

**IBEW LOCAL UNION NO.375
AND SUBSIDIARY
(NOT-FOR-PROFIT CORPORATIONS)**

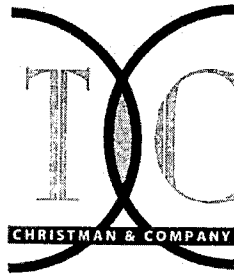
**FINANCIAL STATEMENTS
AND
ACCOUNTANT'S REVIEW REPORT**

DECEMBER 31, 2016 AND 2015

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THE BOARD OF DIRECTORS
IBEW LOCAL UNION NO. 375 AND SUBSIDIARY
ALLENTOWN, PENNSYLVANIA

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

I have reviewed the accompanying financial statements of IBEW Local Union No. 375 and Subsidiary (not-for-profit corporations), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Terry A. Christman, CPA

Allentown, Pennsylvania
May 22, 2017

IBEW LOCAL UNION NO. 375 AND SUBSIDIARY
(NOT-FOR-PROFIT CORPORATIONS)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash -		
Checking-general and savings	\$1,945,928	\$1,614,579
Custodial fund-vacation	29,362	17,493
On hand	<u>685</u>	<u>685</u>
	\$ 1,975,975	\$ 1,632,757
Investments	285,364	231,666
Receivable - Working Dues	147,263	106,319
Amount due from JATC training fund	7,875	12,298
Other current assets	5,499	5,499
Inventory	<u>12,326</u>	<u>16,236</u>
Total Current Assets	2,434,302	2,004,775
FIXED ASSETS (net of accumulated depreciation)	453,919	486,003
OTHER ASSETS		
Investments (at cost)	<u>470</u>	<u>470</u>
TOTAL ASSETS	<u>\$ 2,888,691</u>	<u>\$ 2,491,248</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other liabilities	\$ 97,096	\$ 104,886
Custodial fund obligation-vacation	<u>29,362</u>	<u>17,493</u>
Total Current Liabilities	<u>126,458</u>	<u>122,379</u>
NET ASSETS		
Unrestricted net assets:		
Operations	<u>2,762,233</u>	<u>2,368,869</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,888,691</u>	<u>\$ 2,491,248</u>

See accompanying notes and independent accountant's review report

IBEW LOCAL UNION NO. 375 AND SUBSIDIARY
(NOT-FOR-PROFIT CORPORATIONS)
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31

	2016	2015
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Dues	\$ 1,946,638	\$ 1,740,965
Interest and dividends	7,508	3,773
Net appreciation (depreciation) in fair value of investments	47,205	(20,554)
Rent income	39,045	39,075
Picnic, clambake and banquets	18,472	14,410
Sale of supplies	2,150	2,426
Training director wage reimbursement	62,661	157,612
Other	<u>21,156</u>	<u>17,024</u>
TOTAL SUPPORT AND REVENUE	\$ 2,144,835	\$ 1,954,731
EXPENSES		
Salaries and wages	600,419	661,784
Payroll taxes and fees	59,088	61,116
Employee benefits	283,850	243,136
Per capita taxes	330,211	312,363
Office supplies and expenses	31,245	34,021
Education and promotions	52,631	63,264
Contributions – General	25,283	13,105
Contributions – Found. For Fair Contracting	12,000	12,000
Telephone	24,995	13,420
Insurance	20,927	21,867
Auto expenses	9,982	10,423
Utilities	18,219	19,695
Professional fees and services	25,712	12,466
Conventions and meetings	42,656	38,481
Picnic, clambake and banquets	62,925	48,767
Dues and subscriptions	19,996	5,546
Depreciation	32,084	32,572
Repairs and maintenance	20,331	20,446
General supplies and expense	4,646	5,884
Gifts and awards	2,887	11,401
Rent – Equipment and Facilities	32,883	33,435
Other operating expenses	6,103	3,749
Computer service and supplies	15,954	17,535
Taxes – Other	<u>16,444</u>	<u>16,452</u>
TOTAL EXPENSES	<u>1,751,471</u>	<u>1,712,928</u>
CHANGE IN UNRESTRICTED NET ASSETS	393,364	241,803
UNRESTRICTED NET ASSETS, Beginning of year	<u>2,368,869</u>	<u>2,127,066</u>
UNRESTRICTED NET ASSETS, End of year	<u>\$ 2,762,233</u>	<u>\$ 2,368,869</u>

