

Combined Financial Statements and
Report of Independent Certified Public
Accountants

**Archdiocese of Philadelphia
Office of Catholic Cemeteries**

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Archbishop of Philadelphia
Archdiocese of Philadelphia

Opinion

We have audited the 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, 2022 and 2021, and the related combined statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Cemeteries Office as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the combined financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cemeteries Office and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cemeteries Office's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cemeteries Office 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cemeteries Office 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position as of June 30, 2022, and the related combining statement of activities and changes in net assets for the year then ended are presented for purposes of additional analysis and are 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 audit of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling such 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 US GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania
November 17, 2022

Archdiocese of Philadelphia Office of Catholic Cemeteries

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 25,559	\$ 11,798
Restricted cash	116,304	116,258
Accounts receivable	9,320	11,690
Assets held for sale:		
Land	257,193	257,193
Assets whose use is contractually committed to permanent maintenance	56,218,988	66,497,334
Inventories:		
Land held for burial privileges	10,412,428	10,472,188
Mausolea and columbaria	865,224	990,593
Land held pending conferral of burial privileges	643,128	643,128
Property and equipment, net	887,001	956,240
Note receivable from Archdiocesan entity	224,500	254,500
	<u> </u>	<u> </u>
Total assets	<u>\$ 69,659,645</u>	<u>\$ 80,210,922</u>
 LIABILITIES		
Accrued expenses and accounts payable	\$ 16,013	\$ 149,808
Due to Archdiocesan entities	223,592	-
Deferred lease revenue	39,451,825	40,905,150
	<u> </u>	<u> </u>
Total liabilities	<u>39,691,430</u>	<u>41,054,958</u>
 NET ASSETS (DEFICIT)		
Without donor restrictions:		
Designated for operations	(26,237,270)	(27,311,764)
Contractually committed to permanent maintenance	55,802,394	66,011,343
	<u> </u>	<u> </u>
Total net assets without donor restrictions	29,565,124	38,699,579
With donor restrictions	403,091	456,385
	<u> </u>	<u> </u>
Total net assets	<u>29,968,215</u>	<u>39,155,964</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 69,659,645</u>	<u>\$ 80,210,922</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, 2022

	<u>Without Donor Restrictions</u>			
	<u>Designated for</u>	<u>Contractually</u>	<u>With Donor</u>	
	<u>Operations</u>	<u>Committed to</u>	<u>Restrictions</u>	<u>Total</u>
		<u>Permanent</u>		
		<u>Maintenance</u>		
Revenues and investment return				
Long-term lease revenue	\$ 1,453,325	\$ -	\$ -	\$ 1,453,325
Rental farm income	18,140	-	-	18,140
Contributions to permanent care fund	-	712	-	712
	<u>1,471,465</u>	<u>712</u>	<u>-</u>	<u>1,472,177</u>
Investment return, net	-	(10,161,064)	(53,294)	(10,214,358)
Other income, net	<u>51</u>	<u>-</u>	<u>-</u>	<u>51</u>
 Total revenues and investment returns	 <u>1,471,516</u>	 <u>(10,160,352)</u>	 <u>(53,294)</u>	 <u>(8,742,130)</u>
 Expenses				
Administration expense	20,000	2,000	-	22,000
Cost of crypts and lots sold	185,129	-	-	185,129
Professional fees	122,654	46,597	-	169,251
Depreciation expense	<u>69,239</u>	<u>-</u>	<u>-</u>	<u>69,239</u>
 Total expenses	 <u>397,022</u>	 <u>48,597</u>	 <u>-</u>	 <u>445,619</u>
 CHANGE IN NET ASSETS	 <u>1,074,494</u>	 <u>(10,208,949)</u>	 <u>(53,294)</u>	 <u>(9,187,749)</u>
 Net assets (deficit), beginning of year	 <u>(27,311,764)</u>	 <u>66,011,343</u>	 <u>456,385</u>	 <u>39,155,964</u>
 Net assets (deficit), end of year	 <u>\$ (26,237,270)</u>	 <u>\$ 55,802,394</u>	 <u>\$ 403,091</u>	 <u>\$ 29,968,215</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, 2021

