

# Independent Auditors Report

To the International Executive Board  
and International Executive Council  
Transport Workers Union of America  
501 3rd Street, NW  
Washington, D.C. 20001

We have audited the accompanying schedule of Calculation of Chargeable Expenses (modified cash basis) of Transport Workers Union of America (a nonprofit organization) for the year ended August 31, 2017, and the related notes to the schedule.

## Management's Responsibility for the schedule of Calculation of Chargeable Expenses

Management is responsible for the preparation and fair presentation of the schedule of Calculation of Chargeable Expenses 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 the schedule of Calculation of

Chargeable Expenses (modified cash basis) that is free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on the schedule of Calculation of Chargeable Expenses (modified cash basis) based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of Calculation of Chargeable Expenses (modified cash basis) is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of Calculation of Chargeable Expenses (modified cash basis). The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of Calculation of Chargeable Expenses (modified cash basis), whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of Calculation of Chargeable Expenses (modified cash basis) 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of Calculation of Chargeable Expenses (modified cash basis). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the schedule of Calculation of Chargeable Expenses (modified cash basis), referred to above presents fairly, in all material respects, the chargeable expenses of Transport Workers Union of America as of August 31, 2017, in conformity with the Transport Workers Union of America Agency Fee Policy.

## Basis of Accounting

We draw attention to Note 4, which describes the basis of accounting. The schedule was prepared by Transport Workers Union of America (a nonprofit organization) utilizing the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the schedule of Calculation of Chargeable Expenses (modified cash basis) of the Transport Workers Union of America. The supplementary information; schedule of main office expenses, schedule of servicing, negotiations and grievance expenses and schedule of salaries and related expenses on pages 7, 8 and 9 is presented for purposes of additional analysis. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the schedule of Calculation of Chargeable Expenses (modified cash basis). The information has been subjected to the auditing procedures applied in the audit of the schedule of Calculation of Chargeable Expenses (modified cash basis) and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the schedule of Calculation of Chargeable Expenses (modified cash basis) or to the schedule of Calculation of Chargeable Expenses (modified cash basis) themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the schedule of Calculation of Chargeable Expenses (modified cash basis).

Jonah Cohen, CPA PC  
Huntington, New York  
December 8, 2017

TRANSPORT WORKERS UNION OF AMERICA  
AGENCY FEE POLICY  
SCHEDULE OF CALCULATION OF CHARGEABLE EXPENSES  
(MODIFIED CASH BASIS)  
YEAR ENDED AUGUST 31, 2017

	TOTAL	CHARGEABLE	NON-CHARGEABLE
Main office expenses	\$3,043,122	\$2,739,808	\$303,314
Servicing, negotiations & grievance expenses	3,164,768	3,164,768	-
Political Expenses	1,327,730	-	1,327,730
Organizing Expenses	209,185	-	209,185
TWU Expense: Non-political information	169,609	169,609	-
Political information	43,227	-	43,227
Donations, tickets, and advertisement	100,235	-	100,235
Salaries & related expenses	10,205,588	8,529,710	1,675,878
Social events, non political	32,425	32,425	-
Quill scholarship	87,400	-	87,400
Insurance	129,687	129,687	-
Convention	524,794	524,794	-
Investment expenses	299,439	299,439	-
<b>Totals</b>	<b>\$19,337,209</b>	<b>\$15,590,240</b>	<b>\$3,746,969</b>
<b>Percentage to total</b>	<b>100</b>	<b>80.62</b>	<b>19.38</b>

TRANSPORT WORKERS UNION OF AMERICA  
AGENCY FEE POLICY  
SUPPLEMENTARY SCHEDULE OF MAIN OFFICE EXPENSES  
(MODIFIED CASH BASIS)  
YEAR ENDED AUGUST 31, 2017

