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

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

DECEMBER 31, 2011 AND 2010

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of net assets available for benefits and of benefit obligations of the UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Welfare Fund (the Plan) as of December 31, 2011 and 2010, and the related statements of changes in net assets available for benefits and of changes in benefit obligations for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

________________, 2012

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

Statements of Net Assets Available for Benefits

December 31, 2011 and 2010

	2011	2010
Assets		
Investments - at fair value		
Registered investment companies	$ 1,405,850	$ 1,347,903
Receivables		
Employer contributions	355,562	312,217
Other receivable	15	1,534
Total receivables	355,577	313,751
Prepaid expenses	27,669	8,491
Cash and cash equivalents	243,912	466,418
Total assets	2,033,008	2,136,563
Liabilities and Net Assets		
Liabilities		
Accounts payable	3,453	5,391
Due to UNITE HERE Local 25 and Hotel Association of Washington, D.C. Pension Plan	-	123,078
Due to UNITE HERE Local 25 and Hotel Association of Washington, D.C. Group Legal Services Fund	-	25,473
Total liabilities	3,453	153,942
Net assets available for benefits	$ 2,029,555	$ 1,982,621

See accompanying notes to financial statements.

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

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2011 and 2010

	2011	2010
Additions		
Contributions		
Employer contributions	$ 4,180,238	$ 3,742,636
Participants	110,473	118,390
Total contributions	4,290,711	3,861,026
Investment income		
Net appreciation in fair value of investments	8,271	15,182
Interest and dividends	49,839	78,589
Total investment income	58,110	93,771
Total additions	4,348,821	3,954,797
Deductions		
Benefits paid to or for participants		
Dental service provider fees	3,152,955	2,474,065
Optical service provider fees	588,250	558,554
Health maintenance organization fees	257,167	270,437
Total benefits	3,998,372	3,303,056
Administrative expenses		
Audit fees and payroll audit fees	30,287	27,284
Bank service fees	63	13
Conferences and meetings	1,343	334
Contractor administrator fees	202,715	199,080
Insurance and bonding	13,625	14,696
Legal fees	51,085	79,669
Office supplies and printing	4,397	10,907
Total administrative expenses	303,515	331,983
Total deductions	4,301,887	3,635,039
Net increase	46,934	319,758
Net assets available for benefits		
Beginning of year	1,982,621	1,662,863
End of year	$ 2,029,555	$ 1,982,621

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, 2011 and 2010

	2011	2010
Amounts currently payable to or for participants, beneficiaries and dependents		
Claims payable	$ 624,924	$ 567,355
Total benefit obligations	$ 624,924	$ 567,355

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, 2011 and 2010

	2011	2010
Amounts currently payable to or for participants, beneficiaries and dependents		
Balance at beginning of year	$ 567,355	$ 471,288
Increase (decrease) during the year attributable to:		
Claims reported and approved for payment	4,055,941	3,399,123
Claims and premiums paid	(3,998,372)	(3,303,056)
Total benefit obligations at end of year	$ 624,924	$ 567,355

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, 2011 AND 2010

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.

General - 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.

Training Benefit - The Plan also allows for a training benefit. No training benefits were paid in 2011 or 2010.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash and Cash Equivalents - All highly liquid investments with maturities of three months or less at the time of purchase are considered equivalents.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Purchases and sales of investments are recorded on a trade-date basis. Interest and dividends are recorded on the accrual basis.

Contributions Receivable - 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. FUNDING POLICY

Benefits are funded through employer contributions pursuant to collective bargaining agreements between various employers and the Union.

NOTE 4. INVESTMENTS

The following summary presents the cost and fair value for each of the investment categories. Investments that represent 5% or more of the Plan's net assets available for benefits are separately identified.

