

WRITERS GUILD OF AMERICA, WEST, INC.

1 9 9 8 A N N U A L F I N A N C I A L S T A T E M E N T S



WRITERS GUILD OF AMERICA, WEST, INC.

7000 WEST THIRD STREET • LOS ANGELES, CALIFORNIA 90048-4329
TEL. 323. 951. 4000 FAX 323. 782. 4800

Dear Writer,

I am pleased to report that fiscal '97-'98 was financially an excellent year for the Writers Guild. In all, we received just more than \$16.9 million in receipts for Guild Operations and spent \$16.5 million, leaving us with a surplus of just under \$400,000.

The highlights of our current financial position:

R e v e n u e s f o r G u i l d O p e r a t i o n s

Total dues on writers' earnings amounted to \$14,172,877, a 5.0% increase from last year, reflecting the stable market for writing in entertainment.

The Guild has maintained its conservative fiscal management policies, placing our funds in high-grade investments that provide a strong and safe return. Our investment income of \$926,130 was slightly below the \$952,790 from last year.

E x p e n s e s f o r G u i l d O p e r a t i o n s

Expenses of \$16,551,516 increased 8.7% over last year.

The most significant variances related to fighting the L.A. City attempt to tax writers working in their homes and require permits for such work, and to other public policy and enforcement activity.

T h e S t r i k e F u n d

The Strike Fund stands at a robust \$7.25 million, approximately triple the amount we had on account leading into the 1988 negotiations and more than double the amount loaned in the strike of that year.

C a s h a n d I n v e s t m e n t s

The Guild maintains a significant financial reserve at year end. The balance of over \$5 million is invested in cash, cash equivalents and longer term investments.

I n C o n c l u s i o n

The Guild is in excellent financial health. I would like to thank the members of the Membership-Finance Committee for their dedication and commitment to a complicated and time-consuming task: Co-chair Cynthia Thompson, John Riley, Michael Halperin and Adam Rodman. Thanks also go to the staff who run our Membership and Finance operations: Corrine Tippin (Membership), Alice Lee (Dues), Don Gor (Finance) and Paul Nawrocki (Assistant Executive Director).

I would also like to acknowledge and thank my predecessor John Wells for four years of outstanding leadership in managing the Guild's economic resources. I hope that I can continue the tradition of prudent and responsible stewardship, as John did, that was established by Bill Ludwig during his lengthy tenure as the Guild's Secretary-Treasurer.

Sincerely,

Michael Mahern
Secretary-Treasurer

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the statement of financial position of Writers Guild of America, west, Inc. (the "Guild") as of March 31, 1998, and the related statements of activities and cash flows for the fiscal year ended March 31, 1998. 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 in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of Writers Guild of America, west, Inc. as of March 31, 1998, and the changes in its net assets and cash flows for the fiscal year ended March 31, 1998 in conformity with generally accepted accounting principles.



