Local 305, National Post Office Mail Handlers, Watchmen, Messengers and Group Leaders Division of the Laborers' International Union of North America Welfare Benefit Trust

Financial Statements

December 31, 2018 and 2017

Keiter
Your Opportunity Advisors

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LOCAL 305, NATIONAL POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS, AND GROUP LEADERS DIVISION OF THE LABORERS' INTERNATIONAL UNION OF NORTH AMERICA WELFARE BENEFIT TRUST

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
Local 305, National Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders Division of the Laborers' International Union of North America Welfare Benefit Trust
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Local 305, National Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders Division of the Laborers' International Union of North America Welfare Benefit Trust (the "Trust"), which comprise the statement of net assets available for benefits as of December 31, 2018, and the related statement of changes in net assets available for benefits for the year 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; 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 the 2018 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 judgement, 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 entity'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 entity'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Trust as of December 31, 2018, and the related changes in net assets available for benefits for the year then ended, in accordance with accounting principles generally accepted in the United States.

Other Matter – 2017 Financial Statements

The financial statements of the Trust as of December 31, 2017, were audited by predecessor auditors, whose reported dated August 22, 2018, expressed an unmodified opinion on those financial statements.

Keiter

October 14, 2019
Glen Allen, Virginia

LOCAL 305, NATIONAL POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS, AND GROUP LEADERS DIVISION OF THE LABORERS' INTERNATIONAL UNION OF NORTH AMERICA WELFARE BENEFIT TRUST

Statements of Net Assets Available for Benefits
December 31, 2018 and 2017

Assets	2018	2017
Cash	$ 39,546	$ 142,764
Investments - at fair value	5,604,944	5,962,046
Accounts receivable	1,480	-
Prepaid insurance	-	8,499
Total assets	5,645,970	6,113,309
Liabilities and Net Assets Available for Benefits		
Accounts payable	-	1,834
Total liabilities	-	1,834
Net assets available for benefits	$ 5,645,970	$ 6,111,475

See accompanying notes to financial statements.

LOCAL 305, NATIONAL POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS, AND GROUP LEADERS DIVISION OF THE LABORERS' INTERNATIONAL UNION OF NORTH AMERICA WELFARE BENEFIT TRUST

Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2018 and 2017

	2018	2017
Additions to net assets attributed to:		
Investment (loss) income:		
Interest and dividends	$ 132,657	$ 141,933
Net (depreciation) appreciation in fair value of investments	(257,530)	748,759
Net investment (loss) income	(124,873)	890,692
Total (reductions) additions	(124,873)	890,692
Deductions from net assets attributed to:		
Benefits paid to participants	111,602	40,664
Administrative expenses	229,030	67,238
Total deductions	340,632	107,902
Net (decrease) increase	(465,505)	782,790
Net assets available for benefits:		
Beginning of year	6,111,475	5,328,685
End of year	$ 5,645,970	$ 6,111,475

See accompanying notes to financial statements.

LOCAL 305, NATIONAL POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS, AND GROUP LEADERS DIVISION OF THE LABORERS' INTERNATIONAL UNION OF NORTH AMERICA WELFARE BENEFIT TRUST

Notes to Financial Statements

1. Description of Trust:

The following descriptions of the Local 305, National Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders Division of the Laborers' International Union of North America (the "Local Union") Welfare Benefit Trust (the "Trust") provide only general information. Participants should refer to the summary plan descriptions of the Death Benefit Plan, Sick Pay Plan, and Scholarship Plan (the "Participating Plans") for a more complete description of the Participating Plans' provisions and the trust agreement for a more complete description of the Trust's provisions.

General: The purpose of the Trust is to receive, hold, manage and distribute assets to provide benefits under the Participating Plans. The Participating Plans provide for contributions to and benefit payments from the Trust. The Trust qualifies as a voluntary employee benefit association under Section 501(c)(9) of the Internal Revenue Code.

The Death Benefit Plan number 502 was established to provide death benefit payments to the designated beneficiaries of regular members of the Local Union.

The Sick Pay Plan number 503 was established to provide benefits to the members of the Local Union who are unable to work because of sickness or injury.

The Scholarship Plan number 504 was established to provide educational opportunities for eligible dependents of members of the Local Union by providing financial assistance.

Plan Administration: The administration of the Participating Plans is the responsibility of the Trust, which has a Board consisting of five Trustees. At all times, one Trustee must be a member of the Local Union, and one Trustee must be unaffiliated with a labor organization. When a vacancy occurs, the remaining four Trustees shall appoint the successor Trustee.

Contributions: The Local Union makes contributions to the Participating Plans at the direction of its Executive Committee. No contributions were made in 2018 and 2017.

Benefits: The Death Benefit Plan provides benefits to beneficiaries of enrolled participants who have been regular members in good standing of the Local Union for a minimum of two consecutive years prior to the date of his or her death. The death benefit payment is equal to the lesser of $5,000 or an amount equal to $30,000 divided by the number of approved claims arising from eligible member deaths in the relevant calendar year.

1. Description of Trust, Continued:

Benefits, Continued: The Sick Pay Plan provides benefits for participants who are regular members in good standing of the Local Union for at least five years prior to the incurrence of eligible claims. Benefits are paid based on the date the claim is incurred, and are only payable after a participant has exhausted all available paid leave and is unable to return to work for medical reasons. The Sick Pay Plan's maximum benefits are $200 per week up to a maximum of $2,000 per Plan year.

