

MICHIGAN CARPENTERS' HEALTH CARE FUND

Lansing, Michigan

FINANCIAL STATEMENTS

August 31, 2017

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John M. Grace, CPA
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George Benda, CPA
(1941-2007)



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Michigan Carpenters' Health Care Fund
6525 Centurion Drive
Lansing, MI 48917

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the Michigan Carpenters' Health Care Fund, which comprise the statement of net assets available for benefits and benefit obligations as of August 31, 2017 and 2016, and the related statement of changes in net assets available for benefits and benefit obligations 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 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 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 Michigan Carpenters' Health Care Fund as of August 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.

Bender, Gunn, Stul & Company, P.C.

Sterling Heights, Michigan
December 21, 2017

MICHIGAN CARPENTERS' HEALTH CARE FUND
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AND BENEFIT OBLIGATIONS

	August 31,	
	2017	2016
<u>ASSETS</u>		
Investments at fair value (Notes B, E and F) –		
Mutual funds	\$ 5,765,957	\$ 13,545,578
U.S. government securities	3,353,072	-
Corporate bonds and notes	2,697,295	-
State and municipal securities	49,982	-
Money market funds	86,455	-
Total investments	11,952,761	13,545,578
Receivables:		
Employer contributions (Note B)	1,735,646	1,603,473
Other	-	1,900,000
Accrued interest and dividends	41,144	-
Total receivables	1,776,790	3,503,473
Other assets:		
Health care claims deposit (Note D)	864,215	864,215
Unexpired insurance premiums	4,198	4,569
Prepaid expenses	6,392	-
Cash	1,780,523	1,384,597
Total other assets	2,655,328	2,253,381
Total assets	16,384,879	19,302,432
<u>LIABILITIES</u>		
Accounts payable	380,011	437,264
Advance self-payments	117,504	114,870
Health care claims payable (Note D)	397,563	344,487
Unsettled investment transactions	5,257	-
Total liabilities	900,335	896,621
<u>NET ASSETS AVAILABLE FOR BENEFITS</u>	15,484,544	18,405,811
<u>BENEFIT OBLIGATIONS</u> (Note C)		
Claims incurred but not reported	1,492,000	1,426,000
Accumulated eligibility credits	14,467,000	13,062,000
<u>TOTAL BENEFIT OBLIGATIONS</u>	15,959,000	14,488,000
<u>EXCESS OF NET ASSETS AVAILABLE FOR</u>		
<u>BENEFITS OVER (UNDER) BENEFIT OBLIGATIONS</u>	\$ (474,456)	\$ 3,917,811

The accompanying notes are an integral part of these financial statements.

MICHIGAN CARPENTERS' HEALTH CARE FUND

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR
BENEFITS AND BENEFIT OBLIGATIONS**

	Years ended August 31,		Increase
	2017	2016	(Decrease)
<u>ADDITIONS</u>			
Investment income (loss) (Note G)	\$ 482,405	\$ (1,090,257)	\$ 1,572,662
Employer contributions	17,313,760	16,943,818	369,942
Self-payments from participants	4,897,747	4,910,125	(12,378)
Non-bargaining unit contributions	2,034,720	1,830,291	204,429
Liquidated damages collected	11,442	6,315	5,127
Other	44,850	1,932,791	(1,887,941)
Total additions	24,784,924	24,533,083	251,841
<u>DEDUCTIONS</u>			
Benefit expenses (Note H)	26,571,535	26,017,280	554,255
Administrative expenses (Note I)	1,134,656	1,069,727	64,929
Total deductions	27,706,191	27,087,007	619,184
<u>DECREASE IN NET ASSETS AVAILABLE FOR BENEFITS</u>			
	(2,921,267)	(2,553,924)	(367,343)
<u>INCREASE (DECREASE) IN BENEFIT OBLIGATIONS</u> (Note C)			
Change in claims incurred but not reported	66,000	(39,000)	105,000
Change in accumulated eligibility credits	1,405,000	(244,000)	1,649,000
<u>TOTAL INCREASE (DECREASE) IN BENEFIT OBLIGATIONS</u>			
	1,471,000	(283,000)	1,754,000
<u>DECREASE IN EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER (UNDER) BENEFIT OBLIGATIONS</u>			
	(4,392,267)	(2,270,924)	\$ (2,121,343)
<u>EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER (UNDER) BENEFIT OBLIGATIONS</u>			
Beginning of year	3,917,811	6,188,735	
End of year	\$ (474,456)	\$ 3,917,811	

The accompanying notes are an integral part of these financial statements.

