Bakers Union and FELRA Health and Welfare Fund

Financial Statements

December 31, 2018

Bakers Union and FELRA
Health and Welfare Fund

Financial Statements

Years Ended December 31, 2018 and 2017

Contents

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Bakers Union and FELRA
Health and Welfare Fund

We have audited the accompanying financial statements of the Bakers Union and FELRA Health and Welfare Fund (the Plan), which comprise the statements of net assets available for benefits and of benefit obligations as of December 31, 2018, and the related statements of changes in net assets available for benefits and of changes in benefit obligations for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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.

Auditors' 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 audits 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 auditors' 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 as of December 31, 2018 and the changes in its financial status for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – December 31, 2017 Financial Statements

The financial statements and supplemental information of the Plan as of and for the year ended December 31, 2017, were audited by Salter & Company LLC, whose professional practice was merged with Calibre CPA Group, PLLC as of November 1, 2018, and whose report dated July 2, 2018, expressed an unmodified opinion on those financial statements.

Report on Supplemental Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The 2018 supplemental schedules on pages 14 through 16 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but the supplemental schedule on page 14 is supplemental information required by the Department of Labor's Rules and Regulations for 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 audits of the basic 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 taken as whole.

Bethesda, MD
TBD

Bakers Union and FELRA Health and Welfare Fund

Statements of Net Assets Available for Benefits

December 31, 2018 and 2017

	2018	2017
Assets		
Investments - at fair value	$ 909,455	$ 1,758,728
Receivables		
Employers' contributions	294,029	311,847
Accrued interest and dividends	1,766	1,809
Other receivables	22,267	-
Total receivables	318,062	313,656
Prepaid expenses	1,399	1,374
Cash	30	-
Total assets	1,228,946	2,073,758
Liabilities and Net Assets		
Liabilities		
Accrued expenses	112,843	15,841
Net assets available for benefits	$ 1,116,103	$ 2,057,917

See accompanying notes to financial statements.

Bakers Union and FELRA
Health and Welfare Fund

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2018 and 2017

	2018	2017
Additions		
Contribution income		
Contributions from employers under union agreement	$ 3,534,504	$ 3,724,730
Participants' COBRA payments	16,470	14,922
Total contribution income	3,550,974	3,739,652
Investment income		
Net depreciation of fair value of investments	(9,848)	(6,164)
Interest and dividends	18,876	19,050
Total investment income	9,028	12,886
Other additions		
Prescription drug rebates	146,380	95,306
Total additions	3,706,382	3,847,844
Deductions		
Benefits paid to or on behalf of participants		
Claims paid, net	2,768,772	2,427,331
Premiums paid	1,523,949	1,228,015
Total benefits paid to or on behalf of participants	4,292,721	3,655,346
Administrative expenses		
Administrative fees and other expense	355,475	317,499
Total deductions	4,648,196	3,972,845
Net change during year	(941,814)	(125,001)
Net assets available for benefits		
Beginning of year	2,057,917	2,182,918
End of year	$ 1,116,103	$ 2,057,917

See accompanying notes to financial statements.

Bakers Union and FELRA
Health and Welfare Fund

Statements of Benefit Obligations

December 31, 2018 and 2017

	2018	2017
Amounts currently payable to or for participants		
Claims payable, claims incurred but not reported, and premiums due to insurers	$ 446,686	$ 590,182
Total benefit obligations	$ 446,686	$ 590,182

See accompanying notes to financial statements.

Bakers Union and FELRA
Health and Welfare Fund

Statements of Changes in Benefit Obligations

Years Ended December 31, 2018 and 2017

	2018	2017
Amounts currently payable to or for participants		
Balance at beginning of year	$ 590,182	$ 511,768
Claims reported and approved for payment	4,149,225	3,733,760
Claims paid	(4,292,721)	(3,655,346)
Total benefit obligations at end of year	$ 446,686	$ 590,182

See accompanying notes to financial statements.

Note 1. Description of the Plan

The Bakers Union and FELRA Health and Welfare Fund (the Plan) is a multi-employer collectively bargained health benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Participants should refer to the Summary Plan Description for more complete information.