	EXPENSES		
	TOTAL	CHARGEABLE	NON-CHARGEABLE
<b>Rent &amp; related expenses</b>	\$1,173,023	\$1,047,899	\$125,124
<b>Stationary &amp; printing</b>	45,165	42,355	2,810
<b>Outside consultants</b>	826,953	752,299	74,654
<b>Telephone</b>	218,384	192,843	25,541
<b>Postage</b>	45,608	42,014	3,594
<b>Data processing expense</b>	151,958	145,707	6,251
<b>Equipment rental &amp; maintenance</b>	113,496	102,971	10,525
<b>Newspapers &amp; subscriptions</b>	42,200	26,202	15,998
<b>Accounting</b>	70,190	65,156	5,034
<b>Depreciation</b>	86,381	74,785	11,596
<b>Sundry expenses</b>	269,764	247,577	22,187
<b>Totals</b>	\$3,043,122	\$2,739,808	\$303,314

TRANSPORT WORKERS UNION OF AMERICA  
AGENCY FEE POLICY  
SUPPLEMENTARY SCHEDULE OF SERVICING, NEGOTIATIONS AND  
GRIEVANCE EXPENSES  
(MODIFIED CASH BASIS)  
YEAR ENDED AUGUST 31, 2017

	EXPENSES		
	TOTAL	CHARGEABLE	NON-CHARGEABLE
<b>Negotiation expenses</b>	\$1,327,241	\$1,327,241	-
<b>Legal fees</b>	596,290	596,290	-
<b>Transportation &amp; facility costs</b>	1,061,132	1,061,132	-
<b>Reimbursement of Locals negotiating expenses</b>	180,105	180,105	-
<b>Totals</b>	\$3,164,768	\$3,164,768	-

TRANSPORT WORKERS UNION OF AMERICA  
AGENCY FEE POLICY  
SUPPLEMENTARY SCHEDULE OF SALARIES AND RELATED EXPENSES  
(MODIFIED CASH BASIS)  
YEAR ENDED AUGUST 31, 2017

	EXPENSES		
	TOTAL	CHARGEABLE	NON-CHARGEABLE
<b>Salaries</b>	\$5,628,844	\$4,698,957	929,887
<b>Pension &amp; welfare expenses</b>	3,793,224	3,126,635	666,589
<b>Payroll taxes</b>	401,668	342,146	59,522
<b>Auto expenses</b>	356,526	340,830	15,696
<b>Insurance, workers compensation</b>	25,326	21,142	4,184
<b>Totals</b>	\$10,205,588	\$8,529,710	\$1,675,878

**TRANSPORT WORKERS UNION OF AMERICA  
POLICY ON AGENCY FEE OBJECTIONS**

TWU's Policy on Agency Fee Objections, as amended, is based upon decisions of the United States Supreme Court.

1. Employees who are members of TWU are eligible to engage in a broad range of activities by virtue of their membership. This includes, for example, the right to run for and vote in Union elections, to vote on ratification of collective bargaining agreements, and to attend and participate in Union meetings and activities that are pertinent to their employment. Employees represented by TWU can elect to be non-members, but if they do, they lose these and other rights and benefits that go along with membership in good standing in TWU.

2. A TWU-represented nonmember employee who is subject to a union security clause conditioning continued employment on the payment of dues or fees -- referred to as "agency fees" for nonmembers -- has the right to object to expenditures by TWU or the employee's Local Union that are not related to collective bargaining, contract administration, grievance adjustment or other expenditures that are considered "chargeable" to nonmember objectors. A nonmember objector's agency fees shall be calculated in accordance with this Policy.

3. To become an objector, a TWU-represented nonmember employee shall notify the International Secretary Treasurer in writing of her/his objection by mail postmarked during the month of January in the first year for which the employee elects to be an objector. The written notification shall be signed by the employees and include the objector's current home address and TWU Local Union number, if known. The nonmember objector shall also mail a copy of this notice to her/his Local Union. A nonmember employee who first becomes subject to a TWU union security clause after January in a particular year and who desires to be an objector must submit written signed notification to the International Secretary Treasurer, with copy to the employee's Local Union, including the objector's current home address and TWU Local Union number, if known, within thirty (30) days after the employee has become subject to union security obligations and been provided notice of these procedures.

