INDUSTRY AND LOCAL 338 WELFARE FUND

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

DRAFT 02-04-21

INDUSTRY AND LOCAL 338 WELFARE FUND

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

Board of Trustees
Industry and Local 338 Welfare Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the Industry and Local 338 Welfare Fund (the "Plan"), which comprise the statements of net assets available for benefits and plan benefit obligations as of June 30, 2020 and 2019, and the related statements of changes in net assets available for benefits and plan benefit obligations for the years ended June 30, 2020 and 2019, 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 of 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 entity'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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of June 30, 2020 and 2019, and the changes in financial status for the years ended June 30, 2020 and 2019 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 information on pages 14 through 17 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information on pages 14 through 15 is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of 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.

Hauppauge, New York

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INDUSTRY AND LOCAL 338 WELFARE FUND

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Investments at fair value		
Registered investment companies	$ 8,045,385	$ 8,371,902
Receivables		
Employers' contributions	148,868	177,989
Accrued interest/dividends	10,105	13,753
Insurance reimbursement	233,170	17,400
Cash	23,698	45,098
Other assets	5,628	6,183
Total assets	8,466,854	8,632,325
Liabilities		
Accounts payable	44,661	65,480
Related organizations	-	523
Withdrawal liability payable	151,525	157,664
Total liabilities	196,186	223,667
Net assets available for benefits	$ 8,270,668	$ 8,408,658

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INDUSTRY AND LOCAL 338 WELFARE FUND

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Additions to net assets attributed to:		
Investment income		
Net appreciation in fair value of investments	$ 195,685	$ 187,055
Interest/dividends	224,265	234,210
Total investment income	419,950	421,265
Less investment expenses	(21,560)	(20,303)
Net investment income	398,390	400,962
Contributions		
Participants'	60,619	18,621
Employers'	1,724,154	2,204,702
Total additions	2,183,163	2,624,285
Deductions from net assets attributed to:		
Benefits paid to or for participants		
Health care	1,988,501	2,199,150
Stop loss insurance premiums	96,846	86,278
Group insurance premiums	24,141	34,239
Total benefits paid	2,109,488	2,319,667
Administrative expenses	211,665	197,900
Total deductions	2,321,153	2,517,567
Net increase (decrease)	(137,990)	106,718
Net assets available for benefits		
Beginning of year	8,408,658	8,301,940
End of year	$ 8,270,668	$ 8,408,658

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INDUSTRY AND LOCAL 338 WELFARE FUND

STATEMENTS OF PLAN BENEFIT OBLIGATIONS

JUNE 30, 2020 AND 2019

	2020	2019
Amounts currently payable		
Claims payable, claims incurred but not reported, and premiums due to insurers	$ 296,000	$ 165,000
Postemployment benefit obligations		
Accumulated eligibility credits	218,000	210,000
Plan's total benefit obligations	$ 514,000	$ 375,000

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INDUSTRY AND LOCAL 338 WELFARE FUND

STATEMENTS OF CHANGES IN PLAN BENEFIT OBLIGATIONS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Amounts currently payable		
Balance at beginning of year	$ 165,000	$ 187,000
Claims reported and approved for payment	2,240,488	2,297,667
Total benefits paid	(2,109,488)	(2,319,667)
Balance at end of year	296,000	165,000
Postemployment benefit obligations		
Balance at beginning of year	210,000	219,000
Net change during year:		
Accumulated eligibility credits	8,000	(9,000)
Balance at end of year	218,000	210,000
Plan's total benefit obligations at end of year	$ 514,000	$ 375,000

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Note 1 - Description of Plan and Significant Accounting Policies

The following description of the Industry and Local 338 Welfare Fund (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

General

The Plan first became effective June 26, 1950 and is a welfare benefit plan established under an Agreement and Declaration of Trust pursuant to collective bargaining agreements between the Milk Drivers and Dairy Employees Local Union No. 338 and its successors, Teamsters Local 445, Teamsters Local 693 and Teamsters Local 697 (the "Unions") and various employers in the milk industry in the state of New York. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Management has evaluated subsequent events through the date of the auditor's report, the date the financial statements were available to be issued.

