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

Financial Statements

August 31, 2022

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

FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

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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, 2022 and 2021, 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 School Cafeteria Employees UNITE HERE Local No. 634 Health and Welfare Trust Fund as of August 31, 2022 and 2021, and the changes in its net assets available for benefits and 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 School Cafeteria Employees UNITE HERE Local No. 634 Health and Welfare Trust Fund 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 School Cafeteria Employees UNITE HERE Local No. 634 Health and Welfare Trust Fund'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.

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.

Bala Cynwyd, Pennsylvania
_____________, 2022

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

Statements of Net Assets Available For Benefits

August 31, 2022 and 2021

	2022	2021
Assets		
Investments - at fair value		
United States Government and Government Agency obligations	$ 75	$ 451
Corporate obligations	782,972	650,732
Money market mutual fund	23,032	409,327
Common stock	226,533	323,543
Real estate investment trust	7,700	9,039
Total investments	1,040,312	1,393,092
Cash	227,411	222,775
Prescription rebate receivable	176,247	80,360
Accrued investment income	3,771	3,107
Prepaid expenses	22,927	9,957
Total assets	1,470,668	1,709,291
Liabilities and Net Assets		
Liabilities		
Accrued administrative expenses	15,259	13,449
Prepaid contributions	75,732	-
	90,991	13,449
Net assets available for benefits	$ 1,379,677	$ 1,695,842

See accompanying notes to financial statements.

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, 2022 and 2021

	2022	2021
Additions		
Investment income		
Net appreciation in fair value of investments	$ (64,908)	$ 101,964
Interest and dividends	12,922	17,696
	(51,986)	119,660
Less: investment expenses	(5,715)	(9,235)
Investment income - net	(57,701)	110,425
Employer contributions	1,586,665	1,847,094
Participants' COBRA contributions	3,800	3,957
Cafeteria Workers Diabetic Prescription fee	64,820	71,112
Class action settlement	-	10,000
Total additions	1,597,584	2,042,588
Deductions		
Benefits paid to or for participants		
Insured		
City clinic	60,000	60,000
Self-insured		
Prescription (net of rebates)	1,289,302	1,555,772
Dental	207,660	283,263
Vision	94,849	104,134
Orthotics	5,695	12,111
Guardian Nurses	-	5,250
Wigs	-	278
Total benefits	1,657,506	2,020,808
Administrative expenses		
School Cafeteria Employees Union Local 634	15,600	25,500
Third-party administration	116,868	113,465
Prescription administration fee	52,642	66,227
Legal fees	20,686	20,932
Accounting fees and payroll compliance examinations	22,025	18,433
Consulting fees	12,000	12,000
Insurance	4,462	4,425

See accompanying notes to financial statements.

	2022	2021
Administrative expenses (continued)		
Printing	$ 5,437	$ 3,510
Dues and subscriptions	1,088	710
Bank charges	6	734
PCORI fees	5,429	5,978
Stop loss insurance premiums	-	45,000
Other expenses	-	108
Total administrative expenses	256,243	317,022
Total deductions	1,913,749	2,337,830
NET DECREASE	(316,165)	(295,242)
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	1,695,842	1,991,084
End of year	$ 1,379,677	$ 1,695,842

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, 2022 and 2021

	2022	2021
Amounts currently payable to or for participants, beneficiaries, and dependents		
Claims payable and incurred but not reported	$ 122,282	$ 249,077

See accompanying notes to financial statements.

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

Statements of Changes in Benefit Obligations

Years Ended August 31, 2022 and 2021

	2022	2021
Amounts currently payable to or for participants, beneficiaries, and dependents		
Balance at beginning of year	$ 249,077	$ 121,263
Increase (decrease) during the year attributable to changes in claims payable and incurred but not reported	(126,795)	127,814
Balance at end of year	$ 122,282	$ 249,077

See accompanying notes to financial statements.

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

Notes to Financial Statements

August 31, 2022 and 2021

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 medical, dental, prescription, vision, wig, and death benefits. The type and amount of benefits are dependent upon the employee's designated status.

In July 2004, the Plan entered into an agreement with Louis P. Mattucci & Associates to provide dental coverage for eligible participants and their dependents. The services provided and the limitations on those services are described in the summary plan description.

In July 2004, the Plan entered into an agreement with Vision Benefits of America to provide vision coverage for eligible participants and their dependents. The services provided and the limitations on those services are described in the summary plan description.

In June 2009, the Plan entered into an agreement with Health Advocate, Inc. to provide administrative and informational services to members. The services provided and the limitations on those services are described in the summary plan description.

