

Financial Statements and Report of
Independent Certified Public
Accountants

**Archdiocese of Philadelphia Cemetery
Permanent Lot Care Fund Irrevocable Trust**

June 30, 2020 and 2019

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GRANT THORNTON LLP

Two Commerce Square
2001 Market Street, Suite 700
Philadelphia, PA 19103

D +1 215 561 4200

F +1 215 561 1066

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of the Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust (the "Permanent Care Fund"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, and changes in net assets, and cash flows 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 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.

Emphasis of matter

We draw attention to Note A to the financial statements, which describes the legal structure of the Permanent Care Fund. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust as of June 30, 2020 and 2019, 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.



Philadelphia, Pennsylvania
November 24, 2020

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2020</u>	<u>2019</u>
ASSETS		
Assets whose use is contractually committed to permanent maintenance:		
Investments	\$ 50,588,015	\$ 49,108,710
	<u>50,588,015</u>	<u>49,108,710</u>
Total assets	<u>\$ 50,588,015</u>	<u>\$ 49,108,710</u>
LIABILITIES		
Accrued expenses	\$ 18,064	\$ 7,538
Due to Archdiocesan entities	17,250	862
	<u>35,314</u>	<u>8,400</u>
Total liabilities	<u>35,314</u>	<u>8,400</u>
NET ASSETS		
Net assets without donor restrictions		
Contractually committed to permanent maintenance	50,205,743	48,763,775
Net assets with donor restrictions	346,958	336,535
	<u>50,552,701</u>	<u>49,100,310</u>
Total net assets	<u>50,552,701</u>	<u>49,100,310</u>
Total liabilities and net assets	<u>\$ 50,588,015</u>	<u>\$ 49,108,710</u>

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

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and investment return			
Contributions to Permanent Care Fund	\$ 880	\$ -	\$ 880
Investment return, net	<u>1,502,001</u>	<u>10,423</u>	<u>1,512,424</u>
Total revenues and investment return	<u>1,502,881</u>	<u>10,423</u>	<u>1,513,304</u>
Expenses			
Administration expenses	2,000	-	2,000
Professional fees	<u>58,913</u>	-	<u>58,913</u>
Total expenses	<u>60,913</u>	<u>-</u>	<u>60,913</u>
Change in net assets	1,441,968	10,423	1,452,391
Net assets, beginning of year	<u>48,763,775</u>	<u>336,535</u>	<u>49,100,310</u>
Net assets, end of year	<u><u>\$ 50,205,743</u></u>	<u><u>\$ 346,958</u></u>	<u><u>\$ 50,552,701</u></u>

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

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and investment return			
Contributions to Permanent Care Fund	\$ 859	\$ -	\$ 859
Investment return, net	<u>2,892,399</u>	<u>19,750</u>	<u>2,912,149</u>
Total revenues and investment return	<u>2,893,258</u>	<u>19,750</u>	<u>2,913,008</u>
Expenses			
Administration expenses	2,000	-	2,000
Professional fees	<u>41,939</u>	<u>-</u>	<u>41,939</u>
Total expenses	<u>43,939</u>	<u>-</u>	<u>43,939</u>
Change in net assets	2,849,319	19,750	2,869,069
Net assets, beginning of year	<u>45,914,456</u>	<u>316,785</u>	<u>46,231,241</u>
Net assets, end of year	<u>\$ 48,763,775</u>	<u>\$ 336,535</u>	<u>\$ 49,100,310</u>

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

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,452,391	\$ 2,869,069
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized losses (gains) on investments	407,959	(913,257)
Contributions restricted for long-term purposes	(880)	(859)
Changes in assets and liabilities		
Accrued expenses and due to Archdiocesan entities	26,914	(69,061)
Net cash provided by operating activities	<u>1,886,384</u>	<u>1,885,892</u>
Cash flows from investing activities:		
Purchase of investments	(4,811,772)	(5,201,453)
Proceeds from sale of investments	2,924,508	3,314,702
Net cash used in investing activities	<u>(1,887,264)</u>	<u>(1,886,751)</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	880	859
Net cash provided by financing activities	<u>880</u>	<u>859</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>

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

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 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 June 2014, the Cemeteries Office's perpetual care fund totaled \$36,000,000 in cash and investments. These assets were liquidated and moved into 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 that 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, upon which the Cemeteries Office resumes responsibility for ongoing and future perpetual care obligations of the cemeteries.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying 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 classified according to two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions

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 mausoleum. These funds were not contributions; therefore, they are not permanently 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 mausoleum, surroundings and the general maintenance and improvements of the cemeteries.

