

2014 Biennial Report of the Finance Committee

CWA

**Communications Workers of America
August 11-12, 2014
Washington, DC**

August 2014

Dear Sisters and Brothers:

Your Finance Committee met in Washington D.C. on August 11 and 12, 2014, to review and recommend suggestions on the 2014-2015 CWA Operating Budget. Every supporting document requested was made available to us. The Committee also reviewed the Consolidated Financial Statements for the period ended May 31, 2013, 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 fairly present, in all material respects, the financial position of the Communications Workers of America, AFL-CIO, CLC as of May 31, 2013.

The Finance Committee carefully reviewed expenses paid out during the 12 months of the 2013-2014 fiscal year and would like to acknowledge the efforts of the Districts, Sectors and Divisions that were able to stay within their Administrative budgets. The committee also reviewed the paid expenses within those Administrative Units which were more than 1% over their budget allocations and were satisfied with each of the explanations. It is clear that during some difficult contract negotiations, significant expenses were incurred for wages, travel, and hotel accommodations. We must continue to find ways to efficiently bargain contracts in the most effective and productive ways possible. We would like to recognize those Administrative Units that were able to keep their expenses within their allocations despite those challenges. The Committee also recognizes the continued efforts that the National has taken to try and help solidify our financial position through cost containment while maintaining necessary service to our membership.

The leasing of vacant space within the CWA National Headquarters building in Washington, DC, as well as the refinancing of existing building loans, resulted in \$2 million dollars of building income that will contribute towards a balanced budget for 2014-2015. A recently hired Real Estate Broker is aggressively marketing our National Headquarters building to lease the remaining 2% of vacant space throughout the building as well as on floors currently occupied by CWA employees. By using some of the previously allocated \$500,000, CWA was able to make suggested improvements to the building, and we will continue to do so, which will allow us to generate future revenue by achieving maximum occupancy.

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

- Although steps taken by the Executive Board have improved the Union's financial position, 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 continue to keep their expenses within their generated due's 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. We would like to acknowledge the AFA-CWA for their continued commitment to contributing to our National Programs.

- All Locals must be in compliance with the CWA Constitution and be current with their dues' remittance obligations. This Committee would like to recognize and acknowledge the decrease in the number of delinquent Locals and the effort that they have put forth to bring their dues current. However, there continues to be delinquent Locals with delinquencies that are non-employer related. The Committee recommends that the Secretary-Treasurer take the steps necessary to ensure these Locals fulfill their obligation.
- In this time of anti-union sentiment, as witnessed by the recent Harris vs Quinn decision, it's now more imperative than ever that each Administrative Unit and Local continue to aggressively pursue organizing along with signing up pending agency fee payers and non-members, particularly those working in Telecom, Mobility, and the Public, Health and Education sectors.
- Last year in the Committee report we acknowledged the growing costs associated with negotiating collective bargaining agreements. We recommended that the CWA leadership, at all levels, review our process and develop ways to minimize our expenses without diminishing our ability to achieve good agreements. We want to see that these efforts are being considered for upcoming bargaining sessions and want to encourage the continuation of these efforts.
- 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 if necessary, should be prepared to present that explanation to the 2015 Convention Delegates.

Although we have made effective strides to achieve and maintain a balanced budget for the 2014-2015 fiscal year, the existing financial challenges that we face are not eliminated. As previously mentioned with the Harris vs Quinn decision, labor is continuously being attacked and organizing rights continue to be denied. We must continue to put forth all of our efforts into movement building as well as prepare ourselves in every way to face ongoing challenges. We applaud the foresight of the 2013 Convention Delegates to support and approve the funding of a new CWA Growth Fund with investment earnings from the Members Relief Fund. This has allowed us to not only continue a defensive strategy, but also develop an offensive game plan that will help position our Union to face the increasing threats that continually confront us. The Finance Committee supports the CWA Officers and Executive Board members' work to design roadmaps that can help get all of us to that point.

The 2014-2015 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 efforts 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 2014-2015 Budget.

In Solidarity,

Terri Senich, Executive Secretary-Treasurer, CWA Local 13500
Lynn Johnson, President, CWA Local 9333
Dwayne Phillips, President, CWA Local 4400

**2014 BIENNIAL REPORT OF THE
FINANCE COMMITTEE
AUGUST 2014**

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, 2013. A copy of the report has been reviewed by the Executive Board and Committee and was sent to Local Presidents.

