

---

**WRITERS GUILD OF AMERICA, West, INC.**  
**(A Not-For-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**1. Summary of Significant Accounting Policies**

Organization

Writers Guild of America, West, Inc. (WGAW) is a labor union incorporated in the State of California, which exists for the purpose of negotiating the terms and conditions of employment of writers in the motion picture, television and new media industries. WGAW represents writers with respect to the collection and distribution of residuals, foreign levies or other payments attributable to the exploitation of their work. WGAW is affiliated with Writers Guild of America, East, Inc. (“WGAE”), as well as with international writers’ organizations throughout the world. WGAW’s headquarters is located at 7000 West Third Street, Los Angeles, California 90048.

Description of Funds

To ensure observance of limitations and restrictions placed on the use of resources available to WGAW, the accounts of WGAW are maintained on the accrual basis in accordance with the AICPA’s Audit and Accounting Guide, *Not-for-Profit Organizations*. Fund accounting provides that resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to their nature and purposes.

The assets, liabilities, and net assets of WGAW are reported in five self-balancing fund groups as follows:

- The Operations Fund includes undesignated and designated resources and represents the portion of the funds that are available for WGAW operations and member services.
- The Theater Operations Fund contains funds restricted for use in connection with the Film Society and other theater operations.
- The Strike Fund was created in 1986 to provide loans or grants as determined by the Board of Directors to members adversely affected by a strike.
- The Year 2000 and Good & Welfare Funds were created in October 1992 to provide special purpose funds for WGAW operations as described more fully below.

Continued

---

**WRITERS GUILD OF AMERICA, West, INC.**  
**(A Not-For-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**1. Summary of Significant Accounting Policies, continued**

Net Assets

Unrestricted net assets are assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Temporarily restricted net assets are assets whose use has been restricted by donors to a specific period or purpose. When a donor restriction expires (a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as assets released from restrictions. Interest income earned on temporarily restricted contributions received and expended in the same fiscal year is recorded as unrestricted revenues. Temporarily restricted net assets are to be utilized to promote a greater appreciation of writers.

Designated Net Assets

The Board of Directors has designated \$1,000,000 of WGAW's operating net assets as a reserve for emergency situations in accordance with the WGAW Constitution.

The Strike Fund net assets have been designated in accordance with the WGAW Constitution to provide loans or grants to members who are adversely affected by a strike. Since October 1, 1992, the Strike Fund balance has been maintained at a cost-of-living adjusted six million dollars (\$6,000,000) of funds previously allocated from member dues. Interest and investment income earned from Strike Fund investments in excess of the current year change in the cost-of-living index is transferred to the Good & Welfare and/or Year 2000 Funds. The current year cost-of-living index is 4.05%.

The Good & Welfare Fund was established to provide interest-free, short-term loans for current members in good standing who are experiencing acute financial distress in emergency situations. Loans to members are financed from the interest and investment revenue generated by the principal of the fund.

The Year 2000 Fund was established to provide WGAW with resources to more effectively meet the challenges and address the issues raised by the significant changes in the domestic and international marketplace; to ensure that writers' future participation in revenues generated by the exploitation of their literary materials is better protected and guaranteed; and to further the creative, artistic and professional standing of screen and television writers. Expenditures from this fund are approved by the Board of Directors.

---

**WRITERS GUILD OF AMERICA, West, INC.**  
**(A Not-For-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**1. Summary of Significant Accounting Policies, continued**

Funds Held in Trust

WGAW holds funds in trust for members and other payees in the following segregated trust accounts: (1) member payments; (2) client trust; (3) foreign levies; (4) undeliverable funds; and (5) small residuals.

