America's Fighting Democratic Union

FINANCIAL REPORT

of the

26th Constitutional Convention

September 13-17, 2021
Caesars Palace Hotel and Casino
Las Vegas, Nevada

Dear Delegates:

On behalf of the International Administrative Committee of President John Samuelsen, Executive Vice President Alex Garcia, Administrative Vice Presidents Mike Mayes and Curtis Tate, and myself, I am pleased to present this financial report to the delegates of the 26th Constitutional Convention of the Transport Workers Union of America, AFL-CIO.

Many years ago, our founding President, Michael J. Quill, famously said that "TWU is not a bank." His message was clear. TWU is a service organization. Our assets are not to be hoarded. They are there to assist our Locals as needed, and to fight every battle that needs fighting.

But, by the same token, the international union cannot accomplish those important goals without adequate assets in the general treasury, and a reserve of money that can be tapped into quickly as the need arises.

No union, International or Local, can provide the representation and professional services our members demand and deserve without a sound financial structure. Our world, and the battles we are engaged in, get ever more complicated – and expensive –every day. We in TWU must build and sustain a strong financial foundation for all current and unforeseen crises.

Just eight short years ago, at our 2013 Convention, we were on the brink of bankruptcy caused by poor leadership decisions involving staffing and spending on both real and alleged concerns that drained the treasury without providing commensurate results.

Hard choices had to made, and were made, between 2013 and our most recent convention in 2017. Overall spending was reduced without a diminishment of services to our Locals.

In the past four years, we have continued to build our resources. Under this leadership, I am proud to say that our International Union is today in its best financial condition in decades. We transformed our International Union into an organization that spends intelligently, and that responds fully and effectively to every crisis facing our TWU affiliated Local unions. As a result, we are emerging from this pandemic in fighting shape, and more ready than ever to take on the bosses who seek to harm TWU members.

The attached comprehensive financial report, prepared by Jonah Cohen, CPA, PC, underscores the above. We have consistently operated with surpluses for the past four years. This has enabled us to reach the level of financial strength we need to protect our contracts, service our Locals, and grow the TWU. We are on a very strong financial footing. I and my colleagues on the Administrative Committee intend to keep it that way.

Sincerely and fraternally,

Jerome Lafragola
Secretary Treasurer
TWU of America

TRANSPORT WORKERS UNION OF AMERICA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

TRANSPORT WORKERS UNION OF AMERICA

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JULY 1, 2017 TO JUNE 30, 2021

INDEX

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To the International Executive Board
and International Executive Council
Transport Workers Union of America
Washington, D.C.

INDEPENDENT AUDITORS' REPORT

I have audited the accompanying consolidated financial statements of Transport Workers Union of America (a nonprofit organization) and affiliates, which comprise the consolidated statement of assets, liabilities, and net assets (modified cash basis) as of June 30, 2021, and the related consolidated statement of revenues, expenses and changes in net assets (modified cash basis), for the four year period from July 1, 2017 to June 30, 2021, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated financial statements 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITORS' REPORT

(continued)

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transport Workers Union of America and affiliates as of June 30, 2021, and the results of their operations for the four year period from July 1, 2017 to June 30, 2021 in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

I draw attention to Note 2 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are 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. My opinion is not modified with respect to this matter.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of main office expenses (modified cash basis), servicing and organizing expenses (modified cash basis) and affiliations (modified cash basis) on pages 22, 23 and 24 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Jonah Cohen CPA, PC

Huntington, New York
August 30, 2021

TRANSPORT WORKERS UNION OF AMERICA

CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS (MODIFIED CASH BASIS)

JUNE 30, 2021

ASSETS

ASSETS:	
Current assets	
Cash and cash equivalents	$ 9,202,077
Loans receivable, related parties	22,399
Loan receivable, other	1,818
Total current assets	9,226,294
Property and equipment, net of accumulated depreciation	2,247,241
Other assets	
Investments, at market value	57,800,610
Loans receivable, related parties, net of current portion	345,045
Loan receivable, other, net of current portion	15,755
Security deposit	104,508
Deposits	15,000
Total other assets	58,280,918
Total assets	$ 69,754,453

LIABILITIES AND NET ASSETS

LIABILITIES:	
Current liabilities	
Due to affiliated Locals	$ 856,316
Payroll tax liabilities	5,395
Miscellaneous payables	6,923
Total current liabilities	868,634
Total liabilities	868,634
NET ASSETS:	
Without donor restrictions	68,885,819
With donor restrictions	-
Total net assets	68,885,819
Total liabilities and net assets	$ 69,754,453

See independent auditors' report and notes to consolidated financial statements.

