

Report of Independent Auditors

International Executive Council
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 or IBEW), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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, 2020 and 2019, 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
October 5, 2020

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

JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Cash and cash equivalents	\$11,068,052	\$10,385,112
Receivables		
Loans and advances to chartered bodies	424,000	483,415
Per capita tax receivable	12,905,051	11,890,498
Due from Trust for the IBEW Pension Benefit Fund (PBF)	828,982	119,710
Unbilled rent	5,848,580	6,009,020
Accrued interest and dividends	654,700	639,721
Security sales pending settlement	5,923,535	261,798
Other	621,380	587,330
Total receivables	27,206,228	19,991,492
Investments - at fair value	444,228,807	436,549,814
Property and equipment - at cost		
Land, building and improvements	140,128,444	140,789,467
Furniture and equipment	50,120,284	47,519,350
	190,248,728	188,308,817
Accumulated depreciation	(83,450,837)	(79,199,688)
Net property and equipment	106,797,891	109,109,129
Other assets		
Cash held for reciprocity agreements pending settlement	4,425,796	17,034,548
Deferred leasing, organization and financing costs (net of amortization)	2,766,135	2,749,146
Prepaid expenses	1,248,689	973,790
Inventory of merchandise and office supplies, at cost	1,522,852	1,360,491
Other	2,248,906	450,661
Total other assets	12,212,378	22,568,636
Total assets	\$601,513,356	\$598,604,183
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$6,801,192	\$5,670,328
Excess of projected benefit obligation over pension plan assets	127,400,451	78,714,347
Liability for postretirement benefits	78,496,000	73,216,010
Security purchases pending settlement	11,250,971	608,305
Deferred per capita tax revenue	10,814,585	10,281,807
Reciprocity agreement funds pending settlement	4,425,459	17,025,172
Other	5,426,792	3,832,027
Total liabilities	244,615,450	189,347,996
Net assets without donor restrictions		
Appropriated for additional postretirement benefits	173,768,000	167,912,000
Unappropriated	183,129,906	241,344,187
Total net assets	356,897,906	409,256,187
Total liabilities and net assets	\$601,513,356	\$598,604,183

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

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating revenue		
Per capita tax	\$ 150,471,290	\$ 144,132,304
Initiation and reinstatement fees	1,787,719	1,894,094
Rental income, net	12,065,593	12,123,627
Sales of supplies	817,109	1,016,769
Other income	2,947,354	4,455,087
Total operating revenue	168,089,065	163,621,881
Operating expenses		
Program services expenses		
Field services and programs	115,269,032	106,076,840
Media relations	11,840,471	8,824,583
Industry trade programs	19,625,533	19,366,526
Per capita tax expense	7,476,115	7,405,568
Legal defense	2,651,624	2,769,262
Total program services	156,862,775	144,442,779
Supporting services expenses		
Governance and oversight	7,555,265	7,392,597
General administration	10,535,237	9,250,958
Total supporting services	18,090,502	16,643,555
Total operating expenses	174,953,277	161,086,334
Change in net assets from operations before investment and other income	(6,864,212)	2,535,547
Investment income		
Interest and dividends	7,234,071	6,886,696
Net appreciation in fair value of investments	3,997,258	13,296,567
Investment expenses	(953,672)	(1,034,975)
Net investment income	10,277,657	19,148,288
Other income (expense)		
Gain (loss) on sale of property and equipment	(282,609)	19,930
Currency translation adjustment	(789,239)	(620,327)
Total other income (expense)	(1,071,848)	(600,397)
Change in net assets from operations after investment and other income	2,341,597	21,083,438
Other components of defined benefit pension and postretirement net periodic benefit cost		
Pension benefits	3,757,845	5,692,880
Postretirement health care benefits	(1,656,000)	(1,514,000)
Defined benefit pension and postretirement benefit changes other than net periodic benefit cost	(54,071,581)	(46,182,115)
Postretirement health care benefits	(2,730,142)	(1,911,258)
Appropriation of net assets to fund postretirement benefits not yet accrued	(5,856,000)	(6,749,000)
Change in net assets without donor restrictions, unappropriated	(58,214,281)	(29,580,055)
Net assets without donor restrictions, unappropriated		
Beginning of year	241,344,187	270,924,242
End of year	\$ 183,129,906	\$ 241,344,187
Net assets without donor restrictions, appropriated		
Beginning of year	\$ 167,912,000	\$ 161,163,000
Appropriation of net assets to fund postretirement benefits not yet accrued	5,856,000	6,749,000
End of year	\$ 173,768,000	\$ 167,912,000

