

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 statement of Calculation of Chargeable Expenses (modified cash basis) of Transport Workers Union of America (a nonprofit organization) for the year ended August 31, 2018, and the related notes to the statement.

Management's Responsibility for the Statement of Calculation of Chargeable Expenses

Management is responsible for the preparation and fair presentation of the statement 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 statement 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 statement 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 statement 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 statement 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 statement 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 statement 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 statement 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 statement referred to above presents fairly, in all material respects, the expenses of Transport Workers Union of America for the year ended August 31, 2018 on the basis of accounting described in Note 1b, and the allocated expenses between chargeable and non-chargeable in conformity with the Transport Workers Union of America Agency Fee Policy, described in Notes 2 through 5.

Basis of Accounting

We draw attention to Note 1b, which describes the basis of accounting. The statement of Calculation of Chargeable Expenses 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the statement of Calculation of Chargeable Expenses (modified cash basis) of the Transport Workers Union of America. The supplementary information; statement of main office expenses, statement of servicing, negotiations and grievance expenses and statement of salaries and related expenses on pages 8, 9 and 10 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 statement of Calculation of Chargeable Expenses (modified cash basis). The information has been subjected to the auditing procedures applied in the audit of the financial statements (modified cash basis) and statement 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 financial statements or to the financial statements 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 financial statements as a whole.

Intended Use of Report of Independent Auditors

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, 2018

| | TOTAL | CHARGEABLE | NON-CHARGEABLE |
|---|---------------------|---------------------|---------------------|
| Main office expenses | \$3,202,085 | \$2,902,669 | \$299,416 |
| Servicing, negotiations and grievance expenses | 2,848,495 | 2,848,495 | - |
| Political expenses | 1,605,692 | - | 1,605,692 |
| Organizing expenses | 1,349,991 | - | 1,349,991 |
| TWU Expense: Non-political information | 66,777 | 66,777 | - |
| Political information | 15,138 | - | 15,138 |
| Donations, tickets and advertisement | 237,440 | - | 237,440 |
| Salaries and related expenses | 11,049,120 | 9,318,426 | 1,730,694 |
| Social events, non-political | 52,775 | 52,775 | - |
| Quill scholarship | 124,600 | - | 124,600 |
| Insurance | 162,637 | 162,637 | - |
| Convention | 1,750,222 | 1,750,222 | - |
| Investment expenses | 179,865 | 179,865 | - |
| Totals | \$22,644,837 | \$17,281,866 | \$ 5,362,971 |
| Percentage to total | 100.00 | 76.32 | 23.68 |

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, 2018

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 but includes depreciation of capitalized assets, and liabilities for payroll withholdings. Under this basis, revenues are recognized when received rather than when earned, and expenses are generally recognized when paid rather than when 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 expenses during the reporting period and the allocation of expenses between chargeable and non-chargeable. 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 STATEMENT OF CALCULATION OF CHARGEABLE
EXPENSES (MODIFIED CASH BASIS)
AUGUST 31, 2018

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.

TRANSPORT WORKERS UNION OF AMERICA AGENCY FEE POLICY

NOTES TO STATEMENT OF CALCULATION OF CHARGEABLE
EXPENSES (MODIFIED CASH BASIS)
AUGUST 31, 2018

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 3, line 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.

Note 5 - 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 6 - Subsequent Events Review

Subsequent events have been evaluated through December 3, 2018, which is the date the statement was available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional 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 | \$1,190,274 | \$1,066,391 | \$123,883 |
| Stationary and printing | 67,355 | 61,805 | 5,550 |
| Outside consultants | 666,371 | 612,807 | 53,564 |
| Telephone | 199,682 | 177,084 | 22,598 |
| Postage | 87,848 | 79,607 | 8,241 |
| Data processing expense | 160,929 | 153,721 | 7,208 |
| Equipment rental and maintenance | 124,510 | 113,151 | 11,359 |
| Subscriptions | 86,676 | 67,250 | 19,426 |
| Accounting | 134,981 | 119,649 | 15,332 |
| Depreciation | 82,518 | 71,843 | 10,675 |
| Sundry expenses | 400,941 | 379,361 | 21,580 |
| Totals | \$ 3,202,085 | \$ 2,902,669 | \$ 299,416 |

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, 2018

| EXPENSES | TOTAL | CHARGEABLE | NON-CHARGEABLE |
|---|---------------------|---------------------|----------------|
| Negotiation expenses | \$ 1,012,684 | \$ 1,012,684 | \$ - |
| Legal fees | 385,808 | 385,808 | - |
| Transportation and facility costs | 1,237,431 | 1,237,431 | - |
| Reimbursement of Locals negotiating expenses | 212,572 | 212,572 | - |
| Totals | \$ 2,848,495 | \$ 2,848,495 | \$ - |

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, 2018

| EXPENSES | TOTAL | CHARGEABLE | NON-CHARGEABLE |
|--|----------------------|---------------------|---------------------|
| Salaries | \$ 6,320,645 | \$ 5,330,394 | \$ 990,251 |
| Pension and welfare expenses | 3,839,927 | 3,197,371 | 642,556 |
| Payroll taxes | 495,386 | 425,982 | 69,404 |
| Auto expenses | 365,601 | 341,436 | 24,165 |
| Insurance, workers compensation | 27,561 | 23,243 | 4,318 |
| Totals | \$ 11,049,120 | \$ 9,318,426 | \$ 1,730,694 |

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