TRANSPORT WORKERS UNION OF AMERICA

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)

JULY 1, 2017 TO JUNE 30, 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS:	
Revenues	
Dues	$ 104,260,203
Railroad negotiation – reimbursed expenses	126,280
Employee retention credit	224,707
Contributions to M.J. Quill Scholarship Fund	360,453
Miscellaneous income	143,961
Organizing income	2,000,000
Royalty income	527,435
	107,643,039
Investment income	
Interest and dividends	4,522,916
Realized gains on sales of investments (net)	4,679,119
Realized gains on sale of properties	374,936
Realized gains on sale of autos	62,311
	9,639,282
Total revenues	117,282,321
Expenses	
Salaries	25,283,836
Payroll taxes	1,836,205
Servicing and organizing expenses	19,486,585
Main office expenses	9,560,880
Pension and welfare expenses	17,422,506
TWU Express	939,313
Affiliations	4,828,305
Donations, tickets and ads	1,546,325
Investment fees	1,326,264
Insurance, general	1,151,985
Depreciation	646,004
Delegates and committee expenses	1,205,137
M. J. Quill scholarships	424,200
Automobile expenses	1,027,343
Personal protective equipment	672,677
Convention expenses	2,268,140
Miscellaneous expenses and taxes	325,905
Total expenses	89,951,610
Excess of revenues over expenses - operations	27,330,711
Net unrealized gain (loss) on investments	3,861,803
Revenues in excess of expenses	31,192,514
Net assets, without donor restrictions, beginning	37,693,305
Net assets, without donor restrictions, end	$ 68,885,819

See independent auditors' report and notes to consolidated financial statements.

TRANSPORT WORKERS UNION OF AMERICA

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS MODIFIED CASH BASIS

JULY 1, 2017 TO JUNE 30, 2021

(Continued)

NET ASSETS WITH DONOR RESTRICTIONS:

Interest income	$ 912,644
Dividend income	1,210,337
Net gain from sale of investments	9,746,939
Legal and professional fees	(421,698)
Administrative fees- AA equity distribution	(949,538)
Investment fees	(396,414)
Investment consultants	(126,370)
Excess of revenues over expenses - net assets with donor restrictions	9,975,900
Net unrealized gain (loss) on investments	(4,085,844)
Increase in net assets with donor restrictions, market value	5,890,056
Net assets, with donor restrictions, beginning	85,009,951
Distribution of reserve funds (see Note 19)	(90,900,007)
Net assets, with donor restrictions, ending	$ -

See independent auditors' report and notes to consolidated financial statements.

1. Nature of Operations

The Transport Workers Union of America and its various Locals principally represent municipal and private sector members employed by the rapid transit, bus, airline ground crew and eastern United States railroad industries.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared 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. The accompanying financial statements also include recognition of investments at market value, depreciation of capitalized assets, recognition of liabilities for payroll withholdings and amounts due to locals.

COVID 19 – Impact

In March 2020, the World Health Organization declared the outbreak of the 2019 coronavirus disease (COVID-19) as a pandemic. The unprecedented and rapid spread of COVID-19 and the related travel restrictions and social distancing measures resulted in significantly reduced travel/transportation demands that adversely impacted the air, railroad and transit industries. In March 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law and provided significant funding to these industries to assist in maintaining employees and to cover operating losses. In December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 ("CRRSAA") was signed into law providing additional significant funding to the travel/transportation industry. In March 2021, the American Rescue Plan ("ARP") Act of 2021 was signed into law providing another round of significant funding to the travel/transportation industry. The Union was able to retain membership levels during the pandemic due to the various government assistance programs available to the employers of their members. As part of the "ARP", the Union was entitled to a credit for employee retention. The amount received was $224,707 during fiscal year ending August 31, 2020.

