



**WRITERS
GUILD
of AMERICA
EAST**

**WRITERS GUILD OF AMERICA, EAST, INC.
Financial Statements – Modified Cash Basis
March 31, 2023 and 2022
With Independent Auditor’s Report**

Writers Guild of America, East, Inc.
Table of Contents
March 31, 2023 and 2022

| | |
|---|------|
| Independent Auditor's Report | 1-2 |
| Financial Statements | |
| Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis | 3 |
| Statements of Revenue, Expenses and Changes in Net Assets – Modified Cash Basis | 4 |
| Statements of Functional Expenses – Modified Cash Basis | 5-6 |
| Statements of Cash Flows – Modified Cash Basis | 7 |
| Notes to Financial Statements – Modified Cash Basis | 8-16 |

INDEPENDENT AUDITOR'S REPORT

To the Council and Membership, of
Writers Guild of America, East, Inc.:

Opinion

We have audited the accompanying financial statements of Writers Guild of America, East, Inc. (the "Guild"), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of March 31, 2023 and 2022, the related statements of revenue, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements – modified cash basis.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and net assets of the Guild as of March 31, 2023 and 2022, its revenue, expenses and changes in net assets, and its cash flows for the years then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Guild and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The Guild adopted the modified cash basis of accounting effective the year beginning April 1, 2021. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Subsequent Event

As discussed in Note 14 to the financial statements, in May 2023, members of the Guild went on strike. Our opinion has not been modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Guild's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Guild's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Guild's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Withum Smith & Brown, PC

September 20, 2023

Writers Guild of America, East, Inc.
Statements of Assets, Liabilities and Net Assets – Modified Cash Basis
March 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|--------------------------|
| Assets | | |
| Cash | \$ 3,658,564 | \$ 2,858,972 |
| Investments | 11,011,585 | 11,653,695 |
| Other receivables | 90,442 | 53,460 |
| Property assets - net | <u>333,851</u> | <u>458,358</u> |
| Total assets | <u>\$ 15,094,442</u> | <u>\$ 15,024,485</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Payroll withholdings and taxes payable | \$ 1,126 | \$ 5,871 |
| Residuals payable | <u>452,242</u> | <u>413,250</u> |
| Total liabilities | 453,368 | 419,121 |
| Net assets without donor restrictions | <u>14,641,074</u> | <u>14,605,364</u> |
| Total liabilities and net assets | <u>\$ 15,094,442</u> | <u>\$ 15,024,485</u> |

The Notes to Financial Statements are an integral part of these statements.

Writers Guild of America, East, Inc.
Statements of Revenue, Expenses and Changes in Net Assets – Modified
Cash Basis
Years Ended March 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Revenue | | |
| Dues | \$ 10,102,227 | \$ 9,145,061 |
| Registration of manuscripts | 192,734 | 233,651 |
| Net investment income (loss) | (768,832) | 84,638 |
| Awards program | 586,750 | 248,700 |
| Other income | 54,766 | 75,416 |
| Total revenue | <u>10,167,645</u> | <u>9,787,466</u> |
| Expenses | | |
| Program services | 6,994,239 | 5,214,411 |
| Administrative and general | 3,137,696 | 3,381,904 |
| Total expenses | <u>10,131,935</u> | <u>8,596,315</u> |
| Changes in net assets | <u>35,710</u> | <u>1,191,151</u> |
| Net assets | | |
| Beginning of year, as previously stated | 14,605,364 | 12,865,394 |
| Prior period adjustment | - | 548,819 |
| Beginning of year, as restated | <u>14,605,364</u> | <u>13,414,213</u> |
| End of year | <u>\$ 14,641,074</u> | <u>\$ 14,605,364</u> |

The Notes to Financial Statements are an integral part of these statements.

