

WRITERS GUILD OF AMERICA, WEST, INC.

ANNUAL FINANCIAL REPORT

MAY 29, 2009



WRITERS GUILD OF AMERICA, WEST, INC.

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EXECUTIVE DIRECTOR

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AFFILIATED WITH:

Australian Writers Guild

Irish Playwrights & Screenwriters Guild

Writers Guild of America, East

Writers Guild of Great Britain

Société Des Auteurs De Radio, Télévision Et Cinema

Writers Guild of Canada

Writers Guild of New Zealand

Union/Gilde des Scenaristes (France)

Seccion de Autores y Adaptors de Cine, Mexico

STATEMENT OF THE MEMBERSHIP AND FINANCE COMMITTEE

May 29, 2009

Dear Fellow Members,

The current economic crisis has had a profound global impact, and the WGAW has not escaped it. Despite formidable challenges, we are pleased to report that your Guild remains in excellent financial shape. The Guild owns its headquarters with no debt and our investments stand at \$12.8 million, including a total of \$7.4 million in our Strike and Good & Welfare Funds.

In this annual report to members, you will find the WGAW's financial statements, notes to financial statements, and other relevant industry and employment data for the past fiscal year.

For the fiscal year ending March 31, 2009, the Guild took in \$20.9 million after combining revenues with unrealized investment losses caused by the struggling economy. Our expenses for the year totaled \$26 million. This resulted in a deficit of \$5.1 million.

During FY 2009, TV and screen earnings decreased by 3 percent and 31 percent, respectively. Guild revenues of \$22.7 million in dues and fees, however, were only 3.4 percent lower than FY 2008's total of \$23.5 million. This relatively small decline was due mainly to improved collection of delinquent and underreported dues.

Unrealized investment losses exceeded investment income, which resulted in a \$1.9 million net investment loss for FY 2009. This was down \$3.6 million from FY 2008 investment gains due to turmoil in the financial markets and steep declines in equity markets.

Guild expenditures of \$26 million were only slightly lower than FY 2008's total of \$26.3 million. This relatively narrow margin reflected extraordinary expenses related to staff severance costs and maintaining a reserve for estimated uncollectible strike loans. The difficult decision to lay off just under 10 percent of our employees was made in order to balance the FY 2010 budget and to maintain adequate reserves for contract enforcement, jurisdiction expansion, and future negotiations.

Your Membership and Finance Committee is made up of five members and is mandated by the WGAW Constitution. Among its duties, the committee oversees the annual audit process performed by the independent accounting firm of Miller, Kaplan, Arase & Co.

We present this Annual Report to keep you informed of the Guild's financial condition. We look forward to reporting our financial performance to you throughout the year.

Sincerely,

The Membership and Finance Committee

Elias Davis (chair), Tony DeSena, Ashley Gable, Adam Rodman, and Alison Taylor

THE MARKETPLACE FOR WRITING

Earnings for WGAW members declined 17.9% in 2008 to \$801.4 million. This change from the prior year was attributable to the effects on our industry of the general economic slowdown and to the strike to achieve the 2008 MBA, which had accelerated some feature film income into 2007 and reduced the length of the 2007-2008 television season. The number of writers reporting income during the year declined 9.7% to 4,163. Payment of residuals rose 4.7% to \$286.81 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
2003	4,443	---	\$850.7 million	---
2004	4,445	nc	\$872.4 million	+2.6%
2005	4,546	+2.3%	\$924.6 million	+6.0%
2006	4,515	-0.7%	\$908.7 million	-1.7%
2007	4,610	+2.1%	\$976.3 million	+7.4%
2008	4,163	-9.7%	\$801.4 million	-17.9%

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

Television employment declined 11.2% in 2008, with 2,929 writers reporting income in 2008, down from 3,298 the year earlier. Earnings declined less, dropping 3.1% to \$437.5 million. Television declines in the first half of the year can be attributed to the six weeks of the strike which fell in 2008. For the second half of the year, we found that while WGA series rebounded, the companies responded to the economic downturn by reducing the size of TV series staffs.

