

WRITERS GUILD OF AMERICA, WEST, INC.

**2000 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, 2000, 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. 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, 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 the opinion expressed above.

*PricewaterhouseCoopers LLP*

May 11, 2000

## STATEMENT OF FINANCIAL POSITION

MARCH 31, 2000

|   | GUILD<br>OPERATIONS<br>FUND | THEATER<br>OPERATIONS<br>FUND | STRIKE<br>FUND            | GOOD<br>& WELFARE<br>FUND | YEAR<br>2000<br>FUND    | TOTAL<br>ALL<br>FUNDS      |
|---|-----------------------------|-------------------------------|---------------------------|---------------------------|-------------------------|----------------------------|
| <b>ASSETS</b>                                     |                             |                               |                           |                           |                         |                            |
| Cash and Cash Equivalents                         | \$1,139,326                 | \$20,613                      | \$96,404                  |                           |                         | \$1,256,343                |
| Accounts Receivable, Net                          | 208,460                     | 65,071                        | 85,883                    | \$27,438                  | \$11,224                | 398,076                    |
| Notes Receivable, Net                             |                             |                               | 4,478                     | 152,120                   |                         | 156,598                    |
| Prepaid Expenses and Other Assets                 | 110,341                     | 11,662                        |                           |                           |                         | 122,003                    |
| Investments                                       | 3,469,397                   |                               | 7,249,650                 | 2,080,543                 | 1,269,124               | 14,068,714                 |
| Funds Held In Trust For Members                   | 12,330,319                  |                               |                           |                           |                         | 12,330,319                 |
| Property and Equipment, Net                       | 9,083,024                   | 362,976                       |                           |                           |                         | 9,446,000                  |
| Security Deposits                                 | 30,183                      | 10,258                        |                           |                           |                         | 40,441                     |
| Inter Fund Borrowings                             | 743,712                     | (289,507)                     | (11,179)                  | (40,670)                  | (402,356)               |                            |
| <b>TOTAL ASSETS</b>                               | <b><u>\$27,114,762</u></b>  | <b><u>\$181,073</u></b>       | <b><u>\$7,425,236</u></b> | <b><u>\$2,219,431</u></b> | <b><u>\$877,992</u></b> | <b><u>\$37,818,494</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>                 |                             |                               |                           |                           |                         |                            |
| Cash Overdraft                                    | \$85,240                    |                               |                           |                           |                         | \$85,240                   |
| Accounts Payable and Accrued Expenses             | 1,056,270                   | \$50,833                      |                           |                           |                         | 1,107,103                  |
| Accrued Vacation and Severance                    | 877,290                     |                               |                           |                           |                         | 877,290                    |
| Deferred Rent                                     |                             | 228,541                       |                           |                           |                         | 228,541                    |
| Obligations under Capital Leases and Note Payable | 1,978,296                   |                               |                           |                           |                         | 1,978,296                  |
| Due To Members                                    | 12,330,319                  |                               |                           |                           |                         | 12,330,319                 |
| <b>TOTAL LIABILITIES</b>                          | <b><u>16,327,415</u></b>    | <b><u>279,374</u></b>         |                           |                           |                         | <b><u>16,606,789</u></b>   |
| <b>NET ASSETS</b>                                 |                             |                               |                           |                           |                         |                            |
| <b>UNRESTRICTED:</b>                              |                             |                               |                           |                           |                         |                            |
| Undesignated Net Assets                           | 9,681,315                   | (98,301)                      |                           |                           |                         | 9,583,014                  |
| Designated Net Assets                             | 1,000,000                   |                               | 7,425,236                 | 2,219,431                 | 877,992                 | 11,522,659                 |
|   | 10,681,315                  | (98,301)                      | 7,425,236                 | 2,219,431                 | 877,992                 | 21,105,673                 |
| <b>TEMPORARILY RESTRICTED</b>                     | <b><u>106,032</u></b>       |                               |                           |                           |                         | <b><u>106,032</u></b>      |
| <b>TOTAL NET ASSETS</b>                           | <b><u>10,787,347</u></b>    | <b><u>(98,301)</u></b>        | <b><u>7,425,236</u></b>   | <b><u>2,219,431</u></b>   | <b><u>877,992</u></b>   | <b><u>21,211,705</u></b>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>           | <b><u>\$27,114,762</u></b>  | <b><u>\$181,073</u></b>       | <b><u>\$7,425,236</u></b> | <b><u>\$2,219,431</u></b> | <b><u>\$877,992</u></b> | <b><u>\$37,818,494</u></b> |

