

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**

**Consolidated Financial Statements  
and  
Supplemental Schedules**

**For the Year Ended September 30, 2014**

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**  
**Consolidated Financial Statements and Supplemental Schedules**  
**For the Year Ended September 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Executive Board of  
Communications Workers of America Local 1101  
and Subsidiary

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Communications Workers of America Local 1101 and subsidiary (the "Union"), which comprise the consolidated statement of financial position as of September 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## **Basis for Qualified Opinion**

Our audit was confined to the accounting records of the Union. We were unable to extend our auditing procedures to the accounting records of the remitting employers to ascertain whether proper dues and initiation payments were made by them.

## **Qualified Opinion**

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had we been able to extend our auditing procedures to the accounting records of the remitting employers to ascertain whether proper dues and initiation payments were made by them as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Communications Workers of America Local 1101 and subsidiary as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and supplemental schedules on pages 20 through 24 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of the Union's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had we been able to extend our auditing procedures to the accounting records of the remitting employers to ascertain whether proper dues and initiation payments were made by them as discussed in the Basis for Qualified Opinion paragraph, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Buchbinder Tunick & Company LLP*

BUCHBINDER TUNICK & COMPANY LLP

New York, NY  
March 23, 2015

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101 AND SUBSIDIARY**  
**Consolidated Statement of Financial Position**  
**September 30, 2014**

**ASSETS**

Cash and cash equivalents	\$ <u>2,131,742</u>
Investments:	
Certificates of deposit	571,111
Investments - CWA Severance Pay Plan	<u>88,437</u>
Total investments	<u>659,548</u>
Receivables:	
Dues	591,382
Other	<u>1,548</u>
Total receivables	<u>592,930</u>
Prepaid expenses	<u>77,515</u>
Property assets, at cost:	
Building	85,404
Leasehold improvements	865,168
Machinery and equipment	363,435
Furniture and fixtures	<u>73,549</u>
Total property assets, at cost	1,387,556
Less: accumulated depreciation	<u>(1,175,105)</u>
Net property assets	<u>212,451</u>
Prepaid pension	<u>2,159,969</u>
Security deposit	<u>38,954</u>
Total assets	<u>\$ 5,873,109</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 493,395
CWA Severance Pay Plan payable	<u>88,437</u>
Total liabilities	<u>581,832</u>
Net assets - unrestricted:	
General fund	5,082,695
Strike fund	152,048
Scholarship fund	<u>56,534</u>
Total net assets - unrestricted	<u>5,291,277</u>
Total liabilities and net assets	<u>\$ 5,873,109</u>

See notes to consolidated financial statements.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101 AND SUBSIDIARY**  
**Consolidated Statement of Activities**  
**For the year ended September 30, 2014**

Revenue:	
Members' dues and initiation fees	\$ 7,064,923
Rental income	6,000
Interest income	24,499
Assistance from Communications Workers of America	51,390
Golf outing	28,737
Contributions for scholarships	7,500
Other	<u>4,455</u>
 Total revenue	 <u>7,187,504</u>
Expenses:	
Program services:	
Member services	5,321,097
Supporting activities:	
Management and general	1,946,175
Building operations	<u>77,136</u>
 Total expenses	 <u>7,344,408</u>
Change in net assets before pension adjustments other than net periodic pension cost	(156,904)
Pension adjustments other than net periodic pension cost	<u>(3,555,683)</u>
Change in net assets	<u>(3,712,587)</u>
Net assets - unrestricted:	
Beginning of year	<u>9,003,864</u>
End of year	<u>\$ 5,291,277</u>

See notes to consolidated financial statements.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101 AND SUBSIDIARY**  
**Consolidated Statement of Cash Flows**  
**For the year ended September 30, 2014**

Cash flows from operating activities:	
Change in net assets	\$ (3,712,587)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	88,057
Prepaid pension	3,284,264
Changes in operating assets and liabilities:	
Decrease in dues receivable	105,554
Decrease in other receivable	4,298
(Increase) in prepaid expenses	(37,950)
(Decrease) in accounts payable and accrued expenses	<u>(75,699)</u>
Net cash (used in) operating activities	<u>(344,063)</u>
Cash flows from investing activities:	
Proceeds from redemption of certificates of deposit	725,883
(Purchase) of certificates of deposit	(255,365)
(Purchase) of property assets	<u>(6,846)</u>
Net cash provided by investing activities	<u>463,672</u>
Net increase in cash and cash equivalents	119,609
Cash and cash equivalents:	
Beginning of year	<u>2,012,133</u>
End of year	<u>\$ 2,131,742</u>

