

WRITERS GUILD OF AMERICA, WEST, INC.

ANNUAL FINANCIAL REPORT

JUNE 29, 2011



**WRITERS
GUILD OF
AMERICA, WEST**

WRITERS GUILD OF AMERICA, WEST, INC.

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EXECUTIVE DIRECTOR

WGAW HEADQUARTERS

7000 West Third Street

Los Angeles, CA 90048

Telephone (323) 951-4000

Fax (323) 782-4800

www.wga.org

AFFILIATED WITH:

Australian Writers Guild

Irish Playwrights & Screenwriters Guild

Scriptwriters Guild of Israel

Sección de Autores y Adaptadores de Cine, Mexico

Société Des Auteurs De Radio, Télévision Et Cinema

Union/Gilde des Scenaristes (France)

Writers Guild of America, East

Writers Guild of Canada

Writers Guild of Great Britain

Writers Guild of New Zealand

STATEMENT OF THE MEMBERSHIP AND FINANCE COMMITTEE

June 11, 2011

Dear Fellow Members,

We are pleased to present the Guild's annual financial report. The information in this booklet reflects that, despite the challenges posed by a recovering economy, the Guild remains financially stable and strong. In April, WGA East and West members overwhelmingly ratified the 2014 MBA, providing for significant increases in contributions to our pension plan, increased minimums, and an improved pay TV residuals formula.

In this annual report, you will find the WGAW's financial statements and other relevant industry and employment data for the fiscal year ending March 31, 2011. Please note these highlights:

- The Guild ended the fiscal year with total net assets of \$31.6 million. The Guild owns its headquarters free of mortgage debt and our investments stand at \$17.5 million, including a total of \$11.9 million in our Strike and Good & Welfare Funds.
- The Guild had an operating surplus for the fiscal year of \$0.7 million based on total revenues of \$25.3 million, up from \$23.7 million last year. The increased revenues were the product of a modest 1.5 percent increase in total dues revenue and investment gains generated by a recovering equities market.
- Annual expenditures of \$24.6 million were also higher than FY 2010's total of \$22.5 million. The biggest contributor to this increase was a one-time charge for legal expenses in connection with the foreign levies settlement, which became final in September 2010.

We present this annual report to keep you informed of the Guild's financial condition. Your Membership and Finance Committee is made up of five members appointed by the Board of Directors. The Committee oversees the annual audit conducted by the independent accounting firm of Miller, Kaplan, Arase & Co., LLP, whose report is contained in this booklet.

Sincerely,

The Membership and Finance Committee

David N. Weiss (chair), Tony DeSena, Christopher Keyser, Adam Rodman, and Alison Taylor

THE MARKETPLACE FOR WRITING

2010 was a mixed year for writers. Although earnings for WGAW members decreased in 2010, residuals collected by the WGA reached an all-time high. Earnings totaled \$928 million in 2010, a 2.9 percent decrease from 2009, and the number of writers reporting income from covered services declined 4.5 percent to 4,244. On the other hand, for the first time ever aggregate residuals receipts topped \$300 million.

TOTAL EARNINGS FOR WGAW WRITERS AND NUMBER OF WRITERS REPORTING EARNINGS

YEAR	NUMBER OF WRITERS REPORTING EARNINGS	PERCENT CHANGE VS. PRIOR YEAR	TOTAL EARNINGS REPORTED	PERCENT CHANGE VS. PRIOR YEAR
2005	4,576	---	\$927.9 million	---
2006	4,561	-0.3%	\$911.2 million	-1.8%
2007	4,686	+2.7%	\$985.2 million	+8.1%
2008	4,377	-6.6%	\$835.1 million	-15.2%
2009	4,444	+1.5%	\$955.8 million	+14.5%
2010	4,244	-4.5%	\$928.0 million	-2.9%

Source: WGAW records, prior years updated to include late reporting

Earnings of television writers grew in 2010 to \$532.1 million, a new high that is 2.9 percent more than the last year's record earnings. Total television employment, however, retracted somewhat in 2010, with a 1.1 percent decrease to 3,142, about 6 percent lower than the recent high-employment level of 3,350 in 2007 and 19.5 percent lower than the all-time high of 3,903 in 2000.

