

**UPPER MERION TOWNSHIP  
HEALTH AND WELFARE PLAN**

**FINANCIAL STATEMENTS**

*Year Ended December 31, 2019*



*Certified Public Accountants and Business Consultants*

# UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN

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YEAR ENDED DECEMBER 31, 2019

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## ***Independent Auditors' Report***

To the Trustees  
Upper Merion Township Health and Welfare Plan  
King of Prussia, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Upper Merion Township Health and Welfare Plan, which comprise the statement 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.

### ***Auditors' 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 auditors' 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 entity'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 entity'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.

To the Trustees  
Upper Merion Township Health and Welfare Plan  
King of Prussia, Pennsylvania

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Upper Merion Township Health and Welfare Plan as of December 31, 2019, and the changes in its net assets available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

***Emphasis of Matter with Respect to a Subsequent Event***

As discussed in Note E, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Upper Merion Township Health and Welfare Plan's operational and financial performance. At this point, the Upper Merion Township Health and Welfare Plan cannot reasonably estimate the impact on its operations or financial results. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

*Maillie LLP*

Oaks, Pennsylvania  
June 17, 2020

**UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN**  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2019

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ASSETS	
Investments	\$ 468,011
LIABILITIES	
Accounts payable	<u>283,280</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 184,731</u>

*See accompanying notes.*

# UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS YEAR ENDED DECEMBER 31, 2019

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### ADDITIONS TO NET ASSETS

Contributions	
Upper Merion Township	\$ 4,350,000
COBRA	501,550
Investment income	3,430
TOTAL ADDITIONS	<u>4,854,980</u>

### DEDUCTIONS FROM NET ASSETS

Payments for	
Hospitalization and medical	4,415,452
Life insurance	56,722
Long-term disability	35,009
Short-term disability	7,642
Dental	365,342
Fitness reimbursement	24,339
TOTAL PAYMENTS	<u>4,904,506</u>

### Administrative expenses

Miscellaneous	16,315
TOTAL DEDUCTIONS	<u>4,920,821</u>

NET DECREASE (65,841)

### NET ASSETS AVAILABLE FOR BENEFITS

BEGINNING OF YEAR 250,572

END OF YEAR \$ 184,731

*See accompanying notes.*

**UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE A - DESCRIPTION OF PLAN AND SIGNIFICANT ACCOUNTING POLICIES**

**Description of Plan**

The following brief description of the Upper Merion Township Health and Welfare Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

**General**

The Plan covers all full-time permanent employees of Upper Merion Township (the "Township") and their eligible dependents.

**Benefits**

**Police** - Life insurance and accidental death and dismemberment benefits coverage commences from the date of employment. Health benefits begin on the first of the month following completion of 60 days of service. Dental and long-term disability benefits begin following the completion of one year of full-time uninterrupted active service.

**All Other Township Employees** - Life insurance, accidental death and dismemberment and health benefits begin on the first day of the month immediately following the completion of 60 days of full-time active employment. Dental and long-term disability benefits begin following the completion of one year of uninterrupted active service.

**General** - Life insurance, accidental death and dismemberment and long-term disability benefits are provided for employees only. All other benefits, as set forth in the Plan, are for employees and their eligible dependents.

**Basis of Accounting**

The accompanying financial statements are accounted for on the accrual basis.

**Income Taxes**

The Plan is a not-for-profit organization exempt from income taxes under Section 501(c)(9) of the Internal Revenue Code.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Date of Management's Review**

Management has evaluated subsequent events through June 17, 2020, the date which the financial statements were available to be issued.

**UPPER MERION TOWNSHIP HEALTH AND WELFARE PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE B - ORGANIZATION**

The Plan is an irrevocable trust established January 1, 1980, under Section 501(c)(9) of the Internal Revenue Code.

**NOTE C - INVESTMENTS**

The Plan owns units of the Pennsylvania Local Government Investment Trust totaling \$468,011. This Trust invests in U.S. Government or federally insured deposits, which are titled to and held by the Trust.

**NOTE D - FUNDING POLICY**

The Plan is funded by the Township's General Fund as well as from amounts paid by the retirees that have remained on the health plan. Amounts are paid to the Trustee, Delaware Valley Health Insurance Trust, as determined by the Trust in the form of a level monthly premium for health care coverage. Other level payments are also made from the General Fund to pay premiums for life and disability insurance to the insurance company of record that has the respective policies in place.

**NOTE E - SUBSEQUENT EVENTS**

The Plan evaluated its December 31, 2019 financial statements for subsequent events through June 17, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have an effect on daily operations. Financial impact could occur although such potential impact is unknown at this time.