International Brotherhood of Electrical Workers and Subsidiaries Consolidated Statements of Functional Expenses

YEARS ENDED JUNE 30, 2020 AND 2019

	2020							
	Program Services					Supporting Services		Total
	Field Services and Programs	Media Relations	Industry Trade	Per Capita Tax	Legal Defense	Governance and Oversight	General Administration	
Salaries	\$ 45,795,233	\$ 2,171,798	\$ 8,092,744	\$ -	\$ -	\$ 3,067,934	\$ 5,770,636	\$ 64,898,345
Payroll taxes and employee benefits	39,273,268	1,850,509	6,937,931	-	-	2,628,816	4,927,984	55,618,508
Per capita taxes	-	-	-	7,476,115	-	-	-	7,476,115
Professional fees	1,296,750	45,370	513,502	-	2,651,624	60,354	514,259	5,081,859
Travel and related expenses	5,303,122	36,310	505,680	-	-	313,374	17,582	6,176,068
Electrical Worker printing and mailing expenses	-	4,629,742	-	-	-	-	-	4,629,742
Other expenses	13,478,380	2,816,140	2,836,319	-	-	876,032	1,117,058	21,123,929
Administrative reimbursement from PBF	-	-	-	-	-	-	(2,565,000)	(2,565,000)
Building operations	10,122,279	290,602	739,357	-	-	608,755	752,718	12,513,711
Total operating expense	115,269,032	11,840,471	19,625,533	7,476,115	2,651,624	7,555,265	10,535,237	174,953,277
Other components of defined benefit pension and postretirement net periodic benefit cost	(1,484,153)	(69,931)	(262,187)	-	-	(99,344)	(186,230)	(2,101,845)
Total	\$ 113,784,879	\$ 11,770,540	\$ 19,363,346	\$ 7,476,115	\$ 2,651,624	\$ 7,455,921	\$ 10,349,007	\$ 172,851,432

	2019							
	Program Services					Supporting Services		Total
	Field Services and Programs	Media Relations	Industry Trade	Per Capita Tax	Legal Defense	Governance and Oversight	General Administration	
Salaries	\$ 42,107,391	\$ 1,969,363	\$ 7,746,909	\$ -	\$ -	\$ 2,905,727	\$ 5,494,851	\$ 60,224,241
Payroll taxes and employee benefits	35,611,485	1,664,539	6,553,447	-	-	2,632,372	4,442,233	50,904,076
Per capita taxes	-	-	-	7,405,568	-	-	-	7,405,568
Professional fees	854,073	67,364	501,216	-	2,769,262	41,247	297,766	4,530,928
Travel and related expenses	6,949,767	50,514	713,149	-	-	426,036	30,657	8,170,123
Electrical Worker printing and mailing expenses	-	4,484,663	-	-	-	-	-	4,484,663
Other expenses	9,469,485	264,249	3,016,590	-	-	703,891	763,387	14,217,602
Administrative reimbursement from PBF	-	-	-	-	-	-	(2,625,000)	(2,625,000)
Building operations	11,084,639	323,891	835,215	-	-	683,324	847,064	13,774,133
Total operating expense	106,076,840	8,824,583	19,366,526	7,405,568	2,769,262	7,392,597	9,250,958	161,086,334
Other components of defined benefit pension and postretirement net periodic benefit cost	(2,923,254)	(136,670)	(538,083)	-	-	(379,336)	(201,537)	(4,178,880)
Total	\$ 103,153,586	\$ 8,687,913	\$ 18,828,443	\$ 7,405,568	\$ 2,769,262	\$ 7,013,261	\$ 9,049,421	\$ 156,907,454

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

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Cash flows from		
Affiliated chartered bodies	\$ 152,594,343	\$ 146,769,412
Interest and dividends	7,219,092	6,838,851
Rental income	12,732,827	12,379,396
Participant contributions collected on behalf of PBF	89,557,751	86,818,004
Reimbursement of administrative expenses from PBF	2,565,000	2,625,000
Other	2,913,304	4,490,465
Cash provided by operations	267,582,317	259,921,128
Cash paid for		
Salaries, payroll taxes, and employee benefits	(117,492,792)	(114,973,818)
Service providers, vendors and others	(47,632,659)	(37,136,896)
Participant contributions remitted to PBF	(90,327,023)	(88,651,904)
Per capita tax	(7,476,115)	(7,405,568)
Interest	(98,700)	(2,468,419)
Cash used for operations	(263,027,289)	(250,636,605)
Net cash provided by operating activities	4,555,028	9,284,523
Cash flows from investing activities		
Repayments on loans and advances made to chartered bodies	59,415	424,000
Purchases of property and equipment	(3,612,108)	(3,159,678)
Purchases of investments	(182,927,899)	(176,338,134)

