

ATTACHMENT C

2004 FINANCIAL STATEMENT

LABORERS' INTERNATIONAL UNION OF NORTH AMERICA  
LABORERS' LOCAL 210

Financial Statements

December 31, 2004 and 2003

LABORERS' INTERNATIONAL UNION OF NORTH AMERICA  
LABORERS' LOCAL 210

Financial Statements

December 31, 2004 and 2003

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INDEPENDENT AUDITORS' REPORT

To the Executive Board of Directors and Liaison Officer  
 Laborers' International Union of North America  
 Laborers' Local 210  
 Buffalo, New York

We have audited the accompanying statement of assets, liabilities and net assets – modified cash basis of Laborers' International Union of North America, Laborers' Local 210 as of December 31, 2004, and the related statements of revenue and expenses and changes in net assets – modified cash basis, and cash flows – modified cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements and supplemental information of Laborers' International Union of North America, Laborers' Local 210 as of December 31, 2003, were audited by another auditor, whose report dated February 17, 2004 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Laborers' International Union of North America, Laborers' Local 210 as of December 31, 2004, and its revenue and expenses and changes in net assets, and its cash flows for the year then ended on the modified cash basis of accounting, described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schunk, Wilson & Company,  
 Certified Public Accountants, PC

February 23, 2005

Statements of Assets, Liabilities and Net Assets - Modified Cash Basis

December 31, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Current assets		
Cash and cash equivalents	\$ 532,201	\$ 348,611
Certificates of deposit	447,772	438,497
Total current assets	979,973	787,108
Equipment, net	129,716	69,127
Other assets	149,850	149,850
Total assets	<u>\$ 1,259,539</u>	<u>\$ 1,006,085</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	\$ 58,575	\$ 7,930
Total current liabilities	58,575	7,930
Long-term debt, less current portion	-	17,083
Total liabilities	58,575	25,013
Net assets, unrestricted	1,200,964	981,072
Total liabilities and net assets	<u>\$ 1,259,539</u>	<u>\$ 1,006,085</u>

The accompanying notes are an integral part of these financial statements

Statements of Revenue and Expenses and Changes in Net Assets - Modified Cash Basis

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenue		
Member assessments and dues	\$ 1,761,336	\$ 1,354,680
Investment income	25,443	16,876
Other income	16,405	6,195
	<u>1,803,184</u>	<u>1,377,751</u>
Total revenue		
Expenses		
Program services	1,354,515	1,165,705
Management and general	228,777	207,592
	<u>1,583,292</u>	<u>1,373,297</u>
Total expenses		
Increase in net assets	219,892	4,454
Net assets, unrestricted		
Beginning of year	<u>981,072</u>	<u>976,618</u>
End of year	<u>\$ 1,200,964</u>	<u>\$ 981,072</u>

The accompanying notes are in integral part of these financial statements

## Statements of Cash Flows - Modified Cash Basis

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Change in net assets	\$ 219,892	\$ 4,454
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	26,906	11,653
Changes in assets and liabilities:		
Other assets – CSV life insurance	-	55,878
Net cash provided by (used in) operating activities	<u>246,798</u>	<u>71,985</u>
Cash flows from investing activities		
Purchase of certificates of deposit, net	(9,275)	(151,002)
Purchase of fixed assets	(87,495)	(53,510)
Purchase of deferred annuities	-	(100,000)
Net cash provided by (used) in investing activities	<u>(96,770)</u>	<u>(304,512)</u>
Cash flows from financing activities		
Issuance of long-term debt	42,064	25,422
Payment on long-term debt	(8,502)	(409)
Net cash provided by (used) in financing activities	<u>33,562</u>	<u>25,013</u>
Net increase (decrease) in cash	183,590	(207,514)
Cash - beginning of year	<u>348,611</u>	<u>556,125</u>
Cash - end of year	<u>\$ 532,201</u>	<u>\$ 348,611</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 2,158</u>	<u>\$ 408</u>

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

December 31, 2004 and 2003

**1. Summary of Significant Accounting Policies**

General Information: The Laborers' International Union of North America, Laborers' Local 210 ("the Union") was established to represent employees covered by collective bargaining agreements between the Union and various employers and employer associations involved in the construction industry in Western New York State.

The work of the Union, as the representative of its members, is to provide for the continuous employment of labor, to provide stable conditions in the industry, and to establish necessary procedures for the amicable adjustment of disputes which may arise between employers and employees. The Union also sponsors certain pension and welfare benefits, which are paid from separate trust funds and are not included in these financial statements.

