



# Associated Catholic Cemeteries

## Financial Statements

Years Ended June 30, 2020 and 2019

# **Associated Catholic Cemeteries**

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Financial Statements  
Years Ended June 30, 2020 and 2019

# 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

We have audited the accompanying financial statements of the Associated Catholic Cemeteries, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Associated Catholic Cemeteries as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Prior-Period Financial Statements***

The financial statements of the Associated Catholic Cemeteries, as of and for the year ended June 30, 2019, were audited by Peterson Sullivan, LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated October 10, 2019.

*BDO USA, LLP*

November 6, 2020

## Financial Statements

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# Associated Catholic Cemeteries

## Statements of Financial Position

June 30,	2020			2019		
	Operating	Endowment	Total	Operating	Endowment	Total
<b>Assets</b>						
<b>Current Assets</b>						
Cash	\$ 4,445,000	\$ -	\$ 4,445,000	\$ 3,232,000	\$ -	\$ 3,232,000
Investments	6,732,000	-	6,732,000	7,036,000	-	7,036,000
Accounts receivable	3,940,000	-	3,940,000	3,698,000	-	3,698,000
Inventories	1,774,000	-	1,774,000	1,866,000	-	1,866,000
Other assets	314,000	-	314,000	-	-	-
<b>Total Current Assets</b>	<b>17,205,000</b>	<b>-</b>	<b>17,205,000</b>	<b>15,832,000</b>	<b>-</b>	<b>15,832,000</b>
Restricted cash equivalents	231,000	-	231,000	225,000	-	225,000
Pre-need fund investments	17,840,000	-	17,840,000	16,587,000	-	16,587,000
Endowment care fund investments	-	35,749,000	35,749,000	-	34,307,000	34,307,000
Accounts receivable, less current portion	4,330,000	-	4,330,000	4,604,000	-	4,604,000
Care fund receivables	-	747,000	747,000	-	919,000	919,000
Inventories, less current portion	2,832,000	-	2,832,000	2,451,000	-	2,451,000
Prepaid commissions	4,821,000	-	4,821,000	4,536,000	-	4,536,000
Property and equipment, net	3,454,000	-	3,454,000	2,902,000	-	2,902,000
Leased rental properties	-	3,000,000	3,000,000	-	3,000,000	3,000,000
<b>Total Assets</b>	<b>\$ 50,713,000</b>	<b>\$ 39,496,000</b>	<b>\$ 90,209,000</b>	<b>\$ 47,137,000</b>	<b>\$ 38,226,000</b>	<b>\$ 85,363,000</b>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Accounts payable and accrued expenses	\$ 1,030,000	\$ -	\$ 1,030,000	\$ 1,257,000	\$ -	\$ 1,257,000
Deferred revenue, current portion	4,942,000	-	4,942,000	4,595,000	-	4,595,000
<b>Total Current Liabilities</b>	<b>5,972,000</b>	<b>-</b>	<b>5,972,000</b>	<b>5,852,000</b>	<b>-</b>	<b>5,852,000</b>
Deferred revenue, less current portion	40,592,000	-	40,592,000	38,101,000	-	38,101,000
Payroll protection program loan	689,000	-	689,000	-	-	-
Underwater contracts liability	400,000	-	400,000	439,000	-	439,000
<b>Total Liabilities</b>	<b>47,653,000</b>	<b>-</b>	<b>47,653,000</b>	<b>44,392,000</b>	<b>-</b>	<b>44,392,000</b>
<b>Net Assets</b>						
Without donor restrictions						
Undesignated	3,060,000	-	3,060,000	2,745,000	-	2,745,000
Designated - care fund	-	39,496,000	39,496,000	-	38,226,000	38,226,000
<b>Total Net Assets</b>	<b>3,060,000</b>	<b>39,496,000</b>	<b>42,556,000</b>	<b>2,745,000</b>	<b>38,226,000</b>	<b>40,971,000</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 50,713,000</b>	<b>\$ 39,496,000</b>	<b>\$ 90,209,000</b>	<b>\$ 47,137,000</b>	<b>\$ 38,226,000</b>	<b>\$ 85,363,000</b>

See accompanying notes to financial statements.