MICHIGAN CARPENTERS' HEALTH CARE FUND

NOTES TO FINANCIAL STATEMENTS

Note A: **Description of the Plan**

The following brief description of the Michigan Carpenters' Health Care Fund, as in effect on August 31, 2017, is provided for general purposes only. For more complete information refer to the amended and restated plan document.

1. **General** – The Health Care Fund was established effective November 5, 1952 as a result of collective bargaining and has subsequently been amended. It is a multi-employer plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.
2. **Benefits** – The Plan provides participants, beneficiaries and covered dependents with hospitalization, surgical, medical, death and other related health care benefits. For more complete information concerning eligibility benefits provided, refer to the Plan's summary plan description.
3. **Contributions** – Contributions are obtained from participating employers and plan participants. Contributions from employers are based on hours worked by plan participants and hourly rates specified in the collective bargaining agreements. Contributions from participants are based on rates established by the Board of Trustees.

Note B: **Summary of Significant Accounting Policies**

1. **General** – The accounting records of the Plan are maintained on the accrual basis. Contributions received subsequent to August 31, 2017 attributed to hours worked prior to September 1, 2017 are reflected as contributions due from employers as of August 31, 2017, in accordance with the consistent policy of the Fund.
2. **Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations, and changes therein, IBNR, eligibility credits, claims payable and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.
3. **Investment Valuation and Income Recognition** – Investments are reported 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 E 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 appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

MICHIGAN CARPENTERS' HEALTH CARE FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

Note C: Benefit Obligations

1. Claims Incurred but Not Reported – Claims incurred but not reported includes the estimated ultimate cost of settling claims and has been projected based on claims paid subsequent to August 31, 2017 representing claims incurred prior to and including that date.
2. Accumulated Eligibility Credits – Accumulated eligibility credits represent estimated future benefits expected to be paid for past accumulated credit hours. The liability includes all eligible participants of the Plan with the exception of the retirees who reimburse the Fund on a self-payment basis. The liability is based on historical data and industry averages and is evaluated periodically.
3. Postretirement Benefit Obligations – The amount reported as the postretirement benefit obligation represents the actuarial present value of the cost of those estimated future benefits that are attributed, by the terms of the Plan, to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current plan participants. Postretirement benefits include future benefits expected to be paid to or for (a) currently retired or terminated employees and their beneficiaries and dependents and (b) active employees and their beneficiaries and dependents after retirement from service for the participating employers. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit 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 by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant 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, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes, a 7.90% annual rate of increase in the per capita cost of covered health care benefits was assumed for participants younger than age 65 and 7.90% for participants age 65 and older; a 5.80% annual rate of increase was assumed for dental benefits for August 31, 2017. The health care and dental rates were assumed to decrease gradually to 4.00% for August 31, 2033 and to remain at these levels thereafter. These assumptions are consistent with those used to measure the benefit obligation at August 31, 2016. The health care cost-trend rate assumption has a significant effect on the amounts reported. If the assumed rates increased by one percentage point in each year, it would increase the accumulated postretirement benefit obligation as of August 31, 2017 and 2016 by 18.30% and 15.10%, respectively. The Fund's estimated net cost of providing postretirement benefits funded by retiree contributions is \$3,845,233 and \$3,366,152 for the years ended August 31, 2017 and 2016. Self payment rates range from \$175 to \$801 based on type of retiree coverage.

MICHIGAN CARPENTERS' HEALTH CARE FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note C: Benefit Obligations (Continued)

3. Postretirement Benefit Obligations (Continued)

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 benefits plans that provide a benefit that is at least actuarially equivalent to Medicare Part D.1. Measures of the accumulated postretirement benefit obligation and changes in the benefit obligation do not reflect any amount associated with the subsidy because the Plan is not directly entitled to the Medicare subsidy.

The following were other significant assumptions used on the valuation as of August 31, 2017 and 2016.

