



Associated Catholic Cemeteries

Financial Statements Years Ended June 30, 2021 and 2020

Associated Catholic Cemeteries

Financial Statements
Years Ended June 30, 2021 and 2020

Associated Catholic Cemeteries

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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, 2021 and 2020, 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, 2021 and 2020, 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 9, 2021

Financial Statements

Associated Catholic Cemeteries
Statements of Financial Position

<i>June 30,</i>	2021			2020		
	Operating	Care Fund	Total	Operating	Care Fund	Total
Assets						
Current Assets						
Cash	\$ 3,091,000	\$ -	\$ 3,091,000	\$ 4,445,000	\$ -	\$ 4,445,000
Investments	7,972,000	-	7,972,000	6,732,000	-	6,732,000
Accounts receivable	3,918,000	-	3,918,000	3,940,000	-	3,940,000
Inventories	1,799,000	-	1,799,000	1,774,000	-	1,774,000
Other assets	67,000	-	67,000	314,000	-	314,000
Total Current Assets	16,847,000	-	16,847,000	17,205,000	-	17,205,000
Restricted cash equivalents	47,000	-	47,000	231,000	-	231,000
Pre-need fund investments	19,179,000	-	19,179,000	17,840,000	-	17,840,000
Care Fund investments	-	52,042,000	52,042,000	-	35,749,000	35,749,000
Accounts receivable, less current portion	5,410,000	-	5,410,000	4,330,000	-	4,330,000
Note receivable	-	9,000,000	9,000,000	-	-	-
Care fund receivables	-	382,000	382,000	-	747,000	747,000
Inventories, less current portion	3,960,000	-	3,960,000	2,832,000	-	2,832,000
Prepaid commissions	5,186,000	-	5,186,000	4,821,000	-	4,821,000
Property and equipment, net	3,342,000	-	3,342,000	3,454,000	-	3,454,000
Leased rental properties	-	3,000,000	3,000,000	-	3,000,000	3,000,000
Total Assets	\$ 53,971,000	\$ 64,424,000	\$ 118,395,000	\$ 50,713,000	\$ 39,496,000	\$ 90,209,000

Associated Catholic Cemeteries
Statements of Financial Position

<i>June 30,</i>	2021			2020		
	Operating	Care Fund	Total	Operating	Care Fund	Total
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	\$ 809,000	\$ -	\$ 809,000	\$ 1,030,000	\$ -	\$ 1,030,000
Deferred revenue, current portion	5,145,000	-	5,145,000	4,942,000	-	4,942,000
Total Current Liabilities	5,954,000	-	5,954,000	5,972,000	-	5,972,000
Deferred revenue, less current portion	43,142,000	-	43,142,000	40,592,000	-	40,592,000
Note payable	-	9,000,000	9,000,000	-	-	-
Paycheck Protection Program loan	-	-	-	689,000	-	689,000
Underwater contracts liability	428,000	-	428,000	400,000	-	400,000
Total Liabilities	49,524,000	9,000,000	58,524,000	47,653,000	-	47,653,000
Net Assets						
Without donor restrictions						
Undesignated	4,447,000	-	4,447,000	3,060,000	-	3,060,000
Designated - care fund	-	55,424,000	55,424,000	-	39,496,000	39,496,000
Total Net Assets	4,447,000	55,424,000	59,871,000	3,060,000	39,496,000	42,556,000
Total Liabilities and Net Assets	\$ 53,971,000	\$ 64,424,000	\$ 118,395,000	\$ 50,713,000	\$ 39,496,000	\$ 90,209,000

See accompanying notes to financial statements.

Associated Catholic Cemeteries

Statements of Activities

Year Ended June 30,	2021			2020		
	Operating	Care Fund	Total	Operating	Care Fund	Total
Revenue						
Burial rights and other cemetery sales,						
less surrenders and discounts	\$ 6,835,000	\$ 955,000	\$ 7,790,000	\$ 5,321,000	\$ 713,000	\$ 6,034,000
Cost of burial rights and cemetery sales	(3,060,000)	-	(3,060,000)	(2,053,000)	-	(2,053,000)
Total burial rights and cemetery sales, net	3,775,000	955,000	4,730,000	3,268,000	713,000	3,981,000
Expenses						
Sales and services	2,293,000	-	2,293,000	2,511,000	-	2,511,000
Cemetery maintenance	577,000	1,140,000	1,717,000	450,000	1,140,000	1,590,000
Administration	636,000	-	636,000	659,000	-	659,000
Total Expenses	3,506,000	1,140,000	4,646,000	3,620,000	1,140,000	4,760,000
Change in Net Assets from Operations	269,000	(185,000)	84,000	(352,000)	(427,000)	(779,000)
Non-Operating Changes in Net Assets						
Interest and dividends	560,000	95,000	655,000	641,000	191,000	832,000
Rental income and other	(131,000)	274,000	143,000	26,000	274,000	300,000
Paycheck Protection Program loan forgiveness	689,000	-	689,000	-	-	-
Realized and unrealized gains on investments	-	15,744,000	15,744,000	-	1,232,000	1,232,000
Change in Non-Operating Net Assets	1,118,000	16,113,000	17,231,000	667,000	1,697,000	2,364,000
Total Change in Net Assets	1,387,000	15,928,000	17,315,000	315,000	1,270,000	1,585,000
Net Assets, beginning of year	3,060,000	39,496,000	42,556,000	2,745,000	38,226,000	40,971,000
Net Assets, end of year	\$ 4,447,000	\$ 55,424,000	\$ 59,871,000	\$ 3,060,000	\$ 39,496,000	\$ 42,556,000

