

Combined Financial Statements and  
Report of Independent Certified Public  
Accountants

**Archdiocese of Philadelphia  
Office of Catholic Cemeteries**

June 30, 2019 and 2018

## Contents

	Page
Report of Independent Certified Public Accountants	3
Combined Financial Statements	
Combined Statements of Financial Position	5
Combined Statements of Activities and Changes in Net Assets	6
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	9
Supplementary Information	
Combining Statement of Financial Position	21
Combining Statement of Activities and Changes in Net Assets	22

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Archdiocese of Philadelphia  
Office of Catholic Cemeteries  
Philadelphia, Pennsylvania

We have audited the accompanying combined financial statements of the Archdiocese of Philadelphia Office of Catholic Cemeteries (the "Cemeteries Office"), which comprise the combined statements of financial position as of June 30, 2019 and 2018, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Philadelphia Office of Catholic Cemeteries as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of matter**

We draw attention to Note A to the combined financial statements, which describes the legal structure of the Cemeteries Office within the Archdiocese of Philadelphia. Our opinion is not modified with respect to this matter.

**Other matter**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information contained in the accompanying combining statement of financial position as of June 30, 2019 and the related combining statement of activities and changes in net assets for the year then ended is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual entities and is not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the combined financial statements as a whole.



Philadelphia, Pennsylvania  
July 31, 2020

**Archdiocese of Philadelphia Office of Catholic Cemeteries**

**COMBINED STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 200,971	\$ 288,827
Restricted cash	115,740	115,404
Assets held for sale:		
Land	257,193	257,193
Assets whose use is contractually committed to permanent maintenance:		
Cash and investments in perpetual care	49,108,710	46,308,702
Inventories:		
Land held for burial privileges	10,658,559	10,722,659
Mausolea and columbaria	1,322,482	1,469,964
Land held pending conferral of burial privileges	643,128	643,128
Property and equipment, net	1,099,742	1,193,979
Notes receivable from Archdiocesan entities	302,000	366,000
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 63,708,525</u>	<u>\$ 61,365,856</u>
<b>Liabilities</b>		
Accrued expenses and accounts payable	\$ 23,283	\$ 14,476
Due to Archdiocesan entities	-	47,659
Deferred lease revenue	43,811,800	45,265,125
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>43,835,083</u>	<u>45,327,260</u>
<b>Net assets (deficit)</b>		
Without donor restrictions		
Designated for operations	(29,226,868)	(30,192,645)
Contractually committed to permanent maintenance	48,763,775	45,914,456
Total net assets without donor restrictions	<u>19,536,907</u>	<u>15,721,811</u>
With donor restrictions	<u>336,535</u>	<u>316,785</u>
	<u>                    </u>	<u>                    </u>
Total net assets	<u>19,873,442</u>	<u>16,038,596</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 63,708,525</u>	<u>\$ 61,365,856</u>

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

**Archdiocese of Philadelphia Office of Catholic Cemeteries**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year ended June 30, 2019**

	Without donor restrictions			Total
	Designated for operations	Contractually committed to permanent maintenance	With donor restrictions	
Revenues and investment returns				
Long-term lease revenue	\$ 1,453,325	\$ -	\$ -	\$ 1,453,325
Rental farm income	12,798	-	-	12,798
Contributions to permanent care fund	-	859	-	859
	<u>1,466,123</u>	<u>859</u>	<u>-</u>	<u>1,466,982</u>
Investment return, net	-	2,892,399	19,750	2,912,149
Other income, net	<u>4,069</u>	<u>-</u>	<u>-</u>	<u>4,069</u>
Total revenues and investment returns	<u>1,470,192</u>	<u>2,893,258</u>	<u>19,750</u>	<u>4,383,200</u>
Expenses				
Administration expense	20,000	2,000	-	22,000
Cost of crypts and lots sold	211,581	-	-	211,581
Professional fees	178,597	41,939	-	220,536
Depreciation expense	<u>94,237</u>	<u>-</u>	<u>-</u>	<u>94,237</u>
Total expenses	<u>504,415</u>	<u>43,939</u>	<u>-</u>	<u>548,354</u>
Change in net assets	<u>965,777</u>	<u>2,849,319</u>	<u>19,750</u>	<u>3,834,846</u>
Net assets (deficit)				
Beginning of year	<u>(30,192,645)</u>	<u>45,914,456</u>	<u>316,785</u>	<u>16,038,596</u>
End of year	<u>\$ (29,226,868)</u>	<u>\$ 48,763,775</u>	<u>\$ 336,535</u>	<u>\$ 19,873,442</u>

