

Financial Statements and Report of
Independent Certified Public
Accountants

Philadelphia Catholic Cemeteries, LLC

June 30, 2023 and 2022

Contents

Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities and changes in net assets	6
Statements of cash flows	7
Notes to financial statements	8

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

To the Archbishop of Philadelphia
Archdiocese of Philadelphia

Opinion

We have audited the financial statements of Philadelphia Catholic Cemeteries, LLC (“PCC”), which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the PCC as of June 30, 2023 and 2022, 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 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 PCC 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 financial statements, which describes the legal structure of PCC. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PCC’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 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 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 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 PCC'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PCC'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.

Grant Thornton LLP

Philadelphia, Pennsylvania
November 10, 2023

Philadelphia Catholic Cemeteries, LLC

STATEMENTS OF FINANCIAL POSITION

June 30,

	2023	2022
ASSETS		
Accounts receivable	\$ 11,171	\$ 9,320
Prepaid expenses	7,333	-
Assets held for sale: Land	305,995	257,193
Inventories:		
Land held for burial privileges	10,318,114	10,412,428
Mausolea and columbaria	799,980	845,154
Land held pending conferral of burial privileges	643,128	643,128
Property and equipment, net	817,508	886,210
Total assets	\$ 12,903,229	\$ 13,053,433
LIABILITIES		
Accrued expenses and accounts payable	\$ 21,859	\$ 6,017
Due to Archdiocese of Philadelphia - Office of Catholic Cemeteries	924,977	856,431
Total liabilities	946,836	862,448
Net assets without donor restrictions	11,956,393	12,190,985
Total liabilities and net assets	\$ 12,903,229	\$ 13,053,433

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

Philadelphia Catholic Cemeteries, LLC

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30,

	2023	2022
Revenues		
Rental farm income	\$ 12,873	\$ 18,140
Total revenues	12,873	18,140
Expenses		
Program expense		
Costs of crypts and lots sold	90,686	185,129
Depreciation expense	68,702	68,851
Supporting expense		
Professional fees	70,077	78,290
Administration expense	18,000	18,000
Total expenses	247,465	350,270
CHANGE IN NET ASSETS	(234,592)	(332,130)
Net assets without donor restrictions, beginning of year	12,190,985	12,523,115
Net assets without donor restrictions, end of year	\$ 11,956,393	\$ 12,190,985

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

Philadelphia Catholic Cemeteries, LLC

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (234,592)	\$ (332,130)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation expense	68,702	68,851
Changes in assets and liabilities		
Accounts receivable	(1,851)	2,370
Prepaid expenses	(7,333)	-
Land held for sale	(48,802)	-
Land held for burial privileges	94,314	59,760
Mausolea and columbaria	45,174	125,369
Accrued expenses and accounts payable	15,842	(103,467)
Due to Archdiocese of Philadelphia - Office of Catholic Cemeteries	68,546	179,247
Net cash used in operating activities	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	\$ -	\$ -

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

Philadelphia Catholic Cemeteries, LLC

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE A - NATURE OF OPERATIONS

On September 26, 2013, the Archdiocese of Philadelphia (“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, 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, pursuant to which the Office of Catholic Cemeteries provides administrative and management support services for PCC.

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, PCC will receive annual lease payments beginning in year six of the agreement as follows:

Years 2021 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 PCC and 49% to StoneMor. PCC 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 operation and management of the 13 cemeteries will return to the control of PCC or 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 Archdiocese 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.

Philadelphia Catholic Cemeteries, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE C - 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 ("U.S. 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 as follows: net assets without donor restrictions and net assets with donor restrictions. As of June 30, 2023, PCC had no net assets that are subject to donor-imposed restrictions.

Inventories

Land held pending conferral of burial privileges represents the cost of land acquired for future cemetery sites. Costs for maintaining the land prior to use as a cemetery are capitalized. Once land is released for burials, these costs are transferred to land held for burial privileges within the statements of financial position.

The cost of land held for burials and cost of the mausolea and columbaria are amortized over available lots and crypts as burial and entombment privileges are sold by StoneMor.

