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

FINANCIAL STATEMENTS

AUGUST 31, 2021

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

FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

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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

We have audited the accompanying 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, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 the 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 School Cafeteria Employees UNITE HERE Local No. 634 Health and Welfare Trust Fund as of August 31, 2021 and 2020, 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.

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
INVESTMENTS - at fair value		
United States Government and Government		
Agency obligations	\$ 451	\$ 1,216
Corporate obligations	650,732	506,127
Money market mutual fund	409,327	428,429
Common stock	323,543	637,579
Real-estate	9,039	-
Total investments	<u>1,393,092</u>	<u>1,573,351</u>
CASH	222,775	236,614
PRESCRIPTION REBATE RECEIVABLE	80,360	142,688
ACCRUED INVESTMENT INCOME	3,107	3,230
PREPAID VISION PREMIUM	-	19,013
PREPAID EXPENSES	<u>9,958</u>	<u>31,723</u>
Total assets	<u>1,709,292</u>	<u>2,006,619</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued administrative expenses	<u>13,449</u>	<u>15,535</u>
Total liabilities	<u>13,449</u>	<u>15,535</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 1,695,843</u></u>	<u><u>\$ 1,991,084</u></u>

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, 2021 AND 2020

	<u>2020</u>	<u>2020</u>
ADDITIONS		
Investment income		
Net appreciation in		
fair value of investments	\$ 101,964	\$ 12,434
Interest and dividends	17,696	33,905
	<u>119,660</u>	<u>46,339</u>
Less: investment expenses	<u>(9,235)</u>	<u>(7,240)</u>
Investment income - net	110,425	39,099
 Employer contributions	 1,847,094	 1,881,945
Participants' COBRA contributions	3,957	639
Cafeteria Workers Diabetic Prescription fee	71,112	-
Class action settlement	10,000	-
Other income	<u>-</u>	<u>12</u>
 Total additions	 <u>2,042,588</u>	 <u>1,921,695</u>
 DEDUCTIONS		
Benefits paid to or for participants		
Insured		
City clinic	60,000	60,000
Self-insured		
Prescription (net of rebates)	1,555,772	1,243,713
Dental	283,263	216,973
Vision	104,134	115,844
Orthotics	12,111	12,865
Guardian Nurses	5,250	5,250
Wigs	278	222
Total benefits	<u>2,020,808</u>	<u>1,654,867</u>
Administrative expenses		
School Cafeteria Employees Union Local 634	25,500	28,400
Third-party administration	113,465	110,160
Prescription administration fee	66,227	71,511

See accompanying notes to financial statements.

	<u>2020</u>	<u>2020</u>
Administrative expenses (continued)		
Legal fees	\$ 20,932	\$ 28,704
Accounting fees and payroll compliance examinations	18,433	22,557
Health fair	-	17,868
Consulting fees	12,000	12,000
Insurance	4,425	4,524
Printing	3,510	1,750
Dues and subscriptions	710	1,065
Bank charges	734	480
ACA reporting fees	-	85
PCORI fees	5,978	6,178
Stop loss insurance premiums	45,000	9,000
Other expenses	108	
Total administrative expenses	<u>317,022</u>	<u>314,282</u>
Total deductions	<u>2,337,830</u>	<u>1,969,149</u>
NET DECREASE	(295,242)	(47,454)
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	<u>1,991,084</u>	<u>2,038,538</u>
End of year	<u><u>\$ 1,695,842</u></u>	<u><u>\$ 1,991,084</u></u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
AMOUNTS CURRENTLY PAYABLE TO OR FOR		
PARTICIPANTS, BENEFICIARIES, AND DEPENDENTS		
Claims payable and incurred but not reported	<u>\$ 249,077</u>	<u>\$ 121,263</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
AMOUNTS CURRENTLY PAYABLE TO OR FOR		
PARTICIPANTS, BENEFICIARIES, AND DEPENDENTS		
Balance at beginning of year	\$ 121,263	\$ 103,233
Increase during the year attributable to changes in claims payable and incurred but not reported	<u>127,814</u>	<u>18,030</u>
Balance at end of year	<u><u>\$ 249,077</u></u>	<u><u>\$ 121,263</u></u>

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, 2021 AND 2020

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, 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.

Self-Insured Claims - Vision, prescription, dental, orthotics, and death benefits are self-insured. Self-insured claims paid during September 2021 and 2020, applicable to the years ended August 31, 2021 and 2020, respectively, have been recorded as claims payable. Additional self-insured claims incurred but not reported, applicable to the years ended August 31, 2021 and 2020, 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 and \$9,000 for stop-loss insurance for the years ended August 31, 2021 and 2020, respectively.

NOTE 3. RELATED PARTY TRANSACTIONS

The Plan reimburses School Cafeteria Employees Union Local 634 \$2,200 per month for the cost of administrative services and office expenses. Effective August 1, 2021, 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, 2021 and 2020, the Plan reimbursed the Local \$26,400 and \$28,400, 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, 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	9,039	-	-	9,039
	<u>\$ 1,393,092</u>	<u>\$ 732,870</u>	<u>\$ 650,732</u>	<u>\$ 9,490</u>

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, 2021:

	Level 3 Fair Value Measurements August 31, 2021	
	US Gov't and Gov't Agency Obligations	Real Estate
Beginning balance	\$ 1,216	\$ -
Purchases	-	9,039
Unrealized losses	(35)	-
Realized gains	42	-
Sales	(772)	-
Ending balance	<u>\$ 451</u>	<u>\$ 9,039</u>

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, 2021 and 2020 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, 2020:

	Fair Value Measurements at August 31, 2020			
	Total	Level 1	Level 2	Level 3
United States Government and Government Agency obligations	\$ 1,216	\$ -	\$ -	\$ 1,216
Corporate obligations	506,127	-	506,127	-
Money market mutual fund	428,429	428,429	-	-
Common stock	637,579	637,579	-	-
	<u>\$ 1,573,351</u>	<u>\$ 1,066,008</u>	<u>\$ 506,127</u>	<u>\$ 1,216</u>

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.