Designated for operations - net assets available for general use and not subject to donor restrictions.

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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. Some net assets with donor restrictions include assets with the income to be used for maintenance and care of sites throughout the organization.

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 C and D. Investment allocation decisions are the responsibility of the Archdiocesan 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 investment return, net in the statements of activities and changes in net assets.

Income Tax Status

The Permanent Care Fund is exempt from federal income tax because it is a disregarded entity for federal income tax purposes and, therefore, adopts the tax status of its sole economic member, the Archdiocese, which is exempt from federal income tax as an organization described 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 Permanent Care Fund qualifies for the charitable contribution deduction.

The Permanent Care Fund 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 Permanent Care Fund does not believe its financial statements include any material uncertain tax positions.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include fair value of investments. Actual results could differ from those estimates.

Risks and Uncertainties

The Permanent Care Fund's financial instruments that are exposed to concentrations of credit risk consist primarily of investments. Due to the level of risk associated with 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 financial position.

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 Permanent Care Fund is unable to determine if it will have a material impact on its operations.

NOTE C - 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.

At June 30, 2020, the Permanent Care Fund’s investments are summarized and classified as follows:

	Without donor restrictions	With donor restrictions	Total
Catholic Values Equity Fund	\$ 35,168,740	\$ 242,871	\$ 35,411,611
Catholic Values Fixed Income Fund	15,072,317	104,087	15,176,404
Investment in SEI Catholic Values Funds	\$ 50,241,057	\$ 346,958	\$ 50,588,015

At June 30, 2019, the Permanent Care Fund’s investments are summarized and classified as follows:

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

NOTE D - 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;

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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; and

Level 3 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 Permanent Care Fund 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.

The following table presents the fair values of the investments held by the Permanent Care Fund by level within the fair value hierarchy, as of June 30, 2020:

	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	\$ 50,588,015	\$ -	\$ -	\$ 50,588,015
Total assets at June 30, 2020	\$ 50,588,015	\$ -	\$ -	\$ 50,588,015

The following table presents the fair values of the investments held by the Permanent Care Fund 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	\$ 49,108,710	\$ -	\$ -	\$ 49,108,710

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE E - NET ASSETS

Net assets consist of:

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Contractually committed to permanent maintenance	\$ 50,205,743	\$ 48,763,775
Net assets with donor restrictions:		
Accumulated earnings for perpetual care of the cemeteries	332,608	322,185
Investments to be held in perpetuity, the income from which is expendable to support perpetual care of the cemeteries	<u>14,350</u>	<u>14,350</u>
	<u>346,958</u>	<u>336,535</u>
 Total net assets	 <u>\$ 50,552,701</u>	 <u>\$ 49,100,310</u>

NOTE F - RELATED PARTY TRANSACTIONS

Due to related parties consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Due to Archdiocese of Philadelphia - Office of Catholic Cemeteries	<u>\$ 17,250</u>	<u>\$ 862</u>
	<u>\$ 17,250</u>	<u>\$ 862</u>

NOTE G - FUNCTIONAL EXPENSES

The following table summarizes expenses by function for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Supporting expenses		
Administrative fees	\$ 2,000	\$ 2,000
Professional fees	<u>58,913</u>	<u>41,939</u>
	<u>\$ 60,913</u>	<u>\$ 43,939</u>

NOTE H - LIQUIDITY

The Permanent Care Fund assets of \$50,588,015 are contractually committed to permanent maintenance. 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 Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE I - 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 Permanent Care Fund has evaluated subsequent events through November 24, 2020, the date on which the financial statements were available for distribution, noting no items requiring accrual or disclosure in the financial statements.