



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

Financial Statements

August 31, 2006

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
345 Park Avenue
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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 statement of financial position of Catholic Cemeteries of the Diocese of Rockville Centre (Catholic Cemeteries) as of August 31, 2006, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

We have also audited the adjustment as described in note 8 that was applied to restate the 2005 financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

KPMG LLP

June 1, 2007

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

Statement of Financial Position

August 31, 2006

Assets

Cash and cash equivalents	\$ 279,986
Investments (note 3)	114,354,000
Mausoleums, net (note 4)	5,587,776
Property and equipment, net (note 4)	3,169,332
Property held for possible future cemetery site (note 5)	5,912,792
Other assets	<u>318,956</u>
Total assets	\$ <u><u>129,622,842</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$ 544,498
Deferred revenue	<u>3,353,314</u>
Total liabilities	<u>3,897,812</u>
Net assets:	
Unrestricted:	
General funds	14,791,406
Plant funds	14,669,900
Designated for permanent maintenance and reserve	<u>96,252,942</u>
Total unrestricted net assets	125,714,248
Temporarily restricted	<u>10,782</u>
Total net assets	<u>125,725,030</u>
Total liabilities and net assets	\$ <u><u>129,622,842</u></u>

See accompanying notes to financial statements.

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

Statement of Activities

Year ended August 31, 2006

	General Funds	Plant Funds
Revenues:		
Cemetery operations (note 6)	\$ 6,647,805	—
Care funds investment income	2,128,984	—
Maintenance care fees	—	—
World Trade Center memorial contributions	—	—
Permanent maintenance and perpetual care fees	—	—
Interest and dividend income (note 3)	234,641	—
Realized and unrealized gains on investments	—	—
Decoration programs	900,600	—
Other	519,965	—
Net assets related from restrictions	100	—
Total revenues	10,432,095	—
Expenses:		
Program	5,007,919	602,424
General and administrative costs	2,413,643	234,486
Contributions made to the Diocese (note 7)	2,220,665	—
Total expenses	9,642,227	836,910
Excess (deficiency) of revenues over expenses	789,868	(836,910)
Transfers:		
From Permanent and Mausoleum Maintenance Care Funds to General Funds (note 2)	71,034	—
From Maintenance Reserve Funds to General and Plant Funds (note 2)	7,309	472,700
Increase (decrease) in net assets	868,211	(364,210)
Net assets at beginning of year, as restated (note 8)	13,923,195	15,034,110
Net assets at end of year	\$ 14,791,406	14,669,900

See accompanying notes to financial statements.

Designated					
Mausoleum Maintenance Care Funds	Maintenance Reserve Funds	Permanent Maintenance Care Funds	Total unrestricted	Temporarily restricted	Total
—	—	—	6,647,805	—	6,647,805
—	—	—	2,128,984	—	2,128,984
620,350	—	—	620,350	—	620,350
—	—	—	—	3,758	3,758
—	—	686,880	686,880	—	686,880
—	444,923	—	679,564	—	679,564
863,037	499,211	1,186,750	2,548,998	—	2,548,998
—	—	—	900,600	—	900,600
—	—	21,481	541,446	—	541,446
—	—	—	100	(100)	—
<u>1,483,387</u>	<u>944,134</u>	<u>1,895,111</u>	<u>14,754,727</u>	<u>3,658</u>	<u>14,758,385</u>
—	—	—	5,610,343	—	5,610,343
—	—	—	2,648,129	—	2,648,129
—	—	—	2,220,665	—	2,220,665
—	—	—	<u>10,479,137</u>	—	<u>10,479,137</u>
1,483,387	944,134	1,895,111	4,275,590	3,658	4,279,248
(65,659)	—	(5,375)	—	—	—
—	(480,009)	—	—	—	—
1,417,728	464,125	1,889,736	4,275,590	3,658	4,279,248
19,861,038	17,424,683	55,195,632	121,438,658	7,124	121,445,782
<u>21,278,766</u>	<u>17,888,808</u>	<u>57,085,368</u>	<u>125,714,248</u>	<u>10,782</u>	<u>125,725,030</u>

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

Statement of Cash Flows

Year ended August 31, 2006

Cash flows from operating activities:	
Increase in net assets	\$ 4,279,248
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	836,910
Realized and unrealized gains on investments	(2,548,998)
Increase in other assets	(14,590)
Increase in accounts payable and accrued expenses	68,436
Increase in deferred revenue	46,218
Net cash provided by operating activities	2,667,224
Cash flows from investing activities:	
Purchases of property and equipment	(472,700)
Purchases of investments	(8,749,892)
Proceeds from sale of investments	6,655,465
Net cash used in investing activities	(2,567,127)
Net increase in cash and cash equivalents	100,097
Cash and cash equivalents at beginning of year	179,889
Cash and cash equivalents at end of year	\$ 279,986

See accompanying notes to financial statements.

