

**WRITERS GUILD OF AMERICA, west, INC.**  
**(A Not-For-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

**2. Investments, continued**

The Guild intends to reinvest all investments maturing in fiscal year 2004/2005 into other long-term investments.

The investment return is detailed as follows:

	<u>Unrestricted</u>	<u>Including Funds Held in Trust for Members</u>
Interest, dividend and capital gains income	\$ 512,502	\$ 796,664
Net realized gains on sales of investments	47,931	63,366
Net appreciation in market value	706,443	781,081
Bank fees (included in professional fees)	<u>(103,231)</u>	<u>(120,016)</u>
Return on investments	<u>\$ 1,163,645</u>	<u>\$ 1,521,095</u>

**3. Notes Receivable**

Strike loans were made to members who suffered financial hardship during the 1988 strike. Good and Welfare loans were made to members experiencing personal hardship. These non-interest bearing promissory notes have no due dates but include an assignment of residual payments in the event the loan becomes delinquent.

**4. Property and Equipment**

Property and equipment consisted of the following at March 31, 2004:

	<u>Total</u>
Land	\$ 700,000
Building and improvements	7,141,496
Furniture and fixtures	3,210,945
Computers and equipment	4,262,231
Tenant improvements	<u>777,919</u>
	16,092,591
Less: Accumulated depreciation and amortization	<u>8,592,881</u>
	<u>\$ 7,499,710</u>

**5. Pension Plan**

The Guild participates in the Producer-Writers Guild of America Pension Plan (the "Plan"), a defined benefit multi-employer pension plan covering Guild members and employees of Writers Guild of America, west, Inc., Writers Guild of America, East, Inc., the Plan, the Writers Guild-Industry Health Fund and the Inter-Guild Federal Credit Union.

Continued

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**5. Pension Plan, continued**

The Plan provides retirement benefits for participants who retire at age 65 or older and have reached the tenth anniversary of participation. The Plan also provides for an early retirement pension for participants with at least five qualifying years who retire after the age of 60 but before the age of 65, death benefits and surviving spouse benefits.

Contributions are determined as a percentage of wages, and the Guild's contribution to the Plan was \$598,895 for the year ended March 31, 2004. The Plan may have a liability for unfunded vested benefits at December 31, 2003 requiring assessment of withdrawal liability from contributing employers who withdraw from the plan. The management of the Guild has expressed no intent to withdraw from the plan and the withdrawal liability, if any, to the Guild has not yet been computed.

The Guild maintains a qualified contribution retirement or thrift plan ("401(k) Plan") in which substantially all employees are eligible to participate. The 401(k) Plan provides for voluntary tax-deferred retirement contributions from employees under Section 401(k) of the Internal Revenue Code. The Guild contributions are required as defined in the 401(k) Plan document, subject to the limitations imposed by the Internal Revenue Code and the Employee Retirement Income Security Act of 1974. The Guild made no contributions on behalf of participants in the 401(k) Plan for the year ended March 31, 2004.

**6. Commitments and Contingencies**

The Guild has entered into operating lease agreements for its theater and office equipment. The theater lease is for a primary term of fifteen years. The lease can be terminated by the Guild in January 2012. At March 31, 2004, future minimum rental payments applicable to noncancellable operating leases were as follows:

	<u>Guild</u>	<u>Theater</u>	<u>Total</u>
2005	\$136,257	\$ 204,995	\$ 341,252
2006	87,612	204,995	292,607
2007	-	209,635	209,635
2008	-	232,834	232,834
2009	-	232,834	232,834
Thereafter	-	<u>9,696</u>	<u>659,696</u>
Total	<u>\$223,869</u>	<u>\$1,744,989</u>	<u>\$1,968,858</u>

Rental expense was \$319,749 for the fiscal year ended March 31, 2004.

The Guild leases a portion of its building at 7000 West Third Street with terms of 5 years.

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**6. Commitments and Contingencies, continued**

At March 31, 2004, the approximate future minimum lease payments to be received under existing operating lease with terms greater than one year, exclusive of contingent rentals are as follows:

	<u>Operating</u>
2005	\$ 13,325
2006	13,325
2007	13,325
2008	<u>12,215</u>
Total	<u>\$ 52,190</u>

Rental income was \$51,781 for the fiscal year ended March 31, 2004.

Rent increases are tied to annual increase based on CPI index changes.

The Guild, as the sole collective bargaining agent for its members, negotiates agreements with employers. These agreements typically are negotiated for a period of three years. The existing agreement expired on May 1, 2004. Under the Basic Agreement provisions, the Guild and the employers agree to commence negotiations of a new agreement at least sixty days prior to the expiration date. Negotiations were held during April and May 2004 and were ongoing as of May 13, 2004. Final approval of the contract is subject to member approval. Failure to reach an agreement could result in a work stoppage that may have an impact on membership dues.

The Guild is involved in various ongoing litigation matters. If judgments are made against the Guild, management does not expect that these amounts will materially exceed the amounts recoverable through the Guild's insurance carriers. Thus, management does not believe that current litigation will materially affect the Guild's financial condition or earnings.

**7. Line of Credit**

The Guild has a \$4,000,000 line of credit, which bears interest at the prime rate and expires on June 30, 2004. Under the terms of the line of credit, the Guild must maintain liquid assets of at least \$2,000,000 in unrestricted cash or investment accounts. As of March 31, 2004, the Guild does not have any borrowings outstanding against the line of credit.

**8. Financial Core Status ("FCS") Non-Membership Dues Obligations**

The law permits the Guild to assess FCS non-member dues up to an amount equal to its regular dues. During the fiscal year ended March 31, 2004, the Guild has set the FCS non-membership dues at 4.1% less than the regular dues. This reflects the Guild's dollar amount that corresponded to its nonchargeable expenditures.

Continued

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**8. Financial Core Status (“FCS”) Non-Membership Dues Obligations, continued**

During the fiscal year ending March 31, 2005, the Guild has set the FCS non-membership dues at 4.1% less than the regular dues. This reflects the Guild’s estimate of the dollars amount that will correspond to its nonchargeable expenditures. Upon review of the chargeable and nonchargeable expenditures after this fiscal year end, a FCS non-member may be entitled to an adjustment of his or her FCS non-member dues.

**9. Functional Expenses**

Expenses incurred by functional category were as follows:

Member services	\$17,539,750
Management and general	2,318,155
Programs:	
Theater operations fund	598,264
Strike fund	32,686
Good & welfare fund	50,597
Year 2000 fund	<u>1,163</u>
Total expenses	<u>\$20,540,615</u>