

**MINUTES**  
**NATIONAL POSTAL MAIL HANDLERS UNION**  
**LOCAL 308'S EXECUTIVE BOARD MEETING**  
**June 30, 2009**

The Executive board meeting was held at the Local 308 Headquarters in Philadelphia, PA.

**Executive Board members present:**

John Macey	Local President
Tony Branco	Local Treasurer
John Gibson	Local Vice President
Ed Tucker	Recording Secretary
Robert Singleton	PA State Executive Board Member
Steve Bahrle	NJ State Executive Board Member
Quentin Seth	DE State Executive Board Member

After Pledge of Allegiance, Local President Macey suggested that Brother Tucker read the minutes from the previous executive meeting for official acceptance by the board. Brother Gibson brought it to the attention of the Board that corrections and additions had to be finalized within 21 days of the last meeting per motion made at last meeting. After that time frame the minutes are considered final.

Macey indicated the Department of Labor was reviewing the records from 2003 to March of 2008. President Macey revealed the Department of Labor called and wanted to do a compliance audit. This all stems from the elections involving John Gibson and Robert Singleton's positions Branch President and PA State Rep. respectively. Sherrita Scott was appointed to be the agent to do the investigation and she indicated she wanted all documents. After conferring with our Lawyer we agreed, provided they scan all documents so that we retain a copy. The Department of Labor scanned all documents for a couple of weeks covering a time frame from 2003- 2008 taking the originals. They have all the information so they will do the forensic investigation without any charge. This would have been a costly endeavor to the Union had the Local utilized Bond Beebe to do a similar investigation.

Discussion ensued involving a question on whether in the event of inappropriate financial findings, could the Local recoup some of the money through the bond company. Cassie R. Ehrenberg, Esquire of Cleary & Josem LLP indicated only after a complete investigation and full appeal rights would the bond company come into play and this could be years. It was also discussed as to whether or not penalties and interest on unpaid taxes could be recouped from the Bond Company. Ms. Ehrenberg indicated that she could not answer without reading the complete legal contract that was agreed upon with the Bond company. The Local shall await the outcome of the Department of Labor's investigation.

President Macey turned the next phase of the meeting over to Tyler Geiman and Carrie Antosz of the accounting firm Bond Beebe. They presented a rough draft of the audit with the final version to be available in a couple of weeks. The Bond Beebe audit period covers a partial year audit from March 17, of 2008 to December 31, 2008. The reason it does not cover the entire year is that there appears to be some things that he is not comfortable with and also he needs representations in writing from Union Officers that all information was provided. He does not feel the previous administration would sign a letter to this effect for the first three months of the audit. So in essence the audit covers the period from when the new officers first took office.

The rough draft report indicates an audit from Bond Beebe. In the spirit of complete transparency the minutes shall reflect their opinion and is therefore provided herein:

**“We have audited the accompanying statements of financial position of the National Postal Mail Handler Union Local 308 (the Local Union) as of December 31, 2008, and March 17, 2008, and the related statements of activities and cash flows for the period March 17, 2008 through December 31, 2008. These financials statements are the responsibility of the Local Union’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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 National Postal Mail Handlers Union Local 308 at December 31, 2008 and March 17, 2008, and the charges in its net assets and its cash flows for the period March 17, 2008 through December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.**

**The accompanying financial statements have been prepared assuming that the Local Union will continue as a going concern. As shown in the financial statements, the Local Union had a net asset deficiency of \$765,209 as December 31, 2008. As described more fully in Notes 6 and 8 to the financial statements, the Local Union has significant outstanding balances with various organizations. The Local Union is not aware of any alternate sources of capital to meet such demands, if made. Those conditions raise substantial doubt about the Local Union’s ability to continue as a going concern. The**

**financial statements do not include any adjustments that might result from the outcome of this uncertainty.”**

Explanations were given as to how audit was conducted. For example Bond Beebe looks at certain financial statements and makes sure they are presented fairly in all material aspects. The key word in the audit statement is material. The accounting firm does not look at every transactions, however they look at substantial transactions in their entirety to make sure they are reasonable stated. The balance sheet or also referred to as a statement of your financial position for non-profit organizations represents a snapshot of our organization's finances as of a certain date. The income statement is a moving picture or movie of the transactions that took place from March 17, through December 31, 2008. The statement of cash flows is a required document and it is actually a reconciliation of cash. The reason it is in there is that the statements are done on an accrual basis. This statement indicates how the cash works.