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

Notes to Financial Statements

August 31, 2006

(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, Queen of All Saints Cemetery and St. Francis de Sales 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

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

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

Mausoleum Maintenance Care Funds – include funds designated by the Bishop for the future care of community mausoleums by setting aside 20% of the revenues from crypt sales. These funds are invested and the income derived is recorded in the General Funds and is used to pay maintenance expenses.

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 during fiscal 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.

Permanent Maintenance Care Funds – When a “right of burial” 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 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 general maintenance and improvements of the cemetery. As of August 31, 2006, Catholic Cemeteries had \$57,085,368 designated for such purposes.

**CATHOLIC CEMETERIES OF
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Notes to Financial Statements

August 31, 2006

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 include contributions made to Holy Rood Cemetery to build a memorial in honor of the victims of the World Trade Center. Funds released to pay for related expenses totaled \$100 for the year ended August 31, 2006. This memorial was completed in fiscal 2006.

Catholic Cemeteries had no permanently restricted net assets at August 31, 2006.

(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

* Land held for sale for future grave sites is included in property and equipment, net of accumulated depletion, in the accompanying financial statements. 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.

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Notes to Financial Statements

August 31, 2006

(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.

(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' investments are in a pooled investment fund held by Unitas Investment Fund, Inc., a separately incorporated, nonregulated investment fund organized to provide investment options to Roman Catholic organizations in the Diocese of Rockville Centre. 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 0.5% annually depending upon the investment options chosen.

Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

At August 31, 2006, investments consisted of the following:

	<u>Fair value</u>
Cash equivalents	\$ 875,900
Mutual funds	67,541,710
Listerine Royalty Trust	2,250,000
Preferred and common stocks	25,351,880
Unitas – General Fund:	
Short-term – cash equivalents	2,164,389
Mutual fund – fixed income	16,058,948
Unitas – St. Francis DeSales:	
Short-term	576
Long-term	110,597
Total	<u>\$ 114,354,000</u>

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Notes to Financial Statements

August 31, 2006

(4) Mausoleums and Property and Equipment, Net

At August 31, 2006, the carrying amount of mausoleums was as follows:

Mausoleums	\$	18,148,732
Less accumulated depletion		<u>(12,560,956)</u>
Total mausoleums, net	\$	<u><u>5,587,776</u></u>

At August 31, 2006, property and equipment, net, consisted of the following:

Land	\$	1,749,792
Buildings		1,614,360
Fences		269,820
Roads		962,673
Water system		461,970
Equipment		1,359,048
Statues and fixtures		704,302
Furniture and fixtures		435,015
Automobiles and trucks		1,056,333
Construction-in-progress		<u>488,626</u>
		9,101,939
Less accumulated depletion and depreciation and amortization		<u>(5,932,607)</u>
Total property and equipment, net	\$	<u><u>3,169,332</u></u>

(5) Property Held for Possible Future Cemetery Site

The Diocese of Rockville Centre 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, \$414,007 of expenditures were incurred for the year ended August 31, 2006 relating to Old Westbury Farms. Of these costs, approximately \$31,400 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.

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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 year ended August 31, 2006, cemetery operations revenue consisted of the following:

Burial rights	\$ 727,155
Entombment rights	2,479,940
Entombments	425,305
Interments	2,407,905
Maintenance fees	<u>607,500</u>
Total cemetery operations revenue	\$ <u><u>6,647,805</u></u>

(7) Related Party Transactions

(a) Contributions Made to the Diocese

Each year, Catholic Cemeteries makes a contribution to the Diocese from the General Funds' earnings based upon an agreed-upon formula. These contributions are used to assist the Bishop in his various ministries. In 2006, such contribution was \$2,220,665.

(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 Statement of Financial Accounting Standards (SFAS) No. 87, *Employers' Accounting for Pensions*, as amended by SFAS No. 132, *Employers' Disclosures About Pensions and Other Postretirement Benefits*. As of December 31, 2005 (the most current audited plan year), the plan was fully funded. Pension expense totaled \$279,913 for the year ended August 31, 2006.

(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 \$312,322 for the year ended August 31, 2006. Additionally, Catholic Cemeteries expense under the Health Insurance Program was \$656,530 for the year ended August 31, 2006.

**CATHOLIC CEMETERIES OF
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Notes to Financial Statements

August 31, 2006

(8) Restatement

Unrestricted net assets at August 31, 2005 have been restated to include the permanent maintenance funds previously reported as permanently restricted net assets as such amounts were received in exchange transactions and do not meet the definition of a permanently restricted contribution. The adjustment is as follows:

Unrestricted net assets at beginning of year, as previously reported	\$ 66,243,026
Adjustment to reclassify permanent maintenance funds previously reported as permanently restricted	<u>55,195,632</u>
Unrestricted net assets at beginning of year, as restated	<u><u>\$ 121,438,658</u></u>