

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, 2019, and the related notes to the schedule.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with the modified cash basis of accounting as described in Note 1b; this includes the determination that the modified cash basis of accounting is an acceptable basis for the preparation of this schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statement, 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 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.

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, referred to above presents fairly, in all material respects, the chargeable expenses of Transport Workers Union of America for the year ended August 31, 2019 on the basis of accounting described in Note 1b, in conformity with the Transport Workers Union of America Agency Fee Policy.

Basis of Accounting

We draw attention to Note 1b, which describes the basis of accounting. The Schedule of Calculation of Chargeable Expenses was prepared 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. Our opinion is not modified with respect to this matter.

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). The supplementary information (modified cash basis); schedule of main office expenses, schedule of servicing, negotiations and grievance expenses and schedule of salaries and related expenses on pages 9, 10 and 11 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. The information has been subjected to the auditing procedures applied in the audit of the Schedule of Calculation of Chargeable Expenses and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the schedule or to the schedule itself 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 as a whole.

Restriction on Use

This report is intended solely for the information and use of the Transport Workers Union of America and its agency fee payers and is not intended to be and should not be used by anyone other than these specified parties.

TRANSPORT WORKERS UNION OF AMERICA
AGENCY FEE POLICY
STATEMENT OF CALCULATION OF CHARGEABLE EXPENSES
(MODIFIED CASH BASIS)
YEAR ENDED AUGUST 31, 2019

	TOTAL	CHARGEABLE	NON-CHARGEABLE
Main office expenses	\$2,544,718	\$2,318,848	\$225,870
Servicing, negotiations and grievance expenses	5,651,837	5,651,837	-
Political expenses	399,978	-	399,978
Organizing expenses	1,455,061	-	1,455,061
Affiliation fees	1,211,127		1,211,127
TWU Expense: Non-political information	180,315	180,315	-
Political information	27,039	-	27,039
Donations, tickets and advertisement	172,443	-	172,443
Social events, non-political	21,000	21,000	
Salaries and related expenses	13,580,747	11,262,512	2,318,235
Quill scholarship	120,700	-	120,700
Insurance	100,198	100,198	-
Investment expenses	348,046	348,046	-
Totals	\$ 25,813,209	\$ 19,882,756	\$ 5,930,453
Percentage to total	100.00	77.03	22.97

See independent auditors' report and notes to statement of calculation of chargeable expenses.

TRANSPORT WORKERS UNION OF AMERICA
AGENCY FEE POLICY
NOTES TO STATEMENT OF CALCULATION OF CHARGEABLE
EXPENSES (MODIFIED CASH BASIS)
AUGUST 31, 2019

Note 1 - Summary of Significant Accounting Policies

a. Basis of Presentation - The accompanying statements were prepared for the purpose of determining the fair share cost of expenses

incurred by the Transport Workers Union of America (the Union) for employees represented by, but not members of, the Union and its affiliated local unions. The accompanying statements are not intended to be a complete presentation of the Union's financial position or changes in its net assets in accordance with generally accepted accounting principles.

b. Principles of Accounting - The Union prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when received rather than when earned and expenses are generally recognized when paid rather than incurred.

c. Income Taxes - The Union is exempt from Federal income taxes under Section 501(c)(5) of the Internal Revenue Code.

d. Retirement Plan - The Union contributes to a non-contributory defined benefit pension plan for the benefit of eligible employees not covered by other union plans.

e. Depreciation - Property and equipment is stated at cost and is depreciated under the straight-line method over the estimated useful lives of the assets.

f. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles and the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of expenses during the reporting period and the allocation of chargeable and non-chargeable expenses. Actual results could differ from those estimates.

Note 2 - Agency Fee Policy

Any Transport Workers Union of America represented nonmember employee, whether publicly or privately employed who is subject to a union security clause conditioning continued employment on the payment of dues or fees, has the right to become an objector to expenses not related to collective bargaining, contract administration, grievance adjustment or other chargeable expenses. A current Transport Workers Union of America member who chooses to become an objector, must assume nonmember status prior to filing an objection. An objector's fees shall be calculated in accordance with Agency Fee Policy.

TRANSPORT WORKERS UNION OF AMERICA AGENCY FEE POLICY

NOTES TO SCHEDULE OF CALCULATION OF CHARGEABLE
EXPENSES AUGUST 31, 2019

Note 3 - Agency Fee Policy chargeable expenses

The following categories of expenses are chargeable to objectors to the extent permitted by law.

- a. All expenses concerning the negotiation of agreements, practices and working conditions.
- b. All expenses concerning the administration of agreements, practices and working conditions, including grievance handling, all activities related to arbitration, and discussions with employees in the bargaining unit or employer representatives regarding working conditions, benefits and contract rights.
- c. Convention expenses and other normal Union internal governance and management expenses.
- d. Social activities and Union business meeting expenses.

e. Publication expenses to the extent coverage is related to chargeable activities.

f. Expenses of litigation before the courts and administrative agencies related to contract administration, collective bargaining rights or other chargeable activities.