See notes to consolidated financial statements.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**September 30, 2014**

**Note 1 - Nature of Operations**

The consolidated financial statements include the accounts of Communications Workers of America Local 1101 and subsidiary (collectively, the "Union") as follows:

*Communications Workers of America Local 1101, AFL-CIO* ("Local 1101") was incorporated under the Not-for-Profit corporation law of the State of New York for the purpose of uniting, representing and serving the workers within the communications industry located in the metropolitan New York area. Among the objectives of Local 1101 are: to achieve advancement for its members with respect to economic, social and political matters and to advance the technical and professional status of its members. Local 1101 is supported primarily by member dues.

*Local 1101 Communications Workers of America Realty Corporation* (the "Realty Corp.") was formed in April 1983 for the purpose of acquiring and operating real property on behalf of the Union, located in the Bronx, NY. The outstanding capital stock is held by the Union.

Material intercompany balances and transactions have been eliminated in consolidation.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting**

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

**Financial Statement Presentation**

The consolidated financial statements present net assets, revenue and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Union had no temporarily or permanently restricted net assets for the year ended September 30, 2014.



**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2014**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash equivalents are highly liquid cash investments with original maturities of less than 90 days.

**Investment Valuation and Income Recognition**

Investments in certificates of deposit are stated at cost. Interest income is recorded on the accrual basis.

Investments held for the CWA Severance Plan are held in a guaranteed fixed annuity contract. This investment is stated at cost.

**Depreciation and Amortization**

Depreciation and amortization are computed on the straight-line method. Buildings, furniture, and equipment are depreciated over their estimated useful lives, and leasehold improvements are amortized over the shorter of the improvement's estimated useful life or the remaining lease term.

Depreciation expense amounted to \$88,057 for the year ended September 30, 2014.

The following table summarizes the estimated useful lives of the respective assets:

Building	27 years
Leasehold improvements	6 - 10 years
Machinery and equipment	3 - 5 years
Furniture and fixtures	5 years

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2014**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Impairment of Long-lived Assets**

Long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments during 2014.

**Revenue Recognition**

Membership dues are assessed based on 1.9% of an employee's basic weekly salary. Initiation fees of \$5 are paid by new employees. The Union recognizes dues as revenue in the applicable membership period.

**Functional Classification of Expenses**

In the accompanying consolidated statement of activities, expenses have been reported by their functional classification, a method of grouping expenses according to the purpose for which they were incurred. The primary functional classifications are program services and supporting activities. Program services are the activities that result in services being provided to members that fulfill the purposes or mission for which the organization exists. Supporting activities are all activities of an organization other than program services.

**Subsequent Events**

The Union has evaluated subsequent events and transactions through March 23, 2015, the date that the consolidated financial statements were available to be issued.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2014**

**Note 3 - Concentrations of Credit Risk**

Financial instruments that subject the Union to concentrations of credit risk include cash and certificates of deposit. The Union maintains accounts at high quality financial institutions. While the Union attempts to limit any financial exposure by maintaining accounts at high quality financial institutions, its deposit balances may, at times, exceed federally insured limits. The Union has not experienced any losses on such accounts. Concentrations of credit risk are considered low due to the credit quality of the financial institution holding these investments.

**Note 4 - Strike Fund and Scholarship Fund**

The following table provides information with respect to the Union's strike fund activity during the year ended September 30, 2014.

Beginning balance	\$ 153,671
Interest	1,328
Reimbursement to Communications Workers of America	<u>(2,951)</u>
Ending balance	<u>\$ 152,048</u>

The following table provides information with respect to the Union's scholarship fund activity during the year ended September 30, 2014.