The Scholarship Plan was established to provide educational opportunities for eligible dependents of members of the Local Union by providing financial assistance in amounts determined at the sole discretion of the administrator. The Local Union will annually, and at its sole discretion, determine the amount of scholarship benefits awarded to each participant for the next subsequent benefit period. The Local Union may limit the total scholarship benefits awardable in a given benefit period; such limit may be adjusted from time to time at the discretion of the Local Union.

Asset Preservation: The Local Union and Trustees shall not authorize benefit expenditures or benefit obligations on account of all Participating Plans that together, in any calendar year, exceed two percent (2%) of Net Assets Available for Benefits.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 965, *Plan Accounting – Health and Welfare Benefit Plans.*

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents: The Trust considers all cash and other highly liquid investments to be cash equivalents. This includes certificates of deposit with maturities of three months or less and excludes money market funds held by investment managers. Money market funds held by investment managers were $135,492 and $209,801 as of December 31, 2018 and 2017, respectively. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000. At times during the year, the Participating Plans maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

2. Summary of Significant Accounting Policies, Continued:

Investments: The Trust's investments are stated 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 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest and dividends are accrued and recognized when earned. Net appreciation (depreciation) includes the Participating Plans' gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits: Benefits are recorded when paid.

Incurred but Unpaid Claims: Management estimates the liability for incurred, but unpaid death benefits claims as of December 31 each year, including those incurred but not yet reported or paid. In accordance with generally accepted accounting principles ("GAAP"), claims incurred but not yet reported are not included in the Statements of Net Assets Available for Benefits.

Subsequent Events: Management has evaluated subsequent events through October 14, 2019, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

3. Fair Value Measurements:

In accordance with FASB ASC 820, *Fair Value Measurement*, the Trust has categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Net Assets Available for Benefits are categorized based on the inputs to valuation techniques as follows:

Level 1 These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Participating Plans has the ability to access.

Level 2 These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3 These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Money market funds: Valued at the cash balance.

Mortgage-backed securities: Valued using a market approach on yields currently available on comparable securities of issuers with similar credit ratings.

Closed-end funds and mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Plan are deemed to be actively traded.

Government securities: Valued using a market approach on yields currently available on comparable securities of issuers with similar credit ratings.

Common and preferred stocks: Valued at the closing price reported on the active market in which the individual securities are traded.

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Notes to Financial Statements, Continued

3. Fair Value Measurements, Continued:

The table below summaries, by level within the fair value hierarchy, the Participating Plans' investments as of December 31, 2018:

	Investments at Fair Value as of December 31, 2018		
	Level 1	Level 2	Total
Investments:			
Money market funds	$ 135,492	$ -	$ 135,492
Mortage-backed securities	-	268,123	268,123
Closed-end funds and mutual funds	1,492,713	-	1,492,713
Government securities	-	153,193	153,193
Common and preferred stocks	3,555,423	-	3,555,423
Total investments at fair value	$ 5,183,628	$ 421,316	$ 5,604,944

The table below summarizes, by level within the fair value hierarchy, the Participating Plans' investments as of December 31, 2017:

	Investments at Fair Value as of December 31, 2017		
	Level 1	Level 2	Total
Investments:			
Money market funds	$ 209,801	$ -	$ 209,801
Mortage-backed securities	-	276,657	276,657
Closed-end funds and mutual funds	1,338,532		1,338,532
Government securities	-	154,235	154,235
Common and preferred stocks	3,982,821	-	3,982,821
Total investments at fair value	$ 5,531,154	$ 430,892	$ 5,962,046

4. Tax Status:

The Trust was established to hold the Trust's assets and received an exemption letter from the Internal Revenue Service dated December 12, 1990, stating the Trust is tax-exempt under the provisions of Section 501(c)(9) of the Internal Revenue Code. The Trust has been amended since receiving the determination letter. However, the Participating Plans Administrator and the Participating Plans' tax counsel believe that the Trust and the Participating Plans are currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. The Plan reports annually to the Department of Labor on the Form 5500.

Management has evaluated the effects of accounting guidance related to uncertain income tax positions and concluded that the Participating Plans had no significant financial statement exposure to uncertain income tax positions at December 31, 2018 and 2017. The Participating Plans are not currently under audit by any tax jurisdiction.

5. Administrative Expenses:

Certain expenses of maintaining the Participating Plans are paid directly by the Trust, which are included in these financial statements. Investment-related expenses are included as a reduction (addition) in the net appreciation (depreciation) of fair value of investments presented in the accompanying Statements of Changes in Net Assets Available for Benefits. The Trust paid administration fees in the amount of $229,030 during 2018 and $67,238 during 2017.

6. Related Party Transactions:

Certain Participating Plans investments are shares of investment vehicles managed by UBS Financial Services, and Robert W. Baird & Company. UBS Financial Services and Robert W. Baird & Company are custodians, as defined by the Trust, and therefore, these transactions qualify as related party transactions.

7. Risks and uncertainties: The Trust invest in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 financial statements.

8. Participating Plans Termination:

Although it has not expressed any intention to do so, the Local Union has the right, under the Participating Plans, to modify the benefits provided to participants, to discontinue its contributions at any time, and to terminate the Participating Plans by action of its officers. In the event the Participating Plans are terminated, no participant or beneficiary shall have any claim on the assets of the Trust except pursuant to benefit claims under the terms of the Participating Plans.