

**Combined Financial Statements Together With  
Independent Auditor's Report  
The Catholic Cemetery Association  
of the Archdiocese of Boston, Inc.  
and Affiliated Trust  
June 30, 2013 and 2012**

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

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June 30, 2013 and 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
The Catholic Cemetery Association of the Archdiocese of  
Boston, Inc. and Affiliated Trust:

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of The Catholic Cemetery Association of the Archdiocese of Boston, Inc. (a Massachusetts corporation, not-for-profit) and Affiliated Trust (collectively, the Association), which comprise the combined statements of financial position as of June 30, 2013 and 2012, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Cemetery Association of the Archdiocese of Boston, Inc. and Affiliated Trust as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees of  
The Catholic Cemetery Association of the Archdiocese of  
Boston, Inc. and Affiliated Trust  
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***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information related to the Affiliated Trust shown on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Alexander, Orsow, Finning & Co PC

Boston, Massachusetts  
December 19, 2013

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Combined Statements of Financial Position  
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,493,862	\$ 2,577,066
Deposits with the Corporation Sole Revolving Loan Fund (Note I)	2,604,307	780,953
Interest and dividends receivable	406,650	387,982
Accounts receivable, net (Note C)	1,110,405	1,044,907
Prepaid expenses	26,333	22,428
Investments at fair value (Note D)	24,663,961	23,240,453
Investments limited to use for future care, at fair value (Note H)	15,304,744	13,951,958
Inventories (Note F)	1,825,464	1,345,515
Land, buildings and equipment, net (Note G)	<u>4,100,188</u>	<u>4,120,645</u>
Total assets	<u>\$ 51,535,914</u>	<u>\$ 47,471,907</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 539,048	\$ 561,023
Deferred revenue	<u>6,067,391</u>	<u>5,802,585</u>
Total liabilities	<u>6,606,439</u>	<u>6,363,608</u>
<b>CONTINGENCIES (Note J)</b>		
<b>NET ASSETS:</b>		
Unrestricted - operating	29,624,731	27,156,341
Unrestricted - assets limited to use for future care (Note H)	<u>15,304,744</u>	<u>13,951,958</u>
Total net assets	<u>44,929,475</u>	<u>41,108,299</u>
Total liabilities and net assets	<u>\$ 51,535,914</u>	<u>\$ 47,471,907</u>

The accompanying notes are an integral part of these combined financial statements.

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Combined Statement of Activities and Changes in Net Assets

For the Fiscal Year Ended June 30, 2013

(With Summarized Comparative Information for the Fiscal Year Ended June 30, 2012)

	Unrestricted - Operating	Unrestricted - Assets Limited to Use for Future Care	2013 Total	2012 Total
<b>OPERATING:</b>				
<b>REVENUES AND OTHER SUPPORT:</b>				
Sales:				
Lot sales	\$ 2,023,475	\$ 223,880	\$ 2,247,355	\$ 2,059,110
Lot openings	2,221,584	-	2,221,584	2,129,726
Grave boxes	814,506	-	814,506	758,804
Mausoleum sales	528,146	226,349	754,495	834,320
Other revenue and services	501,670	-	501,670	466,678
	<u>6,089,381</u>	<u>450,229</u>	<u>6,539,610</u>	<u>6,248,638</u>
Total sales				
Interest and dividends	1,060,682	581,431	1,642,113	1,533,697
Contributions	1,648	-	1,648	2,521
Net assets reclassified through satisfaction of limitations (Notes H and K)	565,651	(565,651)	-	-
	<u>7,717,362</u>	<u>466,009</u>	<u>8,183,371</u>	<u>7,784,856</u>
Total revenues and other support				
<b>EXPENSES:</b>				
Program:				
Cost of sales	2,834,661	-	2,834,661	2,741,165
Selling expense	489,654	-	489,654	449,889
Grounds maintenance	1,860,414	-	1,860,414	1,732,332
Operating supplies	183,537	-	183,537	173,071
	<u>5,368,266</u>	<u>-</u>	<u>5,368,266</u>	<u>5,096,457</u>
Total program				
Management and general (Note L)	1,397,040	-	1,397,040	1,428,647
	<u>6,765,306</u>	<u>-</u>	<u>6,765,306</u>	<u>6,525,104</u>
Total expenses				
Changes in net assets before non-operating activities	952,056	466,009	1,418,065	1,259,752
<b>NON-OPERATING ACTIVITIES:</b>				
Net realized and unrealized gains (losses) on investments	1,516,334	886,777	2,403,111	(1,773,524)
	<u>2,468,390</u>	<u>1,352,786</u>	<u>3,821,176</u>	<u>(513,772)</u>
Changes in net assets				
Net assets at beginning of year	27,156,341	13,951,958	41,108,299	41,622,071
	<u>\$ 29,624,731</u>	<u>\$ 15,304,744</u>	<u>\$ 44,929,475</u>	<u>\$ 41,108,299</u>
Net assets at end of year				

The accompanying notes are an integral part of these combined financial statements.