Weighted-average discount rate	3.50% for August 31, 2017 3.75% for August 31, 2016
Average retirement age	Graduated scale, based on retirement probabilities
Mortality table	RP-2014 Blue Collar Mortality Tables for Employees and Healthy Annuitants with a 115% multiplier adjusted backward to 2006 with the MP-2014 projection scale and projected forward using the MP-2016 projection scale

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

MICHIGAN CARPENTERS' HEALTH CARE FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note C: Benefit Obligations (Continued)

3. Postretirement Benefit Obligations (Continued)

The following is a summary of postretirement benefit obligations at August 31, 2017 and 2016 and changes for the years then ended.

	August 31,	
	2017	2016
Current retirees	\$ 29,915,787	\$ 22,977,687
Other participants fully eligible for benefits	36,604,434	30,245,753
Participants not yet fully eligible for benefits	54,236,066	46,121,220
	\$120,756,287	\$ 99,344,660
	Years ended August 31,	
	2017	2016
Change due to plan amendments	\$ -	\$ 6,948,368
Change due to actuarial assumptions	453,232	(15,577,882)
Change due to estimated net benefits paid	(3,005,704)	(3,366,152)
Change due to interest	3,725,425	4,316,715
Change due to benefits earned and other changes	20,238,674	11,096,617
	\$ 21,411,627	\$ 3,417,666

There is no provision for funding the postretirement benefit obligation in the current collective bargaining agreements. The calculation of the obligation does not imply that there is any legal liability to provide the benefits valued nor do the participants have any vested rights in the postretirement benefit obligations.

Note D: Administrative Service Contract

The Fund contracted Blue Cross and Blue Shield of Michigan to administer health care claims effective December 1, 1994. Under the current arrangement, the Fund pays an amount weekly which is comprised of actual claims, administration fees and stop loss insurance premiums. Blue Cross and Blue Shield of Michigan continues to hold an amount representing a hospital prepayment, which is periodically adjusted and the Fund is charged or credited for the increase or decrease in the required amount. As of August 31, 2017 the hospital prepayment is reported as an asset in the amount of \$864,215 and the figure representing claims, administration fees and stop loss premiums due is reported as health care claims payable (liability) in the amount of \$397,563.

MICHIGAN CARPENTERS' HEALTH CARE FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note E: Fair Value Measurements

FASB Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures, provides a 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 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:

- 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 following tables set forth by level within the fair value hierarchy, the Plan's assets at fair value as of:

Fair Value Measurement at August 31, 2017

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 5,765,957	\$ -	\$ 5,765,957	\$ -
U.S. government securities	3,353,072	-	3,353,072	-
Corporate bonds and notes	2,697,295	-	2,697,295	-
State and municipal securities	49,982	-	49,982	-
Money market funds	<u>86,455</u>	<u>-</u>	<u>86,455</u>	<u>-</u>
	<u>\$ 11,952,761</u>	<u>\$ -</u>	<u>\$ 11,952,761</u>	<u>\$ -</u>

MICHIGAN CARPENTERS' HEALTH CARE FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note E: Fair Value Measurements (Continued)

Fair Value Measurement at August 31, 2016

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 13,545,578	\$ -	\$ 13,545,578	\$ -

Level 2 Fair Value Measurements

Mutual funds, U.S. government securities, corporate bonds and notes, state and municipal securities and money market funds are not traded on active markets or exchanges. No cusips or tickers are available to access unit values. The fair value of the investments are determined by other various observable inputs.

Note F: Investments

The following is a comparison of cost to market value of investments, other than cash, held at August 31, 2017:

	<u>Market Value</u>	<u>Cost</u>	<u>Market Value Over (Under)</u>
Mutual funds	\$ 5,765,957	\$ 5,833,248	\$ (67,291)
U.S. government securities	3,353,072	3,315,972	37,100
Corporate bonds and notes	2,697,295	2,686,663	10,632
State and municipal securities	49,982	49,656	326
Money market funds	<u>86,455</u>	<u>86,455</u>	<u>-</u>
	<u>\$ 11,952,761</u>	<u>\$ 11,971,994</u>	<u>\$ (19,233)</u>

During the Plan years ended August 31, 2017 and 2016, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value by \$470,187 and \$(1,228,217), respectively as follows:

	<u>Years ended August 31,</u>	
	<u>2017</u>	<u>2016</u>
Net appreciation (depreciation) in fair value –		
Mutual funds	\$ 422,131	\$ (1,228,217)
U.S. government securities	36,598	-
Corporate bonds and notes	11,131	-
State and municipal securities	<u>327</u>	<u>-</u>
	<u>\$ 470,187</u>	<u>\$ (1,228,217)</u>

MICHIGAN CARPENTERS' HEALTH CARE FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note G: Net Investment Income

Following is a summary of investment income earned for the years ended August 31,

	2017	2016	Increase (Decrease)
Investment income:			
Interest and dividends	\$ 20,880	\$ 142,622	\$ (121,742)
Net appreciation (depreciation) in fair value of investments	470,187	(1,228,217)	1,698,404
	491,067	(1,085,595)	1,576,662
less – investment expense	8,662	4,662	4,000
	\$ 482,405	\$ (1,090,257)	\$ 1,572,662

Note H: Benefit Expenses

Following is a summary of benefit expenses incurred for the years ended August 31,

	2017	2016	Increase (Decrease)
Benefit expenses:			
Hospitalization and other medical benefits	\$18,795,024	\$18,562,968	\$ 232,056
Prescription drug costs - BCBSM	3,887,106	3,486,658	400,448
Claims administration fee – BCBSM	1,668,178	1,642,331	25,847
Dental benefits	1,622,381	1,425,434	196,947
Stop loss insurance	519,909	460,718	59,191
Prescription drug costs – TIC	159,939	157,299	2,640
Agent fees – BCBSM	134,173	133,146	1,027
Health care fees	62,159	290,904	(228,745)
Death benefits	25,000	32,000	(7,000)
Stop loss credits	(302,334)	(174,178)	(128,156)
	26,571,535	26,017,280	554,255
Change in claims incurred but not reported	66,000	(39,000)	105,000
	26,637,535	25,978,280	659,255
Change in accumulated eligibility credits	1,405,000	(244,000)	1,649,000
	\$28,042,535	\$25,734,280	\$ 2,308,255

MICHIGAN CARPENTERS' HEALTH CARE FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note I: Administrative Expenses

Following is a summary of administrative expenses incurred for the years ended August 31,

	<u>2017</u>	<u>2016</u>	Increase (Decrease)
Administrative manager's fee:			
Basic	\$ 469,873	\$ 469,873	\$ -
Supplement to Medicare	79,000	79,000	-
Flex benefits	57,600	57,600	-
Other	<u>7,975</u>	<u>8,023</u>	<u>(48)</u>
	614,448	614,496	(48)
Payroll audit fees	96,463	93,924	2,539
Legal fees	90,542	59,221	31,321
Collection fees and expenses	57,899	72,872	(14,973)
Printing and miscellaneous	50,616	43,773	6,843
Computer processing costs	49,576	49,576	-
Member communications	43,326	18,171	25,155
Consulting fee	35,000	15,000	20,000
Audit fee	22,600	22,000	600
Bank service charges	20,336	17,713	2,623
Conference and meetings	17,668	26,087	(8,419)
Actuarial fee	12,000	11,000	1,000
Trustee and fiduciary liability insurance and bonding	11,932	13,062	(1,130)
Notices to participants	5,101	5,800	(699)
Telephone	3,029	2,962	67
Form 5500 and 990 preparation fee	1,500	1,500	-
ERISA reporting costs	1,320	1,320	-
Educational foundation dues	<u>1,300</u>	<u>1,250</u>	<u>50</u>
	<u>\$ 1,134,656</u>	<u>\$ 1,069,727</u>	<u>\$ 64,929</u>

Note J: Tax Status

The Trust established under the Plan to hold the Plan's assets is qualified pursuant to Section 501(c)(9) of the Internal Revenue Code as a tax exempt organization. The Plan has obtained a favorable tax determination letter from the Internal Revenue Service and the Plan Sponsor believes the Plan, as amended, continues to qualify and operate as designed.

MICHIGAN CARPENTERS' HEALTH CARE FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note K: **Tax Uncertainties and Open Tax Years**

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Fund and recognize a tax liability (or asset) if the Fund has taken an uncertain position that more likely than not would not be sustained upon examination by the taxing authorities. Management has analyzed the tax positions taken by the Fund, and has concluded that as of August 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examination for years prior to August 31, 2014.

Note L: **Risks and Uncertainties**

The Plan 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 and benefit obligations.

