

***Mathews v. Happy Valley Conference Center, Inc.* (2019) 43 Cal.App.5th236**

Trial court's failure to highlight one factor of integrated enterprise test was harmless error because substantial evidence supported all factors of test.

FACTS AND PROCEDURAL POSTURE

Plaintiff Jeremiah Mathews worked as a maintenance supervisor and cook for Defendant Happy Valley Conference Center, an affiliate of the Community Church of Christ which hosts seminars and camps on a 30-acre property in the Santa Cruz Mountains. Another employee reported to Mathews that Happy Valley's female executive director sent him sexually inappropriate text messages, so Mathews reported that allegation to the board of directors of Happy Valley as well as general counsel for the Church. Mathews was terminated a month later. He sued Happy Valley and the Church for retaliation. At trial, the jury returned a verdict of more than \$900,000, and Plaintiff was awarded \$1m in attorney fees. The Church appealed, contending it could not be held liable for Happy Valley's actions because they were separate entities and neither one alone met the 15-employee threshold for Title VII liability.

DISCUSSION

“The federal courts have developed a test, derived from federal labor case law, to determine whether two corporations should be considered a single employer for title VII purposes. Commonly called the ‘integrated enterprise’ test, it has four factors: interrelation of operations, common management, centralized control of labor relations, and common ownership or financial control.” (*Mathews v. Happy Valley Conference Center, Inc.* (2019) 43 Cal.App.5th 236, 248 [citing *Laird v. Capital Cities/ABC, Inc.* (1998) 68 Cal.App.4th 727, 737].)

Here, the court noted that Defendants conceded common ownership, Happy Valley's finances were audited by the Church, Happy Valley's board was intertwined with the Church, and reports of sexual harassment were reported up the chain of command at the Church. Although the trial court did not highlight the centralized control of labor relations in its jury instructions, this error was harmless because substantial evidence supported there was a centralized control of labor relations between Happy Valley and Church.

FEHA exempts from the definition of “employer” any “religious association or corporation not organized for private profit.” (Gov. Code, § 12926, subd. (d); see *Kelly v. Methodist Hospital of So. California* (2000) 22 Cal.4th 1108, 1114.)

Here, the trial court allowed the FEHA issue to go to the jury, and the jury ultimately found for the Plaintiff despite the evidence that Defendants were exempted from FEHA. The trial court also held that the Defendants had waived and/or were estopped from arguing exemption due to certain delays in the presentation of the defense, together with references to FEHA in the Defendants' employee handbook. The court reversed the jury verdict Defendants liable under FEHA, finding Defendants were exempt from FEHA.