See accompanying notes and independent accountant's review report

IBEW LOCAL UNION NO. 375 AND SUBSIDIARY
(NOT-FOR-PROFIT CORPORATIONS)

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	\$ 393,364	\$ 241,803
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,084	32,572
Changes in assets and liabilities:		
(Increase)decrease in receivables	(40,944)	23,010
(Increase)decrease in amounts due from affiliates	4,423	(4,567)
(Increase)decrease in inventory	3,910	(11,170)
(Increase) decrease in other current assets	---	73
Increase (decrease) in custodial fund obligation	11,869	(5,692)
Increase (decrease) in accounts payable	<u>(7,790)</u>	<u>15,867</u>
Net cash provided by (applied to) operating activities	<u>396,916</u>	<u>291,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	---	(8,800)
Purchase of investments	<u>(53,698)</u>	<u>(231,666)</u>
Net cash provided by (applied to) investing activities	<u>(53,698)</u>	<u>(240,466)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	343,218	51,430
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,632,757</u>	<u>1,581,327</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,975,975</u>	<u>\$ 1,632,757</u>

See accompanying notes and independent accountant's review report

IBEW LOCAL UNION NO. 375 AND SUBSIDIARY
(NOT-FOR-PROFIT CORPORATIONS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

IBEW Local Union No. 375 is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of providing benefits to its members and collective bargaining. It's wholly owned subsidiary, Electricians Home Association, Inc. was also organized as a non-profit corporation for the purpose of conducting real estate activity and the preservation of the Union building and improvements. The net assets and the results of the operating activity of the Electricians Home Association, Inc. are included in these financial statements. All intercompany transactions have been eliminated.

Revenue Recognition

In accordance with accounting procedures generally followed by labor unions, members' dues and applications fees are taken into income in the period earned. The statement of financial position however, does not include uncollected dues, nor the deferral of dues collected in advance. Dues in arrears are largely doubtful of collection and the union does not consider these or the amount of dues collected in advance as important omissions.

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

Fixed Assets

Fixed assets are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterment's are capitalized. Estimates useful lives are as follows:

	<u>Years</u>
Building and Improvements	40
Furniture, Fixtures, & equip.	5-10
Automobiles	5

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in the Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding assets, liabilities and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of December 31, 2016 and 2015, the Organization had no permanently or temporarily restricted net assets.

IBEW LOCAL UNION NO. 375 AND SUBSIDIARY
(NOT-FOR-PROFIT CORPORATIONS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the the reporting period. Actual results could differ from these estimates.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(5) of the Internal Revenue Code. The Organization is required to file and does file tax returns with the Internal Revenue Service. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no tax positions which must be considered for disclosure. The federal income tax returns of the Organization for 2016, 2015, 2014 are subject to examination by the IRS, generally for three years after they were filed. There was no unrelated business income for 2016 and 2015.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Valuation of Investments

Investments are valued a fair value as of December 31, 2015 and 2016. Quoted market prices are used to value investments. Such investments are valued at the mean of bid and asked prices as obtained from one or more market makers in those securities. Gains and losses on investments that were bought and sold during the year are included in the appreciation or (depreciation) in fair value.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded in the ex-dividend date.

IBEW LOCAL UNION NO. 375 AND SUBSIDIARY
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE B – INVESTMENTS

Investments are held in a custodian account at The Philadelphia Trust Company. The investments are stated at fair value as determined by quoted market price. During the years ended December 31, 2016 and 2015 the Organization's investments (including investments bought, sold, and held during the year appreciated (depreciated) in value by \$47,205 and \$(20,554) respectively as follows:

	<u>2016</u>	<u>2015</u>
Financial Assets:		
Publicly held corporate stocks	<u>\$ 47,205</u>	<u>\$ (20,554)</u>

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Investments – The fair values of investments are based on quoted market prices for those or similar investments.