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Combined Statement of Activities and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2012

	Unrestricted - Operating	Unrestricted - Assets Limited to Use for Future Care	Total
<b>OPERATING:</b>			
<b>REVENUES AND OTHER SUPPORT:</b>			
Sales:			
Lot sales	\$ 1,851,994	\$ 207,116	\$ 2,059,110
Lot openings	2,129,726	-	2,129,726
Grave boxes	758,804	-	758,804
Mausoleum sales	582,464	251,856	834,320
Other revenue and services	466,678	-	466,678
	<u>5,789,666</u>	<u>458,972</u>	<u>6,248,638</u>
Total sales	5,789,666	458,972	6,248,638
Interest and dividends	992,201	541,496	1,533,697
Contributions	2,521	-	2,521
Net assets reclassified through satisfaction of limitations (Notes H and K)	526,870	(526,870)	-
	<u>7,311,258</u>	<u>473,598</u>	<u>7,784,856</u>
Total revenues and other support	7,311,258	473,598	7,784,856
<b>EXPENSES:</b>			
Program:			
Cost of sales	2,741,165	-	2,741,165
Selling expense	449,889	-	449,889
Grounds maintenance	1,732,332	-	1,732,332
Operating supplies	173,071	-	173,071
	<u>5,096,457</u>	<u>-</u>	<u>5,096,457</u>
Total program	5,096,457	-	5,096,457
Management and general (Note L)	1,428,647	-	1,428,647
	<u>6,525,104</u>	<u>-</u>	<u>6,525,104</u>
Total expenses	6,525,104	-	6,525,104
Changes in net assets before non-operating activities	786,154	473,598	1,259,752
<b>NON-OPERATING ACTIVITIES:</b>			
Net realized and unrealized losses on investments	(1,122,963)	(650,561)	(1,773,524)
	<u>(336,809)</u>	<u>(176,963)</u>	<u>(513,772)</u>
Changes in net assets	(336,809)	(176,963)	(513,772)
Net assets at beginning of year	27,493,150	14,128,921	41,622,071
Net assets at end of year	<u>\$ 27,156,341</u>	<u>\$ 13,951,958</u>	<u>\$ 41,108,299</u>

The accompanying notes are an integral part of these combined financial statements.

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Combined Statements of Cash Flows

For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 3,821,176	\$ (513,772)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	182,022	200,471
Bad debt (recovery of bad debt)	(19,249)	43,631
Net realized and unrealized (gains) losses on investments	(2,403,111)	1,773,524
Mausoleum sales limited for long-term purposes	(226,349)	(251,856)
Lot sales limited for long-term purposes	(223,880)	(207,116)
Interest and dividends limited for long-term purposes	(15,780)	(232,521)
Changes in operating assets and liabilities:		
Interest and dividends receivable	(18,668)	(6,902)
Accounts receivable, net	(46,249)	(218,848)
Prepaid expenses	(3,905)	12,592
Inventories	(479,949)	99,670
Accounts payable and accrued expenses	(21,975)	(80,394)
Deferred revenue	264,806	477,760
Net cash provided by operating activities	<u>808,889</u>	<u>1,096,239</u>
<b>INVESTING ACTIVITIES:</b>		
Purchases of land, buildings and equipment	(161,565)	(152,847)
Proceeds from the sale of investments	1,237,633	1,028,291
Purchases / redemptions of investments	(1,610,816)	(2,161,499)
Net deposits to revolving loan fund	(1,823,354)	(13,472)
Net cash used in investing activities	<u>(2,358,102)</u>	<u>(1,299,527)</u>
<b>FINANCING ACTIVITIES:</b>		
Mausoleum sales limited for long-term purposes	226,349	251,856
Lot sales limited for long-term purposes	223,880	207,116
Interest and dividends limited for long-term purposes	15,780	232,521
Net cash provided by financing activities	<u>466,009</u>	<u>691,493</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,083,204)</b>	<b>488,205</b>
Cash and cash equivalents at beginning of year	<u>2,577,066</u>	<u>2,088,861</u>
Cash and cash equivalents at end of year	<u>\$ 1,493,862</u>	<u>\$ 2,577,066</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cost basis of land, buildings and equipment disposed	<u>\$ -</u>	<u>\$ 224,970</u>

The accompanying notes are an integral part of these combined financial statements.



## THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements  
June 30, 2013 and 2012

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### NOTE A - NATURE OF ORGANIZATION

The Catholic Cemetery Association of the Archdiocese of Boston, Inc. (the Cemetery), a Massachusetts corporation, not-for-profit, owns and operates twenty-five cemeteries and three mausolea within the Archdiocese of Boston. The operations of certain other Catholic cemeteries located within the Archdiocese of Boston are owned and operated by local parishes and other unrelated organizations and are not included in the accompanying combined financial statements.

The combined financial statements also include the activities of The Catholic Cemetery Association of the Archdiocese of Boston, Inc. Perpetual Care Trust (the "Trust") which was formed on November 16, 2006, for the sole benefit of the Cemetery.

The Archbishop of Boston, by virtue of his office, serves as chairman of the Cemetery and numerous other separately incorporated Catholic organizations that operate within the Archdiocese of Boston. While these organizations are considered to be related organizations of the Cemetery, their financial activities are not presented as part of the accompanying combined financial statements. The Archbishop of Boston is the Trustee of the Trust.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Statement Presentation

The Cemetery and the Trust's combined financial statements have been prepared in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standard Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

The combined financial statements include the accounts of the Cemetery and the Trust (collectively, the "Association") as of and for the years ended June 30, 2013 and 2012. All intercompany accounts and transactions have been eliminated in combination.

#### Classification of Net Assets

The Association reports all of its net assets as unrestricted, including assets that are limited for future care use. The two classifications of unrestricted net assets are defined as follows:

Operating - These net assets represent the general operations of the Association and include the net assets invested in land, buildings and equipment.

Assets limited to use for future care - These net assets represent assets subject to legally-imposed limitations that they be segregated and used for the perpetual care of cemetery property (see Note H). The investment income earned on these assets is to be used for the long-term care and maintenance of lots and mausoleums. Included in these net assets are the net assets of the Trust (see Note K), which relate to lot sales, and the net assets of the funds set aside related to mausoleum sales under Massachusetts state law. Income and losses from related investments are also classified as unrestricted – assets limited to use for future care. Amounts allowed to be spent in accordance with the Trust agreement and Massachusetts state law are reflected as net assets reclassified through satisfaction of limitations.

The Association has no net assets that are subject to donor-imposed restrictions and, accordingly, does not classify any of its net assets as either temporarily or permanently restricted.

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Notes to Combined Financial Statements - Continued  
June 30, 2013 and 2012

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

Financial instruments with maturities of three months or less at purchase are classified as cash and cash equivalents. Included in cash and cash equivalents are investments in money market mutual funds totaling approximately \$61,000 at June 30, 2012.

**Investments**

Investments are carried at fair value with changes in fair value reflected in the combined statements of activities and changes in net assets as gains or losses on investments.

Investments represent the Association's unit holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund"), a separate related organization established to provide a common investment pool in which the Association and other related organizations may participate. The Common Investment Fund invests nearly all of its funds in the RCAB Collective Investment Partnership (the "Investment Partnership"), the underlying investments of which are primarily equity and fixed-income securities (U.S. Government and agency securities, asset-backed securities and corporate bonds) owned either directly or indirectly through mutual funds and private investment entities.

The fair value of the Investment Partnership's investments in actively traded domestic securities is determined by State Street Corporation, which obtains bid price quotations from independent pricing services on most securities. Investments in traded foreign securities are reported at fair value by State Street Corporation at the mean between bid and asked prices. For those securities whose prices are not available through independent pricing services, bid price quotations are obtained by State Street Corporation from principal market makers in those securities or fair value is determined in good faith by management. Investment holdings of private investment entities that are not actively traded are valued by the managers of those entities. At June 30, 2013 and 2012, securities whose prices are not available through independent pricing services are limited to less than 26% and 24%, respectively, of the total investments of the Common Investment Fund (see Note D). It is the Common Investment Fund's policy to distribute to its members, on a quarterly basis, one percent of the net assets of the Common Investment Fund as of the end of the first business day of the quarter. There are no unfunded commitments or redemption restrictions related to these investments at June 30, 2013 and 2012. Redemptions from the Common Investment Fund are available on a quarterly basis.