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Investments at fair value as determined by net asset value of the funds:				
Registered investment companies				
Harbor Fund Bond INST	$ 505,514	$ 504,084	$ 492,247	$ 487,146
Dodge & Cox Income Fund	907,684	901,766	871,275	860,757
Total	$1,413,198	$1,405,850	$1,363,522	$1,347,903

NOTE 4. INVESTMENTS (continued)

The Plan's investments, including investments bought, sold as well as held during the year, appreciated in value as follows:

	2011	2010
Investments at fair value as determined by net asset value of the funds:		
Registered investment companies	$ 8,271	$ 15,182
Total net appreciation in value	$ 8,271	$ 15,182

NOTE 5. FAIR VALUE MEASUREMENTS

"Fair Value Measurements" establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets for identical assets that are accessible at the measurement date.

Level 2 - Quoted prices in markets that are not considered active or investments for which all significant inputs are observable.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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 year ended December 31, 2011 and 2010, there were no transfers in or out of levels 1, 2, or 3.

	Fair Value Measurements at December 31, 2011			
	Total	Level 1	Level 2	Level 3
Registered investment companies				
Institutional bond fund	$ 504,084	$ 504,084	$ -	$ -
Income fund	901,766	901,766	-	-
	$1,405,850	$1,405,850	$ -	$ -

NOTE 5. FAIR VALUE MEASUREMENTS (continued)

	Fair Value Measurements at December 31, 2010			
	Total	Level 1	Level 2	Level 3
Registered investment companies				
Institutional bond fund	$ 487,146	$ 487,146	$ -	$ -
Income fund	860,757	860,757	-	-
	$1,347,903	$1,347,903	$ -	$ -

NOTE 6. 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.

The Plan owed $- and $25,473 to the Legal Plan for contributions deposited into the Plan as of December 31, 2011 and 2010. The Plan also owed $- and $123,078 to the Pension Plan for contributions deposited into the Plan as of December 31, 2011 and 2010.

NOTE 7. 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. The Plan's administrator and the Plan's counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. At the present time, the Plan is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2008.

NOTE 8. 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 9. 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, 2011 and 2010, to the balances as reported on Form 5500:

	2011	2010
Net assets available for benefits as reported on the financial statements	$ 2,029,555	$ 1,982,621
Benefit obligations currently payable	(624,924)	(567,355)
Net assets available for benefits as reported on Form 5500	$ 1,404,631	$ 1,415,266

The following is a reconciliation of benefits paid to or for participants as reported on the financial statements for the years ended December 31, 2011 and 2010 to the balances as reported on Form 5500:

	2011	2010
Total benefits as reported on the financial statements	$ 3,998,372	$ 3,303,056
Add: Amounts currently payable at end of year	624,924	567,355
Less: Amounts currently payable at beginning of year	(567,355)	(471,288)
Total benefits as reported on Form 5500	$ 4,055,941	$ 3,399,123

Claims payable at December 31, 2011 and 2010 are included on the Statements of Benefit Obligations on the financial statement but are included as liabilities on Form 5500.

NOTE 10. 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 11. CONCENTRATION OF RISK

The Plan maintains its cash and cash equivalents in accounts 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 12. Subsequent Events

The Plan has evaluated subsequent events through __________, 2012, the date the financial statements were available to be issued, and they have been evaluated in accordance with relevant accounting standards.

ADDITIONAL INFORMATION

**REPORT OF INDEPENDENT AUDITORS ON
REQUIRED SUPPLEMENTAL SCHEDULE**

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of Schedule of Assets Held for Investment Purposes referred to as "supplemental information," is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information 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 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 audit 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.

_______________, 2012

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

Schedule of Assets Held for Investment Purposes

December 31, 2011

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	Interest Rate	Par/Maturity Value or Shares	(d) Cost	(e) Current Value
	Registered Investment Companies						
	Harbor Fund Bond INST Fund	Mutual Fund			41,352	$ 505,514	$ 504,084
	Dodge & Cox Income Fund	Mutual Fund			67,802	907,684	901,766
	Total Registered Investment Companies					1,413,198	1,405,850
	Total assets held for investment purposes					$ 1,413,198	$ 1,405,850