a. A current TWU member who chooses to become an objector, must first resign from TWU membership before she/he can file an objection through these procedures. A

member who resigns from membership during the course of the year shall have 30 days following resignation in which to elect to become an objector by utilizing the procedures set forth in paragraph 3 above.

b. A TWU-represented nonmember employee, who provides notice in accordance with the procedures set forth in paragraph 3 above, will be considered an objector for each subsequent calendar year after the first year for which the employee elected to be an objector, unless and until the employee notifies the International Secretary Treasurer in writing that she/he no longer desires to be an objector.

4. Expenditures in the following categories are among those chargeable to nonmember objectors.

a. Negotiation of agreements, practices and working conditions.

b. Administration of agreements, practices and working conditions, including grievance handling, all activities related to arbitration, and discussion with employees in the bargaining unit or employer representatives regarding working conditions, benefits and contract rights.

c. Conventions, Union business meetings, and other Union internal governance and related expenses.

d. Social activities.

e. Publications, to the extent related to chargeable activities.

f. Litigation before courts and administrative agencies related to contract administration, collective bargaining rights or other chargeable activities.

g. Legislative, executive branch and administrative agency activities on legislative or regulatory matters related to the negotiation or administration of contracts and working conditions.

h. Education and training of members, officers and staff intended to prepare the participants to better perform chargeable activities or otherwise related to chargeable activities.

i. Activities related to group cohesion and economic action of or by TWU represented employees, e.g., demonstrations, general strike activity, informational picketing.

j. Overhead and administration related to or reflective of TWU or TWU Local Union chargeable activities.

5. Expenditures in the following categories arguably are non-chargeable to nonmember objectors:

a. Community service and charitable contributions.

b. Affiliations with non-TWU organizations.

c. Support for political candidates.

d. Member-only benefits.

e. Lobbying to the extent not chargeable as per paragraph 4.g. above.

f. Publications, litigation and for overhead and

administration to the extent related to arguably non-chargeable activities.

g. external recruitment of new members.

6. The TWU Policy on Agency Fee Objections shall be reprinted in each Winter issue of the EXPRESS. The International shall also send a copy of this Policy to each nonmember who objected during that calendar year to inform such person of the right to elect to again object in a succeeding year. Any Local Union that is required by law to have an agency fee policy, but which has failed to adopt such a policy, shall be deemed to have adopted this "Policy on Agency Fee Objections" as its own, and such Locals shall be identified in the December issue of the EXPRESS.

7. The International shall retain an independent auditor who shall submit an annual report verifying the breakdown of chargeable and arguably non-chargeable expenditures (the "Report"). Similarly, if a Local Union has determined to apply this Policy for its expenditures, the Local Union shall arrange for an independent audit of the breakdown of the Local's chargeable and arguably non-chargeable expenditures. Any Local Union which fails in a given year to conduct an independent audit of expenditures shall be deemed to have spent the same percentage of its expenditures on chargeable activities as the International expended as reflected in the auditor's report. The Report(s) of the independent auditor(s) for the International and, where applicable, the Locals shall be completed promptly after the end of the fiscal year. The most recent Report of the International's expenditures shall be reprinted in the December issue of the EXPRESS. The Local Union shall provide to the nonmembers it represents a copy of the Report of the breakdown of the Local Union's expenditures.

8. The fees paid by nonmember objectors shall be handled as follows:

a. Nonmember objectors who pay fees directly and not by checkoff shall pay an amount equal to the full amount of agency fees reduced by the percentage of agency fees ascribed by the audit Report(s) (described in paragraph 7 above) to arguably non-chargeable activities (the latter amount referred to hereafter as the "non-chargeable amount"). An amount equal to 50% of the non-chargeable amount shall be placed in an interest bearing escrow account.

b. With regard to nonmember objectors who pay agency fees by check-off, promptly following receipt of the checked-off fees, the non-chargeable amount, both for the International and the Local that is utilizing this Agency Fee Objection Policy, plus an additional 50% of that amount, shall be placed in an interest bearing escrow account. Promptly following each calendar quarter, the non-chargeable amount for the preceding calendar quarter, plus the interest accrued thereon, shall be paid to each such nonmember Objector.

c. The International shall bill each Local for the monies return to objectors from escrow in connection with the Local's arguably non-chargeable expenditures.