**Inventories**

Inventories and related supplies and resale products are valued at the lower of cost (determined on a first-in, first-out basis) or market. Land, cemetery and mausoleum development costs are capitalized and classified as cost of sales when graves and crypts are sold.

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Notes to Combined Financial Statements - Continued  
June 30, 2013 and 2012

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Land, Buildings and Equipment**

Land, buildings and equipment, are carried at cost and are depreciated on a straight-line basis over their estimated useful lives, which range from three to forty years. Land is not depreciated. Expenditures for maintenance and repairs are expensed as incurred, whereas major betterments are capitalized.

**Revenue Recognition**

The Association assists customers with both “pre-need” and “at-need” services. Pre-need service relates to customers contracting with the Association to provide future burial services. At-need service relates to customers contracting with the Association for immediate burial services. Pre-need burial contracts are reflected as deferred revenue until interment or entombment occurs. Unrestricted contributions are recognized as revenue when unconditionally pledged or upon receipt. Interest and dividends are recorded as revenue when the dividends are declared. All other revenue is recorded when earned.

**Future Care Funds**

The Association deposits 30% of all proceeds from mausolea sales into a future care fund maintained by the Association. The Association also deposits 10% of all proceeds from ground lot sales into the Trust for the continued maintenance of the cemetery grounds. Receipt of such funds is classified as unrestricted – assets limited to use for future care within the combined statements of activities and changes in net assets.

**Income Taxes**

The Association is included in the United States Conference Group of Catholic Bishops’ Ruling and in the Official Catholic Directory and is therefore exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes is included in these combined financial statements. The Association’s management has reviewed the tax positions as of June 30, 2013 and 2012, and determined that no provision for income tax is required in these combined financial statements.

**Use of Estimates**

The preparation of the combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant items affected by the use of estimates include depreciable lives for buildings and equipment and the fair value of investments. Actual results could vary from those estimates.

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Notes to Combined Financial Statements - Continued  
June 30, 2013 and 2012

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable**

The Cemetery enters into long-term payment plans directly with its customers for pre-need sales in the form of loans (see Note C). Principal payments on these loans vary in amount for periods up to five years. Any loan in excess of one year accrues interest at 7%. The Cemetery generally amortizes finance charges over the terms of the loans using the effective interest rate method. Unamortized deferred finance charges are included as an adjustment to the carrying value of accounts receivable in the accompanying combined statements of financial position at June 30, 2013 and 2012.

An allowance for uncollectible accounts is provided to approximate the portion of customer receivables which will not be ultimately collected. The estimate made by management is based on a review of overdue accounts and projected total future collections based on historical experience. The allowance represents an estimate. Actual uncollected payments may vary significantly from the amount recorded, with adjustments to be recorded in the period they become known. Management deemed the allowance for uncollectible accounts to be \$122,765 and \$162,440 at June 30, 2013 and 2012, respectively (see Note C).

**Subsequent Events**

Subsequent events have been evaluated through December 19, 2013 which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

**Concentration of Credit Risk**

The Association's combined financial instruments that are subject to concentrations of credit risk consist primarily of cash and cash equivalents. The Association places cash and temporary cash investments in high-quality credit institutions. At times, such deposits may exceed FDIC limits.

The Association deposits its cash in major financial institutions. These deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Association has not experienced any losses as a result of the use of uninsured deposit accounts.

The Revolving Loan Fund, investments and the money market mutual fund described on page 10 are uninsured. Investments are subject to ongoing market fluctuations.