Writers Guild of America, East, Inc.
Statement of Functional Expenses – Modified Cash Basis
Year Ended March 31, 2023

| | Program Expenses | | | | Total Program Expenses | Supporting Services | Total Expenses |
|---------------------------------------|-------------------------------|---------------------|----------------------|---------------------|------------------------|----------------------------|----------------------|
| | Awards, Events and Activities | Membership and Dues | Contract Enforcement | Organizing | | Administrative and General | |
| Salaries, benefits, and taxes | \$ 750,080 | \$ 434,288 | \$ 2,436,279 | \$ 987,664 | \$ 4,608,311 | \$ 1,316,493 | \$ 5,924,804 |
| Rent and utilities | 138,209 | 80,022 | 448,908 | 181,987 | 849,126 | 242,575 | 1,091,701 |
| WGAW Settlement | - | - | - | - | - | 658,010 | 658,010 |
| Event production | 281,338 | - | - | - | 281,338 | - | 281,338 |
| Accounting | 32,751 | 18,962 | 106,376 | 43,125 | 201,214 | 57,483 | 258,697 |
| Depreciation and amortization | 31,592 | 18,291 | 102,610 | 41,598 | 194,091 | 55,447 | 249,538 |
| Travel, meals and lodging | 29,530 | - | 57,572 | 44,757 | 131,859 | 82,541 | 214,400 |
| Bank and credit card processing fees | 24,314 | 14,078 | 78,975 | 32,016 | 149,383 | 42,676 | 192,059 |
| Legal fees | - | - | 34,728 | 69,457 | 104,185 | 34,728 | 138,913 |
| Dues and subscriptions | - | - | - | - | - | 134,821 | 134,821 |
| Computer software and supplies | - | - | - | - | - | 94,685 | 94,685 |
| Database and network maintenance | 11,242 | 6,509 | 36,515 | 14,803 | 69,069 | 19,731 | 88,800 |
| Website content and maintenance | 39,876 | - | - | - | 39,876 | 37,363 | 77,239 |
| Office supplies | 21,347 | 3,788 | 21,251 | 12,207 | 58,593 | 11,484 | 70,077 |
| Equipment lease | 8,232 | 4,766 | 26,737 | 10,839 | 50,574 | 14,448 | 65,022 |
| Insurance | 8,179 | 4,736 | 26,566 | 10,770 | 50,251 | 14,354 | 64,605 |
| Recruiting expense | - | - | - | - | - | 62,816 | 62,816 |
| Lobbying | - | - | - | - | - | 59,569 | 59,569 |
| Postage | - | - | - | - | - | 56,896 | 56,896 |
| Sponsorships | 36,218 | - | - | 16,600 | 52,818 | - | 52,818 |
| Miscellaneous | 27,335 | 1,023 | 1,366 | 2,838 | 32,562 | 17,665 | 50,227 |
| Telephone | 5,626 | 3,257 | 18,274 | 7,408 | 34,565 | 9,875 | 44,440 |
| Education and professional activities | 5,408 | - | 27,038 | 5,408 | 37,854 | 5,408 | 43,262 |
| Professional fees | - | 623 | - | - | 623 | 37,221 | 37,844 |
| Payroll service fees | 3,162 | 1,831 | 10,270 | 4,163 | 19,426 | 5,550 | 24,976 |
| Storage | 3,360 | - | - | - | 3,360 | 20,311 | 23,671 |
| Repairs and maintenance | - | - | - | - | - | 19,389 | 19,389 |
| Meetings | 257 | - | 8,538 | - | 8,795 | 10,249 | 19,044 |
| Public relations | 4,603 | - | - | 7,688 | 12,291 | - | 12,291 |
| Elections | - | - | - | - | - | 12,096 | 12,096 |
| Stationery and printing | - | 347 | - | - | 347 | 3,812 | 4,159 |
| Strike | - | - | 3,728 | - | 3,728 | - | 3,728 |
| | <u>\$ 1,462,659</u> | <u>\$ 592,521</u> | <u>\$ 3,445,731</u> | <u>\$ 1,493,328</u> | <u>\$ 6,994,239</u> | <u>\$ 3,137,696</u> | <u>\$ 10,131,935</u> |

The Notes to Financial Statements are an integral part of this statement.

