

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, 2020, and the related notes to the statement.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this statement in accordance with the modified cash basis of accounting as described in Note 1b; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of this statement 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 statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the statement 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 statement. 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 statement 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.

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 of Calculation of Chargeable Expenses, referred to above presents fairly, in all material respects, the chargeable and non-chargeable expenses of Transport Workers Union of America for the year ended August 31, 2020 in accordance with the modified cash 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 Statement of Calculation of Chargeable Expenses was prepared on 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 Statement of Calculation of Chargeable Expenses as a whole (modified cash basis). The supplementary information (modified cash basis); statement of main office expenses, statement of servicing, negotiations and grievance expenses and statement of salaries and related expenses on pages 9, 10 and 11 is presented for purposes of additional analysis and

is not a required part of the Statement of Calculation of Chargeable Expenses. 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. The information has been subjected to the auditing procedures applied in the audit of the Statement 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 statement or to the statement 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 Statement of Calculation of Chargeable Expenses 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, 2020

	TOTAL	CHARGEABLE	NON-CHARGEABLE
Main office expenses	\$2,563,988	\$2,313,976	\$250,012
Servicing, negotiations and grievance expenses	5,177,631	5,177,631	-
Political expenses	404,250	-	404,250
Organizing expenses	718,075	-	718,075
Affiliation fees	1,158,755		1,158,755
TWU Expense: Non-political information	236,535	236,535	-
Political information	60,844	-	60,844
Donations, tickets and advertisement	645,588	-	645,588
Social events, non-political	22,000	22,000	
Salaries and related expenses	12,153,514	9,865,279	2,288,235
Quill scholarship	90,200	-	90,200
Insurance	165,664	165,664	-
Investment expenses	285,356	285,356	-
Totals	\$ 23,682,400	\$18,066,441	\$ 5,615,959
Percentage to total	100.00	76.29	23.71

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

NOTES TO STATEMENT OF CALCULATION OF CHARGEABLE EXPENSES AUGUST 31, 2020

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.

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 10, 2020, 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, 2020**

EXPENSES	TOTAL	CHARGEABLE	NON-CHARGEABLE
Rent and related expenses	\$ 1,317,051	\$ 1,174,688	\$142,363
Stationary and printing	112,215	104,606	7,609
Outside consultants	151,612	146,825	4,787
Telephone	149,500	133,796	15,704
Postage	59,942	47,976	4,966
Data processing expense	266,985	237,571	9,677
Equipment rental and maintenance	87,085	77,408	9,677
Subscriptions	103,079	93,373	9,706
Accounting	212,386	203,386	9,000
Depreciation	63,891	51,641	12,250
Sundry expenses	47,242	42,706	4,536
Totals	\$ 2,563,988	\$ 2,313,976	\$ 250,012

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, 2020**

EXPENSES	TOTAL	CHARGEABLE	NON-CHARGEABLE
Negotiation expenses	\$ 2,413,527	\$ 2,413,527	\$ -
Legal fees	839,461	839,461	-
Transportation and facility costs	1,353,012	1,353,012	-
Reimbursement of Locals negotiating expenses	571,631	571,631	-
Totals	\$ 5,177,631	\$ 5,177,631	\$ -

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, 2020**

EXPENSES	TOTAL	CHARGEABLE	NON-CHARGEABLE
Salaries	\$ 6,711,663	\$ 5,424,806	\$ 1,286,857
Pension and welfare expenses	4,361,766	3,527,537	834,229
Payroll taxes	517,394	418,193	99,201
Auto expenses	541,023	477,230	63,793
Insurance, workers compensation	21,668	17,513	4,155
Totals	\$ 12,153,514	\$ 9,865,279	\$ 2,288,235

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