

## 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, 2016 and 2015, and the related consolidated statements of activities and changes in net assets 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, 2016 and 2015, 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  
August 17, 2016

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

JUNE 30, 2016 AND 2015

	2016	2015
<b>Assets</b>		
<b>Cash and cash equivalents</b>	\$ 10,775,106	\$ 13,401,123
<b>Receivables</b>		
Loans and advances to chartered bodies	538,500	517,500
Per capita tax receivable	9,940,676	10,952,702
Unbilled rent	5,090,837	3,320,841
Accrued interest and dividends	531,196	530,361
Security sales pending settlement	1,159,466	654,994
Other	3,181,210	1,820,994
Total receivables	20,441,885	17,797,392
<b>Investments – at fair value</b>	431,772,402	450,151,104
<b>Property and equipment – at cost</b>		
Land, building and improvements	135,449,532	133,266,733
Furniture and equipment	45,497,972	46,284,835
	180,947,504	179,551,568
Accumulated depreciation	(63,191,771)	(59,185,061)
Net property and equipment	117,755,733	120,366,507
<b>Other assets</b>		
Deferred leasing, organization and financing costs (net of amortization)	3,321,211	3,473,049
Prepaid expenses	2,804,453	958,622
Inventory of merchandise and office supplies, at cost	1,129,132	1,184,987
Other	150,423	622,517
Total other assets	7,405,219	6,239,175
<b>Total assets</b>	<b>\$ 588,150,345</b>	<b>\$ 607,955,301</b>

## Liabilities and Net Assets

### Liabilities

Accounts payable and accrued expenses	\$ 7,702,951	\$ 5,124,840
Due to Trust for the IBEW Pension Benefit Fund	971,672	487,481
Excess of projected benefit obligation over pension plan assets	70,804,863	50,250,534
Liability for postretirement benefits	63,801,000	170,077,000
Security purchases pending settlement	1,509,614	7,624,246
Deferred per capita tax revenue	8,924,040	7,689,664
Reciprocity Agreement funds pending settlement	5,137,281	9,856,219
Mortgage loan payable	48,766,062	52,262,295
Other	781,682	1,210,330
Total liabilities	208,399,165	304,582,609

### Unrestricted net assets

Appropriated for additional postretirement benefits	146,140,000	–
Unappropriated	233,611,180	303,372,692
Total net assets	379,751,180	303,372,692
Total liabilities and net assets	\$ 588,150,345	\$ 607,955,301

## International Brotherhood of Electrical Workers and Subsidiaries Consolidated Statements of Activities and Changes in Net Assets

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<b>Operating revenue</b>		
Per capita tax	\$ 131,370,617	\$ 129,568,708
Initiation and reinstatement fees	1,701,024	1,539,348
Rental income, net	12,318,969	10,909,543
Sales of supplies	843,791	942,433
Other income	4,897,949	4,282,480
Total operating revenue	151,132,350	147,242,512
<b>Operating expenses</b>		
<b>Program services expenses</b>		
Field services and programs	101,752,550	99,576,262
Media relations	8,155,402	8,340,526
Industry trade programs	16,804,290	16,119,329
Per capita tax expense	7,247,995	7,239,467
Legal defense	2,686,681	2,747,985
Total program services	136,646,918	134,023,569
<b>Supporting services expenses</b>		
Governance and oversight	6,893,602	6,853,380
General administration	8,528,984	7,267,379
Total supporting services	15,422,586	14,120,759
Total operating expenses	152,069,504	148,144,328
<b>Change in net assets from operations before investment and other income</b>	(937,154)	(901,816)
<b>Investment income</b>		
Interest and dividends	6,579,893	6,477,014
Net appreciation (depreciation) in fair value of investments	(4,674,659)	14,128,916
Investment expenses	(1,321,980)	(1,238,867)
Net investment income	583,254	19,367,063
<b>Other income (expense)</b>		
Gain on sale of property and equipment	1,944	11,947
Currency translation adjustment	(1,355,932)	(1,416,376)
Total other income (expense)	(1,353,988)	(1,404,429)
<b>Change in net assets from operations after investment and other income</b>	<b>\$ (1,707,888)</b>	<b>\$ 17,060,818</b>

