

## Report of Independent Auditors

To the International Executive Council of the International Brotherhood of Electrical Workers

We have audited the accompanying consolidated financial statements of the International Brotherhood of Electrical Workers and subsidiaries (collectively the International Union), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 judgment, 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, 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the International Brotherhood of Electrical Workers and subsidiaries as of June 30, 2015 and 2014, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Calibre CPA Group, PLLC*

Bethesda, MD  
September 23, 2015

## International Brotherhood of Electrical Workers and Subsidiaries Consolidated Statements of Financial Position

JUNE 30, 2015 AND 2014

	2015		2014	
	Unappropriated	Appropriated	Total	Total
<b>Assets</b>				
<b>Cash and cash equivalents</b>	\$ 13,401,123	\$ -	\$ 13,401,123	\$ 6,577,265
<b>Receivables</b>				
Loans and advances to chartered bodies	517,500	-	517,500	539,000
Per capita tax receivable	10,952,702	-	10,952,702	12,310,262
Due from Trust for the IBEW Pension Benefit Fund	-	-	-	13,250
Unbilled rent	3,320,841	-	3,320,841	2,570,315
Accrued interest and dividends	530,361	-	530,361	501,178
Security sales pending settlement	654,994	-	654,994	715,703
Other	1,820,994	-	1,820,994	2,157,791
Total receivables	17,797,392	-	17,797,392	18,807,499
<b>Investments – at fair value</b>	280,074,104	170,077,000	450,151,104	437,687,567
<b>Property and equipment – at cost</b>				
Land, building and improvements	133,266,733	-	133,266,733	131,885,827
Furniture and equipment	46,284,835	-	46,284,835	47,301,433
	179,551,568	-	179,551,568	179,187,260
Accumulated depreciation	(59,185,061)	-	(59,185,061)	(55,160,628)
Net property and equipment	120,366,507	-	120,366,507	124,026,632
<b>Other assets</b>				
Deferred leasing, organization and financing costs (net of amortization)	3,473,049	-	3,473,049	2,891,934
Prepaid expenses	958,622	-	958,622	741,768
Inventory of merchandise and office supplies, at cost	1,184,987	-	1,184,987	1,149,403
Other	622,517	-	622,517	258,068

Total other assets	6,239,175	-	6,239,175	5,041,173
Total assets	\$437,878,301	\$170,077,000	\$607,955,301	\$592,140,136
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 5,124,840	\$ -	\$ 5,124,840	\$ 4,630,912
Due to Trust for the IBEW Pension Benefit Fund	487,481	-	487,481	-
Excess of projected benefit obligation over pension plan assets	50,250,534	-	50,250,534	53,593,164
Liability for postretirement benefits	-	170,077,000	170,077,000	168,967,000
Security purchases pending settlement	7,624,246	-	7,624,246	8,663,311
Deferred per capita tax revenue	7,689,664	-	7,689,664	7,810,603
Reciprocity Agreement funds pending settlement	9,856,219	-	9,856,219	3,443,826
Mortgage loan payable	52,262,295	-	52,262,295	55,567,565
Other	1,210,330	-	1,210,330	1,306,715
Total liabilities	134,505,609	170,077,000	304,582,609	303,983,096
<b>Unrestricted net assets</b>	303,372,692	-	303,372,692	288,157,040
Total liabilities and net assets	\$437,878,301	\$170,077,000	\$607,955,301	\$592,140,136

## International Brotherhood of Electrical Workers and Subsidiaries Consolidated Statements of Activities

YEARS ENDED JUNE 30, 2015 AND 2014

	2015		2014	
	Unappropriated	Appropriated	Total	Total
<b>Operating revenue</b>				
Per capita tax	\$129,568,708	\$ -	\$129,568,708	\$122,887,875
Initiation and reinstatement fees	1,539,348	-	1,539,348	1,506,532
Rental income, net	10,909,543	-	10,909,543	7,571,122
Sales of supplies	942,433	-	942,433	893,889
Other income	4,282,480	-	4,282,480	4,696,734
Total operating revenue	147,242,512	-	147,242,512	137,556,152
<b>Operating expenses</b>				
<b>Program services expenses</b>				
Field services and programs	90,235,201	9,341,061	99,576,262	105,941,417
Media relations	7,924,055	416,471	8,340,526	8,700,151
Industry trade programs	14,589,478	1,529,851	16,119,329	16,321,285
Per capita tax expense	7,239,467	-	7,239,467	7,671,577
Legal defense	2,747,985	-	2,747,985	2,535,527
Total program services	122,736,186	11,287,383	134,023,569	141,169,957
<b>Supporting services expenses</b>				
Governance and oversight	6,281,476	571,904	6,853,380	7,511,409
General administration	6,343,666	923,713	7,267,379	7,409,541
Total supporting services	12,625,142	1,495,617	14,120,759	14,920,950
Total operating expenses	135,361,328	12,783,000	148,144,328	156,090,907
<b>Change in net assets from operations before investment and other income</b>	11,881,184	(12,783,000)	(901,816)	(18,534,755)
<b>Investment income</b>				
Interest and dividends	6,477,014	-	6,477,014	6,288,799
Net appreciation in fair value of investments	14,128,916	-	14,128,916	36,475,725
Investment expenses	(1,238,867)	-	(1,238,867)	(1,338,898)
Net investment income	19,367,063	-	19,367,063	41,425,626
<b>Other income (expense)</b>				
Gain/(loss) on sale of property and equipment	11,947	-	11,947	(15,294)
Loss on lease termination	-	-	-	(1,172,065)
Currency translation adjustment	(1,416,376)	-	(1,416,376)	(1,452,180)
Total other income (expense)	(1,404,429)	-	(1,404,429)	(2,639,539)
<b>Change in net assets before pension-related and postretirement benefit (charges)/credits other than net periodic benefits costs</b>	29,843,818	(12,783,000)	17,060,818	20,251,332
<b>Defined benefit-related (charges)/credits other than net periodic benefits costs</b>				
Pension benefits	(6,354,446)	-	(6,354,446)	41,209,373
Postretirement health care benefits	-	4,509,280	4,509,280	24,193,942
<b>Change in net assets</b>	23,489,372	(8,273,720)	15,215,652	85,654,647
<b>Unrestricted net assets at beginning of year</b>	288,157,040	-	288,157,040	202,502,393

