

WRITERS GUILD OF AMERICA, WEST, INC.

2001 ANNUAL FINANCIAL STATEMENTS

Report of Independent Accountants

To the Board of Directors
Writers Guild of America, west, Inc.

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Writers Guild of America, west, Inc. ("the Guild") at March 31, 2001, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Guild's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

May 15, 2001

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2001

	GUILD OPERATIONS FUND	THEATER OPERATIONS FUND	STRIKE FUND	GOOD & WELFARE FUND	YEAR 2000 FUND	TOTAL ALL FUNDS
ASSETS						
Cash and Cash Equivalents	\$2,712,494	\$30,930	\$120,811			\$2,864,235
Accounts Receivable, Net	294,710	15,242	55,506	\$13,816	\$8,100	387,374
Notes Receivable, Net				72,493		72,493
Prepaid Expenses and Other Assets	118,693	11,927				130,620
Investments	3,898,500		7,651,707	2,223,510	499,523	14,273,240
Funds Held In Trust For Members	15,568,422					15,568,422
Property and Equipment, Net	8,131,701	279,728				8,411,429
Security Deposits	15,776	10,258				26,034
Inter Fund Borrowings	485,644	(191,602)	(18,200)	(50,842)	(225,000)	
TOTAL ASSETS	\$31,225,940	\$156,483	\$7,809,824	\$2,258,977	\$282,623	\$41,733,847
LIABILITIES AND NET ASSETS						
Accounts Payable and Accrued Expenses	\$756,137	\$87,450				\$843,587
Accrued Vacation and Severance	978,660					978,660
Deferred Rent		241,121				241,121
Obligations under Capital Leases and Note Payable	1,830,593					1,830,593
Due To Members	15,568,422					15,568,422
TOTAL LIABILITIES	19,133,812	328,571				19,462,383
NET ASSETS						
UNRESTRICTED:						
Undesignated Net Assets (Deficit)	10,978,694	(172,088)				10,806,606
Designated Net Assets	1,000,000		7,809,824	2,258,977	282,623	11,351,424
	11,978,694	(172,088)	7,809,824	2,258,977	282,623	22,158,030
TEMPORARILY RESTRICTED	113,434					113,434
TOTAL NET ASSETS	12,092,128	(172,088)	7,809,824	2,258,977	282,623	22,271,464
TOTAL LIABILITIES & NET ASSETS	\$31,225,940	\$156,483	\$7,809,824	\$2,258,977	\$282,623	\$41,733,847

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED MARCH 31, 2001

	GUILD OPERATIONS FUND	THEATER OPERATIONS FUND	STRIKE FUND	GOOD & WELFARE FUND	YEAR 2000 FUND	TOTAL ALL FUNDS
Change in Unrestricted						
Net Assets:						
Revenues:						
Member Dues	\$16,108,238					\$16,108,234
Other	2,756,401	858,747	826,896	378,406	82,868	4,223,258
Total Revenues	18,864,639	858,747	826,896	378,406	82,868	20,321,456
Expenses:						
Payroll and Related	10,581,898	148,453	14,148			10,660,179
Special Functions	1,892,524				999,000	2,293,824
Company	2,119,550	141,430				2,860,980
Operating	1,200,936	48,679		130,470		1,379,135
Professional Fees	1,212,305	1,989	22,461	6,800	2,876	1,249,421
Communications	303,682					303,682
Total Expenses	15,762,274	482,784	26,609	137,270	999,376	16,328,322
Change in Unrestricted Net Assets	3,102,365	(374,037)	800,287	241,136	(816,508)	1,053,339
Change in Temporarily						
Restricted Net Assets:						
Interest Income	7,100					7,100
Change in Temporarily Restricted	7,100					7,100
Change in Net Assets	3,109,465	(374,037)	800,287	241,136	(816,508)	1,060,439
Net Assets (Deficit), Beginning of Year	10,787,317	(96,301)	7,224,236	2,219,431	117,992	20,252,785
Mandatory Transfer To:						
Good & Welfare/Year 2000 Funds			(226,699)		226,699	
Net Assets (Deficit), End of Year	\$13,896,782	(\$172,080)	\$7,509,821	\$2,258,077	\$244,699	\$21,337,309