The accompanying notes are an integral part of this combined financial statement.

**Archdiocese of Philadelphia Office of Catholic Cemeteries**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year ended June 30, 2018**

	Without donor restrictions		With donor restrictions	Total
	Designated for operations	Contractually committed to permanent maintenance		
Revenues and investment returns				
Long-term lease revenue	\$ 1,453,325	\$ -	\$ -	\$ 1,453,325
Rental farm income	47,659	-	-	47,659
Contributions to permanent care fund	-	1,672	-	1,672
	<u>1,500,984</u>	<u>1,672</u>	<u>-</u>	<u>1,502,656</u>
Investment return, net	-	4,002,557	27,591	4,030,148
Other income, net	<u>8,757</u>	<u>-</u>	<u>-</u>	<u>8,757</u>
Total revenues and investment returns	<u>1,509,741</u>	<u>4,004,229</u>	<u>27,591</u>	<u>5,541,561</u>
Expenses				
Administration expense	20,000	2,000	-	22,000
Cost of crypts and lots sold	234,547	-	-	234,547
Professional fees	185,067	40,075	-	225,142
Distribution expense	47,659	-	-	47,659
Depreciation expense	<u>104,526</u>	<u>-</u>	<u>-</u>	<u>104,526</u>
Total expenses	<u>591,799</u>	<u>42,075</u>	<u>-</u>	<u>633,874</u>
Change in net assets	<u>917,942</u>	<u>3,962,154</u>	<u>27,591</u>	<u>4,907,687</u>
Net assets (deficit)				
Beginning of year	<u>(31,110,587)</u>	<u>41,952,302</u>	<u>289,194</u>	<u>11,130,909</u>
End of year	<u>\$ (30,192,645)</u>	<u>\$ 45,914,456</u>	<u>\$ 316,785</u>	<u>\$ 16,038,596</u>

The accompanying notes are an integral part of this combined financial statement.

**Archdiocese of Philadelphia Office of Catholic Cemeteries**

**COMBINED STATEMENTS OF CASH FLOWS**

**Years ended June 30,**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 3,834,846	\$ 4,907,687
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(913,259)	(3,496,186)
Contributions restricted for long-term purposes	(859)	(1,672)
Depreciation expense	94,237	104,526
Changes in assets and liabilities		
Due (to) from Archdiocesan entities	(47,659)	47,659
Mausolea and columbaria	147,482	162,858
Land held for burial	64,100	71,690
Accrued expenses and accounts payable	8,807	(16,475)
Deferred lease revenue	<u>(1,453,325)</u>	<u>(1,453,325)</u>
Net cash provided by operating activities	<u>1,734,370</u>	<u>326,762</u>
Cash flows from investing activities:		
Purchase of investments	(5,201,451)	(1,501,414)
Proceeds from sale of investments	3,314,702	966,570
Collection of note receivable from Archdiocesan entities	<u>64,000</u>	<u>64,000</u>
Net cash used in investing activities	<u>(1,822,749)</u>	<u>(470,844)</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	<u>859</u>	<u>1,672</u>
Net cash provided by financing activities	<u>859</u>	<u>1,672</u>
Net decrease in cash and cash equivalent	(87,520)	(142,410)
Cash and cash equivalents and restricted cash		
Beginning of year	<u>404,231</u>	<u>546,641</u>
End of year	<u>\$ 316,711</u>	<u>\$ 404,231</u>