	2020	2019
Proceeds from sales of property and equipment	50,905	20,401
Proceeds from sales of investments	166,664,777	245,924,718
Net short-term cash investment transactions	17,562,316	(29,289,461)
Net cash provided by (used for) investing activities	(2,202,594)	37,581,846
Cash flows from financing activities		
Payments on mortgages and other notes	-	(41,155,933)
Principal repayments under capital lease obligations	(880,255)	(111,596)
Net cash used for financing activities	(880,255)	(41,267,529)
Effect of exchange rate changes on cash and cash equivalents	(789,239)	(620,327)
Net change in cash and cash equivalents	682,940	4,978,513
Cash and cash equivalents		
Beginning of year	10,385,112	5,406,599
End of year	\$ 11,068,052	\$ 10,385,112
Supplemental disclosure		
Property and equipment acquired under capital lease obligations	\$ 1,799,556	\$ 774,156

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International Brotherhood of Electrical Workers and Subsidiaries

Notes to Consolidated Financial Statements

YEARS ENDED JUNE 30, 2020 AND 2019

Note 1. Summary of Significant Accounting Policies

Nature of Operations — The International Brotherhood of Electrical Workers (International Union or IBEW) 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 an office building that 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. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation — Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC), *Not-for-Profit Entities — Presentation of Financial Statements*. Under those principles, the International Union is required to report information regarding its financial position and activities according to two classes of net assets — net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions — These net assets are available to finance the general operations of the International Union. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the International Union, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions — These net assets result from contributions and other inflows of assets, the use of which by the International Union is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.

As of June 30, 2020 and 2019, the International Union did not have any net assets with donor restrictions.

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, 2020 and 2019 were settled in July 2020 and 2019, 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 zero balance at June 30, 2020 and 2019.

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 and capital leases	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 net realizable value of items held.

Revenue Recognition — Revenue from members and customers consists primarily of per capita tax, initiation and reinstatement fees, royalties, event registrations, and sales of supplies. Revenue is recognized when control of the promised goods or services is transferred to our members and customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. This revenue is recognized net of discounts, waivers, and refunds. Revenue is recognized using the five-step approach required by ASC Topic 606, *Revenue From Contracts With Customers*, as follows:

- Identification of the contract;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, performance obligations are satisfied.

Performance Obligations and Significant Judgments

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service and recognized as revenue when, or as, the performance obligation is satisfied.

Per capita taxes entitle members to a bundle of goods and services that are considered a single performance obligation and provided ratably over the membership period. Initiation and reinstatement fees are assessments levied at a point in time. Sales of supplies entitle members and customers to IBEW branded goods for which revenue is recognized when goods are provided to the member/customer. Event registrations are recognized as revenue when the event is held, and royalties are recognized as revenue as underlying sales are made.

Contract Balances

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities reported in the consolidated statements of financial position. Contract assets consist primarily of per capita tax receivable, which is recognized only to the extent that it is probable that IBEW will collect substantially all of the consideration to which it is entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist primarily of deferred per capita tax revenue that results when IBEW receives advance payments from our members before revenue is recognized.

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 and changes in net assets 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 and changes in net assets.

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 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.

Functional Allocation of Expenses — The costs of providing the various programs and supporting activities of the International Union have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and related fringe benefits are allocated based on employee time and effort. Other common costs such as occupancy, depreciation and related infrastructure costs are allocated based on salary allocations.

New Accounting Pronouncements Adopted — During the year ended June 30, 2020, IBEW adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized, including performance obligations, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. It also requires expanded disclosures about the nature, amount, and timing of revenue and cash flows.

Also, during the year ended June 30, 2020, IBEW adopted the provisions of Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (the Update). The Update requires that only the service cost component of net periodic pension and postretirement costs be reported with other compensation costs in the statements of activities and functional expenses. The other components of net benefit cost (interest cost, actual return on plan assets, amortization of prior service cost/credit, gain/loss, amortization of net transition asset/obligation) are required to be reported in the statement of activities as a change in net assets without donor restrictions separate from expenses. The effects of this change have been applied retrospectively.