See Accompanying Notes to Financial Statements

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED MARCH 31, 2001

	GUILD OPERATIONS FUND	THEATER OPERATIONS FUND	STRIKE FUND	GOOD & WELFARE FUND	YEAR 2000 FUND	TOTAL ALL FUNDS
Cash flows from operating activities:						
Change in Net Assets	\$1,304,781	(\$73,787)	\$610,287	\$39,546	(\$821,068)	\$1,059,759
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	1,049,114	83,247				1,132,361
Net gains on investments	(238,305)		(191,926)	(48,105)	(2,318)	(480,654)
Provision for doubtful accounts	85,296		(10,843)	115,970		190,423
(Increase)/decrease in accounts receivable	(171,545)	49,831	30,379	13,620	3,120	(74,595)
(Increase)/decrease in notes receivable			15,320	(36,343)		(21,023)
(Increase) in prepaid expenses and other assets	(8,352)	(265)				(8,617)
Decrease in security deposits	14,407					14,407
Increase/(decrease) in accounts payable and accrued expenses	(198,763)	36,617				(162,146)
Increase in deferred rent		12,580				12,580
Net cash provided by (used in) operating activities	1,836,633	108,223	453,217	84,688	(820,266)	1,662,495
Cash flows from investing activities:						
Purchase of property and equipment	(161,893)					(161,893)
Purchases of investments	(1,049,439)		(4,023,183)	(1,543,075)	(1,455,463)	(8,071,160)
Maturities of investments	858,640		3,813,053	1,448,214	2,227,386	8,347,293
Net cash provided by (used in) investing activities	(352,692)		(210,130)	(94,861)	771,923	114,240
Cash flows from financing activities						
Decrease in cash overdraft	(85,240)					(85,240)
Increase (decrease) in inter-fund borrowing	258,070	(97,906)	7,019	10,173	(177,356)	
Inter fund transfers			(225,699)		225,699	
Proceeds from note payable	1,770,298					1,770,298
Payments on notes payable and reduction of obligations under capital leases	(1,853,901)					(1,853,901)
Net cash provided by (used in) financing activities	89,227	(97,906)	(218,680)	10,173	48,343	(168,843)
Net increase in cash and cash equivalents	1,573,168	10,317	24,407			1,607,892
Cash and cash equivalents, beginning of year	1,139,326	20,613	96,404			1,256,343
Cash and cash equivalents, end of year	\$2,712,494	\$30,930	\$120,811			\$2,864,235
Supplemental disclosure of cash flow information:						
Cash paid during the year for Interest	\$163,583					

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

The Writers Guild of America, west, Inc. (the "Guild") is a non-profit labor union registered in the State of California, formed to negotiate through collective bargaining and other negotiations the basic working conditions, minimum pay scales and creative rights of those individuals employed in the entertainment industry as writers; to distribute to those individuals any royalties, residuals, foreign levies or other payments assigned to it for distribution; and to educate the entertainment industry and the general public about the importance of the work performed by those individuals who are its members. The Guild's main office is in Southern California, and it also maintains worldwide affiliations.

Description of Funds

To ensure observance of limitations and restrictions placed on the use of resources available to the Guild, the accounts of the Guild 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 the Guild are reported in five self-balancing fund groups as follows:

Guild Operations Fund, which includes undesignated and designated resources, represents the portion of the funds that are available for Guild operations and member services.

Theater Operations Fund represents funds restricted for use in activities associated with the Film Society for members' use and theater operations for non-members' use.

The Strike Fund was created in 1986 to provide loans and/or grants as determined by the Board of Directors to members adversely affected by a strike.

The Year 2000 and Good and Welfare Funds were created in October 1992 to provide special purpose funds for Guild operations and members.

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 Statement of Activities as assets released from restrictions. Interest income earned on temporarily restricted contributions received and expended in the same fiscal year is

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

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 million of the Guild's operating net assets as a reserve for emergency situations in accordance with the Guild Constitution.

