

# DRAFT

**UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION  
OF WASHINGTON, D.C.  
HEALTH AND WELFARE FUND**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

**UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION  
OF WASHINGTON, D.C.  
HEALTH AND WELFARE FUND**

**FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2020 AND 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Participants and Trustees of the  
UNITE HERE Local 25 and Hotel Association  
of Washington, D.C. Health and Welfare Fund

We have audited the accompanying financial statements of the UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Welfare Fund (the Plan), which comprise the statements of net assets available for benefits and of benefit obligations as of December 31, 2020 and 2019, and the related statements of changes in net assets available for benefits and of changes in benefit obligations for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the 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 Plan'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 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 financial statements referred to above present fairly, in all material respects, the financial status of the UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Welfare Fund as of December 31, 2020 and 2019, and the changes in its financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule of Assets Held at End of Year is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplemental Schedule of Assets Held at End of Year represents supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended. Supplemental information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Columbia, Maryland  
August 31, 2021

UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION  
OF WASHINGTON, D.C.  
HEALTH AND WELFARE FUND

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2020 AND 2019

|                                   | <u>2020</u>                | <u>2019</u>                |
|-----------------------------------|----------------------------|----------------------------|
| ASSETS                            |                            |                            |
| INVESTMENTS - at fair value       |                            |                            |
| Registered investment companies   | <u>\$ 1,231,344</u>        | <u>\$ 1,128,478</u>        |
| RECEIVABLES                       |                            |                            |
| Employer contributions            | 94,247                     | 471,515                    |
| Other                             | <u>53,140</u>              | <u>-</u>                   |
| Total receivables                 | <u>147,387</u>             | <u>471,515</u>             |
| PREPAID EXPENSES                  | <u>11,756</u>              | <u>9,711</u>               |
| CASH                              | <u>742,049</u>             | <u>879,606</u>             |
| Total assets                      | <u>2,132,536</u>           | <u>2,489,310</u>           |
| LIABILITIES AND NET ASSETS        |                            |                            |
| LIABILITIES                       |                            |                            |
| Accounts payable                  | 69,076                     | 17,614                     |
| Deferred revenue                  | <u>2,890</u>               | <u>1,853</u>               |
| Total liabilities                 | <u>71,966</u>              | <u>19,467</u>              |
| NET ASSETS AVAILABLE FOR BENEFITS | <u><u>\$ 2,060,570</u></u> | <u><u>\$ 2,469,843</u></u> |

See accompanying notes to financial statements.

UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION  
OF WASHINGTON, D.C.  
HEALTH AND WELFARE FUND

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STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEARS ENDED DECEMBER 31, 2020 AND 2019

|                                                  | <u>2020</u>      | <u>2019</u>      |
|--------------------------------------------------|------------------|------------------|
| ADDITIONS                                        |                  |                  |
| Contributions                                    |                  |                  |
| Employer                                         | \$ 1,626,739     | \$ 5,478,718     |
| Participants                                     | 120,378          | 123,191          |
| Total contributions                              | <u>1,747,117</u> | <u>5,601,909</u> |
| Investment income                                |                  |                  |
| Net appreciation in fair value<br>of investments | 56,864           | 55,533           |
| Interest and dividends                           | 46,001           | 37,209           |
| Total investment income                          | <u>102,865</u>   | <u>92,742</u>    |
| Total additions                                  | <u>1,849,982</u> | <u>5,694,651</u> |
| DEDUCTIONS                                       |                  |                  |
| Benefits paid to or for participants             |                  |                  |
| Dental service provider premiums                 | 1,520,366        | 4,265,763        |
| Optical service provider premiums                | 295,863          | 884,901          |
| Health maintenance organization premiums         | 199,661          | 275,464          |
| Total benefits                                   | <u>2,015,890</u> | <u>5,426,128</u> |
| Administrative expenses                          |                  |                  |
| Audit fees                                       | 18,000           | 17,250           |
| Bank fees                                        | 968              | -                |
| Conferences and meetings                         | 596              | 554              |
| Contract administrator fees                      | 174,165          | 256,401          |
| Insurance and bonding                            | 14,409           | 16,021           |
| Legal fees                                       | 26,526           | 23,819           |
| Office supplies and printing                     | 5,140            | 20,993           |
| Payroll audit fees                               | 3,561            | 3,490            |
| Total administrative expenses                    | <u>243,365</u>   | <u>338,528</u>   |
| Total deductions                                 | <u>2,259,255</u> | <u>5,764,656</u> |
| NET DECREASE                                     | (409,273)        | (70,005)         |

