

**ASSOCIATED CATHOLIC CEMETERIES**

Financial Statements

For the Years Ended June 30, 2023 and 2022

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## Independent Auditor's Report

**To Most Reverend Paul D. Etienne  
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 statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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, 2023, 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.

### Basis for Opinion

We conducted our audit 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 audit. 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 for one year after the date that the financial statements are 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 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.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary Operating and Care Fund information on pages 4 through 6 and page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Matter**

The financial statements of ACC for the year ended June 30, 2022, before the restatement described in Note 10, were audited by another auditor whose report dated November 14, 2022, expressed an unmodified opinion on those statements. As part of our audit of the 2023 financial statements, we also audited the adjustments described in Note 10 that were applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

*Clark Nuber P.S.*

Certified Public Accountants  
January 24, 2024

**ASSOCIATED CATHOLIC CEMETERIES**

**Statements of Financial Position - Assets**  
**June 30, 2023 and 2022**  
(In Thousands)

	2023			2022 (Restated)		
	Operating	Care Fund	Total	Operating	Care Fund	Total
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 3,735	\$ -	\$ 3,735	\$ 3,630	\$ -	\$ 3,630
Investments	7,488		7,488	8,579		8,579
Accounts receivable, net	4,011	494	4,505	3,814	439	4,253
Inventories	1,701		1,701	1,786		1,786
Prepaid commissions	637		637	597		597
<b>Total Current Assets</b>	<b>17,572</b>	<b>494</b>	<b>18,066</b>	<b>18,406</b>	<b>439</b>	<b>18,845</b>
Restricted cash	49		49	48		48
Accounts receivable, less current portion	6,149	906	7,055	5,858	819	6,677
Inventories, less current portion	4,008		4,008	4,008		4,008
Prepaid commissions, less current portion	5,411		5,411	5,075		5,075
Pre-need fund investments	21,716		21,716	20,471		20,471
Care Fund investments		51,137	51,137		42,647	42,647
Note receivable					9,000	9,000
Leased rental properties		12,000	12,000		3,000	3,000
Property and equipment, net	4,813		4,813	3,670		3,670
Interfund balance receivable (payable)	(483)	483		(612)	612	
<b>Total Assets</b>	<b>\$ 59,235</b>	<b>\$ 65,020</b>	<b>\$ 124,255</b>	<b>\$ 56,924</b>	<b>\$ 56,517</b>	<b>\$ 113,441</b>

See accompanying notes.

**ASSOCIATED CATHOLIC CEMETERIES**

**Statements of Financial Position - Liabilities and Net Assets**  
**June 30, 2023 and 2022**  
(In Thousands)

	2023			2022 (Restated)		
	Operating	Care Fund	Total	Operating	Care Fund	Total
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Accounts payable and accrued expenses	\$ 1,037	\$ 62	\$ 1,099	\$ 1,418	\$ -	\$ 1,418
Deferred revenue, current portion	5,021	587	5,608	4,733	532	5,265
<b>Total Current Liabilities</b>	<b>6,058</b>	<b>649</b>	<b>6,707</b>	<b>6,151</b>	<b>532</b>	<b>6,683</b>
Deferred revenue, less current portion	45,191	2,080	47,271	42,743	1,886	44,629
Note payable		9,000	9,000		9,000	9,000
Loss on contracts	588		588	496		496
<b>Total Liabilities</b>	<b>51,837</b>	<b>11,729</b>	<b>63,566</b>	<b>49,390</b>	<b>11,418</b>	<b>60,808</b>
<b>Net Assets:</b>						
Without donor restrictions-						
Undesignated	7,398		7,398	7,534		7,534
Designated - Care Fund		53,291	53,291		45,099	45,099
<b>Total Net Assets</b>	<b>7,398</b>	<b>53,291</b>	<b>60,689</b>	<b>7,534</b>	<b>45,099</b>	<b>52,633</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 59,235</b>	<b>\$ 65,020</b>	<b>\$ 124,255</b>	<b>\$ 56,924</b>	<b>\$ 56,517</b>	<b>\$ 113,441</b>

See accompanying notes.