Principles of Consolidation

The consolidated financial statements include the accounts of the Transport Workers Union of America and its wholly owned subsidiary, TWU Realty Corporation, its wholly owned single member limited liability companies, TWU LLC and MJQ Realty LLC and its wholly owned Trust, TWU Reserve Fund. All intercompany items and transactions have been eliminated.

Cash and Cash Equivalents

The Union considers all highly liquid investments with an original maturity of three months or less, when acquired, to be cash equivalents.

2. Summary of Significant Accounting Policies (continued)

Net Assets

Without donor restrictions:

Net assets without donor restrictions are available to finance the general operations of the Union without any imposed restrictions.

With donor restrictions:

Net assets with donor restrictions were comprised of investments in the TWU Reserve Fund account. The restricted net assets were used for distribution to recipients and related costs and to reimburse the Union for legal and administrative costs associated with related litigation (see Note 19).

Depreciation

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

Income Taxes

The Union is exempt from federal income taxation under Section 50l(c)(5) of the Internal Revenue Code (see Note 7).

Fair Value Measurements

Investments are carried at market value and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net assets (see Notes 5 and 6).

The fair value measurement accounting literature establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those that market participants would use in pricing the investment based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the investment developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

2. Summary of Significant Accounting Policies (continued)

<u>Fair Value Measurements</u> (continued)

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical investments that the organization has the ability to access. Since variations are based on quoted prices that are readily and regularly available in an active market, Level 1 valuations do not entail significant degree of judgment.

Level 2 - Valuation based on observable inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the investment. These inputs may include quoted prices for identical investments in markets that are not active or prices for similar investments.

Level 3 - Valuations based on unobservable inputs, to the extent relevant observable inputs are not available, representing management's own assumptions it would use to value the investment, and would be based on the best information available.

To the extent that valuations are based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for securities categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

3. Concentration of Revenues from Local Affiliates

The Transport Workers Union of America (the Union) receives in excess of 60% of its total dues revenue from four specific Locals which represent municipal and private sector members employed by the rapid transit, bus, airline ground crews and eastern United States railroad industries.

4. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Investments

The Union's investments in debt and equity securities are reported at their fair value determined using quoted market prices in active markets.

Investments are classified as available for sale and are comprised of the following:

	June 30, 2021	
	Cost	**Market**
Corporate stocks	$ 13,305,421	$ 18,006,409
US Government & agencies securities	1,664,581	1,697,099
Corporate bonds	767,276	823,057
Investment trust	11,071,585	11,235,340
Mutual funds	24,148,283	26,038,705
Total	$ 50,957,146	$ 57,800,610

5. Investments (continued)

The following table sets forth by level, with the fair market hierarchy, the Union's investments at fair value as of June 30, 2021:

Description	Level 1	Level 2	Level 3	Total
Corporate stocks	$ 18,006,409	$ ---	$ ---	$ 18,006,409
US Government securities	1,351,880	---	---	1,351,880
Mortgage backed securities	---	345,219	---	345,219
Corporate bonds	---	823,057	---	823,057
Investment trust	---	11,235,340	---	11,235,340
Mutual funds	26,038,705	---	---	26,038,705
Total	$ 45,396,994	$ 12,403,616	---	$ 57,800,610

6. Investments - AA Reserve

During fiscal year ending August 31, 2015, the Union received approximately 1,552,000 shares of American Airlines stock. In accord with the order of the Federal District Court, these shares were to be held in reserve and deposited into an investment account managed by professional money managers which was to be diversified. During the period July 1, 2017 to October, 2018 (when the final distribution of funds were made), sales of investments generated approximately $9,700,000 of realized gains and investment income of approximately $2,100,000. The realized gains during year ending August 31, 2018 were significantly due to the liquidation of investments in anticipation of distributions to members. (See Note 19).

In March, 2018 the reserve fund liquidated all of its investments into cash in anticipation of the distributions of reserve funds to members (see Note 19).