	<u>Without Donor Restrictions</u>			
	<u>Designated for</u>	<u>Contractually</u>	<u>With Donor</u>	
	<u>Operations</u>	<u>Committed to</u>	<u>Restrictions</u>	<u>Total</u>
		<u>Permanent</u>		
		<u>Maintenance</u>		
Revenues and investment return				
Long-term lease revenue	\$ 1,453,325	\$ -	\$ -	\$ 1,453,325
Rental farm income	11,690	-	-	11,690
Contributions to permanent care fund	-	748	-	748
	<u>1,465,015</u>	<u>748</u>	<u>-</u>	<u>1,465,763</u>
Investment return, net	-	15,834,394	109,427	15,943,821
Other income, net	193	-	-	193
Total revenues and investment returns	<u>1,465,208</u>	<u>15,835,142</u>	<u>109,427</u>	<u>17,409,777</u>
Expenses				
Administration expense	20,000	2,000	-	22,000
Cost of crypts and lots sold	272,978	-	-	272,978
Professional fees	165,658	27,542	-	193,200
Depreciation expense	70,095	-	-	70,095
Total expenses	<u>528,731</u>	<u>29,542</u>	<u>-</u>	<u>558,273</u>
CHANGE IN NET ASSETS	<u>936,477</u>	<u>15,805,600</u>	<u>109,427</u>	<u>16,851,504</u>
Net assets (deficit), beginning of year	<u>(28,248,241)</u>	<u>50,205,743</u>	<u>346,958</u>	<u>22,304,460</u>
Net assets (deficit), end of year	<u>\$ (27,311,764)</u>	<u>\$ 66,011,343</u>	<u>\$ 456,385</u>	<u>\$ 39,155,964</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,

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (9,187,749)	\$ 16,851,504
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized losses (gains) on investments	17,749,640	(13,960,390)
Depreciation expense	69,239	70,095
Changes in assets and liabilities:		
Accounts receivable	2,370	(11,690)
Mausolea and columbaria	125,369	158,057
Land held for burial privileges	59,760	114,922
Accrued expenses and accounts payable	(133,795)	99,534
Due to Archdiocesan entities	223,592	-
Deferred lease revenue	(1,453,325)	(1,453,325)
	<u>7,455,101</u>	<u>1,868,707</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(7,536,706)	(6,183,463)
Proceeds from sale of investments	65,412	4,234,534
Collection of note receivable from Archdiocesan entity	30,000	25,000
	<u>(7,441,294)</u>	<u>(1,923,929)</u>
Net cash used in investing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,807	(55,222)
Cash and cash equivalents and restricted cash, beginning of year	<u>128,056</u>	<u>183,278</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 141,863</u>	<u>\$ 128,056</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, 2022 and 2021

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 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 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, if any, 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 2020 through 2034:	annual lease payments of \$1,000,000
Years 2035 through 2039:	annual lease payments of \$1,200,000
Years 2040 through 2049:	annual lease payments of \$1,500,000

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

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

June 30, 2022 and 2021

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

Recently issued Accounting Pronouncements

FASB ASC 842 Leases was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. Office of Catholic Cemeteries is assessing the adoption of ASC 842 may have on the financial statements.

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, 2022 and 2021

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, 2022 and 2021, 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. Restricted cash of \$116,304 and \$116,258 at June 30, 2022 and 2021, respectively, consist of an escrow account for the development of a section of SS. Peter and Paul Cemetery.

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 fund 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 combined statements of activities and changes in net assets. Trades are posted on settlement date.

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, 2022 and 2021

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.

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, 2022 and 2021. The carrying value of assets held for sale previously classified under land held for burial privileges consists of the following at June 30:

	2022	2021
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, 2022 and 2021

NOTE D - INVENTORIES

The following summary represents the various inventories at each cemetery as of June 30:

<u>2022</u>	Land Held for Burial Privileges	Mausolea and Columbaria	Land Held Pending Conferral of Burial Privileges
Holy Cross Cemetery Columbarium	\$ -	\$ 20,070	\$ -
Holy Sepulchre Cemetery	390,987	58,949	-
SS. Peter & Paul Cemetery	514,879	786,205	-
Resurrection Cemetery	262,471	-	-
St. John Neumann Cemetery	2,430,148	-	-
All Saints Cemetery	950,795	-	-
All Souls Cemetery	5,863,148	-	-
Holy Savior Cemetery	-	-	643,128
	<u>\$ 10,412,428</u>	<u>\$ 865,224</u>	<u>\$ 643,128</u>

<u>2021</u>	Land Held for Burial Privileges	Mausolea and Columbaria	Land Held Pending Conferral of Burial Privileges
Holy Cross Cemetery Columbarium	\$ -	\$ 20,070	\$ -
Holy Sepulchre Cemetery	390,987	76,817	-
SS. Peter & Paul Cemetery	534,991	893,706	-
Resurrection Cemetery	269,758	-	-
St. John Neumann Cemetery	2,443,320	-	-
All Saints Cemetery	951,121	-	-
All Souls Cemetery	5,882,011	-	-
Holy Savior Cemetery	-	-	643,128
	<u>\$ 10,472,188</u>	<u>\$ 990,593</u>	<u>\$ 643,128</u>

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

June 30, 2022 and 2021

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of:

	2022	2021
Equipment, furniture and fixtures	\$ 3,451,826	\$ 3,451,826
Buildings, roads and improvements	8,738,729	8,738,729
	12,190,555	12,190,555
Less: accumulated depreciation	(11,303,554)	(11,234,315)
	\$ 887,001	\$ 956,240

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.