## ASSOCIATED CATHOLIC CEMETERIES

### Statements of Activities For the Years Ended June 30, 2023 and 2022 (In Thousands)

	2023			2022 (Restated)		
	Operating	Care Fund	Total	Operating	Care Fund	Total
<b>Operations Revenue:</b>						
Burial rights and other cemetery sales, net	\$ 6,735	\$ 1,007	\$ 7,742	\$ 7,182	\$ 1,111	\$ 8,293
Cost of burial rights and cemetery sales	(2,841)		(2,841)	(3,038)		(3,038)
<b>Net Operations Revenue</b>	<b>3,894</b>	<b>1,007</b>	<b>4,901</b>	<b>4,144</b>	<b>1,111</b>	<b>5,255</b>
<b>Operations Expenses:</b>						
Sales and services	2,772		2,772	2,526		2,526
Cemetery maintenance	990	1,067	2,057	599	1,135	1,734
Administration	889		889	626		626
<b>Total Operations Expenses</b>	<b>4,651</b>	<b>1,067</b>	<b>5,718</b>	<b>3,751</b>	<b>1,135</b>	<b>4,886</b>
<b>Change in Net Assets From Operations</b>	<b>(757)</b>	<b>(60)</b>	<b>(817)</b>	<b>393</b>	<b>(24)</b>	<b>369</b>
<b>Nonoperating Changes in Net Assets:</b>						
Interest and dividends	456	578	1,034	447	200	647
Realized and unrealized gains/ (losses) on investments		7,484	7,484		(10,775)	(10,775)
Rental income and other	165	252	417	58	274	332
Interest expense		(62)	(62)			
<b>Change in Nonoperating Net Assets</b>	<b>621</b>	<b>8,252</b>	<b>8,873</b>	<b>505</b>	<b>(10,301)</b>	<b>(9,796)</b>
<b>Total Change in Net Assets</b>	<b>(136)</b>	<b>8,192</b>	<b>8,056</b>	<b>898</b>	<b>(10,325)</b>	<b>(9,427)</b>
Net assets, beginning of year	7,534	45,099	52,633	6,636	55,424	62,060
<b>Net Assets, End of Year</b>	<b>\$ 7,398</b>	<b>\$ 53,291</b>	<b>\$ 60,689</b>	<b>\$ 7,534</b>	<b>\$ 45,099</b>	<b>\$ 52,633</b>

See accompanying notes.



## ASSOCIATED CATHOLIC CEMETERIES

### Statements of Functional Expenses For the Years Ended June 30, 2023 and 2022 (In Thousands)

	2023				2022			
	Sales and Services	Program Cemetery Maintenance	Administration	Total	Sales and Services	Program Cemetery Maintenance	Administration	Total
<b>Operations Expenses:</b>								
Personnel costs	\$ 1,366	\$ 1,047	\$ 304	\$ 2,717	\$ 1,326	\$ 952	\$ 387	\$ 2,665
Grounds supplies		423		423		355		355
Professional fees			406	406			79	79
Taxes and licenses	366			366	285			285
Depreciation	107	199	15	321	56	142	13	211
Advertising	280		2	282	236			236
Bank fees	240		2	242	370		10	380
Computer support services	92		111	203	24		83	107
Insurance	45	101	8	154	40	87	7	134
Office expenses	118		14	132	49		12	61
Repairs and maintenance		118		118		60		60
Miscellaneous	3	104	(3)	104	1	47		48
Utilities	53	36	11	100	47	62	10	119
Telephone	57		1	58	57		1	58
Liturgical expenses	41			41	13			13
Dues and travel	13		18	31	14		24	38
Fuel		29		29		29		29
Bad debt (recoveries)	(9)			(9)	8			8
<b>Total Operations Expenses</b>	<b>2,772</b>	<b>2,057</b>	<b>889</b>	<b>5,718</b>	<b>2,526</b>	<b>1,734</b>	<b>626</b>	<b>4,886</b>
Cost of burial rights and cemetery sales	2,841			2,841	3,038			3,038
Interest expense		62		62				
<b>Total Expenses</b>	<b>\$ 5,613</b>	<b>\$ 2,119</b>	<b>\$ 889</b>	<b>\$ 8,621</b>	<b>\$ 5,564</b>	<b>\$ 1,734</b>	<b>\$ 626</b>	<b>\$ 7,924</b>

