SOUTH FLORIDA OPERATING ENGINEERS JOINT APPRENTICE AND TRAINING FUND
FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013

SOUTH FLORIDA OPERATING ENGINEERS JOINT

APPRENTICE AND TRAINING FUND

FINANCIAL STATEMENTS

MARCH 31, 2014 AND 2013

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S I Gordon & Company, PA
Certified Public Accountant

American Institute of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Florida Operating Engineers Joint Apprentice and Training Fund
Sparks, MD

Report on the Financial Statements

We have audited the accompanying financial statements of **South Florida Operating Engineers Joint Apprentice and Training Fund** ("Fund"), which are comprised of the statements of net assets as of March 31, 2014 and 2013, and the related statements of changes in net assets for the years 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.

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 audits 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 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.

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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 South Florida Operating Engineers Joint Apprentice and Training Fund, as of March 31, 2014 and changes for the year then ended, and as of March 31, 2013, and changes therein for the year then ended 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 schedules of Administrative & Training Expenses, Assets Held for Investment Purposes and Reportable Transactions, together referred to as "supplemental information," are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplemental 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.

S I Gordon & Company, PA
June 20, 2014

SOUTH FLORIDA OPERATING ENGINEERS JOINT APPRENTICE AND TRAINING FUND

STATEMENTS OF NET ASSETS

MARCH 31, 2014 AND 2013

ASSETS

	2014	2013
Investments, at fair value *(Notes 2, 3 and 4)*	$ 547,941	$ 617,188
Receivables		
Employer contributions	28,370	20,557
Accrued interest	476	1,061
Total receivables	28,846	21,618
Property & equipment *(Note 2)*:		
Land & building improvements	1,453,825	1,453,825
Office and training equipment	340,207	340,207
Total property & equipment	1,794,032	1,794,032
Less: accumulated depreciation	340,626	339,538
Net property & equipment	1,453,406	1,454,494
Prepaid expense	8,083	5,094
Cash	95,853	67,809
Total assets	$ 2,134,129	$ 2,166,203

LIABILITIES

	2014	2013
Accounts payable	$ 1,576	$ 1,899
Notes payable ***(Note 6)***	347,662	377,994
Payroll taxes payable	2,797	4,269
Total liabilities	$ 352,035	$ 384,162

	2014	2013
Net assets	$ 1,782,094	$ 1,782,041

READ THE NOTES TO THE FINANCIAL STATEMENTS

SOUTH FLORIDA OPERATING ENGINEERS JOINT APPRENTICE

AND TRAINING FUND

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	2014	2013
Additions to net assets were provided by:		
Investment income		
Interest and dividends	$ 13,025	$ 17,572
Net appreciation in fair value of investments	3,076	19,672
Total investment income	16,101	37,244
Less: Investment expenses	933	1,042
Net investment income	15,168	36,202
Contractors' contributions	273,393	270,308
Broward County School Board subsidy	82,057	48,740
Miscellaneous income	313	467
Total additions	370,931	355,717
Deductions from net assets were attributable to:		
Administrative & training expenses (*Schedule*)	344,302	285,410
Interest expense	26,576	28,677
Total deductions	370,878	314,087
Increase in net assets	53	41,630
Net assets:		
Beginning of year	1,782,041	1,740,411
End of year	$ 1,782,094	$ 1,782,041

READ THE NOTES TO THE FINANCIAL STATEMENTS

SOUTH FLORIDA OPERATING ENGINEERS JOINT

APPRENTICE AND TRAINING FUND

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

MARCH 31, 2014 AND 2013

(1) DESCRIPTION OF THE PLAN:

The following description of the South Florida Operating Engineers Joint Apprentice and Training Fund provides only general information. Participants should refer to the Plan booklet for a more complete description of the Fund's provisions. Copies are available from Associated Administrators, LLC.

. **General -**

The Plan is a multi-employer, collectively bargained plan providing instruction and training on construction equipment of the type used within the jurisdiction of the International Union of Operating Engineers Local 487 (“Local”) to members of the Local and apprentices. The plan has also entered into an agreement to provide similar services through area schools.

