

**UNITED DOMESTIC WORKERS AFSCME 3930
SAN DIEGO HEALTH & BENEFITS TRUST FUND**

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

**UNITED DOMESTIC WORKERS AFSCME 3930
SAN DIEGO HEALTH & BENEFIT TRUST FUND**

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Independent Auditor's Report

To the Trustees of the
United Domestic Workers AFSCME 3930
San Diego Health & Benefits Trust Fund
San Diego, California 92115

Report on the Financial Statements

We have audited the accompanying financial statements of the United Domestic Workers AFSCME 3930 San Diego Health & Benefits Trust Fund (Plan), which comprise the statements of net assets available for benefits as of December 31, 2019, and the related statement of changes in net assets available for benefits for the year 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 audit. We conducted our audit 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 net assets available for benefits of the Plan as of December 31, 2019, and the changes in net assets available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any business interruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Prior-Year Comparative Information

The financial statements of the Plan as of and for the year ended December 31, 2018 were audited by a predecessor auditor. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan’s financial statements for the year ended December 31, 2018, from which the partial information was derived.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
May 6, 2020

**UNITED DOMESTIC WORKERS AFSCME 3930 SAN DIEGO HEALTH &
 BENEFITS TRUST FUND
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 AS OF DECEMBER 31, 2019
 WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Cash and investments	\$ 8,098,453	\$ 6,338,657
Total Assets	<u>8,098,453</u>	<u>6,338,657</u>
LIABILITIES		
Accrued expenses	48,221	153
County contributions paid in advance	1,875,646	1,734,730
Total Liabilities	<u>1,923,867</u>	<u>1,734,883</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 6,174,586</u></u>	<u><u>\$ 4,603,774</u></u>

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

**UNITED DOMESTIC WORKERS AFSCME 3930 SAN DIEGO HEALTH &
BENEFITS TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR-ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR-ENDED DECEMBER 31, 2018**

	2019	2018
ADDITIONS:		
Contributions		
County authority	\$ 22,072,903	\$ 19,925,987
Participants	929,513	881,023
Total contributions	23,002,416	20,807,010
Investment income		
Interest	-	39
Total Additions	23,002,416	20,807,049
DEDUCTIONS:		
Insurance premiums		
Health care premiums	20,447,253	16,359,397
Dental premiums	591,191	344,937
Life insurance premiums	388,144	-
Total insurance premiums	21,426,588	16,704,334
Administrative expenses	5,016	19,270
Total deductions	21,431,604	16,723,604
Change in net assets	1,570,812	4,083,445
Beginning net assets balance	4,603,774	520,329
Ending net assets balance	\$ 6,174,586	\$ 4,603,774

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

**UNITED DOMESTIC WORKERS AFSCME 3930
SAN DIEGO HEALTH & BENEFITS TRUST FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 – PLAN DESCRIPTION

The following description of the United Domestic Workers AFSCME 3930 San Diego Health & Benefits Trust Fund (Plan) provides only general information. Participants should refer to the Plan's Trust Agreement for a complete description of the Plan's provisions.

General

The Plan is a tax-exempt organization established by the AFSCME 3930 United Domestic Workers of America, AFL-CIO (UDW), sponsor, for the sole purpose of providing health benefits to active, eligible providers of the San Diego County In Home Supportive Services (IHSS) Public Authority (Authority) represented under a collective bargaining agreement by UDW. The Plan engages the services of a third-party insurance administrator (Plan Administrator) to manage the day to day functions of the Plan, which include, but are not limited to, the full carrier negotiation, and Plan and participant administration. As of December 31, 2019, the Plan had approximately 2,600 participants.

Benefits

The Plan provides medical, life insurance, and dental benefits to all eligible providers (subject to a waitlist), who work 80 hours per month for three consecutive months. Covered participants are required to maintain a minimum of 240 hours worked per quarter. The Plan was established to help offset the economic effects arising from an injury or sickness for covered participants only. Current health claims of active participants are provided under group insurance contract with Kaiser Permanente, SIMNSA Health Plan, and Dental Health Services of America. Coverage under this Plan shall terminate on the earliest of the following: the date the Plan is terminated for all covered participants; the date a required contribution, if any, is overdue by 10 days when the covered participant fails to make the contribution for any reason; with regard to a specific benefit, on the date of the benefit is terminated or deleted from the Plan; or complete their probation quarter with less than 240 hours or following the date a provider does not work the required number of hours to be considered an eligible provider, for any reason. A provider who has ceased to be eligible for coverage may qualify for reinstatement when they have been paid for 80 hours a month for three consecutive months (subject to a waitlist). Benefits under this plan offer continuation of coverage, or COBRA continuation coverage, only when the qualifying event is the end of employment; reduction of hours of employment; or death of a provider. An individual may be eligible for COBRA continuation coverage if on the day before a qualifying event, the individual was covered under the IHSS group health plan.

