

**WRITERS GUILD OF AMERICA, west, INC.**  
**(A Not-For-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

**2. Investments, continued**

The Guild intends to reinvest all investments maturing in fiscal year 2005/2006 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	\$ 652,948	\$ 1,160,176
Net realized losses on sales of investments	(247,032)	(249,013)
Net appreciation (depreciation) in market value	118,560	(55,029)
Bank fees (included in professional fees)	(82,153)	(98,913)
Return on investments	\$ 442,323	\$ 757,221

**3. Notes Receivable**

Strike loans were made to members who suffered financial hardship during the 1988 strike. Good & 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, 2005:

	<u>Total</u>
Land	\$ 700,000
Building and improvements	7,141,496
Furniture and fixtures	3,221,896
Computers and equipment	4,683,670
Tenant improvements	777,919
	16,524,981
Less: Accumulated depreciation and amortization	9,420,378
	\$ 7,104,603

Depreciation expense was \$827,497 for the fiscal year ended March 31, 2005.

Continued

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**MARCH 31, 2005**

**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.

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.

The Guild also participates in the International Association of Theatrical and Stage Employees National Pension Fund (the "Fund"). The Fund covers all Guild Projectionists.

Contributions are determined as a percentage of wages, and the Guild's contribution to the Plans were \$649,802 for the year ended March 31, 2005. The Plan may have a liability for unfunded vested benefits at December 31, 2004 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. 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, 2005.

**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, 2005, future minimum rental payments applicable to noncancellable operating leases were as follows:

	<u>Guild</u>	<u>Theater</u>	<u>Total</u>
2006	\$ 93,769	\$ 204,995	\$ 298,764
2007	6,157	209,635	215,792
2008	6,157	232,834	238,991
2009	6,157	232,834	238,991
2010	-	232,834	232,834
Thereafter	-	426,862	426,862
Total	<u>\$112,240</u>	<u>\$1,539,994</u>	<u>\$1,652,234</u>

Rental expense was \$321,226 for the fiscal year ended March 31, 2005.

Continued

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**MARCH 31, 2005**

**6. Commitments and Contingencies, continued**

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

At March 31, 2005, the approximate future minimum lease payments to be received under existing operating lease agreements with terms greater than one year, exclusive of contingent rentals, are as follows:

	<u>Operating</u>
2006	\$ 13,325
2007	13,325
2008	<u>12,215</u>
Total	<u>\$ 38,865</u>

Rental income was \$53,045 for the fiscal year ended March 31, 2005.

Rent increases are tied to the 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 expires on October 31, 2007. 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. Failure to reach an agreement could result in a work stoppage that may have an impact on membership dues.

The Guild has agreed to provide a continuing guarantee in favor of City National Bank covering the indebtedness of The Writers Guild Foundation ("Foundation") in an amount not to exceed \$275,000 (the "loan"). The proceeds of the loan shall be used for the completion of the tenant improvements currently under construction at the first floor of the Guild Headquarters located at 7000 West Third Street. The loan will be a multiple disbursement note funded through June 30, 2005. The Foundation shall make monthly interest payments at CNB prime on the outstanding balance, and shall pay down principal as pledges are collected from 2005 through December 31, 2007. As of March 31, 2005, the Foundation does not have any borrowings outstanding against the loan.

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 December 31, 2005. 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, 2005, the Guild does not have any borrowings outstanding against the line of credit.

Continued

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**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, 2005, the Guild has set the FCS non-membership dues at 2.1% less than the regular dues. This reflects the Guild’s dollar amount that corresponded to its nonchargeable expenditures.

During the fiscal year ending March 31, 2006, the Guild has set the FCS non-membership dues at 2.1% 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.

**8. Functional Expenses**

Expenses incurred by functional category were as follows:

Member services	\$18,401,487
Management and general	2,339,199
Programs:	
Theater operations fund	667,017
Strike fund	15,623
Good & welfare fund	58,293
Year 2000 fund	<u>1,474</u>
Total expenses	<u>\$21,483,093</u>

**9. Supplemental Disclosure of Cash Flow Information**

During the year ended March 31, 2005, the Guild received funds held in trust for members and undeliverable funds of \$10,403,369 and \$343,096, respectively. Payments made to members of funds held in trust totaled \$13,055,685 for the year ended March 31, 2005.