See Accompanying Notes to Financial Statements

**STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED MARCH 31, 2000

|  | GUILD<br>OPERATIONS<br>FUND | THEATER<br>OPERATIONS<br>FUND | STRIKE<br>FUND     | GOOD<br>& WELFARE<br>FUND | YEAR<br>2000<br>FUND | TOTAL<br>ALL<br>FUNDS |
|--|-----------------------------|-------------------------------|--------------------|---------------------------|----------------------|-----------------------|
| <b>Changes in Unrestricted</b>                       |                             |                               |                    |                           |                      |                       |
| <b>Net Assets:</b>                                   |                             |                               |                    |                           |                      |                       |
| Revenues   |                             |                               |                    |                           |                      |                       |
| Member Dues  | \$14,824,044                |                               |                    |                           |                      | \$14,824,044          |
| Net Assets Released for Purpose Restrictions         | 100,000                     |                               |                    |                           |                      | 100,000               |
| Other  | 2,649,391                   | 523,004                       | 255,938            | 79,233                    | 55,954               | 3,563,520             |
| <b>Total Revenues</b>                                | <b>17,573,435</b>           | <b>523,004</b>                | <b>255,938</b>     | <b>79,233</b>             | <b>55,954</b>        | <b>18,487,564</b>     |
| Expenses   |                             |                               |                    |                           |                      |                       |
| Payroll and Related                                  | 10,026,872                  | 142,592                       | 12,969             |                           |                      | 10,182,433            |
| Special Functions                                    | 1,840,153                   |                               |                    |                           | 802,356              | 2,642,509             |
| Occupancy  | 2,280,678                   | 415,776                       |                    |                           |                      | 2,696,454             |
| Operating  | 1,330,140                   | 34,850                        |                    | 13,500                    |                      | 1,378,490             |
| Professional Fees                                    | 1,302,572                   | 4,453                         | 21,866             | 6,264                     | 5,202                | 1,340,357             |
| Communications/Publicity                             | 460,999                     |                               |                    |                           |                      | 460,999               |
| <b>Total Expenses</b>                                | <b>17,241,414</b>           | <b>597,671</b>                | <b>34,835</b>      | <b>19,764</b>             | <b>807,558</b>       | <b>18,701,242</b>     |
| <b>Changes in Unrestricted Net Assets</b>            | <b>332,021</b>              | <b>(74,667)</b>               | <b>221,103</b>     | <b>59,469</b>             | <b>(751,604)</b>     | <b>(213,678)</b>      |
| <b>Changes in Temporarily Restricted Net Assets:</b> |                             |                               |                    |                           |                      |                       |
| Contributions  | 200,000                     |                               |                    |                           |                      | 200,000               |
| Interest Income                                      | 6,032                       |                               |                    |                           |                      | 6,032                 |
| Net Assets Released for Purpose Restrictions         | (100,000)                   |                               |                    |                           |                      | (100,000)             |
| <b>Changes in Temporarily Restricted Net Assets</b>  | <b>106,032</b>              |                               |                    |                           |                      | <b>106,032</b>        |
| <b>(DECREASE)/INCREASE IN NET ASSETS</b>             | <b>438,053</b>              | <b>(74,667)</b>               | <b>221,103</b>     | <b>59,469</b>             | <b>(751,604)</b>     | <b>(107,646)</b>      |
| Net Assets, Beginning of Year                        | 10,349,294                  | (23,634)                      | 7,340,503          | 2,159,962                 | 1,493,226            | 21,319,351            |
| Mandatory Transfer To                                |                             |                               |                    |                           |                      |                       |
| Good & Welfare/Year 2000 Funds                       |                             |                               | (136,370)          |                           | 136,370              |                       |
| <b>Net Assets, End of Year</b>                       | <b>\$10,787,347</b>         | <b>(\$98,301)</b>             | <b>\$7,425,236</b> | <b>\$2,219,431</b>        | <b>\$877,992</b>     | <b>\$21,211,705</b>   |