Change in appropriation for postretirement benefit costs	(8,273,720)	8,273,720	—	—
Unrestricted net assets at end of year	\$303,372,692	\$	—	\$303,372,692 \$288,157,040

## International Brotherhood of Electrical Workers and Subsidiaries Consolidated Statements of Cash Flows

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>Cash flows from operating activities</b>		
Cash flows from		
Affiliated chartered bodies	\$ 133,287,110	\$ 123,922,812
Interest and dividends	6,447,831	6,236,781
Rental income	10,159,017	9,928,754
Participant contributions collected on behalf of PBF	63,681,258	60,839,364
Reimbursement of administrative expenses from PBF	2,600,000	2,750,000
Other	11,031,670	2,578,298
Cash provided by operations	227,206,886	206,256,009
Cash paid for		
Salaries, payroll taxes, and employee benefits	(86,180,948)	(95,521,458)
Service providers, vendors and others	(53,420,666)	(42,731,178)
Participant contributions remitted to PBF	(63,330,527)	(60,719,181)
Per capita tax	(7,239,467)	(7,671,577)
Interest	(3,028,522)	(3,224,564)
Cash used for operations	(213,200,130)	(209,867,958)
Net cash provided by (used for) operating activities	14,006,756	(3,611,949)
<b>Cash flows from investing activities</b>		
Loans and advances made to chartered bodies	—	(52,500)
Repayments on loans and advances made to chartered bodies	21,500	19,500
Purchase of property and equipment	(4,865,930)	(5,164,951)
Purchase of investments	(221,196,109)	(196,209,518)
Proceeds from sale of property and equipment	1,696,155	23,746
Proceeds from sale of investments	216,707,056	198,157,072
Net short-term cash investment transactions	5,176,076	6,698,972
Net cash provided by (used for) investing activities	(2,461,252)	3,472,321
<b>Cash flows from financing activities</b>		
Payments on mortgages and other notes	(3,305,270)	(3,124,735)
Net cash used for financing activities	(3,305,270)	(3,124,735)
<b>Effect of exchange rate changes on cash</b>	(1,416,376)	(1,452,180)
<b>Net increase (decrease) in cash</b>	6,823,858	(4,716,543)
<b>Cash and cash equivalents</b>		
Beginning of year	6,577,265	11,293,808
End of year	\$ 13,401,123	\$ 6,577,265
<b>Reconciliation of change in net assets to net cash provided by (used for) operating activities</b>		
Change in net assets	\$ 15,215,652	\$ 85,654,647
Noncash charges (credits) included in income		
Depreciation and amortization	6,260,732	6,524,056
Net appreciation in fair value investments	(14,128,916)	(36,475,725)
(Gain)/loss on sale of property and equipment	(11,947)	15,294
Loss on lease termination before termination fees received	—	1,323,768
Currency translation adjustment	1,416,376	1,452,180
Changes in accruals of operating assets and liabilities		
Receivables	1,678,424	(2,244,385)
Unbilled rent receivable	(750,526)	2,205,929
Deferred leasing costs, before amortization	—	(830,010)
Other assets	(616,887)	(18,118)
Excess or deficiency of pension plan assets over projected benefit obligation	(3,342,630)	(42,610,168)
Accounts payable and accrued expenses	493,928	(855,363)
Accrued postretirement benefit cost	1,110,000	(16,755,000)
Deferred revenue	(120,939)	892,826
Reciprocity Agreement funds pending settlement	6,412,393	(1,814,196)
Payroll deductions and other liabilities	391,096	(77,684)
Net cash provided by (used for) operating activities	\$ 14,006,756	\$ (3,611,949)

## International Brotherhood of Electrical Workers and Subsidiaries Notes to Consolidated Financial Statements

YEARS ENDED JUNE 30, 2015 AND 2014

### Note 1. Summary of Significant Accounting Policies

**Nature of Operations**—The International Brotherhood of Electrical Workers (International Union) is an international labor union established to organize all workers for the moral, economic and social advancement of their condition and status. The significant portion of the International Union's revenue comes from per capita taxes of members paid by the local unions.