## Associated Catholic Cemeteries

### Statements of Activities

<i>Years Ended June 30,</i>	2020			2019		
	Operating	Endowment	Total	Operating	Endowment	Total
<b>Revenue</b>						
Burial rights and other cemetery sales, less surrenders and discounts	\$ 5,321,000	\$ 713,000	\$ 6,034,000	\$ 5,125,000	\$ 672,000	\$ 5,797,000
Cost of burial rights and cemetery sales	(2,053,000)	-	(2,053,000)	(1,969,000)	-	(1,969,000)
<b>Total burial rights and cemetery sales, net</b>	<b>3,268,000</b>	<b>713,000</b>	<b>3,981,000</b>	<b>3,156,000</b>	<b>672,000</b>	<b>3,828,000</b>
Interest and dividends	641,000	191,000	832,000	630,000	146,000	776,000
Rental income and other	26,000	274,000	300,000	98,000	262,000	360,000
<b>Total Revenue</b>	<b>3,935,000</b>	<b>1,178,000</b>	<b>5,113,000</b>	<b>3,884,000</b>	<b>1,080,000</b>	<b>4,964,000</b>
<b>Expenses</b>						
Sales and services	2,519,000	-	2,519,000	2,172,000	-	2,172,000
Cemetery maintenance	450,000	1,140,000	1,590,000	815,000	797,000	1,612,000
Administration	651,000	-	651,000	604,000	-	604,000
<b>Total Expenses</b>	<b>3,620,000</b>	<b>1,140,000</b>	<b>4,760,000</b>	<b>3,591,000</b>	<b>797,000</b>	<b>4,388,000</b>
<b>Change in Net Assets Before Realized and</b>						
<b>Unrealized Gains on Investments</b>	<b>315,000</b>	<b>38,000</b>	<b>353,000</b>	<b>293,000</b>	<b>283,000</b>	<b>576,000</b>
<b>Realized and Unrealized Gains on Investments</b>	<b>-</b>	<b>1,232,000</b>	<b>1,232,000</b>	<b>-</b>	<b>1,528,000</b>	<b>1,528,000</b>
<b>Total Change in Net Assets</b>	<b>315,000</b>	<b>1,270,000</b>	<b>1,585,000</b>	<b>293,000</b>	<b>1,811,000</b>	<b>2,104,000</b>
<b>Net Assets, beginning of year</b>	<b>2,745,000</b>	<b>38,226,000</b>	<b>40,971,000</b>	<b>2,452,000</b>	<b>36,415,000</b>	<b>38,867,000</b>
<b>Net Assets, end of year</b>	<b>\$ 3,060,000</b>	<b>\$ 39,496,000</b>	<b>\$ 42,556,000</b>	<b>\$ 2,745,000</b>	<b>\$ 38,226,000</b>	<b>\$ 40,971,000</b>

*See accompanying notes to financial statements.*



## Associated Catholic Cemeteries

### Statements of Functional Expenses

Years Ended June 30,	2020				2019			
	Program				Program			
	Sales and Services	Cemetery Maintenance	Administration	Total	Sales and Services	Cemetery Maintenance	Administration	Total
Personnel costs	\$ 1,629,000	\$ 956,000	\$ 430,000	\$ 3,015,000	\$ 1,319,000	\$ 854,000	\$ 383,000	\$ 2,556,000
Grounds supplies	-	257,000	-	257,000	-	243,000	-	243,000
Bank fees	229,000	-	8,000	237,000	186,000	-	4,000	190,000
Depreciation	48,000	185,000	3,000	236,000	60,000	216,000	3,000	279,000
Taxes and licenses	208,000	-	-	208,000	204,000	-	-	204,000
Advertising	176,000	-	-	176,000	195,000	-	-	195,000
Insurance	33,000	59,000	30,000	122,000	30,000	56,000	19,000	105,000
Office expenses	65,000	-	29,000	94,000	74,000	-	-	74,000
Computer support services	19,000	-	67,000	86,000	22,000	-	54,000	76,000
Utilities	52,000	18,000	-	70,000	55,000	104,000	-	159,000
Professional fees	-	-	56,000	56,000	-	-	106,000	106,000
Miscellaneous	4,000	50,000	2,000	56,000	5,000	31,000	-	36,000
Telephone	44,000	-	4,000	48,000	40,000	-	2,000	42,000
Repairs and maintenance	-	43,000	-	43,000	-	81,000	-	81,000
Dues and travel	12,000	-	22,000	34,000	15,000	-	33,000	48,000
Fuel	-	22,000	-	22,000	-	27,000	-	27,000
Liturgical expenses	15,000	-	-	15,000	35,000	-	-	35,000
Bad debt recoveries	(15,000)	-	-	(15,000)	(68,000)	-	-	(68,000)
<b>Total Expenses</b>	<b>\$ 2,519,000</b>	<b>\$ 1,590,000</b>	<b>\$ 651,000</b>	<b>\$ 4,760,000</b>	<b>\$ 2,172,000</b>	<b>\$ 1,612,000</b>	<b>\$ 604,000</b>	<b>\$ 4,388,000</b>