See Accompanying Notes to Financial Statements

## STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED MARCH 31, 2000

|  | GUILD<br>OPERATIONS<br>FUND | THEATER<br>OPERATIONS<br>FUND | STRIKE<br>FUND   | GOOD<br>& WELFARE<br>FUND | YEAR<br>2000<br>FUND | TOTAL<br>ALL<br>FUNDS |
|--|-----------------------------|-------------------------------|------------------|---------------------------|----------------------|-----------------------|
| <b>Cash flows from operating activities:</b>   |                             |                               |                  |                           |                      |                       |
| (Decrease)/increase in Net Assets  | \$438,053                   | (\$74,667)                    | \$221,103        | \$59,469                  | (\$751,604)          | (\$107,646)           |
| Adjustments to reconcile change in net assets<br>to net cash provided by/(used in) operating activities: |                             |                               |                  |                           |                      |                       |
| Depreciation and amortization  | 971,861                     | 93,783                        |                  |                           |                      | 1,065,644             |
| Net unrealized market losses on investments  | 220,486                     |                               | 192,365          | 36,642                    | 7,518                | 457,011               |
| Provision for doubtful accounts  |                             |                               | (8,499)          | 6,000                     |                      | (2,499)               |
| (Increase)/decrease in accounts receivable   | 69,865                      | (13,367)                      | (13,036)         | (5,002)                   | (3,120)              | 35,340                |
| (Increase)/decrease in notes receivable  |                             |                               | 16,297           | (46,320)                  |                      | (30,023)              |
| (Increase) in prepaid expenses and other assets  | 83,897                      | (832)                         |                  |                           |                      | 83,065                |
| Decrease in security deposits  | 4,071                       |                               |                  |                           |                      | 4,071                 |
| Increase in accounts payable and accrued expenses  | 135,177                     | 41,484                        |                  |                           |                      | 176,661               |
| Increase in deferred rent  |                             | 1,775                         |                  |                           |                      | 1,775                 |
| <b>Net cash provided by (used in) operating activities</b>   | <b>1,923,410</b>            | <b>48,176</b>                 | <b>408,230</b>   | <b>50,789</b>             | <b>(747,206)</b>     | <b>1,683,399</b>      |
| <b>Cash flows from investing activities:</b>   |                             |                               |                  |                           |                      |                       |
| Purchase of property and equipment   | (388,256)                   |                               |                  |                           |                      | (388,256)             |
| Purchases of long term investments   | (1,637,719)                 |                               | (1,032,739)      | (1,427,045)               | (3,407,922)          | (7,505,425)           |
| Maturities of long term investments  | 1,228,575                   |                               | 768,236          | 1,402,374                 | 3,991,767            | 7,390,952             |
| <b>Net cash provided by (used in) investing activities</b>   | <b>(797,400)</b>            |                               | <b>(264,503)</b> | <b>(24,671)</b>           | <b>583,845</b>       | <b>(502,729)</b>      |
| <b>Cash flows from financing activities</b>  |                             |                               |                  |                           |                      |                       |
| Decrease in cash overdraft   | (292,627)                   |                               |                  |                           |                      | (292,627)             |
| Increase (decrease) in inter-fund borrowing  | 164,537                     | (149,349)                     | (16,061)         | (26,118)                  | 26,991               |                       |
| Inter fund transfers   |                             |                               | (136,370)        |                           | 136,370              |                       |
| Proceeds from note payable   | 73,823                      |                               |                  |                           |                      | 73,823                |
| Payments on notes payable and reduction of obligations<br>under capital leases                           | (380,635)                   |                               |                  |                           |                      | (380,635)             |
| <b>Net cash provided by (used in) financing activities</b>   | <b>(434,902)</b>            | <b>(149,349)</b>              | <b>(152,431)</b> | <b>(26,118)</b>           | <b>163,361</b>       | <b>(599,439)</b>      |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  | <b>691,108</b>              | <b>(101,173)</b>              | <b>(8,704)</b>   |                           |                      | <b>581,231</b>        |
| <b>Cash and cash equivalents, beginning of year</b>  | <b>448,218</b>              | <b>121,786</b>                | <b>105,108</b>   |                           |                      | <b>675,112</b>        |
| <b>Cash and cash equivalents, end of year</b>  | <b>\$1,139,326</b>          | <b>\$20,613</b>               | <b>\$96,404</b>  |                           |                      | <b>\$1,256,343</b>    |
| <b>Supplemental disclosure of cash flow information:</b>   |                             |                               |                  |                           |                      |                       |
| Cash paid during the year for Interest   | \$190,746                   |                               |                  |                           |                      |                       |

