



Associated Catholic Cemeteries

Financial Statements
Years Ended June 30, 2022 and 2021

Associated Catholic Cemeteries

Financial Statements
Years Ended June 30, 2022 and 2021

Associated Catholic Cemeteries

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Tel: 206-382-7777
Fax: 206-382-7700
www.bdo.com

Two Union Square, 601 Union Street
Suite 2300
Seattle, WA 98101

Independent Auditor's Report

Most Reverend Paul. D. Etienne
Roman Catholic Archbishop of Seattle
and the Board of Directors
Associated Catholic Cemeteries
Seattle, Washington

Opinion

We have audited the financial statements of Associated Catholic Cemeteries (ACC), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ACC 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 in accordance with auditing standards generally accepted in the United States of America (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 ACC 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.

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 ACC's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



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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 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 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 ACC'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 ACC'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.

BDO USA, LLP

November 14, 2022

Financial Statements

Associated Catholic Cemeteries
Statements of Financial Position

<i>June 30,</i>	2022			2021		
	Operating	Care Fund	Total	Operating	Care Fund	Total
Assets						
Current Assets						
Cash	\$ 3,630,000	\$ -	\$ 3,630,000	\$ 3,091,000	\$ -	\$ 3,091,000
Investments	8,579,000	-	8,579,000	7,972,000	-	7,972,000
Accounts receivable	3,814,000	439,000	4,253,000	3,533,000	385,000	3,918,000
Inventories	1,786,000	-	1,786,000	1,799,000	-	1,799,000
Prepaid commissions	597,000	-	597,000	552,000	-	552,000
Other assets	-	-	-	67,000	-	67,000
Total Current Assets	18,406,000	439,000	18,845,000	17,014,000	385,000	17,399,000
Restricted cash equivalents	48,000	-	48,000	47,000	-	47,000
Pre-need fund investments	20,471,000	-	20,471,000	19,179,000	-	19,179,000
Care Fund investments	-	42,647,000	42,647,000	-	52,042,000	52,042,000
Accounts receivable, less current portion	5,858,000	819,000	6,677,000	5,103,000	689,000	5,792,000
Note receivable	-	9,000,000	9,000,000	-	9,000,000	9,000,000
Inventories, less current portion	4,008,000	-	4,008,000	3,960,000	-	3,960,000
Prepaid commissions	5,075,000	-	5,075,000	4,634,000	-	4,634,000
Property and equipment, net	3,670,000	-	3,670,000	3,342,000	-	3,342,000
Leased rental properties	-	3,000,000	3,000,000	-	3,000,000	3,000,000
Interfund balance receivable (payable)	(612,000)	612,000	-	(1,493,000)	1,493,000	-
Total Assets	\$ 56,924,000	\$ 56,517,000	\$ 113,441,000	\$ 51,786,000	\$ 66,609,000	\$ 118,395,000

Associated Catholic Cemeteries
Statements of Financial Position

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 1,418,000	\$ -	\$ 1,418,000	\$ 809,000	\$ -	\$ 809,000
Deferred revenue, current portion	4,952,000	532,000	5,484,000	4,664,000	481,000	5,145,000
Total Current Liabilities	6,370,000	532,000	6,902,000	5,473,000	481,000	5,954,000
Deferred revenue, less current portion	44,713,000	1,886,000	46,599,000	41,438,000	1,704,000	43,142,000
Note payable	-	9,000,000	9,000,000	-	9,000,000	9,000,000
Loss on contracts	496,000	-	496,000	428,000	-	428,000
Total Liabilities	51,579,000	11,418,000	62,997,000	47,339,000	11,185,000	58,524,000
Net Assets						
Without donor restrictions						
Undesignated	5,345,000	-	5,345,000	4,447,000	-	4,447,000
Designated - care fund	-	45,099,000	45,099,000	-	55,424,000	55,424,000
Total Net Assets	5,345,000	45,099,000	50,444,000	4,447,000	55,424,000	59,871,000
Total Liabilities and Net Assets	\$ 56,924,000	\$ 56,517,000	\$ 113,441,000	\$ 51,786,000	\$ 66,609,000	\$ 118,395,000

See accompanying notes to financial statements.