In November 2009, the Plan entered into an agreement with Dr. Elliot Diamond to provide orthotics benefits on a self-insured basis to eligible participants. The services provided and the limitations on these benefits are described in the summary plan description.

In September 2011, the Plan entered into an agreement with the City of Philadelphia through its Health Centers to provide those participants who do not have medical insurance, basic and specialty health care services on behalf of the Plan on a self-insured basis to eligible participants. The services provided and the limitations on those services are described in the summary plan description.

NOTE 1. DESCRIPTION OF PLAN (continued)

In July 2012, the Plan entered into an agreement that 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.

In January 2013, the Plan entered into agreement with Guardian Nurses that provides healthcare advocacy and care management services to members. The services provided and the limitations on those services are described in the summary plan description.

In July 2018, the Plan entered into an agreement with Benecard to process prescription claims on behalf of the Plan on a self-insured basis to eligible participants. 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.

Investments and Income Recognition - Investments in common stock, United States Government and Government Agency obligations, real estate investment trust, and corporate obligations 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 money market mutual fund is 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.

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). 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.

Prepaid contributions - Contributions received during the year, for the year ended August 31, 2023 have been recorded as prepaid contributions.

Self-Insured Claims - Vision, prescription, dental, orthotics, and death benefits are self-insured. Self-insured claims paid during September 2022 and 2021, applicable to the years ended August 31, 2022 and 2021, respectively, have been recorded as claims payable. Additional self-insured claims incurred but not reported, applicable to the years ended August 31, 2022 and 2021, have been estimated based upon experience.

Claims Incurred but not Reported - Plan obligations at August 31 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Stop Loss Coverage - The Plan has entered into a stop-loss insurance arrangement with Rx Reins in an effort to limit its exposure for self-insured benefits (individuals participant claims over a specific dollar amount, as well as its aggregate exposure for all claims). The Plan paid $45,000 for stop-loss insurance for the year ended August 31, 2021.

NOTE 3. RELATED PARTY TRANSACTIONS

The Plan reimburses School Cafeteria Employees Union Local 634 $1,300 per month for the cost of administrative services and office expenses. During the years ended August 31, 2022 and 2021, the Plan reimbursed the Local $15,600 and $26,400, respectively.

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.

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.

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, 2022:

	Fair Value Measurements at August 31, 2022			
	Total	Level 1	Level 2	Level 3
United States Government and Government Agency obligations	$ 75	$ -	$ -	$ 75
Corporate obligations	782,972	-	782,972	-
Money market mutual fund	23,032	23,032	-	-
Common stock	226,533	226,533	-	-
Real estate investment trust	7,700	-	-	7,700
	$ 1,040,312	$ 249,565	$ 782,972	$ 7,775

NOTE 6. FAIR VALUE MEASUREMENTS (continued)

The following table presents the changes in assets classified in Level 3 of the fair value hierarchy for the year ended August 31, 2022:

	Level 3 Fair Value Measurements August 31, 2022		Level 3 Fair Value Measurements August 31, 2021	
	US Gov't and Gov't Agency Obligations	Real Estate Investment Trust	US Gov't and Gov't Agency Obligations	Real Estate Investment Trust
Beginning balance	$ 451	$ 9,039	$ 1,216	$ -
Purchases	-	8,319	-	9,039
Unrealized losses	(13)	(619)	(35)	-
Realized gains	32	(1,921)	42	-
Sales	(395)	(7,118)	(772)	-
Ending balance	$ 75	$ 7,700	$ 451	$ 9,039

Certain securities are included at level 3 due to the fact that they are small lot sizes and are difficult to sell. These securities are valued 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 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.

For the years ended August 31, 2022 and 2021 there were no transfers in or out of levels 1, 2, or 3.

The following table presents information about the Plan’s assets measured at fair value as of August 31, 2021:

	Fair Value Measurements at August 31, 2021			
	Total	Level 1	Level 2	Level 3
United States Government and Government Agency obligations	$ 451	$ -	$ -	$ 451
Corporate obligations	650,732	-	650,732	-
Money market mutual fund	409,327	409,327	-	-
Common stock	323,543	323,543	-	-
Real estate investment trust	9,039	-	-	9,039
	$ 1,393,092	$ 732,870	$ 650,732	$ 9,490

NOTE 7. RISKS AND UNCERTAINTIES

The Plan's investments include equities as well as United States Government and Government Agency obligations, real estate, and corporate obligations. 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. SUBSEQUENT EVENTS

The Board of Trustees and management have evaluated subsequent events through , 2022, the date the financial statements were available to be issued, and they have been evaluated in accordance with relevant accounting standards.