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Notes to Combined Financial Statements - Continued  
June 30, 2013 and 2012

**NOTE C - ACCOUNTS RECEIVABLE**

The Association's accounts receivable are estimated to be collected as follows as of June 30:

	<u>2013</u>	<u>2012</u>
Amounts due within one year	\$ 590,952	\$ 623,230
Amounts due within two to five years	<u>642,218</u>	<u>584,117</u>
	1,233,170	1,207,347
Less - allowance for uncollectible accounts	<u>122,765</u>	<u>162,440</u>
Accounts receivable, net	<u>\$1,110,405</u>	<u>\$1,044,907</u>

**NOTE D - INVESTMENTS**

Investments consisted of the Association's interest in the Common Investment Fund, which had the following cost and fair value at June 30:

	<u>2013</u>	<u>2012</u>
Cost	\$30,246,388	\$29,456,780
Unrealized appreciation, net	<u>9,722,317</u>	<u>7,735,631</u>
Total investments at fair value	<u>\$39,968,705</u>	<u>\$37,192,411</u>

Net realized and unrealized gains (losses) for the years ended June 30, 2013 and 2012, consist of:

	<u>2013</u>	<u>2012</u>
Unrealized gains (losses)	\$1,986,686	\$(1,780,978)
Realized gains	<u>416,425</u>	<u>7,454</u>
	<u>\$2,403,111</u>	<u>\$(1,773,524)</u>

**NOTE E - FAIR VALUE MEASUREMENTS**

The Association measures the fair values of assets and liabilities as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. The Association classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs) classifications. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Notes to Combined Financial Statements - Continued  
June 30, 2013 and 2012

**NOTE E - FAIR VALUE MEASUREMENTS (Continued)**

The Association follows the amended guidance on *Fair Value Measurements* and expanded disclosure requirements. The guidance effects how the Association measures the fair value of investments in certain entities that do not have a quoted market price, but calculate net asset value (NAV) per share or its equivalent. As a practical expedient, the amendments permit, but do not require, the Association to measure the fair value of an investment in an investee within the scope of the amendments based on the investee's NAV per share or its equivalent. The Association records its investments at the net asset value per unit on the valuation day. The Association's investments of \$39,968,705 and \$37,192,411 at June 30, 2013 and 2012, respectively, are classified as Level 2 in the fair value hierarchy.

**NOTE F - INVENTORIES**

Inventories consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Grave boxes installed on lots available for sale	\$1,348,397	\$ 370,760
Land and lot development costs	268,768	610,870
Mausolea	155,648	312,570
Columbaria	30,446	31,240
Grave boxes on hand	<u>22,205</u>	<u>20,075</u>
	<u>\$1,825,464</u>	<u>\$1,345,515</u>

**NOTE G - LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$4,371,336	\$4,219,906
Furniture and equipment	2,618,667	2,618,667
Buildings and building improvements	1,426,201	1,416,066
Leasehold improvements	<u>11,109</u>	<u>11,109</u>
	<u>8,427,313</u>	<u>8,265,748</u>
Less - accumulated depreciation	<u>4,327,125</u>	<u>4,145,103</u>
	<u>\$4,100,188</u>	<u>\$4,120,645</u>

Depreciation expense was \$182,022 and \$200,471 for the years ended June 30, 2013 and 2012, respectively.



**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Notes to Combined Financial Statements - Continued  
June 30, 2013 and 2012

**NOTE H - UNRESTRICTED NET ASSETS – ASSETS LIMITED TO USE FOR FUTURE CARE**

Unrestricted net assets - assets limited to use for future care were available for the following future care purposes at June 30:

	<u>2013</u>	<u>2012</u>
Unspent appreciation: Future care - Mausolea	\$ 5,021,262	\$ 4,276,183
Principal: Future care - Mausolea	7,760,725	7,534,376
Perpetual Care Trust (see Note K)	<u>2,522,757</u>	<u>2,141,399</u>
	<u>\$15,304,744</u>	<u>\$13,951,958</u>

Net assets reclassified to unrestricted operating net assets through satisfaction of use limitations were as follows for the years ended June 30:

<u>Use Limitation</u>	<u>Timing</u>	<u>Calculation</u>	<u>2013</u>	<u>2012</u>
Perpetual Care Trust	Annual	3% of Trust Net Assets	\$ 78,023	\$ 66,229
Future Care - Mausolea	Quarterly	1% of Invested Assets	<u>487,628</u>	<u>460,641</u>
			<u>\$565,651</u>	<u>\$526,870</u>

**NOTE I - RELATED PARTY TRANSACTIONS**

The Association receives administrative support from the Roman Catholic Archbishop of Boston, Certain administrative costs, including salaries, office space and overhead expenses incurred by the Corporation Sole for the benefit of the Association are charged to the Association. Such expenses totaled \$201,794 and \$217,701 during the years ended June 30, 2013 and 2012, respectively. The expense for these service fees is included in management and general in the accompanying combined statements of activities and changes in net assets.