The actuarial present value of benefit obligations is 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 estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

In addition to investments and cash equivalents, financial instruments which potentially subject the Plan to concentrations of credit risk consist principally of cash. The Plan places its cash with tier I financial institutions. At times, the amount of cash on deposit in banks may be in excess of the respective financial institution's FDIC insurance limit.

Note M: **Priorities Upon Termination**

In the event of termination, any and all monies and assets remaining in the trust fund, after payment of expenses, shall be used to pay any and all obligations of the trust to the extent possible and distribute any remaining surplus in such manner as will best effectuate the purposes of the trust.

MICHIGAN CARPENTERS' HEALTH CARE FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note N: 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.

	August 31,	
	2017	2016
Net assets available for benefits per financial statements	\$ 15,484,544	\$ 18,405,811
Less:		
Claims incurred but not reported	(1,492,000)	(1,426,000)
Accumulated eligibility credits	(14,467,000)	(13,062,000)
Net assets available for benefits per Form 5500	\$ (474,456)	\$ 3,917,811

The following is a reconciliation of benefit expenses per the financial statements to the Form 5500.

	Years ended August 31,	
	2017	2016
Benefit expenses per the financial statements	\$ 26,571,535	\$ 26,017,280
Less - administrative services only contract fees	(1,668,178)	(1,642,331)
Change in reserves for:		
Claims incurred but not reported	66,000	(39,000)
Accumulated eligibility credits	1,405,000	(244,000)
Benefit expenses per the Form 5500	\$ 26,374,357	\$ 24,091,949

Note O: Reportable Transactions

The United States Department of Labor requires all transactions in excess of 5% of the current value of the Plan's net assets for non-participant directed investments to be disclosed separately in the financial statements as a reportable transaction.

Note P: Party-in-Interest Transactions

Plan investments are held at Comerica Bank and John Hancock (the Custodians). The transactions of the custodians qualify as party-in-interest transactions.

Fees paid during the year for legal, auditing, investment manager, investment advisor, and other professional services rendered by parties-in-interest were based on customary and reasonable rates for such services.

MICHIGAN CARPENTERS' HEALTH CARE FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note Q: **Reclassification**

Certain amounts reported in prior years have been reclassified to conform to this current year presentation.

Note R: **Subsequent Events**

The date to which events occurring after August 31, 2017, the date of the most recent Statement of Net Assets Available for Benefits, have been evaluated for possible adjustment to the financial statements or disclosures is December 21, 2017, which is the date on which the financial statements were available to be issued.

**MICHIGAN CARPENTERS'
HEALTH CARE FUND
SUPPLEMENTAL SCHEDULES**



John M. Grace, CPA
Bryan D. Stulz, CPA
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(1941-2007)



**INDEPENDENT AUDITOR'S
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 assets held for investments 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.

Benda, Grace, Stulz & Company, P.C.

Sterling Heights, Michigan
December 21, 2017

MICHIGAN CARPENTERS' HEALTH CARE FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
Employer I.D. No. 38-6058383 Plan No. 501
August 31, 2017

