

***Teamsters Health and Welfare Fund of
Philadelphia and Vicinity***

Financial Statements

For the Years Ended December 31, 2010 and 2009

**TEAMSTERS HEALTH AND WELFARE FUND OF PHILADELPHIA AND VICINITY
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FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Teamsters Health and Welfare Fund of
Philadelphia and Vicinity
6981 North Park Drive, Suite 400
Pennsauken, NJ 08109

We have audited the accompanying statements of net assets available for benefits of Teamsters Health and Welfare Fund of Philadelphia and Vicinity as of December 31, 2010 and 2009 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Fund'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 audits 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 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 Teamsters Health and Welfare Fund of Philadelphia and Vicinity as of December 31, 2010 and 2009 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.



A Professional Corporation
Bethesda, MD
June 13, 2011

TEAMSTERS HEALTH AND WELFARE FUND OF PHILADELPHIA AND VICINITY
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Investments - at fair value	\$ 53,610,530	\$ 48,646,167
Receivables		
Employers' contributions	7,759,374	7,474,774
Participants' contributions (COBRA)	163,348	144,955
Interest and dividends	95,484	109,315
Other	-	1,018
	8,018,206	7,730,062
Cash	5,148,687	2,355,543
Deposits	1,000,000	1,000,000
Other assets	113,176	113,573
TOTAL ASSETS	67,890,599	59,845,345
LIABILITIES		
Accounts payable and accrued expenses	142,181	105,450
Deferred revenue	341,133	480,673
TOTAL LIABILITIES	483,314	586,123
NET ASSETS AVAILABLE FOR BENEFITS	\$ 67,407,285	\$ 59,259,222

TEAMSTERS HEALTH AND WELFARE FUND OF PHILADELPHIA AND VICINITY
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
ADDITIONS		
Contributions		
Employers	\$ 92,486,654	\$ 95,718,420
Participants (COBRA)	3,479,295	2,208,509
	95,965,949	97,926,929
Investment income		
Net appreciation in fair value of investments	4,600,460	6,757,681
Interest and dividends	1,850,959	1,830,756
	6,451,419	8,588,437
Investment expenses	(153,941)	(132,948)
	6,297,478	8,455,489
Other income	-	3,403
TOTAL ADDITIONS	102,263,427	106,385,821
DEDUCTIONS		
Benefits paid		
Death	528,874	585,753
Dental	5,936,286	6,558,785
Disability	1,239,425	1,322,182
Medical	63,762,474	62,035,125
Prescription drug	16,788,072	17,525,294
	88,255,131	88,027,139
Benefit administration expenses	2,892,872	3,361,715
Administrative expenses	2,967,361	3,060,067
TOTAL DEDUCTIONS	94,115,364	94,448,921
NET INCREASE	8,148,063	11,936,900
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	59,259,222	47,322,322
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	\$ 67,407,285	\$ 59,259,222

TEAMSTERS HEALTH AND WELFARE FUND OF PHILADELPHIA AND VICINITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1: PLAN DESCRIPTION

General

The Teamsters Health and Welfare Fund of Philadelphia and Vicinity (the Fund) covers all employees working for employers who have a collective bargaining agreement with a local union which is party to the Fund and, further, the employers have agreed to make contributions to the Fund on the employees' behalf in accordance with negotiated hourly rates.

Information about eligibility, benefit provisions, and the priority order of participants' claims to the assets of the Fund upon termination, is contained in the Summary Plan Description. Copies are available from the Fund Administrator.

Benefits

The Fund provides health benefits (medical, dental and prescription drug), short-term disability and death benefits for covered employees and their beneficiaries and covered dependents. Generally, to be eligible for benefits, an employee must have been employed by a contributing employer or employers and be working within the jurisdiction of a local union which is a party to the Fund either 15 days in the month that is two months prior to the month of medical treatment or 180 days in the 12-month period that is two months prior to the month of medical treatment. Alternatively, some employees enjoy benefit eligibility during the same month that an employer remits a stated contractual amount of contributions. Retired employees are entitled to death benefits provided their employer has not decertified and/or has not ceased participation in the Fund in favor of another group health program at the time of death.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund's accounting policies reflect practices common to employee benefit plans and conform with accounting principles generally accepted in the United States of America. Significant accounting policies are summarized as follows.