Reclassifications — Certain reclassifications have been made to the 2019 consolidated financial statements to conform to the presentation in the 2020 consolidated financial statements.

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 (IRC). 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 Form 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, 2017 through 2019 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

Note 3. Liquidity and Availability of Financial Resources

As part of the International Union's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the International Union invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal. The International Union's Board appropriated \$173,768,000 as of June 30, 2020 and \$167,912,000 as of June 30, 2019 for postretirement health care as disclosed in Note 7. However, in the event of unanticipated liquidity needs, the International Union's Board could make available all or a portion of the amount currently appropriated.

The following table represents the International Union's financial assets available to meet cash needs for general expenditures within one year of June 30, 2020 and 2019.

	2020	2019
Total assets	\$ 601,513,356	\$ 598,604,183
Less nonfinancial assets		
Net property and equipment	(106,797,891)	(109,109,129)
Net deferred leasing, organization, and financing costs	(2,766,135)	(2,749,146)
Prepaid expenses	(1,248,689)	(973,790)
Inventory	(1,522,852)	(1,360,491)
Other nonfinancial assets	(2,248,906)	(450,661)
Total financial assets	486,928,883	483,960,966
Less amounts unavailable within one year		
Appropriated for additional postretirement benefits	(173,768,000)	(167,912,000)
Reciprocity Agreement funds pending settlement	(4,425,459)	(17,025,172)
Loans and advances to chartered bodies not expected to be collected within one year	(406,000)	(424,000)
Unbilled rent receivable not expected to be collected within one year	(5,813,761)	(5,696,552)
Total financial assets available for general expenditures within one year	<u>\$ 302,515,663</u>	<u>\$ 292,903,242</u>

Note 4. 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 fund 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 (NAV) per share as reported by the investee, while the fair values of investments in limited partnerships and other alternative investments are estimated based on financial information provided by each investment entity.

	June 30, 2020	
	Cost	Fair Value
Short-term cash investments	\$ 42,323,161	\$ 42,323,161
Government and government agency obligations	31,421,546	32,234,944
Corporate bonds and notes	48,937,722	49,709,043
Preferred stock	190,800	174,574
Common stock	123,678,520	160,035,371
Mortgage loans	1,747,463	1,865,093
Mutual funds	10,916,984	9,658,708
103-12 entities	19,177,522	39,030,824
Other alternative investments	1,500,000	-
INDURE REIT LLC	46,627,454	88,318,638
AFL-CIO Housing Investment Trust	20,138,048	20,878,451
	<u>\$ 346,659,220</u>	<u>\$ 444,228,807</u>

	June 30, 2019	
	Cost	Fair Value
Short-term cash investments	\$ 59,896,996	\$ 59,896,996
Government and government agency obligations	24,830,869	25,298,844
Corporate bonds and notes	37,077,283	37,291,368
Preferred stock	275,800	268,946
Common stock	120,671,719	156,803,089
Mortgage loans	1,895,036	2,012,666
Mutual funds	10,608,062	10,704,321
103-12 entities	19,213,532	36,798,408
Other alternative investments	1,500,000	-
INDURE REIT LLC	46,627,454	87,968,940
AFL-CIO Housing Investment Trust	19,610,478	19,506,236
	<u>\$ 342,207,229</u>	<u>\$ 436,549,814</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 (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the International Union has the ability to access.

Level 2 Inputs to the valuation methodology include other significant observable inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table set forth, by level within the fair value hierarchy, the International Union's investment assets at fair value as of June 30, 2020:

Description	Total Investments	Quoted Market	Significant Other	Significant
		Prices for Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Short-term cash investments	\$ 42,323,161	\$ -	\$ 42,323,161	\$ -
Government and government agency obligations	32,234,944	10,791,069	21,443,875	-
Corporate bonds and notes	49,709,043	-	49,709,043	-
Preferred stock	174,574	-	174,574	-
Common stock	160,035,371	139,208,426	-	20,826,945
Mortgage loans	1,865,093	-	1,865,093	-
Mutual funds	9,658,708	9,658,708	-	-
Total	<u>296,000,894</u>	<u>\$ 159,658,203</u>	<u>\$ 115,515,746</u>	<u>\$ 20,826,945</u>
Investments measured at NAV*	148,227,913			
Investments at fair value	<u>\$ 444,228,807</u>			

*Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

The following table set forth, by level within the fair value hierarchy, the International Union's investment assets at fair value as of June 30, 2019:

Description	Total Investments	Quoted Market	Significant Other	Significant
		Prices for Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Short-term cash investments	\$ 59,896,996	\$ -	\$ 59,896,996	\$ -
Government and government agency obligations	25,298,844	12,036,734	13,262,110	-
Corporate bonds and notes	37,291,368	-	37,291,368	-
Preferred stock	268,946	-	268,946	-
Common stock	156,803,089	140,766,682	-	16,036,407
Mortgage loans	2,012,666	-	2,012,666	-
Mutual funds	10,704,321	10,704,321	-	-
Total	<u>292,276,230</u>	<u>\$ 163,507,737</u>	<u>\$ 112,732,086</u>	<u>\$ 16,036,407</u>
Investments measured at NAV*	144,273,584			
Investments at fair value	<u>\$ 436,549,814</u>			

*Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

Changes in Fair Value of Level 3 Assets

The following table set forth a summary of the changes in fair value of the International Union's Level 3 assets for the year ended June 30, 2020:

Changes in Level 3 Category	Stock
Beginning Balance – 7/1/2019	\$ 16,036,407
Net gains (realized/unrealized)	4,790,538
Purchases	-
Sales	-
Transfers in/out Level3	-
Ending Balance – 6/30/2020	<u>\$ 20,826,945</u>

The following table set forth a summary of the changes in fair value of the International Union's Level 3 assets for the year ended June 30, 2019:

Changes in Level 3 Category	Stock
Beginning Balance – 7/1/2018	\$ 15,617,340
Net gains (realized/unrealized)	419,067
Purchases	–
Sales	–
Transfers in/out Level3	–
Ending Balance – 6/30/2019	<u>\$ 16,036,407</u>

Following are the descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2020 and 2019.

Level 1

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

Most Government and government agency obligations, municipal bonds, corporate bonds and notes, preferred stock 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.

Short-term cash investments are valued at cost which approximates fair value.

Level 3

Common 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.

Note 5. 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 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 NAV per share as fair value measurement as of June 30, 2020 by investment strategy:

Description	Fair Value (in millions)	Unfunded commitments (in millions)	Redemption frequency	Redemption notice period
a.103-12 investment entities	\$ 39.0	\$ –	Daily, Monthly	One day, 30 days
b. AFL-CIO HIT	20.9	–	Monthly	15 days
			Maximum 20% redemptions allowed for 24 months following initial investment, daily	
c. INDURE REIT LLC	88.3	–	redemptions after	One day

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 \$29.8 million and another in the ULLICO Diversified International Equity Fund for \$9.2 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 markets 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. The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) Housing Investment Trust (HIT) 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.

The following table summarizes the International Union's investments in certain entities that calculate NAV per share as fair value measurement as of June 30, 2019 by investment strategy:

Description	Fair Value (in millions)	Unfunded commitments (in millions)	Redemption frequency	Redemption notice period
a.103-12 investment entities	\$ 36.8	\$ –	Daily, Monthly	One day, 30 days
b. AFL-CIO HIT	19.5	–	Monthly	15 days
			Maximum 20% redemptions allowed for 24 months following initial investment, daily	
c. INDURE REIT LLC	88.0	–	redemptions after	One day

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 \$27.3 million and another in the ULLICO Diversified International Equity Fund for \$9.5 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 markets 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. The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) Housing Investment Trust (HIT) 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.

Note 6. 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, 2020 and 2019 is summarized as follows:

	2020	2019
Reported as part of compensation expense		
Service cost	\$ 23,014,307	\$ 19,202,491
Reported as other changes in net assets		
Interest cost	23,235,903	23,541,573
Expected return on plan assets	(35,837,573)	(34,112,140)
Net amortization of loss	8,843,825	4,877,687
	<u>(3,757,845)</u>	<u>(5,692,880)</u>
Net periodic pension cost	<u>\$ 19,256,462</u>	<u>\$ 13,509,611</u>

Total amounts recognized as changes in unrestricted net assets separate from expenses reported in the consolidated statements of activities and changes in net assets as pension-related changes other than net periodic pension cost for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Net actuarial loss	<u>\$ 54,071,581</u>	<u>\$ 46,182,115</u>

Amounts that have not yet been recognized as components of net periodic pension cost as of June 30, 2020 consist of the following:

Net actuarial loss	<u>\$ 202,301,222</u>
---------------------------	-----------------------