*See accompanying notes to financial statements.*

# Associated Catholic Cemeteries

## Statements of Cash Flows

Years Ended June 30,	2020			2019		
	Operating	Endowment	Total	Operating	Endowment	Total
<b>Cash Flows from Operating Activities</b>						
Reconciliation of change in net assets to net cash flows from operating activities:						
Change in net assets	\$ 315,000	\$ 1,270,000	\$ 1,585,000	\$ 293,000	\$ 1,811,000	\$ 2,104,000
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation (including \$61,000 and \$48,000 reported as cost of burial rights and cemetery sales as of June 30, 2020 and 2019, respectively)	297,000	-	297,000	327,000	-	327,000
Gain on sale of property and equipment	(1,000)	-	(1,000)	(7,000)	-	(7,000)
Unrealized gains on investments	-	(1,232,000)	(1,232,000)	-	(1,528,000)	(1,528,000)
Change in operating assets and liabilities						
Accounts receivable	32,000	172,000	204,000	(796,000)	69,000	(727,000)
Inventories	(289,000)	-	(289,000)	165,000	-	165,000
Prepaid expenses	(314,000)	-	(314,000)	-	-	-
Prepaid commissions	(285,000)	-	(285,000)	(692,000)	-	(692,000)
Accounts payable and accrued expenses	(294,000)	-	(294,000)	(13,000)	-	(13,000)
Deferred revenue	2,838,000	-	2,838,000	3,320,000	-	3,320,000
Underwater contracts	(39,000)	-	(39,000)	(118,000)	-	(118,000)
<b>Net Cash Flows from Operating Activities</b>	<b>2,260,000</b>	<b>210,000</b>	<b>2,470,000</b>	<b>2,479,000</b>	<b>352,000</b>	<b>2,831,000</b>
<b>Cash Flows for Investing Activities</b>						
Net purchases of investments	(949,000)	(210,000)	(1,159,000)	(893,000)	(352,000)	(1,245,000)
Proceeds from sale of property and equipment	1,000	-	1,000	7,000	-	7,000
Purchase of property and equipment	(782,000)	-	(782,000)	(1,093,000)	-	(1,093,000)
<b>Net Cash Flows for Investing Activities</b>	<b>(1,730,000)</b>	<b>(210,000)</b>	<b>(1,940,000)</b>	<b>(1,979,000)</b>	<b>(352,000)</b>	<b>(2,331,000)</b>
<b>Cash Flows from Financing Activity</b>						
Payroll Protection Program Loan	689,000	-	689,000	-	-	-
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,219,000</b>	<b>-</b>	<b>1,219,000</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>
Cash and Cash Equivalents, beginning of year	3,457,000	-	3,457,000	2,957,000	-	2,957,000
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 4,676,000</b>	<b>\$ -</b>	<b>\$ 4,676,000</b>	<b>\$ 3,457,000</b>	<b>\$ -</b>	<b>\$ 3,457,000</b>

# Associated Catholic Cemeteries

## Statements of Cash Flows

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<i>Years Ended June 30,</i>	<b>2020</b>	<b>2019</b>
<b>Cash and Cash Equivalents are Presented on the Statement of Financial Position as Follows</b>		
Cash	\$ 4,445,000	\$ 3,232,000
Restricted cash equivalents	231,000	225,000
	<b>\$ 4,676,000</b>	<b>\$ 3,457,000</b>
<b>Noncash Investing Activity</b>		
Property and equipment purchases included in accounts payable	\$ 67,000	\$ 513,000

*See accompanying notes to financial statements.*

# Associated Catholic Cemeteries

## Notes to Financial Statements

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### 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, 2020 and 2019, 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 as a quasi-endowment. See Note 6.

#### *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

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**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 maintained in an Archdiocesan Revolving Fund (“ARF”) deposit account operated by CCAS and are reported at cost plus accrued interest.

Endowment 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. This reserve is recorded as bad debt expense.