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

h. All expenses for the 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. Other costs of activities related to group cohesion and economic action of or by TWU represented employees, e.g., demonstrations, general strike activity, informational picketing, etc.

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

Note 4 - Agency Fee Policy non-chargeable expenses

Expenditures in the following categories arguably are non-chargeable to nonmember objectors to the extent permitted by the law.

- 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 Note 2g above.
- f. Publications, litigation and for overhead and administration to the extent related to arguably non-chargeable activities.
- g. External recruitment of new members.

Note 5 - Significant Factors and Assumptions Used in the Allocation Between Chargeable and Non Chargeable Expenses

a. Salaries and Related Expenses - Salary expenses for officers, clerical and administrative staff have been allocated between chargeable and non-chargeable activities based on time spent by personnel on such activities. Payroll taxes and workers compensation insurance are allocated based on salary allocations. Pension and welfare expenses are allocated based on employee participation in the pension plan and salary allocations.

b. TWU Express - The expenses related to the publication of the TWU Express are allocated between chargeable and non-chargeable based on the specific content of articles in the publications as determined by the editorial department. Expenses allocable to articles that are political in nature are 100% non-chargeable.

c. Legal, Accounting and Other Professional Fees - These expenses that are directly related to specific projects are allocated to those departments based on chargeable percentages of those departments except that any expenses primarily for non-chargeable expenses are 100% non-chargeable.

d. Organizing and Political Expenses - Organizing expenses are 100% non-chargeable. Political expenses that are not otherwise chargeable under Note 3g above are 100% non-chargeable.

e. Affiliation fees - Affiliation fees paid to non-TWU organizations are 100% non-chargeable.

f. Main Office Expenses - These expenses are directly allocable to chargeable or non-chargeable activities or allocated to non-chargeable activities based on salary expense allocations described

in Note 5a above or any other method that is reasonable in the circumstances.

Note 6 - Union Locals — Agency Fee Policy

Effective with an amendment to the “Agency Fee Policy” adopted by the International Executive Committee on September 19, 1996, any Union Local 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 the Agency Fee Policy of the Transport Workers Union of

America and shall be deemed to have spent the same percentage of its expenses on chargeable activities as the International.

Note 7 - Subsequent Events Review

Subsequent events have been evaluated through December 9, 2019, which is the date the statement was available to be issued. There were no subsequent events requiring adjustment to or disclosure in the accompanying statements.

**TRANSPORT WORKERS UNION OF AMERICA AGENCY FEE POLICY
SUPPLEMENTARY STATEMENT OF MAIN OFFICE EXPENSES (MODIFIED CASH BASIS)
YEAR ENDED AUGUST 31, 2018**

EXPENSES	TOTAL	CHARGEABLE	NON-CHARGEABLE
Rent and related expenses	\$ 1,369,708	\$ 1,242,174	\$127,534
Stationary and printing	104,291	86,941	17,350
Outside consultants	55,395	52,391	3,004
Telephone	152,195	139,817	12,378
Postage	68,611	61,304	7,307
Data processing expense	186,721	178,739	7,982
Equipment rental and maintenance	124,942	114,281	10,661
Subscriptions	100,996	93,126	7,870
Accounting	207,940	198,940	9,000
Depreciation	91,475	75,740	15,735
Sundry expenses	82,444	75,395	7,049
Totals	\$ 2,544,718	\$ 2,318,848	\$ 225,870

See independent auditors’ report and notes to statement of calculation of chargeable expenses.

**TRANSPORT WORKERS UNION OF AMERICA AGENCY FEE POLICY
SUPPLEMENTARY STATEMENT OF SERVICING, NEGOTIATIONS AND GRIEVANCE EXPENSES
(MODIFIED CASH BASIS) YEAR ENDED AUGUST 31, 2019**

EXPENSES	TOTAL	CHARGEABLE	NON-CHARGEABLE
Negotiation expenses	\$ 2,218,678	\$ 2,218,678	\$ -
Legal fees	784,079	784,079	-
Transportation and facility costs	1,952,534	1,952,534	-
Reimbursement of Locals negotiating expenses	696,546	696,546	-
Totals	\$ 5,651,837	\$ 5,651,837	\$ -

See independent auditors’ report and notes to statement of calculation of chargeable expenses.

**TRANSPORT WORKERS UNION OF AMERICA AGENCY FEE POLICY
SUPPLEMENTARY STATEMENT OF SALARIES AND RELATED EXPENSES (MODIFIED CASH BASIS)
YEAR ENDED AUGUST 31, 2019**

EXPENSES	TOTAL	CHARGEABLE	NON-CHARGEABLE
Salaries	\$ 6,056,381	\$ 5,014,569	\$ 1,041,812
Pension and welfare expenses	6,666,001	5,501,239	1,164,762
Payroll taxes	437,916	362,587	75,329
Auto expenses	394,288	362,456	31,832
Insurance, workers compensation	26,161	21,661	4,500
Totals	\$ 13,580,747	\$ 11,262,512	\$ 2,318,235

See independent auditors’ report and notes to statement of calculation of chargeable expenses.