Use of 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 the reported amounts of assets, liabilities, benefit obligations and changes therein, claims payable and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Money market funds and mutual funds are valued based on quoted market prices. The change in the difference between fair value and cost of investments and the realized gain (loss) on sale of investments is reflected in the statements of changes in net assets available for benefits as net appreciation (depreciation) in fair value of investments.

Contributions from Covered Employers

These amounts are based upon remittance reports filed by the covered employers. Contributions receivable at year end are substantially determined from employer remittance reports received subsequent to year end, but which cover hours worked during the respective years.

The Trustees have established a policy requiring audits of payroll records of covered employers who are selected by random sampling and judgmental methods. Special audits include those performed on employers that have withdrawn from the Fund and those performed at the request of covered employers. These audits are conducted on covered employers' payroll records based upon reports filed with the Fund for the calendar year prior to the audit date. These audits are in addition to the Fund's normal verification procedures applied to contributions reports filed for the current year.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions from Participants (COBRA)

Participants who become ineligible for coverage under the Fund's eligibility requirements can continue their coverage through COBRA. Contribution amounts are determined by the Fund's actuary in accordance with COBRA regulations. Deferred revenue is recorded when participants pay premiums prior to December 31 attributable to the following year. Beginning March 2009, the Fund receives reimbursements through COBRA from the federal government by submitting the quarterly Form 941. The reimbursements are included in participants (COBRA) on the statements of changes in net assets available for benefits.

Claims Incurred But Not Paid

Fund obligations at December 31 for health claims incurred by active participants but not reported at that date, for accumulated eligibility of participants, and for future death benefits under total disability claims are estimated by management based on the calculation performed by the Fund's independent consulting actuary in accordance with accepted actuarial principles. Such estimated amounts are included in Note 7 at present value.

Postretirement Benefit Obligations

The postretirement benefit obligation represents the actuarial present value of those estimated future death benefits that are attributed to employee services rendered to December 31. Postretirement benefits include future death benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from services with participants employers. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement obligation that is attributed to that employee's service rendered to the valuation date. The actuarial present value of the expected postretirement benefit obligation is determined with the assistance of the actuary and is the amount that results from applying actuarial assumptions to estimate future annual death benefits to participants and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability or withdrawal) between the valuation date and the expected date of payment.

Subsequent Events

In preparing these financial statements, management of the Fund has evaluated events and transactions that occurred after December 31, 2010 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through June 13, 2011, the date that the financial statements were available to be issued.

NOTE 3: INVESTMENTS

Investments held as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Investments at fair value as determined by quoted market prices		
Money market funds	\$ -	\$ 201
Mutual funds	<u>53,610,530</u>	<u>48,645,966</u>
	<u>\$ 53,610,530</u>	<u>\$ 48,646,167</u>

The cost of investments at December 31, 2010 and 2009 was \$55,022,866 and \$53,987,684, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS - continued

The fair value of individual investments that represent 5% or more of the Fund's net assets are as follows:

	<u>2010</u>	<u>2009</u>
SEI Large Capital Disciplined Equity Fund	\$ 16,036,540	\$ 14,485,577
SEI Core Fixed Income Fund	\$ 23,616,796	\$ 21,030,917
SEI International Equity Fund	\$ 3,663,971	\$ 3,413,768
SEI High Yield Bond Fund	\$ 3,571,229	\$ 3,245,033
SEI Emerging Markets Debt Fund	N/A	\$ 3,398,379

During 2010 and 2009, the Fund's investments, including investments bought and sold, as well as held during the year appreciated in value as follows:

Investments at fair value as determined by
quoted market prices

Mutual funds	<u>\$ 4,600,460</u>	<u>\$ 6,757,681</u>
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The Fund invests in mutual funds managed by SEI, the custodian. Transactions in such investments qualify as party-in-interest transactions that are exempt from prohibited transaction rules.