Associated Catholic Cemeteries

Statements of Activities

Year Ended June 30,	2022			2021		
	Operating	Care Fund	Total	Operating	Care Fund	Total
Revenue						
Burial rights and other cemetery sales,						
less surrenders and discounts	\$ 7,182,000	\$ 1,111,000	\$ 8,293,000	\$ 6,835,000	\$ 955,000	\$ 7,790,000
Cost of burial rights and cemetery sales	(3,038,000)	-	(3,038,000)	(3,060,000)	-	(3,060,000)
Total burial rights and cemetery sales, net	4,144,000	1,111,000	5,255,000	3,775,000	955,000	4,730,000
Expenses						
Sales and services	2,526,000	-	2,526,000	2,314,000	-	2,314,000
Cemetery maintenance	599,000	1,135,000	1,734,000	577,000	1,140,000	1,717,000
Administration	626,000	-	626,000	615,000	-	615,000
Total Expenses	3,751,000	1,135,000	4,886,000	3,506,000	1,140,000	4,646,000
Change in Net Assets from Operations	393,000	(24,000)	369,000	269,000	(185,000)	84,000
Non-Operating Changes in Net Assets						
Interest and dividends	447,000	200,000	647,000	560,000	95,000	655,000
Rental income and other	58,000	274,000	332,000	(131,000)	274,000	143,000
Paycheck Protection Program loan forgiveness	-	-	-	689,000	-	689,000
Realized and unrealized gains/(losses) on investmer	-	(10,775,000)	(10,775,000)	-	15,744,000	15,744,000
Change in Non-Operating Net Assets	505,000	(10,301,000)	(9,796,000)	1,118,000	16,113,000	17,231,000
Total Change in Net Assets	898,000	(10,325,000)	(9,427,000)	1,387,000	15,928,000	17,315,000
Net Assets, beginning of year	4,447,000	55,424,000	59,871,000	3,060,000	39,496,000	42,556,000
Net Assets, end of year	\$ 5,345,000	\$ 45,099,000	\$ 50,444,000	\$ 4,447,000	\$ 55,424,000	\$ 59,871,000

See accompanying notes to financial statements.

Associated Catholic Cemeteries

Statements of Functional Expenses

Year Ended June 30,	2022				2021			
	Program				Program			
	Sales and Services	Cemetery Maintenance	Administration	Total	Sales and Services	Cemetery Maintenance	Administration	Total
Personnel costs	\$ 1,326,000	\$ 952,000	\$ 387,000	\$ 2,665,000	\$ 1,305,000	\$ 985,000	\$ 402,000	\$ 2,692,000
Bank fees	370,000	-	10,000	380,000	288,000	-	8,000	296,000
Grounds supplies	-	355,000	-	355,000	-	333,000	-	333,000
Taxes and licenses	285,000	-	-	285,000	258,000	-	-	258,000
Advertising	236,000	-	-	236,000	213,000	-	-	213,000
Depreciation	56,000	142,000	13,000	211,000	39,000	150,000	9,000	198,000
Insurance	40,000	87,000	7,000	134,000	34,000	78,000	27,000	139,000
Utilities	47,000	62,000	10,000	119,000	40,000	54,000	8,000	102,000
Computer support services	24,000	-	83,000	107,000	26,000	-	64,000	90,000
Professional fees	-	-	79,000	79,000	-	-	66,000	66,000
Office expenses	49,000	-	12,000	61,000	70,000	-	16,000	86,000
Repairs and maintenance	-	60,000	-	60,000	-	60,000	-	60,000
Telephone	57,000	-	1,000	58,000	46,000	-	1,000	47,000
Miscellaneous	1,000	47,000	-	48,000	5,000	37,000	-	42,000
Dues and travel	14,000	-	24,000	38,000	8,000	-	13,000	21,000
Fuel	-	29,000	-	29,000	-	20,000	-	20,000
Liturgical expenses	13,000	-	-	13,000	2,000	-	1,000	3,000
Bad debt (recoveries)	8,000	-	-	8,000	(20,000)	-	-	(20,000)
Total Expenses	\$ 2,526,000	\$ 1,734,000	\$ 626,000	\$ 4,886,000	\$ 2,314,000	\$ 1,717,000	\$ 615,000	\$ 4,646,000

See accompanying notes to financial statements.

