UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION OF WASHINGTON, D.C. GROUP LEGAL SERVICES FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2011

UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION OF WASHINGTON, D.C. GROUP LEGAL SERVICES 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 the
UNITE HERE Local 25 and Hotel Association
of Washington, D.C. Group Legal Services Fund

We have audited the accompanying statements of net assets available for benefits and benefit obligations of the UNITE HERE Local 25 and Hotel Association of Washington, D.C. Group Legal Services Fund (the Plan) as of December 31, 2011 and 2010 and the related statements of changes in net assets available for benefits and 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 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 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. Group Legal Services 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

UNITE HERE Local 25 and Hotel Association of Washington, D.C. Group Legal Services Fund

Statements of Net Assets Available for Benefits and Benefit Obligations

December 31, 2011 and 2010

	2011	2010
Net assets available for benefits		
Assets		
Investments - at fair value		
Registered investment companies	$ 991,881	$ 950,815
Receivables		
Employer contributions	139,914	129,668
Due from UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Welfare Fund	-	25,473
Other	-	5,858
Total receivables	139,914	160,999
Prepaid expenses	4,113	4,113
Cash and cash equivalents	441,600	339,460
Total assets	1,577,508	1,455,387
Liabilities		
Accounts payable	2,396	2,284
Total liabilities	2,396	2,284
Net assets available for benefits	1,575,112	1,453,103
Benefit Obligations		
Amount currently payable		
Due to legal services provider	242,886	239,287
Excess of net assets available for benefits over benefit obligations	$ 1,332,226	$ 1,213,816

See accompanying notes to financial statements.

UNITE HERE Local 25 and Hotel Association of Washington, D.C. Group Legal Services Fund

Statements of Changes in Net Assets Available for Benefits and Benefit Obligations

Years Ended December 31, 2011 and 2010

	2011	2010
Additions		
Investment Income		
Net appreciation in fair value of investments	$ 5,802	$ 11,048
Interest and dividends	35,263	55,641
Total investment income	41,065	66,689
Employer contributions	1,621,486	1,584,738
Total additions	1,662,551	1,651,427
Deductions		
Benefits paid for participants		
Legal services provider fees	1,461,270	1,387,682
Administrative expenses		
Bank service fees	63	-
Contractor administrator fees	42,941	40,483
Financial statement audit fees	8,200	7,266
Insurance and bonding	7,050	7,363
Legal fees	11,856	26,686
Meeting expenses	212	327
Office supplies and expenses	1,847	1,616
Payroll audit fees	7,103	12,774
Total administrative expenses	79,272	96,515
Total deductions	1,540,542	1,484,197
Net increase in net assets available for benefits	122,009	167,230
Net (increase) decrease in benefit obligations		
(Increase) decrease during the year attributable to		
Change in amount due to legal services provider	(3,599)	(28,913)
Excess of net assets available for benefits over benefit obligations		
Net increase	118,410	138,317
Excess		
Beginning of year	1,213,816	1,075,499
End of year	$ 1,332,226	$ 1,213,816

See accompanying notes to financial statements.

UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION OF WASHINGTON, D.C. GROUP LEGAL SERVICES 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. Group Legal Services 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 September 15, 1978. The Plan was established to provide a program of legal service 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). Contributions to the Plan are made by the employers at rates specified in their collective bargaining agreement. The Plan provides certain specified legal service benefits to the covered employees, their spouses and dependent children through contracts with a service provider. The contract compensates the service provider at a cents-per-hour rate based upon the number of hours worked by covered employees.

A new employee will become an eligible participant in the Plan on the first day of the month following three consecutive months in which minimum contributions for sixty hours per month have been made to the Plan on the employee's behalf. An eligible participant, after satisfying the initial eligibility requirement, will continue to be eligible as long as a contribution for sixty hours or more is made on his or her behalf each month.

Should an employee experience a loss of eligibility due to lay off or an approved leave of absence, his or her benefits will terminate on the ninety-first day following their last day worked for which contributions were required or at the end of the three-month period in which contributions fall below sixty hours per month.

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 cash 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 not considered necessary and is not provided.

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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Benefit Obligations - The due to legal services provider, estimated by the Plan's management, consists of services provided applicable to the years ended December 31, 2011 and 2010 and paid subsequent to year end.

