

Combined Financial Statements Together With
Independent Auditor's Report
**The Catholic Cemetery Association
of the Archdiocese of Boston, Inc.
and Affiliated Trust**
June 30, 2016 and 2015

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

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June 30, 2016 and 2015

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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, 2016 and 2015, 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.

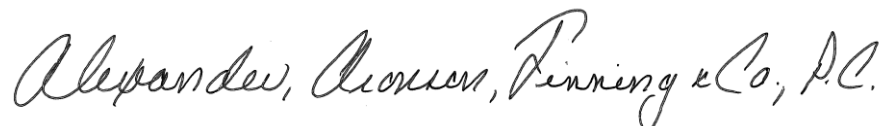
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The Catholic Cemetery Association of the Archdiocese of
Boston, Inc. and Affiliated Trust
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Opinion

In our opinion, the combined financial statements referred to on page three present fairly, in all material respects, the combined financial position of The Catholic Cemetery Association of the Archdiocese of Boston, Inc. and Affiliated Trust as of June 30, 2016 and 2015, 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.

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 20 and 21 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.



Boston, Massachusetts
December 1, 2016

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
AND AFFILIATED TRUST**
Combined Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 1,033,408	\$ 902,179
Deposits with the Corporation Sole Revolving Loan Fund (Note I)	2,963,352	2,976,711
Interest and dividends receivable	418,114	450,862
Accounts receivable, net (Note C)	1,005,568	967,220
Prepaid expenses	25,129	35,760
Investments at fair value (Note D)	25,989,603	27,924,891
Investments limited to use for future care, at fair value (Notes D and H)	15,988,672	17,081,376
Inventories (Note F)	2,281,632	2,335,672
Land, buildings and equipment, net (Note G)	4,526,319	4,396,289
	<u>54,231,797</u>	<u>57,070,960</u>
Total assets	<u>\$ 54,231,797</u>	<u>\$ 57,070,960</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 431,714	\$ 685,630
Deferred revenue	7,036,591	6,697,846
	<u>7,468,305</u>	<u>7,383,476</u>
Total liabilities	<u>7,468,305</u>	<u>7,383,476</u>
NET ASSETS:		
Unrestricted - operating	30,774,820	32,606,108
Unrestricted - assets limited to use for future care (Note H)	15,988,672	17,081,376
	<u>46,763,492</u>	<u>49,687,484</u>
Total net assets	<u>46,763,492</u>	<u>49,687,484</u>
Total liabilities and net assets	<u>\$ 54,231,797</u>	<u>\$ 57,070,960</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, 2016

(With Summarized Comparative Information for the Fiscal Year Ended June 30, 2015)

	<u>Unrestricted - Operating</u>	<u>Unrestricted - Assets Limited to Use for Future Care</u>	<u>2016 Total</u>	<u>2015 Total</u>
OPERATING:				
REVENUES AND OTHER SUPPORT:				
Sales:				
Lot sales	\$ 1,962,669	\$ 214,986	\$ 2,177,655	\$ 2,228,688
Lot openings	2,026,956	-	2,026,956	2,150,305
Grave boxes	813,669	-	813,669	850,455
Other revenue and services	290,828	-	290,828	205,290
Mausoleum sales	117,432	49,128	166,560	226,850
Total sales	5,211,554	264,114	5,475,668	5,661,588
Interest and dividends	1,116,432	637,303	1,753,735	1,837,780
Contributions	1,765	-	1,765	2,090
Net assets reclassified through satisfaction of limitations (Notes H and K)	610,819	(610,819)	-	-
Total revenues and other support	6,940,570	290,598	7,231,168	7,501,458
EXPENSES:				
Program:				
Cost of sales	2,520,489	-	2,520,489	2,700,875
Selling expense	519,887	-	519,887	517,805
Grounds maintenance	1,713,145	-	1,713,145	1,736,116
Operating supplies	89,627	-	89,627	122,290
Total program	4,843,148	-	4,843,148	5,077,086
Management and general (Note L)	1,622,022	-	1,622,022	1,519,495
Total expenses	6,465,170	-	6,465,170	6,596,581
Changes in net assets before non-operating activities	475,400	290,598	765,998	904,877
NON-OPERATING ACTIVITIES:				
Net realized and unrealized losses on investments	(2,306,018)	(1,383,302)	(3,689,320)	(955,262)
Loss on disposal of equipment	(670)	-	(670)	-
Total non-operating activities	(2,306,688)	(1,383,302)	(3,689,990)	(955,262)
Changes in net assets	(1,831,288)	(1,092,704)	(2,923,992)	(50,385)
Net assets at beginning of year	32,606,108	17,081,376	49,687,484	49,737,869
Net assets at end of year	<u>\$ 30,774,820</u>	<u>\$ 15,988,672</u>	<u>\$ 46,763,492</u>	<u>\$ 49,687,484</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, 2015

