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# SCHOOL CAFETERIA EMPLOYEES UNITE HERE LOCAL NO. 634 HEALTH AND WELFARE TRUST FUND

FINANCIAL STATEMENTS

AUGUST 31, 2025

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FINANCIAL STATEMENTS

AUGUST 31, 2025 AND 2024

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# Independent Auditor's Report

To the Participants and Trustees of the
School Cafeteria Employees UNITE HERE
Local No. 634 Health and Welfare Trust Fund

## Opinion

We have audited the financial statements of the School Cafeteria Employees UNITE HERE Local No. 634 Health and Welfare Trust Fund (the Plan), which comprise the statements of net assets available for benefits and of benefit obligations as of August 31, 2025 and 2024, and the related statements of changes in net assets available for benefits and of changes in benefit obligations for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits and benefit obligations of the Plan as of August 31, 2025 and 2024, and the changes in its net assets available for benefits and changes in its benefit obligations for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all Plan amendments; administering the Plan; and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Matter - Prior Period Adjustment**

As discussed in Note 8, the accompanying financial statements for the year ended August 31, 2024 have been adjusted to restate the amount due to Local 634 as of that date. The effect of the restatement was to increase net assets by $15,500.

Bala Cynwyd, Pennsylvania
January 13, 2026

# School Cafeteria Employees UNITE HERE Local No. 634 Health and Welfare Trust Fund

## Statements of Net Assets Available For Benefits

August 31, 2025 and 2024

| | 2025 | Restated 2024 |
|---|---|---|
| **Assets** | | |
| **Investments** - at fair value | | |
| United States Treasury securities | $ 672,516 | $ 667,240 |
| Common stock | 318,711 | 267,144 |
| Short term investment fund | 110,907 | 63,387 |
| Certificate of deposit | 50,000 | 50,000 |
| Total investments | 1,152,134 | 1,047,771 |
| **Cash** | 889,985 | 457,647 |
| **Prescription rebate receivable** | 364,674 | 288,579 |
| **Accrued investment income** | 6,847 | 7,309 |
| **Due from Local 634** | 1,900 | - |
| **Prepaid expenses** | 18,444 | 4,750 |
| Total assets | 2,433,984 | 1,806,056 |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accrued administrative expenses | 14,229 | 9,190 |
| Due to Local 634 | - | 4,400 |
| Total liabilities | 14,229 | 13,590 |
| **Net assets available for benefits** | $ 2,419,755 | $ 1,792,466 |

See accompanying notes to financial statements.

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# School Cafeteria Employees UNITE HERE
# Local No. 634 Health and Welfare Trust Fund

## Statements of Changes in Net Assets Available For Benefits

Years Ended August 31, 2025 and 2024

| | 2025 | Restated 2024 |
|---|---|---|
| **Additions** | | |
| Investment income | | |
| Net appreciation in fair value of investments | $ 68,036 | $ 59,057 |
| Interest and dividends | 36,368 | 33,238 |
| | 104,404 | 92,295 |
| Less: investment expenses | (5,420) | (4,967) |
| Investment income - net | 98,984 | 87,328 |
| Employer contributions | 3,133,791 | 2,808,666 |
| Participants' COBRA contributions | 3,415 | 3,399 |
| Additional employer contributions | - | 250,000 |
| Class action settlement | - | 2,624 |
| Other income | 21 | - |
| Total additions | 3,236,211 | 3,152,017 |
| **Deductions** | | |
| Benefits paid to or for participants | | |
| Self-insured | | |
| Prescription (net of rebates) | 1,923,420 | 2,066,994 |
| Dental | 224,314 | 182,288 |
| Vision | 112,232 | 73,519 |
| Orthotics | 3,630 | 2,410 |
| Wig | 200 | - |
| Guardian Nurses | 10,626 | 2,451 |
| Total benefits | 2,274,422 | 2,327,662 |
| Administrative expenses | | |
| School Cafeteria Employees Union Local 634 | 46,500 | 24,900 |
| Third-party administration | 127,700 | 123,980 |
| Prescription administration fee | 79,948 | 72,133 |

See accompanying notes to financial statements.

