

Biennial Report of the Finance Committee

CWA

**Communications Workers of America
May 22-23, 2012
Washington, DC**

May 2012

Dear Sisters and Brothers:

Your Finance Committee met in Washington D.C. on May 22 and May 23, 2012 to review and recommend suggestions on the 2012-2013 Budget. Every supporting document requested was made available to us. The Committee also reviewed the Consolidated Financial Statements for the period ended May 31, 2011, prepared by the Certified Public Accounting firm of Calibre CPA Group. The Auditors conducted their audit in accordance with generally accepted accounting principles. In the Accountant's opinion, the financial statements presented fairly, in all material respects, the financial position of the Communications Workers of America, AFL-CIO, CLC as of May 31, 2011.

The Committee welcomes Andreas Curlee, President, AFA-CWA Council 21 as a new member of the CWA Convention Finance Committee. President Curlee assisted to educate us on the AFA budgeting process and re-confirmed the commitment made by the AFA-CWA Board of Directors and their International Officers last April to not only keep expenses to within their income and budget, but also to begin contributing each month towards CWA's National Programs.

The Finance Committee carefully reviewed expenses paid out during the 11 months of the 2011-2012 fiscal year and would like to acknowledge the efforts of the Districts, Sectors and Division who were able to stay within their Administrative budgets. We also reviewed the expenses paid within those Administrative Units which were more than 1% over their budget allocations and were satisfied with each of the explanations. Despite extenuating circumstances we have experienced this year and with the support of the Executive Board, the CWA National has also taken major initiatives to help solidify our financial position. All of these efforts have resulted in \$5 million under budget through April, 2012. We also applaud the efforts that have been taken with the hiring of the Marco Consulting Group to manage the investments of our other funds.

The Committee has approved the adjustments made to the 2012-2013 CWA Operating Budget that was proposed to the delegates at the 2011 Convention which shows fiscal responsibility during these continuous challenging times. We recognize the burden that National and Local leadership continue to face exercising cost containment while providing necessary service to our membership.

As a result of the leasing of vacant space within the CWA National Headquarters building in Washington, DC, as well as the refinancing of existing building loans, \$2.5 million dollars of building income has contributed towards a balanced budget for 2012-2013. A continued effort for additional leasing of any vacant space will bring in even more revenue.

Additionally, the SIF Distribution approved by the delegates to the 2011 Convention is an important contributing factor towards balancing this budget and slowing down any further severe cuts to personnel and national program allocations.

The Finance Committee makes the following recommendations to further deal with our budgetary challenges:

- Steps taken by the Executive Board have improved the Union's financial position, but we need to continue to closely monitor spending to ensure that our income forecasts match our cash flow and that our expenses do not exceed our income.
- Each Administrative Unit must keep their expenses within their generated dues income and budget allocations with further recognition of the need for all Units to contribute to the ongoing programs and administration of the National Union.
- All Locals must be in compliance with the CWA Constitution and be current with their dues remittance obligations. The Committee recommends that the Secretary-Treasurer take steps that may be necessary to keep Locals in compliance.
- Each Administrative Unit and Local must continue to aggressively pursue organizing along with signing up their pending agency fee payers and non-members, particularly those working in Telecom, Mobility, and the Public, Health and Education sectors. These efforts alone have a potential of generating close to \$5 million in revenue throughout the Union.
- Any Administrative Unit, whose expenses exceed more than one percent of their budget allocation, must provide a reasonable explanation for the cause of the overage to the Finance Committee and should be prepared to present that explanation to the Convention Delegates.

A balanced budget for the 2012-2013 fiscal year does not mean that our financial challenges no longer exist. Labor is continuously being attacked and organizing rights denied. We must put all efforts into movement building and continue to prepare ourselves in every way to face every challenge. The Finance Committee supports the CWA Officers and Executive Board members' work to design roadmaps that can help get all of us there. We particularly applaud the following financial action items:

- Complete a CWA Headquarters building analysis to assist utilization of this asset to the greatest economical extent.
- Creation of a Task Force assigned to providing scenario planning to address potential further passage of right to work laws, loss of payroll deduction of union dues, and/or requirements to re-sign members each year.
- Continued discussions with Locals on additional revenue generating ideas.

