

Financial Statements and Report of
Independent Certified Public
Accountants

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

June 30, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Archbishop of Philadelphia
Archdiocese of Philadelphia

Opinion

We have audited the financial statements of 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, 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 Permanent Care Fund 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 Permanent Care Fund 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 the Permanent Care Fund. 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 Permanent Care Fund'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 Permanent Care Fund'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 Permanent Care Fund'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

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2023</u>	<u>2022</u>
ASSETS		
Assets whose use is contractually committed to permanent maintenance: Investments	\$ 62,537,847	\$ 56,218,988
Prepaid expenses	7,333	-
	<u>62,545,180</u>	<u>56,218,988</u>
Total assets	<u>\$ 62,545,180</u>	<u>\$ 56,218,988</u>
LIABILITIES		
Accrued expenses	\$ 5,859	\$ 4,997
Due to Archdiocese of Philadelphia - Office of Catholic Cemeteries	26,812	8,506
	<u>32,671</u>	<u>13,503</u>
Total liabilities	<u>32,671</u>	<u>13,503</u>
NET ASSETS		
Net assets without donor restrictions:		
Contractually committed to permanent maintenance	\$ 62,062,956	\$ 55,802,394
Net assets with donor restrictions	449,553	403,091
	<u>62,512,509</u>	<u>56,205,485</u>
Total net assets	<u>62,512,509</u>	<u>56,205,485</u>
Total liabilities and net assets	<u>\$ 62,545,180</u>	<u>\$ 56,218,988</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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and investment return			
Contributions to permanent care fund	\$ 1,035	\$ -	\$ 1,035
Investment return, net	<u>6,321,362</u>	<u>46,462</u>	<u>6,367,824</u>
Total revenues and investment return	<u>6,322,397</u>	<u>46,462</u>	<u>6,368,859</u>
Supporting expenses			
Administration expense	2,000	-	2,000
Professional fees	<u>59,835</u>	<u>-</u>	<u>59,835</u>
Total expenses	<u>61,835</u>	<u>-</u>	<u>61,835</u>
CHANGE IN NET ASSETS	6,260,562	46,462	6,307,024
Net assets, beginning of year	<u>55,802,394</u>	<u>403,091</u>	<u>56,205,485</u>
Net assets, end of year	<u>\$ 62,062,956</u>	<u>\$ 449,553</u>	<u>\$ 62,512,509</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and investment return			
Contributions to permanent care fund	\$ 712	\$ -	\$ 712
Investment return, net	<u>(10,161,064)</u>	<u>(53,294)</u>	<u>(10,214,358)</u>
Total revenues and investment return	<u>(10,160,352)</u>	<u>(53,294)</u>	<u>(10,213,646)</u>
Supporting expenses			
Administration expense	2,000	-	2,000
Professional fees	<u>46,597</u>	<u>-</u>	<u>46,597</u>
Total expenses	<u>48,597</u>	<u>-</u>	<u>48,597</u>
CHANGE IN NET ASSETS	(10,208,949)	(53,294)	(10,262,243)
Net assets, beginning of year	<u>66,011,343</u>	<u>456,385</u>	<u>66,467,728</u>
Net assets, end of year	<u>\$ 55,802,394</u>	<u>\$ 403,091</u>	<u>\$ 56,205,485</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>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,307,024	\$ (10,262,243)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gains) losses on investments	(4,515,408)	17,749,640
Changes in assets and liabilities	(7,333)	-
Prepaid expenses		
Accrued expenses and due to Archdiocese of Philadelphia - Office of Catholic Cemeteries	19,168	(16,103)
	<u>1,803,451</u>	<u>7,471,294</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(3,582,927)	(7,536,706)
Proceeds from sale of investments	1,779,476	65,412
	<u>(1,803,451)</u>	<u>(7,471,294)</u>
Net cash used in investing activities		
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>	<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, 2023 and 2022

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, if any, 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.

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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 or 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. Gains and losses realized 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.

Related Party Transactions

Due to Archdiocese of Philadelphia - Office of Catholic Cemeteries at June 30, 2023 and 2022 consist of legal, auditing and administration fees paid directly by the Cemeteries Office on behalf of Permanent Lot Care Fund.

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.

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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.

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, 2023, the Permanent Care Fund's investments are summarized and classified as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Catholic Values Equity Fund	\$ 43,461,805	\$ 314,687	\$ 43,776,492
Catholic Values Fixed Income Fund	<u>18,626,489</u>	<u>134,866</u>	<u>18,761,355</u>
Total	<u>\$ 62,088,294</u>	<u>\$ 449,553</u>	<u>\$ 62,537,847</u>

At June 30, 2022, the Permanent Care Fund's investments are summarized and classified as follows:

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

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE D - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“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 - 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 Permanent Care Fund’s investments of \$62,537,847 and \$56,218,988 as of June 30, 2023 and 2022, respectively, are classified as Level 1 within the fair value hierarchy.

NOTE E - NET ASSETS

Net assets consist of:

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions:		
Contractually committed to permanent maintenance	\$ 62,062,956	\$ 55,802,394
Net assets with donor restrictions:		
Accumulated earnings for perpetual care of the cemeteries	435,203	388,741
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>449,553</u>	<u>403,091</u>
 Total net assets	 <u>\$ 62,512,509</u>	 <u>\$ 56,205,485</u>

Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE F - LIQUIDITY

The Permanent Care Fund assets of \$62,537,847 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.

NOTE G - 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 10, 2023, the date on which the financial statements were available for distribution, noting no items requiring accrual or disclosure in the financial statements.