The following description of the Plan provides only general information. Participants should refer to the Summary Plan Description for a complete description of the Plan's provisions.

General - The Plan covers employees in jobs covered by collective bargaining agreements between participating employers and the BCTGM Local 68 and 118. The Plan also covers eligible dependents of active employees. There is no retiree coverage under this Plan. Under the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA), unemployed participants are allowed to continue their eligibility for a certain period after they cease employment by paying their own contributions. The Plan is subject to the provisions of the ERISA, as amended.

Benefits - The Plan covers employees working in jobs covered by the collective bargaining agreements, for which contributions are required to the Plan. The Plan provides benefits such as medical, hospitalization, surgical, mental health/substance abuse, life and accidental death and dismemberment insurance, accident and sickness, prescription drug, dental and optical benefits. The Plan provides these benefits through either insurance or indemnity arrangements with the following companies:

Denex Dental Service
ING/Reliastar Insurance Company
Catamaran/Optimum Rx

Contributions - Employer contributions by participating employers are determined subject to the provisions of collectively bargained agreements.

Plan Modifications - The Plan's Board of Trustees, as Sponsor, has the right under the Plan to change, modify or eliminate any of the benefits offered by the Fund at any time, subject to the provisions set forth in ERISA.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting - The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations, and changes therein, and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Employer Contributions Receivable - Employer contributions are accrued based on subsequent employer remittance reports and cash receipts.

Investment Valuation and Income Recognition - Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements.

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 depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Reclassifications - When applicable, certain reclassifications may have been made to conform to current year financial statement presentation. These reclassifications had no effect on the net assets available for benefits.

Note 3. Postretirement Benefit Obligations

The Plan adopted the provisions of the American Institute of Certified Public Accounts, Statement of Position ASC 965, "*Accounting and Reporting by Health and Welfare Plans.*" This Plan does not provide any retiree health care benefit coverage and therefore no post-retirement benefit obligation. The current benefit obligations related to both claims incurred but not reported and payable are estimated based on claims experience.

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 does not provide any retiree health care benefits and therefore is not eligible for any subsidy as related to this act.

Note 3. Postretirement Benefit Obligations (continued)

The Patient Protection and Affordable Care Act of 2010 created a temporary reinsurance program for eligible healthcare coverage for pre-Medicare retirees age 55 and older the Early Retiree Reinsurance Program (ERRP). The program provides reimbursement to participating employment-based plans for a portion of the cost of health benefits for early retirees and their spouses, surviving spouses and dependents. Plans are reimbursed for certain claims between $15,000 and $90,000. Congress appropriated $5 billion for the program which ends no later than January 1, 2014. Since the Plan does not cover retirees the fund was not eligible to receive any reimbursement during 2013. All ERRP potential program funds have been exhausted.

Note 4. Claims Payable and Claims Incurred but Not Paid

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 respective accounting periods, days lost due to disabilities that began during those periods, payments to benefit providers for benefits in those respective periods, and other miscellaneous benefits related to services performed in those respective periods.

Note 5. Fair Value Measurements

Accounting standards provides the framework for measuring fair value which 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 (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

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 other significant observable inputs including:

- 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; and
- 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 term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 5. Fair Value Measurements (continued)

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

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Short-term investments: Valued at amortized cost, which approximates fair value.

Registered investment companies: Valued at the net asset value (NAV) of shares held by the fund at year end.

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 tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2018 and 2017:

	Assets at Fair Value as of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Short-term investments	$ 101,791	$ 101,791	$ -	$ -
Registered investment companies	807,664	807,664	-	-
Total assets at fair value	$ 909,455	$ 909,455	$ $ -	$ -

	Assets at Fair Value as of December 31, 2017			
	Total	Level 1	Level 2	Level 3
Short-term investments	$ 518,455	$ 518,455	$ -	$ -
Registered investment companies	1,240,273	1,240,273	-	-
Total assets at fair value	$ 1,758,728	$ 1,758,728	$ $ -	$ -

Note 5. Fair Value Measurements (continued)

Transfers Between Levels

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 to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2018, there were no significant transfers between levels.