- Member payments include monies received from production companies and payable to writers as a result of the use of excerpts of WGAW-covered programs.
- The client trust account contains funds received by WGAW and payable to writers as damages as the result of legal proceedings to enforce WGAW's collective bargaining agreements.
- Foreign levies are monies received under foreign laws to authors of copyrighted works in the United States. These monies are paid to WGAW by foreign collection societies for private copying, video rental and cable retransmission of audio-visual works. WGAW collects and distributes these levies to WGAW and WGAE members, non-members and beneficiaries. WGAW holds in trust undistributed funds from 17 countries in Europe and Latin America for the benefit of the lawful payees. WGAW collects a fee on these levies to offset the expenses of negotiating and administering the foreign levies program. Fees collected for the fiscal year ended March 31, 2007 totaled \$577,626.
- Undeliverable funds include checks and other monies due writers that are returned by the post office because the writer is unknown at the address indicated or the writer has moved without leaving a forwarding address. The funds are held in trust while WGAW makes further efforts to locate the payee.
- The small residuals trust is a repository for residuals checks with a gross amount of less than \$100 payable to writers who have enrolled in a program under which WGAW aggregates small payments for disbursement in a larger sum.

Revenues

In accordance with industry practice, membership dues and assessments are recognized as revenue over the period of time in which the members perform the services upon which the dues income is based. Membership dues are payable on a quarterly basis.

WGAW administers a residuals distribution program and performs other services on behalf of writers represented by WGAE. Effective in 2006, WGAE pays to WGAW as compensation for these services 13.25% of screenwriter and certain television writer dues revenue WGAE collects each calendar quarter. Such fees totaling \$263,492 are recognized in the statement of activities as "other revenues."

Continued

**WRITERS GUILD OF AMERICA, West, INC.**  
**(A Not-For-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**1. Summary of Significant Accounting Policies, continued**

Income Taxes

WGAW is a not-for-profit organization and is exempt from Federal and state income taxes under Section 501(c)(5) of the Internal Revenue Code and Revenue and Taxation Code Section 23701a. Accordingly, no Federal or state income taxes have been paid or accrued. The Internal Revenue Code provides that WGAW's net rental and net advertising income is subject to unrelated business income tax, but WGAW incurred no tax liability on net income from these sources for the year ended March 31, 2007.

Statement of Cash Flows

For purposes of the statement of cash flows, WGAW considers highly liquid investments, purchased with an initial maturity of three months or less, to be cash equivalents, with the exception of those classified as investments.

Property and Equipment

As required by accounting principles generally accepted in the United States of America, property and equipment are stated at cost (not fair market value). Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of assets as of follows:

|                         |               |
|-------------------------|---------------|
| Building                | 39.5 years    |
| Building improvements   | 7 years       |
| Computers and equipment | 3 years       |
| Furniture and fixtures  | 7 years       |
| Tenant improvements     | Life of lease |

Repairs and maintenance are charged to expense as incurred; significant improvements, which materially increase values or extend useful lives, are capitalized and depreciated over the estimated useful lives of the related assets.

The cost of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from the disposal of assets are charged to expense currently.

Software Development Costs

WGAW capitalizes production costs of computer software developed for internal use and amortizes such costs over a three-year estimated useful life. Cumulative costs capitalized totaling \$1,725,392 are included in "computers and equipment" in the accompanying statement of financial position.

Continued

---

**WRITERS GUILD OF AMERICA, West, INC.**  
**(A Not-For-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**1. Summary of Significant Accounting Policies, continued**

Severance

WGAW's severance pay policies, affecting certain WGAW employees, provide for severance payments in the event of specified terminations of employment. The severance liability is accrued in accordance with the terms of the severance pay policies.

Concentration of Credit Risk

WGAW holds investments primarily in the form of marketable debt securities, an equity mutual fund and money market funds. WGAW is exposed to credit risk for the amount of the investments in the event of nonperformance by other parties to the investment transactions. To date, WGAW has not incurred losses related to these investments and does not anticipate nonperformance by other parties.

WGAW places its cash with various financial institutions. At March 31, 2007, WGAW has bank deposits in excess of federally insured limits. To date, WGAW has not incurred losses related to these deposits.

The composition of the investment portfolio as of March 31, 2007 is diversified, with holdings primarily in U.S. Agencies and government-backed securities and no other security or group of securities from the same issuer in excess of 10% of WGAW's investment portfolio.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**2. Investments**

Investments are stated at fair value as reported by City National Bank, Dodge & Cox Funds and Banc of America Securities, LLC, the investment managers, and consist primarily of investments in marketable debt securities, which mature between the years 2007 and 2045, an equity mutual fund and money market funds. Fair value of investments is determined based on quoted market prices.

Fair value of investments at March 31, 2007 is as follows:

Continued