See accompanying notes.

## ASSOCIATED CATHOLIC CEMETERIES

### Statements of Cash Flows For the Years Ended June 30, 2023 and 2022 (In Thousands)

	2023			2022		
	Operating	Care Fund	Total	Operating	Care Fund	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	\$ (136)	\$ 8,192	\$ 8,056	\$ 898	\$ (10,325)	\$ (9,427)
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
Depreciation	363		363	271		271
Gain on sale of property and equipment	(14)		(14)	(3)		(3)
Realized and unrealized (gain) loss on investments		(7,484)	(7,484)		10,775	10,775
Loss on contracts	92		92	68		68
Change in operating assets and liabilities-						
Accounts receivable	(488)	(142)	(630)	(1,036)	(184)	(1,220)
Interfund transfer	(129)	129		(881)	881	
Inventories	85		85	(35)		(35)
Other assets				67		67
Prepaid commissions	(376)		(376)	(486)		(486)
Accounts payable and accrued expenses	(381)	62	(319)	433		433
Deferred revenue	2,736	249	2,985	3,563	233	3,796
<b>Net Cash Flows From Operating Activities</b>	<b>1,752</b>	<b>1,006</b>	<b>2,758</b>	<b>2,859</b>	<b>1,380</b>	<b>4,239</b>
<b>Cash Flows From Investing Activities:</b>						
Purchases of investments	(2,817)	(2,472)	(5,289)	(3,344)	(2,515)	(5,859)
Proceeds from sale of investments	2,663	1,466	4,129	1,445	1,135	2,580
Proceeds from sale of property and equipment	14		14	3		3
Purchase of property and equipment	(1,506)		(1,506)	(423)		(423)
<b>Net Cash Flows From Investing Activities</b>	<b>(1,646)</b>	<b>(1,006)</b>	<b>(2,652)</b>	<b>(2,319)</b>	<b>(1,380)</b>	<b>(3,699)</b>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>106</b>		<b>106</b>	<b>540</b>		<b>540</b>
Cash, cash equivalents and restricted cash, beginning of year	3,678		3,678	3,138		3,138
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 3,784</b>	<b>\$ -</b>	<b>\$ 3,784</b>	<b>\$ 3,678</b>	<b>\$ -</b>	<b>\$ 3,678</b>

See accompanying notes.

## ASSOCIATED CATHOLIC CEMETERIES

### Statements of Cash Flows For the Years Ended June 30, 2023 and 2022 (In Thousands)

	<u>2023</u>	<u>2022</u>
<b>Cash, Cash Equivalents and Restricted Cash are Presented on the Statements of Financial Position as Follows at June 30:</b>		
Cash and cash equivalents	\$ 3,735	\$ 3,630
Restricted cash	<u>49</u>	<u>48</u>
<b>Total Cash, Cash Equivalents and Restricted Cash</b>	<b><u><u>\$ 3,784</u></u></b>	<b><u><u>\$ 3,678</u></u></b>
<b>Noncash Investing and Financing Activities:</b>		
Addition to cost of leased rental property from forgiveness of note receivable	\$ 9,000	\$ -
Property and equipment purchases include in accounts payable	\$ -	\$ 176

See accompanying notes.

## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

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#### Note 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 (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

**Basis of Presentation** - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ACC and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets on which there are no donor-imposed restrictions for use, or such donor-restrictions were temporary and expired or were met during the current or previous years.