<b>Change in net assets from operations after investment and other income</b>	\$ (1,707,888)	\$ 17,060,818
<b>Defined benefit pension and postretirement benefit changes other than net periodic benefit cost</b>		
Settlement gain – postretirement health care benefits	117,025,000	–
Pension benefits	(30,330,160)	(6,354,446)
Postretirement health care benefits	(8,608,464)	4,509,280
<b>Appropriation of net assets to fund postretirement benefits not yet accrued</b>	(146,140,000)	–
<b>Change in unrestricted net assets, unappropriated</b>	(69,761,512)	15,215,652
<b>Unrestricted net assets, unappropriated</b>		
Beginning of year	303,372,692	288,157,040
End of year	\$ 233,611,180	\$ 303,372,692
<b>Unrestricted net assets, appropriated</b>		
Beginning of year	\$ –	\$ –
Appropriation of net assets to fund postretirement benefits not yet accrued	146,140,000	–
End of year	\$ 146,140,000	\$ –

#### Reconciliation of change in net assets to net cash provided by (used for) operating activities

Change in net assets	\$ 76,378,488	\$ 15,215,652
Noncash charges (credits) included in income		
Depreciation and amortization	6,138,493	6,260,732
Net appreciation in fair value investments	4,674,659	(14,128,916)
(Gain) loss on sale of property and equipment	(1,944)	(11,947)
Settlement gain – postretirement health care benefits	(117,025,000)	–
Currency translation adjustment	1,355,932	1,416,376
Changes in accruals of operating assets and liabilities		
Receivables	(349,025)	1,678,424
Unbilled rent receivable	(1,769,996)	(750,526)
Other assets	(1,317,882)	(616,887)
Excess or deficiency of pension plan assets over projected benefit obligation	20,554,329	(3,342,630)
Accounts payable and accrued expenses	2,578,111	493,928
Accrued postretirement benefit cost	10,749,000	1,110,000
Deferred revenue	1,234,376	(120,939)
Reciprocity Agreement funds pending settlement	(4,718,938)	6,412,393
Payroll deductions and other liabilities	55,543	391,096
Net cash provided by (used for) operating activities	\$ (1,463,854)	\$ 14,006,756

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

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<b>Cash flows from operating activities</b>		
Cash flows from		
Affiliated chartered bodies	\$ 136,161,834	\$ 133,287,110
Interest and dividends	6,579,058	6,447,831
Rental income	10,548,973	10,159,017
Participant contributions collected on behalf of PBF	69,192,666	63,681,258
Reimbursement of administrative expenses from PBF	2,500,000	2,600,000
Other	4,897,949	11,031,670
Cash provided by operations	229,880,480	227,206,886
Cash paid for		
Salaries, payroll taxes, and employee benefits	(104,488,848)	(98,889,840)
Service providers, vendors and others	(47,862,354)	(40,711,774)
Participant contributions remitted to PBF	(68,908,475)	(63,330,527)
Per capita tax	(7,247,995)	(7,239,467)
Interest	(2,836,662)	(3,028,522)
Cash used for operations	(231,344,334)	(213,200,130)
Net cash provided by (used for) operating activities	(1,463,854)	14,006,756
<b>Cash flows from investing activities</b>		
Loans and advances made to chartered bodies	(21,000)	–
Repayments on loans and advances made to chartered bodies	–	21,500
Purchase of property and equipment	(3,517,174)	(4,865,930)
Purchase of investments	(221,534,266)	(221,196,109)
Proceeds from sale of property and equipment	143,237	1,696,155
Proceeds from sale of investments	248,031,629	216,707,056
Net short-term cash investment transactions	(19,412,424)	5,176,076
Net cash provided by (used for) investing activities	3,690,002	(2,461,252)
<b>Cash flows from financing activities</b>		
Payments on mortgages and other notes	(3,496,233)	(3,305,270)
Net cash used for financing activities	(3,496,233)	(3,305,270)
<b>Effect of exchange rate changes on cash</b>	(1,355,932)	(1,416,376)
<b>Net increase (decrease) in cash</b>	(2,626,017)	6,823,858
<b>Cash and cash equivalents</b>		
Beginning of year	13,401,123	6,577,265
End of year	\$ 10,775,106	\$ 13,401,123

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

YEARS ENDED JUNE 30, 2016 AND 2015

### 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, the IBEW Headquarters Building LLC, of which the International Brotherhood of Electrical Workers owns 99% and the IBEW Relocation Holdings LLC, of which the International Brotherhood of Electrical Workers is the sole member. 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. The IBEW Relocation Holdings LLC's purpose is to acquire, hold, own, maintain, hold for investment, operate, lease, convey interests in, mortgage or otherwise encumber, sell, exchange or dispose of, and otherwise invest in and deal with real estate property and any personal or intangible property associated with the real estate. All inter-organization accounts and transactions have been eliminated in consolidation.