Writers Guild of America, East, Inc.
Statement of Functional Expenses – Modified Cash Basis
Year Ended March 31, 2022

| | Program Expenses | | | | Total Program Expenses | Supporting Services | Total Expenses |
|---------------------------------------|-------------------------------|---------------------|----------------------|---------------------|------------------------|----------------------------|---------------------|
| | Awards, Events and Activities | Membership and Dues | Contract Enforcement | Organizing | | Administrative and General | |
| Salaries, benefits, and taxes | \$ 643,025 | \$ 397,864 | \$ 1,488,703 | \$ 1,035,663 | \$ 3,565,255 | \$ 1,488,197 | \$ 5,053,452 |
| Rent and utilities | 131,420 | 80,261 | 300,316 | 208,925 | 720,922 | 300,212 | 1,021,134 |
| WGAw Settlement | - | - | - | - | - | 803,494 | 803,494 |
| Dues and subscriptions | - | - | - | - | - | 182,804 | 182,804 |
| Bank and credit card processing fees | 20,840 | 12,727 | 47,622 | 33,129 | 114,318 | 47,604 | 161,922 |
| Depreciation and amortization | 19,887 | 12,145 | 45,445 | 31,615 | 109,092 | 45,429 | 154,521 |
| Database and network maintenance | 19,151 | 11,696 | 43,762 | 30,444 | 105,053 | 43,747 | 148,800 |
| Event production | 190,519 | - | - | - | 190,519 | - | 190,519 |
| Accounting | 11,208 | 6,845 | 25,612 | 17,818 | 61,483 | 25,604 | 87,087 |
| Insurance | 10,128 | 6,185 | 23,143 | 16,100 | 55,556 | 23,136 | 78,692 |
| Equipment lease | 10,027 | 6,123 | 22,912 | 15,940 | 55,002 | 22,905 | 77,907 |
| Computer software and supplies | - | - | - | - | - | 75,087 | 75,087 |
| Miscellaneous | 10,656 | 2,087 | 9,502 | 8,260 | 30,505 | 37,239 | 67,744 |
| Postage | - | - | - | - | - | 62,347 | 62,347 |
| Website content and maintenance | - | - | - | 5,370 | 5,370 | 54,269 | 59,639 |
| Lobbying | - | - | - | - | - | 52,286 | 52,286 |
| Office supplies | 5,753 | 3,513 | 13,145 | 9,144 | 31,555 | 13,140 | 44,695 |
| Telephone | 5,752 | 3,513 | 13,143 | 9,144 | 31,552 | 13,138 | 44,690 |
| Legal fees | - | - | 3,249 | 36,542 | 39,791 | - | 39,791 |
| Public relations | 13,563 | - | - | - | 13,563 | 18,152 | 31,715 |
| Meetings | 665 | - | 13,314 | - | 13,979 | 15,981 | 29,960 |
| Sponsorships | 16,272 | - | - | 11,550 | 27,822 | - | 27,822 |
| Payroll service fees | 3,530 | 2,156 | 8,067 | 5,612 | 19,365 | 8,064 | 27,429 |
| Stationery and printing | - | 1,708 | - | - | 1,708 | 18,797 | 20,505 |
| Storage | - | - | - | - | - | 16,408 | 16,408 |
| Travel, meals and lodging | 5,552 | - | 1,027 | 2,780 | 9,359 | 1,438 | 10,797 |
| Professional fees | - | 9,026 | - | - | 9,026 | - | 9,026 |
| Elections | - | - | - | - | - | 7,917 | 7,917 |
| Repairs and maintenance | - | - | - | - | - | 4,206 | 4,206 |
| Education and professional activities | 1,802 | - | 1,512 | 302 | 3,616 | 303 | 3,919 |
| | <u>\$ 1,119,750</u> | <u>\$ 555,849</u> | <u>\$ 2,060,474</u> | <u>\$ 1,478,338</u> | <u>\$ 5,214,411</u> | <u>\$ 3,381,904</u> | <u>\$ 8,596,315</u> |

The Notes to Financial Statements are an integral part of this statement.