See accompanying notes to financial statements.

Associated Catholic Cemeteries

Statements of Functional Expenses

Year Ended June 30,	2021				2020			
	Program				Program			
	Sales and Services	Cemetery Maintenance	Administration	Total	Sales and Services	Cemetery Maintenance	Administration	Total
Personnel costs	\$ 1,305,000	\$ 985,000	\$ 423,000	\$ 2,713,000	\$ 1,629,000	\$ 956,000	\$ 430,000	\$ 3,015,000
Grounds supplies	-	333,000	-	333,000	-	257,000	-	257,000
Bank fees	288,000	-	8,000	296,000	229,000	-	8,000	237,000
Taxes and licenses	258,000	-	-	258,000	208,000	-	-	208,000
Depreciation	39,000	150,000	9,000	198,000	48,000	185,000	3,000	236,000
Advertising	192,000	-	-	192,000	176,000	-	-	176,000
Insurance	34,000	78,000	27,000	139,000	33,000	59,000	30,000	122,000
Utilities	40,000	54,000	8,000	102,000	44,000	18,000	8,000	70,000
Computer support services	26,000	-	64,000	90,000	19,000	-	67,000	86,000
Office expenses	70,000	-	16,000	86,000	65,000	-	29,000	94,000
Professional fees	-	-	66,000	66,000	-	-	56,000	56,000
Repairs and maintenance	-	60,000	-	60,000	-	43,000	-	43,000
Telephone	46,000	-	1,000	47,000	44,000	-	4,000	48,000
Miscellaneous	5,000	37,000	-	42,000	4,000	50,000	2,000	56,000
Fuel	-	20,000	-	20,000	-	22,000	-	22,000
Dues and travel	8,000	-	13,000	21,000	12,000	-	22,000	34,000
Liturgical expenses	2,000	-	1,000	3,000	15,000	-	-	15,000
Bad debt recoveries	(20,000)	-	-	(20,000)	(15,000)	-	-	(15,000)
Total Expenses	\$ 2,293,000	\$ 1,717,000	\$ 636,000	\$ 4,646,000	\$ 2,511,000	\$ 1,590,000	\$ 659,000	\$ 4,760,000

See accompanying notes to financial statements.

Associated Catholic Cemeteries

Statements of Cash Flows

Year Ended June 30,	2021			2020		
	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	\$ 1,387,000	\$ 15,928,000	\$ 17,315,000	\$ 315,000	\$ 1,270,000	\$ 1,585,000
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation (including \$69,000 and \$61,000 reported as cost of burial rights and cemetery sales for the years ended June 30, 2021 and 2020, respectively)	267,000	-	267,000	297,000	-	297,000
Gain on sale of property and equipment	-	-	-	(1,000)	-	(1,000)
Unrealized gains on investments	-	(15,744,000)	(15,744,000)	-	(1,232,000)	(1,232,000)
Forgiveness of Payroll Protection Program loan	(689,000)	-	(689,000)	-	-	-
Change in operating assets and liabilities						
Accounts receivable	(1,058,000)	365,000	(693,000)	32,000	172,000	204,000
Inventories	(1,153,000)	-	(1,153,000)	(289,000)	-	(289,000)
Other assets	247,000	-	247,000	(314,000)	-	(314,000)
Prepaid commissions	(365,000)	-	(365,000)	(285,000)	-	(285,000)
Accounts payable and accrued expenses	(227,000)	-	(227,000)	(294,000)	-	(294,000)
Deferred revenue	2,753,000	-	2,753,000	2,838,000	-	2,838,000
Underwater contracts	28,000	-	28,000	(39,000)	-	(39,000)
Net Cash Flows from Operating Activities	1,190,000	549,000	1,739,000	2,260,000	210,000	2,470,000
Cash Flows for Investing Activities						
Net purchases of investments	(2,579,000)	(549,000)	(3,128,000)	(949,000)	(210,000)	(1,159,000)
Proceeds from sale of property and equipment	9,000	-	9,000	1,000	-	1,000
Purchase of property and equipment	(158,000)	-	(158,000)	(782,000)	-	(782,000)
Net Cash Flows for Investing Activities	(2,728,000)	(549,000)	(3,277,000)	(1,730,000)	(210,000)	(1,940,000)
Cash Flows from Financing Activity						
Paycheck Protection Program loan	-	-	-	689,000	-	689,000
Net Change in Cash and Cash Equivalents	(1,538,000)	-	(1,538,000)	1,219,000	-	1,219,000
Cash and Cash Equivalents, beginning of year	4,676,000	-	4,676,000	3,457,000	-	3,457,000
Cash and Cash Equivalents, end of year	\$ 3,138,000	\$ -	\$ 3,138,000	\$ 4,676,000	\$ -	\$ 4,676,000