The International Union appropriates a portion of unrestricted net assets representing the estimated liability for additional postretirement benefits not yet accrued.

**Method of Accounting** — The 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 statement 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, 2016 and 2015 were settled in July 2016 and July 2015, respectively.

**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 balance of \$237,434 and \$-0- at June 30, 2016 and 2015, 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

**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.

REPORT OF INDEPENDENT AUDITORS *continued on page 14*

**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 statement of financial position are translated at the appropriate year-end exchange rates. Canadian dollars included in the consolidated statement 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 statement of activities.

**Statements of Cash Flows** — For purposes of the consolidated statement 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 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.

**New Accounting Pronouncement** — In 2015, Accounting Standards Update (ASU) 2015-07 was issued by the Financial Accounting Standards Board. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 becomes effective for years beginning after December 15, 2016. The International Union has elected early implementation of this standard. Previously reported financial information has been restated to present that information on a comparative basis.

### 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 and IBEW Relocation Holdings, LLC are not taxpaying entities for federal income tax purposes. Income of these companies 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, 2013 through 2015 are subject to examination by the Internal Revenue Service, 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, 2016	
	Cost	Fair Value
Short-term cash investments	\$ 31,288,262	\$ 31,288,262
Government and government agency obligations	30,780,022	31,125,782
Corporate bonds and notes	37,711,075	36,998,047
Stock	134,162,315	163,721,376
Mortgage loans	2,398,498	2,501,501
Mutual funds	361,666	385,627
103-12 entities	73,377,651	120,252,759
Limited partnership	14,600,000	14,712,223
Other alternative investments	16,520,064	12,530,524
AFL-CIO Housing Investment Trust	18,084,602	18,256,301
	<u>\$ 359,284,155</u>	<u>\$ 431,772,402</u>

	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
Stock	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>

### Fair Value Measurement

Accounting Standards provide the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority

to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy are described below:

### Basis of Fair Value Measurement

- 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 in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

The following tables set forth, by level within the fair value hierarchy, the International Union's investment assets at fair value as of June 30, 2016, and a summary of the changes in fair value of the Plan's level 3 assets for the year ended June 30, 2016. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Description	Total Investments	Quoted Market Prices for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 31,288,262	\$ -	\$ 31,288,262	\$ -
Stock	163,721,376	148,104,036	-	15,617,340
Corporate bonds and notes	36,998,047	-	36,998,047	-
Government and government agency obligations	31,125,782	7,590,209	23,535,573	-
Mortgage loans	2,501,501	-	2,501,501	-
Mutual funds	385,627	385,627	-	-
Limited partnerships	14,712,223	-	-	14,712,223
Total	280,732,818	\$ 156,079,872	\$ 94,323,383	\$ 30,329,563
Investments measured at net asset value*	151,039,584			
Investments at fair value	<u>\$ 431,772,402</u>			

Changes in Level 3 Category	Stock	Limited Partnerships	Total
Beginning Balance - 7/1/2015	\$ 15,617,340	\$ 15,504,413	\$ 31,121,753
Net losses (realized/unrealized)	-	(792,190)	(792,190)
Purchases	-	-	-
Sales	-	-	-
Transfers in/out Level 3	-	-	-
Ending Balance - 6/30/2016	<u>\$ 15,617,340</u>	<u>\$ 14,712,223</u>	<u>\$ 30,329,563</u>

The following tables set forth, by level within the fair value hierarchy, the International Union's investment assets at fair value as of June 30, 2015, and a summary of the changes in fair value of the Plan's level 3 assets for the year ended June 30, 2015. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Description	Total Investments	Quoted Market Prices for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 11,878,207	\$ -	\$ 11,878,207	\$ -
Corporate stock	179,735,402	164,118,062	-	15,617,340
Corporate bonds and notes	42,921,237	-	42,921,237	-
Government and government agency obligations	41,517,910	14,207,420	27,310,490	-
Mortgage loans	2,661,373	-	2,661,373	-
Mutual funds	455,518	455,518	-	-
Limited partnerships	15,504,413	-	-	15,504,413
Total	294,674,060	\$ 178,781,000	\$ 84,771,307	\$ 31,121,753
Investments measured at net asset value*	155,477,044			
Investments at fair value	<u>\$ 450,151,104</u>			

