act.¹ In past years, we have provided you with documents containing a breakdown of the International Union's expenditures. This has been done so that the local unions could incorporate into their own calculations the chargeable and non-chargeable percentages of per capita taxes paid to the International Union.

We are herewith providing you with the independent auditor's report detailing the allocation of chargeable and non-chargeable expenditures for 2020. The format of the report is in accordance with AU 623 (SAS 62), the type of report that some courts, public employee relations boards, and arbitrators have required in connection with the allocation of chargeable and non-chargeable expenses.

The report may be of assistance in any arbitration, labor board, or court hearings in which you are required to justify your agency fee. If you have any further questions with respect to this matter, please contact LaRell Purdie (larell.purdie@seiu.org) in the SEIU Legal Department.

Enclosure

cc: Nicole Berner, General Counsel

SERVICE EMPLOYEES
INTERNATIONAL UNION
CTW, CLC

1800 Massachusetts Ave., NW
Washington, DC 20036

202.730.7000

www.SEIU.org

¹ As a result of the Supreme Court's June 27, 2018 decision in *Janus v. AFSCME Council 31*, fair share fees may not be collected in public-sector units.



SERVICE EMPLOYEES INTERNATIONAL UNION, CTW, CLC AND SUBSIDIARY
Consolidated Statement of Expenses and Allocation Between
Chargeable Expenses and Nonchargeable Expenses - Series 1
December 31, 2021
With Independent Auditor's Report

Service Employees International Union, CTW, CLC and Subsidiary
Table of Contents
December 31, 2021

Independent Auditor's Report	1-2
Consolidated Financial Statement	
Consolidated Statement of Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses - Series 1	3
Notes to Consolidated Statement of Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses - Series 1	4-6

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated statement of expenses and allocation between chargeable expenses and nonchargeable expenses - series 1 (the "statement") of the Service Employees International Union, CTW, CLC and Subsidiary (the "International Union").

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 the Service Employees International Union, CTW, CLC and Subsidiary for the year ended December 31, 2021 and the allocation of those expenses between chargeable expenses and nonchargeable expenses on the basis of the definitions in Note 3 to the statement and the significant factors and methodologies described in Note 4 to the statement.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statement section of our report. We are required to be independent of the International Union 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 the notes to 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 the International Union for the year ended December 31, 2021. Notes 3 and 4 to the statement describe the definitions of chargeable expenses and nonchargeable expenses and the significant factors and methodologies used in the allocation of expenses between chargeable and nonchargeable, which was prepared based on management's interpretation of case law relevant to union fair share costs, in which a union is authorized by statute to collect from non-members only those fees and dues necessary to perform its duties as a collective bargaining representative. 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 consolidated financial statements of the Service Employees International Union, CTW, CLC and Subsidiary as of and for the year ended December 31, 2021, and our report thereon dated April 25, 2022 expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of this statement in accordance with the significant accounting policies presented in Note 2 to the statement, the definitions presented in Note 3 to the statement and the significant factors and methodologies described in Note 4 to the statement, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of this statement that is free from material misstatement, whether due to fraud or error.

In preparing this statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the International Union's ability to continue as a going concern for one year after the date that this statement is available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether this statement 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 GAAS 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 this statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of this statement, 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 this statement.
- 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 the International Union'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 this statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the International Union'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.

Restriction on Use

This report is intended solely for the information and use of the Executive Board and management of the Service Employees International Union, CTW, CLC and Subsidiary, and, at the International Union's sole discretion, its local unions and their agency fee payors, and is not intended to be and should not be used by anyone other than these specified parties.

(Date)

**Service Employees International Union, CTW, CLC and Subsidiary
Consolidated Statement of Expenses and Allocation Between
Chargeable Expenses and Nonchargeable Expenses - Series 1
Year Ended December 31, 2021**