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 statement of benefit obligations.

NOTE 3. PRIORITIES UPON TERMINATION

Participants should refer to the summary plan description for more complete information.

It is the intent of the Trustees to continue the Plan in full force and effect; however, 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 4. TAX STATUS

The Plan obtained its latest determination letter on June 7, 1995, 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 and was, therefore, exempt from Federal income taxes. 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.

NOTE 4. TAX STATUS (continued)

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 5. CONCENTRATION OF CREDIT RISK

The Plan maintains an interest-bearing account at Citibank, F.S.B. The Plan maintains the majority of its cash at one financial institution. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 as of October 2009. As of December 31, 2011 and 2010, the Plan's cash balance exceeded the FDIC limit by $19,218 and $89,460, respectively.

NOTE 6. INVESTMENTS

The following summary presents the cost and fair value for the Plan's investments, each of which represents 5% or more of the Plan's net assets available for benefits.

	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 Funds Bond INST	$335,183	$340,384	$326,225	$ 328,945
Dodge & Cox Income Fund	630,172	651,497	603,868	621,870
Total	$965,355	$991,881	$930,093	$ 950,815

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

	December 31,	
	2011	2010
Investments at fair value as determined by net asset value of funds:		
Registered investment companies	$ 5,802	$ 11,048
Total net appreciation in fair value	$ 5,802	$ 11,048

NOTE 7. FAIR VALUE MEASUREMENTS

"Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under 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 period.

For the year ended December 31, 2011 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 mutual bond fund	$ 340,384	$ 340,384	$ -	$ -
Income mutual fund	651,497	651,497	-	-
	$ 991,881	$ 991,881	$ -	$ -

	Fair Value Measurements at December 31, 2010			
	Total	Level 1	Level 2	Level 3
Registered investment companies:				
Institutional mutual bond fund	$ 328,945	$ 328,945	$ -	$ -
Income mutual fund	621,870	621,870	-	-
	$ 950,815	$ 950,815	$ -	$ -

NOTE 8. RELATED ORGANIZATIONS

The Plan is related through common board of trustee members to the Hotel and Restaurant Employees Local 25 and Hotel Association of Washington, D.C. Pension Plan (Pension Plan) and UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Welfare Fund (Health Plan). As of December 31, 2011 and 2010, the Plan was owed $- and $25,473 from the Health Plan.

NOTE 9. FUNDING POLICY

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

NOTE 10. 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:

	December 31,	
	2011	2010
Net assets available for benefits per the financial statements	$1,575,112	$1,453,103
Benefit obligations currently payable	(242,886)	(239,287)
Net assets available for benefits per Form 5500	$1,332,226	$1,213,816

The following is a reconciliation of benefits paid for participants per the financial statements to Form 5500:

	December 31,	
	2011	2010
Benefits paid for participants per the financial statements	$1,461,270	1,387,682
Add: Amounts currently payable at end of year	242,886	239,287
Less: Amounts currently payable at beginning of year	(239,287)	(210,374)
Benefits paid for participants per Form 5500	$1,464,870	$1,416,595

Amounts due to the legal services provider at December 31, 2011 and 2010 are reported as benefit obligations in the financial statements but are included as liabilities on Form 5500.

NOTE 11. 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 12. LEGAL SERVICES AGREEMENT WITH BENEFIT PROVIDER

The Trustees have entered into an agreement with a law firm to provide legal services in accordance with the Plan document. The current contract automatically renews annually. The agreement specifies the rate per participant at which the law firm will be compensated. The agreement provides that the Fund pay the provider the sum of $.1575 for each hour worked by each participant on whose behalf contributions are received for such hours.

NOTE 13. 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 Participants and Trustees of the
UNITE HERE Local 25 and Hotel Association
of Washington, D.C. Group Legal Services 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. Group Legal Services Fund

Schedule of Assets Held for Investment Purposes

December 31, 2011

Form 5500 Schedule H, Line 4i

EIN: 36-6686313
Plan No: 50

(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	Mutual Fund			27,923	$ 335,183	$ 340,384
	Dodge & Cox Income Fund	Mutual Fund			48,985	630,172	651,497
	Total Registered Investment Companies					965,355	991,881
	Total assets held for investment purposes					$ 965,355	$ 991,881