. **Funding policy -**

The union, employer association and individual employers to the Collective Bargaining Agreement established a funding policy and method in order to promote the purpose of the Plan and to insure compliance with ERISA. Each employer contributes to the Plan such amounts and at such times as are required by the applicable provisions of the Collective Bargaining Agreement, or such other agreements as are approved by the Board of Trustees to provide benefits for employees. Contribution rates are as follows:

Effective Date	Hourly Rate
07/01/03	$0.20
11/01/09	$0.25
07/01/12	$0.30

. **Termination -**

Although there is no intent to do so, the Trust agreement provides for termination of the Fund subject to the provisions of the agreement and ERISA.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

. **Records maintenance -**

The Fund’s records are in the custody of Associated Administrators, LLC. The administrator performs the various administrative functions necessary for the operation of the Fund, including the processing of employer contributions and the payment of administrative expenses.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

. **Investment valuation and income recognition -**

Investments are reported at fair value (*see Note 3*). 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 *(see Note 4 for 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 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

. **Concentration of credit risk -**

Financial instruments that potentially expose the Plan to concentrations of credit risk, as defined by FASB Codification 825-10-50-20, consist primarily of cash and cash equivalents, marketable securities and employer contributions receivable and related income. The Plan maintains its cash in bank deposit accounts at a high quality financial institution. The balances, at times, may exceed federally insured limits. The Plan invests in marketable securities which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual debt security.

. **Contributions receivable -**

Contributions receivable at March 31, 2014 and 2013 represent uncollected contributions earned during each year as determined by subsequent collections. Because these contributions were actually received after the year-end, an allowance for doubtful account is unnecessary. Due to the uncertainty regarding their ultimate collection, delinquent accounts, if any, are not recognized as income until received.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

. **Property and equipment -**

Purchased property and equipment is carried at historical cost. Donated property and equipment is carried at fair value as of the date of donation. Depreciation is provided using the straight-line method at various rates based on their estimated useful lives. Office and machinery equipment have been depreciated over five to seven years.

. **Income taxes -**

In accordance with Internal Revenue Code Section §501(c)(3), the Fund is exempt from Federal income taxes and, therefore, no provision for Federal income taxes has been made. The Fund obtained its latest determination letter in which the Internal Revenue Service stated that the plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code.

(3) INVESTMENTS:

Investments at March 31, 2014 and 2013 consisted of the following (with investments that represent more than 5% of total Fund assets separately identified) at fair value as determined by quoted market price.

	2014	2013
Mutual funds		
SEI CORE Fixed Income Fund	$ 82,378	$319,706
SEI Opportunistic Income Fund	144,733	49,175
Short-Duration Government Fund	126,992	91,838
Others	193,838	156,469
Total	$547,941	$617,188

During the year ended March 31, 2014, the Fund's mutual fund investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $3,076 (reported as Net appreciation in fair value of investments in the Statements of Changes in Net Assets).

(4) FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework 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 and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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 specific (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.

Following is a description of the valuation methodologies used for asset measured at fair value. There have been no changes in methodologies used at March 31, 2014 and 2013:

Mutual funds: Valued at the net asset value of shares held by the plan at year end.

These 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 reporting date.

(4) FAIR VALUE MEASUREMENTS (CONTINUED):

Assets at fair value as of March 31, 2014:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity	$ 67,519	$ -	$ -	$ 67,519
Fixed income	480,423	-	-	480,423
Total mutual funds	547,941	-	-	547,941
Total assets at fair value	$547,941	$ -	$ -	$547,941

Assets at fair value as of March 31, 2013:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity	$ 76,673	$ -	$ -	$ 76,673
Fixed income	540,515	-	-	540,515
Total mutual funds	617,188	-	-	617,188
Total assets at fair value	$617,188	$ -	$ -	$617,188

(5) RELATED-PARTY AND PARTY-IN-INTEREST TRANSACTIONS:

The Fund is related by common membership with the International Union of Operating Engineers Local 487 (“Local”), International Union of Operating Engineers Local 487 Pension Fund and International Union of Operating Engineers Local 487 Health and Welfare Fund. The Fund owed the Local $347,662 and $377,994 as of March 31, 2014 and 2013, respectively (*See note 6)*.

(6) NOTES PAYABLE:

During 2002, the Fund borrowed $1,200,000 from the Local for the purpose of purchasing land. The Fund entered into a $600,000 mortgage note and a $600,000 promissory note for the purpose of repaying this debt. During 2006, $300,000 of the original $600,000 promissory note was repaid and the remaining outstanding balance was renegotiated. A new $300,000 promissory note was entered into. During 2007 the remaining balance of the promissory note was repaid.