	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Nonchargeable Expenses</u>
Operating expenses			
Salaries	\$ 48,176,005	\$ 40,524,929	\$ 7,651,076
Benefits	22,421,626	19,216,200	3,205,426
Employee expenses	1,171,252	1,015,210	156,042
Professional fees	49,546,886	38,586,696	10,960,190
Non-employee generated expenses	2,731,976	2,484,018	247,958
Rent, utilities and building maintenance	3,741,946	3,736,846	5,100
Administrative expenses	10,974,606	10,726,947	247,659
Subsidies, payments and withdrawals	47,929,045	44,738,185	3,190,860
Contributions	33,362,244	2,124,584	31,237,660
Other union expenses	47,832,675	8,791,493	39,041,182
Total operating expenses	<u>267,888,261</u>	<u>171,945,108</u>	<u>95,943,153</u>
Less			
Political expenses paid from voluntary contributions	<u>(29,070,099)</u>	<u>-</u>	<u>(29,070,099)</u>
	<u>\$ 238,818,162</u>	<u>\$ 171,945,108</u>	<u>\$ 66,873,054</u>
Percentage	<u>100.00%</u>	<u>72.00%</u>	<u>28.00%</u>

The Notes to Consolidated Statement of Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses - Series 1 are an integral part of this statement.

Service Employees International Union, CTW, CLC and Subsidiary

Notes to Consolidated Statement of Expenses and Allocation Between Chargeable Expenses and Nonchargeable Expenses - Series 1

December 31, 2021

1. ORGANIZATION

The Service Employees International Union, CTW (“Change to Win”), CLC (“Canadian Labour Congress”) and Subsidiary (the “International Union”) is a not-for-profit entity established to promote the general welfare of public service workers, health-care workers, property service workers and industrial and allied workers in the United States, Puerto Rico and Canada. The International Union engages in various activities on behalf of the members including organizing, collective bargaining, political education, legislative action, research and education, community service programs, improvement of working conditions and advancement of the social and economic well-being of union members. The primary source of revenue is per capita taxes paid by local unions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The statement was prepared based on management's interpretation of case law relevant to union fair share costs, in which a union is authorized by statute to collect from non-members only those fees and dues necessary to perform its duties as a collective bargaining representative. 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 accounting principles generally accepted in the United States of America.

Principles of Consolidation

The statement includes the accounts of the United States Division and the Canadian Division, Political Education and Action Fund, the Committee on Political Education, United We Can 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 statement requires management to make estimates and determine methodologies that affect the reported amounts of expenses during the reported period. Actual results could differ from those estimates.

Depreciation and Amortization

Property assets are depreciated on a straight-line basis at rates calculated to amortize the cost of the assets over their respective estimated useful lives. For the year ended December 31, 2021, total depreciation and amortization expense was \$3,090,219 and is included in other union expenses on the statement.

Subsequent Events

In preparing this statement, management of the International Union has evaluated events and transactions that occurred after December 31, 2021 for potential recognition or disclosure in the statement. These events and transactions were evaluated through (date), the date that the statement was available to be issued, and no items have come to the attention of management that require recognition or disclosure.

Service Employees International Union, CTW, CLC and Subsidiary
Notes to Consolidated Statement of Expenses and Allocation Between
Chargeable Expenses and Nonchargeable Expenses - Series 1
December 31, 2021

3. DEFINITIONS

Chargeable Expenses

Chargeable expenses reflect the share of the costs of operations of the International Union which are considered necessary 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 and local unions' existence.

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.

Service Employees International Union, CTW, CLC and Subsidiary
Notes to Consolidated Statement of Expenses and Allocation Between
Chargeable Expenses and Nonchargeable Expenses - Series 1
December 31, 2021

4. SIGNIFICANT FACTORS AND METHODOLOGIES RELATING TO THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE EXPENSES AND NONCHARGEABLE EXPENSES

Personnel expenses are allocated to chargeable expenses and nonchargeable expenses as determined through a time study. The following are considered personnel expenses:

- Salaries,
- Benefits,
- Employee expenses.

Non-personnel expenses are allocated to chargeable expenses 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.

All expenses incurred by the Canadian Division of the International Union and paid directly from Canadian per capita taxes are considered nonchargeable expenses in this statement.

5. RISKS AND UNCERTAINTIES

The International Union is party to a number of lawsuits. The liability, if any, associated with these matters is not presently determinable. In the opinion of management, resolution of these matters will not have a material effect on the International Union's operating expenses.

Management continues to evaluate the impact of the COVID-19 pandemic (the "virus") on the service employees industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the International Union's financial position, and the results of its operations, the specific impact is not readily determinable as of the date of this statement. The statement does not include any adjustments that might result from the outcome of this uncertainty.