The Strike Fund net assets have been designated in accordance with the Guild Constitution to provide loans and/or grants to members who are adversely affected by a strike. Effective October 1, 1992, the Strike Fund balance shall be maintained at a cost-of-living adjusted \$6 million (\$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 and Welfare and Year 2000 funds. The current year cost-of-living index is 2.9%.

The Good and 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 the Guild 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.

Funds Held in Trust

Funds held in trust are comprised of member payments, the client trust account, and foreign levy monies.

Member payments include monies received from production companies as a result of the use of excerpts and are to be paid to Guild members.

The client trust account represents funds received by the Guild on behalf of members as a result of legal proceedings and enforcement of the collective bargaining agreement initiated by the Guild.

Foreign levy monies are received from various European countries, and are due Guild members as a result of the exhibition of productions on foreign television. Currently, the Guild is holding monies, on behalf of members, from Germany, France, Austria, Spain and Argentina.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Revenue Recognition

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

Income Taxes

The Guild 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.

Statement of Cash Flows

For purposes of the statement of cash flows, the Guild 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

Property and equipment are stated at cost. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of assets as follows:

Building	39.5 years
Building improvements	7 years
Computer equipment	3-5 years
Furniture and fixtures	7 years
Equipment	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.

Severance

The Guild's severance pay policies, affecting certain Guild 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.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Concentration of Credit Risk

The Guild holds investments primarily in the form of marketable debt securities, mutual funds and money market funds. The Guild 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, the Guild has not incurred losses related to these investments and does not anticipate nonperformance by other parties.

The Guild places its cash with high quality financial institutions and in corporate paper. At March 31, 2001, the Guild has bank deposits in excess of federally insured limits. To date, the Guild has not incurred losses related to these deposits.

The composition of the investment portfolio as of March 31, 2001 is diversified, with holdings primarily in U.S. treasury and government-backed securities and no other security or group of securities from the same issuer in excess of 10% of the Guild's investment portfolio.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and consist primarily of investments in marketable debt securities, which mature between the years 2001 and 2004, mutual funds and money market funds. Fair value of investments is determined based on quoted market prices.

Fair value of investments at March 31, 2001 is as follows:

	<u>INVESTMENTS</u>		<u>FUNDS HELD IN TRUST</u>	
	MARKET VALUE	COST	MARKET VALUE	COST
U.S. treasury & government backed securities	\$ 5,776,521	\$ 5,733,157	\$ 3,031,692	\$ 2,992,469
Corporate bonds	2,733,838	2,717,959	987,818	981,435
Mutual & money market funds	5,762,881	5,762,881	11,548,912	11,548,912
Total	\$14,273,240	\$14,213,997	\$15,568,422	\$15,522,816

NOTES TO FINANCIAL STATEMENTS

2. Investments, continued

The Guild intends to reinvest all investments maturing in fiscal year 2000/2001 into other long-term investments.

The investment return is detailed as follows:

	UNRESTRICTED	INCLUDING FUNDS HELD IN TRUST
Interest and dividend income on long-term investments, included in other revenues	\$ 886,684	\$1,647,383
Net realized gains on long-term investments, included in other revenues	2,425	2,425
Net unrealized gains and losses on long-term investments, included in other revenues	326,662	478,229
Bank fees, included in professional fees	(48,808)	(64,510)
Return on long-term investments	\$ 1,166,963	\$2,063,527

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, 2001:

	TOTAL
Land	\$ 700,000
Building & improvements	6,943,749
Furniture and fixtures	2,990,197
Equipment	3,047,248
Tenant improvements	777,919
Leased assets	69,684
	14,528,797
Less: Acc. depreciation	6,117,368
	\$ 8,411,429

NOTES TO FINANCIAL STATEMENTS

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 \$496,421 for the year ended March 31, 2001. Based on the actuarial valuation of the Plan, as of December 31, 2000, plan assets exceeded the actuarial present value of accumulated plan benefits.

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 Code. The Guild contributions are required as defined in the 401(k) Plan document, subject to the limitations imposed by the 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, 2001.