	Unrestricted - Operating	Unrestricted - Assets Limited to Use for Future Care	Total
OPERATING:			
REVENUES AND OTHER SUPPORT:			
Sales:			
Lot sales	\$ 2,012,356	\$ 216,332	\$ 2,228,688
Lot openings	2,150,305	-	2,150,305
Grave boxes	850,455	-	850,455
Other revenue and services	205,290	-	205,290
Mausoleum sales	167,777	59,073	226,850
Total sales	5,386,183	275,405	5,661,588
Interest and dividends	1,161,826	675,954	1,837,780
Contributions	2,090	-	2,090
Net assets reclassified through satisfaction of limitations (Notes H and K)	651,684	(651,684)	-
Total revenues and other support	7,201,783	299,675	7,501,458
EXPENSES:			
Program:			
Cost of sales	2,700,875	-	2,700,875
Selling expense	517,805	-	517,805
Grounds maintenance	1,736,116	-	1,736,116
Operating supplies	122,290	-	122,290
Total program	5,077,086	-	5,077,086
Management and general (Note L)	1,519,495	-	1,519,495
Total expenses	6,596,581	-	6,596,581
Changes in net assets before non-operating activities	605,202	299,675	904,877
NON-OPERATING ACTIVITIES:			
Net realized and unrealized losses on investments	(592,833)	(362,429)	(955,262)
Changes in net assets	12,369	(62,754)	(50,385)
Net assets at beginning of year	32,593,739	17,144,130	49,737,869
Net assets at end of year	\$32,606,108	\$17,081,376	\$49,687,484

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
Changes in net assets	\$ (2,923,992)	\$ (50,385)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	238,578	220,400
Recovery of bad debt	(15,038)	(22,622)
Net realized and unrealized losses on investments	3,689,320	955,262
Mausoleum sales limited for long-term purposes	(49,128)	(59,073)
Lot sales limited for long-term purposes	(214,986)	(216,332)
Interest and dividends limited for long-term purposes	(26,484)	(24,270)
Loss on disposal of equipment	670	-
Changes in operating assets and liabilities:		
Interest and dividends receivable	32,748	(3,810)
Accounts receivable	(23,310)	27,863
Prepaid expenses	10,631	(3,894)
Inventories	54,040	(586,196)
Accounts payable and accrued expenses	(253,916)	107,530
Deferred revenue	338,745	277,746
Net cash provided by operating activities	<u>857,878</u>	<u>622,219</u>
INVESTING ACTIVITIES:		
Purchases of land, buildings and equipment	(374,178)	(271,990)
Proceeds from sale of land, buildings and equipment	4,900	-
Proceeds from the sale of investments	1,245,861	1,342,010
Purchases / redemptions of investments	(1,907,189)	(2,608,244)
Net withdrawals from revolving loan fund	13,359	462,823
Net cash used in investing activities	<u>(1,017,247)</u>	<u>(1,075,401)</u>
FINANCING ACTIVITIES:		
Mausoleum sales limited for long-term purposes	49,128	59,073
Lot sales limited for long-term purposes	214,986	216,332
Interest and dividends limited for long-term purposes	26,484	24,270
Net cash provided by financing activities	<u>290,598</u>	<u>299,675</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	131,229	(153,507)
Cash and cash equivalents at beginning of year	<u>902,179</u>	<u>1,055,686</u>
Cash and cash equivalents at end of year	<u>\$ 1,033,408</u>	<u>\$ 902,179</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cost basis of land, buildings and equipment disposed	<u>\$ 107,805</u>	<u>\$ 70,070</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, 2016 and 2015

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

Combined Financial Statement Presentation

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

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, 2016 and 2015. 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 in the accompanying combined financial statements.

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

Notes to Combined Financial Statements (Continued)

June 30, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (Continued)

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.

Cash and Cash Equivalents

Financial instruments with maturities of three months or less at purchase are classified as cash and cash equivalents in the accompanying combined financial statements.

Investments

Investments (see Note D) are carried at fair value with changes in fair value reflected in the accompanying 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, 2016 and 2015, securities whose prices are not available through independent pricing services are limited to less than 27% and 23%, 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 the Association's investments at June 30, 2016 and 2015. Redemptions from the Common Investment Fund are available on a monthly basis.

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

Notes to Combined Financial Statements (Continued)

June 30, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories (see Note F) 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 the related costs are classified as cost of sales when graves and crypts are sold.

Land, Buildings and Equipment

Land, buildings and equipment (see Note G) 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

Revenue from lot and mausoleum sales is recognized at the time of sale. Revenue from interment or entombment fees, containers, products and other services is recognized as the service is provided. Funds received in advance of the services being performed 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 they 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, 2016 and 2015, and determined that no provision for income tax is required in these combined financial statements.