NOTE 4: FAIR VALUE MEASUREMENT

Accounting principles accepted in the United States of America define fair value as 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, establish a fair value reporting hierarchy and define three broad levels of inputs (the assumptions that market participants would use in pricing the asset or liability) as noted below:

Level 1

Inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets may include securities that are traded in an active exchange market or actively traded over-the-counter markets.

Level 2

Valuation is based on directly or indirectly observable inputs other than quoted prices included within Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability.

Level 3

Valuation is based on unobservable inputs for the asset or liability. Level 3 assets may include financial instruments whose value is determined using pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

A description of the valuation methodology is included in Note 2 and the methodology was not changed during the year ended December 31, 2010.

NOTES TO FINANCIAL STATEMENTS

NOTE 4: FAIR VALUE MEASUREMENT - continued

As of December 31, 2010 and 2009, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2010			Total Fair Value
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 53,610,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,610,530</u>

	2009			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ 201	\$ -	\$ -	\$ 201
Mutual funds	<u>48,645,966</u>	<u>-</u>	<u>-</u>	<u>48,645,966</u>
	<u>\$ 48,646,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,646,167</u>

NOTE 5: INCOME TAX STATUS

The Trust funding the Fund has received an exemption letter from the Internal Revenue Service dated June 17, 1953, stating that the Trust is tax-exempt under the provisions of Section 501(c)(9) of the Internal Revenue Code (the Code) as a Voluntary Employee Beneficiary Association. Subsequent to this exemption letter from the Internal Revenue Service, the Fund was amended and/or restated. Once qualified, the Fund and Trust are required to operate in conformity with the Code to maintain the tax-exempt status of the Trust. The Fund's Administrator believes the Fund is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Fund, as amended, is qualified and the related trust is tax-exempt. Therefore, no provision for income taxes has been made in these financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Fund, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

NOTE 6: 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 statements of net assets available for benefits.

Fund contributions are determined and the actuarial present values of benefit obligations are reported based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amount reported and disclosed in the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 7: BENEFIT OBLIGATIONS

Benefit obligations as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Amounts currently payable to or for participants, beneficiaries and dependents		
Claims payable and claims incurred but not reported	\$ 10,995,000	\$ 12,201,000
Accumulated eligibility credits and postemployment benefits, net of amounts currently payable		
Accumulated eligibility credits	15,817,000	15,491,000
Death benefits under total disability claims	<u>1,160,580</u>	<u>1,249,266</u>
	<u>16,977,580</u>	<u>16,740,266</u>
Postretirement benefit obligations		
Current retirees	5,761,236	5,323,042
Other participants fully eligible for benefits	1,100,743	1,143,369
Other participants not fully eligible for benefits	<u>194,531</u>	<u>262,916</u>
	<u>7,056,510</u>	<u>6,729,327</u>
Total benefit obligations	<u>\$ 35,029,090</u>	<u>\$ 35,670,593</u>

Changes in benefit obligations for the years ended December 31, 2010 and 2009 are as follows:

Amounts currently payable to or for participants, beneficiaries and dependents		
Balance at beginning of year	\$ 12,201,000	\$ 15,001,082
Claims reported and approved for payment	87,049,131	85,227,057
Claims paid (including disability)	<u>(88,255,131)</u>	<u>(88,027,139)</u>
Balance at end of year	<u>10,995,000</u>	<u>12,201,000</u>
Accumulated eligibility credits and postemployment benefits, net of amounts currently payable		
Balance at beginning of year	16,740,266	16,874,962
Benefits earned and other changes in		
Accumulated eligibility credits	326,000	(1,261,605)
Death benefits under total disability claims	<u>(88,686)</u>	<u>1,126,909</u>
Balance at end of year	<u>16,977,580</u>	<u>16,740,266</u>
Postretirement benefit obligations		
Balance at beginning of year	6,729,327	7,094,531
Increase (decrease) during the year attributable to benefits earned and other changes	<u>327,183</u>	<u>(365,204)</u>
Balance at end of year	<u>7,056,510</u>	<u>6,729,327</u>
Total benefit obligations at end of year	<u>\$ 35,029,090</u>	<u>\$ 35,670,593</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7: BENEFIT OBLIGATIONS - continued

The following significant assumptions were used as of December 31, 2010 and 2009:

- Discount rate - 5.25% and 6%, respectively.
- Retirement rates - Rates vary by age.
- Mortality rates - The RP-2000 Combined Healthy Mortality Tables for males and females were used; the PBGC Disabled Males and Females with OASDI Table was used for Disabled participants.
- Disability rates - Rates vary by age.