See accompanying notes to financial statements.

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|                                   | <u>2020</u>                | <u>2019</u>                |
|-----------------------------------|----------------------------|----------------------------|
| NET ASSETS AVAILABLE FOR BENEFITS |                            |                            |
| Beginning of year                 | <u>\$ 2,469,843</u>        | <u>\$ 2,539,848</u>        |
| End of year                       | <u><u>\$ 2,060,570</u></u> | <u><u>\$ 2,469,843</u></u> |

See accompanying notes to financial statements.

# DRAFT

UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION  
OF WASHINGTON, D.C.  
HEALTH AND WELFARE FUND

STATEMENTS OF BENEFIT OBLIGATIONS

DECEMBER 31, 2020 AND 2019

|                                                                                   | <u>2020</u>              | <u>2019</u>              |
|-----------------------------------------------------------------------------------|--------------------------|--------------------------|
| AMOUNTS CURRENTLY PAYABLE TO OR FOR<br>PARTICIPANTS, BENEFICIARIES AND DEPENDENTS |                          |                          |
| Claims payable                                                                    | <u>\$ 120,592</u>        | <u>\$ 453,693</u>        |
| TOTAL BENEFIT OBLIGATIONS                                                         | <u><u>\$ 120,592</u></u> | <u><u>\$ 453,693</u></u> |

See accompanying notes to financial statements.

UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION  
OF WASHINGTON, D.C.  
HEALTH AND WELFARE FUND

STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS

YEARS ENDED DECEMBER 31, 2020 AND 2019

|                                                      | <u>2020</u>        | <u>2019</u>        |
|------------------------------------------------------|--------------------|--------------------|
| AMOUNTS CURRENTLY PAYABLE TO OR FOR                  |                    |                    |
| PARTICIPANTS, BENEFICIARIES AND DEPENDENTS           |                    |                    |
| Balance at beginning of year                         | \$ 453,693         | \$ 870,713         |
| Increase (decrease) during the year attributable to: |                    |                    |
| Claims reported and approved for payment             | 1,682,789          | 5,009,108          |
| Claims and premiums paid                             | <u>(2,015,890)</u> | <u>(5,426,128)</u> |
| TOTAL BENEFIT OBLIGATIONS AT END OF YEAR             | <u>\$ 120,592</u>  | <u>\$ 453,693</u>  |

See accompanying notes to financial statements.

**UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION  
OF WASHINGTON, D.C.  
HEALTH AND WELFARE FUND**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

**NOTE 1. DESCRIPTION OF THE PLAN**

The following brief description of the UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Welfare Fund (the Plan) is provided for general information purposes only. Participants should refer to the summary plan description for more complete information.

The Plan was created pursuant to an agreement and declaration of trust dated June 15, 1976. The Plan was established to provide a program of benefits for employees in jobs covered by collective bargaining agreements between participating employers in the Washington, D.C. area and UNITE HERE Local 25 of the Hotel Employees and Restaurant Employees International Union (the Union).

*Benefits:*

**Dental and Optical** - The Plan provides certain specified dental and optical benefits for covered employees, their spouses and dependent children through either insurance or indemnity arrangements. These contracts compensate the service providers at a cents-per-hour rate based upon the number of hours worked by covered employees.