The 2012-2013 Finance Committee would like to thank President Larry Cohen, Secretary-Treasurer Annie Hill, Assistant to the Secretary-Treasurer Teri Pluta, and their staff for their

time and effort in aiding the Committee in the review, development and preparation of this year's report.

The Committee also wishes to thank representatives in all CWA Districts, National Units and Headquarters for their ongoing efforts to achieve the financial targets outlined in the 2012-2013 Budget. We respectfully request delegate approval.

In Solidarity,

Roy Hegenbart, President, CWA Local 3250, Chair
Carolyn Sallis, President, CWA Local 7175
Terri Senich, Executive Secretary-Treasurer, CWA Local 13500
Andreas Curlee, President, AFA-CWA Council 21

**BIENNIALREPORT OF THE
FINANCE COMMITTEE
MAY 2012**

Explanation of CWA Funds

There are six Funds, all of which were examined and reported on by Independent Auditors for the period ending May 31, 2011. A copy of the report has been reviewed by the Executive Board and Committee and was sent to Local Presidents.

The Funds are:

1. General Fund
2. Defense Fund
3. Members' Relief Fund
4. Strategic Industry Fund
5. Building Fund
6. Pension Fund

General Fund

The General Fund is the Fund from which the International operates. All the income money which comes to CWA is handled through the General Fund. The status of this Fund is reported monthly to the Executive Board.

The General Fund contains what the Auditors have identified as "Unallocated Receipts." Dues money received by CWA is labeled in this manner until the Secretary-Treasurer's Office can channel or allocate it. As an example: A dues check from an employer is received in the Secretary-Treasurer's office; it is immediately deposited in the General Fund as unallocated money. Upon processing the report that comes with the employer's check, checks are issued for the amount due the Locals. Also, at this time, we transfer the proper amount to the Defense Fund and Members' Relief Fund or the Strategic Industry Fund. The International's portion remains in the General Fund, available for use by the International. The Local amount is returned to the Locals.

Defense Fund

The Defense Fund was established by the 1952 Convention and began to operate in September of 1952. It has specific rules, adopted by the Convention, which outline the ways it can be used.

Income to the Defense Fund is derived from membership dues and equivalent payers in the amount of \$.50 each month. Income is deposited in the Defense Fund account as dues reports are processed.

The Defense Fund is administered within the Defense Fund Rules established by Convention action.

The Market Value of the Fund as of March 31, 2012 was \$11,218,000.

Robert Lilja Members' Relief Fund

The Robert Lilja Members' Relief Fund (RLMRF) was established by 1990 Convention action. The purpose of the fund is relief for strikers, locked-out members, victims of collective bargaining strategies and other approved mobilization actions. The Market Value of the fund as of March 31, 2012 was \$421,474,000.

Income to the Robert Lilja Members' Relief Fund is derived from membership dues and equivalent payers in an amount equal to .15% per month of minimum dues (1/4 hour) of those eligible to strike. Income is deposited in the Members' Relief Fund account as dues reports are processed. Income and Expenditures from the Fund are reviewed by the Defense Fund Oversight Committee according to the rules established by Convention action.

Effective September 1, 2006 all RLMRF contributions are credited to the Strategic Industry Fund unless the RLMRF fund balance falls below the 2006 Convention established MRF floor. The RLMRF floor is \$376,714,280. If the RLMRF fund falls below the established floor, all contributions will revert back to the RLMRF until it reaches the established floor.

Strategic Industry Fund

The Strategic Industry Fund (SIF) was established by 2006 Convention action to finance major large scale campaigns to increase our bargaining power.

The SIF is a restricted Fund, requiring a majority vote of the Executive Board before expenditures are made. The Market Value of the fund as of March 31, 2012 was \$42,611,000.

