

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

DRAFT FOR DISCUSSION PURPOSES ONLY

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Executive Board
International Brotherhood of Electrical
Workers Local Union No. 11
297 North Marengo Avenue
Pasadena, California 91101

Members of the Board:

We have reviewed the accompanying financial statements of International Brotherhood of Electrical Workers Local Union No. 11 (the "Local Union"), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities for the three months then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management of the Local Union is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, except for the omission of the information in the following paragraphs, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Revenue from members is recorded as income when received; no receivables are reported for unpaid items. The corresponding per capita tax expense and liability are based on receipts from members.

Executive Board
International Brotherhood of Electrical
Workers Local Union No. 11

The Local Union is the sole shareholder of LACO Elec, Inc. (a Building Corporation). The financial statements referred to above do not include the Building Corporation's operations and account balances. Accounting principles generally accepted in the United States of America require that all investments in majority owned subsidiaries be accounted for as consolidated subsidiaries.

In preparing its financial statements, the Local Union has not adopted all of the accounting standards that require not-for-profit organizations to report information concerning functional expense classifications and organization-wide revenue and expenses.

The statements of cash flows for the three months ended September 30, 2017 and 2016 have not been presented. Accounting principles generally accepted in the United States of America require that such statements be presented when financial statements purport to present financial position and results of operations. Due to cost and timeliness considerations, it is the Local Union's policy that such statements be presented only at the end of the year to be included in the annual audited financial statements.

MILLER KAPLAN ARASE LLP
North Hollywood, California
_____, 2018

DRAFT FOR DISCUSSION PURPOSES ONLY

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
STATEMENTS OF FINANCIAL POSITION

	September 30, 2017		September 30, 2016
<u>ASSETS</u>			
<u>CASH AND CASH EQUIVALENTS</u>			
General Fund:			
Petty Cash	\$ 3,500		\$ 3,500
Checking	5,701,298		4,406,700
Payroll	125,983		217,081
Certificates of Deposit	6,758,000		6,962,000
Convention Fund Checking	24,853	\$ 12,613,634	24,853
			\$ 11,614,134
<u>INVESTMENTS</u>			
Investment in Stock:			
LACO Elec, Inc.	\$ 200,000		\$ 200,000
Labor Building	60	200,060	60
			200,060
<u>AUTOMOBILES</u>	\$ 415,154		\$ 305,172
Less: Accumulated Depreciation	159,732	255,422	147,736
			157,436
<u>OFFICE FURNITURE AND EQUIPMENT</u>	\$ 1,440,706		\$ 1,403,921
Less: Accumulated Depreciation	1,162,304	278,402	1,037,313
			366,608
<u>LEASEHOLD IMPROVEMENTS</u>	\$ 178,615		\$ 178,615
Less: Accumulated Depreciation	122,824	55,791	87,112
			91,503
<u>OTHER ASSETS</u>			
Prepaid Expenses	\$ 21,958		\$ 26,740
Returned Checks	3,113		2,645
Dues Advanced to Local Union Members	7,647		7,647
Due from Death Benefit Trust Fund -			
Administration Fees	9,426		4,297
Due from LMCC	264,557		397,395
Due from PAC Fund - Administration Fees	1,076		523
Other Receivables and Deposits	40,882	348,659	39,214
			478,461
<u>TOTAL ASSETS</u>	<u>\$ 13,751,968</u>		<u>\$ 12,908,202</u>

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
STATEMENTS OF FINANCIAL POSITION