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| | 2025 | Restated 2024 |
|---|---|---|
| Administrative expenses (continued) | | |
| Legal fees | $ 22,651 | $ 20,410 |
| Accounting fees and payroll compliance examinations | 22,286 | 22,553 |
| Consulting fees | 11,000 | 12,978 |
| Insurance | 4,695 | 4,695 |
| Printing | 13,122 | 5,225 |
| Dues and subscriptions | 1,498 | 1,428 |
| Bank charges | - | 120 |
| PCORI fees | 5,100 | 4,791 |
| Total administrative expenses | 334,500 | 293,213 |
| Total deductions | 2,608,922 | 2,620,875 |
| NET INCREASE | 627,289 | 531,142 |
| NET ASSETS AVAILABLE FOR BENEFITS | | |
| Beginning of year | 1,792,466 | 1,261,324 |
| End of year | $ 2,419,755 | $ 1,792,466 |

See accompanying notes to financial statements.

# School Cafeteria Employees UNITE HERE Local No. 634 Health and Welfare Trust Fund

## Statements of Benefit Obligations

August 31, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| Amounts currently payable to or for participants, beneficiaries, and dependents | | |
| Claims payable and incurred but not reported | $ 192,966 | $ 163,143 |

See accompanying notes to financial statements.

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# School Cafeteria Employees UNITE HERE Local No. 634 Health and Welfare Trust Fund

## Statements of Changes in Benefit Obligations

Years Ended August 31, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| Amounts currently payable to or for participants, beneficiaries, and dependents | | |
| Balance at beginning of year | $ 163,143 | $ 206,915 |
| Increase (decrease) during the year attributable to changes in claims payable and incurred but not reported | 29,823 | (43,772) |
| Balance at end of year | $ 192,966 | $ 163,143 |

See accompanying notes to financial statements.

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## NOTE 1. DESCRIPTION OF PLAN

The following brief description of the School Cafeteria Employees UNITE HERE Local No. 634 Health and Welfare Trust Fund (the Plan) is provided for general information purposes only. Participants should refer to the summary plan description for more complete information.

The Plan provides health benefits to eligible members of the School Cafeteria Employees Union Local 634 (the Local) which represents members employed by the Philadelphia area school district. The administrator of the Plan is its labor and management Board of Trustees.

Benefits are funded through employer contributions. Employer contributions are determined by a collective bargaining agreement.

The Plan provides various benefits. The type and amount of benefits are dependent upon the employee’s designated status. Dental coverage is provided by Louis P. Mattucci & Associates. Prescription claims coverage is provided on a self-insured basis to eligible participants by Benecard. Vision coverage is provided by Vision Benefits of America. Orthotics benefits are provided on a self-insured basis to eligible participants by Integrated Foot and Ankle Specialists (formerly Dr. Elliot Diamond). Healthcare advocacy and care management services are provided to members by Guardian Nurses. The Plan also provides wigs to participants that are suffering hair loss due to cancer treatments or hair-loss disease. The services provided and the limitations on those services are described in the summary plan description.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Method of Accounting** - The accompanying financial statements are prepared using the accrual basis of accounting.

**Investment Valuation and Income Recognition** - Investments in common stock and United States Treasury securities are carried at fair value as provided by the investment custodian, which generally represents quoted market prices as of the last business day of the year. The short term investment fund and certificate of deposit are carried at cost which approximates fair value. 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 includes the Plan’s gains and losses on investments bought and sold as well as held during the year.

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Funding Policy and Revenue Recognition** - The Plan is funded by contributions from the School District of Philadelphia under the terms of a collective bargaining agreement (CBA). Additional employer contributions are contributions paid in order to maintain the Fund's six month's reserve. Employer contributions are accounted for as exchange transactions. The contributions are due on a monthly basis from September to June. It is the policy of the Trustees to pursue monies due.

**Insured Benefits** - The Fund offers all benefits, except as noted below, as insured benefits. The insured benefits are recorded when the premiums are paid. Under the Affordable Care Act (ACA) an insurance carrier is required to rebate part of the premium if a certain percentage of premiums are not spent on health care services. During the years ended August 31, 2025 and 2024, the Plan received $696,961 and $553,050 in rebates, respectively.