7. Income Tax Matters

During fiscal years ending August 31, 2015 and 2016, the Union made federal estimated income tax deposits totaling $6,104,241. These deposits were made due to uncertainty as to whether the investment income generated by the TWU reserve investments would be subject to federal income tax. In November 2015, the Union petitioned the Internal Revenue Service ("IRS") for a Private Letter Ruling for clarification on the matter. The IRS responded in January 2016 with the position that the matter has already been addressed by Statute and other authoritative rulings and did not warrant a Private Letter Ruling. In March 2018, the IRS issued a determination letter recognizing the TWU Reserve Funds' tax exempt status effective retroactively to its inception in December, 2014.

The Union has taken the position that the TWU Reserve Fund earnings are not subject to income tax based on communications with the IRS. The tax deposits of $6,104,241 were refunded in fiscal year ending August 31, 2018.

The Organization's Forms 990, Return of Organization Exempt from Income Tax for the years ended August 31, 2018, 2019 and 2020 remain subject to examination by the IRS, generally for three years after they were filed.

8. Liquidity and Availability

The Union maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Union regularly monitors liquidity requirements while also striving to maximize the investment of its available funds.

As of June 30, 2021, the following assets could be readily available within one year to meet general expenditures:

	June 30, 2021
Cash and cash equivalents	$ 9,202,077
Loans receivable, related parties	22,399
Loan receivable, other	1,818
Investments, at market value	57,800,610
Financial assets available to meet general expenditures over the next year	$ 67,026,904

9. Net Assets

Without donor restrictions:

Net assets without donor restrictions are available to finance the general operations of the Union without any imposed restrictions.

With donor restrictions:

Net assets with donor restrictions were comprised of investments in the TWU Reserve Fund account. The restricted net assets were used for distribution to recipients and related costs and to reimburse the Union for legal and administrative costs associated with related litigation. In June, 2018, the first distribution to members of $55,000,007 was made (see Note 19). The final distribution of $35,900,000 was made in October, 2018 (see Note 19).

10. Loans Receivable, Related Parties

Loans receivable are from local affiliates of the Transport Workers Union of America. Interest income is recognized when received. The loans are comprised of the following:

				June 30, 2021	
Debtor Local	Monthly Payment Principal and Interest	Interest Rate	Due Date	Current Portion	Long-Term Portion
568	1,514	2.75	06/35	$ 12,547	$ 197,518
526	450	4.00	09/35	3,084	49,370
527	861	3.50	01/34	6,768	98,157
				$ 22,399	$ 345,045

11. Reimbursed Expenses from Reserve Fund

The Union incurred various expenditures relating to the American Airlines (AA) bankruptcy and administration of the reserve fund during the period from July 1, 2017 to October, 2018. These expenditures were reimbursed to the Union from the reserve account under the approval of the bankruptcy court.

12. Related Party Transactions

TWU Realty Corp, a 501(c)(25) tax exempt entity formed in Texas, is a wholly owned subsidiary of the Union. It was formed to purchase real estate to be used for union purposes. In June 2018, it sold its Texas office building for a gain of $374,936. TWU, LLC, a Delaware single member limited liability company is wholly owned by the Union. The "LLC" was formed to purchase real property in Washington, D.C. to be used for union purposes. In September 2013, the LLC sold the building. In August, 2018, the Union formed MJQ Realty, LLC (“MJQ”), a NY single member LLC wholly owned by the Union. MJQ was formed to purchase an office condominium in Brooklyn, NY to be used for union purposes. In October, 2018, MJQ finalized the purchase of the office condominium for $550,000.

13. Property and equipment

Property and equipment, are stated at cost if purchased and fair value if contributed. Improvements and betterments are capitalized and repairs and maintenance are expensed as incurred. Furniture, fixtures and equipment are written off after they are fully depreciated. Depreciation is recorded on a straight-line basis over the assets estimated useful lives. Leasehold improvements are amortized over the shorter of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method.

	June 30, 2021
Real Property:	
Office condominium and improvements - NY	$ 786,925
Furniture, fixtures and equipment	706,780
Automobiles	605,171
Leasehold improvements	791,643
	2,890,519
Less: accumulated depreciation	(643,278)
	$ 2,247,241

14. Due to affiliated locals

As part of their negotiations with American Airlines, the Union secured an arrangement whereby American Airlines would reimburse the Union and applicable locals for their negotiation expenses. As of June 30, 2021, the Union collected $738,577 from American Airlines to be disbursed to the applicable locals. The Union anticipates it will start reimbursing the locals in August, 2021 after all the reimbursements are received from American Airlines. The Union has not yet received any reimbursements for its negotiation expenses incurred.