Associated Catholic Cemeteries

Statements of Cash Flows

Year Ended June 30,	2022			2021		
	Operating	Care Fund	Total	Operating	Care Fund	Total
Cash Flows from Operating Activities						
Reconciliation of change in net assets to net cash flows from operating activities:						
Change in net assets	\$ 898,000	\$ (10,325,000)	\$ (9,427,000)	\$ 1,387,000	\$ 15,928,000	\$ 17,315,000
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation (including \$60,000 and \$69,000 reported as cost of burial rights and cemetery sales for the years ended June 30, 2022 and 2021, respectively)	271,000	-	271,000	267,000	-	\$ 267,000
Gain on sale of property and equipment	(3,000)	-	(3,000)	-	-	-
Realized and unrealized (gain) loss on investments	-	10,775,000	10,775,000	-	(15,744,000)	(15,744,000)
Forgiveness of Payroll Protection Program loan	-	-	-	(689,000)	-	(689,000)
Change in operating assets and liabilities						
Accounts receivable	(1,036,000)	(184,000)	(1,220,000)	19,000	(712,000)	(693,000)
Interfund transfer	(881,000)	881,000	-	(1,077,000)	1,077,000	-
Inventories	(35,000)	-	(35,000)	(1,153,000)	-	(1,153,000)
Other assets	67,000	-	67,000	247,000	-	247,000
Prepaid commissions	(486,000)	-	(486,000)	(365,000)	-	(365,000)
Accounts payable and accrued expenses	433,000	-	433,000	(227,000)	-	(227,000)
Deferred revenue	3,563,000	233,000	3,796,000	2,753,000	-	2,753,000
Loss on contracts	68,000	-	68,000	28,000	-	28,000
Net Cash Flows from Operating Activities	2,859,000	1,380,000	4,239,000	1,190,000	549,000	1,739,000
Cash Flows for Investing Activities						
Net purchases of investments	(1,899,000)	(1,380,000)	(3,279,000)	(2,579,000)	(549,000)	(3,128,000)
Proceeds from sale of property and equipment	3,000	-	3,000	9,000	-	9,000
Purchase of property and equipment	(423,000)	-	(423,000)	(158,000)	-	(158,000)
Net Cash Flows for Investing Activities	(2,319,000)	(1,380,000)	(3,699,000)	(2,728,000)	(549,000)	(3,277,000)
Net Change in Cash and Cash Equivalents	540,000	-	540,000	(1,538,000)	-	(1,538,000)
Cash and Cash Equivalents, beginning of year	3,138,000	-	3,138,000	4,676,000	-	\$ 4,676,000
Cash and Cash Equivalents, end of year	\$ 3,678,000	\$ -	\$ 3,678,000	\$ 3,138,000	\$ -	\$ 3,138,000

Associated Catholic Cemeteries

Statements of Cash Flows

<i>Year Ended June 30,</i>	2022	2021
Cash and Cash Equivalents are Presented on the Statements of Financial Position as Follows		
Cash	\$ 3,630,000	\$ 3,091,000
Restricted cash equivalents	48,000	47,000
	<hr/>	<hr/>
	\$ 3,678,000	\$ 3,138,000
Noncash Financing Activities		
Issuance of note receivable through borrowing of note payable	\$ -	\$ 9,000,000
Noncash Investing Activity		
Property and equipment purchases included in accounts payable	\$ 176,000	\$ 6,000

See accompanying notes to financial statements.

Associated Catholic Cemeteries

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

The Associated Catholic Cemeteries (ACC) operates four cemeteries: Calvary, established in 1889; Holyhood, established in 1953; Gethsemane, established in 1975; and St. Patrick's, transferred to ACC in 1989.