Changes in Level 3 Category	Stock	Corporate bonds and notes	Limited Partnerships	Total
Beginning Balance - 7/1/2014	\$ 13,171,558	\$ 2,000,000	\$ 15,056,014	\$ 30,227,572
Net gains (realized/unrealized)	2,556,401	-	448,399	3,004,800
Purchases	-	-	-	-
Sales	(110,619)	(2,000,000)	-	(2,110,619)
Transfers in/out Level 3	-	-	-	-
Ending Balance - 6/30/2015	<u>\$ 15,617,340</u>	<u>\$ -</u>	<u>\$ 15,504,413</u>	<u>\$ 31,121,753</u>

\*Investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

**Level 1 Inputs**

Equity securities, except the ULLICO Stock, U.S. Treasury bonds and notes, and mutual funds are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period.

**Level 2 Inputs**

Most U.S. Government agency, foreign government obligations, municipal bonds, corporate obligations, and mortgage loans are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Cash and cash equivalent investments are valued at cost which approximates fair value.

**Level 3 Inputs**

Corporate stock represents stock holdings of ULLICO Inc. and fair market value is determined by management based on valuations performed by an independent third party. The stock is not actively traded and there are no directly comparable inputs.

Limited partnerships represent an ownership interest in the Grosvenor Institutional Partners, L.P. (the Fund). The fair value is based on the ownership interest as a percent of the International Union's net assets. The ownership interest percent was 0.2875% and 0.2791% at June 30, 2016 and 2015, respectively. The Fund invests primarily in the Grosvenor Institutional Partners Master Fund (Master Fund) as well as various portfolio funds. The Master Fund's fair value equals the pro rata interest in the net assets of the Master Fund. The portfolio funds' fair values are reported at net asset value (NAV). Redemptions are restricted to quarterly with a 70-day redemption notice period.

Redemptions may be made quarterly upon 70 days' notice but are subject to the discretion of the General Partner and the liquidity of the Master Fund. The ability of the Fund both to value and withdraw capital depends on its ability to value and redeem shares in the Master Fund, and the Master Fund's ability to value and redeem its shares depends, in turn, on its ability to obtain valuations and redemption proceeds from Portfolio Funds. There are numerous reasons that the Master Fund might not be able to obtain either or both from certain Portfolio Funds as of the effective date of a redemption of shares, including, but not limited to, gates, lock-ups and other liquidity restrictions at the level of the underlying Portfolio Funds. If the Master Fund is unable to redeem its shares, the redemption of the Fund's shares may be delayed.

**Note 4. Investments in Investment Entities**

Authoritative guidance on fair value measurements permits the International Union to measure the fair value of an investment in an investment entity that does not have a readily determinable fair value based upon the net asset value per share or its equivalent (NAV) of the investment. This guidance does not apply if it is probable that the investment will be sold at a value different than NAV.

The International Union's investment in investment entities is subject to the terms of the respective private placement memoranda and governing agreements. Income or loss from investments in these investment entities is net of the International Union's proportionate share of fees and expenses incurred or charged by these investment entities.

The International Union's risk of loss in these entities is limited to its investment. The International Union may increase or decrease its level of investment in these entities at its discretion. The International Union typically has the ability to redeem its investment from these entities on a daily or quarterly basis but longer lock-up periods can apply to certain investments.

The following table summarizes the International Union's investments in certain entities that calculate net asset value per share as fair value measurement as of June 30, 2016 by investment strategy:

Description	Fair Value (in millions)	Unfunded commitments (in millions)	Redemption frequency	Redemption notice period
a. 103-12 investment entities	\$ 44.1	\$ -	Daily, Monthly	One day, 30 days
b. Common/collective trusts	18.3	-	Monthly	15 days
			Maximum 20% redemptions allowed for 24 months following initial investment,	
c. INDURE REIT LLC	76.2	-	daily redemptions after	One day
d. Other alternative investment	12.5	-	Monthly	One Year

The following summarizes the investment strategy for each of the Plan's investments in the table presented above:

a. 103-12 investment entities represent investments with two entities: one in the Western Asset U.S. Core Plus LLC for \$33.4 million and another in the ULLICO Diversified International Equity Fund for \$10.7 million. The Western Asset U.S. Core Plus LLC is a "master fund" in a "master/feeder" structure which primarily invests in investment grade debt and fixed income securities. Redemption is permitted daily with one-day notice.