Los Angeles, California
May 12, 1998

STATEMENT OF FINANCIAL POSITION

MARCH 31, 1998

	GUILD OPERATIONS FUNDS	THEATER OPERATIONS FUND	STRIKE FUND	GOOD & WELFARE FUND	YEAR 2000 FUND	Total All Funds
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$1,455,597	\$77,179	\$61,306			\$1,614,182
Accounts Receivable, Net	230,872	29,500	67,331	\$14,277	\$20,395	362,175
Notes Receivable, Net			28,813	77,150		105,963
Prepaid Expenses and Other Assets	102,453	10,830				113,283
Inter Fund Borrowings	808,839	(449,728)	(11,783)	(140,990)	(306,338)	
Funds Held In Trust For Members	9,655,670					9,655,670
TOTAL CURRENT ASSETS	12,253,331	(332,219)	165,467	50,437	(285,943)	11,851,073
Investments	3,251,141		7,105,210	2,053,790	2,304,087	14,714,228
Property and Equipment, Net	9,497,042	570,555			73,382	10,140,980
Security Deposits	24,252	10,258				34,510
TOTAL ASSETS	\$25,025,766	\$248,694	\$7,270,677	\$2,104,227	\$2,091,527	\$36,740,791
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable and Accrued Expenses	\$1,155,735	\$1,224				\$1,156,959
Accrued Vacation and Severance	1,090,522					1,090,522
Deferred Revenue		182,719				182,719
Note Payable	50,509					50,509
Due To Members	9,655,670					9,655,670
TOTAL CURRENT LIABILITIES	11,952,436	183,943				12,136,379
Note Payable, Less current portion	2,448,576					2,448,576
TOTAL LIABILITIES	14,401,012	183,943				14,584,955
NET ASSETS						
UNRESTRICTED:						
Undesignated Net Assets	9,624,754	64,651				9,689,405
Designated Net Assets	1,000,000		7,270,677	2,104,227	2,091,527	12,466,431
TOTAL UNRESTRICTED NET ASSETS	10,624,754	64,651	7,270,677	2,104,227	2,091,527	22,155,836
TOTAL LIABILITIES & NET ASSETS	\$25,025,766	\$248,594	\$7,270,677	\$2,104,227	\$2,091,527	\$36,740,791

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED MARCH 31, 1998

	GUILD OPERATIONS FUNDS	THEATER OPERATIONS FUND	STRIKE FUND	GOOD & WELFARE FUND	YEAR 2000 FUND	TOTAL ALL FUNDS
Change in Unrestricted Net Assets:						
Revenues						
Member Dues	\$14,172,877					\$14,172,877
Other	2,765,117	\$372,001	\$598,532	\$121,245	\$173,207	4,030,102
Total Revenues	<u>16,937,994</u>	<u>372,001</u>	<u>598,532</u>	<u>121,245</u>	<u>173,207</u>	<u>18,202,979</u>
Expenses						
Payroll and Related	8,241,006	128,620	14,148			8,383,774
Special Functions	2,880,461				670,200	3,550,661
Occupancy	2,146,843	193,809			73,383	2,414,035
Operating	1,434,115	38,015		35,250		1,507,380
Professional Fees	1,291,316	55,160	22,246	4,719	6,740	1,380,181
Communications/Publicity	557,775					557,775
Total Expenses	<u>16,551,516</u>	<u>415,604</u>	<u>36,394</u>	<u>39,969</u>	<u>750,323</u>	<u>17,793,806</u>
Change in Unrestricted Net Assets	386,478	(43,603)	562,138	81,276	(577,116)	409,173
Net Assets Beginning of Year	10,238,276	108,254	7,032,544	1,893,349	2,474,240	21,746,663
Mandatory Transfer To						
Good & Welfare/Year 2000 Funds			(324,005)	129,602	194,403	
Net Assets End of Year	<u>\$10,624,754</u>	<u>\$64,651</u>	<u>\$7,270,677</u>	<u>\$2,104,227</u>	<u>\$2,091,527</u>	<u>\$22,155,836</u>