**Basis of Presentation**—The consolidated financial statements include the accounts of the International Brotherhood of Electrical Workers and the IBEW Headquarters Building LLC, of which the International Brotherhood of Electrical Workers owns 99%. The IBEW Headquarters Building LLC holds title to real estate, an office building that was acquired in June 2004, which beginning late-January 2005 serves as the headquarters for the International Brotherhood of Electrical Workers. All inter-organization accounts and transactions have been eliminated in consolidation. The International Union maintains an appropriated fund designation for internal tracking of postretirement benefits.

**Method of Accounting**—The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

**Investments**—Generally, investments are carried at fair value. Changes in fair value of investments are recognized as unrealized gains and losses. For the purpose of recording realized gains or losses, the average cost method is used. Purchases and sales are recorded on a trade-date basis. The purchases and sales pending settlement are recorded as either assets or liabilities in the consolidated statements of financial position. Pending sales represent amounts due from brokers while pending purchases represent amounts due to brokers for trades not settled. All pending transactions at June 30, 2015 and 2014 were settled in July 2015 and July 2014, respectively.

**Property and Equipment**—Building, improvements, furniture and equipment are carried at cost. Major additions are capitalized. Replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

Building and improvements	10-40 years
Tenant improvements	Life of respective lease
Furniture and equipment	2-10 years

**Accounts Receivable**—Trade accounts receivable are reported net of an allowance for expected losses. Based on management's evaluation of receivables, the allowance account has a zero balance at June 30, 2015 and 2014.

**Inventory**—The International Union maintains an inventory of supplies for use and for resale to local unions and individual members. Inventory is stated at average inventory cost which approximates the selling price of items held.

**Canadian Exchange**—The International Union maintains assets and liabilities in Canada as well as the United States. It is the intent of the International Union to receive and expend Canadian dollars in Canada and not, on a regular basis, convert them to U.S. dollars. For financial statement purposes, all assets and liabilities are expressed in U.S. dollar equivalents.

Canadian dollars included in the consolidated statements of financial position are translated at the appropriate year-end exchange rates. Canadian dollars included in the consolidated statements of activities are translated at the average exchange rates for the year. Unrealized increases and decreases due to fluctuations in exchange rates are included in "Currency translation adjustment" in the consolidated statements of activities.

**Statements of Cash Flows**—For purposes of the consolidated statements of cash flows, cash is considered to be amounts on hand and in demand deposit bank accounts subject to immediate withdrawal.

**Estimates**—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

### Note 2. Tax Status

The International Union is generally exempt from federal income and District of Columbia franchise taxes as an organization described in Section 501(c)(5) of the Internal Revenue Code. The International Union is, however, subject to tax on net profits generated by activities defined as unrelated business activities under applicable tax law. IBEW Headquarters Building, LLC (the Company) is not a taxpaying entity for federal income tax purposes, and thus no income tax expense or deferred tax asset has been reported in the consolidated financial statements. Income of the Company is taxed to the members in their respective returns. The International Union's Forms 990, *Return of Organization Exempt from Income Tax*, and Form 990-T, *Exempt Organization Unrelated Business Income Tax Return*, for the years ended June 30, 2012 through 2014 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

### Note 3. Investments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments which are listed below. For short-term cash investments, the cost approximates fair value because of the short maturity of the investments. Generally, government and government agency obligations, corporate bonds and notes, stocks, the AFL-CIO Housing Investment Trust, and mutual funds fair values are estimated using quoted market prices. For mortgage loans, the fair value is determined based on the discounted present value of future cash flows using the current quoted yields of similar securities. Investments in 103-12 entities are generally carried at fair value using net asset value per share as reported by the investee, while the fair values of investments in limited partnerships are estimated based on financial information provided by each partnership.

	June 30, 2015	
	Cost	Fair Value
Short-term cash investments	\$ 11,878,207	\$ 11,878,207
Government and government agency obligations	41,916,646	41,517,910
Corporate bonds and notes	44,198,528	42,921,237
Stocks	134,771,893	179,735,402
Mortgage loans	2,558,370	2,661,373
Mutual funds	361,666	455,518
103-12 entities	79,545,076	124,833,036
Limited partnership	14,600,000	15,504,413
Other alternative investments	15,260,055	13,303,488
AFL-CIO Housing Investment Trust	17,646,492	17,340,520
	<u>\$362,736,933</u>	<u>\$450,151,104</u>

	June 30, 2014	
	Cost	Fair Value
Short-term cash investments	\$ 16,774,562	\$ 16,774,562
Government and government agency obligations	41,741,517	41,834,014
Corporate bonds and notes	43,530,014	44,114,787
Stocks	120,929,740	166,268,603
Mortgage loans	2,711,534	2,814,537
Mutual funds	720,100	874,309
103-12 entities	79,668,644	119,478,735
Limited partnership	14,600,000	15,056,014
Other alternative investments	14,048,596	13,511,837
AFL-CIO Housing Investment Trust	17,144,092	16,960,169
	<u>\$351,868,799</u>	<u>\$437,687,567</u>