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



**Archdiocese of Philadelphia Office of Catholic Cemeteries**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE A - NATURE OF OPERATIONS**

The Archdiocese of Philadelphia Office of Catholic Cemeteries (the “Cemeteries Office”) is a department of the Archdiocese of Philadelphia (“Archdiocese”) used to provide for the burial of the faithful according to the rites and disciplines of the Catholic Church, and for the care and maintenance of their resting places. The origin of the Cemeteries Office dates back to the founding of Cathedral Cemetery in 1849 in West Philadelphia. The Cemeteries Office provides care to 13 diocesan cemeteries throughout five counties in Pennsylvania.

On September 26, 2013, the Archdiocese entered into a management agreement and a lease agreement (collectively, the “Agreements”) with affiliates of StoneMor Partners, L.P. of Levittown, Pennsylvania. Under the terms of the agreements, StoneMor Partners, L.P. guarantees all of the obligations of the affiliates who will operate and/or manage the 13 Archdiocesan cemeteries for a term of 60 years. (StoneMor Partners, L.P. and the aforementioned affiliates are hereinafter referred to as “StoneMor”). In connection with the transaction, the Archdiocese created Philadelphia Catholic Cemeteries, LLC (“PCC”), a Delaware limited liability company. PCC is what is known as a “sole purpose entity” - the sole purpose being to hold title to eight cemeteries that are subject to the lease agreement. Contemporaneously with the commencement of the Agreements on May 28, 2014, the Archdiocese on May 28, 2014 filed deeds transferring title of the aforementioned eight cemeteries to PCC. PCC entered into an arrangement with the Office of Catholic Cemeteries division of the Archdiocese of Philadelphia, pursuant to which the Office of Catholic Cemeteries provides administrative and management support services for PCC. The accompanying combined financial statements include PCC. All intercompany transactions have been eliminated.

The accompanying combined financial statements include the Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust (the “Permanent Care Fund”), which operates under the auspices of the Cemeteries Office. The Permanent Care Fund is an irrevocable trust which has been organized to hold certain funds, which will be used to address the perpetual care obligations upon conclusion of the lease agreement with StoneMor Operating LLC (Note B), upon which the Cemeteries Office resumes responsibility for ongoing and future perpetual care obligations of the cemeteries.

**NOTE B - LEASE AGREEMENTS**

In connection with the Agreements, StoneMor leases the land and improvements and is conveyed a license to sell the burial rights of the cemeteries. During the term of the Agreements, StoneMor will establish and maintain an Endowment Care Trust Fund and Merchandise Trust Fund from a percentage of the proceeds of the sale of burial rights and delivery and performance of goods, merchandise and services in accordance with state law. The amounts remaining in the Endowment Care Trust Fund will revert to the Archdiocese at the end of the term of the agreement. In addition, existing Archdiocesan cemetery employees became StoneMor employees.

Upon closing on May 28, 2014, the Archdiocese received an upfront lease payment of \$53,000,000. In addition to the upfront lease payment, the Archdiocese will receive annual lease payments beginning in year 6 of the agreement as follows:

- Years 6 through 20: annual lease payments of \$1,000,000
- Years 21 through 25: annual lease payments of \$1,200,000
- Years 26 through 35: annual lease payments of \$1,500,000

**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

The lease payments for lease years 6 - 11 may be deferred until year 12. Net proceeds from any future land sales to third parties and certain unrelated income will be shared 51% to the Archdiocese and 49% to StoneMor. The Archdiocese has the option to terminate the agreement without cause in year 11. If elected, the upfront lease payment would be paid back to StoneMor. After the term of the agreements expire, the management of the cemeteries will return to the control of the Archdiocese and the Archdiocese will retain its existing perpetual care funds and all future earnings from this fund.

As a real estate lease, the Cemeteries Office has deferred the lease rental payments received to date and is recognizing these payments, net of working capital transferred to StoneMor of approximately \$1,800,000, into income on a straight-line basis over the life of the lease.