EARNINGS AND EMPLOYMENT IN TELEVISION

YEAR	NUMBER OF WRITERS REPORTING EARNINGS	PERCENT CHANGE VS. PRIOR YEAR	TOTAL EARNINGS REPORTED	PERCENT CHANGE VS. PRIOR YEAR
2003	3,173	---	\$414.9 million	---
2004	3,177	+ 0.1%	\$432.8 million	+ 4.3%
2005	3,244	+ 2.1%	\$467.6 million	+ 8.0%
2006	3,211	- 1.0%	\$469.2 million	+ 0.3%
2007	3,298	+ 2.7%	\$451.6 million	- 3.8%
2008	2,929	- 11.2%	\$437.5 million	- 3.1%

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

Feature film writing had accelerated 19.5% in 2007 and there was a 30.7% decline in 2008, to \$361.0 million in 2008. Employment declined 14.1% to 1,716 writers. The pre-strike stockpiling by the studios was a major factor followed by cautious development and a decrease in theatrical film production by the major studios following the expiration of the SAG contract and the subsequent economic slowdown.

EARNINGS AND EMPLOYMENT IN SCREEN

YEAR	NUMBER OF WRITERS REPORTING EARNINGS	PERCENT CHANGE VS. PRIOR YEAR	TOTAL EARNINGS REPORTED	PERCENT CHANGE VS. PRIOR YEAR
2003	1,894	---	\$433.7 million	---
2004	1,885	- 0.4%	\$437.1 million	+ 0.8%
2005	1,933	+ 2.5%	\$453.9 million	+ 3.8%
2006	1,977	+ 2.3%	\$436.0 million	- 3.9%
2007	1,997	+ 1.0%	\$521.2 million	+19.5%
2008	1,716	- 14.1%	\$361.0 million	- 30.7%

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

Earnings and employment in news, informational and interactive programming declined in 2008 by 17.1% and 11.4%, respectively, to \$2.9 million earned by 93 writers.

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
2003	67	---	\$2.1 million	---
2004	78	+ 16.4%	\$2.5 million	+19.0%
2005	72	- 7.6%	\$3.1 million	+28.0%
2006	111	+ 54.2%	\$3.5 million	+12.9%
2007	105	- 5.4%	\$3.5 million	nc
2008	93	-11.4%	\$2.9 million	- 17.1%

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

WGA RESIDUALS COLLECTED

(In millions of dollars each year)

Residuals collected by the WGA in 2008 increased 4.7% in 2008 to \$286.81 million, from \$273.91 million a year earlier. Residuals for television programs and theatrical films increased by about the same proportion, with each representing about half of the total.

For television programs the brightest highlight was foreign reuse, which increased 16.6% to \$27.10 million on the strength of the percentage of revenue residuals which were added to the foreign residual category in 2001. The second most notable increase came in reuse on basic cable of television programs made for basic cable, which increased 14.1% to \$12.29 million. Pay TV reuse of programs made for pay television increased 54.3%, a large increase, but one statistically inflated by the relatively small collections total, which rose to \$1.42 million from \$920,000 a year earlier. Prime time reuse fell

2.6% due to fewer repeats on the networks. Home video reuse cooled 5% and pay TV use, mostly foreign, increased 37.9% on a small base. Because of noncompliance by the companies with the new media provisions of the 2008 MBA, an accurate accounting of new media residuals was not possible for this report. The Guild is aggressively pursuing enforcement efforts to force proper reporting and payment of new media residuals.

Feature film found the greatest positive growth in the area of home video, bucking industry trends by increasing 11.3% to \$47.45 million. Worldwide free television and basic cable increased 6.6% to \$45.54 million. Pay television reuse declined slightly to \$43.06 million. Discretely reported new media residuals were negligible, as most payments were comingled with other markets and could not be separately tracked.

	2007	2008	PERCENT CHANGE
TELEVISION PROGRAM RESIDUALS			
Prime Time Network & CW	26.51	25.82	- 2.6%
Domestic Syndication	20.57	21.29	+ 3.5%
Foreign Free TV & Basic Cable	23.25	27.10	+16.6%
Basic Cable for Non-Basic Programs	26.93	26.69	- 0.9%
Basic Cable for Made-For Basic	10.77	12.29	+ 14.1%
Pay TV for Made-For-Pay	0.92	1.42	+ 54.3%
Home Video	7.75	7.36	- 5.0%
Pay TV	1.77	2.14	+ 37.9%
Misc TV Program reuse	11.71	12.72	+ 8.6%
Total Television Program Residuals	130.18	136.73	+ 5.0%
THEATRICAL FILM RESIDUALS			
Worldwide Television	42.74	45.54	+ 6.6%
Home Video	42.62	47.45	+ 11.3%
Pay TV	44.00	43.06	- 2.1%
DVD Script Fee	1.17	1.15	- 1.7%
Misc Theatrical reuse	0.87	0.62	- 28.7%
Total Theatrical Film Residuals	131.40	137.82	+ 4.9%
Creator Royalties	7.88	7.98	+ 1.3%
Misc. Payments/Settlements	4.45	4.28	- 5.9%
TOTAL RESIDUALS	273.91	286.81	+ 4.7%