The International Union uses generally accepted accounting standards related to Fair Value Measurements, for assets and liabilities measured at fair value on a recurring basis. These standards require quantitative disclosures about fair value measurements separately for each major category of assets and liabilities, clarify the definition of fair value for financial reporting, establish a hierarchical disclosure framework for measuring fair value, and require additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy and their applicability to the International Union's portfolio investments, are described below:

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2—Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3—Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

The following is a summary of the inputs used as of June 30, 2015, in valuing investments carried at fair value:

Description	Total Investments at June 30, 2015	Quoted Market Prices for Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 11,878,207	\$ -	\$ 11,878,207	\$ -
Stocks				
Financial services	15,617,340	-	-	15,617,340
Banks	15,489,866	15,489,866	-	-
Pharmaceuticals	15,304,440	15,304,440	-	-
Retail	10,493,483	10,493,483	-	-
Semiconductors	8,905,059	8,905,059	-	-
Oil & gas	8,476,688	8,476,688	-	-
Computers	8,166,481	8,166,481	-	-
Software	7,092,860	7,092,860	-	-
Diversified Financial Services	6,381,309	6,381,309	-	-
Media	5,014,395	5,014,395	-	-
Other	78,793,480	78,793,480	-	-
Corporate bonds and notes	42,921,237	-	42,921,237	-
Government and government agency obligations	41,517,910	-	41,517,910	-
Mortgage loans	2,661,373	-	2,661,373	-
Mutual funds	455,518	455,518	-	-
Limited partnerships				
Grosvenor Institutional Ptnrs	15,504,413	-	-	15,504,413
Common/collective trusts				
AFL-CIO HIT	17,340,520	-	17,340,520	-

103-12 entities				
INDURE REIT LLC	72,300,921	-	72,300,921	-
ULLICO Diversified International Equity Fund	17,068,141	-	17,068,141	-
Western Asset US Core Plus	35,463,974	-	35,463,974	-
Other alternative investments				
Permal Fixed Income	13,303,488	-	-	13,303,488
	<u>\$450,151,104</u>	<u>\$164,573,580</u>	<u>\$241,152,283</u>	<u>\$ 44,425,241</u>

Changes in Level 3 Category	Beginning Balance 7/1/2014	Net Gains (Losses)	Purchases	Sales	Transfers In (Out) Level 3	Ending Balance 6/30/2015
Stocks	\$13,171,558	\$ 2,556,401	\$ -	\$ (110,619)	\$ -	\$15,617,340
Corporate bonds and notes	2,000,000	-	-	(2,000,000)	-	-
Limited partnerships	15,056,014	448,399	-	-	-	15,504,413
Permal funds	13,511,837	(1,419,808)	1,211,459	-	-	13,303,488
	<u>\$43,739,409</u>	<u>\$1,584,992</u>	<u>\$1,211,459</u>	<u>\$(2,110,619)</u>	<u>\$ -</u>	<u>\$44,425,241</u>

The following is a summary of the inputs used as of June 30, 2014, in valuing investments carried at fair value:

Description	Total Investments at June 30, 2014	Quoted Market Prices for Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 16,774,562	\$ -	\$ 16,774,562	\$ -
Stocks				
Financial services	13,171,558	-	-	13,171,558
Banks	12,897,751	12,897,751	-	-
Pharmaceuticals	11,389,445	11,389,445	-	-
Oil & Gas	10,703,028	10,703,028	-	-
Retail	9,706,616	9,706,616	-	-
Computers	7,576,691	7,576,691	-	-
Chemicals	5,974,334	5,974,334	-	-
Software	5,813,510	5,813,510	-	-
Media	5,110,553	5,110,553	-	-
Semiconductors	5,025,530	5,025,530	-	-
Other	78,899,587	78,899,587	-	-
Corporate bonds and notes	44,114,787	-	42,114,787	2,000,000
Government and government agency obligations	41,834,014	-	41,834,014	-
Mortgage loans	2,814,537	-	2,814,537	-
Mutual funds	874,309	874,309	-	-
Limited partnerships				
Energy Harvest Group	1	-	-	1
Grosvenor Institutional Ptnrs	15,056,013	-	-	15,056,013
Common/collective trusts				
AFL-CIO HIT	16,960,169	-	16,960,169	-
103-12 entities				
INDURE REIT LLC	66,814,370	-	66,814,370	-
ULLICO Diversified International Equity Fund	17,944,986	-	17,944,986	-
Western Asset US Core Plus	34,719,379	-	34,719,379	-
Other alternative investments				
Permal Fixed Income	13,511,837	-	-	13,511,837
	<u>\$437,687,567</u>	<u>\$153,971,354</u>	<u>\$239,976,804</u>	<u>\$43,739,409</u>

Changes in Level 3 Category	Beginning Balance 7/1/2013	Net Gains (Losses)	Purchases	Sales	Transfers In (Out) Level 3	Ending Balance 6/30/2014
Stocks	\$16,984,600	\$(3,813,042)	\$ -	\$ -	\$ -	\$13,171,558
Corporate bonds and notes	2,000,000	-	-	-	-	2,000,000
Limited partnerships	10,532,284	(376,270)	4,900,000	-	-	15,056,014
Permal fund	10,405,189	(1,925)	3,108,573	-	-	13,511,837
	<u>\$39,922,073</u>	<u>\$(4,191,237)</u>	<u>\$8,008,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$43,739,409</u>

Net gains (losses) (realized /unrealized) reported above are included in net appreciation (depreciation) in fair value of investments in the statement of activities for the year ended June 30, 2015 and 2014. The amount of the net gains (losses) related to investments held at June 30, 2015 and 2014 was \$1,584,992 and \$(4,191,238), respectively.