The Association deposits funds with the Revolving Loan Fund (“the Revolving Loan Fund”), an internal savings and loan program of the Corporation Sole, which is administered for the benefit of various Catholic entities within the Archdiocese of Boston. All funds invested with the Revolving Loan Fund earn a fixed interest rate established to be comparable to commercial rates.

The Association participates with other Catholic organizations in lay employee health, dental, life, disability, and transition assistance program benefit plans that are related organizations. Expenses incurred by the Association for the benefit of lay employees under these plans were \$409,289 and \$414,233 for the years ended June 30, 2013 and 2012, respectively, and are included in cost of sales, selling expense, grounds maintenance, and management and general in the accompanying combined statements of activities and changes in net assets.

The Association also participates with other Catholic organizations in employee retirement plans (see Note M).

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Notes to Combined Financial Statements - Continued  
June 30, 2013 and 2012

**NOTE J - CONTINGENCIES**

Prior to fiscal year 2009, the Association provided its customers with an installment financing option, which the related notes were sold to a bank under a Recourse Purchase Agreement (the "Agreement"). Under the Agreement, the Association was liable for defaults by its customers. Default is defined as any contract that becomes at least 90 days past due. The Association was contingently liable for contracts aggregating approximately \$7,500 and \$41,000 for the years ended June 30, 2013 and 2012, respectively. The Association's estimated liability under the recourse provision of the Agreement is insignificant. The Association began self-financing these agreements in fiscal year 2010 (see Notes B and C).

In the ordinary course of business, the Association is from time-to-time involved in various legal matters. It is the Association's opinion that any potential settlement would not be material to the accompanying combined financial statements.

**NOTE K - FORMATION OF PERPETUAL CARE TRUST**

The Association has an agreement with the Commonwealth of Massachusetts, Secretary of State to set aside 10% of the proceeds from its ground lot sales into an irrevocable perpetual care trust. Under the agreement, the initial funding of the Trust included 10% of the proceeds of ground lot sales retroactive to June, 2001, when the Association was formed as a separate legal entity.

Within 60 days of the end of each fiscal year, the Trustees shall transfer to the Association 3% of the aggregate value of the Trust's net assets to be applied to the care and maintenance of the cemeteries administered by the Association. The amounts transferred for the years ended June 30, 2013 and 2012, were \$78,023 and \$66,229, respectively.

**NOTE L - MANAGEMENT AND GENERAL EXPENSES**

Included in management and general expenses in the accompanying combined statements of activities and changes in net assets are the following expenses for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Salaries and benefits	\$1,004,877	\$ 904,387
Administrative support from Corporation Sole	201,794	217,701
Miscellaneous	114,667	153,817
Depreciation	38,280	44,663
Legal and accounting	28,882	33,074
Utilities and communications	27,789	31,374
Provision for uncollectible accounts receivable (recovery of bad debt)	<u>(19,249)</u>	<u>43,631</u>
	<u>\$1,397,040</u>	<u>\$1,428,647</u>



**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Notes to Combined Financial Statements - Continued  
June 30, 2013 and 2012

**NOTE M - EMPLOYEE BENEFITS**

**Pension Plan**

The Association participates with other organizations affiliated with the Archdiocese in Boston in a noncontributory, defined-benefit, multi-employer pension plan covering substantially all lay employees. Benefits are provided through the Pension Plan. The Association's employees comprise less than 1% of all lay employees covered under the Pension Plan. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). Pension expense allocated to the Association for the year ended June 30, 2013, by the Pension Plan was based on a percentage of calendar year 2011 costs billed to the Association. This change was effective January 1, 2012. Pension expense totaled \$96,974 and \$116,637 for the years ended June 30, 2013 and 2012, respectively.

The following table discloses the name and funded status of the Roman Catholic Archdiocese of Boston Pension Plan (the Pension Plan) as of June 30, 2013 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of June 30, 2013:

<u>Legal Name and Plan Number</u>	<u>Plan EIN</u>	<u>Actuarial Present Value of Accumulated Plan Benefits</u>	<u>Fair Value of Plan Assets</u>	<u>Total Net Contributions</u>	<u>Funded Status</u>
Roman Catholic Archdiocese of Boston Pension Plan, Number 001	04-2777359	\$256,195,000	\$213,670,000	\$7,899,000	Greater than 80%

The Association reserves the right to discontinue contributions at any time and terminate the Pension Plan. In the event of termination and discontinuance, the assets of the Pension Plan remaining after paying all administrative expenses of the Pension Plan will be allocated in accordance with the terms of the Roman Catholic Archdiocese of Boston Pension Plan for the purpose of paying benefits provided under the Pension Plan.