$600,000 mortgage note, collateralized by land, interest at 7.25%, monthly payments of principal and interest of $4,742, maturing April 2022.	$347,662

Maturities for the next five years are as follows:

2015	$32,605
2016	35,049
2017	37,676
2018	40,490
2019	43,536
Thereafter	158,306
Total	$347,662

(7) RISKS AND UNCERTAINTIES:

The Fund 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 statement of net assets available for benefits.

(8) RECIPROCAL AGREEMENT:

The Fund is signatory to a master reciprocal agreement along with the various unions outside the territorial jurisdiction. Frequently, employees who are normally employed within the territory of one local may be temporarily employed within the territory of another local. Eligibility for benefits is generally determined from an employee having worked a specified number of hours during a stated period of time. To prevent deprivation of benefits to employees solely because of temporary employment within the jurisdiction of a local other than their home local, the reciprocal agreement provides for the following:

1. When an employee of the home local works in the territory of a reciprocating local, the latter is to make contributions to the former's fringe benefit funds on the employee's behalf. This is represented by a receipt in the records of the home local's trust funds. Reciprocal agreement income is included in total contributions.

2. The monies received by the Plan on behalf of employees from participating locals are forwarded to the employee's home union fringe benefit trust funds and are not reflected as contributions income in the accompanying financial statements.

(9) SUBSEQUENT EVENTS

We have evaluated subsequent events through June 20, 2014, the date the financial statements were available to be issued.

SOUTH FLORIDA OPERATING ENGINEERS JOINT APPRENTICE

AND TRAINING FUND

SCHEDULES OF ADMINISTRATIVE AND TRAINING EXPENSES

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	2014	2013
Accounting & auditing	$ 7,809	$ 7,172
Administrative fees	13,635	13,113
Advertisement	444	250
Auto	2,385	2,997
Bank charges	270	233
Consulting	-	2,400
Depreciation	1,088	14,538
Employee benefits	52,956	41,722
Equipment rental	1,680	1,250
Insurance	10,606	9,999
Legal fees	13,084	5,095
Meetings & conferences	10,674	11,684
Miscellaneous	9,276	7,770
Office	-	26
Payroll	154,623	119,017
Payroll taxes	12,416	10,325
Repairs & maintenance	38,275	25,653
Supplies	5,215	3,112
Telephone	4,412	4,468
Utilities	5,454	4,586
Total administrative & training expenses	$ 344,302	$ 285,410

READ THE NOTES TO THE FINANCIAL STATEMENTS

**SOUTH FLORIDA OPERATING ENGINEERS JOINT APPRENTICE
AND TRAINING FUND
ASSETS HELD FOR INVESTMENT PURPOSES
FOR THE YEAR ENDED MARCH 31, 2014**

Identity of Issuer	Description of Investment	Cost of Acquisition	Fair Market Value
Mutual Funds:			
Emerging Markets Equity Fund	504 shares	5,506	5,326
Global Managed Vol Fund	206 shares	2,335	2,244
SEI Large Cap Fund	1,701 shares	28,229	37,855
SEI Small Cap Fund	214 shares	3,019	3,984
SEI World Equity Fund	441 shares	5,011	5,519
SEI US Managed Vol Fund	876 shares	12,013	12,590
SEI Core Fixed Income Fund	7,943 shares	83,140	82,378
SEI Emerging Markets Debt Fund	4,567 shares	49,821	46,820
SEI High Yield Bond Fund	2,551 shares	23,888	25,254
SEI Opportunistic Fund	17,544 shares	142,470	144,733
SEI Short-Duration Government Fund	12,095 shares	128,023	126,992
SIIT Ultra Duration Bond Fund	5,403 shares	54,295	54,246
Total		537,750	547,941
Total assets held for investment purposes		537,750	547,941

READ THE NOTES TO THE FINANCIAL STATEMENTS

SOUTH FLORIDA OPERATING ENGINEERS JOINT APPRENTICE AND TRAINING FUND
REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2014

Identity of Party Involved	Description of Asset	Purchase Price	Selling Price	Expenses Incurred with Transactions	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain or (Loss)
SEI Core Fixed Income Fund	Mutual Fund	241,303	241,576	-	241,303	241,576	273
SEI Opportunistic Income Fund	Mutual Fund	134,774	135,096	-	134,774	135,096	322

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