EXHIBIT "A"
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<u>LIABILITIES AND NET ASSETS</u>	September 30, 2017	September 30, 2016
<u>LIABILITIES</u>		
International Per Capita Taxes Payable	\$ 316,600	\$ 331,304
Expenses Payable	568,619	415,744
Vacation Payable	36,340	25,724
Exchanges Payable	46,374	42,875
Due to Death Benefit Trust Fund	94,264	42,974
Job Awards Payable	19,746	16,200
Multi-Jurisdictional Campaign Payable	8,069	13,323
<u>TOTAL LIABILITIES</u>	\$ 1,090,012	\$ 888,144
<u>COMMITMENTS AND CONTINGENCIES</u>		
<u>OTHER NET ASSETS - UNRESTRICTED</u>		
Defense Fund - Exhibit "C"	\$ -	\$ -
Picket Fund - Exhibit "D"	108,027	108,012
Convention Fund - Exhibit "E"	25,000	25,000
Apprenticeship Award Fund - Exhibit "F"	500	500
<u>TOTAL OTHER NET ASSETS - UNRESTRICTED</u>	133,527	133,512
<u>NET ASSETS - UNRESTRICTED</u>		
Balance, January 1	\$ 12,318,806	\$ 11,933,365
Net Increase (Decrease), July 1 to September 30:		
Operations	(229,947)	81,824
Write-Off Intercompany - LACO Elec. Inc.	(98,642)	(55,486)
Net Increase (Decrease), January 1 to June 30:		
Operations	739,936	86,864
Write-Off Intercompany - LACO Elec, Inc.	(201,724)	(160,021)
Balance, September 30	12,528,429	11,886,546
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 13,751,968	\$ 12,908,202

(See Accompanying Notes and Independent Accountants' Review Report)

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
STATEMENTS OF ACTIVITIES
GENERAL FUND

	July 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016
<u>REVENUE</u>		
Total Income (Schedule B-1)	\$ 5,024,778	\$ 5,040,149
Less: Paid to International Union (Schedule B-1)	<u>956,764</u>	<u>944,916</u>
<u>INCOME REMAINING TO LOCAL UNION</u>	<u>\$ 4,068,014</u>	<u>\$ 4,095,233</u>
<u>EXPENSES</u>		
<u>Per Capita Taxes Paid to State and Local Bodies (Schedule B-2)</u>	\$ 273,578	\$ 284,801
<u>Salaries</u>		
Business Representatives and Organizers	\$ 1,001,630	\$ 790,506
Office Employees	131,078	140,724
Executive Board	47,449	72,762
Other	<u>181,242</u>	<u>171,132</u>
	1,361,399	1,175,124
<u>Salary Related Expenses</u>		
Details Listed in Schedule B-3	818,248	685,174
<u>Business Representative Expenses</u>		
Automobile and Incidentals	\$ 66,583	\$ 49,899
Automobile Insurance	<u>3,994</u>	<u>4,952</u>
	70,577	54,851
<u>Office and Administration Expenses</u>		
Details Listed in Schedule B-4	578,108	529,844
<u>Organization Expenses</u>		
Details Listed in Schedule B-5	644,869	635,783
<u>Other Expenses</u>		
Refunds	\$ 3,961	\$ 1,482
Contributions	<u>547,221</u>	<u>646,350</u>
	551,182	647,832
<u>TOTAL EXPENSES</u>	<u>\$ 4,297,961</u>	<u>\$ 4,013,409</u>
<u>NET INCREASE (DECREASE) BEFORE OTHER EXPENSE</u>	\$ (229,947)	\$ 81,824
Write-off Intercompany - LACO Elec, Inc.	<u>(98,642)</u>	<u>(55,486)</u>
<u>NET INCREASE (DECREASE) IN GENERAL FUND FOR THE PERIOD</u>	<u>\$ (328,589)</u>	<u>\$ 26,338</u>