The net periodic pension cost is based on the following weighted-average assumptions at the beginning of the year:

	2020	2019
Discount rate	4.00%	4.50%
Average rate of compensation increase	4.25%	4.50%
Expected long-term rate of return on plan assets	7.00%	7.00%

The plans' obligations and funded status as of June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Fair value of plan assets	\$ 532,793,378	\$ 528,815,378
Projected benefit obligation	660,193,829	607,529,725
Deficiency of plan assets over projected benefit obligation	\$ 127,400,451	\$ 78,714,347

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

	2020	2019
Discount rate	3.50%	4.00%
Average rate of compensation increase	4.00%	4.50%

Employer contributions, employee contributions and benefit payments for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Employer contributions	\$ 24,641,939	\$ 23,633,734
Employee contributions	1,888,925	1,821,763
Benefit payments	29,056,060	28,612,561

Total expected employer contributions for the year ending June 30, 2021 are \$24.2 million.

Total expected benefit payments for the next 10 fiscal years are as follows:

Year ending June 30, 2021	\$ 30,453,985
2022	31,001,260
2023	31,620,546
2024	32,572,252
2025	33,616,883
Years 2026 -2030	184,951,634

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, 2020 and 2019, by asset category, are as follows:

Asset category	2020	2019
Cash and cash equivalents	4%	4%
Equity securities	60%	61%
Debt securities	21%	20%
Real estate and other	15%	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 table sets forth, by level within the fair value hierarchy, the pension plans' investment assets at fair value as of June 30, 2020:

Description	Total Investments at June 30, 2020	Quoted Market Prices for Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unitized Pool Investments				
Common stock	\$ 191,199,692	\$ 191,199,692	\$ -	\$ -
Preferred stock	174,574	-	174,574	-
Corporate bonds	27,110,027	-	27,110,027	-
U.S. Government and government agency obligations	14,865,315	4,277,005	10,588,310	-
Municipal bonds	12,301,970	-	12,301,970	-
Registered investment companies	1,690,593	1,690,593	-	-
Common/collective trusts	11,393,987	-	-	11,393,987
	258,736,158	\$ 197,167,290	\$ 50,174,881	\$ 11,393,987
Investments measured at net asset value*	246,114,684			
Total	\$ 504,850,842			

Non-Pool Investments

Cash and cash equivalents	\$ 621,324	\$ 621,324	\$ -	\$ -
Common/collective trusts	11,318,171	-	-	11,318,171
Canadian Government obligations	6,240,965	1,164,660	5,076,305	-
Corporate obligations	6,769,417	-	6,769,417	-
Common stocks	22,055,137	22,055,137	-	-
	47,005,014	\$ 23,841,121	\$ 11,845,722	\$ 11,318,171

Investments measured at net asset value*	1,966,819
Total	48,971,833

Other Assets and Liabilities

Cash	4,925
Accrued investment income receivable	606,129
Accounts payable and accrued expenses	(701,244)
Net transactions pending settlement	(3,213,800)
Total	(3,303,990)
Net assets, total	550,518,685
Less: share to other employers	(17,725,307)
Fair value of plan assets	\$ 532,793,378

*Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

The following table set forth, by level within the fair value hierarchy, the pension plans' investment assets at fair value as of June 30, 2019:

Description	Total Investments at June 30, 2019	Quoted Market Prices for Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unitized Pool Investments				
Common stock	\$ 188,876,412	\$ 188,876,412	\$ -	\$ -
Preferred stock	283,760	-	283,760	-
Corporate bonds	26,766,466	-	26,766,466	-
U.S. Government and government agency obligations	23,561,888	12,305,111	11,256,777	-
Municipal bonds	4,434,623	-	4,434,623	-
Registered investment companies	1,702,032	1,702,032	-	-
Common/collective trusts	11,996,549	-	-	11,996,549
	257,621,730	\$ 202,883,555	\$ 42,741,626	\$ 11,996,549
Investments measured at net asset value*	245,591,405			
Total	\$ 503,213,135			

Non-Pool Investments

Cash and cash equivalents	\$ 1,745,288	\$ 1,745,288	\$ -	\$ -
Common/collective trusts	8,397,378	-	-	8,397,378
Canadian Government obligations	4,742,489	1,164,660	3,577,829	-
Corporate obligations	6,781,387	-	6,781,387	-
Common stocks	25,252,063	25,252,063	-	-
	46,918,605	\$ 28,162,011	\$ 10,359,216	\$ 8,397,378