Associated Catholic Cemeteries

Statements of Cash Flows

<i>Year Ended June 30,</i>	2021	2020
Cash and Cash Equivalents are Presented on the Statements of Financial Position as Follows		
Cash	\$ 3,091,000	\$ 4,445,000
Restricted cash equivalents	47,000	231,000
	\$ 3,138,000	\$ 4,676,000
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	\$ 6,000	\$ 67,000

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, 2021 and 2020, 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 7.

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:

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

Associated Catholic Cemeteries

Notes to Financial Statements

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. See note 3.

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.

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 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, 2021 and 2020, accounts receivable were discounted to their present values using a discount rate of 4.25%.

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Notes to Financial Statements

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

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>	2021	2020
Burial and property rights revenue	\$ 4,650,000	\$ 3,299,000
Service and merchandise revenue	3,118,000	2,538,000
Care fund income	955,000	713,000
Revenue from Contracts with Customers	8,723,000	6,550,000
Surrenders	(203,000)	(172,000)
Discounts	(730,000)	(344,000)
Burial Rights and Other Cemetery Sales, less surrenders and discounts	\$ 7,790,000	\$ 6,034,000

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Notes to Financial Statements

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.

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

<i>June 30,</i>	2021	2020
Deferred burial and property rights revenue	\$ 10,373,000	\$ 10,530,000
Deferred service and merchandise revenue	35,729,000	33,092,000
Deferred care fund income	2,185,000	1,912,000
	\$ 48,287,000	\$ 45,534,000

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

<i>June 30,</i>	2021	2020
Deferred revenue, current portion	\$ 5,145,000	\$ 4,942,000
Deferred revenue, less current portion	43,142,000	40,592,000
	\$ 48,287,000	\$ 45,534,000

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

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Notes to Financial Statements

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, 2021 and 2020:

Year Ended June 30,	Accounts Receivable		Prepaid Commissions	
	2021	2020	2021	2020
Beginning of year	\$ 9,017,000	\$ 9,221,000	\$ 4,821,000	\$ 4,536,000
End of year	9,710,000	9,017,000	5,186,000	4,821,000

Year Ended June 30,	Deferred Revenue		Underwater Contracts Liability	
	2021	2020	2021	2020
Beginning of year	\$ 45,534,000	\$ 42,696,000	\$ 400,000	\$ 439,000
End of year	48,287,000	45,534,000	428,000	400,000

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 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, 2021 and 2020, ACC estimated that costs exceeded original sales prices on certain undelivered contracts and recorded an underwater contracts liability in the statements of financial position of \$428,000 and \$400,000, respectively.

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Notes to Financial Statements

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>	2021	2020
Merchandise inventories	\$ 68,000	\$ 68,000
Cemetery land	1,103,000	992,000
Mausoleums and niches	628,000	714,000
Inventories, current	1,799,000	1,774,000
Undeveloped land and lot development costs, noncurrent	3,960,000	2,832,000
	\$ 5,759,000	\$ 4,606,000

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.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

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

Subsequent Events

Management of ACC have evaluated subsequent events through the date these financial statements were available to be issued, which was November 9, 2021.

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.

Associated Catholic Cemeteries

Notes to Financial Statements

The following table reflects ACC's financial assets:

<i>June 30,</i>	2021	2020
Cash and cash equivalents	\$ 3,091,000	\$ 4,445,000
Restricted cash	47,000	231,000
Accounts receivable and care fund receivables	9,710,000	9,017,000
Investments	79,193,000	60,321,000
Note receivable	9,000,000	-
Total Financial Assets	101,041,000	74,014,000
Less: Designated net assets	(52,424,000)	(36,496,000)
Less: Restricted cash	(47,000)	(231,000)
Less: Noncurrent accounts receivable	(5,410,000)	(4,330,000)
Less; Noncurrent note receivable	(9,000,000)	-
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 34,160,000	\$ 32,957,000

3. Investments

Investments consist of the following:

<i>June 30,</i>	2021	2020
Deposits in Archdiocesan Revolving Fund	\$ 27,553,000	\$ 24,572,000
Multi-style U.S. equity mutual funds	36,471,000	-
International equity mutual funds	9,723,000	5,437,000
Small cap equity mutual fund	5,446,000	2,805,000
Growth mutual funds	-	17,173,000
Value equity mutual fund	-	9,840,000
Money market mutual fund	-	494,000
	\$ 79,193,000	\$ 60,321,000

Interest rates on the ARF deposit accounts were 2.0% during both the years ended June 30, 2021 and 2020.