Cash basis financial statements have transactions that are recorded when you actually pay a check or when you receive cash. However, the accrual basis of accounting acknowledges that basically the expenses are recognized when you incur them; for example if an attorney does some work for you in December of 2008 but does not bill you until January and you do not pay it until February, as of 12/31/08 you have not paid anything therefore on a cash basis there will not be any expenses since you have not paid anything until 2009. However, on an accrual basis you incurred those expenses and therefore at the end of the year an obligation still exists since you have not paid them. The accounting firm recognizes the expense when it occurs even if you did not pay the Lawyer right away. This is the accrual basis and is considered the highest standard of accounting. The whole purpose of the accrual basis of accounting is to keep track of things and it's more consistent. However, with the cash basis system you can kind of manipulate how you want to make the statements look based on whether you are paying bills or not. The accrual system bases it when you incur them or when you earn them, a much better basis of accounting.

The accountant explained some of the footnotes included in the audit and they consist of the following:

1. Page six discusses our tax status as we are a non-profit organization however there is unrelated business activity that is the associate member dues.
2. Note 4 requires us to disclose related party transactions. In our case the related party is the National Office.
3. Note 5 requires us to disclose employee benefits.
4. Note 6 is income taxes payable.
5. Note 7 is a standard disclaimer that states as a labor organization there is always a potential of a lawsuit.
6. Note 8 includes that a note is due to the National Office.
7. Note 9 includes the accountant's opinion about the financial health of our Local.
8. Note 10 is required because of leases and our local has several leases that must be included in the audit to disclose future payments on leases.

The accountant essentially went line by line explaining the local's assets and liabilities shown on the financial statements. In addition, standard accounting practices involving accrual basis of accounting were explained concerning many of the numbers existing in our financial statements. He covered the requirement to pay federal taxes on associate dues money the Local receives. The government looks at the associate dues money as found income if you will. In other words we are not providing services to those individuals directly and that represents taxable income to the Local. For a number of years going back to 2004 no tax returns were filed on this income. The accounting firm looked at this income and did some calculations since you can offset some expenses to this income and they came up with a total of \$275,000 tax on this income. However, admittedly Tyler Geiman acknowledged that he is not a tax accountant per se even though his firm has a tax department. The 990T is the tax return that must be filed with a nonprofit organization. What it looks like the previous administration did was take the position that part of the locals officer's salary is for the associate member benefit plan and was offset against the income from the associate members dues so therefore taxes were not due on this income. Obviously the current accounting firm feels differently about this issue. Brother Gibson pointed out "we were not the only local engaged in this practice of writing off portions of the salaries against the taxes due on the associate dues." He also noted that the by-laws that identify the portion of the salaries associated with maintaining the Health Plan and to be written off were approved by National Headquarters. LM2s were filed yearly but not the 990Ts. Legal liabilities were discussed and addressed throughout the session with the accounting firm concerning taxes due. The accountant recommended that an attorney negotiate with the IRS on this issue.

The 990Ts must be filed based on the books and records the accounting firm can get a hold of. The accounting firm has power-of-attorney to try to get those penalties reduced or abated.

In addition the pension plan payable has not been paid and the local owes LIUNA at the end of 2008 the amount of \$137,000. President Macey indicated that in August he plans to meet with LIUNA concerning this debt. Interest must be paid on this amount.

Carrie Antosz explained how an employer has an obligation to match certain taxes on payroll. Back in July of 2007, Local 308 had a payroll company that was impounding all taxes and paying them on behalf of our Local. When they went to impound the taxes there was no money in the bank account. So the payroll company terminated what they call their tax pay relationship with the Local. That meant the Local was responsible for depositing these taxes on their own which they did not do. So all this money was accruing as a liability to the different government agencies and this went on for the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2007 and also until the new officers came into the office. That back money has not been paid. That was a liability of \$255,000 by March of 2008. Penalties and interest may also apply.

The next issue is the notes payable to National. The Local had borrowed a loan from National. This debt should be paid off in twelve months as \$5000 is already taken out every pay period and this should be paid off in 2009.