At June 30, 2022, the Cemeteries Office's investments are summarized and classified as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Catholic Values Equity Fund	\$ 39,071,128	\$ 282,164	\$ 39,353,292
Catholic Values Fixed Income Fund	16,744,769	120,927	16,865,696
Total	\$ 55,815,897	\$ 403,091	\$ 56,218,988

At June 30, 2021, the Cemeteries Office's investments are summarized and classified as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Catholic Values Equity Fund	\$ 46,889,074	\$ 324,033	\$ 47,213,107
Catholic Values Fixed Income Fund	19,151,875	132,352	19,284,227
Total	\$ 66,040,949	\$ 456,385	\$ 66,497,334

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

June 30, 2022 and 2021

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; and
- 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.

The Cemeteries Office’s investments of \$56,218,988 and \$66,497,334 as of June 30, 2022 and 2021, respectively, are classified as level 1 within the fair value hierarchy.

NOTE H - RELATED PARTY TRANSACTIONS

In 2009, the Cemeteries Office recorded the effect of land sale agreement with a related party of the Archdiocese, St. Peter’s Parish (the “Parish”) for \$592,000. As part of the land sale agreement, the Parish agreed to pay the Cemeteries Office over a specified period of time as agreed to in a Memo of Understanding with the Parish. During the years ended June 30, 2022 and 2021, the Cemeteries Office received principal payments of \$30,000 and \$25,000, respectively, from the Parish.

The following table includes the payments expected to be received from the Parish as of June 30, 2022:

2023	\$	30,000
2024		30,000
2025		30,000
2026		30,000
2027		30,000
Thereafter		74,500
	\$	224,500

The Archdiocese provides financial and administrative services to the Cemeteries Office. Amounts charged for both the years ended June 30, 2022 and 2021 in relation to these services were \$22,000.

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

June 30, 2022 and 2021

NOTE I - FUNCTIONAL EXPENSES

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

	2022		
	Program Expenses	Support Expenses	Total
Cost of crypts and lots sold	\$ 185,129	\$ -	\$ 185,129
Depreciation	69,239	-	69,239
Administration expense	-	22,000	22,000
Professional fees	-	169,251	169,251
	<u>\$ 254,368</u>	<u>\$ 191,251</u>	<u>\$ 445,619</u>
	2021		
	Program Expenses	Support Expenses	Total
Cost of crypts and lots sold	\$ 272,978	\$ -	\$ 272,978
Depreciation	70,095	-	70,095
Administration expense	-	22,000	22,000
Professional fees	-	193,200	193,200
	<u>\$ 343,073</u>	<u>\$ 215,200</u>	<u>\$ 558,273</u>

NOTE J - NET ASSETS

Net assets consist of the following as of June 30:

	2022	2021
Net assets without donor restrictions:		
Designated for operations	\$ (26,237,270)	\$ (27,311,764)
Contractually committed to permanent maintenance	55,802,394	66,011,343
	<u>29,565,124</u>	<u>38,699,579</u>
Net assets with donor restrictions:		
Accumulated earnings from perpetual care of the cemeteries	388,741	442,035
Investments to be held in perpetuity, the income from which is expendable to support perpetual care of the cemeteries	14,350	14,350
	<u>403,091</u>	<u>456,385</u>
Total net assets	<u>\$ 29,968,215</u>	<u>\$ 39,155,964</u>

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

June 30, 2022 and 2021

NOTE K - LIQUIDITY

The following tables reflect the Cemeteries Office financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditures 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.