Net Assets With Donor Restrictions - Net assets restricted by donors to be used for certain purposes or future purposes. The income from contributions restricted in perpetuity is utilized for the purpose specified by the donor. Net assets with donor restrictions that are temporary in nature are transferred to net assets without donor restrictions as restrictions are met or as time restrictions expire. ACC had no donor-restricted activity during the years ended June 30, 2023 and 2022.

**Fund Accounting** - ACC uses the following fund groups:

Operating - Operating includes all resources available for support of ACC operations. The operating fund also includes pre-need fund investments and related activity.

Care Fund - 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.

**Operations and Nonoperating Activities** - Nonoperating activities consist of interest and dividends, rental income, gains and losses on investments, and interest expense. All other revenues, expenses, gains and losses are reported as a part of operations.

**Fair Value Measurements** - U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosure about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

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#### Note 1 - Continued

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

**Revenue Recognition** - ACC recognizes revenue from sales of burial rights and other cemetery sales using the guidance for contracts with customers in U.S. GAAP.

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 for the years ended June 30:

	(in thousands)	
	2023	2022
Burial and property rights revenue	\$ 4,043	\$ 4,387
Service and merchandise revenue	3,361	3,528
Care fund income	1,007	1,111
Revenue from contracts with customers	8,411	9,026
Surrenders	(247)	(197)
Discounts	(422)	(536)
<b>Burial Rights and Other Cemetery Sales Less Surrenders and Discounts</b>	<b>\$ 7,742</b>	<b>\$ 8,293</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 post-need are recorded as cemetery revenue in the period the service is performed or the merchandise is delivered. Services are generally started and completed on the same day. 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.

## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

#### Note 1 - Continued

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, consisted of the following at June 30:

	(in thousands)	
	2023	2022 (restated)
Deferred burial and property rights revenue	\$ 8,756	\$ 8,514
Deferred service and merchandise revenue	41,456	38,962
Deferred care fund income	2,667	2,418
	<b>\$ 52,879</b>	<b>\$ 49,894</b>

Deferred revenue is classified on the statements of financial position as follows at June 30:

	(in thousands)	
	2023	2022 (restated)
Deferred revenue, current portion	\$ 5,608	\$ 5,265
Deferred revenue, less current portion	47,271	44,629
	<b>\$ 52,879</b>	<b>\$ 49,894</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.

## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

#### Note 1 - Continued

Assets and liabilities from contracts with customers were as follows for the years ending June 30, 2023 and 2022:

	(in thousands)			
	Accounts Receivable		Prepaid Commissions	
	2023	2022	2023	2022
Beginning of year	\$ 10,930	\$ 9,710	\$ 5,672	\$ 5,186
End of year	\$ 11,560	\$ 10,930	\$ 6,048	\$ 5,672
	Deferred Revenue		Loss on Contracts	
	2023	2022	2023	2022
Beginning of year	\$ 49,894	\$ 46,098	\$ 496	\$ 428
End of year	\$ 52,879	\$ 49,894	\$ 588	\$ 496

**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.

**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 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.

## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

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#### Note 1 - Continued

**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. Interest rates on the ARF deposit accounts was 1.5% during the years ended June 30, 2023 and 2022.

Care Fund investments are held with Christian Brothers Investment Services, Inc. and are reported at fair value, and are classified as level 1 in the fair value hierarchy.

**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 records receivables net of estimated 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, 2023 and 2022, accounts receivable were discounted to their present values using a discount rate of 4.25%.

**Prepaid Commissions** - ACC defers certain costs, such as 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. Classification of prepaid commissions as current or noncurrent is based on management's estimates of when the related performance obligations will be fulfilled and revenue has been recognized.



## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

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#### Note 1 - Continued

**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 at June 30:

	(in thousands)	
	2023	2022
Merchandise inventories	\$ 72	\$ 61
Cemetery land, Mausoleums, and niches	1,629	1,725
Inventories, current	1,701	1,786
Undeveloped land and lot development costs, uncurrent	4,008	4,008
<b>Total Inventories</b>	<b>\$ 5,709</b>	<b>\$ 5,794</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.