15. Dues

The Union receives 30 percent of all dues collected by Local affiliates (see Note 3).

16. Organizing Income - UAW

In July 2018, the Union and the United Auto Workers agreed to a joint organizing arrangement relating to, among other things, AFL-CIO Article XX and Article XXI rights in the gaming industry. A financial component was arrived at calling for payments to the Union of $2,000,000 in four semi-annual installments. The final payment was received in August, 2019.

17. Pension and Welfare Expenses

a. Pension expenses

Effective January 1, 1953, the Transport Workers Union of America adopted a non-contributory defined benefit pension plan (the "Plan") for the benefit of employees not covered by other union plans.

The Union's financial statements have been prepared on the modified cash basis of accounting, which does not recognize net periodic pension cost based on actuarial computations, but instead recognizes pension expense in amounts equal to actual contributions paid to the defined benefit pension plan. Contributions for the four year period from July 1, 2017 to June 30, 2021 were $9,375,000.

Additional disclosures relevant to defined benefit pension plans are as follows:

Employees with 5 or more years of service are entitled to annual pension benefits beginning at normal retirement age 60. The annual pension benefits are equal to 2 1/2% of compensation paid in the last 12 months of service for each year of benefit service up to 20 such years plus 1 1/2% of such compensation for each year in excess of 20 years. The Plan permits early retirement at ages 55 - 59. Employees may elect to receive their benefits in the form of a joint or survivor annuity. If employees terminate before rendering 5 years of service and are younger than 55, the level of vesting is 85% oftheir accrued benefit.

In lieu of a monthly pension under the Plan, a participant may elect to receive a distribution of a commercial annuity contract purchasable by the lump-sum equivalent value of his normal form of pension.

Plan assets consist primarily of U.S. Government and agencies obligations, mutual funds and corporate debt and equity securities. Investments are managed by nationally recognized investment managers. Plan trustees are members of senior management of the Transport Workers Union of America. Investments are made with a long-term view.

16. Pension and Welfare Expenses (continued)

Pension plan asset allocations at the measurement date, August 31, 2020, are as follows:

Mutual funds	13%
Common collective funds	73%
Cash	14%
Total	100%

The following is the pertinent Plan information as of the most recent date for which determination has been made by the actuary:

	August 31, 2020
Net periodic pension cost includes the following components:	
Service cost	$ 2,253,654
Interest cost	936,502
Expected return on plan assets	(1,858,720)
	1,331,436
Amortization of unrecognized actuarial loss	1,698,765
Net periodic pension cost	$ 3,030,201

The following table summarizes the funded status of the Plan:

	August 31, 2020
Change in projected benefit obligations:	
Projected benefit obligation at beginning of year	$ 30,338,836
Service cost	2,253,654
Interest cost	936,502
Actuarial (gain)/loss	4,155,426
Benefits paid	(3,299,872)
Projected benefit obligation at end of year	$ 34,384,546

16. Pension and Welfare Expenses (continued)

	August 31, 2020
Fair value of assets at beginning of year	$ 23,435,523
Actual return on Plan assets	3,276,118
Employer contributions	2,000,000
Benefits paid	(3,299,872)
Fair value of plan assets at end of year	25,411,769
Projected benefit obligation in excess of Plan assets	$ (8,972,777)

The long-term rate of return on assets assumption is based on historical returns earned by equities and fixed income securities, adjusted to reflect expectations of future returns as applied to the Plan's actual target allocation of asset classes.

Assumptions used in determining benefit obligations and net periodic pension cost are as follows. The discount rate used for determining net pension expense as of August 31, 2020 was 2.50%, and the discount rate used for determining funded status as of August 31, 2020 was 2.50%. The rate of increase in future compensation levels is 3% for fiscal year ending August 31, 2020, and the expected long-term rate of return on plan assets is 8.00% for fiscal year ending August 31, 2020.