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
SCHEDULES IN SUPPORT OF STATEMENTS OF ACTIVITIES
GENERAL FUND

	<u>July 1, 2017</u> to <u>September 30, 2017</u>	<u>July 1, 2016</u> to <u>September 30, 2016</u>
<u>INCOME ALLOCATED TO LOCAL UNION AND</u> <u>INTERNATIONAL UNION - SCHEDULE B-1</u>		
<u>Income Remaining to Local Union</u>		
Dues	\$ 3,776,806	\$ 3,789,389
Application Fees	10,223	42,719
Administration Fees:		
Death Benefit Fund	4,609	4,297
PAC	522	523
Interest Income	31,227	29,931
Miscellaneous Income	30	30
Apprentice Program Reimbursement	30,984	28,611
Reimbursed Income - Salaries	218,929	199,733
Grievance Income	<u>(5,316)</u>	<u>-</u>
<u>TOTAL INCOME REMAINING TO</u> <u>LOCAL UNION</u>	<u>\$ 4,068,014</u>	<u>\$ 4,095,233</u>
<u>Income Paid to International Union</u>		
Per Capita	\$ 936,403	\$ 933,250
Application Fees	2,060	1,758
Reinstatement Fees	<u>18,301</u>	<u>9,908</u>
<u>TOTAL INCOME PAID TO</u> <u>INTERNATIONAL UNION</u>	<u>956,764</u>	<u>944,916</u>
<u>TOTALS</u>	<u>\$ 5,024,778</u>	<u>\$ 5,040,149</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
SCHEDULES IN SUPPORT OF STATEMENTS OF ACTIVITIES
GENERAL FUND

	July 1, 2017 to <u>September 30, 2017</u>	July 1, 2016 to <u>September 30, 2016</u>
<u>PER CAPITA TAXES PAID TO STATE AND LOCAL BODIES - SCHEDULE B-2</u>		
California Labor Federation	\$ 26,180	\$ 19,921
California State Association of Electrical Workers	75,900	101,200
Los Angeles/Orange Counties Building and Construction Trades Council	66,851	63,551
Los Angeles County Federation of Labor	19,292	13,621
Maritime Trades Department, AFL-CIO		
Southern California Ports Council	100	-
State Building and Construction Trades Council	81,655	82,408
Los Angeles/Orange Counties Building and Construction Trades Council Organizing Committee	3,600	3,600
Pacific Coast Metal Trades	-	500
	<u> </u>	<u> </u>
<u>TOTALS</u>	<u>\$ 273,578</u>	<u>\$ 284,801</u>
 <u>SALARY RELATED EXPENSES - SCHEDULE B-3</u>		
Payroll Taxes	\$ 106,337	\$ 94,232
Health Insurance:		
Office Employees	17,175	16,950
Representatives	283,816	228,404
Training Fund - Representatives	14,030	12,862
National Electrical Benefit Fund	24,920	20,798
Industry Information Fund	9,580	8,474
Retirement Plan:		
Office Employees	8,064	7,959
Representatives	332,094	267,297
Dental Plan - Office Employees	650	975
Life Insurance	5,192	5,112
Workers' Compensation Insurance	16,390	22,111
	<u> </u>	<u> </u>
<u>TOTALS</u>	<u>\$ 818,248</u>	<u>\$ 685,174</u>

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
SCHEDULES IN SUPPORT OF STATEMENTS OF ACTIVITIES
GENERAL FUND

July 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016
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OFFICE AND ADMINISTRATION EXPENSES - SCHEDULE B-4

Rent	\$ 99,381	\$ 106,131
Telephone	37,843	39,902
Office Supplies and Printing	58,020	40,685
Postage	32,037	28,293
Service and Maintenance Agreements	24,594	19,610
Accounting and Audit Fees	20,531	8,775
Insurance	17,894	19,965
Other Taxes	7,582	9,479
Depreciation - Office Furniture and Equipment	32,334	30,684
Depreciation - Automobiles	13,334	12,888
Amortization - Leasehold Improvements	8,928	8,928
Mileage Reimbursement - Office Employees	593	579
Legal Fees	89,506	123,228
Consulting Fees	57,500	10,000
Information Technology	52,731	50,215
Working Dues Processing Fees	4,500	7,439
Payroll Processing Fees	3,135	2,773
Meeting Expenses	17,665	10,270
	\$ 578,108	\$ 529,844
<u>TOTALS</u>	<u>\$ 578,108</u>	<u>\$ 529,844</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
SCHEDULES IN SUPPORT OF STATEMENTS OF ACTIVITIES
GENERAL FUND