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 Consolidated Statements of Activities as assets released from restrictions. Interest income earned on temporarily restricted contributions received

## NOTES TO FINANCIAL STATEMENTS

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

and expended in the same fiscal year is recorded as unrestricted revenues. Temporarily restricted net assets are to be utilized to promote a greater appreciation of writers.

#### *Designated Net Assets*

The Board of Directors has designated \$1,000,000 of 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 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 3.7%.

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 2000-2001.

#### *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 of 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 non-performance 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, 2000, 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, 2000 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 2000 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, 2000 is as follows:

|   | <u>INVESTMENTS</u>  |                     | <u>FUNDS HELD IN TRUST</u> |                     |
|---|---------------------|---------------------|----------------------------|---------------------|
|   | MARKET VALUE        | COST                | MARKET VALUE               | COST                |
| U.S. treasury & government<br>backed securities | \$ 7,032,140        | \$ 7,259,667        | \$ 3,953,553               | \$ 4,042,672        |
| Corporate bonds                                 | 5,148,682           | 5,199,920           | 1,157,611                  | 1,175,204           |
| Mutual & money market funds                     | 1,887,892           | 1,887,892           | 7,219,155                  | 7,219,155           |
| <b>Total</b>                                    | <b>\$14,068,714</b> | <b>\$14,347,479</b> | <b>\$12,330,319</b>        | <b>\$12,437,031</b> |

## NOTES TO FINANCIAL STATEMENTS

### 2. Investments, continued

The Guild intends to reinvest all investments maturing in fiscal year 1999/2000 into other long-term investments.

The investment return is detailed as follows:

|  | UNRESTRICTED | INCLUDING FUNDS<br>HELD IN TRUST |
|--|--------------|----------------------------------|
| Interest and dividend income on long-term investments, included in other revenues    | \$ 815,292   | \$1,506,101                      |
| Net realized gains and losses on long-term investments, included in other revenues   | (500)        | (500)                            |
| Net unrealized gains and losses on long-term investments, included in other revenues | (338,141)    | (457,011)                        |
| Bank fees, included in professional fees   | (42,516)     | (58,608)                         |
| Return on long-term investments  | \$ 434,135   | \$989,982                        |

### 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, 2000:

|                         | TOTAL        |
|-------------------------|--------------|
| Land                    | \$ 700,000   |
| Building & improvements | 6,943,749    |
| Furniture and fixtures  | 2,879,771    |
| Equipment               | 2,895,946    |
| Tenant improvements     | 899,462      |
| Leased assets           | 176,483      |
|                         | 14,495,411   |
| Less: Acc. depreciation | 5,049,411    |
|                         | \$ 9,446,000 |

## 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 \$474,664 for the year ended March 31, 2000. Based on the actuarial valuation of the Plan, as of December 31, 1998, 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, 2000.

### 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, 2000, future minimum rental payments applicable to noncancelable operating leases were as follows:

|              | GUILD            | THEATER            | TOTAL              |
|--------------|------------------|--------------------|--------------------|
| 2001         | \$ 15,117        | \$ 178,422         | \$193,559          |
| 2002         | 13,222           | 182,850            | 196,072            |
| 2003         | -                | 204,995            | 204,995            |
| 2004         | -                | 204,995            | 204,995            |
| 2005         | -                | 204,995            | 204,995            |
| Thereafter   | -                | 1,539,994          | 1,539,994          |
| <b>Total</b> | <b>\$ 28,339</b> | <b>\$2,516,251</b> | <b>\$2,544,610</b> |

Rental expense was \$328,025 for the fiscal year ended March 31, 2000.