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") using the accrual basis of accounting.

Net assets and their revenues, expenses, gains and losses are reported according to two classes of net assets based on the existence or absence of donor-imposed restrictions. The Cemeteries Office reports net assets as follows:

Net assets without donor restrictions

*Designated for operations*

Includes all unrestricted resources of the Cemeteries Office and includes the net assets invested in land, mausolea, and property and equipment.

*Contractually committed to permanent maintenance*

Through May 28, 2014, for each lot and crypt sold and collected, the Cemeteries Office designated a flat fee of \$150 per grave and a percentage of the fee per crypt to provide for the future maintenance and preservation of the cemeteries and mausolea. These funds were not contributions; therefore, they are not donor restricted under US GAAP. Further, the State of Pennsylvania only regulates permanent maintenance funds when they are held by entities other than religious corporations, requiring that such funds be treated as trust funds, prudently invested with the intent of preserving capital and producing a reasonable income. Although the Cemeteries Office is exempt from State regulations, it recognizes a written commitment to invest the principal of the perpetual care fund and to use the income to fund the care of the community mausolea, surroundings and the general maintenance and improvements of the cemeteries. The investment income from these funds is recorded as without donor restrictions.

Net assets with donor restrictions

Include gifts, trusts, income and appreciation, for which donor-imposed restrictions have not been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, and/or time restrictions imposed by donors or implied by the nature of the gift. This also includes assets with the income to be used for maintenance and care of sites throughout the organization.

**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

**Cash and Cash Equivalents**

The Cemeteries Office considers all unrestricted highly-liquid investments with an original maturity of three months or less, and that are not held as components of its respective investment portfolio, to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted principally of money market funds. The carrying amount of these funds approximates fair value.

**Restricted Cash**

The Cemeteries Office has certain funds that are placed in escrow accounts as required by certain towns whenever a cemetery or a section thereof is developed. The cash is restricted until such time it is released to the Cemeteries Office by the municipality where the cemetery is located.

**Investments**

SEI, a provider of institutional asset management services, created two publicly traded Catholic Values mutual funds: the Catholic Values Equity Fund and the Catholic Values Fixed Income Fund ("Catholic Values Funds"), which provide Catholic institutions with high-quality investment products that align with their core values, without sacrificing diversification or return potential. Specifically, the Catholic Values Funds align with the investment directives set forth by the United States Conference of Catholic Bishops ("USCCB"). The Archdiocese appointed SEI Private Trust Company to act as custodian (the "Custodian") of the investments, which consist of certain cash and securities and are more fully described in Notes F and G. Investment allocation decisions are the responsibility of the applicable Archdiocesan entity's board or finance council.

Investments are reported at fair value. Realized gains and losses are reported to the participating entities monthly. Gains and losses realized by the participating entities as a result of sales are recorded in their specific accounts. Unrealized gains and losses are included in the combined statements of activities and changes in net assets as net appreciation or depreciation in the fair value of investments.

**Inventories**

Land held pending conferral of burial privileges represents the cost of land acquired for future cemetery sites. Costs of maintaining the land prior to use as a cemetery, net of revenue received, are capitalized. Once land is released for burials, these costs are transferred to land held for burial privileges within the combined statements of financial position. The cost of land held for burials and cost of the mausoleum are amortized over available lots and crypts as burial and entombment privileges are sold.

**Property and Equipment**

Property and equipment are capitalized at cost at date of acquisition. Equipment, furniture and fixtures are written off when they are disposed of, as a charge to net assets without donor restrictions. Repair and maintenance expenditures are expensed as incurred. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Life (in years)</u>
Equipment, furniture and fixtures	7 to 20 years
Buildings, roads and improvements	5 to 40 years

**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

**Cemetery Revenue**

Burial privileges assigned at need are recorded as cemetery revenue in the period the contract is signed. Pre-need revenues and costs of burial rights on cemetery lots and crypts are also recorded in the period the contract is signed. Revenues and related costs attributable to cemetery burial site openings and closings are recorded at the time of sale. Subsequent to May 28, 2014 (Note B), proceeds from any sales of burial rights by StoneMor are conveyed as part of the lease and operating agreement.