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, 2020 and 2019, 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

# Associated Catholic Cemeteries

## Notes to Financial Statements

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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 statement 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**

During the year ended June 30, 2019, ACC adopted the provisions of 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 pronouncement was issued to clarify the principles for recognizing revenue and the core principle of the guidance 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 that 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>	<b>2020</b>	<b>2019</b>
Burial and property rights revenue	\$ 3,299,000	\$ 3,182,000
Service and merchandise revenue	2,538,000	2,867,000
Care fund income	713,000	672,000
<b>Revenue from Contracts with Customers</b>	<b>6,550,000</b>	<b>6,721,000</b>
Surrenders	(172,000)	(556,000)
Discounts	(344,000)	(368,000)
<b>Burial Rights and Other Cemetery Sales, less surrenders and discounts</b>	<b>\$ 6,034,000</b>	<b>\$ 5,797,000</b>

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

# Associated Catholic Cemeteries

## Notes to Financial Statements

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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 liability 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 liability 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 a care fund (the endowment care fund). This portion of the contract is recognized as revenue at the time the license to the burial right is transferred to the customer and deposited into the care fund, which uses investment income to pay for the future maintenance of ACC.

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

<i>June 30,</i>	<b>2020</b>	<b>2019</b>
Deferred burial and property rights revenue	\$ 10,530,000	\$ 9,554,000
Deferred service and merchandise revenue	33,092,000	31,273,000
Deferred care fund income	1,912,000	1,869,000
	<b>\$ 45,534,000</b>	<b>\$ 42,696,000</b>

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

<i>June 30,</i>	<b>2020</b>	<b>2019</b>
Deferred revenue, current portion	\$ 4,942,000	\$ 4,595,000
Deferred revenue, less current portion	40,592,000	38,101,000
	<b>\$ 45,534,000</b>	<b>\$ 42,696,000</b>

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.

### ***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

# Associated Catholic Cemeteries

## Notes to Financial Statements

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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, 2020 and 2019, 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 \$400,000 and \$439,000, 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>	<b>2020</b>	<b>2019</b>
Merchandise inventories	\$ 68,000	\$ 61,000
Cemetery land	992,000	1,041,000
Mausoleums and niches	714,000	764,000
<b>Inventories, current</b>	<b>1,774,000</b>	<b>1,866,000</b>
Undeveloped land and lot development costs, noncurrent	2,832,000	2,451,000
	<b>\$ 4,606,000</b>	<b>\$ 4,317,000</b>

### *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.



# Associated Catholic Cemeteries

## Notes to Financial Statements

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### *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 6, 2020.

## 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>	2020	2019
Cash and cash equivalents	\$ 4,445,000	\$ 3,232,000
Restricted cash	231,000	225,000
Accounts receivable and care fund receivables	9,017,000	9,221,000
Investments	60,321,000	57,930,000
<b>Total Financial Assets</b>	<b>74,014,000</b>	<b>70,608,000</b>
Less: Designated net assets	(39,496,000)	(38,226,000)
Less: Restricted cash	(231,000)	(225,000)
Less: Noncurrent accounts receivable	(4,330,000)	(4,604,000)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures within One Year</b>	<b>\$ 29,957,000</b>	<b>\$ 27,553,000</b>

## 3. Investments

Investments consist of the following:

<i>June 30,</i>	2020	2019
Deposits in Archdiocesan Revolving Fund	\$ 24,572,000	\$ 23,623,000
Money market mutual fund	494,000	468,000
Value equity mutual fund	9,840,000	10,954,000
Growth mutual funds	17,173,000	14,303,000
International equity mutual funds	5,437,000	5,425,000
Small cap equity mutual fund	2,805,000	3,157,000
	<b>\$ 60,321,000</b>	<b>\$ 57,930,000</b>

# Associated Catholic Cemeteries

## Notes to Financial Statements

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

<i>June 30,</i>	2020	2019
Investments	\$ 6,732,000	\$ 7,036,000
Pre-need fund investments	17,840,000	16,587,000
Endowment care fund investments	35,749,000	34,307,000
	\$ 60,321,000	\$ 57,930,000

### 4. Accounts Receivable

Accounts receivable are as follows:

<i>June 30,</i>	2020	2019
Accounts receivable - current portion	\$ 3,940,000	\$ 3,698,000
Accounts receivable - due in one to five years	5,771,000	6,284,000
	9,711,000	9,982,000
Allowance for doubtful accounts	(95,000)	(110,000)
Unamortized discount	(599,000)	(651,000)
	\$ 9,017,000	\$ 9,221,000