The Funds are as follows:

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 received by CWA are 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 for 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 for immediate availability. 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. 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.

During the 2013 CWA Convention, delegates approved for existing monies currently in the Defense Fund to be distributed into the five existing Strategic Industry Fund silos (Telecom, Media, Manufacturing, Passenger Service, and Public/Health Care) and two new silos (one for Public Workers without the right to strike and one for AFA). Existing funds were apportioned to the seven silos based on membership.

Locals whose membership pays into the MRF/SIF no longer contribute \$.50 per member.

Locals whose membership does not pay into the MRF/SIF continue to contribute \$0.50 per member per month. These monies are directed into their respective silo.

The Defense Fund investments were moved to the Robert Lilja Members' Relief Fund October 31, 2013 as also approved by the Delegates to the 2013 CWA Convention. The Defense Fund checking account had a balance of \$363,802 as of March 31, 2014 to cover expenses of previously opened grants.

Robert Lilja Members' Relief Fund

The Robert Lilja Members' Relief Fund (RLMRF) was established by 1990 Convention action. The purpose of the fund serves as relief for strikers, locked-out members, victims of collective bargaining strategies and other approved mobilization actions. The opening balance of the RLMRF on March 31, 2013 was \$444,787,000. Total investment earnings during the 2012 calendar year were \$25,245,000. According to delegate approval at the 2013 CWA Convention, one-half of these earnings - \$12,622,500 was moved into a newly established Growth Fund. Earnings on RLMRF investments from April 1, 2013 to March 31, 2014 were \$27,222,500, a 6.12% increase which resulted in a balance of \$459,417,000 in the MRF on March 31, 2014.

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 into 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 established floor created by 2006 Convention action. The RLMRF floor is \$377,484,108. If the RLMRF fund falls below the established floor, all contributions will revert back to the RLMRF until it reaches the established floor. When the RLMRF reserves reach \$500,000,000, the floor will be raised to \$400,000,000.

Strategic Industry Fund

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

The SIF is a restricted Fund, requiring a majority vote of the Executive Board and approval of the Defense Fund Oversight Committee before expenditures are made. The Market Value of the fund as of March 31, 2014 was \$45,518,000.

Growth Fund

At the 74th CWA Convention held in April 2013, the delegates approved the Defense Fund Oversight Committee's recommendation to establish a new Growth Fund. This new fund will allow CWA to search for better ways to change the course of movement for the company and the nation. Beginning and going forward with the Annual Investment Earnings from the

2012 calendar year, one half of annual investment earnings from the RLMRF will be invested in building CWA's ability to fight for economic justice for members through this new Fund. Total investment earnings during the 2012 calendar year were \$25,245,000 which means \$12,622,500 was moved into the newly established Growth Fund.

The Defense Fund Oversight Committee responsibilities are expanded to include participation with the Executive Board in the approval and evaluation of requests submitted to this new Fund.

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, 2014, the unrestricted net assets were \$46,180,004.

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 where our contribution is adjusted to meet CWA obligations. Like several other pension plans, the Plan's investments suffered many losses as a result of the overall decline in the economy and the markets in 2008. Contributions to the plan have been necessary 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 substantially covering 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, 2014, the Market Value of the Plan was \$212,497,560.

Financial State of the Union

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

Salaries – Elected Officials

Each year is the Committee's responsibility to recommend salary changes for our elected officials. The Committee recommends a salary increase that is commensurate with the negotiated agreements held with the CWA employee unions.

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 2014 – 2015 Budget

The Committee reviews and considers 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 for the 2014-2015 fiscal year.

In calculating the projected income, this budget was built on an estimate of what our dues revenue will be for this fiscal year based on a projected 1% decline in membership and a .005% increase in per capita dues. Income of \$2 million from the National Headquarters Building was also included.

You will find that again in the 2014-2015 CWA Operating Budget, both the full AFA-CWA projected income (\$21,783,381) and budgeted expenses (\$21,783,381) are included in their entirety rather than only in portions, as they had been in previous years. We agree, this method better reflects the AFA-CWA finances. Additionally, the AFA-CWA Board of Directors approved a contribution of \$3.00 per member per month on top of expenses towards the cost of the CWA National Program fees. This contribution, projected as \$1,249,092, is included as income towards the 2014-2015 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 (including the AFA budgeted portion) for the 2014-2015 CWA Operating Budget used is \$111,860,930.