**Income Tax Status**

As part of the Archdiocese, the Cemeteries Office is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code through the Archdiocese's inclusion in the USCCB group ruling and listing in the Official Catholic Directory. Accordingly, the Cemeteries Office qualifies for the charitable contribution deduction. The Cemeteries Office follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or not recognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Cemeteries Office does not believe its combined financial statements include any material uncertain tax positions. The Cemeteries Office is no longer subject to U.S. federal and state tax examinations for years prior to the year ended June 30, 2016.

**Use of Estimates**

The preparation of combined financial statements in conformity with US GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include fair value of investments, cost of crypts and lots sold, and useful lives of property and equipment. Actual results could differ from those estimates.

**Risks and Uncertainties**

The Cemeteries Office's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. Cash and cash equivalents are held in high-quality financial institutions and may exceed the Federal Deposit Insurance Corporation coverage limit. Due to the level of risk associated with cash and investments, it is at least reasonably possible that changes in the values of cash and investments will occur in the near term and that such changes could materially affect the amounts reported in the combined statements of financial position.

**Assets Held for Sale**

The Cemeteries Office has certain land which is being marketed for sale as of June 30, 2019 and 2018. The carrying value of assets held for sale previously classified under land held for burial privileges consists of the following at June 30, 2019 and 2018:

	2019	2018
All Saints Cemetery	\$ 177,190	\$ 177,190
Resurrection Cemetery	80,000	80,000
St. John Neumann Cemetery	3	3
	\$ 257,193	\$ 257,193

**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

**New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, to improve financial reporting by creating common revenue recognition guidance. The core principle of this guidance is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services at the date the performance obligation has occurred. ASU 2014-09 is effective for periods beginning after December 15, 2018. An entity will apply this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening statement of financial position at the date of initial application. The Cemeteries Office is evaluating the impact of ASU 2014-09 at this time.

**Recently Adopted Accounting Pronouncement**

In August 2016, the FASB issued a new standard related to the presentation of financial statements of not-for-profit entities. The Cemeteries Office adopted the provisions of the new standard during the year ended June 30, 2019. In addition to the changes in terminology used to describe net assets throughout the combined financial statements, new disclosures were added regarding liquidity (Note L), net assets (Note K) and functional expenses (Note J).

**Reclassifications**

Certain combined financial statement and footnote information from the prior year combined financial statements has been reclassified to conform with current year presentation format.

**NOTE D - INVENTORIES**

The following summary represents the various inventories at each cemetery as of June 30, 2019 and 2018:

<u>2019</u>	Land held for burial privileges	Mausolea and columbaria	Land held pending conferral of burial privileges
Holy Cross Columbarium	\$ -	\$ 20,070	\$ -
Holy Sepulchre	390,987	113,706	-
SS. Peter & Paul	587,222	1,188,706	-
Resurrection	287,187	-	-
St. John Neumann	2,482,902	-	-
All Saints	951,591	-	-
All Souls	5,958,670	-	-
Holy Savior	-	-	643,128
	<u>\$ 10,658,559</u>	<u>\$ 1,322,482</u>	<u>\$ 643,128</u>

**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

<u>2018</u>	<u>Land held for burial privileges</u>	<u>Mausolea and columbaria</u>	<u>Land held pending conferral of burial privileges</u>
Holy Cross Columbarium	\$ -	\$ 20,070	\$ -
Holy Sepulchre	390,987	141,188	-
SS. Peter & Paul	603,645	1,308,706	-
Resurrection	293,588	-	-
St. John Neumann	2,506,755	-	-
All Saints	951,844	-	-
All Souls	5,975,840	-	-
Holy Savior	-	-	643,128
	<u>\$ 10,722,659</u>	<u>\$ 1,469,964</u>	<u>\$ 643,128</u>