Building Fund

By Executive Board action in January 2006, the Building Fund was established for the purpose of recording the assets, liabilities, expenses, and income associated with the headquarters building property. As of March 31, 2011, the Market Value of the Fund's unrestricted net assets was \$52,040,350.

CWA Plan For Employees Pensions And Death Benefits Fund

This Fund provides for CWA employees' retirement benefits. A periodic actuarial review is made of the CWA Pension and Death Benefit Trust Fund, and our contribution is adjusted to meet our obligations. As did many other pension plans, the Plan's investments suffered losses as a result of the overall decline in the economy and the markets in 2008. Contributions to the plan were necessary in 2011 and will be monitored again this year.

The CWA Pension Fund was established in 1951 as a separate trust. It is a defined benefit pension plan covering substantially all employees other than PPMWS employees. On January 1, 2006 the IUE Pension Plan was merged with the CWA Plan for Employees Pensions and Death Benefits.

On March 31, 2012, the Market Value of the Plan was \$193,063,000.

Financial State Of The Union

This Committee realizes that with ever increasing financial burdens and causes needing the Union's attention, combined with a continued uncertain economy, we must continue to be ever vigilant of cost overruns. This year, each administrative unit must operate not only within their authorized budget but also live within the dues income they generate as well as contribute to the ongoing programs and expenses of the Union.

Salaries – Elected Officials

Each year, it is the Committee's responsibility to recommend salary changes for our elected officials. However, in conjunction with the negotiated agreement with the employee unions there will be no increases to salaries.

Staff Complement

The Committee has funded only those Staff positions that are now filled or have received approval to be filled at the time of this report. Requests to fill all Staff positions must be made to the Budget Committee and authorized by the Executive Board.

The 2012 – 2013 Budget

The Committee reviewed and considered the Report of the Budget Committee as adopted by the Executive Board of the Union. After thorough and detailed deliberations, this Finance Committee approves the following budget, as adjusted from the projected budget proposed to the delegates at the 2011 Convention, for the 2012-2013 budget year.

In calculating the projected income, the Committee built this budget on an estimate of what our dues revenue will be for this fiscal year based on a projected 0.25% per month decline in membership and a 2% increase in per capita dues. Income of \$2.5M from the National Headquarters Building and \$5.9M from the approved SIF distribution was also included.

During our meeting, the Finance Committee was educated on the AFA-CWA financial structure and process. All dues income is received by the AFA-CWA International and a majority of all expenses, including those incurred by the LECs and MECs is paid thru them. An amount is allocated back to the LECs and MECs based on a formula that is approved by the AFA-CWA Board of Directors (BOD). In preparation for the annual meeting, the AFA-CWA Secretary Treasurer's Department prepares and proposes a draft budget, much like the CWA Operating Budget, which is then reviewed and adjusted by their Finance and Budget Committees, and then subsequently presented for final approval by the AFA-CWA BOD each year. You will find that in the 2012-2013 CWA Operating Budget, the full AFA-CWA projected income (\$20,881,617) and budgeted expenses (\$20,881,617) is included in its entirety rather than only a portion, as in previous years. We agree, this method better reflects the AFA-CWA finances. Additionally, the AFA-CWA Board of Directors approved a contribution of \$1.50 per member per month, over expenses, towards the cost of the CWA National Program expenses. This contribution, projected as \$706,968, is included as income towards the 2012-2013 CWA Operating Budget. The Finance Committee appreciates the commitment approved and given by the AFA-CWA Board of Directors and their International Officers.

The calculated estimate of overall income of the Union for the 2012-2013 CWA Operating Budget used is \$121,850,309.

As in the past, we recommend the Executive Board use this budget as a positive guide and make every effort to operate within the actual income of the Union during the period represented by this budget.

Our approved budget follows as Exhibit A (Communications Workers of America – Operating Budget) and Exhibit B (Administrative Units Budget).

A line-by-line explanation of each item in the budget may be found on pages 9-12.