EARNINGS AND EMPLOYMENT IN TELEVISION

YEAR	NUMBER OF WRITERS REPORTING EARNINGS	PERCENT CHANGE VS. PRIOR YEAR	TOTAL EARNINGS REPORTED	PERCENT CHANGE VS. PRIOR YEAR
2005	3,265	---	\$469.6 million	---
2006	3,246	- 0.6%	\$471.0 million	+ 0.3%
2007	3,350	+ 3.2%	\$454.9 million	- 3.4%
2008	3,100	- 7.5%	\$458.7 million	- 0.8%
2009	3,176	+ 2.5%	\$517.3 million	+ 12.8%
2010	3,142	- 1.1%	\$532.1 million	+ 2.9%

Source: WGAW records, prior years updated to include late reporting

The fluctuating nature of employment in feature film writing continued in 2010, with 1,615 writers reporting earnings compared to 1,818 in 2009. Earnings decreased 9.9 percent over 2009.

EARNINGS AND EMPLOYMENT IN SCREEN

YEAR	NUMBER OF WRITERS REPORTING EARNINGS	PERCENT CHANGE VS. PRIOR YEAR	TOTAL EARNINGS REPORTED	PERCENT CHANGE VS. PRIOR YEAR
2005	1,950	---	\$455.1 million	---
2006	1,991	+ 2.1%	\$436.7 million	- 4.0%
2007	2,034	+ 2.2%	\$526.6 million	+20.6%
2008	1,801	- 11.5%	\$373.6 million	- 29.1%
2009	1,818	+ 0.9%	\$435.8 million	+ 16.7%
2010	1,615	- 11.2%	\$392.7 million	-9.9%

Source: WGAW records, prior years updated to include late reporting

Employment in news, informational, and interactive programming remained steady with 103 writers collectively earning a healthy \$3.5 million—matching historical highs in these categories.

EARNINGS AND EMPLOYMENT IN RADIO NEWS, INFORMATIONAL, AND INTERACTIVE

YEAR	NUMBER OF WRITERS REPORTING EARNINGS	PERCENT CHANGE VS. PRIOR YEAR	TOTAL EARNINGS REPORTED	PERCENT CHANGE VS. PRIOR YEAR
2005	73	---	\$3.1 million	---
2006	109	+ 49.3%	\$3.5 million	+ 12.9%
2007	104	- 4.6%	\$3.5 million	nc
2008	96	- 7.7%	\$2.8 million	- 20.0%
2009	105	+ 9.4%	\$2.7 million	- 3.6%
2010	103	-1.9%	\$3.5 million	+29.6%

Source: WGAW records, prior years updated to include late reporting

WGA RESIDUALS COLLECTED

Residuals collected by the WGA in 2010 increased by a healthy 10 percent over 2009, to an all-time high of \$315.81 million. This is the first year that receipts exceeded \$300 million. Residuals increased in both television and screen, with both areas reaching record high collection totals.

Television was the stronger area, increasing 12.8 percent to \$160.43 million. The continuing highlight was reuse of programs made for basic cable, which increased 32.5 percent to \$20.94 million. This area has shown sustained growth throughout the past five years, increasing an average of 25 percent per year. The second most notable increase came in foreign reuse of television programs, which increased 18.9 percent to \$29.49 million. Primetime reuse increased 4.6 percent due to more repeats on the networks. Home video reuse of television program retrenched, but pay television use, mostly foreign, grew. New-media reuse grew 23.7 percent to \$2.63 million in the third year of collections in that area.

Total feature film residuals grew 6.1 percent to a total of \$141.78 million. DVD and Blu-ray revenue dropped to 3.2 percent to \$40.57 million. But this was more than offset by an increase in pay television residuals worldwide, which grew 17.2 percent to \$54.29 million. New media grew to \$1.22 million.

