



**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Financial Statements

August 31, 2008 and 2007

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Most Reverend William F. Murphy, S.T.D., L.H.D.,
Bishop of the Roman Catholic Diocese of Rockville Centre:

We have audited the accompanying statements of financial position of Catholic Cemeteries of the Diocese of Rockville Centre (Catholic Cemeteries) as of August 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Catholic Cemeteries' management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Cemeteries' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Cemeteries of the Diocese of Rockville Centre as of August 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 6, 2008

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Statements of Financial Position

August 31, 2008 and 2007

Assets	2008	2007
Cash and cash equivalents	\$ 387,180	3,731
Investments (note 3)	32,065,424	37,498,761
Interest receivable and other assets	373,256	584,191
Mausoleums, net (note 4)	4,550,242	4,964,919
Property and equipment, net (note 4)	9,783,534	5,166,090
Property held for possible future cemetery site (note 5)	5,912,792	5,912,792
Assets whose use is contractually committed to permanent maintenance (notes 3 and 8):		
Cash	113,719	64,762
Investments	79,532,767	85,665,206
Total assets	\$ 132,718,914	139,860,452
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,730,974	649,789
Deferred revenue	3,131,553	3,067,017
Total liabilities	4,862,527	3,716,806
Net assets:		
Unrestricted:		
Designated for operations	10,184,605	14,998,225
Plant fund	20,246,569	16,043,801
Designated for maintenance and reserve (note 8)	17,765,582	19,360,172
Contractually committed to permanent maintenance (note 8)	79,646,486	85,729,968
Total unrestricted net assets	127,843,242	136,132,166
Temporarily restricted	13,145	11,480
Total net assets	127,856,387	136,143,646
Total liabilities and net assets	\$ 132,718,914	139,860,452

See accompanying notes to financial statements.

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Statement of Activities

Year ended August 31, 2008

	Operations and Plant Funds	Designated Maintenance Reserve Funds	Contractually Committed to Permanent Maintenance	Total unrestricted	Temporarily restricted	Total
Revenues:						
Cemetery operations (note 6)	\$ 6,168,494	—	—	6,168,494	—	6,168,494
Care funds interest and dividends	3,418,580	—	—	3,418,580	—	3,418,580
Maintenance care fees	—	—	517,492	517,492	—	517,492
World Trade Center memorial contributions	—	—	—	—	1,665	1,665
Permanent maintenance and perpetual care fees	—	—	562,598	562,598	—	562,598
Interest and dividend income (note 3)	776,939	—	—	776,939	—	776,939
Realized and unrealized losses on investments	(191,838)	(1,594,590)	(7,387,240)	(9,173,668)	—	(9,173,668)
Decoration programs	909,142	—	—	909,142	—	909,142
Other	549,127	—	5,526	554,653	—	554,653
Total revenues	<u>11,630,444</u>	<u>(1,594,590)</u>	<u>(6,301,624)</u>	<u>3,734,230</u>	<u>1,665</u>	<u>3,735,895</u>
Expenses:						
Program	6,916,378	—	—	6,916,378	—	6,916,378
General and administrative costs	2,106,776	—	—	2,106,776	—	2,106,776
Contributions made to the Diocese (note 7)	3,000,000	—	—	3,000,000	—	3,000,000
Total expenses	<u>12,023,154</u>	<u>—</u>	<u>—</u>	<u>12,023,154</u>	<u>—</u>	<u>12,023,154</u>
(Deficiency) excess of revenues over expenses	(392,710)	(1,594,590)	(6,301,624)	(8,288,924)	1,665	(8,287,259)
Transfers:						
From Operations and Plant Funds to Permanent Maintenance Funds	(300,000)	—	300,000	—	—	—
From Permanent Maintenance Funds to Operations and Plant Funds	80,000	—	(80,000)	—	—	—
From Permanent Maintenance Funds (St. Francis) to Operations and Plant Funds (note 2)	1,858	—	(1,858)	—	—	—
(Decrease) increase in net assets	<u>(610,852)</u>	<u>(1,594,590)</u>	<u>(6,083,482)</u>	<u>(8,288,924)</u>	<u>1,665</u>	<u>(8,287,259)</u>
Net assets at beginning of year	<u>31,042,026</u>	<u>19,360,172</u>	<u>85,729,968</u>	<u>136,132,166</u>	<u>11,480</u>	<u>136,143,646</u>
Net assets at end of year	<u>\$ 30,431,174</u>	<u>17,765,582</u>	<u>79,646,486</u>	<u>127,843,242</u>	<u>13,145</u>	<u>127,856,387</u>

See accompanying notes to financial statements.