Purpose

The purpose of the Plan is to provide health and other benefits to eligible participants.

Benefits

Benefits are paid by means of a self insured trust and group insurance contracts. The benefits include, but are not limited to, life insurance, accidental death and dismemberment, weekly disability, hospital, surgical, medical, major medical, dental, optical and prescription drug benefits for eligible participants.

Actual benefits, including conditions and limitations thereto, are governed by the provisions of the Plan.

Participants consist of the following classes

<u>Active participants and dependents</u>

Plan coverage is available to participants who are in a collective bargaining unit represented by the Union and who work for employers who contribute to the Plan.

Coverage for benefits, other than weekly disability, generally begins on the first day of the month after completion of 30 consecutive days of covered employment. However, if the collective bargaining agreement between the employer and the Union have different eligibility rules, those rules apply.

Eligibility for the Plan's weekly disability benefit begins as soon as the participant starts working for a contributing employer.

Note 1 - Description of Plan and Significant Accounting Policies (cont'd)

Participants consist of the following classes (cont'd)

Inactive participants and surviving dependents

Participants who fail to meet eligibility requirements may pay to extend coverage for a maximum period of 18 months. Qualifying spouses and dependents may pay to extend coverage for a maximum period of up to 36 months.

Plan termination

The Trustees expect and intend to continue the Plan indefinitely, but reserve the right to amend or terminate it as provided for by the applicable Trust Agreement and Plan provisions. If the Plan is terminated, trust assets will be used to pay all expenses under the terms of the Plan in the order of priority specified in the Plan and as otherwise required by law.

Basis of accounting

The financial statements are presented on the accrual basis of accounting.

Investment valuation and income recognition

The Plan's investments are stated at fair value. See "Fair value measurements" footnote for additional information.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation/(depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Use of estimates

The preparation 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

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Note 1 - Description of Plan and Significant Accounting Policies (cont'd)

Administrative expense allocation

The administrative office is occupied by the Plan and its related Pension Fund. Certain expenses not specifically applicable to a particular entity are allocated based on the estimated benefit received by each entity. Amounts reported as receivable from related organizations or payable to related organizations generally include balances for shared expenses.

Reimbursements received from related organizations for the years ended June 30, 2020 and 2019 were $0 and $29,775, respectively.

Other Plan benefits

Estimated claims payable, claims incurred but not reported, and premiums due to insurers are based on payments made in the subsequent plan year which pertain to prior plan years.

Plan obligations for accumulated eligibility of active participants are estimated annually at June 30th, based on historical claims cost data and projected claims for active participants' future claims. Such estimated amounts are reported in the accompanying statement of the Plan's benefit obligations at present value. Although the Plan has calculated and reported an obligation for accumulated eligibility, this amount is based on the assumption that the Plan will continue in its current form and that the Trustees will continue to provide benefits to active participants. However, such benefits do not vest, and the Trustees reserve the right to amend the Plan to modify or discontinue benefits. The amount reported as the accumulated eligibility obligation represents the estimated present value of those estimated future benefits that are attributed by the terms of the Plan to active participants’ service rendered through June 30th.

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Note 2 - 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices, in active markets, for identical assets that the Plan has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Note 2 - Fair value measurements (cont'd)

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 inputs are generally based on the best information available, which may include the reporting entity's own assumptions and data.

The asset'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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Registered investment companies: Valued at the closing price reported in the active market in which the securities are traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the Plan's investments, as of June 30, 2020, with fair value measurements on a recurring basis:

	2020	Level 1	Level 2	Level 3
Investments at fair value as determined by quoted market price				
Registered investment companies	$ 8,045,385	$ 8,045,385	$ -	$ -
Total assets in the fair value hierarchy	$ 8,045,385	$ 8,045,385	$ -	$ -

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Note 2 - Fair value measurements (cont'd)

The following table sets forth, by level within the fair value hierarchy, the Plan's investments, as of June 30, 2019, with fair value measurements on a recurring basis:

	2019	Level 1	Level 2	Level 3
Investments at fair value as determined by quoted market price				
Registered investment companies	$ 8,371,902	$ 8,371,902	$ -	$ -
Total assets in the fair value hierarchy	$ 8,371,902	$ 8,371,902	$ -	$ -

Note 3 - Cash

At times throughout the year the Plan may have, on deposit in banks, amounts in excess of FDIC insurance limits. The Plan has not experienced any losses in such accounts and the Trustees believe it is not exposed to any significant credit risks.