Associated Catholic Cemeteries

Notes to Financial Statements

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

<i>June 30,</i>	2021	2020
Investments	\$ 7,972,000	\$ 6,732,000
Pre-need fund investments	19,179,000	17,840,000
Care Fund investments	52,042,000	35,749,000
	\$ 79,193,000	\$ 60,321,000

4. Accounts Receivable

Accounts receivable are as follows:

<i>June 30,</i>	2021	2020
Accounts receivable - current portion	\$ 3,918,000	\$ 3,940,000
Accounts receivable - due in one to five years	6,560,000	5,771,000
	10,478,000	9,711,000
Allowance for doubtful accounts	(78,000)	(95,000)
Unamortized discount	(690,000)	(599,000)
	\$ 9,710,000	\$ 9,017,000

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

<i>June 30,</i>	2021	2020
Current accounts receivable	\$ 3,918,000	\$ 3,940,000
Accounts receivable, long-term	5,410,000	4,330,000
Care fund receivables	382,000	747,000
	\$ 9,710,000	\$ 9,017,000

5. Note Receivable

ACC issued a note to one borrower with a balance of \$9,000,000 outstanding at June 30, 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 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.

Associated Catholic Cemeteries

Notes to Financial Statements

6. Property and Equipment

Property and equipment are as follows:

<i>June 30,</i>	2021	2020
Land improvements and buildings	\$ 6,014,000	\$ 5,997,000
Maintenance equipment	972,000	925,000
Vehicles	86,000	86,000
Computer and office equipment	174,000	117,000
	7,246,000	7,125,000
Less: Accumulated depreciation	(3,904,000)	(3,671,000)
	\$ 3,342,000	\$ 3,454,000

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

There are currently 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, 2019	\$ 38,226,000
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Investment Return	
Investment income	191,000
Net rental income	274,000
Net appreciation (realized and unrealized)	1,232,000
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Total Investment Return	1,697,000
Portion of cemetery sales recognized as care fund proceeds	713,000
Appropriation of Care Fund net assets for expenditure	(1,140,000)
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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

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, 2021 and 2020, was \$274,000.

Associated Catholic Cemeteries

Notes to Financial Statements

Future rental receipts under the above lease are approximately as follows for the years ending June 30:

2022	\$	274,000
2023		274,000
2024		290,000
2025		302,000
2026		302,000
Thereafter		13,503,000

\$ 14,945,000

9. Related-Party Transactions

Investments

Investments are held in the ARF, as disclosed in Note 3. Total funds held by the ARF amounted to \$27,553,000 and \$24,572,000 as of June 30, 2021 and 2020, respectively.

Insurance

Property, liability, and workers' 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 \$139,000 and \$122,000 for the years ended June 30, 2021 and 2020, 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 \$2,714,000 and \$3,006,000 for the years ended June 30, 2021 and 2020, respectively.

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.

Associated Catholic Cemeteries

Notes to Financial Statements

11. Paycheck Protection Program Loan

ACC applied for and received a PPP loan in the amount of \$689,000 on May 8, 2020. The note payable incurs interest at 1% and is unsecured. The principal and interest of the note is forgivable if the proceeds are spent on qualifying costs during the 24-week period following the date the note is issued. Qualified costs are considered as 60% of the loan amount on payroll costs, and 40% on non-payroll costs, including rent and utilities. ACC received full forgiveness of the principal and accrued interest on March 1, 2021.

12. COVID-19 Pandemic

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. While many businesses and nonprofits have been shut down, ACC continues to operate during the COVID-19 outbreak and has implemented all COVID-19 safety protocols as directed by federal, state, and local health authorities. As of this report date, ACC has not experienced significant impacts to its financial condition or liquidity. However, given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, ACC is not able to estimate the effects of the pandemic on its future operations, financial condition, or liquidity for fiscal year 2022. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, and workforce.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provision relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to the tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small business and nonprofits harmed by COVID-19. ACC applied for and received a PPP loan which was fully forgiven as described in Note 11. ACC has not applied for or received a secondary PPP loan or other CARES Act funding.