On July 2, 2019, ACC was separately incorporated as a Washington nonprofit corporation whose sole member is the Archbishop of Seattle. Prior to this, ACC was part of the Corporation of the Catholic Archbishop of Seattle (CCAS), which does business as the Archdiocese of Seattle (the Archdiocese).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Financial Statement Presentation

ACC reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. As of June 30, 2022 and 2021, ACC has no net assets with donor restrictions, so this class of net assets is not presented in the financial statements. Certain net assets without donor restrictions are designated for the Care Fund. See Note 6.

Operating Revenue

Operating revenue consists of those items attributable to ACC's daily operations, including burials, burial rights, and other cemetery sales, net of associated costs. Operating expenses include costs for sales and service, cemetery maintenance and administrative expenses. ACC considers interest and dividends, rental income, and gains and losses on investments to be non-operating activities.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, utilities, insurance, and personnel costs. Personnel costs are allocated based on management's estimates of time and effort spent on each function. Insurance is allocated based on the allocations of personnel costs. Expenses related to the property and utilities are based on usage. Depreciation is allocated based on the specified use of assets. Professional fees are 100% allocated to administration as these costs include audit and legal fees, as well as payroll and personnel benefit administration costs, which benefit the organization as a whole but are not attributable to any one program service.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Associated Catholic Cemeteries

Notes to Financial Statements

Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, ACC considers cash in checking, savings, and certain money market accounts to be cash. Other money market accounts and short-term, highly liquid investments are classified as investments in the statements of financial position.

Restricted cash equivalents consist of an assignment of funds in lieu of performance bonds related to capital improvements.

ACC maintains a significant portion of its cash and investments in accounts that are not insured.

Investments

Investments and pre-need fund investments are held in an Archdiocesan Revolving Fund (ARF) deposit account operated by CCAS and are reported at cost plus accrued interest.

Care Fund investments are held with Christian Brothers Investment Services, Inc. and are reported at net asset value per unit (NAV). The NAV is determined each business day by the administrator of the fund based on the fair value of the underlying investments. There are no unfunded commitments, and the investments can be redeemed on a daily basis.

NAV is a practical expedient to determine fair value. The practical expedient would not be used if it is determined to be probable that the investment would sell for an amount different from the reported NAV.

Interest rates on the ARF deposit accounts was 1.5% and 2.0% during the years ended June 30, 2022 and 2021, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding contract balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Pre-need sales contracts allow the customer some rights to cancellation with a partial refund. ACC establishes a reserve for cancellations for cemetery property sales based on historical cancellations and recent write-off activity.

Contracts for burial rights, cemetery services, and related merchandise provide for payments over an extended period of time with below market interest rates. As a result, collection periods for

Associated Catholic Cemeteries

Notes to Financial Statements

accounts receivable range up to 60 months. Management measures accounts receivable at present value, which considers the promised cash flows and a market-based discount rate. At June 30, 2022 and 2021, accounts receivable were discounted to their present values using a discount rate of 4.25%.

Prepaid Commissions

ACC defers certain costs (e.g., commissions) that are incremental to obtaining pre-need cemetery contracts. ACC calculates the deferred commissions asset by dividing total commissions expense by total deferrable revenues and multiplying such percentage by the periodic change in gross deferred revenues. Such costs are recognized when the associated performance obligation is fulfilled based upon the net change in deferred revenues. ACC has elected the practical expedient of not recognizing incremental costs to obtain contracts that are fulfilled within the fiscal year. Prepaid commissions are classified as long term on the statements of financial position, as ACC does not control the timing of the delivery of the merchandise or performance of the services since they are generally provided at the time of need.