**Hospitalization and Medical** - The Plan also provides hospital and medical benefits for employees who are engaged in "A" List employment as defined in the Collective Bargaining Agreement. "A" List employees are required to make monthly co-payments to the Plan for coverage through a health maintenance organization as they participate in the cost of their health insurance.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Method of Accounting** - The financial statements are prepared using the accrual basis of accounting.

**Investment Valuation and Income Recognition** - The registered investment companies are carried at fair value which generally represents the net asset value of the funds as provided by the investment custodian as of the last business day of the year.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Purchases and sales of investments are recorded on a trade-date basis. Interest and dividends are recorded on the accrual basis. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

**Funding Policy and Revenue Recognition** - Benefits are primarily funded through employer contributions pursuant to collective bargaining agreements between various employers and the Union. Employer contributions are accounted for as exchange transactions. The contributions are due on a monthly basis. It is the policy of the Trustees to pursue monies due.

Employer contributions due but not paid at year end are recorded as contributions receivable. Allowance for uncollectible accounts is considered unnecessary and is not provided.

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

**Benefit Obligations** - Claims payable were estimated by management based on actual amounts paid or payable after year end for all reported claims for benefits occurring during the year.

**Participants' Continuing Eligibility** - At year end, participants were eligible for benefits during the subsequent three months based on prior credited employment. The service providers have the obligation to provide benefits to participants based on continued eligibility, therefore, an obligation for continued eligibility is not included in the Statements of Benefit Obligations.

## NOTE 3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

### Basis of Fair Value Measurement:

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

Level 2 - Inputs to the valuation methodology include: 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; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

## NOTE 3. FAIR VALUE MEASUREMENTS (continued)

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 availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2020 and 2019, there were no transfers in or out of levels 1, 2, or 3.

There have been no changes in valuation methodologies used at December 31, 2020 and 2019.

| Fair Value Measurements at December 31, 2020 |                     |                     |             |             |
|----------------------------------------------|---------------------|---------------------|-------------|-------------|
|                                              | Total               | Level 1             | Level 2     | Level 3     |
| Interest bearing cash                        | \$ 1,231,344        | \$ 1,231,344        | \$ -        | \$ -        |
|                                              | <u>\$ 1,231,344</u> | <u>\$ 1,231,344</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fair Value Measurements at December 31, 2019 |                     |                     |             |             |
|                                              | Total               | Level 1             | Level 2     | Level 3     |
| Registered investment companies              | \$ 1,128,478        | \$ 1,128,478        | \$ -        | \$ -        |
|                                              | <u>\$ 1,128,478</u> | <u>\$ 1,128,478</u> | <u>\$ -</u> | <u>\$ -</u> |

## **NOTE 4. RELATED ORGANIZATIONS**

The Plan is related through common Board of Trustee members to the UNITE HERE Local 25 and Hotel Association of Washington, D.C. Group Legal Services Fund (Legal Plan), the Hotel and Restaurant Employees Local 25 and Hotel Association of Washington, D.C. Pension Plan (Pension Plan) and the Hospitality Industry 401(k) Plan. As of December 31, 2020 and 2019, the Plan did not have any outstanding liabilities to the Pension and Legal Plans.

## **NOTE 5. TAX STATUS**

The Plan obtained its latest determination letter in August 22, 1978, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements under section 501(c)(9) of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. Plan management believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that, more likely than not, would not be sustained upon examination by the U.S. Federal, state, or local taxing authorities. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Typically, plan tax years will remain open for three years; however, this may differ depending upon the circumstances of the Plan.

Management evaluated the Plan's tax positions and concluded that the Plan has not taken any position that would impede a finding by the IRS that the Trust funding the Plan is exempt from Federal Income Tax. Therefore, no provision or liability for income taxes has been included in the financial statements.

## **NOTE 6. PRIORITIES UPON TERMINATION**

It is the intent of the Trustees to continue the Plan in full force and effect; however, in order to safeguard against any unforeseen contingencies, the right to discontinue the Plan is reserved to the Trustees. In the event of termination, the Trustees shall first satisfy or make provisions to satisfy the obligations of the Plan. Any remaining Plan assets will be distributed in such manner as will in the opinion of the Trustees bring about the purpose of the Plan. Termination shall not permit any part of the Plan to be used for or diverted to purposes other than the exclusive benefit of the participants.