	2022	2021
Cash and cash equivalents	\$ 25,559	\$ 11,798
Restricted cash	116,304	116,258
Accounts receivable	9,320	11,690
Assets whose use is contractually committed to permanent maintenance:		
Investments	56,218,988	66,497,334
Note receivable from Archdiocesan entity	224,500	254,500
Total financial assets	56,594,671	66,891,580
Less those unavailable for general expenditures within one year, due to:		
Assets whose use is contractually committed to permanent maintenance:		
Investments*	(56,218,988)	(66,497,334)
Restricted cash	(116,304)	(116,258)
Note receivable from Archdiocesan entity	(194,500)	(224,500)
Financial assets available to meet cash needs for general expenditures within one year	\$ 64,879	\$ 53,488

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

NOTE L - 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 combined financial statements, and the required disclosures. The Cemeteries Office has evaluated subsequent events through November 17, 2022, the date on which the combined financial statements were available for distribution.

Subsequent to June 30, 2022, The Cemeteries office has marketed for sale All Souls Cemetery in Coatesville and Holy Saviour Cemetery in West Grove.

SUPPLEMENTARY INFORMATION

Archdiocese of Philadelphia Office of Catholic Cemeteries

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2022

	<u>Archdiocese of Philadelphia Catholic Cemeteries</u>	<u>Philadelphia Catholic Cemeteries, LLC</u>	<u>Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust</u>	<u>Combined Archdiocese of Philadelphia Office of Catholic Cemeteries</u>
ASSETS				
Cash and cash equivalents	\$ 25,559	\$ -	\$ -	\$ 25,559
Restricted cash	116,304	-	-	116,304
Accounts receivable	-	9,320	-	9,320
Assets held for sale:				
Land	-	257,193	-	257,193
Assets whose use is contractually committed to permanent maintenance			56,218,988	56,218,988
Inventories:				
Land held for burial privileges	-	10,412,428	-	10,412,428
Mausolea and columbaria	20,070	845,154	-	865,224
Land held pending conferral of burial privileges	-	643,128	-	643,128
Property and equipment, net	791	886,210	-	887,001
Note receivable from Archdiocesan entity	224,500	-	-	224,500
	<u>\$ 387,224</u>	<u>\$ 13,053,433</u>	<u>\$ 56,218,988</u>	<u>\$ 69,659,645</u>
Total assets				
LIABILITIES				
Accrued expenses and accounts payable	\$ 4,999	\$ 6,017	\$ 4,997	\$ 16,013
Due (from) to Archdiocesan entities	(641,345)	856,431	8,506	223,592
Deferred lease revenue	39,451,825	-	-	39,451,825
	<u>38,815,479</u>	<u>862,448</u>	<u>13,503</u>	<u>39,691,430</u>
Total liabilities				
NET ASSETS (DEFICIT)				
Net assets without donor restrictions:				
Designated for operations	(38,428,255)	12,190,985	-	(26,237,270)
Contractually committed to permanent maintenance	-	-	55,802,394	55,802,394
	<u>(38,428,255)</u>	<u>12,190,985</u>	<u>55,802,394</u>	<u>29,565,124</u>
Total net assets without donor restrictions				
Net assets with donor restrictions	-	-	403,091	403,091
	<u>(38,428,255)</u>	<u>12,190,985</u>	<u>56,205,485</u>	<u>29,968,215</u>
TOTAL NET ASSETS				
Total liabilities and net assets	<u>\$ 387,224</u>	<u>\$ 13,053,433</u>	<u>\$ 56,218,988</u>	<u>\$ 69,659,645</u>

Archdiocese of Philadelphia Office of Catholic Cemeteries

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2022

	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	-	18,140	-	18,140	-	18,140
Contributions to permanent care fund	-	-	712	712	-	712
	1,453,325	18,140	712	1,472,177	-	1,472,177
Investment return, net	-	-	(10,161,064)	(10,161,064)	(53,294)	(10,214,358)
Other income, net	51	-	-	51	-	51
Total revenues and investment return	1,453,376	18,140	(10,160,352)	(8,688,836)	(53,294)	(8,742,130)
Expenses						
Administration expense	2,000	18,000	2,000	22,000	-	22,000
Cost of crypts and lots sold	-	185,129	-	185,129	-	185,129
Professional fees	44,364	78,290	46,597	169,251	-	169,251
Depreciation expense	388	68,851	-	69,239	-	69,239
Total expenses	46,752	350,270	48,597	445,619	-	445,619
CHANGE IN NET ASSETS	1,406,624	(332,130)	(10,208,949)	(9,134,455)	(53,294)	(9,187,749)
Net assets (deficit), beginning of year	(39,834,879)	12,523,115	66,011,343	38,699,579	456,385	39,155,964
Net assets (deficit), end of year	\$ (38,428,255)	\$ 12,190,985	\$ 55,802,394	\$ 29,565,124	\$ 403,091	\$ 29,968,215