9. A nonmember objector may challenge the last audited breakdown of chargeable and arguably non-chargeable expenditures contained in the independent accountants' Report(s) by filing a challenge with the International Secretary-Treasurer, together with notice to the employee's Local Union, postmarked no later than thirty (30) days after mailing of the December issue of the EXPRESS that includes the Report(s).

a. All such timely challenges shall be referred to an impartial arbitrator appointed by the American Arbitration Association ("AAA") under its rules for impartial determination of Union fees. TWU will request that the AAA appoint an arbitrator to promptly consider and make a determination regarding the challenges in a single consolidated hearing to take place in Washington, D.C.. TWU will provide the AAA with the names and addresses of the nonmember objectors who have filed timely challenges.

b. Challengers, the International and, if a participant, the Local Union(s) shall each bear its/their own costs related to the arbitration. The challengers shall have the option of paying a pro rata portion of the arbitrator's fees and expenses; if they decline that option, the Union parties to the proceeding will pay the full fees and expenses of the arbitrator and not just their pro rata portion of such fees and expenses.

c. Challengers may, at their expense, be represented by counsel or other representative of choice. Challengers need not appear at the hearing for their challenges to be considered. Challengers who elect not to appear at the hearing may file written statements with the arbitrator, provided they do so by no later than the beginning of the hearing before the arbitrator. Challengers who appear but elect not to present evidence or otherwise participate in the hearing may also submit written statements at or before the beginning of the hearing.

d. Fourteen (14) days prior to the start of the arbitration, challengers shall be provided with copies of all exhibits or a list of all such exhibits that a Union party then intends to introduce at the arbitration and a list of all witnesses the Union party then intends to call, except for exhibits and witnesses the Union party may introduce for rebuttal. If copies of exhibits have not otherwise been provided, a challenger may request that the Union forward a copy to the requesting challenger(s) during this 14-day pre-hearing period. Copies of all exhibits shall also be available for review by challengers at the hearing.

e. A court reporter shall make a transcript of all proceedings before the arbitrator. This transcript shall be the only official record of the proceedings and may be purchased by the challengers. The parties shall be informed when the transcript is available for purchase and/or review. If challengers do not purchase a copy of the transcript, a copy shall be available for purposes of inspection by them at the Union party's/parties' headquarters during normal business hours.

f. The arbitrator may determine all procedural

matters affecting the arbitration consistent with the dual objectives of providing for an informed and an expeditious arbitration.

g. Each party to the arbitration shall have the right to file a post-hearing statement by no later than fifteen (15) days after the parties have been provided notice that the transcript has been completed and is available for purchase or review. Neither challengers nor Union parties may include or refer in the post-hearing statements to any evidence that was not previously introduced and accepted by the arbitrator during the arbitration proceeding.

h. The arbitrator, taking account of the record presented, shall issue a decision on the challenges to the validity of the auditor's Report of the "chargeable" percentage of Union expenditures. The arbitrator's decision shall be issued within forty-five (45) days after the final date for submission of post-hearing statements or within such other reasonable period as is consistent with the AAA rules and the requirements of law. The decision of the arbitrator shall be final and binding.

i. Upon receipt of the arbitrator's award, the escrowed funds, as referenced above, shall be distributed in accordance with the arbitrator's decision, with the remaining balance, if any, after any required payments to challengers, returned to the International's or Local Union's general funds.

10. The provisions of this Policy on Agency Fee Objections shall be considered legally separable. Should any provision or portion thereof be held contrary to law by a court or tribunal of competent jurisdiction, the remaining provisions or portions thereof shall continue to be legally effective and binding.