Pursuant to a complaint filed by the United States of America against the Union, a Consent Decree has been signed by both parties, ordered on January 24, 2000, whereby the United States District Court for the Western District of New York appointed a Liaison Officer to monitor and oversee certain operations of the Union. The Liaison Officer, appointed in January, 2000 for a period of five years, is charged with the responsibility of insuring that the injunctions contained in the Consent Decree against associations with barred persons and racketeering activities are complied with, and has been granted broad powers to act in an oversight capacity.

Basis of Accounting: The Union prepares its financial statements using a modified cash basis of accounting which is a comprehensive basis other than generally accepted accounting principles. Under this basis, revenues are recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when incurred. Additionally, depreciation of capitalized assets and liabilities for debt are recognized.

Cash and Cash Equivalents: The Union considers all liquid investments with original maturities of three months or less to be cash equivalents.

Concentration of Credit Risk: Certain of the Union's bank, certificates of deposit, money market, and annuity accounts at December 31, 2004 and 2003, and at various times during the respective years, either exceeded limits or were not covered by FDIC insurance.

Equipment and Depreciation: Equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 to 7 years. When properties are disposed of, the cost and accumulated depreciation are written off and any resulting gain or loss is recognized. Maintenance and repairs that do not increase the useful lives of the assets are expensed.

Net Assets: Net assets are considered unrestricted, and are available for any purpose or obligation of the Union.

Tax Status: The Union is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code under a group ruling of exemption issued to Laborers' International Union of North American located in Washington, D.C.

Notes to Financial Statements

December 31, 2004 and 2003

**2. Cash and Cash Equivalents**

Cash and cash equivalents consists of:

	<u>2004</u>	<u>2003</u>
Non-interest bearing checking	\$ 8,144	\$ 8,144
Interest bearing checking	308,405	288,665
Money market bank account	198,231	37,469
Money market fund	<u>17,421</u>	<u>14,333</u>
	<u>\$ 532,201</u>	<u>\$ 348,611</u>

**3. Certificates of Deposit**

The Union has invested \$447,772 in certificates of deposits at December 31, 2004. The certificates bear interest ranging from 2.67% to 7.05% and have remaining maturities ranging from 2 months to 28 months.

**4. Equipment, Net**

Equipment, net consists of:

	<u>2004</u>	<u>2003</u>
Furniture & equipment	\$ 59,802	\$ 59,802
Vehicles	<u>139,317</u>	<u>51,822</u>
	199,119	111,624
Less accumulated depreciation	<u>(69,403)</u>	<u>(42,497)</u>
	<u>\$ 129,716</u>	<u>\$ 69,127</u>

Depreciation expense for the years ended December 31, 2004 and 2003 was \$26,906 and \$11,653, respectively.

**5. Other Assets**

Other assets consists of:

	<u>2004</u>	<u>2003</u>
Cash surrender value - life insurance	\$ 49,850	\$ 49,850
Investment in deferred annuities	<u>100,000</u>	<u>100,000</u>
	<u>\$ 149,850</u>	<u>\$ 149,850</u>

The single premium deferred annuities are subject to surrender charges ranging from 9% to 1% over the next nine years.

LABORERS' INTERNATIONAL UNION OF NORTH AMERICA  
LABORERS' LOCAL 210

## Notes to Financial Statements

December 31, 2004 and 2003

**6. Long-Term Debt**

Long-term debt consists of:

	<u>2004</u>	<u>2003</u>
Vehicle loans payable in monthly installments aggregating \$1,670 and \$817, respectively, including interest	\$ 58,575	\$ 25,013
Current portion	<u>(58,575)</u>	<u>(7,930)</u>
	\$ <u>          -</u>	\$ <u>17,083</u>

All vehicle loans were paid off in January, 2005.

**7. Member Assessments and Dues**

Working members pay an assessment of 6% of gross wages, plus \$0.10 per hour.

Monthly membership dues are as follows: Active - \$22; Retired - \$8.