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Statement of Activities

Year ended August 31, 2007

	Operations and Plant Funds	Designated Maintenance Reserve Funds	Contractually Committed to Permanent Maintenance	Total unrestricted	Temporarily restricted	Total
Revenues:						
Cemetery operations (note 6)	\$ 6,665,350	—	—	6,665,350	—	6,665,350
Care funds interest and dividends	3,130,447	—	—	3,130,447	—	3,130,447
Maintenance care fees	—	—	628,738	628,738	—	628,738
World Trade Center memorial contributions	—	—	—	—	785	785
Permanent maintenance and perpetual care fees	—	—	623,996	623,996	—	623,996
Interest and dividend income (note 3)	845,244	—	—	845,244	—	845,244
Realized and unrealized gains on investments	—	1,471,364	6,113,613	7,584,977	—	7,584,977
Decoration programs	929,800	—	—	929,800	—	929,800
Other	599,263	—	1,218	600,481	—	600,481
Bishop's grant (note 7)	152,011	—	—	152,011	—	152,011
Net assets released from restrictions	87	—	—	87	(87)	—
Total revenues	<u>12,322,202</u>	<u>1,471,364</u>	<u>7,367,565</u>	<u>21,161,131</u>	<u>698</u>	<u>21,161,829</u>
Expenses:						
Program	6,748,767	—	—	6,748,767	—	6,748,767
General and administrative costs	2,291,113	—	—	2,291,113	—	2,291,113
Contributions made to the Diocese (note 7)	1,703,333	—	—	1,703,333	—	1,703,333
Total expenses	<u>10,743,213</u>	<u>—</u>	<u>—</u>	<u>10,743,213</u>	<u>—</u>	<u>10,743,213</u>
Excess (deficiency) of revenues over expenses	1,578,989	1,471,364	7,367,565	10,417,918	698	10,418,616
Transfer:						
From Permanent Maintenance Funds to Operations and Plant Funds (note 2)	1,731	—	(1,731)	—	—	—
Increase in net assets	1,580,720	1,471,364	7,365,834	10,417,918	698	10,418,616
Net assets at beginning of year	29,461,306	17,888,808	78,364,134	125,714,248	10,782	125,725,030
Net assets at end of year	<u>\$ 31,042,026</u>	<u>19,360,172</u>	<u>85,729,968</u>	<u>136,132,166</u>	<u>11,480</u>	<u>136,143,646</u>

See accompanying notes to financial statements.

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Statements of Cash Flows

Years ended August 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (8,287,259)	10,418,616
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation, amortization and depletion	654,074	985,709
Realized and unrealized losses (gains) on investments	9,173,668	(7,584,977)
Decrease (increase) in interest receivable and other assets	210,935	(265,235)
(Decrease) increase in accounts payable and accrued expenses	(101,309)	61,254
Increase (decrease) in deferred revenue	64,536	(286,297)
Net cash provided by operating activities	1,714,645	3,329,070
Cash flows from investing activities:		
Purchases of property and equipment	(4,856,841)	(2,359,610)
Increase in accounts payable and accrued expenses relating to capital	1,182,494	44,037
Purchases of investments	(7,945,541)	(31,966,709)
Proceeds from sale of investments	10,337,649	30,741,719
Net cash used in investing activities	(1,282,239)	(3,540,563)
Net increase (decrease) in cash and cash equivalents	432,406	(211,493)
Cash and cash equivalents at beginning of year	68,493	279,986
Cash and cash equivalents at end of year	\$ 500,899	68,493

See accompanying notes to financial statements.