Accumulated benefit obligations are $30,616,078 at August 31, 2020. The Plans' assets include investments in marketable securities, various mutual funds, short-term investments and cash. At August 31, 2020 the accumulated benefit obligation exceeded the market value of Plan assets by $5,204,309. Employer contributions to the Plan for the four year period from July 1, 2017 to June 30, 2021 were $9,375,000. Benefits paid for the four year period from July 1, 2017 to June 30, 2021 were $13,714,843.

The Plans' assets are invested in common collective funds which are Level 2 investments (see Note 2). Investments are contained in mutual funds consisting of equities, fixed income securities and investment accounts managed by nationally recognized investment managers. Plan trustees are members of the board of directors. Investment policy is to maintain asset allocations within ranges such that equities comprise approximately 70% and fixed income 30%. Investments are made with a long-term view.

16. Pension and Welfare Expenses (continued)

The following estimated future benefit payments, which reflect expected future services, are expected to be paid:

Years ending August 31,	
2021	$ 1,054,838
2022	1,116,172
2023	1,195,247
2024	1,234,081
2025	1,308,720
2026 - 2030	9,129,977

For the fiscal year ending August 31, 2021, the Union plans on making 1,500,000 in contributions to the Plan.

a. Welfare expenses

Post-retirement health and welfare benefits

Health and welfare benefits are payable for the benefit of covered employees for their entire lives and the lives of their surviving spouses. The Union has not accrued a liability for benefits payable because the financial statements are presented on the modified cash basis of accounting.

b. Transport Workers Union of America 40l(K) Plan

Commencing May 1, 2007, the Union adopted the Transport Workers Union of America 40l(K) Plan, a defined contribution plan. Contributions to the plan are in the form of employee salary deferrals with no employer matching.

17. Litigation and Commitments

a. Litigation

The Union is involved in several unsettled lawsuits. It is the opinion of counsel that the claims have little merit, and that the Union has substantial defenses.

b. Commitments

On June 23, 2010, the Union entered into a ten year lease for its national headquarters at 501 3rd Street, NW, Washington, D.C. The lease provides for annual rental payments of $698,288 with annual escalations. On September 1, 2010, the Union moved its headquarters from New York to Washington, D.C. The starting date of the lease was the move in date.

17. Litigation and Commitments (continued)

b. Commitments (continued)

In August, 2019, the Union entered into an eleven year lease for its national headquarters at 1220 19th Street, N.W, Washington, D.C. The lease provides for annual rental payments of $627,045 with annual escalations. The Union received a rent abatement for the first thirteen months with rent commencing in August, 2021. The Union vacated the premises at 501 3rd Street in December, 2020 and moved to 1220 19th Street in Washington, D.C at that time.

In addition to the rental of its National Headquarters, the Union leases various offices throughout the country to provide Local unions with administrative support. Lease terms vary from month to month to one year. Rental expense on the real property leases for the four year period from July 1, 2017 to June 30, 2021 amounted to approximately $4,434,000.

The Union is also obligated under various operating leases for office machinery and capital leases for vehicles through fiscal year August 31, 2024. Rental expense was approximately $826,000 for the four year period from July 1, 2017 to June 30, 2021.

The following is a schedule of future minimum rental payments under the leases as of August 31, 2020:

Year Ending August 31,	Amount
2021	$ 597,765
2022	779,760
2023	750,053
2024	688,113
2025	692,139
Thereafter	4,531,723
Total	$ 8,039,553

18. Concentration of Credit Risk

Financial instruments that potentially subject the Union to credit risk consist principally of cash and cash equivalents. At June 30, 2021, the bank balances of the Union are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Union maintains its cash balances at a financial institution located in the New York City area. At times during the year, the Union maintained balances that exceeded the FDIC limit of $250,000. The Union believes that there is no significant risk with respect to these deposits.

18. Concentration of Credit Risk (continued)

In addition, included in cash and cash equivalents, the Union maintains accounts in various brokerage firm money market accounts. These amounts are protected by the Securities Investor Protection Corporation (SIPC), a non-government entity, up to $250,000. At times during the year, the Union maintained balances that exceeded the FDIC limit of $250,000. The Union believes that there is no significant risk with respect to these deposits.