**Communications Workers of America Balanced - Operating Budget
2012 - 2013**

		<u>2011 - 2012</u>	<u>2012 - 2013</u>
<u>Income</u>			
	Dues – Members and Agency Fee Payers	95,546,737	90,461,724
	HQ Building	-	2,500,000
	AFA Budget Projected Income	-	20,881,617
	AFA National Program Contributions	-	706,968
	SIF Distribution	-	5,900,000
	Other Income	1,400,000	1,400,000
	Total Income	96,946,737	121,850,309
<u>Expenses</u>			
<u>National Programs</u>			
029	Organizing Fund	4,100,000	5,100,000
030	Community Action	162,051	162,051
031	Legal Admin Unit Litigation & Misc.	965,000	700,000
032	Convention	892,015	892,015
034	Committees, Conferences & Ex Board Mtgs	400,000	400,000
038	Taxes	140,000	155,000
039	Affiliation Dues - AFL-CIO & Other	4,059,286	4,318,857
040	Contingency	-	1,258,272
043	Information Systems	750,000	855,000
045	Communications (CWA News & PR)	1,400,000	1,400,000
046	Professional Services	500,000	570,000
047	International	30,000	30,000
048	Education	210,000	210,000
061A	Retiree Benefits (Health Care, Insurance)	9,156,874	9,889,424
061B	Insurance – Other (Workers Comp., etc)	569,747	775,000
064	Staff Moves	150,000	150,000
066	Apprenticeship & Training	132,000	132,000
	Total National Programs	23,616,973	26,997,619
<u>Administrative Units</u>			
A1	Salaries - Officer & Staff	28,240,056	23,916,152
A2	Salaries - Full Time/Other	11,081,021	9,778,886
A3	Employee Benefits (Non-Pension)	10,215,025	9,100,481
A4	Employee Taxes	3,187,379	2,730,116
A5	Employee Pension	3,778,160	8,365,931
	AFA Budgeted Expenses	-	20,881,617
B1	Office Occupancy	7,038,201	6,412,636
B2	Staff Expenses	4,279,135	4,057,460
B3	Administrative Operations	5,452,246	4,743,385
B4	Legal	4,850,000	4,866,027
	Total Administrative Units	78,121,223	94,852,690
	Total Budgeted Expenses	101,738,196	121,850,309
	Total Income	96,946,737	121,850,309
	Surplus/ (Deficit)	(4,791,459)	(0)