Party-in-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
U.S. GOVERNMENT SECURITIES					
	United States Government	100,000	U.S. Treasury 0.625% due 04/30/2018	\$ 99,571	\$ 99,609
	United States Government	100,000	U.S. Treasury 1.625% due 08/30/2019	100,481	100,535
	United States Government	95,000	U.S. Treasury 2.00% due 02/15/2025	93,564	95,030
	United States Government	90,000	U.S. Treasury 2.25% due 11/15/2025	89,853	91,389
	United States Government	125,000	U.S. Treasury 2.25% due 02/15/2027	124,484	126,386
	United States Government	60,000	U.S. Treasury 4.375% due 05/15/2040	76,325	78,290
	United States Government	75,000	U.S. Treasury 4.375% due 05/15/2041	96,663	98,253
	United States Government	125,000	U.S. Treasury 2.75% due 11/15/2042	122,162	126,519
	United States Government	145,000	U.S. Treasury 2.5% due 02/15/2045	134,822	138,843
	United States Government	80,000	U.S. Treasury 2.5% due 05/15/2046	73,418	76,334
	United States Government	125,000	FHLM 1.25% due 10/02/2019	124,400	124,478
	United States Government	75,000	FNMA 1.375% due 02/26/2021	74,268	74,557
	United States Government	100,000	FNMA 2.625% due 09/06/2024	103,193	103,777
	United States Government	115,000	FNMA 2.125% due 04/24/2026	112,215	114,030
	United States Government	105,000	FNMA 1.875% due 09/24/2025	99,295	101,553
	United States Government	80,000	FNMA 6.625% due 11/15/2030	114,168	115,911
	United States Government	69,306	FHLM 3.5% due 07/01/2009	72,707	72,690
	United States Government	58,089	FHLM 3.00% due 10/01/2029	59,814	60,043
	United States Government	62,886	FNMA 3.00% due 11/01/2029	64,655	65,049
	United States Government	64,272	FNMA 2.00% due 11/01/2031	63,760	63,703
	United States Government	74,591	FNMA 2.5% due 12/01/2031	75,069	75,709
	United States Government	80,578	FNMA 3.5% due 04/01/2032	84,260	84,433
	United States Government	44,839	FNMA 4.5% due 08/01/2040	48,328	48,560
	United States Government	77,168	FNMA 3.5% due 02/01/2041	79,809	80,371
	United States Government	51,299	FHLM 4.5% due 03/01/2041	55,179	55,317
	United States Government	65,854	FNMA 4.00% due 12/01/2041	69,476	69,867
	United States Government	49,369	FNMA 3.00% due 05/01/2043	49,569	50,223
	United States Government	89,334	FNMA 3.00% due 08/01/2043	89,390	90,820
	United States Government	70,815	FHLM 4.00% due 12/01/2043	74,887	75,466
	United States Government	79,995	FHLM 3.5% due 02/01/2045	82,771	82,963
	United States Government	36,757	FHLM 3.00% due 04/01/2045	36,654	37,187
	United States Government	73,665	FHLM 3.00% due 06/01/2045	74,402	74,529
	United States Government	68,679	FHLM 4.00% due 09/01/2045	72,199	72,608
	United States Government	74,636	FHLM 3.5% due 12/01/2045	76,581	77,405
	United States Government	59,323	FHLM 3.00% due 03/01/2046	59,325	60,017
	United States Government	36,604	FHLM 3.5% due 03/01/2046	37,645	37,962
	United States Government	90,314	FNMA 4% due 04/01/2048	95,366	95,469

MICHIGAN CARPENTERS' HEALTH CARE FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
Employer I.D. No. 38-6058383 Plan No. 501
August 31, 2017

Party-in-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
<u>U.S. GOVERNMENT SECURITIES-Continued</u>					
	United States Government	73,085	FHLM 3.5% due 05/01/2046	74,912	75,795
	United States Government	78,144	FHLM 4.00% due 02/01/2047	82,150	82,615
	United States Government	97,602	FHLM 3.00% due 03/01/2047	98,182	98,777
	TOTAL U.S. GOVERNMENT SECURITIES			3,315,972	3,353,072
<u>CORPORATE BONDS AND NOTES</u>					
	John Deere	25,000	1.25% due 06/15/2020	24,883	24,915
	Capital One	60,000	1.39% due 01/15/2021	59,995	59,995
	World Finl Network	20,000	1.54% due 08/15/2021	20,001	20,001
	B A Cr Card	30,000	1.95% due 08/15/2022	30,094	30,195
	World Finl Network	45,000	2.23% due 08/15/2022	45,301	45,300
	Airgas Inc	50,000	1.65% due 02/15/2019	50,034	50,027
	Amphenol Corp	50,000	2.55% due 01/30/2019	50,448	50,417
	Caterpillar Services	45,000	7.15% due 02/13/2019	48,771	48,441
	Chevon Corp	42,000	4.95% due 03/03/2019	44,180	44,078
	Mastercard Inc	25,000	2.00% due 04/01/2019	25,168	25,226
	Portland Gen Elec Co	30,000	6.1% due 04/15/2019	32,165	32,270
	Dow Chemical Co	52,000	8.55% due 05/15/2019	58,130	57,690
	American Express Cr Corp	50,000	2.25% due 08/15/2019	50,470	50,449
	CBS Corp	50,000	2.3% due 08/15/2019	50,316	50,383
	Walgreens Boots Alliance Inc	45,000	2.7% due 11/18/2019	45,721	45,759
	Valero Energy	50,000	6.125% due 02/01/2020	54,878	54,615
	Williams Partners	30,000	5.25% due 03/15/2020	32,309	32,294
	NBC Universal Media LLC	50,000	5.15% due 04/30/2020	54,418	54,333
	Wisconsin Energy	60,000	2.45% due 06/15/2020	60,712	60,761
	Georgia Power Co	35,000	2.00% due 09/08/2020	34,995	35,075
	Continental Arls	33,591	4.75% due 01/12/2021	35,736	35,690
	Starbucks Corp	60,000	2.1% due 02/04/2021	60,524	60,619
	Disney Walt Co	60,000	2.3% due 02/12/2021	60,795	60,857
	Exxon Mobil Corporation	60,000	2.222% due 03/01/2021	60,436	60,755
	Texas Instrs Inc	60,000	2.75% due 03/12/2021	61,579	61,573