The ULLICO Diversified International Equity Fund invests primarily in equity securities traded in equity market of, or issued by, companies located in countries represented in the Morgan Stanley Capital International Europe, Australasia, and Far East Index (the Index) with the goal of exceeding the investment returns of the Index. Redemptions are permitted monthly with a 30-day notice period which can be waived at the discretion of the General Partner.

b. Common/collective trusts represent a single investment in the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) Housing Investment Trust (HIT) which invests in 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. Redemptions are permitted monthly with a 15-day notice period.

c. The INDURE REIT LLC invests solely in the INDURE Build to Core Fund, LLC which is a fund that is valued based on NAV. During the first two years following initial investment, redemption was limited to a maximum of 20% of investment balance. Following the two-year period, redemptions are permitted daily with a one-day notice period.

d. The International Union's alternative investment is comprised of \$12.5 million invested in Permal Fixed Income Holding N.V. which is a multi-manager fund organized as a limited liability company. The fund invests primarily with managers who focus on fixed income securities in worldwide markets. Redemption is permitted monthly with one-year notice but may be limited by the underlying holdings of the fund which have redemption restrictions ranging from daily to annually or are non-redeemable.

The following table summarizes the International Union's investments in certain entities that calculate net asset value per share as fair value measurement as of June 30, 2015 by investment strategy:

Description	Fair Value (in millions)	Unfunded commitments (in millions)	Redemption frequency	Redemption notice period
a. 103-12 investment entities	\$ 58.0	\$ -	Daily, Monthly	One day, 30 days
b. Common/collective trusts	17.3	-	Monthly	15 days
			Maximum 20% redemptions allowed for 24 months following initial investment, daily	
c. INDURE REIT LLC	66.8	-	redemptions after	One day
d. Other alternative investment	13.3	-	Quarterly	90 days

The following summarizes the investment strategy for each of the Plan's investments in the table presented above:

a. 103-12 investment entities represent investments with two entities: one in the Western Asset U.S. Core Plus LLC for \$40.1 million and another in the ULLICO Diversified International Equity Fund for \$17.9 million. The Western Asset U.S. Core Plus LLC is a "master fund" in a "master/feeder" structure which primarily invests in investment grade debt and fixed income securities. Redemption is permitted daily with one-day notice.

The ULLICO Diversified International Equity Fund invests primarily in equity securities traded in equity market of, or issued by, companies located in countries represented in the Morgan Stanley Capital International Europe, Australasia, and Far East Index (the Index) with the goal of exceeding the investment returns of the Index. Redemptions are permitted monthly with a 30-day notice period which can be waived at the discretion of the General Partner.

b. Common/collective trusts represent a single investment in the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) Housing Investment Trust (HIT) which invests in 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. Redemptions are permitted monthly with a 15-day notice period.

c. The INDURE REIT LLC invests solely in the INDURE Build to Core Fund, LLC which is a fund that is valued based on NAV. During the first two years following initial investment, redemption was limited to a maximum of 20% of investment balance. Following the two-year period, redemptions are permitted daily with a one-day notice period.

d. The International Union's alternative investment is comprised of \$13.3 million invested in Permal Fixed Income Holding N.V. which is a multi-manager fund organized as a limited liability company. The fund invests primarily with managers who focus on fixed income securities in worldwide markets. Redemption is permitted monthly with one-year notice but may be limited by the underlying holdings of the fund which have redemption restrictions ranging from daily to annually or are non-redeemable.