**Advertising** - Advertising costs are expensed as incurred.

**Income Taxes** - ACC is a nonprofit organization and is exempt from federal income taxes except to the extent of unrelated business taxable income, if any.

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

**Subsequent Events** - Management of ACC have evaluated subsequent events through the date these financial statements were available to be issued, which was January 24, 2024.

## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

#### Note 2 - Liquidity and Availability of Financial Assets

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 that are available to meet cash needs for general expenditures within one year from the date of the statement of financial position:

	(in thousands)	
	2023	2022
Financial assets at year end-		
Cash and cash equivalents	\$ 3,735	\$ 3,630
Restricted cash	49	48
Accounts receivable	11,560	10,930
Investments	80,341	71,697
Note receivable		9,000
Total financial assets	95,685	95,305
Less amounts not available to be used within one year due to external restrictions or internal designations-		
Care Fund investments	(51,137)	(42,647)
Pre-need fund investments	(21,716)	(20,471)
Restricted cash	(49)	(48)
Noncurrent accounts receivable	(7,055)	(6,677)
Noncurrent note receivable		(9,000)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 15,728</b>	<b>\$ 16,462</b>

#### Note 3 - Investments

Investments consisted of the following at June 30:

	(in thousands)	
	2023	2022
Deposits in Archdiocesan Revolving Fund	\$ 30,037	\$ 29,941
Mutual funds	50,304	41,756
<b>Total Investments</b>	<b>\$ 80,341</b>	<b>\$ 71,697</b>

## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

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#### Note 3 - Continued

These investments are presented on the statements of financial position at June 30 as follows:

	(in thousands)	
	2023	2022
Investments	\$ 7,488	\$ 8,579
Pre-need fund investments	21,716	20,471
Care Fund investments	51,137	42,647
<b>Total Investments</b>	<b>\$ 80,341</b>	<b>\$ 71,697</b>

#### Note 4 - Accounts Receivable

Receivables are presented on the statements of financial position at June 30 as follows:

	(in thousands)	
	2023	2022
Accounts receivable, current portion	\$ 4,505	\$ 4,253
Accounts receivable, due in one to five years	7,965	7,565
Less allowance for doubtful accounts	(78)	(87)
Less discount	(832)	(801)
Accounts receivable, noncurrent portion	7,055	6,677
<b>Total Accounts Receivable, Net</b>	<b>\$ 11,560</b>	<b>\$ 10,930</b>

#### Note 5 - Leased Rental Property and Note Receivable

Leased rental property consists of a commercial building in Seattle, Washington held as an investment of the Care Fund. In March 2021, the lessee of a 75-year ground lease for the commercial building, which terminated in 2053, was bought out and the lease was assigned to a prospective buyer of the building. ACC advanced the prospective buyer \$9M to buyout the original lessee with a note receivable. The purchase and sale was still in the due diligence stage when the prospective buyer defaulted on the ground lease and in May 2023 ACC forgave the note receivable in exchange for termination of the ground lease and the purchase and sale agreement. The value of the forgiven note receivable was added to the cost basis of the property as the cancelation of the ground lease substantially increases the value and future marketability of the property.

## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

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#### Note 6 - Property and Equipment

Property and equipment are as follows:

	(in thousands)	
	2023	2022
Land improvements and buildings	\$ 7,747	\$ 6,527
Maintenance equipment	1,135	982
Vehicles	102	86
Computer and office equipment	261	221
	9,245	7,816
Less accumulated depreciation	(4,432)	(4,146)
<b>Total Property and Equipment</b>	<b>\$ 4,813</b>	<b>\$ 3,670</b>

Depreciation expense for the year ended June 30, 2023 totaled \$363,000, with \$321,000 reported as operations expense and \$42,000 reported as a component of cost of burial rights and cemetery sales. Depreciation expense for the year ended June 30, 2022 totaled \$271,000, with \$211,000 reported as operations expense and \$60,000 reported as a component of cost of burial rights and cemetery sales.