**Self-Insured Claims** - Vision, prescription, dental, orthotics, and death benefits are self-insured. Self-insured claims paid during September 2025 and 2024, applicable to the years ended August 31, 2025 and 2024, respectively, have been recorded as claims payable. Additional self-insured claims incurred but not reported, applicable to the years ended August 31, 2025 and 2024, have been estimated based upon experience.

**Claims Incurred but not Reported** - Plan obligations for claims incurred but not reported are estimated based on claims data provided by the Plan's third-party claims administrators. These amounts are paid by the Plan only if claims are submitted and approved for payment.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**NOTE 3. RELATED PARTY TRANSACTIONS**

The Plan reimburses the Local for the cost of administrative services and office expenses. The cost allocation study completed effective June 1, 2025 decreased the monthly payment from $4,400 per month to $2,300 per month. During the years ended August 31, 2025 and 2024, the Plan reimbursed the Local $46,500 and $24,900 for these services, respectively. At August 31, 2025, the Plan was owed $1,900 from the Local. At August 31, 2024, the Plan owed the Local $4,400.

**NOTE 4. TAX STATUS**

The Plan obtained its latest determination letter dated January 1999, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements under Section 501(c)(9) of the Internal Revenue Code and was, therefore, exempt from Federal income taxes. The Plan has been amended since receiving the determination letter. The Plan's Trustees and the Plan's counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

## NOTE 4. TAX STATUS (continued)

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that, more likely than not, would not be sustained upon examination by the U.S. Federal, state, or local taxing authorities. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Typically, plan tax years will remain open for three years; however, this may differ depending upon the circumstances of the Plan.

## NOTE 5. PRIORITIES UPON TERMINATION

It is the intent of the Trustees to continue the Plan in full force and effect; however, to safeguard against any unforeseen contingencies, the right to discontinue the Plan is reserved to the Trustees. In the event of termination, the Trustees shall first satisfy or make provisions to satisfy the obligations of the Plan. Any remaining Plan assets will be distributed in such manner as will, in the opinion of the Trustees, bring about the purpose of the Plan. Termination shall not permit any part of the Plan to be used for or diverted to purposes other than the exclusive benefit of the participants.

## NOTE 6. FAIR VALUE MEASUREMENTS

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

Basis of Fair Value Measurement:

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.

**NOTE 6. FAIR VALUE MEASUREMENTS (continued)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table presents information about the Plan's assets measured at fair value as of August 31, 2025:

| | Fair Value Measurements at August 31, 2025 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| United States Treasury securities | $ 672,516 | $ 672,516 | $ - | $ - |
| Common stock | 318,711 | 318,711 | - | - |
| Short term investment fund | 110,907 | 110,907 | - | - |
| Certificate of deposit | 50,000 | 50,000 | - | - |
| | $ 1,152,134 | $ 1,152,134 | $ - | $ - |

The following table presents information about the Plan's assets measured at fair value as of August 31, 2024:

| | Fair Value Measurements at August 31, 2024 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| United States Treasury securities | $ 667,240 | $ 667,240 | $ - | $ - |
| Common stock | 267,144 | 267,144 | - | - |
| Short term investment fund | 63,387 | 63,387 | - | - |
| Certificate of deposit | 50,000 | 50,000 | - | - |
| | $ 1,047,771 | $ 1,047,771 | $ - | $ - |

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the period.

## NOTE 6. FAIR VALUE MEASUREMENTS (continued)

For the year ended August 31, 2025, there were no transfers in or out of levels 1, 2, or 3. For the year ended August 31, 2024, the United States Treasury securities were transferred from level 2 to level 1.

## NOTE 7. RISKS AND UNCERTAINTIES

The Plan's investments include equities as well as United States Government and Government Agency obligations, and a real estate investment trust. Investments are exposed to various risks such as economic, interest rate, market and sector risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments 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.

## NOTE 8. PRIOR PERIOD ADJUSTMENT

The accompanying financial statements for the year ended August 31, 2024 have been adjusted to restate the amount due to Local 634 as of that date. The effect of the restatement was to increase net assets by $15,500.

## NOTE 9. SUBSEQUENT EVENTS

The Board of Trustees and management have evaluated subsequent events through January 13, 2026, the date the financial statements were available to be issued, and they have been evaluated in accordance with relevant accounting standards.