Note 4 - Party-in-interest transactions

Certain Plan investments are held by the manager of the investment; therefore, transactions relating to those investments qualify as exempt party-in-interest transactions and are identified as such on the supplemental schedules of investments.

Note 5 - Risks and uncertainties

The Plan 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 financial statements.

Note 6 - Employers' contributions

In accordance with collective bargaining agreements and participation agreements, employers are required to make contributions to the Plan on behalf of employees performing covered work. For the year ended June 30, 2020, three employers contributed approximately 89% of total contributions. For the year ended June 30, 2019, four employers contributed approximately 84% of total contributions.

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Note 6 - Employers' contributions (cont'd)

In March 2020, the COVID-19 outbreak in the United States caused business disruption through government mandated closings in various industries. This matter has negatively impacted the Plan's employers' contributions income for the year ended June 30, 2020. While the disruption appears to have been temporary, there is uncertainty around additional closings, therefore the financial impact and duration of additional closings cannot be reasonably estimated at this time.

Note 7 - Stop loss recoveries

The Plan has a stop-loss insurance policy with HCC Life Insurance Company in an effort to limit its exposure for self insured benefits. For the years ended June 30, 2020 and 2019, the Plan incurred stop-loss recoveries in the amount of $289,069 and $25,339, respectively, which have been netted against benefits paid.

Note 8 - Benefit obligations compared to net assets available for benefits

	2020	2019
Net assets available for benefits	$ 8,270,668	$ 8,408,658
Plan's total benefit obligations	514,000	375,000
Net assets available for benefits over Plan's total benefit obligations	$ 7,756,668	$ 8,033,658

Note 9 - Reconciliation of financial statements to Form 5500

For financial statement purposes, claims payable, claims incurred but not reported, and premiums due to insurers are presented on the Statement of Plan's Benefit Obligations. This differs from the reporting requirements of the Department of Labor which requires that these liabilities be shown on the Statement of Net Assets Available for Benefits.

The following is a reconciliation of the net assets available for benefits reported on the financial statements to the net assets available for benefits reported on Form 5500:

	2020	2019
Net assets available for benefits per the financial statements	$ 8,270,668	$ 8,408,658
Less: claims payable, claims incurred but not reported, and premiums due to insurers	296,000	165,000
Net assets available for benefits as reported on Form 5500	$ 7,974,668	$ 8,243,658

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Note 9 - Reconciliation of financial statements to Form 5500 (cont'd)

The net increase (decrease) in net assets available for benefits is also affected by the difference in the reporting requirements related to benefit obligations. For financial statement purposes the change in benefit liabilities between two years is shown on the Statement of Changes in Plan Benefit Obligations. For Form 5500 purposes this change is included in benefits paid.

For financial statement purposes, investment expenses are reported as a reduction of investment income. The reporting requirements of the Department of Labor require these fees be shown as administrative expenses.

The following is a reconciliation of the reclassifications:

	Per Financial Statements	Reclassification	Per Form 5500
Investment income (loss)	$ 398,390	$ 21,560	$ 419,950
Contributions	1,784,773	-	1,784,773
Total additions	2,183,163	21,560	2,204,723
Benefits paid to or for participants	2,109,488	131,000	2,240,488
Administrative expenses	211,665	21,560	233,225
Total deductions	2,321,153	152,560	2,473,713
Net increase (decrease)	$ (137,990)	$ (131,000)	$ (268,990)

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Note 10 - Tax status

The trust funding the Plan has received an exemption letter from the IRS dated March 1, 1953, stating that the trust is tax exempt under the provisions of Section 501(c)(9) of the Internal Revenue Code ("IRC"). The Plan and trust are required to operate in conformity with the IRC to maintain the tax exempt status of the trust. The Trustees believe that the Plan, including amendments, is being operated in compliance with the applicable requirements of the IRC and, therefore, believe the related trust is tax exempt.