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

<i>June 30,</i>	2020	2019
Current accounts receivable	\$ 3,940,000	\$ 3,698,000
Accounts receivable, long-term	4,330,000	4,604,000
Care fund receivables	747,000	919,000
	\$ 9,017,000	\$ 9,221,000

### 5. Property and Equipment

Property and equipment are as follows:

<i>June 30,</i>	2020	2019
Land improvements and buildings	\$ 5,997,000	\$ 5,207,000
Maintenance equipment	925,000	921,000
Vehicles	86,000	86,000
Computer and office equipment	117,000	117,000
	7,125,000	6,331,000
Less: Accumulated depreciation	(3,671,000)	(3,429,000)
	\$ 3,454,000	\$ 2,902,000

# Associated Catholic Cemeteries

## Notes to Financial Statements

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### 6. Endowment Care Fund

The ACC's endowment care fund consists of a designated fund established for cemetery maintenance. The endowment 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.

#### *Interpretation of Relevant Law*

Management interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of sufficient funds to ensure long term care and maintenance of the cemeteries. As a result of this interpretation, ACC designates all care fund income received from contracts with customers as well as earnings on care fund investments. In accordance with UPMIFA, ACC considers the following factors in making a determination to appropriate or accumulate designated funds:

- The duration and preservation of the endowment fund
- The purposes of the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of ACC
- The investment policies of ACC

#### *Return Objectives and Risk Parameters*

ACC has adopted investment and spending practices for endowment assets that attempt to provide a predictable stream of funding for cemetery maintenance while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets received under contracts with customers as well as earnings on invested funds. Under this policy, the endowment 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 endowment 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.

#### *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 its endowment fund's three-year average fair value. This is consistent with ACC's objective to maintain the purchasing power of the endowment 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.

# Associated Catholic Cemeteries

## Notes to Financial Statements

### *Funds with Deficiencies*

From time to time, the fair value of designated endowment funds may fall below required levels. As of June 30, 2020 and 2019, there were no funds with deficiencies.

Changes in endowment net assets are as follows:

<b>Endowment Net Assets, June 30, 2018</b>	<b>\$ 36,415,000</b>
<b>Investment Return</b>	
Investment income	146,000
Net rental income	262,000
Net appreciation (realized and unrealized)	1,528,000
<b>Total Investment Return</b>	<b>1,936,000</b>
Portion of cemetery sales recognized as care fund proceeds	672,000
Appropriation of endowment net assets for expenditure	(797,000)
<b>Endowment Net Assets, June 30, 2019</b>	<b>38,226,000</b>
<b>Investment Return</b>	
Investment income	191,000
Net rental income	274,000
Net appreciation (realized and unrealized)	1,232,000
<b>Total Investment Return</b>	<b>1,697,000</b>
Portion of cemetery sales recognized as care fund proceeds	713,000
Appropriation of endowment net assets for expenditure	(1,140,000)
<b>Endowment Net Assets, June 30, 2020</b>	<b>\$ 39,496,000</b>

### **7. 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 endowment care fund, and as such, the rental receipts are recognized as revenue and recorded as designated net assets. The net rental income for the years ended June 30, 2020 and 2019, was \$274,000 and \$262,000, respectively.

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

2021	\$ 274,000
2022	274,000
2023	274,000
2024	290,000
2025	302,000
Thereafter	13,805,000
	<b>\$ 15,219,000</b>

# Associated Catholic Cemeteries

## Notes to Financial Statements

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### 8. Related-Party Transactions

#### *Investments*

Investments are held in the ARF, as disclosed in Note 3. Total funds held by the ARF amounted to \$24,572,000 and \$23,623,000 as of June 30, 2020 and 2019, 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 \$122,000 and \$105,000 for the years ended June 30, 2020 and 2019, 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 \$3,006,000 and \$2,557,000 for the years ended June 30, 2020 and 2019, respectively.

### 9. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (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.

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 in the amount of \$689,000. 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. Interest payments are deferred for the first ten months of the note period, following the 24-week period. Should any portion of the principal of the note not meet the forgiveness provisions, monthly principal and interest payments will be repayable using a monthly amortization schedule starting from the end of the deferral period until maturity on May 15, 2022.

# Associated Catholic Cemeteries

## Notes to Financial Statements

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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, as of this report date, 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 2021. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, and workforce. Management also continues to examine the impact that the CARES Act may have on ACC.