The estimated fair values of the Organization's financial instruments at December 31, 2016 and 2015 are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:				
Cash and Cash equivalents	<u>\$ 1,975,975</u>	<u>\$ 1,975,975</u>	<u>\$1,632,757</u>	<u>\$1,632,757</u>
Investments	<u>\$ 250,111</u>	<u>\$ 285,237</u>	<u>\$ 250,000</u>	<u>\$ 231,666</u>

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework 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 measurements) and lower priority to unobservable inputs (level 3 measurements).

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or Liabilities in active markets that the Organization has the ability to access.

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE C – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Measurement at Reporting Date Using

	2016		2015	
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)
Investments	<u>\$ 285,364</u>	<u>\$ 285,364</u>	<u>\$ 231,666</u>	<u>\$ 231,666</u>

NOTE D - FIXED ASSETS

Fixed assets consists of the following:

	2016	2015
Land	\$ 64,000	\$ 64,000
Building and improvements	629,307	629,307
Furniture, fixtures and equipment	307,982	307,982
Automobiles	<u>98,088</u>	<u>98,088</u>
	1,099,377	1,099,377
Less: accumulated depreciation	<u>(645,458)</u>	<u>(613,374)</u>
	<u>\$ 453,919</u>	<u>\$ 486,003</u>

NOTE E - RETIREMENT PLAN

The Organization maintains a defined contribution plan for its covered employees. The Organization is a sponsoring employer under the terms of the collective bargaining agreement dated June 1, 2005 and expiring May 31, 2018. All contributions are directed under the trusteeship of IBEW Local 375 Electrician's Retirement Plan. In addition, the Organization contributes to the NEBF benefit retirement fund for its covered employees. Total retirement costs incurred for the years ended December 31, 2016 and 2015 were \$131,614 and \$105,441 respectively.

NOTE F - AFFILIATED ORGANIZATION

The Local Union is represented by the International Brotherhood of Electrical Workers National Office. The National Office provides its Local Union organizations with assistance to fulfill the objectives of the Local Union. The per capita tax contributed to the National Office is based upon membership of the Local Union. The amount incurred for the years ended December 31, 2016 and 2015 were \$316,597 and \$298,365 respectively.

NOTE G – LEASING COMMITMENTS

The Organization leases certain parking spaces adjacent to the union hall building under a long-term arrangement. The lease, which commences February, 2000, continues for a period of ten years and may be terminated by either party prior to expiration. The rent expense under this lease arrangement for the years ended December 31, 2016 and 2015 was \$21,400 and \$20,090 respectively.

IBEW LOCAL UNION NO. 375 AND SUBSIDIARY
(NOT-FOR-PROFIT CORPORATIONS)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE H – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016 and 2015, the Organization's uninsured cash balances totaled \$1,065,596 and \$702,601 respectively.

Contractor contributions receivable are due primarily from contractors within the work jurisdiction of IBEW Local Union No.375. All contractors are required to sign an agreement with the Organization stating that they will remit contributions by a specific date. Delinquent contractors are subject to fines until payment is rendered. Organization's management has the right to pursue any and all legal proceedings, including prosecution, settlement, adjustment and arbitration, necessary for the collection of contributions. If contractors owing contributions failed to completely perform according to the terms of the collective bargaining agreement, the maximum accounting loss the Organization would incur is limited to the recorded amount of contributions receivable.