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 more detailed explanation of each item in the budget may be found on pages 11-13.

Communications Workers of America - Operating Budget						
2014-2015						
			2013-2014	2014-2015		
Income						
	Dues - Members and Agency Fee Payers		86,868,295	85,410,457		
	HQ Building		2,000,000	2,000,000		
	AFA Budget Projected Income		21,359,606	21,701,381		
	AFA National Program Contribution		1,428,552	1,249,092		
	Other Income		1,815,000	1,500,000		
	Total Income		113,471,453	111,860,930		
Expenses						
	National Programs					
029	Organizing Fund		5,100,000	4,925,000		
030	Community Action		150,000	150,000		
031	Legal Admin Unit Litigation & Misc.		600,000	600,000		
032	Convention		550,000	250,000		
034	Committees, Conferences, MLI & Ex Board Mtgs		400,000	440,000		
038	Taxes		180,000	180,000		
039	Affiliation Dues - AFL-CIO & Other		4,216,681	3,721,355		
040	Contingency		937,577	2,077,023		
043	Information Systems		750,000	750,000		
045	Communications (CWA News & PR)		1,400,000	1,400,000		
145	Digital Media Operations		-	175,000		
046	Professional Services		570,000	570,000		
047	International		30,000	30,000		
048	Education		210,000	170,000		
061A	Retiree Benefits (Health Care, Insurance)		9,156,874	7,308,944		
061B	Insurance - Other (Workers Comp., etc)		825,000	950,000		
064	Staff Moves		150,000	150,000		
066	Apprenticeship & Training		100,000	100,000		
	Total General Budget		25,326,132	23,947,322		
	Administrative Units					
A1	Salaries - Officer & Staff		24,154,847	24,230,325		
A2	Salaries - Full Time/Other		9,304,630	9,577,720		
A3	Employee Benefits (Non-Pension)		8,364,869	8,452,011		
A4	Employee Taxes		2,710,323	3,076,532		
A5	Employee Pension		3,345,947	1,736,451		
	AFA Budgeted Expenses		21,359,606	21,701,381		
B1	Office Occupancy		6,249,814	6,162,148		
B2	Staff Expenses		4,089,817	4,020,464		
B3	Administrative Operations		4,513,073	4,859,192		
B4	Legal		4,052,395	4,097,383		
	Total Administrative Units		88,145,321	87,913,607		
	Total Budgeted Expenses		113,471,453	111,860,930		
	Total Income		113,471,453	111,860,930		
	Surplus/(Deficit)		-	0		

**Administrative Units Budget
2014-2015**

Updated

Updated

District & National Units	Updated						Updated						Total Admin Unit Expenses
	A-1	A-2	A-3	A-4	A-5		B-1	B-2	B-3	B-4			
	Salaries:	Salaries:	FT &	Emp Benefits:	Emp Taxes:	Emp. Pension:	Total Personnel	Office	Staff	Administrative	Legal	Total Office	
	O&S	Other	25%	9.1%	5%	Expenses	Occupancy	Expenses	Operations	Admin. Expenses	Expenses		
District 1	3,485,107	795,247	1,070,088	389,512	214,018	5,953,972	1,053,603	528,510	803,614	1,898,930	4,284,657	10,238,629	
District 2-13	1,735,395	446,763	545,539	198,576	112,130	3,038,403	342,903	255,960	207,290	388,366	1,194,519	4,232,922	
District 3	2,297,540	584,002	720,385	262,220	147,099	4,011,246	258,628	346,220	336,941	204,306	1,146,095	5,157,341	
District 4	1,647,865	387,319	508,796	185,202	101,759	2,830,940	274,052	240,160	258,423	69,869	842,504	3,673,444	
District 6	1,664,315	432,499	524,203	190,810	104,841	2,916,668	383,885	248,060	252,936	651,825	1,536,706	4,453,375	
District 7	1,821,219	476,680	574,475	209,109	116,784	3,198,267	159,210	264,420	224,693	214,926	863,249	4,061,516	
District 9	1,725,289	481,472	551,690	200,815	110,338	3,069,605	537,797	248,060	284,047	141,407	1,211,311	4,280,916	
T&T	697,865	165,558	215,856	78,571	43,171	1,201,020	159,575	100,260	55,335	15,000	330,170	1,531,190	
Public Wkrs	279,607	62,984	85,648	31,176	17,130	476,544	63,798	51,920	22,982	-	138,700	615,244	
PPMWS-CWA	325,763	62,984	97,187	35,376	57,553	578,863	43,908	68,380	18,352	76,000	206,639	785,502	
IUE-CWA	3,377,785	380,320	939,526	341,988	187,905	5,227,524	51,463	685,980	259,347	63,492	1,060,282	6,287,806	
TNG-CWA	1,050,413	234,921	321,334	116,965	64,267	1,787,900	161,005	206,520	131,066	292,698	791,288	2,579,188	
NABET-CWA	788,180	102,574	222,688	81,059	44,538	1,239,038	128,417	141,950	121,183	80,564	472,114	1,711,152	
	-	-	-	-	-	-	-	-	-	-	-	-	
Total	20,896,342	4,613,322	6,377,416	2,321,379	1,321,532	35,529,991	3,618,243	3,386,400	2,976,208	4,097,383	14,078,233	49,608,224	
Headquarters	3,333,984	4,964,398	2,074,595	755,153	414,919	11,543,049	2,543,905	634,064	1,882,985	-	5,060,954	16,604,003	
Grand Total	24,230,325	9,577,720	8,452,011	3,076,532	1,736,451	47,073,039	6,162,148	4,020,464	4,859,192	4,097,383	19,139,187	66,212,226	