**Administrative Units Budget
2012 - 2013**

District & National Units	<u>A-1</u>	<u>A-2</u>	<u>A-3 & A-5</u>	<u>A-4</u>	Total Personnel Expenses	<u>B-1</u>	<u>B-2</u>	<u>B-3</u>	<u>B-4</u>	Total Office Admin. Expenses	Total Admin Unit Expenses
	Salaries: O&S	Salaries: FT & Other	Emp Benefits: 37%	Emp Taxes: 8.1%		Office Occupancy	Staff Expenses	Administrative Operations	Legal		
District 1	3,377,696	787,827	1,541,244	337,407	6,044,174	962,992	520,610	858,521	1,844,124	4,186,247	10,230,421
District 2-13	1,660,334	519,672	795,536	174,158	3,149,701	376,198	248,060	236,877	385,147	1,246,282	4,395,983
District 3	2,310,973	561,552	1,062,834	232,674	4,168,032	239,316	362,580	325,668	252,833	1,180,397	5,348,430
District 4	1,571,574	423,411	738,145	161,594	2,894,724	275,339	240,160	264,621	119,304	899,424	3,794,148
District 6	1,678,420	458,818	790,778	173,116	3,101,131	388,185	264,420	265,088	593,032	1,510,725	4,611,856
District 7	1,833,500	466,738	851,088	186,319	3,337,645	135,064	280,780	228,043	157,502	801,389	4,139,034
District 9	1,836,936	484,229	854,345	188,014	3,363,524	622,858	280,780	284,079	160,914	1,384,631	4,712,155
T&T	770,925	209,333	362,695	79,401	1,422,354	159,575	116,620	80,656	23,010	379,861	1,802,215
Public Wkrs	145,724	60,802	76,415	16,729	299,670	63,798	27,460	32,347	-	123,605	423,275
PPMWS-CWA	314,476	60,802	138,853	30,398	544,529	43,908	68,380	43,705	86,890	242,882	787,411
IUE-CWA	3,410,558	437,348	1,423,725	311,680	5,583,312	39,227	706,640	276,387	72,670	1,094,924	6,678,236
TNG-CWA	1,013,410	227,071	458,978	100,479	1,799,937	161,005	205,370	109,471	254,359	730,205	2,530,142
NABET-CWA	636,676	158,090	294,063	64,376	1,153,206	127,259	121,710	136,914	216,242	602,125	1,755,330
Total	20,561,202	4,855,693	9,388,699	2,056,346	36,861,939	3,594,723	3,443,570	3,142,379	4,166,027	14,346,699	51,208,638
Headquarters	<u>3,354,950</u>	<u>4,923,193</u>	<u>3,077,713</u>	<u>673,770</u>	<u>12,029,626</u>	<u>2,817,913</u>	<u>613,890</u>	<u>1,601,007</u>	<u>700,000</u>	<u>5,732,809</u>	<u>17,762,436</u>
Grand Total	<u>23,916,152</u>	<u>9,778,886</u>	<u>12,466,412</u>	<u>2,730,116</u>	<u>48,891,565</u>	<u>6,412,636</u>	<u>4,057,460</u>	<u>4,743,385</u>	<u>4,866,027</u>	<u>20,079,508</u>	<u>68,971,073</u>
AFA*	*Projected Income = \$20,881,617										

Explanation Of National Programs
Exhibit A

Organizing (029)

We must continue our internal and external organizing efforts if CWA is to remain an effective organization. The salaries of permanent Organizing Coordinators are included in Line item A1 of their Administrative unit. All organizer expenses are charged to the Organizing account.

Community Action (030)

This allocation allows CWA to respond to a small percentage of the worthwhile requests we receive from community and civic organizations, programs and activities dedicated to the welfare of all citizens.

CWA maintains membership in and serves on executive boards of a number of organizations. Fees associated with these activities are included in this budget allocation.

Legal Admin. Unit Litigation and Miscellaneous (031)

Our legal costs continue to be a significant part of our budget. A portion of these expenses are budgeted to the Administrative unit section. This allocation is for the remainder of our legal expenses.

Convention (032)

This allocation includes funding for the biennial convention, including auditorium and meeting room rental and setup, printing of verbatim reports and other convention materials, postage, wages and expenses of convention committees.

Committees, Conferences & Executive Board Meetings (034)

Expenses associated with meetings of the Union's Executive Board including travel expenses of Executive Board members and others required to be in attendance at such meetings. The cost, if any, of the meeting room is also included. The budget allocation also includes an allocation for committee meetings and conference expenses. The allocation does not cover expenses of attendees unless authorized by the President of the Union.

Taxes (038)

This allocation is for taxes other than payroll related, such as the cost of District building taxes and personal property taxes.

Affiliation Dues (039)

This allocation is for the affiliation dues paid to organizations such as the AFL-CIO Departments, Union Network International, IAPTA, International Metal Workers, International Federation of Journalists and others.

Contingency (040)

The purpose of this account is to provide for unexpected costs and expenses that are not known or cannot be budgeted to appropriate accounts at the time the budget is prepared.

Information Systems (043)

This budget item reflects the costs of office automation, communication networks, training, updating of equipment in the Headquarters and District offices.

Communications (045)

This account includes the funding of the CWA News, which is mandated by Article XXV of the CWA Constitution. The allocation includes the cost of printing and postage as well as for the Union's publicity and public relations program which brings the story of the Communications Workers of America to the public through the mass media of radio, TV and newspaper.