See Accompanying Notes to Financial Statements

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED MARCH 31, 1998

	GUILD OPERATIONS FUNDS	THEATER OPERATIONS FUND	STRIKE FUND	GOOD & WELFARE FUND	YEAR 2000 FUND	TOTAL ALL FUNDS
Cash flows from operating activities:						
Change in unrestricted net assets	\$386,478	(\$43,603)	\$562,138	\$81,276	(\$577,116)	\$409,173
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Depreciation and amortization	741,487	42,199			73,383	857,069
Net unrealized market gains on investments	(35,318)		(98,885)	(20,976)	(29,965)	(185,144)
Provision for doubtful accounts	(4,914)		(32,860)	28,500		(9,274)
(Increase)/decrease in notes receivable			43,707	(65,750)		(22,043)
(Increase)/decrease in accounts receivable	(54,753)	8,300	10,838	2,305	3,292	(30,018)
(Increase) in prepaid expenses and other assets	(15,069)					(15,069)
(Increase) in funds held for members	(414,588)					(414,588)
Increase/(decrease) in accounts payable and accrued expenses	472,860	(2,652)				470,208
(Decrease) in deferred revenue		(10,260)				(10,260)
(Decrease) in note payable (current portion)	(9,104)					(9,104)
Increase in due to members	414,588					414,588
(Increase)/decrease in security deposits	125,000	(10,258)				114,742
Net cash provided by (used in) operating activities	1,606,667	(16,274)	484,938	25,355	(530,406)	1,570,280
Cash flows from investing activities:						
Purchase of property and equipment	(457,504)	(399,124)				(856,628)
Sales of property and equipment	3,182					3,182
Purchases of long term investments	(5,611,853)		(12,383,322)	(2,825,097)	(4,045,109)	(24,865,381)
Maturities of long term investments	5,548,312		12,246,014	2,666,300	4,071,454	24,532,080
Net cash provided by (used in) investing activities	(517,863)	(399,124)	(137,308)	(158,797)	26,345	(1,186,747)
Cash flows from financing activities:						
Increase (decrease) in inter-fund borrowing	(705,942)	386,740	5,704	3,840	309,658	
Inter fund transfers			(324,005)	129,602	194,403	
Payments on note payable	(351,420)					(351,420)
Net cash provided by (used in) financing activities	(1,057,362)	386,740	(318,301)	133,442	504,061	(351,420)
Net increase/(decrease) in cash and cash equivalents	31,442	(28,658)	29,329			32,113
Cash and cash equivalents, beginning of year	1,424,255	105,837	51,977	-	-	1,582,069
Cash and cash equivalents, end of year	\$1,455,697	\$77,179	\$81,306	\$0	\$0	\$1,614,182
Supplemental disclosure of cash flow information:						
Cash paid during the year for interest	\$238,347					

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies:

Basis of Presentation

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 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.

Designated Net Assets

The Board of Directors have designated \$1,000,000 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 six million dollars (\$6,000,000) of funds previously allocated from member dues. Interest and investment income

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies:, continued

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 1.4%.

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 by this fund are approved by the Board of Directors and expended such that the net assets are planned to be exhausted by the end of the fiscal year 1999-2000.

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, and Spain.

Revenue Recognition

In accordance with industry practice, membership dues, initiation fees, and assessments are reflected as revenue on the accompanying financial statements when received. Membership dues are payable on a quarterly basis. Initiation fees are due upon entrance into the Guild.

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies:, continued*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 a remaining 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 of follows:

Building and improvements	39.5 years
Computer equipment	3-5 years
Furniture and fixtures	15 years
Equipment	3-5 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.

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.

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies:, continued

The Guild places its cash with high quality financial institutions and in corporate paper. At March 31, 1998 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, 1998 is diversified, with primarily holdings 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.

Impairment Of Long-Lived Assets

Assessments of whether there has been a permanent impairment in the value of long-lived assets are periodically performed by considering factors such as expected future operating results, trends and prospects, as well as the effects of demand, competition and other economic factors. The method used to determine if an impairment has occurred is first whether there has been a change in circumstances regarding the long-lived assets, followed by an analysis of cash flows regarding the assets in question. If an impairment is determined to have occurred as a result of the analysis, then the Guild recognizes and measures that impairment using discounted cash flow. Management believes that no permanent impairment has occurred based upon the information currently available.

2. Investments:

Investments are stated at fair value and consist primarily of investments in marketable debt securities, which mature between the years 1998 and 2002, mutual funds and money market funds. Fair value of investments is determined based on quoted market prices.

Fair value of investments at March 31, 1998 are as follows:

	LONG TERM INVESTMENTS	FUNDS HELD IN TRUST
U.S. treasury & government backed securities	\$ 8,649,533	\$2,019,459
Corporate bonds	3,640,896	2,843,553
Mutual & money market funds	2,423,799	4,792,658
Total	\$14,714,228	\$9,655,670

NOTES TO FINANCIAL STATEMENTS

The Guild intends to reinvest all investments maturing in fiscal year 1997/98 into other long term investments.