The foregoing assumptions are based upon the presumption that the Fund will continue. Were the Fund to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

NOTE 8: RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of the Fund's net assets available for benefits per the accompanying 2010 and 2009 financial statements to the Form 5500:

	2010	2009
Net assets available for benefits per the financial statements	\$ 67,407,285	\$ 59,259,222
Benefit obligations	(10,995,000)	(12,201,000)
Net assets available for benefits per Form 5500	\$ 56,412,285	\$ 47,058,222

The following is a reconciliation of health benefits per the financial statements to the Form 5500 for the year ended December 31, 2010:

Benefits paid per the financial statements	\$ 88,255,131
Reported benefit obligations at end of year	10,995,000
Reported benefit obligations at beginning of year	(12,201,000)
Benefit payments per Form 5500	\$ 87,049,131

NOTE 9: RELATED PARTY

The Fund and the Teamsters Pension Trust Fund of Philadelphia and Vicinity (the Pension Trust Fund) maintain a corporation known as Administrative Service Professionals, Inc. (ASP). The Fund owns seventy-two percent of ASP. ASP provides administrative services to the Fund based on a rate, per member, per month. During 2010 and 2009, the Fund paid ASP \$2,601,000 and \$2,626,500, respectively, which is included in administrative expenses. As of December 31, 2010 and 2009, the Fund did not have any outstanding liabilities to ASP.

The Fund does not consolidate financial information concerning ASP into its financial statements as such information is considered relatively immaterial to its financial status and changes in its financial status.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RECLASSIFICATION

Certain prior year information has been reclassified to conform with the current year presentation. The Fund previously included the participants' contributions receivables in employers' contributions receivables. This reclassification had no impact on the amount of net assets available for benefits as of December 31, 2009 or the change in net assets available for benefits for the year then ended as reflected in previously issued financial statements.

NOTE 11: CONCENTRATIONS OF CREDIT RISK

The Fund maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Fund has not experienced any losses on such accounts and does not believe that it is exposed to any significant financial risk on cash.

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION

Board of Trustees
Teamsters Health and Welfare Fund of
Philadelphia and Vicinity
6981 North Park Drive, Suite 400
Pennsauken, NJ 08109

Our audits of the financial statements of Teamsters Health and Welfare Fund of Philadelphia and Vicinity for the years ended December 31, 2010 and 2009 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules (benefit administration expenses and administrative expenses) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



A Professional Corporation
Bethesda, MD
June 13, 2011

**TEAMSTERS HEALTH AND WELFARE FUND OF PHILADELPHIA AND VICINITY
SCHEDULES OF BENEFIT ADMINISTRATION EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
BENEFIT ADMINISTRATION EXPENSES		
Behavioral health	\$ 241,527	\$ 255,717
Claims editing	27,665	65,026
Disease management	495,917	579,121
Hospital/surgical	2,031,614	2,317,389
Prescription drug	<u>96,149</u>	<u>144,462</u>
	<u>\$ 2,892,872</u>	<u>\$ 3,361,715</u>

**TEAMSTERS HEALTH AND WELFARE FUND OF PHILADELPHIA AND VICINITY
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

ADMINISTRATIVE EXPENSES	2010	2009
Actuarial and consulting	\$ 56,697	\$ 81,477
Administrator fee - ASP	2,601,000	2,626,500
Auditing and accounting	55,990	49,531
Data processing equipment rental and supplies	37,315	35,863
Dental consulting	19,500	16,889
Dues and subscriptions	618	600
Educational conferences and trustees' meetings	28,171	24,565
Insurance	4,150	3,630
Legal	38,683	58,109
Office and supplies	32,095	22,567
Payroll audit - legal services	14,314	39,438
Postage	75,044	92,877
Printing	3,784	8,021
	\$ 2,967,361	\$ 3,060,067