Professional Services (046)

This budget item allocation reflects expenses for audit fees, and miscellaneous professional services such as accountants, actuaries and consultants, including those hired to support bargaining and contract negotiations.

International (047)

CWA is involved in the free world trade union movement. This budget allocation funds activities with our labor colleagues from a number of countries.

Education (048)

This budget account allocation is for the expense of week-long leadership conferences, and the development and delivery of training programs.

Retiree Benefits (061A)

The allocation to this account is for the general insurance policies of the Union, which include group healthcare, pharmaceutical, vision, dental and life insurance for retirees. Employee healthcare expense is reflected in the Administrative Unit budgets – Line A3.

Insurance – Other (061B)

The allocation to this account is for insurance other than employee healthcare and automobile.

Staff Moves (064)

This allocation is for the costs associated with relocating Staff.

Apprenticeship & Training (066)

The budget allocation is for existing apprenticeship & training activities and new programs which may be implemented in this budget year.

Total National Programs - Total of Budget accounts 029 through 066.

Total Administrative Units - Total of A1 through B4.

Total Budgeted Expenses - Total of National Programs and Administrative Units.

Explanation Of Administrative Unit Budget
Exhibit B

Budget Line A1-A4 & B1-B4 Formula Applications

To determine certain allocations, the Budget was based on March 2012 per capita counts.

A1 Salaries – Officers and Staff

Reflects annual salary cost for administrative unit officers, staff and professional employees. The following chart indicates the officer's salaries:

POSITION	SALARY
PRESIDENT	\$186,615
SECRETARY-TREASURER	\$167,101
DISTRICT VICE PRESIDENTS, TNG-CWA VICE PRESIDENT, NABET-CWA VICE PRESIDENT, IUE-CWA VICE PRESIDENT, T&T VICE PRESIDENT AND PUBLIC WORKERS VICE PRESIDENT	\$145,724
AFA-CWA VICE PRESIDENT	\$105,283
PPMWS EXECUTIVE OFFICER	\$120,000

A2 Salaries Full Time and Other

Reflects annual salary cost for administrative unit full-time clerical employees and supervisors.

A3/A5 Employee Benefits

Reflects an allocation of 37% of administrative unit salaries. The allocation includes medical, dental, vision, life insurance, and 401(k) match, plus sufficient funds to meet the pension plan fund commitment.

A4 Employee Taxes

Each administrative unit was allocated 8.1% of administrative unit salaries for employee tax expense.

B1 Office Occupancy

Each administrative unit allocation includes known increases that could be determined. Figures include projected common area maintenance and rent increases projected at 2% for the 2012-2013 budget year.

B2 Staff Expenses

Reflects funds allocated for Staff travel, auto, and communication expenses.

B3 Administrative Operations

This line includes expenses for the following items: part-time salaries and expenses, supplies and printing, postage and freight, rental and maintenance of equipment, contract services, electronic communications and all other operating expenses.

B4 Legal

This includes each administrative unit's allocation for expenses such as retained counsel, arbitration, and arbitration cancellation fees.

Concluding Remarks

The CWA Budget Committee should continue to focus on not only staying within budget but also keeping spending within income.

Current economic conditions have forced us to reallocate support staff and harvest the benefits of new technology to reduce our payroll while sustaining quality work in spite of the ever increasing challenges we face. We recognize that in some instances we are stretched and appreciate the hard work and burden that places on dedicated staff.

The cost of owning and operating the building is subsidized by the leasing of available space. CWA rent payments to the Building Fund, while below market rates, also assist to sustain building operations.

A decline in membership within a number of our represented employers reinforces the need for organizing new workers as the key to our future.

Steps taken by the Executive Board have significantly improved the Union's financial position, but we need to continue to closely monitor spending to ensure that our income forecasts match our cash flow and that our expenses do not exceed our projected income. Collectively, we have demonstrated that this can be done and we congratulate the Executive Board for taking the steps necessary to ensure the fiscal well-being of our Union.