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Notes to Financial Statements

August 31, 2008 and 2007

(1) Organization

The accompanying financial statements of Catholic Cemeteries of the Diocese of Rockville Centre (Catholic Cemeteries) include the accounts of Holy Rood Cemetery, Holy Sepulchre Cemetery and Queen of All Saints Cemetery. Catholic Cemeteries is part of the Roman Catholic Diocese of Rockville Centre (the Diocese), which is under the control of the Diocesan Ordinary.

Catholic Cemeteries is exempt from income taxes under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles using the accrual basis of accounting.

Catholic Cemeteries distinguishes between unrestricted, temporarily restricted and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted Net Assets

Designated for Operations – include all unrestricted resources of Catholic Cemeteries, which are expendable for carrying on day-to-day operations.

Plant Fund – include funds to accumulate the net investment in land, buildings and equipment of Catholic Cemeteries.

Maintenance Reserve Funds – include funds designated by the Bishop to provide for the future maintenance and operation of Holy Rood Cemetery after its primary revenue-producing operation has ceased. Commencing in 2005, a percentage of the funds are being withdrawn each year to supplement revenue due to the limited availability of graves at Holy Rood Cemetery.

Contractually Committed to Permanent Maintenance – when a right of burial or entombment is sold by Catholic Cemeteries, a percentage of the fee is designated as a Permanent Maintenance fund. These funds are not donations; therefore, they are not permanently restricted under U.S. generally accepted accounting principles. Further, New York State only regulates permanent maintenance funds when they are held by entities other than religious corporations, requiring that such funds be treated as trust funds, prudently invested with the intent of preserving capital and producing a reasonable income. Although Catholic Cemeteries is exempt from the State regulations, it recognizes a written promise to invest the principal of the Permanent Maintenance Fund and to use the income to fund the care of the community mausoleums, surroundings and the general maintenance and improvements of the cemetery. As of August 31, 2008 and 2007, Catholic Cemeteries had \$79,646,486 and \$85,729,968, respectively, contractually committed for such purposes.

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Notes to Financial Statements

August 31, 2008 and 2007

Temporarily Restricted Net Assets

Temporarily restricted net assets include funds that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled by the actions of Catholic Cemeteries, pursuant to those stipulations. Temporarily restricted contributions were made to Holy Rood Cemetery to build and maintain a memorial in honor of the victims of the World Trade Center. There were no funds released to pay for related expenses for the year ended August 31, 2008. In 2007, \$87 was released for related expenses. This memorial was completed in fiscal year 2006.

Catholic Cemeteries had no permanently restricted net assets at August 31, 2008 and 2007.

(b) Cash Equivalents

Cash equivalents include highly liquid instruments with original maturities of three months or less, except for those instruments held by investment managers for long-term investment purposes.

(c) Property and Equipment, Net

Property and equipment are stated at cost at date of acquisition or fair market value at date of contribution, if donated. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets, as follows:

	<u>Life (in years)</u>
Land	*
Buildings	10 – 50
Fences	25 – 50
Roads	10 – 20
Water system	50
Equipment	3 – 10
Statues and fixtures	50
Furniture and fixtures	5 – 10
Automobiles and trucks	3 – 5

* In the accompanying financial statements, land held for sale for future grave sites is included in property and equipment. Catholic Cemeteries depletes the cost of land based on the number of plots available for interments as determined by survey.

(d) Mausoleums

Mausoleums are stated at cost. Depletion is determined based on the number of crypts available for entombment. As contracts are paid in full, depletion on individual crypts is recorded.

(e) Revenue

Revenue from the sale of plots and crypts is recognized when paid in full, at which point the deed for burial or entombment rights is passed to the purchaser.

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Notes to Financial Statements

August 31, 2008 and 2007

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Risks and Uncertainties

Catholic Cemeteries invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(h) New Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. SFAS 157 is effective for reporting periods beginning after November 15, 2007. Catholic Cemeteries is currently evaluating the impact of SFAS 157 on its financial statements; however, the adoption of SFAS 157 will require additional disclosures regarding the inputs used to develop the fair value measurements and the impacts of certain measurements on the statement of activities.