Beginning balance	\$ 71,926
Interest	248
Contributions	7,500
Transfer from operating funds	2,000
Scholarship expenses	(25,000)
Bank charges and fees	<u>(140)</u>
Ending balance	<u>\$ 56,534</u>

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
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Notes to Consolidated Financial Statements (Continued)  
September 30, 2014

**Note 5 - Severance Pay Plan**

Employees of the Local who are covered under the Collective Bargaining Agreement between the Communications Workers of America Local 1101, AFL-CIO and the Office and Professional Employees International Union, Local 153, AFL-CIO, are provided a severance benefit upon termination of employment.

For employees who are laid-off or discharged, the amount payable is equal to one week's severance pay for each year of service, unless an employee is primarily discharged for dishonesty.

For employees who retire commencing in August 2006, such employees with 5 years or more of service to the employer shall receive severance pay as follows:

<u>Years</u>	<u>Weeks of Pay for Each Year</u>
1-5	1 week for each year
6-15	2 weeks for each year over 5
16-25	3 weeks for each year over 15
26+	4 weeks pay for each year over 25

Severance payable at September 30, 2014 was \$88,437. The assets are held in a guaranteed fixed annuity contract which bears an interest rate of 3.65% at September 30, 2014.

**Note 6 - Commitments and Contingencies**

**Operating Lease Commitments**

The Union leases office space under an operating lease, which expires on September 30, 2016. At September 30, 2014, the remaining future minimum lease payments are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2015	\$ 413,492
2016	<u>413,492</u>
Total	<u>\$ 826,984</u>

Rent expense for the year ended September 30, 2014 amounted to \$509,038, which includes utilities and real estate taxes.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2014**

**Note 6 - Commitments and Contingencies (Continued)**

**Litigation Settlement Commitments**

The Union had been a defendant in two lawsuits filed by two separate equipment leasing companies. As a result of nonpayment of the equipment lease payments by the Union, the leasing companies had invoked the acceleration clauses in the equipment lease agreements and were seeking to collect approximately \$785,000 from the Union.

During the year ended September 30, 2013, the Union agreed to a \$397,260 settlement of a lawsuit with one leasing company. At September 30, 2014, the remaining future settlement payments are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2015	\$ 76,452
2016	76,452
2017	<u>25,484</u>
Total	<u>\$ 178,388</u>

During the year ended September 30, 2014, the Union agreed to a \$145,000 settlement of a lawsuit with the second leasing company. Payments were made during the year ended September 30, 2014.

Settlement expense for the year ended September 30, 2014 amounted to \$145,000.

**Note 7 - Rental Income**

The Realty Corp. rented out a space in their office in the Bronx, NY, to a law firm on a month-to-month basis.

Rental income for the year ended September 30, 2014 amounted to \$6,000.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
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**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2014**

**Note 8 - Communications Workers of America, AFL-CIO, Local 1101 Retirement Trust Plan**

The Union is the sponsor of a non-qualified retirement trust plan (the "Retirement Trust Plan"). The Retirement Trust Plan provides a supplemental one-time \$2,000 lump sum benefit at retirement or disability for union members in continuous good standing for the five consecutive years prior to retirement. Retirement is defined as "*retirement by reason of age or disability by a member from his employment pursuant to a pension and benefit plan covering the employee eligible for membership in the Union*". Members who retire with a deferred vested pension are not eligible for this benefit.

Beginning in September 2010, a temporary moratorium on contributions was implemented. The Trustees of the Retirement Trust Plan shall have an actuarial review conducted at least every four years by independent qualified actuaries. Based on the result of that review, if necessary, the Trustees shall recommend the resumption of funding at a rate of \$120,000 per year.

The assumptions used in the measurement of the net periodic pension cost and benefit obligations are shown in the following table:

Actuarial assumptions as of September 30, 2014:

Discount rate	5.00%
Expected return on plan assets	4.00%

The following table provides the components of net period pension cost for the year ended September 30, 2014:

Service cost	\$ 240,017
Interest cost	228,736
Expected return on assets	(400,758)
Amortization of transition asset	<u>(339,414)</u>
Net periodic pension cost	<u>\$ (271,419)</u>

Pension adjustments other than net periodic pension cost:

Actuarial loss arising during year	\$ 5,576,181
Transition asset	(4,751,801)
Amortization of transition asset	339,414
Prior service cost	<u>(2,759,191)</u>
	<u>\$ (1,595,397)</u>