Revenue Recognition

ACC recognizes revenue under Accounting Standards Update (ASU) No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*, commonly referred to as Accounting Standards Codification Topic 606 (ASC 606), issued by the Financial Accounting Standards Board (FASB). The core principle is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve the core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

Associated Catholic Cemeteries

Notes to Financial Statements

ACC enters into contracts with customers providing burial and property rights, cemetery services, related merchandise, and care of purchased property on an at-need, pre-need, and post-need basis. Each of these items is considered a separate performance obligation. Contracts specifically identify prices related to each performance obligation, disaggregated below:

<i>June 30,</i>	2022	2021
Burial and property rights revenue	\$ 4,387,000	\$ 4,650,000
Service and merchandise revenue	3,528,000	3,118,000
Care fund income	1,111,000	955,000
Revenue from Contracts with Customers	9,026,000	8,723,000
Surrenders	(197,000)	(203,000)
Discounts	(536,000)	(730,000)
Burial Rights and Other Cemetery Sales		
Less: Surrenders and Discounts	\$ 8,293,000	\$ 7,790,000

ACC sells pre-need cemetery service and merchandise under contracts that provide for delivery of the merchandise and services at the time of need. Pre-need burial and property rights revenue is deferred until the license to the burial right has been transferred to the customer, which occurs when the contract is paid in full. Pre-need cemetery service and merchandise sales are recorded as cemetery revenue in the period the merchandise is delivered or the service is performed. Prior to that time, such sales are deferred. Cemetery service and merchandise sold at the time of need and post-need are recorded as cemetery revenue in the period the service is performed or the merchandise is delivered. ACC presents all taxes assessed by governmental authorities on its revenue-producing transactions (e.g., sales taxes), as well as the recoveries from its customers from these taxes, on a net basis in these financial statements.

Amounts collected from pre-need service and merchandise sales are required to be deposited into a pre-need fund and are recorded as deferred revenue in the financial statements. When pre-need services and goods are delivered, amounts equal to the original deposits, along with any interest earned, are withdrawn from the pre-need fund and transferred to the operating fund. Revenue is recognized when the goods and services are delivered.

Pursuant to ACC's contracts, a percentage of the price of the cemetery property is deposited into the Care Fund proportionally as payments are received and recognized as revenue when the contract is paid in full and the license to the burial right is transferred to the customer. ACC uses investment income to pay for the future maintenance of ACC.

All revenue streams noted above are recognized at a point in time.

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Notes to Financial Statements

Deferred revenue related to pre-need contracts, disaggregated by performance obligation, consists of the following:

<i>June 30,</i>	2022	2021
Deferred burial and property rights revenue	\$ 10,703,000	\$ 10,373,000
Deferred service and merchandise revenue	38,962,000	35,729,000
Deferred care fund income	2,418,000	2,185,000
	\$ 52,083,000	\$ 48,287,000

Deferred revenue is classified on the statements of financial position as follows:

<i>June 30,</i>	2022	2021
Deferred revenue, current portion	\$ 5,484,000	\$ 5,145,000
Deferred revenue, less current portion	46,599,000	43,142,000
	\$ 52,083,000	\$ 48,287,000

Classification of deferred revenue as current or noncurrent is based on management's estimates of when performance obligations will be fulfilled. Financed contract terms range between 48 to 60 months; therefore, management uses an average contract term of 4.5 years to determine the current portion of deferred burial rights, property, and care revenue, as the performance obligations for these items are considered fulfilled upon transfer of rights to the customer (i.e., upon full receipt of payment). The current portion of deferred service and merchandise revenue is estimated based on a historical average of 15 years between pre-need contract initiation and performance of service or delivery of merchandise.

Assets and liabilities from contracts with customers were as follows at June 30, 2022 and 2021:

<i>Year Ended June 30,</i>	Accounts Receivable		Prepaid Commissions	
	2022	2021	2022	2021
Beginning of year	\$ 9,710,000	\$ 9,017,000	\$ 5,186,000	\$ 4,821,000
End of year	10,930,000	9,710,000	5,672,000	5,186,000

<i>Year Ended June 30,</i>	Deferred Revenue		Loss on Contracts	
	2022	2021	2022	2021
Beginning of year	\$ 48,287,000	\$ 45,534,000	\$ 428,000	\$ 400,000
End of year	52,083,000	48,287,000	496,000	428,000

Cemetery Land and Cost of Burial Rights Sold

Except for Calvary Cemetery, the cost of developed cemetery land sold is charged to operations on the basis of the number of square feet sold at the average cost of the total unsold square footage