In June 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. FIN 48 requires entities to determine whether it is more-likely-than-not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. FIN 48 is currently effective for Catholic Cemeteries' August 31, 2010 financial statements. The adoption of FIN 48 is not expected to have a significant impact on Catholic Cemeteries' financial statements.

(i) Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

(3) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices. Catholic Cemeteries' investment in the Listerine Royalty Trust is stated at fair value based upon recent sales price and other factors.

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Notes to Financial Statements

August 31, 2008 and 2007

A portion of Catholic Cemeteries' investments are in a pooled investment fund held by Unitas Investment Fund, Inc. (Unitas), a separately incorporated, nonregulated investment fund organized to provide investment options to Roman Catholic organizations in the Diocese. Unitas offers investment options to participants, including a short-term enhanced cash fund, fixed income and equity offerings. The investments in Unitas are carried at fair value based principally upon the quoted market prices of the underlying assets of the fund. A "mission fee" is deducted from the investment performance of all participants for the purpose of funding the mission component, provided the fund had a positive return. The rates range from 0.05% to 0.50% annually depending upon the investment options chosen.

At August 31, 2008 and 2007, investments, at fair value, consisted of the following:

	<u>2008</u>	<u>2007</u>
Cash equivalents	\$ 153,393	203,195
Mutual funds – equity	70,921,872	74,686,496
Mutual funds – fixed income	12,741,361	12,273,818
Listerine royalty trust	2,900,000	2,500,000
Preferred and common stocks	10,468,792	15,240,449
Unitas – General Fund:		
Short-term – cash equivalents	1,516,181	1,870,205
Mutual fund – fixed income	12,783,662	16,268,384
Unitas - St. Francis De Sales:		
Short-term	1,107	600
Long-term	111,823	120,820
Total	<u>\$ 111,598,191</u>	<u>123,163,967</u>
Consisting of:		
Operating	\$ 14,299,842	18,138,589
Designated for maintenance and reserve	17,765,582	19,360,172
Contractually committed to permanent maintenance	79,532,767	85,665,206
Total	<u>\$ 111,598,191</u>	<u>123,163,967</u>

(4) Mausoleums and Property and Equipment, Net

At August 31, 2008 and 2007, the carrying amount of mausoleums was as follows:

	<u>2008</u>	<u>2007</u>
Mausoleums	\$ 18,148,732	18,148,732
Mausoleums in progress	59,929	59,929
Less accumulated depletion	(13,658,419)	(13,243,742)
Total mausoleums, net	<u>\$ 4,550,242</u>	<u>4,964,919</u>

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Notes to Financial Statements

August 31, 2008 and 2007

At August 31, 2008 and 2007, property and equipment, net, consisted of the following:

	2008	2007
Land	\$ 1,749,792	1,749,792
Buildings	1,645,247	1,614,360
Fences	269,820	269,820
Roads	962,673	962,673
Water system	461,970	461,970
Equipment	1,416,867	1,416,867
Statues and fixtures	704,302	704,302
Furniture and fixtures	439,290	439,290
Automobiles and trucks	1,020,089	964,316
Construction in progress (see below)	7,481,317	2,711,136
	16,151,367	11,294,526
Less accumulated depletion and depreciation and amortization	(6,367,833)	(6,128,436)
Total property and equipment, net	\$ 9,783,534	5,166,090

Construction in progress includes costs for a new mausoleum and a new entrance at Holy Sepulchre cemetery, as well as the replacement of underground storage tanks at Queen of All Saints Cemetery.

(5) Property Held for Possible Future Cemetery Site

The Diocese owns approximately 97 acres of property located on Jericho Turnpike in Old Westbury, New York (Old Westbury Farms) for a possible future cemetery site purchased from the federal government at public auction for \$5,625,000. In addition, the Diocese incurred closing costs of approximately \$158,000 relating to the property acquisition.