## NOTES TO FINANCIAL STATEMENTS

### 6. Commitments and Contingencies, continued

The Guild leases a portion of its building at 7000 West Third Street with terms up to five years.

At March 31, 2000, 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:

|              | OPERATING        |
|--------------|------------------|
| 2001         | \$ 27,103        |
| 2002         | 13,103           |
| 2003         | 10,920           |
| <b>Total</b> | <b>\$ 51,126</b> |

Rental income was \$658,596 for the fiscal year ended March 31, 2000.

Rent increases are tied to annual increases based on CPI index changes. Tenants pay their pro rata 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 expires on May 1, 2001. Under the Basic Agreement provisions, the Guild and the employers agree to commence negotiations of a new agreement at least 60 days prior to the expiration date. Failure to reach an agreement could result in a work stoppage that may have an impact on membership dues.

### 7. Capital Leases and Notes Payable

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 Guild has an approved real estate loan No. 1 to restructure and extend the existing note payable currently outstanding. The new 15-year amortization with a 15-year maturity note payable bears interest at 1.75% over 90-day LIBOR.

Also, the Guild has an additional approved real estate loan No. 2 for an amount to be determined by subtracting outstanding principal balance of the real estate loan No. 1 from \$2,500,000. The Guild may exercise this option any time within the first 12 months from the date of the real estate loan No. 1. The terms of real estate loan No. 2 are interest only, then 14 year amortization with a 14 year maturity note payable bearing interest at 1.75% over 90-day LIBOR. These note payables are collateralized by the building.

## NOTES TO FINANCIAL STATEMENTS

### 7. Capital Leases and Notes Payable, continued

In 1999, the Guild entered into two capital leases for equipment. The imputed interest rate is 7.75% with monthly payments through November 2002.

In 2000, the Guild entered into a \$73,823 note payable to acquire a vehicle. The note payable bears interest at 7.89% is payable in monthly installments of \$2,314, including principal and interest, due in July 2002, the note due date. The note payable is collateralized by the vehicle.

At March 31, 2000, principal payments due in future years are as follows:

|   | REAL ESTATE | VEHICLE  | CAPITAL LEASE |
|---|-------------|----------|---------------|
| 2001  | \$1,803,624 | \$24,133 | \$ 50,603     |
| 2002  | -           | 26,108   | 50,603        |
| 2003  | -           | 6,704    | 32,114        |
|   | \$1,803,624 | \$56,945 | \$ 133,320    |
| Less: Amount representing<br>interest on obligations<br>under capital lease |             |          | 15,593        |
|   |             |          | \$ 117,727    |

Interest expense was \$190,746 for the year ended March 31, 2000 and is included in operating expenses in the Statement of Activities.

The Guild has an approved \$4,000,000 line of credit, which bears interest at prime rate with an expiration date of December 2001. There were no amounts outstanding as of March 31, 2000.

### 8. Functional Expenses

Expenses incurred by functional category were as follows:

|                        |              |
|------------------------|--------------|
| Member services        | \$13,145,229 |
| Management and general | 4,096,185    |
| Programs:              |              |
| Theater operations     | 597,671      |
| Strike Fund            | 34,835       |
| Good and Welfare Fund  | 19,764       |
| Year 2000 Fund         | 807,558      |
| Total expenses         | \$18,701,242 |

**NOTES TO FINANCIAL STATEMENTS**

**9. Consulting Agreement**

The Guild has an agreement with Mr. Brian Walton, the Guild's former Executive Director, who is employed as a non-exclusive employee-consultant. The agreement with Mr. Walton is for a 29-month term commencing September 1, 1998 and ending January 31, 2001. The agreement provides for an annual base salary and participation by Mr. Walton in the Guild pension and insurance programs. Mr. Walton's agreement includes special provisions to "roll-up" or to receive in a single lump sum payment the balance of the base salary due to be paid by the Guild during the employment period, subject to a three percent per annum current value discount upon 30 days notice to the Guild.