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

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION

DECEMBER 31, 2019 AND 2018

CONTENTS

Novak | Francella
LLC | CERTIFIED PUBLIC ACCOUNTANTS

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, 2019 and 2018, 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.

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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, 2019 and 2018, 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.

Novak Francella LLC

Columbia, Maryland
July 23, 2020

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

Statements of Net Assets Available for Benefits

December 31, 2019 and 2018

	2019	2018
Assets		
Investments - at fair value		
Registered investment companies	$ 1,128,478	$ 1,035,737
Employer contribution receivables	471,515	475,540
Prepaid expenses	9,711	10,244
Cash	879,606	1,079,862
Total assets	2,489,310	2,601,383
Liabilities and Net Assets		
Liabilities		
Accounts payable	17,614	48,289
Deferred revenue	1,853	13,246
Total liabilities	19,467	61,535
Net assets available for benefits	$ 2,469,843	$ 2,539,848

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 NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2019 AND 2018

	2019	2018
ADDITIONS		
Contributions		
Employer	$ 5,478,718	$ 5,450,068
Participants	123,191	94,864
Total contributions	5,601,909	5,544,932
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	55,533	(35,246)
Interest and dividends	37,209	32,701
Total investment income (loss)	92,742	(2,545)
Total additions	5,694,651	5,542,387
DEDUCTIONS		
Benefits paid to or for participants		
Dental service provider premiums	4,265,763	3,471,410
Optical service provider premiums	884,901	710,543
Health maintenance organization premiums	275,464	294,946
Total benefits	5,426,128	4,476,899
Administrative expenses		
Audit fees	17,250	17,250
Conferences and meetings	554	636
Contract administrator fees	256,401	264,190
Insurance and bonding	16,021	15,522
Legal fees	23,819	27,553
Office supplies and printing	20,993	30,176
Payroll audit fees	3,490	39,451
Total administrative expenses	338,528	394,778
Total deductions	5,764,656	4,871,677
NET INCREASE (DECREASE)	(70,005)	670,710

See accompanying notes to financial statements.

	2019	2018
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	$ 2,539,848	$ 1,869,138
End of year	$ 2,469,843	$ 2,539,848

See accompanying notes to financial statements.

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

Statements of Benefit Obligations

December 31, 2019 and 2018

	2019	2018
Amounts currently payable to or for participants, beneficiaries and dependents		
Claims payable	$ 453,693	$ 870,713
Total benefit obligations	$ 453,693	$ 870,713

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

DECEMBER 31, 2019 AND 2018

	2019	2018
AMOUNTS CURRENTLY PAYABLE TO OR FOR PARTICIPANTS, BENEFICIARIES AND DEPENDENTS		
Balance at beginning of year	$ 870,713	$ 430,575
Increase (decrease) during the year attributable to:		
Claims reported and approved for payment	5,009,108	4,917,037
Claims and premiums paid	(5,426,128)	(4,476,899)
TOTAL BENEFIT OBLIGATIONS AT END OF YEAR	$ 453,693	$ 870,713

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, 2019 AND 2018

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.

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

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.

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, 2019 and 2018, 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, 2019 and 2018.

	Fair Value Measurements at December 31, 2019			
	Total	Level 1	Level 2	Level 3
Registered investment companies	$ 1,128,478	$ 1,128,478	$ -	$ -
	$ 1,128,478	$ 1,128,478	$ -	$ -

	Fair Value Measurements at December 31, 2018			
	Total	Level 1	Level 2	Level 3
Registered investment companies	$ 1,035,737	$ 1,035,737	$ -	$ -
	$ 1,035,737	$ 1,035,737	$ -	$ -

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, 2019 and 2018, 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, 2019 and 2018, to the balances as reported on Form 5500:

	2019	2018
Net assets available for benefits as reported on the financial statements	$ 2,469,843	$ 2,539,848
Benefit obligations currently payable	(453,693)	(870,713)
Net assets available for benefits as reported on Form 5500	$ 2,016,150	$ 1,669,135

The following is a reconciliation of benefits paid to or for participants as reported on the financial statements for the years ended December 31, 2019 and 2018 to the balances as reported on Form 5500:

	2019	2018
Total benefits as reported on the financial statements	$ 5,426,128	$ 4,476,899
Add: Amounts currently payable at end of year	453,693	870,713
Less: Amounts currently payable at beginning of year	(870,713)	(430,575)
Total benefits as reported on Form 5500	$ 5,009,108	$ 4,917,037

Claims payable at December 31, 2019 and 2018 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. NEW ACCOUNTING PRONOUNCEMENT

In May 2014, FASB issued ASU 2014-09 - Revenue from Contracts with Customers (Topic 606). The objective of the disclosure requirements in this Topic is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In accordance with the modified retrospective approach, the comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. Adoption of the ASU did not have a material effect on the financial statements.

NOTE 11. SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through July 23, 2020, the date the financial statements were available to be issued, and they have been evaluated in accordance with relevant accounting standards.

Due to the heightened uncertainty related to the potential impacts of novel coronavirus (COVID-19) on its operations, the Plan's revenues and its operations are subject to risks, uncertainties and changes in circumstances that could significantly affect its future financial results and business operations.

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, 2019

Form 5500, Schedule H, Line 4i

EIN: 36-2941623
Plan No. 501

(a)	(b) Issuer, Borrower	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value: Description	Maturity Date	Rate	Value or Shares	(d) Cost	(e) Current Value
	Registered Investment Companies						
*	Harbor Fund Bond INST Fund	Mutual Fund	N/A	N/A	57,163	$ 691,930	$ 668,235
*	Dodge & Cox Income Fund	Mutual Fund	N/A	N/A	32,804	435,416	460,243
	Total Registered Investment Companies					1,127,346	1,128,478
					Total assets held at end of year	$ 1,127,346	$ 1,128,478

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