19. Bankruptcy of American Airlines

In November 2011, American Airlines (AA) filed for Chapter 11 bankruptcy protection. As part of the proceedings, AA moved to reject the Union's collective bargaining agreements and, in accord with bankruptcy law, negotiated with AA regarding modifications to the collective bargaining agreements. The Union resisted the motions in bankruptcy court and negotiated the agreements. In the end, agreements were reached and ratified covering all classes or crafts of employees represented by the Union at AA. A proposal for the merger of AA and U.S. Airways was approved in December, 2013 by the bankruptcy court and has been implemented. Representation of employees at the newly merged airline has been determined by the National Mediation Board.

Pursuant to a bankruptcy court order in September 2012, on confirmation of a plan of reorganization, the Union became entitled to receive certain equity capital equal to 4.8% of all the equity issued to holders of allowed pre-petition unsecured claims against the debtors net value. The plan for distribution of the equity to members was adopted by the Union in July, 2013. Pursuant to the plan, approximately 86% of the TWU equity has been distributed to TWU represented employees eligible for distributions under the plan. The remainder will be distributed in accord with the final decision in a court action filed in December, 2013 challenging the lawfulness of the TWU plan. The Union has set aside 14% of the equity received as a reserve fund, held in a 402(b) trust, to compensate plaintiffs should they prevail and to pay litigation and other administrative expenses of the fund. In January 2014, the Federal District Court ordered that the investments held in the reserve fund should be managed by a professional investment manager and invested prudently.

During the fiscal year ending August 31, 2015, the Union received approximately 1,552,000 shares of AA stock held in the 402(b) reserve fund. In accord with the order of the Federal District Court, these shares were to be held in reserve and deposited into an investment account managed by professional money managers which is to be diversified. The contents of this account can only be used for distribution to the recipients, to reimburse the Union for legal and administrative costs associated with the litigation and for any applicable income taxes on the investment income. The investments in the reserve fund generated approximately $43.3 million of investment income between August, 2015 and October, 2018 (when the final distribution was made). In November 2015, the Union petitioned the IRS for a Private Letter Ruling regarding the taxability of the investment income held in the reserve fund.

19. Bankruptcy of American Airlines (continued)

In January 2016, the Union received a response from the IRS indicating that they would not issue a Private Letter Ruling since this issue is already addressed by Statute and other authoritative rulings. In March 2018, the IRS issued a determination letter recognizing the TWU Reserve Funds' tax exempt status effective retroactively to its inception in December, 2014 (see Note 7).

In June, 2018, the Union made its first distribution of reserve funds in the amount of $55,000,007 to eligible beneficiaries. The final distribution of $35,900,000 was made in October, 2018. The administration of these distributions were handled by American Airlines.

20. Subsequent Events

Management has evaluated subsequent events through August 30, 2021, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TRANSPORT UNION WORKERS OF AMERICA

SCHEDULE OF MAIN OFFICE EXPENSES
(MODIFIED CASH BASIS)

JULY 1, 2017 TO JUNE 30, 2021

Rent and related expenses	$ 4,476,639
Data processing expenses	842,413
Stationery and printing	371,068
Telephone	671,566
Outside consultants	1,288,728
Postage	188,377
Newspapers and subscriptions	439,540
Equipment rental and maintenance	426,212
Accounting	626,862
Actuarial fees	229,475
Total	$ 9,560,880

See independent auditors' report.

TRANSPORT UNION WORKERS OF AMERICA

SCHEDULE OF SERVICING AND ORGANIZING EXPENSES (MODIFIED CASH BASIS)

JULY 1, 2017 TO JUNE 30, 2021

Servicing and organizing Locals	$ 12,001,096
Legal fees and expenses	2,895,956
Promotional materials	460,854
Airline Systems Board	8,693
Transit negotiations	935,896
Airline negotiations	3,059,683
Railroad negotiations	15,485
General negotiations	108,922
Total	$ 19,486,585

See independent auditors' report.

TRANSPORT UNION WORKERS OF AMERICA

SCHEDULE OF AFFILIATIONS
(MODIFIED CASH BASIS)

JULY 1, 2017 TO JUNE 30, 2021

AFL-CIO	$ 2,809,300
Department of Transportation Trades	1,262,475
Department of Transportation Trades Rail Labor Division	27,066
International Transport Workers Federation	622,381
Miscellaneous affiliations	107,083
Total	$ 4,828,305

See independent auditors' report.