**TOTALS RESIDUALS COLLECTED
(MILLIONS OF DOLLARS)**

TELEVISION PROGRAMS	2005	2006	2007	2008	2009	2010	2010 VS. 2009	2010 VS. 2005	5-YEAR CAGR*
Primetime Network	\$22.85	\$22.59	\$24.31	\$23.13	\$23.64	\$24.72	+ 4.6%	+ 8.2%	+1.6%
Domestic Synd./WB/UPN/CW	\$30.69	\$28.98	\$23.11	\$24.54	\$19.34	\$25.66	+32.7%	-16.4%	-3.5%
Foreign Free TV & Basic Cable	\$19.12	\$21.38	\$23.47	\$27.33	\$24.79	\$29.49	+18.9%	+54.3%	+9.1%
Basic Cable (Non-Basic Pgms)	\$21.71	\$25.12	\$26.94	\$26.94	\$28.72	\$30.22	+5.2%	+39.2%	+6.8%
Basic Cable for Made-For-Basic	\$6.75	\$8.07	\$10.97	\$12.77	\$15.81	\$20.94	+32.5%	+210.3%	+25.4%
Pay TV for Made-For-Pay	\$2.25	\$2.59	\$2.59	\$3.49	\$4.08	\$5.39	+32.2%	+139.9%	+19.1%
Home Video	\$6.39	\$8.73	\$8.54	\$9.52	\$11.57	\$7.98	-31.0%	+24.9%	+4.5%
Pay TV	\$1.41	\$1.93	\$1.79	\$2.15	\$3.39	\$4.39	+29.5%	+211.9%	+25.6%
New-Media Reuse	---	---	---	\$0.10	\$2.13	\$2.63	+23.7%	---	---
Network Late Night/Weekend Day	\$8.05	\$10.26	\$6.67	\$6.43	\$5.95	\$6.29	+5.7%	-21.9%	-4.8%
Misc TV Program reuse	\$0.85	\$1.44	\$2.43	\$1.68	\$2.84	\$2.72	-4.2%	+220.0%	+26.2%
Total TV Program Residuals	\$120.07	\$131.09	\$130.82	\$138.08	\$142.26	\$160.43	+ 12.8%	+ 33.6%	+ 6.0%
THEATRICAL FILM RESIDUALS									
Worldwide Television	\$37.12	\$37.99	\$42.81	\$45.63	\$43.31	\$44.55	+ 2.9%	+ 20.1%	+ 3.7%
Home Video	\$49.85	\$43.20	\$43.07	\$47.85	\$41.90	\$40.57	- 3.2%	-18.6%	- 4.0%
Pay TV	\$41.60	\$39.07	\$44.45	\$43.25	\$46.31	\$54.29	+17.2%	+30.5%	+ 5.47
DVD Script Fee	\$1.03	\$1.31	\$1.18	\$1.18	\$1.42	\$1.15	- 19.2%	+ 11.8%	+ 2.3%
New Media	---	---	---	---	\$0.74	\$1.22	+ 64.3%	--	--
Total Theatrical Film Residuals	\$129.58	\$121.57	\$131.51	\$137.91	\$133.68	\$141.78	+ 6.1%	+ 9.4%	+ 1.8%
Creator Royalties	\$8.50	\$8.63	\$7.92	\$8.14	\$7.51	\$10.52	+ 40.1%	+ 23.8%	+ 4.4%
Misc. Payments/Settlements	\$4.39	\$3.98	\$4.49	\$4.40	\$3.68	\$3.08	- 16.8%	- 29.8%	- 6.8%
TOTAL RESIDUALS	\$262.54	\$265.27	\$274.74	\$288.53	\$287.13	\$315.81	+ 10.0%	+ 20.3%	+ 3.8%

*CAGR is the Compound Annual Growth Rate over the 5-year period

MANNON KAPLAN, CPA
 GEORGE NADEL RIVIN, CPA
 EDWIN KANEMARU, CPA
 KENNETH R. HOLMER, CPA
 DOUGLAS S. WAITE, CPA
 CHARLES SCHNAID, CPA
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 CATHERINE C. GARDNER, CPA
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 MICHAEL G. KAPLAN, CPA
 MICHAEL J. QUACKENBUSH, CPA
 EDMOND AVANESS, CPA
 CRANE CURRAN, CPA
 BRIAN J. HARRIS, CPA
 GREGORY E. KLEIN, CPA
 LINDA BECKER, MBA
 ANDREW B. KOSKI, MBA
 GRANT K. MILLER, CPA

STANLEY L. MILLER, CPA (1921-1995)
 PAUL ARASE, CPA (RETIRED)



Miller, Kaplan, Arase & Co., LLP
 CERTIFIED PUBLIC ACCOUNTANTS

SINCE 1941

4123 LANKERSHIM BOULEVARD
 NORTH HOLLYWOOD, CALIFORNIA 91602-2828

(818) 769-2010

FAX (818) 769-3100

MEMBERS
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 CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
 Writers Guild of America, West, Inc.
 7000 West Third Street
 Los Angeles, California 90048-4321

Members of the Board:

We have audited the accompanying statement of financial position of Writers Guild of America, West, Inc. ("WGAW") as of March 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of WGAW's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

As described in Note 10 to the financial statements, WGAW established a political action committee (the "WGAW PAC"). The financial statements referred to above do not include the financial information of the WGAW PAC.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WGAW as of March 31, 2011 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.

Miller, Kaplan, Arase & Co., LLP

MILLER, KAPLAN, ARASE & CO., LLP

May 25, 2011

OVER 70 YEARS OF PROFESSIONAL SERVICE TO THE PUBLIC

WRITERS GUILD OF AMERICA, WEST, INC.

**STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011**

	GUILD OPERATIONS FUND	THEATER OPERATIONS FUND	STRIKE FUND	GOOD & WELFARE FUND	YEAR 2000 FUND	TOTAL ALL FUNDS
ASSETS						
Cash and Cash Equivalents	\$2,322,437	\$106,388	\$343,895	\$79,577	\$2,533,976	\$5,386,273
Membership Dues Receivable	4,130,000					4,130,000
Accounts Receivable, Net	1,432,986	43,000	19,039	3,002		1,498,027
Notes Receivable, Net						-
Prepaid Expenses	300,165	1,095				301,260
Investments, at Market Value	6,106,998		8,494,902	2,940,490	108	17,542,498
Funds Received On Behalf Of						
Members	25,382,643					25,382,643
Property and Equipment, Net	5,279,316	24,463				5,303,779
Inter-Fund Borrowings	771,416	(62,055)	(7,741)	(1,311)	(700,309)	-
TOTAL ASSETS	<u>\$45,725,961</u>	<u>\$112,891</u>	<u>\$8,850,095</u>	<u>\$3,021,758</u>	<u>\$1,833,775</u>	<u>\$59,544,480</u>
LIABILITIES AND NET ASSETS						
Accounts Payable and Accrued						
Expenses	\$1,157,319					\$1,157,319
Accrued Salaries, Vacation and						
Severance	1,280,232					1,280,232
Deferred Rent		\$86,194				86,194
Due To Members	25,382,643					25,382,643
TOTAL LIABILITIES	<u>27,820,194</u>	<u>86,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,906,388</u>
NET ASSETS						
UNRESTRICTED:						
Undesignated Net Assets	16,805,991	26,697				16,832,688
Designated Net Assets	1,000,000		\$8,850,095	\$3,021,758	\$1,833,775	14,705,628
	<u>17,805,991</u>	<u>26,697</u>	<u>8,850,095</u>	<u>3,021,758</u>	<u>1,833,775</u>	<u>31,538,316</u>
TEMPORARILY RESTRICTED	99,776					99,776
TOTAL NET ASSETS	<u>17,905,767</u>	<u>26,697</u>	<u>8,850,095</u>	<u>3,021,758</u>	<u>1,833,775</u>	<u>31,638,092</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$45,725,961</u>	<u>\$112,891</u>	<u>\$8,850,095</u>	<u>\$3,021,758</u>	<u>\$1,833,775</u>	<u>\$59,544,480</u>

The accompanying notes are an integral part of the financial statements

WRITERS GUILD OF AMERICA, WEST, INC.

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MARCH 31, 2011**

	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	\$19,671,709					\$19,671,709
Administrative Fees	1,302,672					1,302,672
Other	2,281,396	\$639,838	\$6,246			2,927,480
Total Revenues	<u>23,255,777</u>	<u>639,838</u>	<u>6,246</u>	<u>-</u>	<u>-</u>	<u>23,901,861</u>
Expenses						
Payroll and Related Expenses	14,250,408	270,874	7,741	\$1,311		14,530,334
Special Functions	2,347,373					2,347,373
Occupancy	2,027,370	434,592				2,461,962
Operating	1,163,310	47,486	(243,767)	(13,639)		953,390
Professional Fees	3,292,883	18,265	9,242	2,744	\$527,654	3,850,788
Communications	345,311					345,311
Total Expenses	<u>23,426,655</u>	<u>771,217</u>	<u>(226,784)</u>	<u>(9,584)</u>	<u>527,654</u>	<u>24,489,158</u>
Net Operating Increase						
(Decrease)	(170,878)	(131,379)	233,030	9,584	(527,654)	(587,297)
Investment Income						
Investment Income	449,807		200,354	64,112	152	714,425
Net Realized Gain on Sales of Investments	201,541		19,115	4,745		225,401
Net Unrealized Appreciation (Depreciation) in Market Value	(131,537)		447,727	176,025		492,215
Net Amortization of (Premiums) Discounts	(155,510)		(18,601)	(2,183)		(176,294)
Total Investment Income	<u>364,301</u>		<u>648,595</u>	<u>242,699</u>	<u>152</u>	<u>1,255,747</u>
Change in Unrestricted Net Assets	<u>193,423</u>	<u>(131,379)</u>	<u>881,625</u>	<u>252,283</u>	<u>(527,502)</u>	<u>668,450</u>
Change in Temporarily Restricted Net Assets:						
Contributions (Showrunner Program)	150,000					150,000
Net Assets Released from Restrictions	(150,979)					(150,979)
Change in Temporarily Restricted Net Assets	<u>(979)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(979)</u>
Change in Net Assets	<u>192,444</u>	<u>(131,379)</u>	<u>881,625</u>	<u>252,283</u>	<u>(527,502)</u>	<u>667,471</u>
Net Assets, Beginning of Year	17,713,323	158,076	7,968,470	2,769,475	2,361,277	30,970,621
Net Assets, End of Year	<u>\$17,905,767</u>	<u>\$26,697</u>	<u>\$8,850,095</u>	<u>\$3,021,758</u>	<u>\$1,833,775</u>	<u>\$31,638,092</u>

The accompanying notes are an integral part of the financial statements

WRITERS GUILD OF AMERICA, WEST, INC.

