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WAREHOUSE EMPLOYEES UNION LOCAL NO. 730
HEALTH AND WELFARE TRUST FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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WAREHOUSE EMPLOYEES UNION LOCAL NO. 730
HEALTH AND WELFARE TRUST FUND

FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Participants and Trustees of the
Warehouse Employees Union Local No. 730
Health and Welfare Trust Fund

We have audited the accompanying financial statements of the Warehouse Employees Union Local No. 730 Health and Welfare Trust Fund (the Plan), which comprise the statements of net assets available for benefits and of benefit obligations as of December 31, 2017 and 2016, 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 Warehouse Employees Union Local No. 730 Health and Welfare Trust Fund as of December 31, 2017 and 2016, 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.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the Plan adopted new accounting guidance ASU 2015-7 Fair Value Measurement (Topic 820) Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Our opinion is not modified with respect to that matter.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedules of Administrative Expenses and Schedules of Employer Contributions are presented for the purpose of additional analysis and are not a required part of the financial statements. 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
_____________, 2018

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Warehouse Employees Union Local No. 730
Health and Welfare Trust Fund

Statements of Net Assets Available for Benefits

December 31, 2017 and 2016

	2017	2016
Assets		
Investments - at fair value		
Corporate obligations	$ 3,715,375	$ 3,814,915
United States Government and Government Agency obligations	1,399,927	1,311,958
Municipal obligations	642,628	580,765
Limited partnerships	378,506	766,908
Short-term investments	625,813	383,079
	6,762,249	6,857,625
Receivables		
Employer contributions	414,714	457,523
Interest and dividends	56,955	56,830
Other	93,855	80,249
	565,524	594,602
Prepaid expenses	6,973	10,476
Total assets	7,334,746	7,462,703
Liabilities and Net Assets		
Liabilities		
Accounts payable	75,199	164,288
ACA fee liability	1,757	24,081
Other	1,674	2,045
Total liabilities	78,630	190,414
Net assets available for benefits	$ 7,256,116	$ 7,272,289

See accompanying notes to financial statements.

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Warehouse Employees Union Local No. 730
Health and Welfare Trust Fund

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2017 and 2016

	2017	2016
Additions		
Contributions		
Employers	$ 4,435,699	$ 4,559,024
Participants	8,778	277,551
Total contributions	4,444,477	4,836,575
Investment income - net		
Net depreciation in fair value of investments	(25,476)	(56,707)
Interest and dividends	261,309	294,226
Other investment income	-	400
	235,833	237,919
Less: investment expenses	(56,851)	(58,024)
Investment income - net	178,982	179,895
Total additions	4,623,459	5,016,470
Deductions		
Benefits paid to or for participants		
Hospital, surgical, medical, substance abuse, dental, optical, disability and death claims	2,804,118	3,873,250
Prescription	1,153,930	3,006,342
Health maintenance organization premiums	673,917	1,103,251
Life insurance premiums	36,790	39,475
Retiree stipend	-	37,800
Return of funds and Medicare subsidy	(414,160)	(563,528)
Stop loss premiums	63,826	27,667
Total benefits	4,318,421	7,524,257
Fees mandated by ACA	1,757	24,081
Administrative expenses	319,454	447,572
Total deductions	4,639,632	7,995,910
Net decrease	(16,173)	(2,979,440)
Net assets available for benefits		
Beginning of year	7,272,289	10,251,729
End of year	$ 7,256,116	$ 7,272,289

See accompanying notes to financial statements.

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Warehouse Employees Union Local No. 730
Health and Welfare Trust Fund

Statements of Benefit Obligations

December 31, 2017 and 2016

	2017	2016
Amounts currently payable to or for participants, beneficiaries and dependents		
Group insurance and service providers	$ 47,601	$ 37,708
Claims incurred but not reported	132,000	377,000
	179,601	414,708
Other obligations for current benefit coverages - at estimated amounts		
Accumulated eligibility credits	1,800,000	3,120,000
Total benefit obligations	$ 1,979,601	$ 3,534,708

See accompanying notes to financial statements.

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Warehouse Employees Union Local No. 730
Health and Welfare Trust Fund

Statements of Changes in Benefit Obligations

Years Ended December 31, 2017 and 2016

	2017	2016
Amounts currently payable to or for participants, beneficiaries and dependents		
Balance at beginning of year	$ 414,708	$ 538,845
Claims reported and approved for payment	4,083,314	7,400,119
Claims and premiums paid	(4,318,421)	(7,524,256)
Balance at end of year	179,601	414,708
Other obligations for current benefit coverages, at estimated amounts		
Balance at beginning of year	3,120,000	3,377,000
Net change during year	(1,320,000)	(257,000)
Balance at end of year	1,800,000	3,120,000
Postretirement benefit obligations - net of amounts currently payable		
Balance at beginning of year	-	2,095,000
Decrease in postretirement benefits attributable to:		
Plan amendments	-	(2,095,000)
Balance at end of year	-	-
Total benefit obligations	$ 1,979,601	$ 3,534,708

See accompanying notes to financial statements.