INDUSTRY AND LOCAL 338 WELFARE FUND

SCHEDULE OF REGISTERED INVESTMENT COMPANIES

JUNE 30, 2020

EIN 13-1818220, PLAN NO. 501
FORM 5500, SCHEDULE H, LINE 4I - ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR

(a)	(b) ISSUER	(c) - DESCRIPTION REGISTERED INVESTMENT COMPANIES NO. OF SHARES	(d) COST	(e) CURRENT VALUE
*	SEI CORE FIXED INCOME FUND	249,644	$ 2,612,095	$ 2,758,570
*	SEI DAILY INCOME TRUST GOVERNMENT FUND	155,256	155,256	155,256
*	SEI EMERGING MARKETS DEBT FUND	16,463	164,828	157,883
*	SEI HIGH YIELD BOND FUND	19,724	181,201	153,850
*	SEI LARGE CAP INDEX FUND	3,021	519,058	505,101
*	SEI LIMITED DURATION BOND FUND	190,711	1,903,679	1,939,533
*	SEI OPPORTUNISTIC INCOME FUND	49,478	404,894	393,348
*	SEI U.S. EQUITY FACTOR ALLOCATION FUND	44,889	458,913	489,292
*	SEI ULTRA SHORT DURATION BOND FUND	77,280	773,669	774,346
*	SEI WORLD EQUITY EX-US FUND	58,581	704,066	718,206
			$ 7,877,659	$ 8,045,385

* PARTY-IN-INTEREST

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INDUSTRY AND LOCAL 338 WELFARE FUND

SCHEDULE OF REPORTABLE TRANSACTIONS

YEAR ENDED JUNE 30, 2020

EIN 13-1818220, PLAN NO. 501

FORM 5500, SCHEDULE H, PAGE 4, PART IV, ITEM 4J - SCHEDULE OF REPORTABLE TRANSACTIONS DURING THE YEAR

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(a) IDENTITY OF PARTY INVOLVED	(b) DESCRIPTION OF ASSET	(c) PURCHASE PRICE	(d) SELLING PRICE	(e) LEASE RENTAL	(f) EXPENSE INCURRED WITH TRANSACTION	(g) COST OF ASSET	(h) CURRENT VALUE OF ASSET ON TRANSACTION DATE	(i) NET GAIN OR (LOSS)
*	SEI CORE FIXED INCOME FUND	$ 351,767	$ -	$ -	$ -	$ -	$ 351,767	$ -
*	SEI CORE FIXED INCOME FUND	-	229,076	-	-	223,824	229,076	5,252
*	SEI LIMITED DURATION BOND FUND	843,544	-	-	-	-	843,544	-
*	SEI LIMITED DURATION BOND FUND	-	120,525	-	-	120,562	120,525	(37)
*	SEI OPPORTUNISTIC INCOME FUND	2,519	-	-	-	-	2,519	-
*	SEI OPPORTUNISTIC INCOME FUND	-	771,503	-	-	767,917	771,503	3,586

* PARTY-IN-INTEREST

INDUSTRY AND LOCAL 338 WELFARE FUND

SCHEDULES OF HEALTH CARE BENEFITS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Hospital	$ 842,672	$ 782,645
Medical	636,338	632,868
Prescription drug	383,019	583,723
Dental	46,412	81,453
Optical	2,952	5,381
Counseling	2,995	3,428
Health claim administration fees	74,113	109,652
Total health care benefits	$ 1,988,501	$ 2,199,150

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INDUSTRY AND LOCAL 338 WELFARE FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Third party administration	$ 74,076	$ 71,920
Office	374	1,532
Printing and postage	1,056	920
Legal	13,415	3,325
Accounting	36,000	36,000
Payroll audits	19,530	13,749
Consulting	50,000	50,000
Insurance	4,210	4,638
Conferences and meetings	1,388	3,754
Withdrawal liability	11,616	12,062
Total administrative expenses	$ 211,665	$ 197,900

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