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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, 2009, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WGAW as of March 31, 2009 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 29, 2009

OVER 65 YEARS OF PROFESSIONAL SERVICE TO THE PUBLIC

WRITERS GUILD OF AMERICA, WEST, INC.

**STATEMENT OF FINANCIAL POSITION
MARCH 31, 2009**

	GUILD OPERATIONS FUND	THEATER OPERATIONS FUND	STRIKE FUND	GOOD & WELFARE FUND	YEAR 2000 FUND	TOTAL ALL FUNDS
ASSETS						
Cash and Cash Equivalents	\$2,561,876	\$111,238	\$88,229	\$57,132	\$1,605,001	\$4,423,476
Membership Dues Receivable	4,071,000					4,071,000
Accounts Receivable, Net	1,598,244	57,500	12,462	3,488		1,671,694
Notes Receivable, Net			1,070,856	49,345		1,120,201
Prepaid Expenses	318,971	1,489				320,460
Investments, at Market Value	4,523,944		5,373,918	2,015,025	931,819	12,844,706
Funds Held In Trust For Members	30,300,999					30,300,999
Property and Equipment, Net	5,722,811	25,300				5,748,111
Inter-Fund Borrowings	(357,223)	157,207			200,016	
TOTAL ASSETS	<u>\$48,740,622</u>	<u>\$352,734</u>	<u>\$6,545,465</u>	<u>\$2,124,990</u>	<u>\$2,736,836</u>	<u>\$60,500,647</u>
LIABILITIES AND NET ASSETS						
Accounts Payable and Accrued Expenses	\$1,139,330	\$7,000				\$1,146,330
Accrued Salaries, Vacation and Severance	2,471,483					2,471,483
Deferred Rent		\$146,316				146,316
Due To Members	30,300,999					30,300,999
TOTAL LIABILITIES	<u>33,911,812</u>	<u>153,316</u>				<u>34,065,128</u>
NET ASSETS						
UNRESTRICTED:						
Undesignated Net Assets	13,772,605	199,418				13,972,023
Designated Net Assets	1,000,000		\$6,545,465	\$2,124,990	\$2,736,836	12,407,291
	<u>14,772,605</u>	<u>199,418</u>	<u>6,545,465</u>	<u>2,124,990</u>	<u>2,736,836</u>	<u>26,379,314</u>
TEMPORARILY RESTRICTED	56,205					56,205
TOTAL NET ASSETS	<u>14,828,810</u>	<u>199,418</u>	<u>6,545,465</u>	<u>2,124,990</u>	<u>2,736,836</u>	<u>26,435,519</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$48,740,622</u>	<u>\$352,734</u>	<u>\$6,545,465</u>	<u>\$2,124,990</u>	<u>\$2,736,836</u>	<u>\$60,500,647</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, 2009**