WAREHOUSE EMPLOYEES' UNION LOCAL NO. 730
HEALTH AND WELFARE TRUST FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1. DESCRIPTION OF THE PLAN

The following brief description of the Warehouse Employees' Union Local No. 730 Health and Welfare Trust 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 covers employees in jobs covered by collective bargaining agreements between certain employers in the Washington, D.C. area and Warehouse Employees Union Local No. 730.

Benefits - The Plan provides life and accidental death and dismemberment insurance, accident and sickness, hospital and surgical, substance abuse, prescriptions, dental care and/or vision care depending upon the benefits and rates of contributions agreed to in the collective bargaining agreement. Eligible retirees may elect coverage under the HMO by paying a monthly amount equal to one-half of the premium as well. The Plan pays the other 50% of the premium. In 2016, one of the Plan’s employers, made a one time payment of $150 to each retiree, who was eligible for Medicare coverage. The payment was made to offset any costs due to the termination of the retirees’ prescription drug plan.

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 - Certain United States Government and Government Agency obligations are carried at fair value as of the last business day of the Plan’s year as reported by the investment manager or as provided by the custodial bank. The investments in corporate obligations, municipal obligations and certain United States Government and Government Agency obligations are carried at estimated fair value as reported by the investment manager or as provided by the custodial bank. Short-term investments are carried at cost which approximates fair value. The limited partnership is carried at estimated fair value as provided by the sponsor of the investment.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Benefits Currently Payable - Amounts currently payable to or for participants, beneficiaries and dependents represent actual and estimated amounts paid or payable after year end for all reported claims for benefits occurring during the respective accounting periods, days lost due to disabilities that began during those periods, payment to benefit providers for benefits in those respective periods, and other miscellaneous benefits related to services performed in those respective periods. These amounts are paid only if claims are submitted and approved for payment.

Participants' Continuing Eligibility - Participants who have contributions made on their behalf for employment time during a given month are entitled to eligibility five months later. An estimated benefit obligation for five months of continuing eligibility as determined by management's estimate of expected utilization has been reported.

Payment of Benefits - Premiums paid by third-party claims administrators are recorded as premium payments in the accompanying statement of changes in net assets available for benefits. Claim payments are recorded when paid by a third-party claims processor. These payments are recorded as claims paid in the accompanying statements of changes in net assets available for benefits.

Refunds - Refunds due from the Plan's benefit manager are recorded when earned. Refunds due as of the financial statement date have been reported as a receivable, with the offset being netted against claims paid. Pharmacy rebates of $220,013 and $331,416, Medicare drug subsides of $58,027 and $132,865, and medical claims refunds of $136,120 and $99,247, have been netted with claims paid in the accompanying statements of changes in net assets available for benefits available for benefits for the years ended December 31, 2017 and 2016, respectively.

Stop Loss Coverage – The Plan has entered into a stop-loss insurance arrangement in an effort to limit its exposure for self-insured benefits for individual participant claims over a specific dollar amount, as well as its aggregate exposure for all claims.

NOTE 3. FUNDING POLICY

Contributions to the Plan are made by the employers at rates specified in the collective bargaining agreement with each employer or, in certain situations, by participants. One employer contributed 66% and 68% of the total employer contributions during the years ended December 31, 2017 and 2016, respectively. Benefits are funded through employer contributions pursuant to collective bargaining agreements between various employers and the Union.

NOTE 4. 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.

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, 2017 and 2016, 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, 2017 and 2016.

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NOTE 4. FAIR VALUE MEASUREMENTS (continued)

	Fair Value Measurements at December 31, 2017			
	Total	Level 1	Level 2	Level 3
Corporate obligations	$ 3,715,375	$ -	$ 3,715,375	$ -
United States Government and Government Agency obligations	1,399,927	385,623	1,014,304	-
Municipal obligations	642,628	-	642,628	-
Short-term investments	625,813	625,813	-	-
Total assets in the fair value hierarchy	6,383,743	$ 1,011,436	$ 5,372,307	$ -
Investment measured at NAV	378,506			
Total investments	$ 6,762,249			

	Fair Value Measurements at December 31, 2016			
	Total	Level 1	Level 2	Level 3
Corporate obligations	$ 3,814,915	$ -	$ 3,814,915	$ -
United States Government and Government Agency obligations	1,311,958	402,052	909,906	-
Municipal obligations	580,765	-	580,765	-
Short-term investments	383,079	383,079	-	-
Total assets in the fair value hierarchy	6,090,717	$ 785,131	$ 5,305,586	$ -
Investment measured at NAV	766,908			
Total investments	$ 6,857,625			

In accordance with ASU 2015-07 Fair Value Measurement (820), Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net assets available for benefits.

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

The unfunded commitments and redemption information for the investment, as of December 31, 2017 and 2016, are as follows:

	2017 Fair Value	2016 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership:					
American Core Reality Fund, LLC	$ 378,506	$ 766,908	$ -	Quarterly	10 days

American Core Reality Fund, LLC was organized to allow Taft-Hartley pension funds, governmental retirement plans, corporate pension plans and qualified trusts forming part of a pension or profit-sharing plan, endowments, charitable foundations and other taxable and tax-exempt organizations to pool their assets to make investments primarily in core stable institutional quality office, retail, industrial and multi-family residential properties that are substantially leased and have minimal deferred maintenance or functional obsolescence.