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

Notes to Combined Financial Statements (Continued)
June 30, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accounts Receivable and Allowance for Doubtful Accounts

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, 2016 and 2015.

An allowance for uncollectible accounts is provided to approximate the portion of customer receivables which will not be ultimately collected. Management believes that the contract receivables are rarely subject to bad debt risk as the right of interment is not transferred to the contract holder until a lot or crypt is paid in full. Management aggressively follows up on the delinquent burial receivables, and they believe they are successful in recovering amounts due. Management reviews the receivables balance on an annual basis. Management has recorded an allowance for uncollectible accounts of \$71,033 and \$95,169 at June 30, 2016 and 2015, respectively (see Note C).

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.

Subsequent Events

Subsequent events have been evaluated through December 1, 2016, 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.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and expenses on the accompanying statements of activities and changes in net assets. Non-operating activities include net realized and unrealized losses on investments and loss on disposal of equipment.

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

Notes to Combined Financial Statements (Continued)
June 30, 2016 and 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Association's 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. The balances of these accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, such deposits may exceed FDIC limits. The Association has not experienced any losses as a result of the uninsured deposit accounts.

The Revolving Loan Fund (see Note I) and investments (see Note D) are uninsured. Investments are subject to ongoing market fluctuations.

NOTE C - ACCOUNTS RECEIVABLE

The Association's accounts receivable as of June 30, 2016 and 2015, are estimated to be collected as follows:

	<u>2016</u>	<u>2015</u>
Amounts due within one year	\$ 514,630	\$ 494,209
Amounts due within two to five years	<u>561,971</u>	<u>568,180</u>
	1,076,601	1,062,389
Less - allowance for uncollectible accounts	<u>71,033</u>	<u>95,169</u>
Accounts receivable, net	<u>\$ 1,005,568</u>	<u>\$ 967,220</u>

NOTE D - INVESTMENTS

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

	<u>2016</u>	<u>2015</u>
Cost	\$ 33,258,230	\$ 32,505,525
Unrealized appreciation, net	<u>8,720,045</u>	<u>12,500,742</u>
Total investments at fair value	<u>\$ 41,978,275</u>	<u>\$ 45,006,267</u>

Net realized gains and unrealized losses consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Unrealized losses	\$ (3,780,697)	\$ (1,021,925)
Realized gains	<u>91,377</u>	<u>66,663</u>
	<u>\$ (3,689,320)</u>	<u>\$ (955,262)</u>

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

Notes to Combined Financial Statements (Continued)

June 30, 2016 and 2015

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 Association follows the amended ASC 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 NAV per unit on the valuation day. The Association's investments of \$41,978,275 and \$45,006,267 (see Note D) at June 30, 2016 and 2015, respectively, are classified as Level 2 in the fair value hierarchy.

NOTE F - INVENTORIES

Inventories consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Grave boxes installed on lots available for sale	\$ 1,635,622	\$ 1,686,764
Land and lot development costs	499,432	469,897
Grave boxes, lettering and features on hand	63,451	66,814
Mausolea	56,917	85,192
Columbaria	<u>26,210</u>	<u>27,005</u>
	<u>\$ 2,281,632</u>	<u>\$ 2,335,672</u>

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

Notes to Combined Financial Statements (Continued)
June 30, 2016 and 2015

NOTE G - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 5,036,694	\$ 4,799,376
Furniture and equipment	2,748,971	2,749,243
Buildings and building improvements	<u>1,447,167</u>	<u>1,417,840</u>
	9,232,832	8,966,459
Less - accumulated depreciation	<u>4,706,513</u>	<u>4,570,170</u>
	<u>\$ 4,526,319</u>	<u>\$ 4,396,289</u>

Depreciation expense was \$238,578 and \$220,400 for the years ended June 30, 2016 and 2015, respectively.

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>2016</u>	<u>2015</u>
Unspent appreciation: Future care - Mausolea	\$ 4,863,710	\$ 5,986,024
Principal: Future care - Mausolea	7,953,259	7,904,131
Perpetual Care Trust (see Note K)	<u>3,171,703</u>	<u>3,191,221</u>
	<u>\$ 15,988,672</u>	<u>\$ 17,081,376</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>2016</u>	<u>2015</u>
Future Care – Mausolea	Quarterly	1% of Invested Assets	\$ 512,725	\$ 552,986
Perpetual Care Trust	Annual	3% of Trust Net Assets	<u>98,094</u>	<u>98,698</u>
			<u>\$ 610,819</u>	<u>\$ 651,684</u>

NOTE I - RELATED PARTY TRANSACTIONS

The Association receives administrative support from the Roman Catholic Archbishop of Boston, a Corporation Sole (the "Corporation Sole"). 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 \$206,918 and \$202,860 for the years ended June 30, 2016 and 2015, respectively. The expense for these service fees is included in management and general expenses (see Note L) in the accompanying combined statements of activities and changes in net assets.