The investment return is detailed as follows:

	UNRESTRICTED
Interest and dividend income on long-term investments, included in other revenues	\$ 926,130
Net unrealized and realized losses on long-term investments, included in other revenues	186,829
Bank fees, included in professional fees	(46,347)
Return on long-term investments	\$ 1,066,612
Total return on investments (including funds held in trust and cash)	\$ 1,641,320

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, 1998:

	GUILD	THEATER	YEAR 2000	TOTAL
Land	\$ 700,000			\$ 700,000
Bldg & Improvements	6,816,927			6,816,927
Furniture and fixtures	2,431,752			2,431,752
Equipment	1,873,766		\$ 220,148	2,093,914
Tenant improvements	153,295	\$ 823,907		977,202
	11,975,740	823,907	220,148	13,019,795
Less: Acc. Depreciation	2,478,698	253,352	146,765	2,878,815
	\$ 9,497,042	\$ 570,555	\$ 73,383	\$10,140,980

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.

NOTES TO FINANCIAL STATEMENTS

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 5 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 \$374,523 for the year ended March 31, 1998. Based on the actuarial valuation of the Plan, as of December 31, 1996, 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, 1998.

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, 1998 future minimum rental payments applicable to noncancellable operating leases were as follows:

	GUILD	THEATER	TOTAL
1999	\$ 70,123	\$ 178,422	\$ 248,545
2000	65,867	178,422	244,289
2001	51,645	178,422	230,067
2002	34,654	178,422	213,076
2003	-	204,995	204,995
Thereafter	-	1,945,358	1,945,358
Total	\$222,289	\$2,864,041	\$3,086,330

Rental expense was \$102,630 for the fiscal year ended March 31, 1998.

The Guild leases a portion of its building at 7000 West Third Street with terms ranging from 5 to 15 years.

NOTES TO FINANCIAL STATEMENTS

6. Commitments and Contingencies: continued

At March 31, 1998, the approximate future minimum lease payments to be received under existing operating leases with terms greater than one year, exclusive of contingent rentals are as follows:

1999	\$ 305,225
2000	305,225
2001	270,799
2002	265,207
2003	288,449
Thereafter	1,089,646
<u>Total</u>	<u>\$2,524,551</u>

Rental income was \$307,695 for the fiscal year ended March 31, 1998.

Rent increases are tied to annual increases based on CPI index changes. Tenants pay their prorata share of property taxes and operating expenses to the Guild.

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, 1998. The WGA Committee on Negotiations has reached a tentative agreement with the Alliance of Motion Picture and Television Producers (AMPTP) and the production arms of the traditional networks (ABC, CBS and NBC) on a new Minimum Basic Agreement (MBA). This agreement comes just prior to the May 1, 1998 expiration of the 1995 MBA. This agreement is subject to ratification first by the Board of Directors of the Writers Guild of America west and the Council of Writers Guild East, and then by the membership of both organizations. If this agreement is not ratified, it could result in a work stoppage that may have an impact on membership dues revenue.

7. Note Payable - Real Estate:

In 1997, the Guild refinanced the \$3,220,000 note payable to acquire its building at 7000 West Third Street. The new note payable bears interest at 7.57%, is payable in monthly installments of \$19,830, including principal and interest, with a lump sum payment due in September 2000, the note due date. The note payable is collateralized by the building. Future principal maturities of the note payable are as follows:

1999	\$ 50,509
2000	54,468
2001	2,394,108
<u>Total</u>	<u>\$2,499,085</u>

NOTES TO FINANCIAL STATEMENTS

7. Note Payable - Real Estate: continued

Interest expense was \$232,396 for the year ended March 31, 1998 and is included in operating expenses in the Statement of Activities.

The Guild has two \$2,000,000 lines of credit which bear interest at prime rate with an expiration date of December 1998. The balances outstanding as of March 31, 1998 were zero.

8. Functional Expenses:

Expenses incurred by functional category were as follows:

Member services	\$13,154,063
Management and general	3,397,453
Programs:	
Theater operations	415,604
Strike Fund	36,394
Good and Welfare Fund	39,969
Year 2000 Fund	750,323
<u>Total expenses</u>	<u>\$17,793,806</u>