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MARCH 31, 2011**

	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	\$192,444	(\$131,379)	\$881,625	\$252,283	(\$527,502)	\$667,471
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	340,644	7,902				348,546
Loss on disposal of property and equipment	4,155					4,155
Net realized (gain) on sales of investments	(201,541)		(19,115)	(4,745)		(225,401)
Net unrealized (appreciation) depreciation in market value	131,537		(447,727)	(176,025)		(492,215)
Net amortization of discounts	155,510		18,601	2,183		176,294
(Decrease) in allowances for doubtful accounts	(17,180)		(258,301)	(13,639)		(289,120)
(Increase) in membership dues receivable	(94,000)					(94,000)
(Increase) decrease in accounts receivable	365,968	(17,300)	732	55		349,455
Decrease in prepaid expenses	46,496	756				47,252
(Decrease) in accounts payable and accrued expenses	(32,652)	(8,000)				(40,652)
(Decrease) in accrued salaries, vacation and severance	(392,994)					(392,994)
(Decrease) in deferred rent		(22,216)				(22,216)
Net cash provided by (used in) operating activities	498,387	(170,237)	175,815	60,112	(527,502)	36,575
Cash flows from investing activities:						
Purchase of property and equipment	(308,023)	(17,117)				(325,140)
Tenant Improvements Reimbursements		17,117				17,117
Issuance of notes receivable				(14,000)		(14,000)
Payments received on notes receivable			258,301	27,639		285,940
Purchases of investments	(11,721,868)		(1,516,096)	(191,783)	(24)	(13,429,771)
Maturities of investments	10,669,971		1,316,384	128,095	929,423	13,043,873
Net cash provided by (used in) investing activities	(1,359,920)	-	58,589	(50,049)	929,399	(421,981)
Cash flows from financing activities:						
Increase (decrease) in inter-fund borrowings	(564,546)	28,562	7,741	1,311	526,932	
Net cash provided by (used in) financing activities	(564,546)	28,562	7,741	1,311	526,932	-
Net increase (decrease) in cash and cash equivalents	(1,426,079)	(141,675)	242,145	11,374	928,829	(385,406)
Cash and cash equivalents, beginning of year	3,748,516	248,063	101,750	68,203	1,605,147	5,771,679
Cash and cash equivalents, end of year	<u>\$2,322,437</u>	<u>\$106,388</u>	<u>\$343,895</u>	<u>\$79,577</u>	<u>\$2,533,976</u>	<u>\$5,386,273</u>

The accompanying notes are an integral part of the financial statements

WRITERS GUILD OF AMERICA, WEST, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

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. 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 Guild 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 intended 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.

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 for 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 recorded as unrestricted revenues.

WRITERS GUILD OF AMERICA, WEST, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

1. Summary of Significant Accounting Policies, continued

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 fiscal year cost-of-living index is 3.49%.

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.

Funds Received on Behalf Of Members

WGAW receives funds on behalf of members and other payees in the following segregated 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 21 countries in Europe, Latin America, and Asia for the benefit of the lawful payees. WGAW collects a fee

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1. Summary of Significant Accounting Policies, continued

on these levies to offset the expenses of negotiating and administering the foreign levies program. Such fees totaling \$863,749 are included in the statement of activities as “administrative fees”.

- 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

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. 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 \$438,923 are included in the statement of activities as “administrative fees.”

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, 2011.

Statement of Cash Flows

For purposes of the statement of cash flows, WGAW considers money market accounts and other 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.

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

Property and Equipment

As required by accounting principles generally accepted in the United States of America (“GAAP”), 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 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 \$1,710,432 are included in “property and equipment” in the accompanying statement of financial position.

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, 2011, WGAW has bank deposits that exceed the general Federal Deposit Insurance Corporation’s (“FDIC”) insured limits of \$250,000. To date, WGAW has not incurred losses related to these deposits.