Investments for which fair values were determined using Level 2 inputs include investments in corporate bonds and notes, Government and government agency obligations, mortgage loans, and investments in common/collective trusts and 103-12 entities which report at net asset value per share. Investments in corporate bonds and notes, Government and government agency obligations and mortgage loans have been estimated using the market interest rates for securities of similar risks and maturities. Investments whose fair values have been based on reported net asset values per share include the investments in the AFL-CIO Housing Investment Trust, INDURE REIT LLC, ULLICO Diversified International Equity Fund, and Western Asset US Core Plus LLC.

The principal investment strategy of the AFL-CIO HIT is to construct and manage a portfolio composed primarily of mortgage securities, with higher yield, higher credit quality and similar interest rate risks as the Barclays Capital Aggregate Bond Index. The HIT uses a variety of strategies to maintain a risk profile comparable to its benchmark index. These strategies include, but are not limited to, managing the duration (a measure of interest rate sensitivity) of its portfolio within a range comparable to the benchmark index, and managing prepayment risk by negotiating prepayment restrictions for mortgage securities backed by multi-family housing projects, including market-rate housing, low-income housing, housing for the elderly or handicapped, intermediate care facilities, assisted living facilities and nursing homes.

The objective of investment in INDURE REIT LLC is to generate income and return through real estate investments. The objective of investment in ULLICO Diversified International Equity Fund is to seek long-term growth of capital consistent with risk reduction through diversification of its portfolio. The objective of investment in Western Asset US Core Plus LLC is to maximize long-term total return consistent with prudent investment management. The fund invests at least 70% of its total assets, either directly or indirectly through commingled investment vehicles, in investment grade debt and fixed income securities.

Investments for which fair values were determined using Level 3 inputs include stock, corporate bonds and notes, limited partnerships, and other alternative investments. The investment in corporate bonds and notes consists of a single investment of \$2,000,000 that is carried at its outstanding principal balance.

The fair value of the stock investment in ULLICO Inc. is determined by management based on annual valuations performed by an independent third party. The principal valuation technique is the dividend discount and discounted cash flow methodology while also using the guideline public companies and transactions multiples methodologies. The weighted average of each method is 50%, 25% and 25% respectively. The stock has been classified as Level 3 because it is not actively traded and there are no directly comparable inputs. The fair value of the limited partnership investment in Energy Harvest Group is based on management's determination that the investment is not readily marketable and the partnership has not generated any income since inception.

The fair value of the limited partnership investment in Grosvenor Institutional Partners is based on the International Union's ownership share of .2791% of total partnership net assets of approximately \$5.19B. Grosvenor invests primarily in portfolio funds whose fair values are reported at net asset value (NAV). If no such information is available, an estimated fair value is determined in good faith. Approximately 73% of Grosvenor's investments are based on Level 2 inputs and the remaining 27% on Level 3 inputs.

The fair value of the investment in Permal Fixed Income Holdings NV is based on the International Union's ownership share of .40% of total fund net assets of approximately \$3.68B. The fund's investments are made principally with portfolio managers who focus on the fixed income markets. The fair values of investments held by the fund are generally based on the last available price or NAV as reported and provided by open-ended underlying funds, agents, or sub-managers thereof. Approximately 95.4% of the fund's investments are valued using Level 1 and 2 investments, and 4.6% are based on Level 3 investments due to redemption restrictions.

#### Note 4. Pension Plans

The International Union maintains two defined benefit pension plans to cover all of its employees. Employer contributions to the plans are based on actuarial costs as calculated by the actuary. The actuarial valuations are based on the unit credit cost method as required under the Pension Protection Act of 2006.