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 15 years. The lease can be terminated by the Guild in January 2012. At March 31, 2001, future minimum rental payments applicable to noncancelable operating leases were as follows:

	GUILD	THEATER	TOTAL
2002	\$ 117,134	\$ 182,850	\$299,984
2003	88,489	204,995	293,484
2004	55,204	204,995	260,199
2005	34,734	204,995	239,729
2006	7,902	204,995	212,897
Thereafter	-	1,334,999	1,334,999
Total	\$ 303,463	\$2,337,829	\$2,641,292

Rental expense was \$374,060 for the fiscal year ended March 31, 2001.

NOTES TO FINANCIAL STATEMENTS

6. Commitments and Contingencies, continued

During the year ended March 31, 2001, the Guild leased a portion of its building at 7000 West Third Street. Rental income was \$108,901 for the fiscal year ended March 31, 2001. At March 31, 2001, there are two remaining tenants.

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, 2001. 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 May 2001, and an agreement was reached. 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.

7. Capital Leases and Notes Payable

In September 2000, the Guild entered into a credit facility, which allows the Guild to borrow up to \$3 million. The credit facility was entered into to repay the entire outstanding amount of the original note payable used to acquire the Guild's Headquarters at 7000 West Third Street and is collateralized by the Guild's Headquarters. Under the terms of the credit facility, the principal payments may be deferred until December 2001. The new note payable bears interest at LIBOR plus 1.75% and is payable monthly. The outstanding balance deferred at December 31, 2001 will be payable over 14-years from January 1, 2002 through January 1, 2016. The balance outstanding on the credit facility as of March 31, 2001 was \$1,770,298.

The Guild has a \$4 million line of credit, which bears interest at prime rate and expires on December 31, 2001. Under the terms of the line of credit, the Guild must maintain liquid assets of at least \$2 million in unrestricted cash or investment accounts. As of March 31, 2001, the Guild does not have any borrowings outstanding against the line of credit.

In July 1999, the Guild entered into a lease agreement for the purchase of equipment. The imputed interest rate is 7.75% with monthly payments through November 2002. The equipment serves as collateral for the agreement. As of March 31, 2001, total future lease payments are \$27,483.

In July 1999, the Guild entered into a note for \$73,823 for the purchase of a vehicle. The note payable bears interest of 7.89%. The note is payable in monthly installments of \$2,314, including principal and interest. The note expires in July 2002 and is collateralized by the vehicle. At March 31, 2001, \$32,812 of the note remains outstanding.

NOTES TO FINANCIAL STATEMENTS

7. Capital Leases and Notes Payable, continued

At March 31, 2001, principal payments due in future years are as follows:

	REAL ESTATE	VEHICLE	CAPITAL LEASE
2002	\$17,315	\$26,108	\$ 16,415
2003	72,831	6,704	11,068
2004	78,899		
2005	85,473		
2006	92,595		
Thereafter	1,423,185		
	\$1,770,298	\$32,812	\$ 27,483
Less: Amount representing interest on obligations under capital lease			<div style="border-top: 1px solid black; border-bottom: 3px double black;">2,804</div> <div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 24,679</div>

Interest expense was \$163,583 for the year ended March 31, 2001 and is included in operating expenses in the Statement of Activities.

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 this fiscal year, April 1, 2000 through March 31, 2001, the Guild has set the FCS non-membership dues at 3.3% less than the regular dues. This reflects the Guild's dollar amount that corresponds to its nonchargeable expenditures.

During this coming fiscal year, April 1, 2001 through March 31, 2002, the Guild has set the FCS non-membership dues at 3.3% 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 non-chargeable expenditures after this fiscal year ends, a FCS non-member may be entitled to an adjustment of his or her FCS non-member dues.

NOTES TO FINANCIAL STATEMENTS

9. Functional Expenses

Expenses incurred by functional category were as follows:

Member services	\$14,756,874
Management and general	2,805,380
Programs:	
Theater operations	632,534
Strike Fund	36,609
Good and Welfare Fund	136,860
Year 2000 Fund	903,876
<u>Total expenses</u>	<u>\$19,272,133</u>