	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	\$18,670,950					\$18,670,950
Other	3,341,425	\$727,156				4,068,581
Total Revenues	22,012,375	727,156				22,739,531
Expenses						
Payroll and Related Expenses	16,738,795	230,067				16,968,862
Special Functions	1,960,079					1,960,079
Occupancy	2,160,425	417,769				2,578,194
Operating	1,036,030	37,416	\$623,166	\$167,379	\$3,000	1,866,991
Professional Fees	1,681,246	2,888	5,282	3,427	302,861	1,995,704
Communications	472,332					472,332
Total Expenses	24,048,907	688,140	628,448	170,806	305,861	25,842,162
Net Operating Increase (Decrease)	(2,036,532)	39,016	(628,448)	(170,806)	(305,861)	(3,102,631)
Investment Income (Loss)						
Investment Income	733,077		186,127	80,754	22,951	1,022,909
Net Realized Gain on Sales of Investments	80,567		23,727	7,344		111,638
Net Unrealized (Depreciation) in Market Value	(353,594)		(1,823,381)	(735,976)	(530)	(2,913,481)
Amortization of (Premiums)/Discounts (Net)	(73,668)		(1,479)	(1,053)	(127)	(76,327)
Total Investment Income (Loss)	386,382		(1,615,006)	(648,931)	22,294	(1,855,261)
Change in Unrestricted Net Assets	(1,650,150)	39,016	(2,243,454)	(819,737)	(283,567)	(4,957,892)
Change in Temporarily Restricted Net Assets:						
Interest Income	44					44
Net Assets Released from Restrictions	(127,933)					(127,933)
Change in Temporarily Restricted Net Assets	(127,889)					(127,889)
Change in Net Assets	(1,778,039)	39,016	(2,243,454)	(819,737)	(283,567)	(5,085,781)
Net Assets, Beginning of Year	16,606,849	160,402	8,788,919	2,944,727	3,020,403	31,521,300
Net Assets, End of Year	\$14,828,810	\$199,418	\$6,545,465	\$2,124,990	\$2,736,836	\$26,435,519

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, 2009**

	GUILD OPERATIONS FUND	THEATER OPERATIONS FUND	STRIKE FUND	GOOD & WELFARE FUND	YEAR 2000 FUND	TOTAL ALL FUNDS
Cash flows from operating activities:						
Change in Net Assets	(\$1,778,039)	\$39,016	(\$2,243,454)	(\$819,737)	(\$283,567)	(\$5,085,781)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	493,294	9,225				502,519
Net realized gain on sales of investments	(80,567)		(23,727)	(7,344)		(111,638)
Net unrealized depreciation in market value	353,594		1,823,381	735,976	530	2,913,481
Amortization of (premiums)/discounts (net)	73,668		1,479	1,053	127	76,327
Discount on payments of notes receivable			51,238			51,238
Write-off of notes receivable			38,257	31,750		70,007
Increase (decrease) in allowances for doubtful accounts	(5,888)		533,671	135,629	3,000	666,412
(Increase) in membership dues receivable	(546,000)					(546,000)
(Increase)/decrease in accounts receivable	226,499	34,700	(4,718)	(158)	3,420	259,743
(Increase)/decrease in prepaid expenses	27,407	(738)				26,669
Increase in accounts payable and accrued expenses	94,711	7,000				101,711
Increase in accrued salaries, vacation and severance	755,925					755,925
(Decrease) in deferred rent		(39,198)				(39,198)
Net cash provided by (used in) operating activities	(385,396)	50,005	176,127	77,169	(276,490)	(358,585)
Cash flows from investing activities:						
Purchase of property and equipment	(115,587)					(115,587)
Issuance of notes receivable			(167,308)	(48,959)	(6,000)	(222,267)
Payments received on notes receivable			1,067,441	38,780	6,000	1,112,221
Purchases of investments	(10,557,774)		(4,856,842)	(1,276,314)	(13,887)	(16,704,817)
Maturities of investments	11,887,400		3,520,285	1,097,444	2,876	16,508,005
Net cash provided by (used in) investing activities	1,214,039		(436,424)	(189,049)	(11,011)	577,555
Cash flows from financing activities:						
Increase (decrease) in inter-fund borrowings	(103,448)	(196,537)			299,985	
Net cash provided by (used in) financing activities	(103,448)	(196,537)			299,985	
Net increase (decrease) in cash and cash equivalents	725,195	(146,532)	(260,297)	(111,880)	12,484	218,970
Cash and cash equivalents, beginning of year	1,836,681	257,770	348,526	169,012	1,592,517	4,204,506
Cash and cash equivalents, end of year	\$2,561,876	\$111,238	\$88,229	\$57,132	\$1,605,001	\$4,423,476

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, 2009

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 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 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 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 to a specific period or purpose. When a donor restriction expires (a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as assets released from restrictions. Interest income earned on temporarily restricted contributions received and expended in the same fiscal year is recorded as unrestricted revenues.

WRITERS GUILD OF AMERICA, WEST, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009

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 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 -1.61%.