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

Notes to Combined Financial Statements (Continued)

June 30, 2016 and 2015

NOTE I - RELATED PARTY TRANSACTIONS (Continued)

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 \$422,708 and \$421,541 for the years ended June 30, 2016 and 2015, respectively, and are included in cost of sales, selling expense, grounds maintenance, and management and general expenses 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).

NOTE J - CONTINGENCIES

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 settlements 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, the Trust (see Note A). 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, 2016 and 2015, were \$98,094 and \$98,698, respectively (see Note H).

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

Notes to Combined Financial Statements (Continued)

June 30, 2016 and 2015

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>2016</u>	<u>2015</u>
Salaries and benefits	\$ 1,198,207	\$ 1,089,473
Administrative support from Corporation Sole	206,918	202,860
Miscellaneous	88,067	73,331
Depreciation	56,754	50,315
Professional services	46,168	82,248
Property rental	22,146	21,803
Utilities and communications	18,800	22,087
Provision for uncollectible accounts receivable (recovery of bad debt)	<u>(15,038)</u>	<u>(22,622)</u>
	<u>\$ 1,622,022</u>	<u>\$ 1,519,495</u>

NOTE M - EMPLOYEE BENEFITS

Pension Plan

The Association participates with other organizations affiliated with the Archdiocese of Boston in a noncontributory, defined-benefit, multi-employer pension plan covering substantially all lay employees (the Pension Plan) (see Note I). 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 years ended June 30, 2016 and 2015, 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 for the years ended June 30, 2016 and 2015.

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, 2016 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of June 30, 2016:

<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	\$237,365,000	\$191,880,000	\$7,436,000	Greater than 80%

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

Notes to Combined Financial Statements (Continued)
June 30, 2016 and 2015

NOTE M - EMPLOYEE BENEFITS (Continued)

Pension Plan (Continued)

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 combined 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 Pension 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 4% and 2% of eligible employee compensation for the years ended June 30, 2016 and 2015, respectively. Employee benefit costs associated with this Plan totaled \$66,519 and \$42,023 for the years ended June 30, 2016 and 2015, respectively.

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 \$162,868 and \$177,310 for its sick leave obligation at June 30, 2016 and 2015, respectively.

NOTE N - COLLECTIVE BARGAINING AGREEMENT

The Association has signed a collective bargaining agreement, which expires on June 30, 2018. Approximately 52% of the Association's employees are covered under this agreement.

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

Notes to Combined Financial Statements (Continued)
June 30, 2016 and 2015

NOTE O - LEASE AGREEMENT

The Association leases office space under an operating lease agreement with an inception date of April 1, 2014, which expires on October 31, 2021. Rent is payable in equal monthly installments of \$1,800. There is an option to extend the lease.

The Association leases office equipment under operating leases expiring on various dates through fiscal year 2019. Under these agreements, the Association pays an aggregate monthly payment of \$1,429.

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

2017	\$ 37,656
2018	\$ 37,274
2019	\$ 32,246
2020	\$ 24,893
2021	\$ 22,286
Thereafter	\$ 7,428

NOTE P - RECLASSIFICATION

Certain amounts in the June 30, 2015 combined financial statements have been reclassified to conform to the June 30, 2016 presentation.

SUPPLEMENTAL INFORMATION

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
PERPETUAL CARE TRUST
 Statements of Financial Position
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Interest and dividends receivable	\$ 31,333	\$ 31,707
Due from The Catholic Cemetery Association of the Archdiocese of Boston, Inc.	39,558	38,020
Investments	<u>3,198,906</u>	<u>3,220,192</u>
Total assets	<u>\$ 3,269,797</u>	<u>\$ 3,289,919</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued distribution	\$ 98,094	\$ 98,698
NET ASSETS:		
Unrestricted:		
Assets limited to use for future care	<u>3,171,703</u>	<u>3,191,221</u>
Total liabilities and net assets	<u>\$ 3,269,797</u>	<u>\$ 3,289,919</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING:		
REVENUES:		
Restricted lot sales	\$ 214,986	\$ 216,332
Interest and dividends	<u>124,578</u>	<u>122,969</u>
Total revenues	339,564	339,301
EXPENSES:		
Cemetery care and maintenance support to The Catholic Cemetery Association of the Archdiocese of Boston, Inc.	<u>98,094</u>	<u>98,698</u>
Changes in net assets before non-operating activity	241,470	240,603
NON-OPERATING ACTIVITY:		
Net realized and unrealized losses on investments	<u>(260,988)</u>	<u>(63,683)</u>
Changes in net assets	(19,518)	176,920
Net assets at beginning of year	<u>3,191,221</u>	<u>3,014,301</u>
Net assets at end of year	<u>\$ 3,171,703</u>	<u>\$ 3,191,221</u>