NOTE I – MAJOR TRANSACTIONS

The following contractors provided in excess of 10% of the income from contractors for 2016 and 2015:

	2016	
	Income	Receivable
Albarell Electric, Inc.	\$ 301,933	\$ 21,698
Orlando Diefenderfer Electric	628,215	71,101
West Side Electrical Service	275,797	27,646
	2015	
	Income	Receivable
Albarell Electric, Inc.	\$ 329,375	\$ 22,066
Orlando Diefenderfer Electric	486,527	34,808
West Side Electrical Service	251,013	23,212

NOTE J – RELATED PARTY TRANSACTIONS AND UNCONSOLIDATED ENTITIES

The Organization's management holds trustee positions with other affiliated organizations. These affiliations provide fringe benefits to IBEW. Local Union No. 375 employees by providing a retirement plan (Note E) and healthcare benefits. The amount of costs incurred by the local union for such benefits amounted to \$265,896 and \$217,767 for the years ended December 31, 2016 and 2015 respectively.

An affiliate known as IBEW J.A.T.C Trust Fund which is an employer sponsored program, whose primary mission is the training education for apprentice electricians and continuing education for journeymen electricians, reimbursed the local union for various incurred costs, such as training director wage and fringe benefit costs, instructors' fringe benefit costs, and bookkeeping services in the amount of \$74,661 and \$169,621 for the years ended December 31, 2016 and 2015 respectively. The amount due from this affiliate as of December 31, 2016 and 2015 was \$7,875 and \$12,298 respectively. In addition, this affiliate is obligated to the Electricians Home Association for a lease agreement dated July 15, 1998. The lease has renewal options. The amount of rent recognized as income for the years ended December 31, 2016 and 2015 was \$38,400. Total assets, liabilities, resources, revenue and expense activities for the years ended December 31, 2016 and 2015 follows:

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE K – RELATED PARTY TRANSACTIONS AND UNCONSOLIDATED ENTITIES (continued)

	<u>2016</u>	<u>2015</u>
Total assets	\$1,306,788	\$1,196,512
Total liabilities	8,837	14,892
Net unrestricted assets	<u>1,297,951</u>	<u>1,181,620</u>
Support and revenue	596,705	607,563
Operating expenses	<u>(482,960)</u>	<u>(516,182)</u>
Change in net assets	<u>\$ 113,745</u>	<u>\$ 91,381</u>

An additional affiliate known as IBEW Joint Promotional Trust Fund which is an employer sponsored program, whose primary mission is to promote economic development and safety training related to the electrical industry, did not reimburse the local union for any expenses for the years ended December 31, 2016 and 2015. Total assets, liabilities, resources, revenue and expense activities for the years ended December 31, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Total assets	\$ 99,083	\$ 93,778
Total liabilities	---	---
Net unrestricted assets	<u>99,083</u>	<u>93,778</u>
Support and revenue	34,742	38,444
Operating expenses	<u>(29,434)</u>	<u>(21,673)</u>
Change in net assets	<u>\$ 5,308</u>	<u>\$ 16,771</u>

NOTE L – SUBSEQUENT EVENTS

The management has evaluated subsequent events through May 22, 2017, the date the financial statements were available to be issued.

NOTE M – IMPAIRMENT OF LONG-LIVED ASSETS

The management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the fair value of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values or external appraisals, as applicable. The organization's management believes that no impairment of assets exist for the years ended December 31, 2016 and 2015.

NOTE N – UNCERTAINTIES, CONTINGENCIES, AND RISKS

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

IBEW LOCAL UNION NO. 375 AND SUBSIDIARY
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE O – FUNCTIONAL EXPENSE CLASSIFICATION

According to 408.16 Financial Accounting Standards Board ASC 958-720-45-2 requires nonprofit organizations to provide information about expenses reported by their functional classification (program services, management and general, and fundraising). That information may be provided in its statement of activities or notes to the financial statements. The Organization elects to disclose its functional expense classification as a note disclosure. The functional expense classification for the years ended December 31, 2016 and 2015 are as follows:

	2016		2015
Program service expenses	\$ 1,266,140	Program expenses expenses	\$ 1,221,072
Management and general expenses	485,331	Management and general expenses	491,856
Fundraising expenses	---	Fundraising expenses	---
Total	<u>\$ 1,751,471</u>	Total	<u>\$ 1,712,928</u>