**Note 5. 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, 2016 and 2015 is summarized as follows:

	2016	2015
Service cost	\$ 15,160,383	\$ 14,121,208
Interest cost	20,597,057	20,171,824
Expected return on plan assets	(27,767,830)	(26,686,241)
Net amortization of loss	3,095,956	2,651,680
<b>Net periodic pension cost</b>	<b>\$ 11,085,566</b>	<b>\$ 10,258,471</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, 2016 and 2015 are as follows:

	2016	2015
<b>Net actuarial loss</b>	\$ 30,330,160	\$ 6,354,446

Amounts that have not yet been recognized as components of net periodic pension cost as of June 30, 2016 consist of the following:

<b>Net actuarial loss</b>	\$ 110,686,819
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The net periodic pension cost is based on the following weighted-average assumptions at the beginning of the year:

	2016	2015
<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, 2016 and 2015 are summarized as follows:

	2016	2015
<b>Fair value of plan assets</b>	\$416,557,226	\$412,528,196
<b>Projected benefit obligation</b>	487,362,089	462,778,730
<b>Deficiency of plan assets over projected benefit obligation</b>	\$ 70,804,863	\$ 50,250,534

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

	2016	2015
<b>Discount rate</b>	4.50%	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, 2016 and 2015 were as follows:

	2016	2015
<b>Employer contributions</b>	\$21,868,144	\$20,437,247
<b>Employee contributions</b>	1,698,871	1,628,390
<b>Benefit payments</b>	25,195,220	24,406,446

Total expected employer contributions for the year ending June 30, 2017 are \$19.1 million. Total expected benefit payments for the next 10 fiscal years are as follows:

Year ending June 30, 2017	\$26,567,238
2018	27,011,765
2019	27,475,967
2020	28,082,760
2021	28,703,461
Years 2022 – 2026	156,818,189

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, 2016 and 2015, by asset category, are as follows:

Asset category	2016	2015
<b>Cash and cash equivalents</b>	6%	5%
<b>Equity securities</b>	59%	61%
<b>Debt securities</b>	17%	20%
<b>Real estate and other</b>	18%	14%
	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, 2016, in valuing the assets carried at fair value by the two plans:

Description	Total Investments at June 30, 2016	Quoted Market Prices for Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Unitized Pool Investments</b>				
Common stock	\$ 142,317,337	\$ 142,317,337	\$ –	\$ –
Corporate bonds	15,788,818	–	15,788,818	–
U.S. Government and government agency obligations	16,705,743	8,141,873	8,563,870	–
Registered investment companies	749,994	749,994	–	–
Common/collective trusts	15,065,334	–	–	15,065,334
Limited partnership	6,328,778	–	–	6,328,778
	196,956,004	\$ 151,209,204	\$ 24,352,688	\$ 21,394,112
Investments measured at net asset value	188,035,589			
Total	384,991,593			
<b>Non-Pool Investments</b>				
Cash and cash equivalents	849,892	\$ 849,892	\$ –	\$ –
Common/collective trusts	7,251,164	–	–	7,251,164
Canadian Government obligations	3,595,620	1,391,586	2,204,034	–
Corporate obligations	7,927,522	–	7,927,522	–
Common stocks	19,742,763	19,742,763	–	–
	39,366,961	\$ 21,984,241	\$ 10,131,556	\$ 7,251,164
Investments measured at net asset value	1,920,891			
Total	41,287,852			
<b>Other Assets and Liabilities</b>				
Cash	1,566	\$ 1,566	\$ –	\$ –
Accrued investment income receivable	523,766	523,766	–	–
Accounts payable and accrued expenses	(301,856)	(301,856)	–	–
Net transactions pending settlement	303,036	303,036	–	–
Total	526,512	\$ 526,512	\$ –	\$ –
Net assets, total	426,805,957			
Less: share to other employers	(10,248,731)			
Fair value of plan assets	\$ 416,557,226			
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)	Significant 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	–
Registered investment companies	1,160,007	1,160,007	–	–
Common/collective trusts	12,287,015	–	–	12,287,015
Limited partnership	6,669,552	–	–	6,669,552
	205,379,471	\$ 152,125,932	\$ 34,296,972	\$ 18,956,567
Investments measured at net asset value	184,185,045			
Total	389,564,516			
<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	–	–
	38,338,591	\$ 21,861,973	\$ 10,318,999	\$ 6,157,619

Investments measured at net asset value	1,648,860			
Total	39,987,451			
<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			
Less: share to other employers	(9,129,760)			
Fair value of plan assets	\$ 412,528,196			

The following is a summary of the changes in Level 3 investments for the years ended June 30, 2016 and 2015:

Changes in Level 3 Category	Common/ Collective Trusts	Limited Partnerships	Total
<b>Beginning balance - 7/1/2015</b>	\$ 18,444,634	\$ 6,669,552	\$ 25,114,186
<b>Net losses (realized/unrealized)</b>	-	(340,774)	(340,774)
<b>Purchases</b>	102,377,342	-	102,377,342
<b>Sales</b>	(98,505,478)	-	(98,505,478)
<b>Ending balance - 6/30/2016</b>	\$ 22,316,498	\$ 6,328,778	\$ 28,645,276

Changes in Level 3 Category	Common/ Collective Trusts	Limited Partnerships	Total
<b>Beginning balance - 7/1/2014</b>	\$ 21,705,084	\$ 6,476,669	\$ 28,181,753
<b>Net gains (realized/unrealized)</b>	-	192,883	192,883
<b>Purchases</b>	82,498,224	-	82,498,224
<b>Sales</b>	(85,758,674)	-	(85,758,674)
<b>Ending balance - 6/30/2015</b>	\$ 18,444,634	\$ 6,669,552	\$ 25,114,186

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 \$384,468 and \$473,485 as of June 30, 2016 and 2015, respectively. The International Union also contributes to a multiemployer defined benefit pension plan on behalf of its employees. Contributions to this plan were \$1,080,689 and \$1,030,611 for the years ended June 30, 2016 and 2015, respectively.

#### Note 6. Postretirement Benefits

During the year ended June 30, 2016, the International changed its arrangement for providing medical and prescription coverage for both active and retired employees. These benefits are now 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 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 plan amendment resulted in a settlement gain of approximately \$110.2 million.

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

Postretirement benefit costs for the years ended June 30, 2016 and 2015 include the following components:

	2016	2015
<b>Service cost</b>	\$ 3,125,000	\$ 6,616,000
<b>Interest cost</b>	3,833,000	7,866,000
<b>Amortization of prior service cost</b>	(1,699,000)	(1,699,000)
<b>Total postretirement benefit cost</b>	\$ 5,259,000	\$ 12,783,000

The accumulated postretirement benefit obligation and funded status at June 30, 2016 and 2015 are as follows:

	2016	2015
<b>Postretirement benefit obligation</b>	\$ 63,801,000	\$ 170,077,000
<b>Fair value of plan assets</b>	-	-
<b>Excess of postretirement benefit obligation over plan assets</b>	\$ 63,801,000	\$ 170,077,000

The above postretirement benefit cost does not represent the actual amount paid (net of estimated Medicare Part D subsidies) of \$3,023,000 and \$6,692,000 for the years ended June 30, 2016 and 2015, respectively. The net actuarial loss that will be amortized from unrestricted net assets into net periodic benefit cost during 2015 is \$2,236,000.

During the year ended June 30, 2016, the International Union paid the NECA/IBEW Family Medical Care Plan approximately \$11,500,000 for medical and prescription coverage for both active and retired employees.

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

	2016	2015
<b>Discount rate</b>	4.75%	4.75%

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

	2016	2015
<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, 2016, 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, 2016 by \$10,756,000 and \$1,632,000, 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, 2016 by \$8,733,000 and \$990,000, respectively.

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

Year ending June 30, 2017	\$ 2,663,000
2018	2,812,000
2019	2,966,000
2020	3,118,000
2021	3,288,000
Years 2022-2026	19,042,000

The International Union appropriated investments of \$209,941,000 at June 30, 2016 to pay for future postretirement benefit costs.

#### Note 7. Mortgages Payable

The IBEW Headquarters Building LLC (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 \$37,191,698 are due in full. Future minimum payments on the mortgage obligations are due as follows:

Year ending June 30, 2017	\$ 6,349,298
2018	6,349,298
2019	6,349,298
2020	37,191,698
	56,239,592
Less: interest portion	(7,473,530)
	\$48,766,062

#### Note 8. 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, 2016 and 2015, the International Union recognized as revenue \$1,909,870 and \$1,864,589, respectively.

#### Note 9. 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 10. 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 \$2,500,000 and \$2,600,000, for the years ended June 30, 2016 and 2015, 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 11. Operating Leases

The International Union, through the 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, 2017	\$ 9,427,083
2018	9,300,387
2019	8,687,544
2020	8,590,498
2021	8,265,520
Thereafter	42,184,112

#### Note 12. 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 statements of financial position.

#### Note 13. Subsequent Events Review

Subsequent events have been evaluated through August 17, 2016, which is the date the 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 financial statements. ■