Investments measured at net asset value*	1,631,309
Total	48,549,914

Other Assets and Liabilities

Cash	2,594
Accrued investment income receivable	653,512
Accounts payable and accrued expenses	(355,312)
Net transactions pending settlement	(7,204,734)
Total	(6,903,940)
Net assets, total	544,859,109
Less: share to other employers	(16,043,731)
Fair value of plan assets	\$ 528,815,378

*Investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

REPORT OF INDEPENDENT AUDITORS *continued on page 18*

The following is a summary of the changes in Level 3 investments for the years ended June 30, 2020 and 2019:

Changes in Level3 Category	Common/Collective Trusts	
	2020	2019
Beginning balance - 7/1/	\$ 20,393,927	\$ 22,604,203
Net gains(realized/unrealized)	-	-
Purchases	105,231,432	106,793,185
Sales	(102,913,201)	(109,003,461)
Ending balance - 6/30/	\$ 22,712,158	\$ 20,393,927

The International Union maintains a Supplemental Plan under IRC 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 \$1,138,807 and \$1,002,947 as of June 30, 2020 and 2019, respectively. The International Union also contributes to a multi-employer defined benefit pension plan on behalf of its employees. Contributions to this plan were \$1,191,716 and \$1,158,357 for the years ended June 30, 2020 and 2019, respectively.

Note 7. Postretirement Benefits

The International Union provides medical and prescription insurance coverage for both active and retired employees 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 does not report a liability for the excess of the related postretirement benefit obligation over plan assets in connection with the provision of these benefits. However, the International Union does appropriate net assets in an amount sufficient to fund the liability that would be accrued for the medical and prescription insurance coverage were those benefits not funded through a multiemployer plan. The International Union also provides certain health care, life insurance and legal benefits for substantially all employees who reach normal retirement age while working for the International Union. A liability is reported for the excess of the postretirement benefit obligation over plan assets in connection with the provision of these additional benefits. Related benefit costs for the years ended June 30, 2020 and 2019:

	2020	2019
Reported as part of compensation expense		
Service cost	\$ 3,372,000	\$ 3,122,000
Reported as other changes in net assets		
Interest cost	3,074,000	3,213,000
Amortization of prior service cost	(1,418,000)	(1,699,000)
	1,656,000	1,514,000
Total postretirement benefit cost	\$ 5,028,000	\$ 4,636,000

The accumulated postretirement benefit obligation and funded status at June 30, 2020 and 2019 are as follows:

	2020	2019
Postretirement benefit obligation	\$ 78,496,000	\$ 73,216,010
Fair value of plan assets	-	-
Excess of postretirement benefit obligation over plan assets	\$ 78,496,000	\$ 73,216,010

The above postretirement benefit cost does not represent the actual amount paid (net of estimated Medicare Part D subsidies) of \$2,478,000 and \$2,745,000 for the years ended June 30, 2020 and 2019, respectively. Amounts of as June 30, 2020 that have been recognized in net assets but not yet amortized into net periodic postretirement benefit cost are:

Prior service cost	\$ (4,030,000)
Net gain	(2,136,000)
	<u>\$ (6,166,000)</u>

The amounts that will be amortized from net assets into net periodic benefit cost during 2021 total \$1,357,000.

During the year ended June 30, 2020, the International Union paid the NECA/IBEW Family Medical Care Plan approximately \$15,500,000 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:

	2020	2019
Discount rate	4.00%	4.50%

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

	2020	2019
Discount rate	4.00%	4.00%

The assumed health care cost trend rates used to measure the expected cost of benefits for the year ended June 30, 2020, were assumed to increase by 8.0% for medical, 5.42% for green shield, 3.73% for dental/vision, 3.73% for Medicare Part B premiums, and 3% for legal costs. Thereafter, rates for increases in medical were assumed to gradually decrease until they reach 3.73% over 15 years. If the assumed rates increased by one percentage point it would increase the benefit obligation and net periodic benefit cost as of June 30, 2020 by \$14,539,000 and \$1,498,000, 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, 2020 by \$11,722,000 and \$1,152,000, respectively.

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

Year ending June30, 2021	\$ 2,984,000
2022	3,108,000
2023	3,251,000
2024	3,413,000
2025	3,594,000
Years 2026 -2030	20,739,000

The International Union appropriated investments of \$173,768,000 at June 30, 2020 to pay for future post-retirement benefit costs.