Explanation Of National Programs
Exhibit A

Organizing (029)

We must continue our internal and external organizing efforts in order for CWA 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 meaningful requests we receive from community and civic organizations, programs and activities dedicated to the welfare of all citizens.

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

Legal Administration 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)

Permissible expenses are associated with meetings of the Union's Executive Board including travel expenses of Executive Board members and others required to be in attendance. If required, the cost of the meeting room is also included. The budget allocation further includes a provision for committee meetings and conference expenses. Expenses for the Minority Leadership Institute in the amount of \$40,000 have been moved out of the Education Budget line into this line. The allocation does not cover expenses of these attendees for committee meetings and conference expenses unless authorized by the President of the Union.

Taxes (038)

This allocation covers non-related payroll taxes, such as the costs of District building and personal property taxes.

Affiliation Dues (039)

This allocation is for 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 and unknown costs or those expenses that 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, internal communication networks, training, and 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 XXVI of the CWA Constitution. The allocation includes the cost of printing and postage and is also used 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, newspaper and social media.

Digital Media Operations (145)

This allocation will pay for ongoing recurring expenses related to our digital media operations, such as hosting fees for our online communications systems, Salsa email, advocacy, Mobile Commons text messaging, and the purchase and renewal of domain names.

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 coverage other than employee healthcare and automobile.

Staff Moves (064)

This allocation is for the costs associated with relocating Staff.

Apprenticeship & Training (066)

This 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-A5 & B1-B4 Formula Applications

To determine certain allocations, the Budget is based on April 2014 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	\$190,347
SECRETARY-TREASURER	\$170,443
DISTRICT VICE PRESIDENTS, TNG-CWA VICE PRESIDENT, NABET-CWA VICE PRESIDENT, IUE-CWA VICE PRESIDENT, T&T VICE PRESIDENT AND PUBLIC WORKERS VICE PRESIDENT	\$148,638
AFA-CWA VICE PRESIDENT	\$133,486
PPMWS EXECUTIVE OFFICER	\$122,400

A2 Salaries Full Time and Other

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

A3/A5 Employee Benefits

This allocation reflects 30% of administrative unit salaries for employee 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 is allocated 9.1% 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 2014-2015 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 any other operating expenses.

B4 Legal

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

Concluding Remarks

It is clear that difficult challenges lie on the road ahead. As we deal with decreasing memberships, sub-par wages, and anti-union legislation we have to continue to develop innovative ways to ensure that our Union continues to meet the financial obligations necessary for survival. With the foresight of our Executive Officers, Local Executive Boards, and our members working together cooperatively to contain costs and grow our Union, we will without a doubt be able to combat the growing challenges that lie ahead.

The CWA Convention Finance Committee will be meeting in 2015 to review the finances and make adjustments to the proposed 2015-2016 operating budget as necessary and will present their report at the 75th CWA Convention.