Property and Equipment

Property and equipment are capitalized at cost at the 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

Income Tax Status

PCC 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 United States Conference of Catholic Bishops group ruling and listing in the Official Catholic Directory. Accordingly, PCC qualifies for the charitable contribution deduction.

PCC does not believe its financial statements include any material uncertain tax positions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 cost of crypts and lots sold, and useful lives of property and equipment. Actual results could differ from those estimates.

Philadelphia Catholic Cemeteries, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Assets Held for Sale

PCC has certain land which is being marketed for sale as of June 30, 2023 and 2022. The carrying value of assets held for sale previously classified under land held for burial privileges and road and improvements consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
All Saints Cemetery	\$ 177,190	\$ 177,190
All Souls Cemetery	80,301	-
Resurrection Cemetery	48,500	80,000
St. John Neumann Cemetery	<u>4</u>	<u>3</u>
	<u>\$ 305,995</u>	<u>\$ 257,193</u>

NOTE D - INVENTORIES

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

<u>2023</u>	<u>Land Held for Burial Privileges</u>	<u>Mausolea and Columbaria</u>	<u>Land Held Pending Conferral of Burial Privileges</u>
Holy Sepulchre Cemetery	\$ 390,987	\$ -	\$ -
SS. Peter & Paul Cemetery	501,628	761,206	-
Resurrection Cemetery	289,769	38,774	-
St. John Neumann Cemetery	2,420,776	-	-
All Saints Cemetery	950,728	-	-
All Souls Cemetery	5,764,226	-	-
Holy Savior Cemetery	<u>-</u>	<u>-</u>	<u>643,128</u>
	<u>\$ 10,318,114</u>	<u>\$ 799,980</u>	<u>\$ 643,128</u>

<u>2022</u>	<u>Land Held for Burial Privileges</u>	<u>Mausolea and Columbaria</u>	<u>Land Held Pending Conferral of Burial Privileges</u>
Holy Sepulchre Cemetery	\$ 390,987	\$ -	\$ -
SS. Peter & Paul Cemetery	514,879	786,205	-
Resurrection Cemetery	262,471	58,949	-
St. John Neumann Cemetery	2,430,148	-	-
All Saints Cemetery	950,795	-	-
All Souls Cemetery	5,863,148	-	-
Holy Savior Cemetery	<u>-</u>	<u>-</u>	<u>643,128</u>
	<u>\$ 10,412,428</u>	<u>\$ 845,154</u>	<u>\$ 643,128</u>

Philadelphia Catholic Cemeteries, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of:

	<u>2023</u>	<u>2022</u>
Equipment, furniture and fixtures	\$ 2,605,201	\$ 2,605,201
Buildings, roads and improvements	<u>8,301,343</u>	<u>8,301,343</u>
	10,906,544	10,906,544
Less: accumulated depreciation	<u>(10,089,036)</u>	<u>(10,020,334)</u>
	<u>\$ 817,508</u>	<u>\$ 886,210</u>

NOTE F - RELATED-PARTY TRANSACTIONS

Pursuant to the May 28, 2014 management services agreement between the Archdiocese of Philadelphia - Office for Financial Services and PCC, the Archdiocese provides financial and administrative services to PCC. Amounts charged for both the years ended June 30, 2023 and 2022 in relation to these services were \$18,000. Due to Archdiocese of Philadelphia - Office of Catholic Cemeteries at June 30, 2023 and 2022 consist of related-party charges for expenses including legal, auditing and administration fees.

NOTE G - LIQUIDITY

PCC is a "sole purpose entity" - the sole purpose being to hold title to eight cemeteries that were subject to the lease agreement and, therefore, has no liquid financial assets. Expenses incurred are paid by the Office of Catholic Cemeteries through a charge to the related-party account. This liability will be paid when annual lease payments are received from StoneMor.

NOTE H - SUBSEQUENT EVENTS

Financial Accounting Standards Board Accounting Standards Codification 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 November 10, 2023, the date on which the financial statements were available for distribution, noting no items requiring accrual or disclosure in the financial statements.