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2014**

**Note 8 - Communications Workers of America, AFL-CIO, Local 1101 Retirement Trust Plan (Continued)**

The following table provides a reconciliation of the changes in the Retirement Trust Plan's benefit obligations and fair value of the Retirement Trust Plan's assets for the year ended September 30, 2014 and the funded status as of September 30, 2014:

Change in Benefit Obligation:

Benefit obligation at beginning of year	\$ 4,661,219
Service cost	240,017
Interest cost	228,736
Amendments	(2,759,191)
Actuarial loss	6,085,397
Benefit payments	<u>(5,077,613)</u>
Benefit obligation at end of year	<u>3,378,565</u>

Change in Plan Assets:

Fair value of plan assets at beginning of year	10,105,452
Actual return on plan assets	510,695
Employer contributions	-
Benefit payments	<u>(5,077,613)</u>
Fair value of plan assets at end of year	<u>5,538,534</u>
Funded status at end of year	<u>\$ 2,159,969</u>

The funded status is reflected in the accompanying consolidated statement of financial position under the caption "Prepaid pension" as of September 30, 2014.

Amounts not yet recognized as components of net periodic pension cost:

Actuarial (loss)	\$ (5,576,181)
Transition asset	4,412,387
Prior service cost	<u>2,759,191</u>
	<u>\$ 1,595,397</u>

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2014**

**Note 8 - Communications Workers of America, AFL-CIO, Local 1101 Retirement Trust Plan (Continued)**

The increase in the amounts not yet recognized as components of net periodic pension cost of \$1,595,397 resulted in an increase in net assets and is recorded as a component of pension adjustments other than net periodic pension cost in the accompanying consolidated statement of activities for the year ended September 30, 2014.

The accumulated benefit obligation was \$3,378,565 at September 30, 2014.

The estimated transition asset that will be amortized into net periodic pension cost over the next fiscal year is \$339,414.

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid as follows:

Years Starting October 1,	Amount
2014	\$ 1,557,915
2015	326,718
2016	413,550
2017	485,213
2018	773,278
2019 to 2023	1,583,098
Total	\$ 5,139,772

The Retirement Trust Plan is managed with the primary focus on safety of principal, liquidity and total investment return. The Retirement Trust Plan assets are to be diversified by type of security, issuer and industry so as to minimize the risk of large losses.





**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2014**

**Note 8 - Communications Workers of America, AFL-CIO, Local 1101 Retirement Trust Plan (Continued)**

The Retirement Trust Plan asset target allocation and actual allocations at September 30, 2014 is as follows:

	<u>Target Allocation September 30,</u>	<u>Actual Allocation September 30,</u>
Equity	58%	58%
Debt	40%	40%
Other	<u>2%</u>	<u>2%</u>
Total	<u>100%</u>	<u>100%</u>

The expected long-term rate of return on the Retirement Trust Plan assets consists of the composite return anticipated to be earned on plan investments, reflecting the blended yield expected to be realized for each class of investment in the portfolio mix, and with appropriate consideration accorded historical investment results.

**Fair Value Measurements**

Financial Accounting Standards Board ("FASB") *Accounting Standards Codification* ("ASC") 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. It defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Retirement Trust Plan's principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date.

The fair value hierarchy generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability, and are to be developed based on the best information available in the circumstances.

The Retirement Trust Plan determines the fair market value of its investment in securities based on the established fair value definition and hierarchy levels. The three levels within the hierarchy that may be used to measure fair value are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2014**

**Note 8 - Communications Workers of America, AFL-CIO, Local 1101 Retirement Trust Plan (Continued)**

Level 2: Observable inputs, including Level 1 prices that have been adjusted; quoted prices for similar assets or liabilities; quoted prices in markets that are less active than traded exchanges; and other inputs that are observable or can be substantially corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities.

The lowest level of input that is a significant component of the fair value measurements determines the placement of the entire fair value measurement in the hierarchy. The Retirement Trust Plan's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2014:

U.S. government and governmental agencies obligations:

Investments in U.S. treasury obligations are carried at fair value as determined by quoted market prices in active markets.

Common stocks:

Common stocks are valued using quoted market prices in active markets.