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
Equipment, furniture and fixtures	\$ 3,451,826	\$ 3,451,826
Buildings, roads and improvements	8,738,729	8,738,729
	<u>12,190,555</u>	<u>12,190,555</u>
Less: accumulated depreciation	<u>(11,090,813)</u>	<u>(10,996,576)</u>
	<u>\$ 1,099,742</u>	<u>\$ 1,193,979</u>

**NOTE F - INVESTMENTS**

Investments held at SEI are reported at fair value and consist of the following:

*Catholic Values Equity Fund (or "equity fund")* - Invests in common stocks and is managed by SEI. The equity fund is valued at the closing price of the traded fund.

*Catholic Values Fixed Income Fund (or "fixed income fund")* - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by SEI. The fixed income fund is valued at the closing price of the traded fund.

*Cash Plus (or "fund")* - Investments are liquid in nature and invests in short-duration U.S. government bonds.

**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

At June 30, 2019, the Cemeteries Office's investments are summarized and classified as follows:

<u>2019</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Catholic Values Equity Fund	\$ 35,115,966	\$ 242,305	\$ 35,358,271
Catholic Values Fixed Income Fund	<u>13,656,209</u>	<u>94,230</u>	<u>13,750,439</u>
Investment in SEI Catholic Values Funds	<u>\$ 48,772,175</u>	<u>\$ 336,535</u>	<u>\$ 49,108,710</u>

At June 30, 2018, the Cemeteries Office's investments are summarized and classified as follows:

<u>2018</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Catholic Values Equity Fund	\$ 33,114,180	\$ 228,085	\$ 33,342,265
Catholic Values Fixed Income Fund	<u>12,877,737</u>	<u>88,700</u>	<u>12,966,437</u>
Investment in SEI Catholic Values Funds	<u>\$ 45,991,917</u>	<u>\$ 316,785</u>	<u>\$ 46,308,702</u>

**NOTE G - FAIR VALUE MEASUREMENTS**

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities as of the measurement date.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Cemeteries Office believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

The following table presents the fair values of the investments held by the Cemeteries Office by level within the fair value hierarchy, as of June 30, 2019:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant inputs supported by little or no market activity (Level 3)	Total fair value
Assets				
Investments				
Investment in SEI Catholic Values Funds	\$ 49,108,710	\$ -	\$ -	\$ 49,108,710
Total assets at June 30, 2019	<u>\$ 49,108,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,108,710</u>

The following table presents the fair values of the investments held by the Cemeteries Office by level within the fair value hierarchy, as of June 30, 2018:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant inputs supported by little or no market activity (Level 3)	Total fair value
Assets				
Investments				
Investment in SEI Catholic Values Funds	\$ 46,308,702	\$ -	\$ -	\$ 46,308,702
Total assets at June 30, 2018	<u>\$ 46,308,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,308,702</u>

**NOTE H - RESTRICTED CASH**

Restricted cash at June 30, 2019 and 2018 is summarized as follows:

	2019	2018
Escrow account for the development of a section of SS. Peter & Paul Cemetery	<u>\$ 115,740</u>	<u>\$ 115,404</u>

**NOTE I - RELATED PARTY TRANSACTIONS**

In fiscal 2009, the Cemeteries Office recorded the effect of land sale agreements with two related parties of the Archdiocese, St. Peter's Parish (the "Parish") and Pope John Paul II Regional Elementary School (the "School"), for \$592,000 and \$340,000, respectively. As part of the land sale agreements, the Parish and School agreed to pay the Cemeteries Office over a specified period of time as agreed to in a Memo of Understanding with the Parish and the School. During each of the fiscal years 2019 and 2018, the Cemeteries Office received principal payments of \$30,000 from the Parish and \$34,000 from the School.