American Core Reality Fund, LLC is measured at estimated fair value, without adjustment by the Plan, as reported by the sponsor of the investments as of December 31, 2017 and 2016.

NOTE 5. POSTRETIREMENT BENEFITS

Plan amendment - In May 2016, the Board of Trustees approved the elimination of retiree benefits effective September 1, 2016. The Plan's actuary considered this termination in determining the postretirement benefit obligation as of December 31, 2016.

NOTE 6. MEDICARE SUBSIDY

On December 8, 2003, the President signed into law the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) for employers that sponsor postretirement health care plans that provide prescription drug benefits. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The Plan received federal subsidies in the amount of $58,027 and $132,865 for the years ended December 31, 2017 and 2016, respectively. The amount is included in return of funds and Medicare subsidy on the statements of changes in net assets available for benefits.

NOTE 7. PREMIUMS PAID TO LIFE INSURANCE COMPANIES

Premium payments were made to the Reliastar Life Insurance Company to provide members with life and accidental death and dismemberment insurance coverage under group stabilization fund agreements. The insurance carriers calculate the experience of the Plan at the end of each policy year. The contract provides for a refund at the end of the policy year of the excess, if any of premiums paid over claims, reserves required by the insurance companies and the insurance companies' retention. If the sum of the claims paid and provided for the retention exceeds the premiums paid, the excess is carried forward to succeeding policy years in the determination of experience refunds, if any, to be paid to the Plan. The amount, if any, of experience rated refund to be received cannot be reasonably estimated for the year ended December 31, 2017.

NOTE 8. FEES MANDATED BY THE PATIENT PROTECTION AND AFFORDABLE CARE ACT

The Plan is subject to certain fees mandated by the Patient Protection and Affordable Care Act. Fees payable to the Patient Centered Outcomes Research Institute (PCORI) are effective for seven years, through 2018, and are equal to $2.39 and $2.26 per covered life for the 2017 and 2016 calendar years, respectively. Thereafter, the fee will be indexed based on increases in the projected per capita amount of national health expenditures. For the years ended December 31, 2017 and 2016, the Plan paid $2,373 and $2,335 in PCORI fees, respectively. The Plan recognized a liability of $1,757 and $2,373 for the PCORI fees attributable to the years ended December 31, 2017 and 2016, respectively.

Beginning in 2014 for a three year period, a transitional reinsurance fee was assessed to assist insurers to partially offset high-cost enrollees, in and outside the new insurance exchanges, or marketplaces. The cost for 2016 was determined to be $27 per enrollee (participants plus their covered spouse and dependents). The Plan recognized a liability of $21,708 for the transitional reinsurance fee attributable to the year ended December 31, 2016.

NOTE 9. TAX STATUS

The Plan obtained its latest determination letter in February 10, 1965, 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.

NOTE 10. 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 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.

Benefit obligations are based on certain estimates and assumptions. Due to uncertainties inherent in the process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to these financial statements.

NOTE 12. PARTY-IN-INTEREST TRANSACTIONS

The money market is managed by PNC. PNC is the Custodian, as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions. These transactions have been denoted as such on the supplemental schedule of assets held for investment purposes at end of year. These transactions qualify as party-in-interest transactions which are exempt from the prohibited transaction rules of ERISA. For the years ended December 31, 2017 and 2016, the Plan paid custodial fees of $5,750 and $5,064, respectively, to PNC.

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE

In May 2015, the FASB issued ASU No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. The ASU is effective for fiscal years beginning after December 15, 2016. The ASU has been applied retrospectively.

NOTE 14. SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through __________, 2018, 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

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Warehouse Employees Union Local No. 730
Health and Welfare Trust Fund

Schedules of Administrative Expenses

Years Ended December 31, 2017 and 2016

	2017	2016
Actuary and consulting fees	$ -	$ 24,421
Audit and accounting fees	14,000	20,062
Contract administrator fees	101,640	110,801
Dues and subscriptions	2,355	1,105
HIPAA charges	875	970
Insurance and bonding	15,161	17,850
Legal fees	35,258	79,713
Medical benefits administrative fees	132,868	172,803
Postage	1,044	691
Printing and miscellaneous	7,877	9,679
Trustees' meeting and expenses	8,376	9,477
Total	$ 319,454	$ 447,572

Warehouse Employees Union Local No. 730
Health and Welfare Trust Fund

Schedules of Employer Contributions

Years Ended December 31, 2017 and 2016

	2017	2016
Adam Burch	$ 548,259	$ 504,459
Eight O'Clock Coffee	623,316	674,166
Giant Cardboard	234,045	246,766
Giant Warehouse 730-1	2,947,195	3,087,863
Warehouse Employees' Union Local No. 730	33,837	32,297
Washington Food and Supply, Inc.	49,047	13,473
Total	$ 4,435,699	$ 4,559,024