Mutual funds:

Mutual funds are valued at the daily closing price as reported by the Retirement Trust Plan. Mutual funds held by the Retirement Trust Plan are deemed to be actively traded.

Short-term investment funds:

The short-term investment funds are stated at cost which approximates fair value.

The preceding valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Retirement Trust Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2014**

**Note 8 - Communications Workers of America, AFL-CIO, Local 1101 Retirement Trust Plan  
(Continued)**

The following table sets forth, by level, the Retirement Trust Plan's assets that were accounted for at fair value on a recurring basis as of September 30, 2014:

Investments in securities:

	<u>Total Fair Value</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments at fair value:				
U.S. government and governmental agencies obligations:				
U.S. treasury securities	\$ 1,801,234	\$ 1,801,234	\$ -	\$ -
Common stocks:				
Domestic equities	1,849,217	1,849,217	-	-
International equities	<u>457,774</u>	<u>457,774</u>	-	-
	<u>2,306,991</u>	<u>2,306,991</u>	-	-
Mutual funds:				
International equity	98,090	98,090	-	-
Domestic fixed income	93,113	93,113	-	-
International fixed income	<u>98,167</u>	<u>98,167</u>	-	-
	<u>289,370</u>	<u>289,370</u>	-	-
Short-term investment funds	<u>64,854</u>	-	<u>64,854</u>	-
Total investments	<u>\$ 4,462,449</u>	<u>\$ 4,397,595</u>	<u>\$ 64,854</u>	<u>\$ -</u>

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended September 30, 2014, there were no significant transfers in or out of Levels 1, 2 or 3.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2014**

**Note 9 Tax Status**

The Union is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code.

The Realty Corp. is a taxable entity that was formed in New York State.

The Realty Corp. has a net operating loss carryforward of approximately \$53,000 as of December 31, 2013. Management has established a full allowance against the deferred tax asset arising from the net operating loss carryforwards. The Realty Corp.'s federal, state and city income tax returns for the calendar years 2010 through 2013 remain eligible for examination by the taxing authorities.

The Union files an annual Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service (the "IRS"). At September 30, 2014, the Union's Form 990s for the years 2010 through 2013 remain eligible for examination by the IRS.

**Note 10 - Pension Plans**

**Defined Benefit Plan**

The Union participates in the Local 153 Pension Fund (the "Pension Fund"), a defined benefit multiemployer pension plan which covers its administrative employees. Employees become eligible to participate in the Pension Fund upon entering employment. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the multiemployer plan may be borne by the remaining participating employers.
- If the Union chooses to stop participating in the multiemployer plan, the Union may be required to pay the multiemployer plan an amount based on the underfunded status of the multiemployer plan, referred to as a withdrawal liability.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101  
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**Notes to Consolidated Financial Statements (Continued)**  
**September 30, 2014**

**Note 10 - Pension Plans (Continued)**

The Union's participation in the multiemployer plan for the year ended September 30, 2014 is outlined in the table below. The "EIN/Pension Plan Number" row provides the multiemployer plan's Employee Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2014 is for the multiemployer plan's year-end at December 31, 2013. The zone status is based on information that the Union received from the multiemployer plan and is certified by the multiemployer plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" row indicates whether a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The "Surcharge imposed" row indicates whether a surcharge was imposed by the Multiemployer Plan. The last row lists the expiration date of the collective-bargaining agreement to which the Union is subject.

Pension Fund	Local 153 Pension Plan
EIN/Pension plan number	13-2864289/001
	December 31, <u>2013</u>
Pension Protection Act zone status	Red
FIP/RP Status Pending/Implemented	Yes
Total Union contributions	\$15,531
Union contributions are more than 5% of total plan contributions	No
Surcharge imposed	No
Expiration date of collective bargaining agreement	8/31/15

During the year ended September 30, 2014, contributions to the Pension Fund totaled \$16,692.

**Defined Contribution Plan**

The Union also allows its administrative employees to participate in the CWA Local 1101 Bargaining Unit Employees 401(k) Retirement Plan, a defined contribution pension plan. During the year ended September 30, 2014, contributions to this plan totaled \$29,345.