Writers Guild of America, East, Inc.
Statements of Cash Flows – Modified Cash Basis
Years Ended March 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Operating activities | | |
| Change in net assets | \$ 35,710 | \$ 1,191,151 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 249,538 | 154,521 |
| Unrealized loss on investments | 1,164,319 | 454,195 |
| Realized gain on investments | (73,665) | (358,481) |
| Changes in assets and liabilities | | |
| Other receivables | (36,982) | 94,278 |
| Payroll withholdings and taxes payable | (4,745) | (15,395) |
| Residuals payable | <u>38,992</u> | <u>50,561</u> |
| Net cash provided by operating activities | <u>1,373,167</u> | <u>1,570,830</u> |
| Investing activities | | |
| Purchases of property assets | (125,031) | (124,869) |
| Proceeds from sale of investments | 1,037,686 | 1,393,874 |
| Purchases of investments | <u>(1,486,230)</u> | <u>(1,659,255)</u> |
| Net cash used in investing activities | <u>(573,575)</u> | <u>(390,250)</u> |
| Net change in cash | 799,592 | 1,180,580 |
| Cash | | |
| Beginning of year | <u>2,858,972</u> | <u>1,678,392</u> |
| End of year | <u>\$ 3,658,564</u> | <u>\$ 2,858,972</u> |

The Notes to Financial Statements are an integral part of these statements.

Writers Guild of America, East, Inc.
Notes to Financial Statements – Modified Cash Basis
March 31, 2023 and 2022

1. ORGANIZATION

The Writers Guild of America, East, Inc. (the “Guild”) is a labor union incorporated in the state of New York, formed to promote and protect the professional and artistic interests of all creators and adapters of literary material; to represent members of the Guild for the purpose of collective bargaining; and to promote fair dealings between its members and others. The governing body of the Guild is the Council, consisting of no less than 19 members and 3 officers. The Guild is affiliated with Writers Guild of America, West, Inc. (“WGAW”), as well as international writers' organizations throughout the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies followed by the Guild in the preparation of the accompanying financial statements is set forth below:

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Generally, revenue is recognized when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred. However, investments are reported at fair value, investment income is recorded when earned, property assets are capitalized and depreciated, transactions as a result of payroll processing are accrued, amounts collected on behalf of members are accrued, and amounts due from affiliated organizations for expenses paid on their behalf are accrued. The financial statements are not intended to present the Guild’s financial position and activities in conformity with accounting principles generally accepted in the United States of America.

Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingencies, if any, at the date of the 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

For purposes of the statements of cash flows – modified cash basis, cash equivalents represent short-term, highly liquid investments with original maturities of three months or less from the date of purchase.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management determines the Guild’s valuation policies utilizing information provided by its investment advisor and custodian. See Note 6 for discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade date basis. Dividend income is recognized as of the ex-dividend date. Investment income includes the gains and losses (realized and unrealized) on investments bought, sold, and held during the year. All other income from investments is recognized when earned.

Writers Guild of America, East, Inc.
Notes to Financial Statements – Modified Cash Basis
March 31, 2023 and 2022

Property Assets

All property and equipment are stated at cost. Major renewals, additions, and betterments are charged to the property accounts, while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets, are expensed when paid. When an asset is sold or retired, its cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the change in net assets.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Estimated Life (Years)</u> |
|-------------------------|-----------------------------------|
| Furniture and equipment | 5 |
| Leasehold improvements | 10 |

Net Assets

Net assets are reported as net assets with donor restrictions if they arise from contributions received with donor-imposed stipulations on their use. Some donor restrictions are temporary in nature; those restrictions will be met by the passage of time or action of the Guild pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of March 31, 2023 and 2022, the Guild had no net assets with donor restrictions.

Net assets without donor restrictions are the portion of net assets that are not subject to limitations imposed by donors. Net assets without donor restrictions may, however, be subject to limitations and allocations imposed by the Guild's Council, per its constitution. The Council delineates net assets without donor restrictions into the following categories:

- Undesignated - Represents operating activity
- Council designated - Represents amounts designated by the Council, as mandated by the Constitution, to be used at its discretion. See Note 3 for information on Council designated net assets.

Revenue Recognition

The Guild derives its revenue primarily from membership dues and initiation fees. Membership dues and initiation fees are recognized when received. In 2023, membership dues were \$40 per quarter plus 1.5% of covered compensation. Initiation fees ranged from \$100 to \$1,500.

Registration of Manuscripts

Registration of manuscripts represents amounts paid by the Guild's members to register creative materials and is recognized when received.

Residuals Payable

Residuals payable represent residuals collected on behalf of members.

