

**WRITERS GUILD OF AMERICA, west, INC.**

**STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES**

**FOR THE YEAR ENDED MARCH 31, 2004**

MANNON KAPLAN, C.P.A.  
GEORGE NADEL RIVIN, C.P.A.  
EDWIN KANEMARU, C.P.A.  
KENNETH R. HOLMER, C.P.A.  
DOUGLAS S. WAITE, C.P.A.  
CHARLES SCHNAID, C.P.A.  
DONALD G. GARRETT, C.P.A.  
CATHERINE C. GARDNER, C.P.A.  
JEFFREY L. GOSS, C.P.A.  
JAMES E. VEALE, C.P.A.  
JOANNA BOLSKY, C.P.A.  
RONALD D. CHANDLER, C.P.A.  
MICHAEL G. KAPLAN, C.P.A.



**Miller, Kaplan, Aase & Co., LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
SINCE 1941  
4123 LANKERSHIM BOULEVARD  
NORTH HOLLYWOOD, CALIFORNIA 91602-2828  
(818) 769-2010  
FAX (818) 769-3100

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AMERICAN INSTITUTE OF  
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RETIRED

### Independent Auditors' Report

Board of Directors  
Writers Guild of America, west, Inc.  
7000 West Third Street  
Los Angeles, California 90048-4324

#### Members of the Board:

We have audited the accompanying statement of allocated chargeable and nonchargeable expenses of the Writers Guild of America, west, Inc. for the year ended March 31, 2004. This statement is the responsibility of the Guild's management. Our responsibility is to express an opinion on this 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 of allocated chargeable and nonchargeable expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of allocated chargeable and nonchargeable expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Based upon the significant factors and assumptions described in Note 2, the accompanying statement of allocated chargeable and nonchargeable expenses was prepared for the purpose of determining the percentage of chargeable and nonchargeable expenses used in determining nonmember fees. This statement is not intended to be a complete presentation of the Guild's financial statements. The expenses reported in this statement were derived from the Guild's financial statements for the year ended March 31, 2004. We audited the financial statements of the Writers Guild of America, west, Inc. for the year ended March 31, 2004, and issued our report dated May 13, 2004.

In our opinion, the statement of allocated chargeable and nonchargeable expenses presents fairly, in all material respects, the chargeable and nonchargeable expenses of the Writers Guild of America, west, Inc. for the year ended March 31, 2004 based on the significant factors and assumptions described in Note 2.

MILLER, KAPLAN, AASE & CO., LLP

September 30, 2004

WRITERS GUILD OF AMERICA, west, INC.  
STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Total Expenses</u>	<u>Chargeable Expenses</u>	<u>Nonchargeable Expenses</u>
Payroll and Related	\$ 12,676,042	\$ 12,460,241	\$ 215,801
Special Functions	2,307,906	1,729,410	578,496
Occupancy	2,302,363	2,268,904	33,459
Operating	1,148,139	1,133,271	14,868
Professional Fees	1,577,830	1,563,040	14,790
Communications	<u>528,335</u>	<u>521,747</u>	<u>6,588</u>
 <u>TOTAL EXPENSES</u>	 <u>\$ 20,540,615</u>	 <u>\$ 19,676,613</u>	 <u>\$ 864,002</u>
 <u>PERCENTAGES</u>	 <u>100.00%</u>	 95.79%	 <u>4.21</u>

WRITERS GUILD OF AMERICA, west, INC.  
NOTES TO STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1 - DEFINITIONS

A. Chargeable Expenses

Chargeable expenses are those expenses incurred by the Writers Guild of America, west, Inc. ("WGAw") that are associated with those WGAw activities that are germane to collective bargaining or to advancing the employment-related interests of members represented by the WGAw.