The accumulated benefit obligation net of the plan assets of the Pension Plan are not reflected in the accompanying statements of financial position.

Effective December 31, 2011, the Pension Plan Trustees amended the plan to curtail benefit accruals for plan participants. No additional participants are allowed into the plan. To replace the curtailed defined-benefit pension plan, the Archdiocese of Boston established a 401(k) defined contribution plan (the Plan) on January 1, 2012.

The Association participates with other related Archdiocese of Boston organizations in this new plan. Eligible employees may elect to make retirement savings contributions to the Plan, which were matched by the Association up to 2% of employee compensation for the periods ended June 30, 2013 and 2012. Employee benefit costs associated with this Plan amounted to \$53,328 and \$22,427 for the years ended June 30, 2013 and 2012, respectively.

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
AND AFFILIATED TRUST**

Notes to Combined Financial Statements - Continued  
June 30, 2013 and 2012

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**NOTE M - EMPLOYEE BENEFITS (Continued)**

**Sick Leave**

The majority of employees of the Association are covered under a collective bargaining agreement (see Note N). Under this agreement, covered employees accumulate unused sick leave from year-to-year without limitation as to the use of sick leave. Employees hired prior to January 1, 2002, may be paid for 50% of unused sick leave up to a maximum of 200 days. Accumulated sick leave that was earned by these employees prior to November 3, 1980, will be paid upon termination of employment. The remaining amount will only be paid upon retirement from the Association or death during employment. Forfeitures occurring during the year are recorded as a reduction to expense. The Association has accrued \$174,390 and \$179,858 for its sick leave obligation at June 30, 2013 and 2012, respectively.

**NOTE N - COLLECTIVE BARGAINING AGREEMENT**

The Association has signed a collective bargaining agreement which expires on December 31, 2013. Approximately 63% of the Association's employees are covered under this agreement.

**NOTE O - LEASE AGREEMENT**

The Association leases office space under an operating lease agreement which expired on September 30, 2013, and was then extended through March 31, 2014. Rent is payable in equal monthly installments of \$1,800.

The Association leases office equipment under operating leases expiring on various dates through June, 2017. Under these agreements, the Association pays an aggregate monthly payment of \$982.

Remaining minimum lease payments under these lease agreements are as follows for the years ending June 30:

2014	\$ 23,090
2015	\$ 2,660
2016	\$ 510
2017	\$ 510

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SUPPLEMENTAL INFORMATION

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**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.**  
**PERPETUAL CARE TRUST**  
 Statements of Financial Position  
 June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Interest and dividends receivable	\$ 25,434	\$ 22,051
Due from The Catholic Cemetery Association of the Archdiocese of Boston, Inc.	75,415	71,702
Investments	<u>2,499,931</u>	<u>2,113,875</u>
Total assets	<u>\$ 2,600,780</u>	<u>\$ 2,207,628</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accrued distribution	\$ 78,023	\$ 66,229
<b>NET ASSETS:</b>		
Unrestricted:		
Assets limited to use for future care	<u>2,522,757</u>	<u>2,141,399</u>
Total liabilities and net assets	<u>\$ 2,600,780</u>	<u>\$ 2,207,628</u>

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.  
PERPETUAL CARE TRUST**

Statements of Activities and Changes in Net Assets  
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING:</b>		
<b>REVENUES:</b>		
Restricted lot sales	\$ 223,880	\$ 207,116
Interest and dividends	<u>93,802</u>	<u>80,855</u>
Total revenues	317,682	287,971
<b>EXPENSES:</b>		
Cemetery care and maintenance support to The Catholic Cemetery Association of the Archdiocese of Boston, Inc.	<u>78,023</u>	<u>66,229</u>
Changes in net assets before non-operating activity	239,659	221,742
<b>NON-OPERATING ACTIVITY:</b>		
Net realized and unrealized gains (losses) on investments	<u>141,699</u>	<u>(95,860)</u>
Changes in net assets	381,358	125,882
Net assets at beginning of year	<u>2,141,399</u>	<u>2,015,517</u>
Net assets at end of year	<u>\$ 2,522,757</u>	<u>\$ 2,141,399</u>