July 1, 2017
to
September 30, 2017

July 1, 2016
to
September 30, 2016

ORGANIZATION EXPENSES - SCHEDULE B-5

Subscriptions	\$ 21,294	\$ 20,060
Conferences	175,149	50,643
Convention	-	173,587
Meeting Hall Rent	2,000	1,950
Flowers, Bibles and Other Remembrances	516	1,138
Auto Expenses	900	278
Defense Fund Allocation	1,870	(460)
Advertising and Public Relations	100,118	150,144
Seminars and Education	21,209	6,086
Christmas Expenses	-	1,468
Picnic Expenses, Net	-	(22,659)
Job Awards, Net	(10,417)	-
Summer Help Reimbursements	4,050	1,606
Labor Day Expenses	-	1,275
Transfer to PAC Fund	327,243	247,660
Negotiation Expenses	937	3,007
	<u> </u>	<u> </u>
<u>TOTALS</u>	<u>\$ 644,869</u>	<u>\$ 635,783</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
STATEMENTS OF ACTIVITIES

EXHIBIT "C"

DEFENSE FUND

	July 1, 2017 to September 30, 2017	July 1, 2016 to September 30, 2016
<u>DEFENSE FUND NET ASSETS - UNRESTRICTED,</u> <u>JULY 1</u>	\$ -	\$ -
<u>Revenue</u>		
Fines	\$ (1,960)	\$ 400
General Fund Allocation	1,870	(460)
Arbitration Reimbursements	90	60
	\$ -	\$ -
<u>Expenses</u>	-	-
<u>DEFENSE FUND NET ASSETS - UNRESTRICTED,</u> <u>SEPTEMBER 30</u>	\$ -	\$ -

EXHIBIT "D"

PICKET FUND

<u>PICKET FUND NET ASSETS - UNRESTRICTED</u> <u>JULY 1</u>	\$ 108,027	\$ 108,002
<u>Revenue</u>	-	10
	\$ 108,027	\$ 108,012
<u>Expenses</u>	-	-
<u>PICKET FUND NET ASSETS - UNRESTRICTED,</u> <u>SEPTEMBER 30</u>	\$ 108,027	\$ 108,012

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
STATEMENTS OF ACTIVITIES

EXHIBIT "E"

CONVENTION FUND

	<u>July 1, 2017 to September 30, 2017</u>	<u>July 1, 2016 to September 30, 2016</u>
<u>CONVENTION FUND NET ASSETS - UNRESTRICTED, JULY 1</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
<u>CONVENTION FUND NET ASSETS - UNRESTRICTED, SEPTEMBER 30</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

EXHIBIT "F"

APPRENTICESHIP AWARD FUND

<u>APPRENTICESHIP AWARD FUND NET ASSETS - UNRESTRICTED, JULY 1</u>	<u>\$ 500</u>	<u>\$ 500</u>
<u>APPRENTICESHIP AWARD FUND NET ASSETS - UNRESTRICTED, SEPTEMBER 30</u>	<u>\$ 500</u>	<u>\$ 500</u>

DRAFT FOR DISCUSSION PURPOSES ONLY

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS
LOCAL UNION NO. 11
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 - NATURE OF BUSINESS

The International Brotherhood of Electrical Workers Local Union No. 11 (the "Local Union") represents members equally, without regard to race, creed, color, sex, religion, age, or national origin. The main objectives of the Local Union are to organize, unite and assist members within its jurisdiction for the purposes of improving wages, benefits and working conditions; to obtain exclusive bargaining representation; to process and resolve grievances; and to protect and preserve the Local Union as an institution and to perform its legal and contractual obligations.

The geographical jurisdiction of this Local Union includes all of Los Angeles County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements are presented using the accrual basis of accounting.

B. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Local Union's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Investment Valuation and Income Recognition

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

Level 1 – Quoted prices in active markets.

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

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

The following tables represent the Local Union's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of:

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 6,758,000	\$ -	\$ 6,758,000

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 6,962,000	\$ -	\$ 6,962,000