Writers Guild of America, East, Inc.
Notes to Financial Statements – Modified Cash Basis
March 31, 2023 and 2022

Functional Classification

The statements of functional expenses – modified cash basis present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of the respective functional area. Accordingly, certain costs have been allocated among the programs and supporting services benefited as determined by management on an equitable basis and allocated based on services rendered, time and effort, and specific identification, as follows:

| | <u>Method of Allocation</u> |
|---------------------------------------|-----------------------------|
| Accounting | Time and effort |
| Bank and credit card processing fees | Time and effort |
| Computer software and supplies | Specific identification |
| Event production | Specific identification |
| Database and network maintenance | Time and effort |
| Depreciation and amortization | Time and effort |
| Dues and subscriptions | Specific identification |
| Education and professional activities | Time and effort |
| Elections | Specific identification |
| Equipment lease | Time and effort |
| Insurance | Time and effort |
| Legal fees | Time and effort |
| Lobbying | Specific identification |
| Meetings | Time and effort |
| Miscellaneous | Time and effort |
| Office supplies | Time and effort |
| Payroll service fees | Time and effort |
| Professional fees | Specific identification |
| Public relations | Specific identification |
| Recruiting expense | Specific identification |
| Rent and utilities | Time and effort |
| Repairs and maintenance | Specific identification |
| Salaries, benefits, and taxes | Time and effort |
| Sponsorships | Specific identification |
| Stationery and printing | Time and effort |
| Postage | Specific identification |
| Statues | Specific identification |
| Storage | Specific identification |
| Strike | Specific identification |
| Telephone | Time and effort |
| Travel, meals and lodging | Time and effort |
| Website content and maintenance | Specific identification |
| WGAw Settlement | Specific identification |

Writers Guild of America, East, Inc.
Notes to Financial Statements – Modified Cash Basis
March 31, 2023 and 2022

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions that occurred after March 31, 2023 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through September 20, 2023, the date that the financial statements were available to be issued, and other than the subsequent events described in Note 14, no items have come to the attention of management that require recognition or disclosure.

3. COUNCIL DESIGNATED FUNDS

As mandated by its Constitution, the Guild maintains a Reserve and Residuals Fund to be used at the discretion of the Guild's Council. As of each of the years ended March 31, 2023 and 2022, the balance of the Reserve and Residuals Fund was \$300,000.

Additionally, a Strike Fund is maintained for the purpose of providing financial assistance to eligible members during strikes. There was no activity in the Strike Fund for the years ended March 31, 2023 and 2022. As of March 31, 2023 and 2022, the balance of the Strike Fund was \$250,000.

All assets of the Reserve and Residuals Fund and the Strike Fund are maintained in cash and investments.

4. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Guild's financial assets available within one year of March 31, 2023 and 2022 for general expenditures are as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|----------------------|----------------------|
| Cash | \$ 3,658,564 | \$ 2,858,972 |
| Investments | 11,011,585 | 11,653,695 |
| Other receivables | <u>90,442</u> | <u>53,460</u> |
| Total financial assets | 14,760,591 | 14,566,127 |
| Council designations | | |
| Reserve and Residuals Fund (Note 3) | (300,000) | (300,000) |
| Strike Fund (Note 3) | <u>(250,000)</u> | <u>(250,000)</u> |
| | <u>\$ 14,210,591</u> | <u>\$ 14,016,127</u> |

The Guild structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Also, the Guild operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. In addition, as part of its liquidity management, the Guild may invest cash in excess of daily requirements in various short-term investments, including equity securities, mutual funds, and registered investment companies.

Writers Guild of America, East, Inc.
Notes to Financial Statements – Modified Cash Basis
March 31, 2023 and 2022

5. INVESTMENT INCOME (LOSS)

For the years ended March 31, 2023 and 2022, net investment income (loss) is comprised of:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|------------------|
| Interest and dividend income | \$ 359,078 | \$ 225,945 |
| Net realized gain on sale of investments | 73,665 | 358,481 |
| Net unrealized loss on investments | (1,164,319) | (454,195) |
| Investment management fees | <u>(37,256)</u> | <u>(45,593)</u> |
| Net investment income (loss) | <u>\$ (768,832)</u> | <u>\$ 84,638</u> |

6. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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 March 31, 2023 and 2022.