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1. Summary of Significant Accounting Policies, continued

The composition of the investment portfolio as of March 31, 2011 is diversified, with holdings primarily in U.S. Agencies and government backed securities and corporate bonds 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 GAAP 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

GAAP establishes a fair value hierarchy which prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 – Quoted prices in active markets.

Level 2 – Inputs based on quoted prices for similar instruments and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

Level 3 – Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The following tables represent the WGAW's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of March 31, 2011:

	Investments				Total Cost
	Level 1	Level 2	Level 3	Market Value	
U.S. Agencies and government backed securities	\$ -	\$4,947,376	\$ -	\$ 4,947,376	\$ 4,909,145
Corporate bonds	-	3,879,734	-	3,879,734	3,810,214
Equity mutual fund	7,399,776	-	-	7,399,776	7,587,776
Money market funds	1,315,612	-	-	1,315,612	1,315,612
Total	\$8,715,388	\$8,827,110	\$ -	\$17,542,498	\$17,622,747

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2. Investments, continued

	Funds Received on Behalf of Members				
	Level 1	Level 2	Level 3	Market Value	Total Cost
U.S. Agencies and government backed securities	\$ -	\$3,151,438	\$ -	\$ 3,151,438	\$ 3,165,624
Corporate bonds	-	2,235,860	-	2,235,860	2,202,347
Money market funds	19,995,345	-	-	19,995,345	19,995,345
Total	\$19,995,345	\$5,387,298	\$ -	\$25,382,643	\$25,363,316

Level 1 investments consist of an equity mutual fund and money market funds. Level 2 investments consist of corporate bonds, and U.S. Agencies and government backed securities. All investments are recorded at fair value based on the securities' year end closing value, as reported by the investment manager, based on valuations by Interactive Data Pricing and Reference Data, Inc. Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis.

Net realized and unrealized gains and losses are computed using investments' cost for financial statement purposes and are included in the statement of activities.

WGAW intends to reinvest all investments maturing in fiscal year 2012 into money market funds, government backed securities, or investment-grade corporate bonds.

The investment return is detailed as follows:

	<u>Unrestricted</u>	<u>Funds Received On Behalf Of Members</u>	<u>Total</u>
Interest, dividend and capital gains income	\$377,778	\$160,353	\$ 538,131
Net realized gain on sales of investments	92,795	132,606	225,401
Net unrealized appreciation (depreciation) in market value	590,913	(98,698)	492,215
Bank fees (included in professional fees)	(78,162)	(18,603)	(96,765)
Return on investments	<u>\$983,324</u>	<u>\$175,658</u>	<u>\$1,158,982</u>

3. Notes Receivable

Strike loans were made to members in good standing who suffered direct financial hardship due to the strike that commenced on November 5, 2007 and ended on February 13, 2008, as well as due to an earlier 1988 strike. The loans are evidenced by promissory notes and are secured by written assignments of a portion of the member's future residuals income.

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3. Notes Receivable, continued

Good & Welfare and Year 2000 loans were made to members experiencing acute financial 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.

An allowance has been provided for estimated uncollectible amounts equal to the outstanding principal balance of the notes receivable as of March 31, 2011.

4. Property and Equipment

Property and equipment consisted of the following at March 31, 2011:

	Total
Land	\$ 700,000
Building and improvements	7,327,089
Furniture and fixtures	3,143,035
Computers and equipment	3,897,621
Tenant improvements	768,144
	15,835,889
Less: Accumulated depreciation and amortization	10,532,110
	\$ 5,303,779

Depreciation and amortization expense was \$348,546 for the fiscal year ended March 31, 2011.

5. Pension Plan

WGAW participates in the Producer-Writers Guild of America Pension Plan (the "Plan"), a defined benefit multi-employer pension plan covering WGAW members and employees of WGAW, the Plan, and the Writers Guild-Industry Health Fund.

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 WGAW's contribution to the Plan was \$710,085 for the fiscal year ended March 31, 2011.

WGAW 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.

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5. Pension Plan, continued

WGAW 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.

WGAW made \$189,474 in contributions on behalf of participants in the 401(k) Plan for the fiscal year ended March 31, 2011.

6. Commitments and Contingencies

WGAW has entered into operating lease agreements for its theater and office equipment through October 2015. At March 31, 2011, future minimum rental payments applicable to noncancellable operating leases were as follows:

	<u>Office Equipment</u>	<u>Theater</u>	<u>Total</u>
2012	\$ 61,547	\$194,028	\$255,575
2013	57,891	-	57,891
2014	51,660	-	51,660
2015	23,866	-	23,866
2016	<u>3,304</u>	<u>-</u>	<u>3,304</u>
Total	<u>\$198,268</u>	<u>\$194,028</u>	<u>\$392,296</u>

Rental expense was \$393,735 for the fiscal year ended March 31, 2011.