**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

The following table includes the payments expected to be received from the Parish as of June 30, 2019:

2020	\$ 30,000
2021	30,000
2022	30,000
2023	30,000
2024	30,000
Thereafter	<u>152,000</u>
	<u>\$ 302,000</u>

The Archdiocese provides financial and administrative services to the Cemeteries Office. Amounts charged for both the years ended June 30, 2019 and 2018 in relation to these services were \$22,000.

**NOTE J - FUNCTIONAL EXPENSES**

The following table summarizes expenses by function for the years ended June 30, 2019 and 2018:

	June 30, 2019		
	Program restrictions	Support restrictions	Total
Cost of crypts and lots sold	\$ 211,581	\$ -	\$ 211,581
Depreciation	94,237	-	94,237
Administrative expenses	-	22,000	22,000
Professional fees	-	220,536	220,536
	<u>\$ 305,818</u>	<u>\$ 242,536</u>	<u>\$ 548,354</u>
	June 30, 2018		
	Program restrictions	Support restrictions	Total
Cost of crypts and lots sold	\$ 234,547	\$ -	\$ 234,547
Depreciation	104,526	-	104,526
Administrative expenses	-	22,000	22,000
Professional fees	-	225,142	225,142
Distribution expenses	-	47,659	47,659
	<u>\$ 339,073</u>	<u>\$ 294,801</u>	<u>\$ 633,874</u>

**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

**NOTE K - NET ASSETS**

	2019	2018
Net assets without donor restrictions:		
Designated for operations	\$ (29,226,868)	\$ (30,192,645)
Contractually committed to permanent maintenance	48,763,775	45,914,456
Total net assets without donor restrictions	19,536,907	15,721,811
Net assets with donor restrictions:		
Accumulated earnings from perpetual care of the cemeteries	322,185	302,435
Investments to be held in perpetuity, the income from which is expendable to support perpetual care of the cemeteries	14,350	14,350
Total net assets with donor restrictions	336,535	316,785
Total net assets	\$ 19,873,442	\$ 16,038,596

**NOTE L - LIQUIDITY**

The following table reflects the Cemeteries Office financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments.

	2019	2018
Cash and cash equivalents	\$ 200,971	\$ 288,827
Restricted cash	115,740	115,404
Assets whose use is contractually committed to permanent maintenance:		
Cash and investments in perpetual care	49,108,710	46,308,702
Notes receivable from Archdiocesan entities	302,000	366,000
Total assets	49,727,421	47,078,933
Less those unavailable for general expenditure within one year, due to:		
Assets whose use is contractually committed to permanent maintenance:		
Cash and investments in perpetual care*	(49,108,710)	(46,308,702)
Restricted cash	(115,740)	(115,404)
Notes receivable from Archdiocesan entities	(272,000)	(302,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 230,971	\$ 352,827

\* Provisions within the Trust agreement are made for the use of these assets to pay expenses incurred by Permanent Care Fund, including administrative expenses.

**Archdiocese of Philadelphia Office of Catholic Cemeteries**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

**NOTE M - SUBSEQUENT EVENTS**

FASB ASC 855, *Subsequent Events*, establishes the principles and requirements for evaluating and reporting subsequent events, including the period subject to evaluation for subsequent events, the circumstances requiring recognition of subsequent events in the financial statements, and the required disclosures. The Cemeteries Office has evaluated subsequent events through July 31, 2020, the date on which the financial statements were available for distribution, noting the following:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Cemeteries Office is unable to determine if it will have a material impact to its operations.