MICHIGAN CARPENTERS' HEALTH CARE FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
Employer I.D. No. 38-6058383 Plan No. 501
August 31, 2017

Party-in-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
<u>CORPORATE BONDS AND NOTES-Continued</u>					
	CVS Caremark Corp	45,000	4.125% due 05/15/2021	47,755	47,823
	Coca Cola	57,000	3.30% due 09/01/2021	59,704	60,071
	Johnson & Johnson	30,000	2.25% due 03/03/2022	30,424	30,446
	Carolina Pwr & Lt	30,000	2.8% due 05/15/2022	30,656	30,830
	Republic Services Inc	35,000	3.55% due 06/01/2022	36,683	36,605
	Church & Dwight	40,000	2.45% due 08/01/2022	40,071	40,104
	Baxter Intl Inc	35,000	2.4% due 08/15/2022	34,784	35,081
	American Illinois Company	40,000	2.7% due 09/01/2022	40,598	40,894
	Oncor Electric Delivery	35,000	7.00% due 09/01/2022	42,326	42,352
	Eaton Corp	35,000	2.75% due k11/02/2022	35,232	35,507
	Connecticut Lt & Pwr	20,000	2.5% due 01/15/2023	19,973	20,205
	American Home Productgs	15,000	7.25% due 03/01/2023	18,617	18,604
	Avery Dennison Corp	20,000	3.35% due 04/15/2023	20,256	20,229
	Colgate Palmolive Co	60,000	2.1% due 05/01/2023	59,486	59,471
	Republic	25,000	4.75% due 05/15/2023	27,628	27,877
	Aglient Technologies Inc	30,000	3.875% due 07/15/2023	31,397	31,557
	Norfolk Southern Corp	35,000	3.85% due 01/15/2024	37,151	37,399
	Pacificorp	15,000	3.6% due 04/01/2024	15,954	15,920
	Ace Ina Hldg Co	30,000	3.35% due 05/15/2024	31,566	31,344
	Burlington Northern Sante Fe	40,000	3.4% due 09/01/2024	41,665	42,035
	Public Service Elec & Gas	25,000	3.05% due 11/15/2024	25,144	25,547
	Kimberly Clark Corp	50,000	2.65% due 03/01/2025	49,206	49,754
	Eastman Chemical	45,000	3.8% due 03/15/2025	46,351	46,693
	Louisville Gas & Elec Co	25,000	3.3% due 10/01/2025	25,958	25,933
	Continental Airls Inc	20,558	4.00% due 04/29/2025	21,370	21,534
	Union Pacific RR	53,808	3.227% due 05/14/2026	54,235	55,077
	Connecticut Lt & Pwr	25,000	3.2% due 03/15/2027	25,392	25,686
	American Airlines	37,118	3.375% due 11/01/2025	36,053	37,883
	South Carolina Elec & Gas	9,000	5.3% due 05/15/2033	10,238	10,617
	Carolina Pwer & Lt	15,000	6.125% due 09/15/2033	18,845	19,141
	Fedex Corp	25,000	4.9% due 01/15/2034	27,964	28,129
	AT&T Inc	15,000	4.5% due 05/15/2035	14,771	14,690
	Pepsi Americas Inc	20,000	5.5% due 05/15/2035	24,294	24,372
	Microsoft Corp	10,000	4.2% due 11/03/2035	10,977	11,114
	Travelers Cos Inc	20,000	6.25% due 06/15/2037	26,844	26,751