Funding Policy

Prior to 2018, the Authority contributed a fixed amount of \$732,000 per month, which included \$709,500 for medical premiums and \$22,500 for dental premiums. As of January 2018, the funding policy was revised to fund the Trust at a variable rate of \$.60 per paid hour of IHSS labor performed by UDW providers. Participants can elect medical coverage under Kaiser Permanente or SIMNSA Health Plans. Enrolled participants contribute \$5 per month for medical benefits for the SIMNSA Plan. Enrolled participants contribute \$30 per month for medical benefits under the Kaiser Permanente Health Plan. The Plan provides dental health benefits at no copay under Dental Health Services and life insurance at no copay under MetLife.

**UNITED DOMESTIC WORKERS AFSCME 3930
SAN DIEGO HEALTH & BENEFITS TRUST FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 – PLAN DESCRIPTION (CONTINUED)

Funding Policy (Continued)

Contributions are collected through payroll deductions collected by the State of California (the payroll agent for the IHSS individual providers) and transmitted to the Plan. Participant voluntary contributions shall continue for the term of employment and determined upon the eligibility status of participants' hours worked.

Other

Although it has not expressed any intention to do so, the Board of Trustees has the right under the Plan to modify the benefits provided to active participants and to terminate the Plan subject to the provisions set forth in the Trust Agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

Subsequent events were evaluated through May 6, 2020, which is the date the financial statements were available to be issued.

Basis of Accounting

Accrual basis of accounting has been used in the preparation of these financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Certain Significant Estimates

These include accruals based on historical performance, contingent liabilities, and valuation of assets, accounts receivable, and accounts payable.

Cash and Cash Equivalents

The Plan considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of December 31, 2019, the Benefit Trust Fund holds no investments and the cash is maintained at various banks.

NOTE 3 – RELATED PARTY TRANSACTIONS

In May 2018, the Plan issued a loan to UDWAFSCME 3930 Riverside County Benefits Trust in the amount of \$900,000 to cover premium requirements of the Riverside Plan. As of July 31, 2018, the loan was fully repaid to the Plan. There were no related party transactions in 2019.

**UNITED DOMESTIC WORKERS AFSCME 3930
SAN DIEGO HEALTH & BENEFITS TRUST FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 – ADMINISTRATIVE EXPENSES

The administrative expenses charged directly to the Plan consist of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Audit fees	\$ 4,925	\$ 8,800
Insurance	-	8,431
Legal fees	-	1,849
Bank service charges	91	190
Total administrative expenses	<u>\$ 5,016</u>	<u>\$ 19,270</u>

NOTE 5 – CONTRIBUTED SERVICES

Plan Trustees and employees of the Plan sponsor have donated time to the Plan to help the Plan achieve its purpose and develop programs. No amounts have been recognized in the accompanying statement of activities and changes in net assets because these services do not meet the criteria for recognition as contributed services.

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Plan maintains cash balances at California Bank and Trust, Amalgamated Bank, and First Citizens Bank. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC Insured) up to \$250,000 each. As of December 31, 2019, the uninsured balance at these institutions totaled \$7,348,491. The Plan believes it is not exposed to any significant credit risk on its cash balances and has not experienced any losses in such accounts.

NOTE 7 – TAX STATUS

The Internal Revenue Service has determined and informed the Plan by a letter dated January 10, 2012, in which the IRS stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code, Section 501(c)(9) and FTB Revenue and Taxation Code Section 23701 (i); therefore, no provision for income taxes has been included in the Plan's financial statements.

NOTE 8 – SUBSEQUENT EVENTS

The World Health Organization has declared the outbreak of Novel Coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The Coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact. Nevertheless, the outbreak presents uncertainty and risk with respect to the Trust, its performance, and financial results.