Note 8. Mortgages Payable

The IBEW Headquarters Building LLC had 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 International Union's assets. The mortgage loans bore interest at an annual rate of 5.63% and required monthly installments of principal and interest totaling \$529,108. During the year ended June 30, 2019, the Company paid the remaining balance on its mortgage obligations in full.

Note 9. Revenue from Contracts with Customers

The following table disaggregates IBEW's revenue based on timing of satisfaction of performance obligations for the years ended June 30, 2020 and 2019.

	2020	2019
Performance obligations satisfied over time		
Per capita tax	\$ 150,471,290	\$ 144,132,304
Royalty revenue	609,618	1,036,827
Performance obligations satisfied at a point in time		
Initiation and reinstatement fees	1,787,719	1,894,094
Sales of merchandise and supplies	817,109	1,016,769
Meeting registration and fees	1,462,950	2,114,263
Other Revenue*		
Rental income, net	12,065,593	12,123,627
Other income	874,786	1,303,997
	<u>\$ 168,089,065</u>	<u>\$ 163,621,881</u>

*Due to the nature of these revenue streams, these items are excluded from required disaggregation under Topic 606. The are included here to provide a reconciliation to total revenues reported in the consolidated statement of activities.

Contract Balances

All of IBEW's contract assets are considered accounts receivable and are included within the accounts receivables balance in the consolidated statements of financial position. All of IBEW's contract liabilities are included with deferred revenues in the consolidated statements of financial position. Balances in these accounts as of the beginning and end of the years ended June 30, 2020 and 2019 are as follows.

	2020	2019	2018
Receivables			
Per capita tax	\$ 12,905,051	\$ 11,890,498	\$ 10,470,183
Merchandise sales	33,868	421,968	92,833
	<u>\$ 12,938,919</u>	<u>\$ 12,312,466</u>	<u>\$ 10,563,016</u>
Deferred revenue			
Per capita tax	\$ 10,814,585	\$ 10,281,807	\$ 9,135,247
Convention income	1,604,904	1,477,601	1,089,773
	<u>\$ 12,419,489</u>	<u>\$ 11,759,408</u>	<u>\$ 10,225,020</u>

Note 10. 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 2018, these agreements were extended to December 2025. For the years ended June 30, 2020 and 2019, the International Union recognized as revenue \$609,618 and \$1,036,827, respectively.

Note 11. 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 12. 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 \$2,565,000 and \$2,625,000, for the years ended June 30, 2020 and 2019, 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 13. 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 2031, 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 June30, 2021	\$ 10,085,231
2022	9,682,293
2023	9,410,227
2024	8,724,280
2025	7,274,474
Thereafter	21,973,421

Note 14. Capital Leases

The International Union has entered into a master lease agreement for automobiles that qualifies as a capital lease arrangement. As such, the leased automobiles are capitalized and depreciated over their respective lease terms, and a liability is reported for the net present value of the future lease payments due. Remaining lease payments as of June 30, 2020 are due as follows:

Year ending June30,	2021	\$ 1,211,038
	2022	432,893
		<u>1,643,931</u>
Less amount representing interest		<u>(62,070)</u>
Net present value of remaining lease payments		<u>\$ 1,581,861</u>

Note 15. 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 16. Subsequent Events Review

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on IBEW's financial condition and activities cannot be determined at this time. All subsequent events have been evaluated through October 5, 2020, which is the date the consolidated financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying consolidated financial statements. ■



The Electrical Worker was the name of the first official publication of the National Brotherhood of Electrical Workers in 1893 (the NBEW became the IBEW in 1899 with the expansion of the union into Canada). The name and format of the publication have changed over the years. This newspaper is the official publication of the IBEW and seeks to capture the courage and spirit that motivated the founders of the Brotherhood and continue to inspire the union's members today. The masthead of this newspaper is an adaptation of that of the first edition in 1893.

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We welcome letters from our readers. The writer should include his or her name, address and, if applicable, IBEW local union number and card number. Family members should include the local union number of the IBEW member to whom *The Electrical Worker* is mailed. Please keep letters as brief as possible. *The Electrical Worker* reserves the right to select letters for publication and edit all submissions for length.

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The Electrical Worker (print)
ISSN 2332-113X

The Electrical Worker (online)
ISSN 2332-1148

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POSTMASTER: Send address changes to *The Electrical Worker*, 900 Seventh Street, N.W., Washington, D.C. 20001.

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