## NOTE 7. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits as reported on the financial statements as of December 31, 2020 and 2019, to the balances as reported on Form 5500:

|                                                                           | <u>2020</u>         | <u>2019</u>         |
|---------------------------------------------------------------------------|---------------------|---------------------|
| Net assets available for benefits as reported on the financial statements | \$ 2,060,570        | \$ 2,469,843        |
| Benefit obligations currently payable                                     | <u>(120,592)</u>    | <u>(453,693)</u>    |
| Net assets available for benefits as reported on Form 5500                | <u>\$ 1,939,978</u> | <u>\$ 2,016,150</u> |

The following is a reconciliation of benefits paid to or for participants as reported on the financial statements for the years ended December 31, 2020 and 2019 to the balances as reported on Form 5500:

|                                                        | <u>2020</u>         | <u>2019</u>         |
|--------------------------------------------------------|---------------------|---------------------|
| Total benefits as reported on the financial statements | \$ 2,015,890        | \$ 5,426,128        |
| Add: Amounts currently payable at end of year          | 120,592             | 453,693             |
| Less: Amounts currently payable at beginning of year   | <u>(453,693)</u>    | <u>(870,713)</u>    |
| Total benefits as reported on Form 5500                | <u>\$ 1,682,789</u> | <u>\$ 5,009,108</u> |

Claims payable at December 31, 2020 and 2019 are included on the Statements of Benefit Obligations on the financial statements but are included as liabilities on Form 5500.

## NOTE 8. RISKS AND UNCERTAINTIES

The Plan invests in various investments. Investments are exposed to various risks such as economic, interest rate, market and sector risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Assets Available for Benefits.

## NOTE 9. CONCENTRATION OF RISK

The Plan maintains its cash in an account which may exceed federally insured limits. The Plan has not experienced any losses on such accounts and management does not believe the Plan is exposed to any significant financial risk.

**NOTE 10. SUBSEQUENT EVENTS**

The Plan has evaluated subsequent events through August 31, 2021, the date the financial statements were available to be issued, and they have been evaluated in accordance with relevant accounting standards.

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**SUPPLEMENTAL INFORMATION**

UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION  
OF WASHINGTON, D.C.  
HEALTH AND WELFARE FUND

SCHEDULE OF ASSETS HELD AT END OF YEAR

DECEMBER 31, 2020

Form 5500, Schedule H, Line 4i

EIN: 36-2941623

Plan No. 501

| (a)                                    | (b)                                                                                                       | (c)         |      |      |                 | (d)                 | (e)                 |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------|------|------|-----------------|---------------------|---------------------|
| Issuer, Borrower                       | Description of Investment Including Maturity Date,<br>Rate of Interest, Collateral, Par or Maturity Value |             |      |      |                 | Cost                | Current<br>Value    |
|                                        |                                                                                                           | Maturity    |      |      |                 |                     |                     |
|                                        |                                                                                                           | Description | Date | Rate | Value or Shares |                     |                     |
| <u>Registered Investment Companies</u> |                                                                                                           |             |      |      |                 |                     |                     |
| *                                      | Harbor Fund Bond INST Fund                                                                                | Mutual Fund | N/A  | N/A  | 59,058          | \$ 715,181          | \$ 727,600          |
| *                                      | Dodge & Cox Income Fund                                                                                   | Mutual Fund | N/A  | N/A  | 34,385          | 458,166             | 503,744             |
|                                        | Total Registered Investment Companies                                                                     |             |      |      |                 | <u>1,173,347</u>    | <u>1,231,344</u>    |
| Total assets held at end of year       |                                                                                                           |             |      |      |                 | <u>\$ 1,173,347</u> | <u>\$ 1,231,344</u> |

\* A party-in-interest as defined by ERISA.