Note 6. Income Tax Status

The Plan obtained its determination letter dated July 9, 2004, in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). The Plan is a qualified trust under Section 501(a) of the IRC and is exempt from federal income taxes under Section 501(c)(9).

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 (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination. The Plan administrator is not aware of any uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements as of December 31, 2018.

Note 7. Plan Termination

It is the present intent of the Board of Trustees (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 fund 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 8. Related-Party Transactions

During the year ended December 31, 2018, the Plan did not engage in any related party transactions.

NOTE 9. LITIGATION

Based on advice of Plan's counsel there is no litigation either pending or threatened which would have a material adverse effect on the Plan's financial position.

NOTE 10. CONCENTRATIONS OF CONTRIBUTION SOURCES

Only two active employers remain, comprising all of the of the Plan's employers' contributions.

NOTE 11. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 at December 31, 2018 and 2017:

	2018	2017
Net assets available for benefits per the financial statements	$ 1,116,103	$ 2,057,917
Benefit obligations currently payable	(446,686)	(590,182)
Net assets available for benefits per the Form 5500	$ 669,417	$ 1,467,735

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500 at December 31, 2018:

Benefits paid per the financial statements	$ 4,292,721
Add: amounts currently payable at December 31, 2018	446,686
Less: amounts currently payable at December 31, 2017	(590,182)
Benefits paid per the Form 5500	$ 4,149,225

Amounts currently payable to or for participants, dependents, and beneficiaries are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, but not yet paid as of that date.

NOTE 12. SIGNIFICANT PLAN AMENDMENTS

During the years ended December 31, 2018 and 2017, the Plan implemented the following amendments:

Effective January 1, 2018:

Effective January 1, 2017: Group Vision Services is new optical provider.

NOTE 12. SIGNIFICANT PLAN AMENDMENTS (CONTINUED)

Participants should refer to the Summary Plan Description and the Summary of Material Modifications for more complete information.

NOTE 13. SUBSEQUENT EVENTS

Subsequent events were evaluated through TBD, which is the date the financial statements were available to be issued. The review and evaluation revealed no material events which would require adjustment to or disclosure in the accompanying financial statements.

Supplemental Information

Bakers Union and FELRA
Health and Welfare Fund

Schedule of Assets (Held at End of Year)

December 31, 2018

Schedule H, Line 4i

EIN: 26-0000485
Plan No. 501

(a)	(b) Identity of issuer, borrower, lessor or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par or maturity value: Description	Maturity Date	Rate of Interest	Par/Maturity Value or Shares	(d) Cost	(e) Current Value
	Short-Term Investments						
	PNC Gov't Money Market	Money Market	N/A	N/A	101,791	$ 101,791	$ 101,791
	Registered Investment Companies						
	PNC Ultra Short Bond Fund	Bond Fund	N/A	N/A	81,665	806,035	807,664
	Total assets (held at end of year)					$ 907,826	$ 909,455

Bakers Union and FELRA
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Schedules of Administrative Expenses

Years Ended December 31, 2018 and 2017

	2018	2017
Professional fees		
Contract administrative fees	$ 158,112	$ 154,150
Consulting services	8,263	-
Audit (including payroll examinations, if applicable)	11,459	11,091
Network charges - PPO	125,029	122,983
Legal	41,000	16,916
	343,863	305,140
Other Administrative		
Bank service charges	322	186
Fiduciary and bonding insurance	4,231	4,195
Postage	1,034	2,185
Printing and office supplies	2,559	3,527
Meeting	1,334	195
Telephone	325	301
Insurance (transitional reinsurance); Other - ACA	1,807	1,770
	11,612	12,359
Total administrative expenses	$ 355,475	$ 317,499

Bakers Union and FELRA
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Schedules of Employer Contributions

Years Ended December 31, 2018 and 2017

	2018	2017
Employer contributions		
Giant	$ 1,349,392	$ 1,389,088
Safeway	2,185,112	2,335,642
Total employer contributions	$ 3,534,504	$ 3,724,730