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 Held in Trust

WGAW holds funds in trust for members and other payees in the following segregated trust 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 20 countries in Europe and Latin America for the benefit of the lawful payees. WGAW collects a fee

WRITERS GUILD OF AMERICA, WEST, INC.
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009

1. Summary of Significant Accounting Policies, continued

Funds Held in Trust (Continued)

on these levies to offset the expenses of negotiating and administering the foreign levies program. Fees collected for the fiscal year ended March 31, 2009 totaled \$539,934.

- 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

In accordance with industry practice, 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. Effective in 2006, WGAE pays to WGAW as compensation for these services 13.25% of screenwriter and certain television writer dues revenue that WGAE collects each calendar quarter. Such fees totaling \$386,047 are recognized in the statement of activities as “other revenues.”

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. WGAW incurred unrelated business income tax for fiscal year ended March 31, 2009 and the tax liability is included in “Accounts Payable and Accrued Expenses” in the accompanying statement of financial position, and in “Occupancy Expenses” in the accompanying statement of activities.

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, 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, 2009, WGAW has bank deposits in excess of the general Federal Deposit Insurance Corporation's ("FDIC") insured limits of \$250,000 and also has bank deposits with a financial institution that is participating in the FDIC's

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1. Summary of Significant Accounting Policies, continued

Concentration of Credit Risk (Continued)

Transaction Account Guarantee Program. Under that program, all non-interest bearing transaction accounts at participating institutions are fully guaranteed by the FDIC for the entire amount in the account through December 31, 2009. To date, WGAW has not incurred losses related to these deposits.

The composition of the investment portfolio as of March 31, 2009 is diversified, with holdings primarily in U.S. Agencies and government backed securities 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 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 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

In September 2006, the Financial Accounting Standards Board issued Statement on Financial Accounting Standards No. 157 (FAS 157) "Fair Value Measurements". FAS 157 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. FAS 157 became effective on January 1, 2008. Adoption of the standard has no material impact on WGAW's financial statements.

FAS 157 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 an active market.

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, 2009:

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2. Investments, continued

	Investments			Total Market Value	Total Cost
	Level 1	Level 2	Level 3		
U.S. Agencies and government backed securities	\$ -	\$ 3,804,517	\$ -	\$ 3,804,517	\$ 3,719,259
Corporate bonds	-	2,799,829	-	2,799,829	2,946,094
Equity mutual fund	-	4,389,096	-	4,389,096	7,296,300
Money market funds	1,851,264	-	-	1,851,264	1,851,264
Total	\$ 1,851,264	\$ 10,993,442	\$ -	\$ 12,844,706	\$ 15,812,917

	Funds Held in Trust for Members			Total Market Value	Total Cost
	Level 1	Level 2	Level 3		
U.S. Agencies and government backed securities	\$ -	\$ 3,141,653	\$ -	3,141,653	3,080,149
Corporate bonds	-	2,042,308	-	2,042,308	2,157,220
Money market funds	25,117,038	-	-	25,117,038	25,117,038
Total	\$ 25,117,038	\$ 5,183,961	\$ -	\$ 30,300,999	\$ 30,354,407

Level 1 investments consist of corporate bonds, U.S. Agencies and government backed securities, an equity mutual fund, and money market funds recorded at fair value based on the securities' fiscal year end closing value, as reported by the investment manager, based on daily 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 2010 into money market funds, government backed securities, or investment-grade corporate bonds.

The investment return is detailed as follows:

	Unrestricted	Funds Held in Trust for Members	Total
Interest, dividend and capital gains income	\$ 493,664	\$ 452,962	\$946,626
Net realized gain on sales of investments	74,746	36,892	111,638
Net unrealized (depreciation) in market value	(2,754,783)	(158,698)	(2,913,481)
Bank fees (included in professional fees)	(61,432)	(17,290)	(78,722)
Return on investments	(<u>\$2,247,805</u>)	<u>\$ 313,866</u>	<u>(\$1,933,939)</u>

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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 due to the 1988 strike. The Strike Fund offered three loan repayment options. Each required repayment to begin no later than 180 days after the strike concluded: (a) the loan could be repaid in a lump sum, interest free, and discounted by 10 percent; (b) the loans could be repaid in 12 monthly installments, interest-free; or (c) the loan could be repaid in 24 monthly installments, the first 12 months interest-free, and the second 12 months at an interest rate equal to the WGAW's interest-bearing investments.