**SUPPLEMENTARY INFORMATION**

**Archdiocese of Philadelphia Office of Catholic Cemeteries**

**COMBINING STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

	Archdiocese of Philadelphia Catholic Cemeteries	Philadelphia Catholic Cemeteries, LLC	Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust	Combined Archdiocese of Philadelphia Office of Catholic Cemeteries
<b>Assets</b>				
Cash and cash equivalents	\$ 200,971	\$ -	\$ -	\$ 200,971
Restricted cash	115,740	-	-	115,740
Assets held for sale:				
Land	-	257,193	-	257,193
Assets whose use is contractually committed to permanent maintenance:				
Cash and investments in perpetual care	-	-	49,108,710	49,108,710
Inventories:				
Land held for burial privileges	-	10,658,559	-	10,658,559
Mausolea and columbaria	20,070	1,302,412	-	1,322,482
Land held pending conferral of burial privileges	-	643,128	-	643,128
Property and equipment, net	1,957	1,097,785	-	1,099,742
Notes receivable from Archdiocesan entities	302,000	-	-	302,000
	<u>\$ 640,738</u>	<u>\$ 13,959,077</u>	<u>\$ 49,108,710</u>	<u>\$ 63,708,525</u>
<b>Liabilities</b>				
Accrued expenses and accounts payable	\$ 8,053	\$ 7,692	\$ 7,538	\$ 23,283
Due to (from) Archdiocesan entities	(500,932)	500,070	862	-
Deferred lease revenue	43,811,800	-	-	43,811,800
	<u>43,318,921</u>	<u>507,762</u>	<u>8,400</u>	<u>43,835,083</u>
<b>Net assets (deficit)</b>				
Net assets without donor restrictions				
Designated for operations	(42,678,183)	13,451,315	-	(29,226,868)
Contractually committed to permanent maintenance	-	-	48,763,775	48,763,775
Total net assets without donor restrictions	<u>(42,678,183)</u>	<u>13,451,315</u>	<u>48,763,775</u>	<u>19,536,907</u>
Net assets with donor restrictions	-	-	336,535	336,535
	<u>(42,678,183)</u>	<u>13,451,315</u>	<u>49,100,310</u>	<u>19,873,442</u>
	<u>\$ 640,738</u>	<u>\$ 13,959,077</u>	<u>\$ 49,108,710</u>	<u>\$ 63,708,525</u>

**Archdiocese of Philadelphia Office of Catholic Cemeteries**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year ended June 30, 2019**

	Without donor restrictions				With donor restrictions	
	Archdiocese of Philadelphia Catholic Cemeteries	Philadelphia Catholic Cemeteries, LLC	Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust	Total	Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust	Grand Total
Revenues and investment returns						
Long-term lease revenue	\$ 1,453,325	\$ -	\$ -	\$ 1,453,325	\$ -	\$ 1,453,325
Rental farm income	-	12,798	-	12,798	-	12,798
Contributions to permanent care fund	-	-	859	859	-	859
	1,453,325	12,798	859	1,466,982	-	1,466,982
Investment return, net	-	-	2,892,399	2,892,399	19,750	2,912,149
Other income, net	4,069	-	-	4,069	-	4,069
<b>Total revenues and investment returns</b>	<b>1,457,394</b>	<b>12,798</b>	<b>2,893,258</b>	<b>4,363,450</b>	<b>19,750</b>	<b>4,383,200</b>
Expenses						
Administration expense	2,000	18,000	2,000	22,000	-	22,000
Cost of crypts and lots sold	-	211,581	-	211,581	-	211,581
Professional fees	41,939	136,658	41,939	220,536	-	220,536
Depreciation expense	389	93,848	-	94,237	-	94,237
<b>Total expenses</b>	<b>44,328</b>	<b>460,087</b>	<b>43,939</b>	<b>548,354</b>	<b>-</b>	<b>548,354</b>
<b>Change in net assets</b>	<b>1,413,066</b>	<b>(447,289)</b>	<b>2,849,319</b>	<b>3,815,096</b>	<b>19,750</b>	<b>3,834,846</b>
Net assets (deficit)						
Beginning of year	(44,091,249)	13,898,604	45,914,456	15,721,811	316,785	16,038,596
<b>End of year</b>	<b>\$ (42,678,183)</b>	<b>\$ 13,451,315</b>	<b>\$ 48,763,775</b>	<b>\$ 19,536,907</b>	<b>\$ 336,535</b>	<b>\$ 19,873,442</b>