Associated Catholic Cemeteries

Notes to Financial Statements

of the cemetery. The cost of cemetery land at Calvary Cemetery was fully charged to operations as burial rights sold in prior years. Additional land for burial rights was developed by the removal of roadways by cemetery employees in the regular course of caring for the cemetery, and no identifiable costs were determined for the additional land developed. The cost of the cemetery land for St. Patrick's Cemetery was determined by an independent appraisal during fiscal year 1990. The appraised value in 1990 for the undeveloped portion was \$14,550. Developments since 1990 have been recognized at cost. The costs of entombment rights sold are charged to operations on the basis of the number of units sold at the average developed cost per unit.

Loss Contract Impairment Analysis

ACC performs an analysis to determine whether pre-need contracts are in a loss position, which would necessitate a charge to earnings. For this analysis, ACC compares the historical sales price that has been deferred with the estimated cost to deliver those contracts, which consist primarily of cemetery merchandise costs and salaries, supplies, and equipment related to the delivery of a pre-need contract. At June 30, 2022 and 2021, ACC estimated that costs exceeded original sales prices on certain undelivered contracts and recorded a loss on contract liability in the statements of financial position of \$495,821 and \$428,000, respectively.

Inventories

Merchandise inventories, including boxes, vault crypts, foundations, and vases, are stated at lower of cost or net realizable value under the first-in, first-out method. Inventories of cemetery land and mausoleums available for sale are stated at the cost of developing the sites. Inventories consist of the following:

<i>June 30,</i>	2022	2021
Merchandise inventories	\$ 61,000	\$ 68,000
Cemetery land	1,056,000	1,103,000
Mausoleums and niches	669,000	628,000
Inventories, current	\$ 1,786,000	\$ 1,799,000
Undeveloped land and lot development costs, noncurrent	4,008,000	3,960,000
	\$ 5,794,000	\$ 5,759,000

Property and Equipment

Property and equipment are recorded at cost when purchased and at fair value when contributed. ACC's policy is to capitalize assets with a cost greater than \$10,000. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 60 years. Donated property and equipment are considered unrestricted property unless specifically restricted by the donor. Restricted donated property and equipment are reclassified to net assets without donor restrictions when the restrictions are met.

Associated Catholic Cemeteries

Notes to Financial Statements

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$236,000 and \$213,000 for the years ended June 30, 2022 and 2021, respectively.

Income Taxes

ACC is a nonprofit organization and is exempt from federal income taxes.

Reclassification

Certain reclassifications have been made in the prior year's amounts to conform with current year statement presentation.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes the current lease guidance under Leases (Topic 840) and makes several changes, such as requiring an entity establishes a right-of use (ROU) model that requires a lessee to record a ROU asset and liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The update was originally effective for private companies for annual and interim reporting periods beginning after December 15, 2019. In July 2018, the FASB issued ASU 2018-10 Codification Improvements to Topic 842, Leases, to add clarity to certain areas within ASU 2016-02, to add an additional and optional transition method to adopt the new leases standard by allowing recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The revised effective date is for annual periods beginning after December 15, 2021. Management is currently evaluating the effect that adoption of this new standard will have on ACC's financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans and certain other instruments, entities will be required to use a new forward looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. The revised effective date is for annual periods beginning after December 15, 2022, and should be adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to members equity as of the beginning of the first reporting period in which the guidance is effective. A prospective approach is required for debt securities for which another-than-temporary impairment had been recognized before the effective date and loans and debt securities acquired with deteriorated credit quality. Early adoption is permitted. Management is currently evaluating the effect that adoption of this new standard will have on the ACC's financial statements.

ACC has assessed other accounting pronouncements issued or effective during the year ended June 30, 2022, and deemed they were not applicable to ACC or are not anticipated to have a material effect on the financial statements.

Associated Catholic Cemeteries

Notes to Financial Statements

Subsequent Events

Management of ACC have evaluated subsequent events through the date these financial statements were available to be issued, which was November 14, 2022.