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.

4. Property and Equipment

Property and equipment consisted of the following at March 31, 2009:

	Total
Land	\$ 700,000
Building and improvements	7,141,496
Furniture and fixtures	3,143,035
Computers and equipment	3,857,002
Tenant improvements	777,919
	15,619,452
Less: Accumulated depreciation and amortization	9,871,341
	\$ 5,748,111

Depreciation and amortization expense was \$502,519 for the fiscal year ended March 31, 2009.

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.

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5. Pension Plan, continued

Contributions are determined as a percentage of wages, and WGAW's contribution to the Plan was \$802,854 for the fiscal year ended March 31, 2009.

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.

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 \$212,677 in contributions on behalf of participants in the 401(k) Plan for the fiscal year ended March 31, 2009.

6. Commitments and Contingencies

WGAW has entered into operating lease agreements for its theater and office equipment through December 2013. At March 31, 2009, future minimum rental payments applicable to noncancellable operating leases were as follows:

	Office <u>Equipment</u>	<u>Theater</u>	<u>Total</u>
2010	\$ 75,095	\$ 232,834	\$ 307,929
2011	42,624	232,834	275,458
2012	24,924	194,028	218,952
2013	24,924	-	24,924
2014	<u>18,693</u>	<u>-</u>	<u>18,693</u>
Total	<u>\$186,260</u>	<u>\$ 659,696</u>	<u>\$ 845,956</u>

Rental expense was \$384,269 for the fiscal year ended March 31, 2009.

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, 2009, 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>
2010	\$12,715
2011	12,715
2012	12,992
2013	<u>13,043</u>
Total	<u>\$51,465</u>

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

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6. Commitments and Contingencies, continued

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.

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, 2009, WGAW set the FCS non-membership dues at 12.25% 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, 2010, WGAW has set the FCS non-membership dues at 12.25% 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	\$21,578,021
Management and general	2,598,819
Programs:	
Theater Operations Fund	688,140
Strike Fund	628,448
Good & Welfare Fund	170,806
Year 2000 Fund	<u>305,861</u>
Total expenses	<u>\$25,970,095</u>

9. Supplemental Disclosure of Cash Flow Information

During the year ended March 31, 2009, WGAW received funds held in trust for members of \$23,743,218. WGAW made payments from funds held in trust for members of \$17,234,091 for the fiscal year ended March 31, 2009.

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10. Related Party

During fiscal year 2009, WGAW formed a political action committee (the "WGAW PAC"). Consistent with federal election law, WGAW assets will not be used to fund contributions to the WGAW PAC. The 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. The 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.

11. Lines of Credit

WGAW had two lines of credit. The first was a \$4,000,000 line of credit, under which the interest rate was the prime rate and expired on December 31, 2008. Under the terms of this line of credit, WGAW was required to maintain liquid assets of at least \$2,000,000 in unrestricted cash or investment accounts. The second was an \$8,000,000 line of credit, also under which the interest rate was the prime rate and expired on December 31, 2008. This line of credit carried a "Negative Pledge Clause" whereby WGAW agreed not to pledge any assets if such pledging would result in less security for the lender. As of March 31, 2009, WGAW does not have any outstanding lines of credit.

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”) non-membership dues.

PLEASE BE ADVISED THAT THE WGAW WILL CONSIDER A PERSON’S DECISION TO ELECT “FINANCIAL CORE STATUS” (“FCS”) NON-MEMBERSHIP 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”) NON-MEMBERSHIP DUES OBLIGATIONS

The law permits the WGAW to assess FCS non-member dues up to an amount equal to its regular dues. During this coming fiscal year, **April 1, 2009 through March 31, 2010**, the WGAW has set the FCS non-membership dues at 12.25% less than the regular dues. This reflects the WGAW’s estimate of the dollar amount that will correspond to its nonchargeable 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 nonchargeable. In order to reduce the fee they pay to the WGAW, FCS non-members 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 non-member 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:

1. 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 non-members, during the thirty (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. While 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 non-member dues rate (percentage) will apply to challengers as of March 31, 2010, and appropriate adjustments will be made in accordance with the arbitration decision. No FCS non-member 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 non-member 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.