**Health and Welfare Plans**

The Union also participates in the Local 153 Health Fund and the Local 153 Long Term Disability Fund multiemployer welfare plans. During the year ended September 30, 2014, contributions to these welfare plans totaled \$104,525.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101 AND SUBSIDIARY**  
**(Supplemental Schedules)**  
**Consolidating Statement of Financial Position**  
**September 30, 2014**

	<u>Communications Workers of America Local 1101</u>	<u>Local 1101 Communications Workers of America Realty Corporation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,130,469	\$ 1,273	\$ -	\$ 2,131,742
Investments:				
Certificates of deposit	571,111	-	-	571,111
Investments - CWA Severance Pay Plan	88,437	-	-	88,437
Total investments	659,548	-	-	659,548
Receivables:				
Dues	591,382	-	-	591,382
Other	1,548	-	-	1,548
Total receivables	592,930	-	-	592,930
Prepaid expenses	73,663	3,852	-	77,515
Investment in subsidiary	9,957	-	(9,957)	-
Property assets, at cost:				
Building	-	85,404	-	85,404
Leasehold improvements	764,793	100,375	-	865,168
Machinery and equipment	363,435	-	-	363,435
Furniture and fixtures	64,406	9,143	-	73,549
Total property assets, at cost	1,192,634	194,922	-	1,387,556
Less: accumulated depreciation	(982,925)	(192,180)	-	(1,175,105)
Net property assets	209,709	2,742	-	212,451
Prepaid pension	2,159,969	-	-	2,159,969
Security deposit	38,400	554	-	38,954
Total assets	<u>\$ 5,874,645</u>	<u>\$ 8,421</u>	<u>\$ (9,957)</u>	<u>\$ 5,873,109</u>

**LIABILITIES AND NET ASSETS**

Liabilities:				
Accounts payable and accrued expenses	\$ 493,395	\$ -	\$ -	\$ 493,395
CWA Severance Pay Plan payable	88,437	-	-	88,437
Due to Union	-	7,861	(7,861)	-
Total liabilities	581,832	7,861	(7,861)	581,832
Net assets - unrestricted:				
Capital stock	-	330,000	(330,000)	-
General fund	5,084,231	(329,440)	327,904	5,082,695
Strike fund	152,048	-	-	152,048
Scholarship fund	56,534	-	-	56,534
Total net assets - unrestricted	5,292,813	560	(2,096)	5,291,277
Total liabilities and net assets	<u>\$ 5,874,645</u>	<u>\$ 8,421</u>	<u>\$ (9,957)</u>	<u>\$ 5,873,109</u>

See independent auditor's report.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101 AND SUBSIDIARY**  
**(Supplemental Schedules)**  
**Consolidating Statement of Activities**  
**For the year ended September 30, 2014**

	Communications Workers of America Local 1101	Local 1101 Communications Workers of America Realty Corporation	Eliminations	Consolidated
<b>Revenue:</b>				
Members' dues and initiation fees	\$ 7,064,923	\$ -	\$ -	\$ 7,064,923
Rental income	-	6,000	-	6,000
Interest income	24,499	-	-	24,499
Assistance from Communications Workers of America	51,390	-	-	51,390
Golf outing	28,737	-	-	28,737
Contributions for scholarships	7,500	-	-	7,500
Other	4,455	-	-	4,455
	<u>7,181,504</u>	<u>6,000</u>	<u>-</u>	<u>7,187,504</u>
<b>Expenses:</b>				
Program services:				
Member services	5,321,097	-	-	5,321,097
Supporting activities:				
Management and general	1,946,175	-	-	1,946,175
Building operations	-	77,136	-	77,136
	<u>7,267,272</u>	<u>77,136</u>	<u>-</u>	<u>7,344,408</u>
<b>Other changes:</b>				
Reimbursement for net operating losses, exclusive of depreciation	-	70,061	(70,061)	-
Net (loss) on consolidated subsidiaries	(70,061)	-	70,061	-
	<u>(70,061)</u>	<u>70,061</u>	<u>-</u>	<u>-</u>
Change in net assets before pension adjustments other than net periodic pension cost	(155,829)	(1,075)	-	(156,904)
Pension adjustments other than net periodic pension cost	(3,555,683)	-	-	(3,555,683)
Change in net assets	(3,711,512)	(1,075)	-	(3,712,587)
Net assets - unrestricted:				
Beginning of year	9,004,325	(328,365)	327,904	9,003,864
End of year	<u>\$ 5,292,813</u>	<u>\$ (329,440)</u>	<u>\$ 327,904</u>	<u>\$ 5,291,277</u>

See independent auditor's report.