2. Liquidity and Availability of Resources

ACC strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in the operating fund in the ARF.

The following table reflects ACC's financial assets:

<i>June 30,</i>	2022	2021
Cash and cash equivalents	\$ 3,630,000	\$ 3,091,000
Restricted cash	48,000	47,000
Accounts receivable and care fund receivables	10,930,000	9,710,000
Investments	71,697,000	79,193,000
Note receivable	9,000,000	9,000,000
Total Financial Assets	95,305,000	101,041,000
Less: Designated care fund assets	(52,905,000)	(62,116,000)
Less: Restricted cash	(48,000)	(47,000)
Less: Noncurrent accounts receivable	(5,858,000)	(5,103,000)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 36,494,000	\$ 33,775,000

3. Investments

Investments consist of the following:

<i>June 30,</i>	2022	2021
Deposits in Archdiocesan Revolving Fund	\$ 29,941,000	\$ 27,553,000
Multi-style U.S. equity mutual funds	29,718,000	36,471,000
International equity mutual funds	7,458,000	9,723,000
Small cap equity mutual fund	4,580,000	5,446,000
	\$ 71,697,000	\$ 79,193,000

Associated Catholic Cemeteries

Notes to Financial Statements

These investments are presented on the statements of financial position as follows:

<i>June 30,</i>	2022	2021
Investments	\$ 8,579,000	\$ 7,972,000
Pre-need fund investments	20,471,000	19,179,000
Care Fund investments	42,647,000	52,042,000
	\$ 71,697,000	\$ 79,193,000

4. Accounts Receivable

Accounts receivable are as follows:

<i>June 30,</i>	2022	2021
Accounts receivable - current portion	\$ 4,253,000	\$ 3,918,000
Accounts receivable - due in one to five years	7,565,000	6,560,000
	11,818,000	10,478,000
Allowance for doubtful accounts	(87,000)	(78,000)
Unamortized discount	(801,000)	(690,000)
	\$ 10,930,000	\$ 9,710,000

Receivables are presented on the statements of financial position as follows:

<i>June 30,</i>	2022	2021
Current accounts receivable	\$ 3,814,000	\$ 3,533,000
Accounts receivable, long-term	5,858,000	5,103,000
Care fund receivables	1,258,000	1,074,000
	\$ 10,930,000	\$ 9,710,000

5. Note Receivable

ACC issued a note to one borrower with a balance of \$9,000,000 outstanding at June 30, 2022 and 2021, with the proceeds of the note payable described in Note 10. The note has an interest rate of 4.11%. Interest-only payments are made monthly in the amount of \$31,000 until maturity on April 1, 2041, at which point the total outstanding principal and accrued interest is due. Payments

Associated Catholic Cemeteries

Notes to Financial Statements

from the borrower go directly toward the note payable lender. The note is secured by real property, therefore management has determined no allowance is considered necessary.

6. Property and Equipment

Property and equipment are as follows:

<i>June 30,</i>	2022	2021
Land improvements and buildings	\$ 6,527,000	\$ 6,014,000
Maintenance equipment	982,000	972,000
Vehicles	86,000	86,000
Computer and office equipment	221,000	174,000
	7,816,000	7,246,000
Less: Accumulated depreciation	(4,146,000)	(3,904,000)
	\$ 3,670,000	\$ 3,342,000

7. Care Fund

The ACC's Care Fund consists of a designated fund established for cemetery maintenance. The Care Fund is made up of net assets without donor restrictions that were received under contracts with customers with the intent to hold the corpus balance while using the investment proceeds for maintenance of the cemeteries.

Return Objectives and Risk Parameters

ACC has adopted investment and spending practices for Care Fund assets that attempt to provide a predictable stream of funding for cemetery maintenance while seeking to maintain the purchasing power of the Care Fund assets, which include those assets received under contracts with customers as well as earnings on invested funds. Under this policy, the Care Fund investment objectives will be for the asset value, exclusive of contributions or withdrawals, to grow over time and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in excess of inflation, as measured by the Consumer Price Index and defined benchmarks. Allocations of Care Fund investments will change over time as circumstances, investment performance, economic, and other conditions change.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, ACC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ACC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Associated Catholic Cemeteries

Notes to Financial Statements

Spending Policy and How the Investment Objectives Relate to the Spending Policy

In fiscal year ended June 30, 2022 an investment policy statement was approved by the ACC Board. For purposes of making distributions, the Care Fund shall make use of a total return based spending policy and fund distributions from net investment income, net realized capital gains, and proceeds from sale of investments.

