

WRITERS GUILD OF AMERICA, west, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

2. Investments, continued

The Guild intends to reinvest all investments maturing in fiscal year 2006/2007 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	\$718,782	\$1,578,388
Net realized losses on sales of investments	(64,016)	(88,006)
Net appreciation in market value	378,719	368,475
Bank fees (included in professional fees)	<u>(68,583)</u>	<u>(84,958)</u>
Return on investments	<u>\$964,902</u>	<u>\$1,773,899</u>

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, 2006:

	<u>Total</u>
Land	\$ 700,000
Building and improvements	7,141,496
Furniture and fixtures	3,289,094
Computers and equipment	5,191,713
Tenant improvements	<u>777,919</u>
	17,100,222
Less: Accumulated depreciation and amortization	<u>10,214,772</u>
	<u>\$ 6,885,450</u>

Depreciation and amortization expense was \$840,802 for the fiscal year ended March 31, 2006.

Continued

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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.

Contributions are determined as a percentage of wages, and the Guild's contribution to the Plan was \$726,805 for the fiscal year ended March 31, 2006.

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 \$50,291 in contributions on behalf of participants in the 401(k) Plan for the fiscal year ended March 31, 2006.

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, 2006, future minimum rental payments applicable to noncancellable operating leases were as follows:

	<u>Guild</u>	<u>Theater</u>	<u>Total</u>
2007	\$ 56,425	\$ 209,635	\$ 266,060
2008	56,425	232,834	289,259
2009	56,425	232,834	289,259
2010	50,268	232,834	283,102
2011	9,828	232,834	242,662
Thereafter	-	194,028	194,028
Total	<u>\$229,371</u>	<u>\$1,334,999</u>	<u>\$1,564,370</u>

Rental expense was \$373,116 for the fiscal year ended March 31, 2006.

Continued

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MARCH 31, 2006

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, 2006, 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>
2007	\$13,325
2008	<u>12,215</u>
Total	<u>\$25,540</u>

Rental income was \$111,526 for the fiscal year ended March 31, 2006.

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 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 were used for the completion of the tenant improvements on the first floor of the Guild Headquarters located at 7000 West Third Street. The Foundation agreed to make monthly interest payments at the CNB prime rate on the outstanding balance, and pay down principal as pledges are collected from 2005 through December 31, 2007. As of March 31, 2006, the Foundation has borrowings outstanding of \$140,000.

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, 2007. 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, 2006, the Guild does not have any borrowings outstanding against the line of credit.

Continued

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MARCH 31, 2006

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, 2006, 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, 2007, 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 dollar 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	\$21,228,379
Management and general	2,603,225
Programs:	
Theater operations fund	655,952
Strike fund	13,935
Good & welfare fund	5,136
Year 2000 fund	<u>1,736</u>
Total expenses	<u>\$24,508,363</u>

10. Supplemental Disclosure of Cash Flow Information

During the year ended March 31, 2006, the Guild received funds held in trust for members and undeliverable funds of \$14,979,828 and \$1,125,039, respectively. The Guild made payments from funds held in trust for members and undeliverable funds of \$15,398,504 and \$94,583, respectively, for the fiscal year ended March 31, 2006.

11. Consulting Agreement

The Guild has an agreement with its former Executive Director, who is employed as a non-exclusive Executive Consultant, effective September 27, 2005. The agreement is for a 24-month term commencing September 1, 2006 and ending August 31, 2008. The agreement provides for an annual base salary and participation in the Guild’s pension and insurance programs.