The annual measurement date is June 30. The net periodic pension cost for the plans for the years ended June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Service cost	\$ 14,121,208	\$ 13,885,173
Interest cost	20,171,824	19,625,111
Expected return on plan assets	(26,686,241)	(22,834,366)
Net amortization of loss	2,651,680	7,175,554
<b>Net periodic pension cost</b>	<b>\$ 10,258,471</b>	<b>\$ 17,851,472</b>

Total amounts recognized as changes in unrestricted net assets separate from expenses and reported in the statement of activities as pension-related changes other than net periodic pension cost for the years ended June 30, 2015 and 2014 are as follows:

	2015	2014
<b>Net actuarial gain</b>	<b>\$ 8,921,884</b>	<b>\$ 41,209,373</b>

Amounts that have not yet been recognized as components of net periodic pension cost as of June 30, 2015 consist of the following:

<b>Net actuarial loss</b>	<b>\$ 81,225,228</b>
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The net periodic pension cost is based on the following weighted-average assumptions at the beginning of the year:

	2015	2014
<b>Discount rate</b>	4.75%	4.75%
<b>Average rate of compensation increase</b>	4.50%	4.50%
<b>Expected long-term rate of return on plan assets</b>	7.00%	7.00%

The Plans' obligations and funded status as of June 30, 2015 and 2014 are summarized as follows:

	2015	2014
<b>Fair value of plan assets</b>	\$412,528,196	\$396,835,242
<b>Projected benefit obligation</b>	462,778,730	450,428,406
<b>Deficiency of plan assets over projected benefit obligation</b>	\$50,250,534	\$53,593,164

Benefit obligations are based on the following weighted average assumptions at the end of the year:

	2015	2014
<b>Discount rate</b>	4.75%	4.75%
<b>Average rate of compensation increase</b>	4.50%	4.50%

Employer contributions, employee contributions and benefit payments for the years ended June 30, 2015 and 2014 were as follows:

	2014	2014
<b>Employer contributions</b>	\$20,437,247	\$20,037,967
<b>Employee contributions</b>	1,628,390	1,574,354
<b>Benefit payments</b>	24,406,446	23,560,060

Total expected employer contributions for the year ending June 30, 2016 are \$18.1 million. Total expected benefit payments for the next 10 fiscal years are as follows:

Year ending June 30, 2016	
2016	\$25,778,123
2017	26,344,127
2018	26,904,868
2019	27,568,110
2020	28,336,870
Years 2021 – 2025	153,841,785

The expected long-term rate of return on plan assets of 7% reflects the average rate of earnings expected on plan assets invested or to be invested to provide for the benefits included in the benefit obligations. The assumption has been determined by reflecting expectations regarding future rates of return for plan investments, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

Total pension plan weighted-average asset allocations at June 30, 2015 and 2014, by asset category, are as follows:

Asset category	2014	2014
<b>Cash and cash equivalents</b>	5%	6%
<b>Equity securities</b>	61%	59%
<b>Debt securities</b>	20%	20%
<b>Real estate and other</b>	14%	15%
	100%	100%

The plans' investment strategies are based on an expectation that equity securities will outperform debt securities over the long term, and that the plans should maximize investment return while minimizing investment risk through appropriate portfolio diversification. All investments are actively managed by a diversified group of professional investment managers, whose performance is routinely evaluated by a professional investment consultant. Target allocation percentages are 50% for equities, 30% for fixed income securities, 13% for real estate, and 7% for other investments (principally limited partnerships).

The following is a summary of the inputs used as of June 30, 2015, in valuing the assets carried at fair value by the two plans:

Description	Total Investments at June 30, 2015	Quoted Market Prices for Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Unitized Pool Investments</b>				
Cash and cash equivalents	\$ 15,886	\$ 15,886	\$ -	\$ -
Common stock	143,082,775	143,082,775	-	-
Preferred stock	98,963	98,963	-	-
Corporate bonds	16,100,631	-	16,100,631	-
U.S. Government and government agency obligations	25,964,642	7,768,301	18,196,341	-
Common/collective trusts	116,244,588	-	47,273,929	68,970,659
Limited partnership	6,669,552	-	-	6,669,552
103-12 entities	72,776,098	-	72,776,098	-
Other alternative investments	8,611,381	1,160,007	-	7,451,374
Total	389,564,516	152,125,932	154,346,999	83,091,585
<b>Non-Pool Investments</b>				
Cash and cash equivalents	637,925	637,925	-	-
Common/collective trusts	6,157,619	-	-	6,157,619
Canadian Government obligations	3,300,950	1,476,488	1,824,462	-
Corporate obligations	8,494,537	-	8,494,537	-
Common stocks	19,747,560	19,747,560	-	-
Pooled investment fund	1,648,860	-	1,648,860	-
Total	39,987,451	21,861,973	11,967,859	6,157,619
<b>Other Assets and Liabilities</b>				
Accrued investment income receivable	520,946	520,946	-	-
Accounts payable and accrued expenses	(296,925)	(296,925)	-	-
Net transactions pending settlement	(8,118,032)	(8,118,032)	-	-
	(7,894,011)	(7,894,011)	-	-
Net assets, total	421,657,956	166,093,894	166,314,858	89,249,204
Less: share to other employers	(9,129,760)	-	(6,669,497)	(2,460,263)
Fair value of plan assets	\$412,528,196	\$166,093,894	\$159,645,361	\$ 86,788,941

The following is a summary of the inputs used as of June 30, 2014, in valuing the assets carried at fair value by the two plans:

Description	Total Investments at June 30, 2014	Quoted Market Prices for Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Unitized Pool Investments</b>				
Cash and cash equivalents	\$ 5,857	\$ 5,857	\$ -	\$ -
Common stock	135,048,624	135,048,624	-	-
Corporate bonds	14,499,828	-	14,499,828	-
U.S. Government and government agency obligations	25,514,730	6,271,569	19,243,161	-
Mutual funds	12,808,646	12,808,646	-	-
Common /collective trusts	105,327,623	-	44,022,499	61,305,124
Limited partnership	6,476,669	-	-	6,476,669
103-12 entities	60,930,766	-	60,930,766	-
Other alternative investments	7,568,072	-	-	7,568,072
Total	368,180,815	154,134,696	138,696,254	75,349,865
<b>Non-Pool Investments</b>				
Cash and cash equivalents	630,259	630,259	-	-
Common/collective trust	7,856,413	-	-	7,856,413
Canadian Government obligations	4,158,421	1,596,784	2,561,637	-
Corporate obligations	9,370,496	-	9,370,496	-
Common stocks	22,538,767	22,538,767	-	-
Mutual Funds	1,986,986	-	1,986,986	-
Total	46,541,342	24,765,810	13,919,119	7,856,413
<b>Other Assets and Liabilities</b>				
Cash	13,179	13,179	-	-
Accrued investment income receivable	504,020	504,020	-	-
Accounts payable and accrued expenses	(259,806)	(259,806)	-	-
Net transactions pending settlement	(10,232,628)	(10,232,628)	-	-

	(9,975,235)	(9,975,235)	-	-
Net assets, total	404,746,922	168,925,271	152,615,373	83,206,278
Less share to other employers	(7,911,680)	-	(6,296,093)	(1,615,587)
Fair value of plan assets	\$396,835,242	\$168,925,271	\$146,319,280	\$81,590,691

The following is a summary of the changes in Level 3 investments for the years ended June 30, 2015 and 2014:

Changes in Level 3 Category	Common/Collective Trusts	Limited Partnerships	Other Alternative Investments	Total
<b>Beginning balance - 7/1/2014</b>	\$ 69,161,537	\$ 6,476,669	\$ 7,568,072	\$ 83,206,278
<b>Net gains (losses) (realized/unrealized)</b>	9,227,191	192,883	(795,243)	8,624,831
<b>Purchases</b>	82,498,224	-	678,545	83,176,769
<b>Sales</b>	(85,758,674)	-	-	(85,758,674)
<b>Transfers in/out Level 3</b>	-	-	-	-
<b>Ending balance - 6/30/2015</b>	\$ 75,128,278	\$ 6,669,552	\$ 7,451,374	\$ 89,249,204

Changes in Level 3 Category	Common/Collective Trusts	Limited Partnerships	Other Alternative Investments	Total
<b>Beginning balance - 7/1/2013</b>	\$ 64,438,036	\$ 5,837,939	\$ 6,936,793	\$ 77,212,768
<b>Net gains (losses) (realized/unrealized)</b>	5,781,307	638,730	(11,243)	6,408,794
<b>Purchases</b>	96,212,888	-	642,522	96,855,410
<b>Sales</b>	(97,270,694)	-	-	(97,270,694)
<b>Transfers in/out Level 3</b>	-	-	-	-
<b>Ending balance - 6/30/2014</b>	\$ 69,161,537	\$ 6,476,669	\$ 7,568,072	\$ 83,206,278

The International Union maintains a Supplemental Plan under Internal Revenue Code Section 457 to pay pension benefits required under its Constitution that cannot be paid from its qualified defined benefit plans. The liability for amounts due under the Supplemental Plan have been actuarially determined and total \$473,485 and \$866,900 as of June 30, 2015 and 2014, respectively. The International Union also contributes to a multiemployer defined benefit pension plan on behalf of its employees. Contributions to this plan were \$1,030,611 and \$996,050 for the years ended June 30, 2015 and 2014, respectively.

#### Note 5. Postretirement Benefits

In addition to providing pension benefits, the International Union provides certain health care, life insurance and legal benefits for substantially all employees who reach normal retirement age while working for the International Union.

Postretirement benefit costs for the years ended June 30, 2015 and 2014 include the following components:

	2015	2014
<b>Service cost</b>	\$6,616,000	\$7,190,000
<b>Interest cost</b>	7,866,000	7,811,000
<b>Amortization of prior service cost</b>	(1,699,000)	(1,699,000)
<b>Total postretirement benefit cost</b>	\$12,783,000	\$13,302,000

The accumulated postretirement benefit obligation and funded status at June 30, 2015 and 2014 are as follows:

	2015	2014
<b>Postretirement benefit obligation</b>	\$170,077,000	\$168,967,000
<b>Fair value of plan assets</b>	-	-
<b>Excess of postretirement benefit obligation over plan assets</b>	\$170,077,000	\$168,967,000

The above postretirement benefit cost does not represent the actual amount paid (net of estimated Medicare Part D subsidies) of \$6,692,000 and \$6,489,000 for the years ended June 30, 2015 and 2014, respectively. The net actuarial loss that will be amortized from unrestricted net assets into net periodic benefit cost during 2016 is \$6,091,000.