The following germane activities are chargeable to all "Financial Core Status" non-members:

1. Collective Bargaining Activities
  - (a) Contract Negotiations and Preparing for Negotiations
    - (i) Background reading and research for discussions concerning bargaining subjects;
    - (ii) Formulating bargaining priorities and proposals;
    - (iii) Drafting contract language;
    - (iv) Preparing supporting documents for bargaining proposals;
    - (v) Developing computer based or other information retrieval and research files for bargaining and providing research, technical assistance and staff support related to bargaining;
    - (vi) Producing and distributing materials and organizing meetings and conferences that provide bargaining advice and support and clarify bargaining strategy;
    - (vii) Designing and conducting surveys to ascertain employee bargaining goals and priorities;
    - (viii) Preparing and distributing materials and organizing meetings and conferences informing and educating employees about bargaining goals, policies, priorities and strategies.
  - (b) Negotiating Contracts
    - (i) Negotiating collective bargaining agreements;
    - (ii) Compiling and maintaining information on the status of negotiations;
    - (iii) Drafting reports and other works related to contract ratification.
  - (c) Economic Actions
    - (1) Strikes;
    - (ii) Picketing;
    - (iii) Boycotting;
    - (iv) Demonstrations;
    - (v) Leafleting and publicity other than picketing;
    - (vi) Efforts to enhance and maintain a united front, allegiance and commitment among employees represented by the union, including loans and the payment of other strike benefits.

WRITERS GUILD OF AMERICA, west, INC.  
NOTES TO STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1 - DEFINITIONS (Continued)

A. Chargeable Expenses (Continued)

2. Contract Administration - Grievance Adjustment and Arbitration

- (a) Handling members' questions and complaints about working conditions, benefits and contract rights;
- (b) Advising members concerning the meaning of contract clauses;
- (c) Attending stewards' and their representatives' meetings and grievance committee work;
- (d) Meetings, phone calls and the like with employer representatives to discuss the meaning of the contract general or to discuss or settle a particular grievance or potential grievance;
- (e) Arbitration proceedings, including preparation for and representation of the claim in the hearing and all costs associated with the hearing;
- (f) Efforts to secure compliance with settlement agreements and arbitration awards, or to modify or vacate adverse awards;
- (g) Developing and maintaining computer based or other information retrieval and research files to assist in conflict enforcement, grievance adjustment and arbitration and to provide research and technical assistance and staff support to these activities;
- (h) Administration of contract provisions concerning payment of residuals and the determination of credits.

3. Organizing Activities

- (a) Any activities designed to acquire new members or obtain new representation rights;
- (b) An ancillary activity intertwined with organizing, such as strikes or boycotts, which are designed to acquire new members or obtain new representation rights;
- (c) Developing computer based or other information retrieval systems concerning non-members or monitoring organizing efforts;
- (d) Activities designed to solidify support by those the union currently represents or any activity otherwise directed to increasing or preserving the allegiance of employees the union already represents, such as staff liaisons and member outreach.

4. Membership Services and Activities Ancillary to Collective Bargaining

Other regular or customary union activities that are principally directed to employees and designed to strengthen the union as a cohesive and effective bargaining agent, or that otherwise promote closer ties among employees.

- (a) Social activities;
- (b) Human relations and minority participation efforts primarily directed at bargaining unit employees, including conducting conferences and educational programs and producing and distributing materials;

WRITERS GUILD OF AMERICA, west, INC.  
NOTES TO STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2004

NOTE I - DEFINITIONS, (Continued)

A. Chargeable Expenses (Continued)

4. Membership Services and Activities Ancillary to Collective Bargaining (Continued)

- (c) Efforts to communicate union policy to members represented by the union, other efforts to build pride among represented members, and other efforts to produce group cohesiveness among members represented by the WGAw;
- (d) Community services liaison activities that provide members represented by the union with information and assistance regarding governmental services to which they are entitled;
- (e) Unity items provided members who are currently represented by the WGAw (e.g., pens, pencils, buttons, emblems, etc.).

5. Internal Governance and Administration

- (a) Electing officers and conducting union meetings, executive council, board and committee meetings and conventions;
- (b) Union financial administration, accounting and data processing activities that support germane activities, development of computer based or other information retrieval files for monitoring membership status and dues payments, and auditing activities;
- (c) Union judicial administration including interpretation and enforcement of the union's constitution, rules and bylaws;
- (d) Affiliate relations including resolving jurisdictional controversies and similar disputes and providing coordination between and among affiliates on matters related to their statutory functions as bargaining representatives;
- (e) Other standard features of union internal operations related to governance, administration, coordination and overall cohesion.