Much of the days Executive Board's session revolved around Q and A between local 308's accounting firm Bond Beebe and the Board discussing the financial reports at length.

The bottom line according to the Bond Beebe is the total liabilities at the end of 2008 are \$913,000 with assets equaling \$148,000. Liabilities greatly exceed our assets. The net worth of our organization is a negative \$765,000. The plan of attack is to prepare a budget to address expenses and make necessary cuts. A final audit should be done in two weeks.

Treasurer Branco reiterated what the Accounting firm spent most of the day going over in the financial reports.

The following motions were made and approved or disapproved during the meeting:

1. **Motion:** Vice President Gibson made a motion to accept minutes. Motion was seconded by Quentin Seth.

**Motion passed unanimously**

2. **Motion:** President Macey made a motion that previous tape-recorded minutes be deleted to make room for new minutes.  
Motion was seconded by Treasurer Tony Branco.

**Motion passed unanimously**

3. **Motion:** President Macey made a motion to accept financial report presented by Brother Branco for first quarter of 2009.  
Motion was seconded by Brother Singleton

**Motion passed unanimously**

4. **Motion:** Brother Bahrle made a motion to increase Office Manager Barbara Kane's salary to \$23.01 per hour effective pp14 2009 equivalent to Step F of mail handler's pay scale and thereafter will follow the step increase schedule. She will continue her leave accrual of 160 hours annual and 104 hours of sick leave. After she obtains 15 years of service the Executive Board will meet to determine her leave accrual status. Motion was seconded by Brother Macey.

### **Motion passed unanimously**

Considerable discussion also included duties of the treasurer and whether or not some of those duties should be delegated to the office manager, Barb. Currently Barb has had additional duties of inputting financial data in quick books even though she is not a fiduciary agent of the Local. Brother Branco maintains that the accounting firm has recommended that this procedure be adhered to and that ultimately he is still responsible. Some board members however, are questioning this practice as she is not bonded and is not a fiduciary agent of the local in any way.

President Macey proposed that Robert Singleton have the ability to sign checks in lieu of himself in the event he is on vacation or out on leave. The Board rejected this proposal and Brother Gibson suggested he express mail the checks if necessary but reminded him he should be the one signing the checks not Brother Singleton.

Other topics of discussion included retiree watches and the Board's desire to reinstate the retirement watch program. The Board had open discussion concerning the newsletter that would be initially mailed out to all union members. Updates will be needed for the newsletter. Discussion included cost cutting measures that could be taken in this endeavor possibly having Branch Presidents hand out copies instead of mailing to each member. The ultimate goal for this newsletter is to have open communication with the members. The Board addressed issue involving payment to stewards for attending union meetings and / or funeral functions. Brother Gibson stated no steward should be compensated for attending a union meeting unless authorized. In addition, funeral attendees cannot be compensated unless prior authorization was given by the Local President to represent Local 308. The Board discussed the health plan training given in New Orleans. President Macey recommended sending at least four individuals to the training to enhance membership growth in our health plan. However, Brother Tucker suggested due to our financial situation we should send only one individual and have that individual train the others about the nuances of the plan. Brother Gibson suggested that we impose a moratorium on travel expense. President Macey stated he did not want to see a drop in numbers in the health plan and that the 2 ½ days of training will pay off eventually. The Board recognizes that we are in the midst of a financial crunch and we must analyze every penny to make sure we get a return on our investment. President Macey indicated he would look at the numbers and get back to the board. The Board also discussed the event planned for August 9, 2009 at Clementon Park. Brother Bahrle objected to the flier holding him accountable for handling monies for this event. It was suggested he delegate someone else for the ticket money collection. Information will be forthcoming involving the details involving this event. Also a fall/ winter event may include a dinner / dance for the members. Suggestions included the possibility of a Halloween dance.

The next phase of the meeting included the board addressing the charges from John Gibson against Tony Branco. After considerable discussion the board decided the

charges had been resolved per the audit of Bond Beebe. A letter will be sent to the charging party of our decision. He will be able to appeal this decision within 15 days upon receipt of letter to the President per Local constitution.

The meeting concluded with a motion by Brother Macey and seconded by Brother Seth to adjourn the meeting. President Macey will inform us of the next meeting to be held at local headquarters.

Respectfully submitted,



Ed Tucker  
Recording Secretary  
NPMHU/ Local 308