Weighted-average assumptions used to determine net postretirement benefit cost at beginning of year:

	2015	2014
<b>Discount rate</b>	4.75%	4.75%

Weighted-average assumptions used to determine benefit obligations at end of year:

	2015	2014
<b>Discount rate</b>	4.75%	4.75%

The assumed health care cost trend rates used to measure the expected cost of benefits for the year ended June 30, 2015, were assumed to increase by 8.0% for medical, 8.0% for drugs, 4.25% for dental/vision, 6.0% for Medicare Part B premiums, and 3% for legal costs. Thereafter, rates for increases in medical, dental, drug costs and the Medicare Part D subsidy were assumed to gradually decrease until they reach 4.25% after 2028. If the assumed rates increased by one percentage point, it would increase the benefit obligation and net periodic benefit cost as of June 30, 2015 by \$26,652,000 and \$2,861,000, respectively. However, if the assumed rates decreased by one percentage point, it would decrease the benefit obligation and net periodic benefit cost as of June 30, 2015 by \$21,903,000 and \$2,262,000, respectively.

Total expected benefit payments, net of Medicare Part D subsidies, for the next 10 fiscal years are as follows:

Year ending June 30, 2016	\$7,106,000
2017	7,439,000
2018	7,894,000
2019	8,352,000
2020	8,844,000
Years 2021 – 2025	\$60,908,000

The International Union appropriated investments of \$170,077,000 at June 30, 2015 to pay for future postretirement benefit costs.

Subsequent to June 30, 2015, the International Union changed its arrangement for providing medical and prescription coverage for both active and retired employees. These benefits will now be provided through the NECA/IBEW Family Medical Care Plan, a multiemployer defined benefit health and welfare plan. In accordance with U.S. generally accepted accounting principles, the International Union will no longer report a liability for the excess of the postretirement benefit obligation over plan assets in connection with the provision of these benefits. This change is expected to reduce the International Union's reported liability for postretirement benefits by approximately \$100-\$115 million as of June 30, 2016.

#### Note 6. Mortgages Payable

The Company has two mortgages payable, \$40 million to Massachusetts Mutual Life Insurance Company and \$40 million to New York Life Insurance Company, secured by substantially all of the Company's assets. The mortgage loans bear interest at an annual rate of 5.63% and are payable in monthly installments of principal and interest totaling \$529,108, and mature on July 1, 2019, at which time the remaining principal and interest amounts of \$37,191,699 are due in full. Future minimum payments on the mortgage obligations are due as follows:

Year ending June 30, 2016	\$ 6,349,298
2017	6,349,298
2018	6,349,298
2019	6,349,298
2020	37,191,697
	<u>62,588,889</u>
Less:	
interest portion	(10,326,594)
	<u>\$52,262,295</u>

#### Note 7. Royalty Income

The International Union has entered into a multi-year License Agreement and a List Use Agreement with the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) under which the AFL-CIO has obtained rights to use certain intangible property belonging to the International Union, including the rights to use the name, logo, trademarks and membership lists of the International Union, in exchange for specified royalty payments to be paid to the International Union by the AFL-CIO. In turn, the AFL-CIO has sub-licensed the rights to use the International Union intangible property to Capital One Bank, for use by the bank in connection with its marketing of credit card and certain other financial products to members of the International Union. These agreements commenced on March 1, 1997. In 2012, these agreements were extended to December 2022. For the years ended June 30, 2015 and 2014, the International Union recognized as revenue \$1,864,589 and \$1,849,809, respectively.

#### Note 8. Litigation

The International Union is a party to a number of routine lawsuits, some involving substantial amounts. In all of the cases, the complaint is filed for damages against the International Union and one or more of its affiliated local unions. The General Counsel is of the opinion that these cases should be resolved without a material adverse effect on the financial condition of the International Union.

#### Note 9. Related Party Transactions

The IBEW provides certain administrative services to the International Brotherhood of Electrical Workers' Pension Benefit Fund (Fund), for which the International Union is reimbursed. These services include salaries and benefits, facilities, computer systems, and other administrative services. The amount reimbursed totaled \$2,600,000 and \$2,750,000, for the years ended June 30, 2015 and 2014, respectively.

In addition, the International Union collects and remits contributions received on behalf of the Fund from members.

The International Union also pays administrative services on behalf of the Pension Plan for the International Officers, Representatives and Assistants of the International Brotherhood of Electrical Workers, and the Pension Plan for Office Employees of the International Brotherhood of Electrical Workers. The administrative services include auditing, legal and actuarial services. The costs of the administrative services are not readily determinable.

#### Note 10. Operating Leases

The International Union, through its subsidiary IBEW Headquarters Building LLC, has entered into agreements to lease space in its building. In addition, the International Union subleases a portion of its office space. These leases, which expire at various dates through 2025, contain renewal options. Future minimum rental payments due under these agreements, excluding the lease payments due from the International Union, are as follows:

Year ending June 30,	2016	\$12,501,182
	2017	13,272,106
	2018	13,168,553
	2019	12,615,705
	2020	12,587,663
	Thereafter	70,851,229

#### Note 11. Risks and Uncertainties

The International Union invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

#### Note 12. Subsequent Events Review

Subsequent events have been evaluated through September 23, 2015, which is the date the consolidated financial statements were 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 consolidated financial statements. ■