6. Training

- (a) Education and training programs and conferences related to contract administration, grievance handling and arbitration;
- (b) Leadership training programs and conferences used to teach leadership skills, promote harmonious group interaction and to provide informed leaders;
- (c) Other training activities to assist members in better representation regarding wages, hours and conditions of employment.

B. Nonchargeable Expenses

Nonchargeable expenses are those expenses incurred by WGAw that are associated with those WGAw activities that are not germane to collective bargaining or to advancing the employment-related interests of members represented by the WGAw.

WRITERS GUILD OF AMERICA, west, INC.  
NOTES TO STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1 - DEFINITIONS (Continued)

B. Nonchargeable Expenses (Continued)

The following non-germane activities are nonchargeable to all "Financial Core Status" non-members:

1. Political Activities - Partisan or Nonpartisan
  - (a) Voter registration drives;
  - (b) Political education fundraising and related activities;
  - (c) Attending political dinners, conferences and similar gatherings;
  - (d) All contributions of any kind to political campaigns whether financial contributions, free use of paid union staff, data processing support, or use of union equipment or facilities;
  - (e) Training sessions and conferences related to political action.
2. Activities primarily directed to non writers
  - (a) Public relations activities directed primarily at persons not represented by the WGAW and activities otherwise seeking community goodwill;
  - (b) Participation in public affairs conferences or media events;
  - (c) Lectures or addresses to, or appearances before, gatherings or conferences consisting principally of persons not represented or employed by the union;
  - (d) Community organizing conferences and training conferences directed primarily at community organizing;
  - (e) Public information reports, news releases and similar efforts;
  - (f) Affiliation fees, including per capita payments to local and international affiliates;
  - (g) Dues to outside organizations;
  - (h) Contributions to any outside educational or charitable group (e.g., the United Way, American Red Cross and similar activities carried out for the good of society generally);
  - (i) Attendance at meetings sponsored by domestic or international affiliates;
  - (j) Expenditures related to international or foreign relations.
3. Lobbying Activities.

NOTE 2 - SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES  
BETWEEN CHARGEABLE AND NONCHARGEABLE EXPENSES

A. Payroll and Related

Payroll and related expenses are allocated to either chargeable or nonchargeable expenses based on estimates of the time spent by personnel on nonchargeable activities. The salaries and related costs of support personnel are allocated based on the ratio of chargeable payroll related activities to nonchargeable payroll related activities set forth above.

WRITERS GUILD OF AMERICA, west, INC.  
NOTES TO STATEMENT OF ALLOCATED CHARGEABLE AND NONCHARGEABLE EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 2 - SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES  
BETWEEN CHARGEABLE AND NONCHARGEABLE EXPENSES (Continued)

B. Special Functions

Special functions costs are allocated to either chargeable or nonchargeable expenses based on the nature of the special functions activities that are germane to collective bargaining or to advancing the employment-related interests of members represented by the WGAw.

Contributions, grants and lobbying costs are 100% nonchargeable expenses.

Travel costs are chargeable, if the travel is primarily to engage in chargeable activity or when the chargeable portion of mixed travel is allocated based on estimates.

C. Occupancy

Occupancy expenses are allocated to either chargeable or nonchargeable expenses based on the ratio of chargeable payroll related activities to nonchargeable payroll related activities set forth above.

D. Operating

Operating expenses are allocated to either chargeable or nonchargeable expenses based on the ratio of chargeable payroll related activities to nonchargeable payroll related activities set forth above.

E. Professional Fees

Litigation and agency proceedings and residual auditing and policing costs are chargeable. Other professional fees are allocated to either chargeable or nonchargeable expenses based on the ratio of chargeable payroll related activities to nonchargeable payroll related activities set forth above.

F. Communications

Publication activities and other member communications expenses are allocated to either chargeable or nonchargeable expenses based on articles that are germane to collective bargaining or to advancing the employment-related interests of members represented by the WGAw. Other publication expenses are not chargeable. Other "filler" designed to enhance readability are allocated in the same ratio as the remainder of the publication.