In fiscal year ended June 30, 2021 there was no formal investment or spending policies. ACC typically budgets for distribution each year no more than 3% of the Care Fund's three-year average fair value. This is consistent with ACC's objective to maintain the purchasing power of the Care Fund assets held in perpetuity for a specified term as well as to provide additional real growth through new deposits and investment return. Investment returns depend on many factors, and there can be no assurance that the planned returns will be achieved.

Changes in Care Fund net assets are as follows:

Care Fund Net Assets, June 30, 2020	\$ 39,496,000
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Investment Return	
Investment income	95,000
Net rental income	274,000
Net appreciation (realized and unrealized)	15,744,000
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Total Investment Return	16,113,000
Portion of cemetery sales recognized as care fund proceeds	955,000
Appropriation of Care Fund net assets for expenditure	(1,140,000)
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Care Fund Net Assets, June 30, 2021	55,424,000
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Investment Return	
Investment income	200,000
Net rental income	274,000
Net depreciation (realized and unrealized)	(10,775,000)
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Total Investment Return	(10,301,000)
Portion of cemetery sales recognized as care fund proceeds	1,111,000
Appropriation of Care Fund net assets for expenditure	(1,135,000)
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Care Fund Net Assets, June 30, 2022	\$ 45,099,000
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Associated Catholic Cemeteries

Notes to Financial Statements

8. Lease Agreement

ACC receives lease rental payments on an owned office building under a 75-year lease agreement. The lease agreement expires on November 30, 2053. This rental property is an investment by the Care Fund, and as such, the rental receipts are recognized as revenue and recorded as designated net assets. The net rental income for both the years ended June 30, 2022 and 2021, was \$274,000. Future rental receipts under the above lease are approximately as follows for the years ending June 30:

2023	\$	274,000
2024		290,000
2025		302,000
2026		302,000
2027		302,000
Thereafter		13,201,000
		<hr/>
		\$ 14,671,000

9. Related-Party Transactions

Cash and Investments

Total cash funds held by the ARF amounts to \$1,766,000 and \$1,848,000 as of June 30, 2022 and 2021, respectively.

Investments are held in the ARF, as disclosed in Note 1. Total investment funds held by the ARF amounted to \$29,941,000 and \$27,553,000 as of June 30, 2022 and 2021, respectively.

ACC earned \$455,000 and \$558,00 in interest revenue for the years ended June 30, 2022 and 2021, respectively, on the aforementioned cash and investments held in the ARF.

Insurance

Property, liability, and worker's compensation insurance for the cemeteries are provided through an Archdiocesan insurance program. Funds are remitted to the Archdiocese to pay for the losses incurred and the necessary administrative services. Insurance costs were \$163,000 and \$168,000 for the years ended June 30, 2022 and 2021, respectively.

Salaries, Wages, and Benefits

ACC has a services agreement with the Archdiocese by which certain services including payroll, benefits, and related costs are provided by the Archdiocese. ACC reimburses the Archdiocese for payroll, benefits, and related costs. These costs totaled \$2,665,000 and \$2,714,000 for the years ended June 30, 2022 and 2021, respectively.

Associated Catholic Cemeteries

Notes to Financial Statements

10. Note Payable

ACC borrowed \$9,000,000 from the Knights of Columbus during the year ended June 30, 2021. The proceeds of the note were used to fund the note receivable described in Note 5. The note has an interest rate of 4.11%. Interest-only payments are made monthly in the amount of \$31,000 until maturity on April 1, 2041, at which point the total outstanding principal and accrued interest is due. Payments are made by the note receivable borrower. The note is secured by the rental property described in Note 8.