Equity Securities and Registered Investment Companies: Shares in equity securities and mutual funds are valued using quoted market prices in active markets.

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. During the years ended March 31, 2023 and 2022, there were no transfers in or out of Level 3.

Writers Guild of America, East, Inc.
Notes to Financial Statements – Modified Cash Basis
March 31, 2023 and 2022

As of March 31, 2023 and 2022, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

| | 2023 | | | Total Fair Value |
|---|----------------------|----------------|----------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Equity securities | \$ 1,363,167 | \$ - | \$ - | \$ 1,363,167 |
| Registered investment companies | <u>9,648,418</u> | <u>-</u> | <u>-</u> | <u>9,648,418</u> |
| Total recurring fair value measurements | <u>\$ 11,011,585</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,011,585</u> |

| | 2022 | | | Total Fair Value |
|---|----------------------|----------------|----------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Equity securities | \$ 1,538,387 | \$ - | \$ - | \$ 1,538,387 |
| Registered investment companies | <u>10,115,308</u> | <u>-</u> | <u>-</u> | <u>10,115,308</u> |
| Total recurring fair value measurements | <u>\$ 11,653,695</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,653,695</u> |

7. PROPERTY ASSETS

At March 31, 2023 and 2022, property and equipment consisted of the following:

| | 2023 | 2022 |
|---|--------------------|--------------------|
| Furniture and equipment | \$ 2,295,954 | \$ 1,957,457 |
| Leasehold improvements | <u>951,087</u> | <u>945,718</u> |
| | 3,247,041 | 2,903,175 |
| Accumulated depreciation and amortization | <u>(2,913,190)</u> | <u>(2,444,817)</u> |
| Property and equipment - net | <u>\$ 333,851</u> | <u>\$ 458,358</u> |

For the years ended March 31, 2023 and 2022, depreciation and amortization expense amounted to \$249,538 and \$154,521, respectively.

8. EMPLOYEE BENEFIT PLANS

The Guild participates in the Producer-Writers Guild of America Pension Plan (the "Pension Plan"), a multiemployer defined benefit plan covering substantially all of its employees. The risks of participating in multiemployer defined benefit pension plans are different from single employer defined benefit pension plans in the following respects:

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

Writers Guild of America, East, Inc.
Notes to Financial Statements – Modified Cash Basis
March 31, 2023 and 2022

The Guild's participation in this plan for the years ended March 31, 2023 and 2022, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number. The most recent Pension Protection Act ("PPA") zone status available for the Pension Plan is for the plan's year ended December 31, 2022. The zone status is based on information reported on the Form 5500 for that year. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "RP Implemented" column indicates whether a rehabilitation plan ("RP") has been implemented. The last column lists the expiration date of the collective bargaining agreement to which the plan is subject. There have been no significant changes that affect the comparability of 2023 and 2022 contributions.

| <u>Pension Fund</u> | <u>EIN/Pension Plan Number</u> | <u>Pension Protection Act</u> | | <u>Contributions</u> | | <u>Surcharge Imposed</u> | <u>Expiration Date of Collective Bargaining Agreement</u> |
|--|--------------------------------|-------------------------------|-----------------------|----------------------|-------------|--------------------------|---|
| | | <u>Zone Status</u> | <u>RP Implemented</u> | <u>2023</u> | <u>2022</u> | | |
| | | <u>12/31/21</u> | | | | | |
| Producer-Writers Guild of America Pension Plan | 95-2216351 #001 | Green | None | \$ 551,144 | \$ 384,664 | None | N/A |

For the plan year ended December 31, 2022, the Guild's contributions to the Pension Plan were not greater than 5% of the Pension Plan's total contributions. The Guild's contributions to the Pension Plan increased during the year ended March 31, 2023 due to an increase in salaries and the Pension Plan's contribution rate.

The Guild participates in the Writer's Guild Industry Health Fund (the "Health Fund"), which provides medical benefits for eligible participants. For the years ended March 31, 2023 and 2022, the Guild contributed \$568,074 and \$437,073, respectively, to the Health Fund.

In addition, the Guild also contributes to the 401(k) plan of participating employees covered under the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union contract through June 30, 2023. For the years ended March 31, 2023 and 2022, the Guild contributed \$37,969 and \$33,750, respectively, to the 401(k) plan.