MICHIGAN CARPENTERS' HEALTH CARE FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
Employer I.D. No. 38-6058383 Plan No. 501
August 31, 2017

Party-in-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
<u>CORPORATE BONDS AND NOTES-Continued</u>					
	Detroit Edison	15,000	5.7% due 10/01/2037	18,720	19,094
	Amer Water Works	15,000	6.593% due 10/15/2037	20,544	21,107
	United Parcel Service	20,000	6.2% due 01/15/2038	27,295	27,419
	Emerson Electric	15,000	6.125% due 04/15/2039	19,795	19,864
	South Carolina Elec & Gas	15,000	5.45% due 02/01/2041	17,459	18,535
	International Flavors	20,000	4.375% due 06/01/2047	20,511	20,881
	Canadian Pacific RY Co	40,000	7.25% due 05/15/2019	43,541	43,447
	Carnival Corp	60,000	3.95% due 10/15/2020	63,657	63,551
	Canadian Natl Railway	50,000	2.85% due 12/1/2021	51,244	51,345
	Apache Finance Canada	20,000	7.75% due 12/15/2029	26,794	26,861
	Canadian Natl Railway Co	20,000	6.712% due 07/15/2036	28,080	28,124
	Waste Management Inc	50,000	3.5% due 05/15/2024	52,211	52,513
	Charles Schwab Corporation	25,000	3.2% due 03/02/2027	25,185	25,561
	TOTAL CORPORATE BONDS AND NOTES			<u>2,686,663</u>	<u>2,697,295</u>
<u>STATE AND MUNICIPAL SECURITIES</u>					
	New York N Y City Transitional	25,000	1.69% due 02/01/2021	24,656	24,820
	Port Seattle WA	25,000	2.23% due 05/01/2021	25,000	25,162
	TOTAL STATE AND MUNICIPAL SECURITIES			<u>49,656</u>	<u>49,982</u>
<u>MUTUAL FUNDS</u>					
*	John Hancock Funds	556,560	Global Absolute Return Strategies Class R6	5,833,248	5,765,957
<u>MONEY MARKET FUNDS</u>					
*	Comerica Bank	86,455	Goldman Sachs Financial Square Funds - Government Fund	86,455	86,455
	TOTAL ASSETS HELD FOR INVESTMENT			<u>\$ 11,971,994</u>	<u>\$ 11,952,761</u>

MICHIGAN CARPENTERS' HEALTH CARE FUND
SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS
Employer I.D. No. 38-6058383 Plan No. 501
Year ended August 31, 2017

Identity of Party Involved	Description of Asset (Include Rate of Return and Maturity in Case of Loan)	Purchase Price	Selling Price	Lease Rental	Expense Incurred with Transaction	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain or (Loss)
<u>i) SINGLE TRANSACTIONS IN EXCESS OF 5% OF THE CURRENT VALUE OF PLAN ASSETS</u>								
Comerica Bank	Goldman Sachs Financial - Government Fund	5,000,000				5,000,000	5,000,000	
Comerica Bank	Goldman Sachs Financial - Government Fund	1,153,755				1,153,755	1,153,755	
John Hancock	Global Absolute Return Strategies Class R6	1,900,000				1,900,000	1,900,000	
John Hancock	Global Absolute Return Strategies Class R6		1,324,936			1,324,936	1,324,936	-
John Hancock	Global Absolute Return Strategies Class R6		1,100,000			1,100,000	1,100,000	-
John Hancock	Global Absolute Return Strategies Class R6		1,020,163			1,020,163	1,020,163	-
John Hancock	Global Absolute Return Strategies Class R6		1,212,551			1,212,551	1,212,551	-
John Hancock	Global Absolute Return Strategies Class R6		5,000,000			5,000,000	5,000,000	-
<u>iii) SERIES OF TRANSACTIONS IN EXCESS OF 5% OF THE CURRENT VALUE OF PLAN ASSETS</u>								
Comerica Bank	Goldman Sachs Financial - Government Fund 7 purchases 47 sales	6,159,343				6,159,343	6,159,343	
			6,072,888			6,072,888	6,072,888	-
John Hancock	Global Absolute Return Strategies Class R6 2 purchases 6 sales	2,019,558				2,019,558	2,019,558	
			10,221,310			10,221,310	10,221,310	-

There were no reportable transactions under categories (ii) and (iv).