#### Note 7 - Care Fund

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 For the Year Ended June 30, 2023 and 2022

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#### Note 7 - Continued

**Spending Policy and How the Investment Objectives Relate to the Spending Policy** - 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. 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.

#### Note 8 - Related-Party Transactions

**Cash and Investments** - Total cash funds held by the ARF amounts to \$1,732,000 and \$1,766,000 as of June 30, 2023 and 2022, respectively.

Investments are held in the ARF, as disclosed in Note 1. Total investment funds held by the ARF amounted to \$30,037,000 and \$29,941,000 as of June 30, 2023 and 2022, respectively.

ACC earned \$470,000 and \$455,000 in interest revenue for the years ended June 30, 2023 and 2022, 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 of Seattle to pay for the losses incurred and the necessary administrative services. Insurance costs were \$154,000 and \$134,000 for the years ended June 30, 2023 and 2022, respectively.

The Archdiocese processes payroll for ACC for all direct employees of ACC.

ACC also has a shared services agreement with the Archdiocese for accounting services and related costs. Under this agreement, ACC reimbursed the Archdiocese \$72,000 and \$17,000 for years ending June 30, 2023 and 2022, respectively.

**Payables** - ACC has a payable to the Archdiocese of Seattle for \$342,000 and \$0 for the years ended June 30, 2023 and 2022, respectively.

#### Note 9 - 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 were made by the note receivable borrower until May 2023. ACC is now making the monthly payments.

## ASSOCIATED CATHOLIC CEMETERIES

### Notes to Financial Statements For the Year Ended June 30, 2023 and 2022

#### Note 10 - Prior Period Restatement

During the year ended June 30, 2023, ACC determined that deferred revenue should be reported net of discounts provided to the customer. During the year ended June 30, 2022, and prior years, discounts were recognized as a reduction of revenue in the year ACC entered into the contract with the customer. The discounts should be recognized as a reduction of revenue at the time the related revenue is recognized. Accordingly, ACC has restated the June 30, 2022 statement of financial position and statement of activities to reflect the impact of the reduction of deferred revenue for customer discounts. The impact on revenue for the year ended June 30, 2022, was not material, so it was not restated. The effect of this restatement on the previously reported June 30, 2022, balances is summarized in the table below:

	(Operating)			Total		
	Balances As Previously Reported	Restatement	Balances Restated	Balances As Previously Reported	Restatement	Balances Restated
<b>Statement of Financial Position:</b>						
Liabilities-						
Deferred revenue, current portion	\$ 4,952	\$ (219)	\$ 4,733	\$ 5,484	\$ (219)	\$ 5,265
Total Current Liabilities	\$ 6,370	\$ (219)	\$ 6,151	\$ 6,902	\$ (219)	\$ 6,683
Deferred revenue, less current portion	\$ 44,713	\$ (1,970)	\$ 42,743	\$ 46,599	\$ (1,970)	\$ 44,629
Total Liabilities	\$ 51,579	\$ (2,189)	\$ 49,390	\$ 62,997	\$ (2,189)	\$ 60,808
Net assets-						
Without donor restrictions -						
Undesignated	\$ 5,345	\$ 2,189	\$ 7,534	\$ 5,345	\$ 2,189	\$ 7,534
Total Net Assets	\$ 5,345	\$ 2,189	\$ 7,534	\$ 50,444	\$ 2,189	\$ 52,633
<b>Statement of Activities:</b>						
Net assets, beginning of year	\$ 4,447	\$ 2,189	\$ 6,636	\$ 59,871	\$ 2,189	\$ 62,060
Net Assets, End of Year	\$ 5,345	\$ 2,189	\$ 7,534	\$ 50,444	\$ 2,189	\$ 52,633