The Guild maintains a 401(k) Plan and a Sec. 125 Cafeteria Plan for those employees who are eligible and wish to participate. The Guild did not make any contributions to these plans for the years ended March 31, 2023 and 2022.

Writers Guild of America, East, Inc.
Notes to Financial Statements – Modified Cash Basis
March 31, 2023 and 2022

9. AFFILIATES

In accordance with its Constitution and By-Laws, the Guild is affiliated with the WGAw. In exchange for services provided by WGAw to the Guild, 13.25% of dues collected for earnings covered by the minimum basic agreement by the Guild is to be paid to the WGAw. During the years ended March 31, 2023 and 2022, the Guild paid \$658,010 and \$803,494, respectively, to WGAw. These amounts are reflected as WGAw settlement expenses on the statements of functional expenses.

The WGA East Foundation Inc. (the “Foundation”) derives income from other foundations and contributions from individual members. The Guild’s Constitution provides that the Guild may provide the Foundation with up to, but not exceeding, \$25,000 per year without the vote of the membership. Office services and space shall be offered in addition, as available, at the discretion of the Council. During the years ended March 31, 2023 and 2022, the Guild did not make any contributions to the Foundation.

10. COMMITMENTS AND CONTINGENCIES

The Guild leases office space under a non-cancellable operating lease in New York City expiring in 2026. Under the terms of the lease, the Guild is obligated to pay escalation rentals for certain operating expenses and real estate taxes. In addition, the Guild also leases office equipment. Minimum future rental payments under the leases for the years ending March 31, are summarized as follows:

| | | |
|------|----|------------------|
| 2024 | \$ | 837,497 |
| 2025 | | 854,248 |
| 2026 | | <u>67,647</u> |
| | \$ | <u>1,759,392</u> |

Rent, property taxes and utilities expenses for the years ended March 31, 2023 and 2022 amounted to \$1,067,818 and \$999,519, respectively.

11. INCOME TAXES

The Guild is exempt from federal income tax under Section 501(c)(5) of the Internal Revenue Code, except on unrelated business income, if any.

Management of the Guild is required to evaluate income tax positions taken and recognize an income tax liability if the Guild has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the income tax positions taken and concluded that as of March 31, 2023 and 2022 there are no uncertain positions taken or expected to be taken that would require recognition in the financial statements. The Guild is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. In addition, there have been no tax related interest or penalties for the periods presented in these financial statements. Should such penalties and interest be incurred, the Guild’s policy is to recognize them as administrative and general expenses.

Writers Guild of America, East, Inc.
Notes to Financial Statements – Modified Cash Basis
March 31, 2023 and 2022

12. RISKS AND UNCERTAINTIES

The Guild maintains its cash in bank deposit accounts which exceed the federally insured limit. The Guild has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Guild has significant investments which are held by a financial institution in a brokerage account. The brokerage account is protected by the Securities Investor Protection Corporation (“SIPC”) which offers limited coverage up to a ceiling of \$500,000 (including a maximum of \$250,000 for claims of uninvested cash). The SIPC insurance does not protect against market losses on investments.

Investments are stated at fair value. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the market decline, and that such changes could materially affect the amounts reported in the Guild's statements of activities.

13. CHANGE IN BASIS OF ACCOUNTING

On April 1, 2021, the Guild elected to change its basis of accounting to the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. According to the modified cash basis of accounting, revenue is recognized when received, rather than when earned and expenses are recognized when paid rather than when the obligation is incurred, except for the modifications adopted as described in Note 2. The new basis of accounting was adopted because the modified cash basis of accounting was determined to be a more effective reporting framework for the Guild. The financial statements for the years ended March 31, 2023 and 2022 are presented according to the new basis of accounting. As a result of the change in basis of accounting, net assets without donor restrictions at March 31, 2021 were increased by \$548,819.

14. SUBSEQUENT EVENT

In May 2023, members of the Guild went on strike. Management has evaluated the impact of the strike on the Guild and has concluded that while it is reasonably possible that the strike could have a negative effect on the Guild's assets, liabilities, and net assets and changes therein, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.