Catholic Cemeteries transferred \$5,062,565 during fiscal 1995 from its Maintenance Reserve Funds to its General Funds to purchase Old Westbury Farms. The remaining funds needed to purchase the property were utilized from the General Funds. In addition, \$698,734 and \$740,026 of expenditures were incurred

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Notes to Financial Statements

August 31, 2008 and 2007

for the years ended August 31, 2008 and 2007, respectively, relating to Old Westbury Farms. Of these costs, approximately \$15,520 and \$17,500, respectively, was related to village taxes.

The management of Catholic Cemeteries intends to transfer an amount applying the purchase price back to the Maintenance Reserve Fund, if and when Old Westbury Farms becomes an operating cemetery. There can be no assurance, at the present time, that such transfer will occur.

Catholic Cemeteries cannot begin construction of the new cemetery until the Village of Old Westbury approves the request to rezone Old Westbury Farms as a cemetery.

(6) Cemetery Operations Revenue

For the years ended August 31, 2008 and 2007, cemetery operations revenue consisted of the following:

	<u>2008</u>	<u>2007</u>
Burial rights	\$ 599,085	661,982
Entombment rights	2,076,083	2,540,640
Entombments	463,905	471,950
Interments	2,432,170	2,393,680
Maintenance fees	597,251	597,098
Total cemetery operations revenue	<u>\$ 6,168,494</u>	<u>6,665,350</u>

(7) Related-Party Transactions

(a) Contributions Made to the Diocese

Catholic Cemeteries makes a contribution to the Diocese from the General Funds' earnings. These contributions are used to assist the Bishop in his various ministries. In 2008 and 2007, such contribution was \$3,000,000 and \$1,703,333, respectively.

(b) Pension Plan

Catholic Cemeteries is a participant in the noncontributory lay pension plan, a defined benefit plan, established by the Diocese covering employees who meet certain minimum service requirements. Because the plan is considered a multi-employer plan, it is only subject to certain minimum reporting requirements of SFAS No. 87, *Employers' Accounting for Pensions*, as amended by SFAS No. 132, *Employers' Disclosures About Pensions and Other Postretirement Benefits*. Pension expense totaled \$234,158 and \$232,613 for the years ended August 31, 2008 and 2007, respectively.

(c) Insurance and Benefits

Catholic Cemeteries has obtained its property and casualty insurance through the Protected Self Insurance Program of the Diocese of Rockville Centre (PSIP). The Health Insurance Program of the Diocese of Rockville Centre (Health Insurance Program) also exists to provide health coverage to Catholic Cemeteries' employees. Insurance premiums charged by PSIP to Catholic Cemeteries totaled \$365,251 and \$353,187 for the years ended August 31, 2008 and 2007, respectively.

**CATHOLIC CEMETERIES OF
THE DIOCESE OF ROCKVILLE CENTRE**

Notes to Financial Statements

August 31, 2008 and 2007

Additionally, Catholic Cemeteries' expense under the Health Insurance Program was \$674,208 and \$643,529 for the years ended August 31, 2008 and 2007, respectively.

(d) Bishop's Grant

During 2007, the Bishop of the Diocese authorized a grant to all Diocesan entities in an amount equal to three months of the entity's (employer's) share of medical insurance premiums. Catholic Cemeteries' grant totaled \$152,011 for the year ended August 31, 2007.

(8) Contractual Commitment to Permanent Maintenance

As discussed in note 2(a), when a right of burial is sold, a percentage of the fee is contractually obligated for the permanent maintenance of Catholic Cemeteries, with the income of such fund to be used for the general maintenance of Catholic Cemeteries. In addition, Catholic Cemeteries has designated certain additional funds to be used for future maintenance and care. In 2008, Catholic Cemeteries undertook a study to estimate the amount of maintenance that would be incurred in the future to care for Catholic Cemeteries. For the purpose of the calculation, maintenance costs were assumed to escalate at 3% per year for the next 50 years with a discount rate of 3.5%. Obligations for permanent maintenance are substantial and, based upon the assumption noted above, the present value of future care payouts approximates \$131.8 million as of August 31, 2008. As of August 31, 2008, Catholic Cemeteries has \$79.6 million in permanent maintenance funds for this obligation.