**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101 AND SUBSIDIARY**  
**(Supplemental Schedules)**  
**Consolidating Statement of Cash Flows**  
**For the year ended September 30, 2014**

	Communications Workers of America Local 1101	Local 1101 Communications Workers of America Realty Corporation	Eliminations	Consolidated
Cash flows from operating activities:				
Change in net assets	\$ (3,711,512)	\$ (1,075)	\$ -	\$ (3,712,587)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation	86,982	1,075	-	88,057
Net loss on consolidated subsidiary	70,061	-	(70,061)	-
Prepaid pension	3,284,264	-	-	3,284,264
Changes in operating assets and liabilities:				
Decrease in dues receivable	105,554	-	-	105,554
Decrease in other receivable	4,298	-	-	4,298
(Increase) decrease in prepaid expenses	(45,110)	7,160	-	(37,950)
(Decrease) in accounts payable and accrued expenses	(75,699)	-	-	(75,699)
(Decrease) increase in due to Union	-	(6,468)	6,468	-
Net cash (used in) provided by operating activities	<u>(281,162)</u>	<u>692</u>	<u>(63,593)</u>	<u>(344,063)</u>
Cash flows from investing activities:				
Proceeds from redemption of certificates of deposit	725,883	-	-	725,883
(Purchase) of certificates of deposit	(255,365)	-	-	(255,365)
(Purchase) of property assets	(5,925)	(921)	-	(6,846)
(Advances) to subsidiary	(72,723)	-	72,723	-
Repayments by subsidiary	9,130	-	(9,130)	-
Net cash provided by (used in) investing activities	<u>401,000</u>	<u>(921)</u>	<u>63,593</u>	<u>463,672</u>
Net increase (decrease) in cash and cash equivalents	119,838	(229)	-	119,609
Cash and cash equivalents:				
Beginning of year	<u>2,010,631</u>	<u>1,502</u>	<u>-</u>	<u>2,012,133</u>
End of year	<u>\$ 2,130,469</u>	<u>\$ 1,273</u>	<u>\$ -</u>	<u>\$ 2,131,742</u>

See independent auditor's report.



**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101 AND SUBSIDIARY**  
**(Supplemental Schedules)**  
**Schedule of Expenses**  
**September 30, 2014**

Payroll	\$ 2,838,064
Employee benefits	150,562
Net periodic pension cost	(271,419)
Payroll taxes	259,026
Member benefits	51,761
Per capita dues	2,365,141
Rent	509,038
Settlement expense	145,000
Professional fees:	
Accounting	164,200
Legal	108,118
Computer consultant	38,670
Payroll service	21,782
Other	8,613
Conventions, meetings and negotiations	123,107
Local transportation	112,154
Travel and lodging	93,923
Depreciation	86,982
Equipment rental and maintenance	81,439
Telephone	79,676
Election	55,514
Office expenses	46,624
Insurance	37,066
Charitable contributions	36,135
Repairs and maintenance	31,699
Participations/public relations	26,403
Scholarships	25,000
Golf outing	18,275
Postage	9,387
Education and training	8,369
Dues and subscriptions	3,607
Bank charges and fees	3,356
	<u>3,356</u>
 Total expenses	 <u>\$ 7,267,272</u>

See independent auditor's report.

**COMMUNICATIONS WORKERS OF AMERICA LOCAL 1101 AND SUBSIDIARY**  
**(Supplemental Schedules)**  
**Schedule of Building Operations Expenses**  
**September 30, 2014**

Real estate taxes	\$ 14,415
Electricity	13,528
Telephone	9,697
Building supplies	7,261
Cleaning	7,111
Accounting	7,000
Equipment maintenance and lease contracts	6,141
Office supplies	4,176
Parking	3,707
Corporate tax	1,502
Depreciation	1,075
Repairs and maintenance	705
Water and sewer	462
Miscellaneous	246
Postage	<u>110</u>
 Total building operations expenses	 <u>\$ 77,136</u>

See independent auditor's report.