WGAW leases a portion of its building at 7000 West Third Street at a term of 5 years, with 5 additional options of 5 years each and ending in 2038, unless written notice of decision not to exercise the option is provided before each term.

At March 31, 2011, 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>
2012	\$12,992
2013	<u>13,043</u>
Total	<u>\$26,035</u>

Rent increases are tied to annual increase based on CPI index changes.

WGAW is a labor organization whose primary function is to negotiate collective bargaining agreements with employers in the motion picture, television and new media industries. WGAW's principal industry-wide agreement expires on May 1, 2011. A new agreement, which was approved in April 2011, expires on May 1, 2014.

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6. Commitments and Contingencies, continued

WGAW is involved in various ongoing litigation matters. If judgments are made against WGAW, management does not expect that these amounts will materially exceed the amounts recoverable through WGAW's insurance carriers. Thus, management does not believe that current litigation will materially affect WGAW's financial condition or earnings.

7. Financial Core Status ("FCS") Non-Membership Dues Obligations

The law permits WGAW to assess FCS non-members fees up to an amount equal to its regular dues and initiation fees. During the fiscal year ended March 31, 2011, WGAW set FCS fees at 10.87% less than the regular dues. This reflects the percentage of total WGAW expenditures attributable to nonchargeable expenses during the fiscal year.

For the fiscal year ending March 31, 2012, WGAW has set FCS fees at 10.87% less than the regular dues. This reflects WGAW'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.

8. Functional Expenses

Expenses incurred by functional category were as follows:

Member services	\$21,146,432
Management and general	2,431,202
Programs:	
Theater Operations Fund	771,217
Strike Fund	(226,784)
Good & Welfare Fund	(9,584)
Year 2000 Fund	<u>527,654</u>
Total expenses	<u>\$24,640,137</u>

9. Supplemental Disclosure of Cash Flow Information

During the year ended March 31, 2011, WGAW received funds on behalf of members of \$22,029,263. WGAW made payments from funds received on behalf of members of \$26,993,067 for the fiscal year ended March 31, 2011.

10. Related Party

During fiscal year 2009, the WGAW formed a political action committee (the "WGAW PAC").

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10. Related Party, continued

Consistent with federal election law, WGAW assets will not be used to fund contributions to the WGAW PAC. WGAW PAC will solicit and raise voluntary contributions from the WGAW members, of which these funds will be used to support political activities on behalf of writers.

WGAW PAC is administered by a seven-member committee that includes WGAW's elected officers and executive director. Day-to-day operations have been delegated to a firm of experienced election law attorneys, who will be responsible for compliance with recordkeeping and reporting requirements. Accordingly, WGAW's financial statements do not reflect the activities of the WGAW PAC.

The following is selected unaudited data as to assets, liabilities, net assets, revenues and expenses pertaining to the WGAW PAC as of and for the year ended March 31, 2011:

	WGAW PAC <u>(Unaudited)</u>
Assets	<u>\$43,875</u>
Liabilities	<u>\$ -</u>
Net Assets	<u>\$43,875</u>
Revenues	<u>\$25,340</u>
Expenses	<u>\$57,852</u>
Net Decrease	<u>(\$32,512)</u>

11. Subsequent Events

Management has evaluated subsequent events through May 25, 2011, the date on which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTICE TO WRITERS GUILD OF AMERICA, WEST, INC. DUES PAYERS

This notice is provided to all employees working under collective bargaining agreements between the Writers Guild of America, West, Inc. (“WGAW”), and production companies. This notice provides you with information and sets forth procedures concerning implementation of your legal rights regarding “Financial Core Status” (“FCS”) nonmembership dues.

PLEASE BE ADVISED THAT THE WGAW WILL CONSIDER A PERSON’S DECISION TO ELECT “FINANCIAL CORE STATUS” (“FCS”) NONMEMBERSHIP IRREVOCABLE. THIS IS SO WHETHER A PERSON MAKES THIS DECISION UPON FIRST BECOMING ELIGIBLE TO JOIN THE WGAW OR AT A LATER TIME UPON RESIGNATION.

FINANCIAL CORE STATUS (“FCS”) NONMEMBERSHIP DUES OBLIGATIONS

The law permits the WGAW to assess FCS nonmember dues up to an amount equal to its regular dues. During this coming fiscal year, **April 1, 2011, through March 31, 2012**, the WGAW has set the FCS nonmembership dues at 10.87 percent less than the regular dues. This reflects the WGAW’s estimate of the dollar amount that will correspond to its non-chargeable expenditures.