The Union allows a credit against monthly dues based on the number of hours a member worked in the previous year. The credit structure is as follows:

<u>Hours Worked</u>	<u>Dues Credit (in months)</u>
180 - 539	3
540 - 719	6
720 - 999	9
over 999	12

**8. Membership**

Membership at December 31, consists of:

	<u>2004</u>	<u>2003</u>
Active members	797	757
Retired members	<u>268</u>	<u>278</u>
	<u>1,065</u>	<u>1,035</u>

Notes to Financial Statements

December 31, 2004 and 2003

**9. Pension Plans**

The Union contributes to two pension plans on behalf of all employees. Contributions are generally at fixed hourly rates, or a percentage of salary. Pension contributions for the years ended December 31, 2004 and 2003, respectively, consisted of the following:

	<u>2004</u>	<u>2003</u>
Laborers' Local 210 Pension Fund	\$ 59,257	\$ 50,333
LIUNA Pension	<u>58,952</u>	<u>49,236</u>
	<u>\$ 118,209</u>	<u>\$ 99,569</u>

**10. Leases**

The Union sub-leases office space from the Laborers' Local 210 Pension Fund, a related party. The annual rent under the terms of the lease is \$36,172. The lease is for a term of ten years, from January, 2000. Rent expense for the years ended December 31, 2004 and 2003 is \$45,707 and \$35,359, respectively.

The Union had entered into operating leases for automobiles with periods of 36 months. All remaining automobile leases were terminated in 2004 and replacement vehicles were purchased. Lease expense of \$15,298 and \$18,521 is included in auto expense for the years ended December 31, 2004 and 2003, respectively.

Future annual lease obligations, excluding office space related expenses, are as follows:

2005	\$ 36,172
2006	36,172
2007	36,172
2008	36,172
2009	36,172
Beyond	-
	<u>\$ 180,860</u>

**11. Contingencies and Commitments**

The Union is a defendant in a personal injury lawsuit whereby the Plaintiff alleges that he was assaulted on September 18, 1999 by a Shop Steward appointed by the Union and that the Union was aware of the Shop Steward's history of violence. The plaintiff seeks damages in the amount of 35 million dollars. The lawsuit is in the motions stage and it is not yet possible to estimate the likelihood of an unfavorable outcome or to estimate a range of potential loss and, therefore, no provision has been made in the financial statements relative to such claims.

Two companion actions have been filed in which the plaintiffs assert that they are owed fees and wages for work done for the Union in 1996. In addition, the plaintiffs are seeking punitive damages in the amount of one million dollars. One of the actions was settled in January, 2004 for \$22,500. The Union contends that it is not possible to estimate any potential loss on the remaining action. No provision has been made in the financial statements relative to this claim.

SUPPLEMENTARY INFORMATION

Schedule of Functional Expenses

Year ended December 31, 2004

	Program Services	Management and General	Total
Payroll	\$ 333,805	\$ 80,859	\$ 414,664
Payroll taxes	29,065	7,040	36,105
Employee benefits	190,649	46,182	236,831
Per capita taxes	145,089	-	145,089
Rent and occupancy	39,361	9,535	48,896
Telephone	12,733	3,085	15,818
Office, postage and printing	30,663	7,326	37,989
Insurance	13,351	3,234	16,585
Legal	129,063	14,340	143,403
Accounting	-	20,745	20,745
Dues to affiliated organizations	161,813	-	161,813
Vehicle	34,967	-	34,967
Promotion, recognition and meetings	63,589	-	63,589
Conventions, conferences and education	19,977	-	19,977
Oversight and consulting	105,715	25,608	131,323
Interest	1,737	421	2,158
Depreciation	21,659	5,247	26,906
Miscellaneous	21,279	5,155	26,434
<b>Total</b>	<b>\$ 1,354,515</b>	<b>\$ 228,777</b>	<b>\$ 1,583,292</b>

Schedule of Functional Expenses

Year ended December 31, 2003

	Program Services	Management and General	Total
Payroll	\$ 283,593	\$ 74,028	\$ 357,621
Payroll taxes	25,399	6,630	32,029
Employee benefits	154,428	40,311	194,739
Per capita taxes	136,484	-	136,484
Rent and occupancy	39,908	10,417	50,325
Telephone	13,421	3,503	16,924
Office, postage and printing	35,373	8,092	43,465
Insurance	10,886	2,842	13,728
Legal	137,818	15,313	153,131
Accounting	-	20,620	20,620
Dues to affiliated organizations	143,253	-	143,253
Vehicle	35,711	-	35,711
Promotion, recognition and meetings	30,565	-	30,565
Conventions, conferences and education	19,892	-	19,892
Oversight and consulting	87,097	22,735	109,832
Interest	324	84	408
Depreciation	9,241	2,412	11,653
Miscellaneous	2,312	605	2,917
	<u>1,165,705</u>	<u>207,592</u>	<u>1,373,297</u>
Total	\$ <u>1,165,705</u>	\$ <u>207,592</u>	\$ <u>1,373,297</u>