Expenses germane to the collective bargaining process are chargeable. These include, but are not limited to, expenses for negotiations, contract administration, grievance adjustment, organizing, economic actions, internal union governance and administration, and litigation related to these activities. Expenses for political purposes, general community services, and members-only benefits are non-chargeable. In order to reduce the fee they pay to the WGAW, FCS nonmembers must follow the procedure described below:

PROCEDURE FOR FILING NOTICE OF OBJECTION AND NOTICE OF CHALLENGE

A procedure has been established allowing any person to (1) elect FCS nonmember status by filing a “Notice of Objection” or (2) to challenge the FCS dues percentage by filing a “Notice of Challenge.” A Notice of Objection may be filed without filing a Notice of Challenge. A person filing only a Notice of Challenge, however, will automatically be considered to have also filed a Notice of Objection.

A. Notice of Objection and/or Notice of Challenge:

- I. The Notice of Objection may be filed separately or along with a Notice of Challenge. The postmark deadline for submitting either document is as follows:
 - (a) For members, on or before **July 31** for the upcoming fiscal year.
 - (b) For nonmembers, during the thirty-day (30-day) period following receipt of the “NOTICE TO WRITERS GUILD OF AMERICA, WEST, INC., DUES PAYERS.”

2. A Notice of Objection, when perfected, is irrevocable.
3. In order to be valid, a Notice of Challenge must be filed annually in writing and postmarked on or before the date set forth above.
4. The Notice of Objection or Challenge must include the following:
 - (a) Objector/Challenger name
 - (b) Objector/Challenger address
 - (c) Objector/Challenger telephone number
 - (d) Objector/Challenger social security number

B. Address for filing objections and challenges: The Notice of Objection or Challenge shall be filed with the person designated at the address set forth below. Although not required, it is recommended that all challenges and objections be sent by certified mail, return receipt requested.

Don Gor, Chief Financial Officer
Writers Guild of America, West, Inc.
7000 West Third Street
Los Angeles, CA 90048

C. Arbitration Procedure for Notice of Challenges: The WGAW has established an arbitration procedure for challenging the amount of the FCS dues adjustment. The procedure will result in a prompt resolution of the challenge by an impartial arbitrator. Challengers will receive complete information concerning the arbitration procedure upon receipt of a timely and properly written challenge. All challenges filed within the prescribed time period will be consolidated into a single proceeding and conducted in accordance with the American Arbitration Association's (AAA) Rules for Impartial Determination of Union Fees. The AAA will select an arbitrator, whose fees will be paid by the WGAW.

D. Post-Arbitration Procedures: The final recalculated FCS nonmember dues rate (percentage) will apply to challengers as of March 31, 2012, and appropriate adjustments will be made in accordance with the arbitration decision. No FCS nonmember dues challenges will be accepted after the challenge period specified above for the period established by the notice.

PROCEDURE WHEN AN OBJECTOR AND/OR CHALLENGER FAILS TO RECEIVE A REDUCTION

Should the dues payments of any objector and/or challenger not be reduced by the WGAW in the amount set forth in this notice, the objector and/or challenger must write to the WGAW within thirty (30) days after he or she receives the dues notice to explain the situation. The WGAW will then take immediate action to remedy the situation as warranted by the facts.

FCS DUES PAYERS' REPRESENTATION RIGHTS

As long as the FCS nonmember dues payer continues to pay his or her financial obligations to the WGAW, he or she shall have the right to continue employment and to be represented by the WGAW under applicable collective bargaining agreements in the same manner as a WGAW member.

However, a FCS dues payer is not entitled to membership rights in the Guild, such as the right to:

1. Compete for and receive Writers Guild Awards
2. Attend membership meetings or any other WGAW events for professional writers
3. Vote on changes in the credits system
4. Run for WGAW office
5. Vote in WGAW elections
6. Participate in the formation of WGAW bargaining proposals
7. Vote to ratify or not to ratify WGA collective bargaining agreements
8. Access the members-only section of the WGAW website
9. Use the Guild script registration service at the member's rate
10. Join the WGAW's Film Society
11. Serve on WGAW committees
12. Exercise or enjoy any other rights or privileges of WGAW membership unrelated to the negotiation and administration of collective bargaining agreements (i.e., Strike Loan, Good & Welfare Loan, and other WGAW assistance programs)

All questions concerning this notice and requests for copies of the WGAW Financial Core Status Policy Statement must be in writing and addressed or delivered to the WGAW at the address set forth above.