

Financial Statements with Report of  
Independent Certified Public  
Accountants

**Fairfield County Catholic Cemeteries of the  
Diocese of Bridgeport LLC**

June 30, 2023 and 2022

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Audit Committees and Management  
Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC

**Opinion**

We have audited the financial statements of Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC (“Catholic Cemeteries”), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Catholic Cemeteries as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (“US GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Cemeteries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Cemeteries’ ability to continue as a going concern for one year after the date the financial statements are available to be issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Cemeteries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Cemeteries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Grant Thornton LLP*

New York, New York  
December 22, 2023

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 655,580	\$ 1,183,514
Accounts receivable, net	1,794,736	3,079,982
Prepaid expenses and other assets	17,187	35,920
Investments, at fair value	12,252,255	8,921,046
Inventory	5,310,998	5,521,706
Property, buildings and equipment, net	11,357,170	9,374,292
Operating lease right of use asset	7,301	-
	<u>7,301</u>	<u>-</u>
Total assets	<u>\$ 31,395,227</u>	<u>\$ 28,116,460</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 733,539	\$ 1,855,701
Deferred revenue	759,385	2,695,689
Note payable	4,083,211	509,000
Operating lease obligation	7,301	-
	<u>7,301</u>	<u>-</u>
Total liabilities	<u>5,583,436</u>	<u>5,060,390</u>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions		
Operations	15,296,404	14,135,024
Designated for perpetual care and maintenance	7,684,482	6,388,534
Contractually committed for perpetual care and maintenance	2,830,905	2,532,512
	<u>2,830,905</u>	<u>2,532,512</u>
Total net assets	<u>25,811,791</u>	<u>23,056,070</u>
Total liabilities and net assets	<u>\$ 31,395,227</u>	<u>\$ 28,116,460</u>

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

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**STATEMENTS OF ACTIVITIES**

**For the years ended June 30,**

	<b>2023</b>	<b>2022</b>
<b>Revenues, support, and other changes</b>		
Burial rights and other cemetery sales	\$ 13,808,130	\$ 10,057,080
Rental income	63,833	55,100
	<b>13,871,963</b>	<b>10,112,180</b>
<b>Expenses</b>		
Cemetery operations	9,486,637	7,675,864
Management and general	1,852,462	1,463,003
	<b>11,339,099</b>	<b>9,138,867</b>
Income from operations before depreciation	2,532,864	973,313
<b>Depreciation</b>	<b>(386,008)</b>	<b>(281,127)</b>
Income from operations before nonoperating activities	2,146,856	692,186
<b>Non-operating activities</b>		
Investment gains (losses), net	1,113,802	(1,677,694)
Contribution from the Diocese	-	533,039
Bad debt expense, net	87,913	(82,445)
Contributions to lay pension	(500,000)	(250,000)
Support to Diocesan related entity	(100,000)	-
Miscellaneous non-operating income	7,150	38,807
	<b>2,755,721</b>	<b>(746,107)</b>
<b>CHANGE IN NET ASSETS</b>		
Net assets - beginning of year	<b>23,056,070</b>	<b>23,802,177</b>
Net assets - end of year	<b>\$ 25,811,791</b>	<b>\$ 23,056,070</b>

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

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the years ended June 30,

	2023			2022		
	Cemeteries Operations	Management and General	Total	Cemeteries Operations	Management and General	Total
Personnel costs	\$ 3,625,152	\$ 1,219,226	\$ 4,844,378	2,968,102	\$ 1,077,395	\$ 4,045,497
Cost of burial rights and other cemetery sales	3,075,204	59,891	3,135,095	2,057,178	-	2,057,178
Insurance	116,896	348	117,244	100,781	1,472	102,253
Professional fees	636,694	237,590	874,284	590,810	181,635	772,445
Occupancy	274,831	69,211	344,042	261,897	83,604	345,501
Diocesan assessment	1,400,000	-	1,400,000	1,437,000	-	1,437,000
Operating lease right of use asset	143,464	14,810	158,274	130,263	-	130,263
Office	94,376	47,381	141,757	45,139	86,874	132,013
Dues, fees and memberships	3,952	2,783	6,735	2,241	1,855	4,096
Travel and seminars	31,102	7,436	38,538	26,592	10,642	37,234
Interest	-	109,210	109,210	5,774	-	5,774
Miscellaneous	33,757	6,623	40,380	10,226	8,082	18,308
Postage	51,209	17,668	68,877	39,861	11,444	51,305
Bereavement services	-	60,285	60,285	-	-	-
	<u>9,486,637</u>	<u>1,852,462</u>	<u>11,339,099</u>	<u>7,675,864</u>	<u>1,463,003</u>	<u>9,138,867</u>
Total expenses before depreciation						
Depreciation	<u>375,431</u>	<u>10,577</u>	<u>386,008</u>	<u>281,127</u>	<u>-</u>	<u>281,127</u>
Total expenses	<u>\$ 9,862,068</u>	<u>\$ 1,863,039</u>	<u>\$ 11,725,107</u>	<u>\$ 7,956,991</u>	<u>\$ 1,463,003</u>	<u>\$ 9,419,994</u>

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

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**STATEMENTS OF CASH FLOWS**

**For the years ended June 30,**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,755,721	\$ (746,107)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	386,008	281,127
Bad debt (recovery) expense, net	(87,913)	82,445
Net (appreciation) depreciation in fair value of investments	(730,310)	2,157,755
(Increase) decrease in assets:		
Cemeteries and other accounts receivable, net	1,373,159	(2,084,504)
Prepaid expenses and other assets	18,733	(4,782)
Inventory	210,708	(2,230,281)
(Decrease) Increase in liabilities:		
Accounts payable and accrued expenses	(1,122,162)	1,119,180
Deferred revenue	(1,936,304)	2,152,424
	<b>867,640</b>	<b>727,257</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(3,000,891)	(1,209,537)
Proceeds from sales of investments	399,992	-
Purchases of property and equipment	(2,368,886)	(960,447)
	<b>(4,969,785)</b>	<b>(2,169,984)</b>
<b>Cash flow from financing activities:</b>		
Borrowings on note payable	3,991,000	499,000
Repayments on note payable	(416,789)	-
	<b>3,574,211</b>	<b>499,000</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(527,934)</b>	<b>(943,727)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>1,183,514</b>	<b>2,127,241</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 655,580</b>	<b>\$ 1,183,514</b>
<b>Supplementary information:</b>		
Cash paid for interest on indebtedness	<b>\$ 109,210</b>	<b>\$ 5,774</b>

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

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**NOTE 1 - ORGANIZATION**

On July 1, 2021, The Bridgeport Roman Catholic Diocesan Corporation, Inc. (the "Diocese") established a single member limited liability company, named Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC ("Catholic Cemeteries"). Prior to July 1, 2021, Catholic Cemeteries operated as a function and department of the Diocese. Catholic Cemeteries is wholly owned by its Member, the Diocese, and its named Manager is the Bishop of the Diocese. Catholic Cemeteries has a Board of Directors that oversees, administers, and otherwise operates the cemetery business.

Catholic Cemeteries mission is to provide for the burial of the faithful according to the rites and disciplines of the Catholic Church and for the care and maintenance of their resting places. Catholic Cemeteries also provides advance/pre-planning needs and bereavement programs for those in need.

The Diocese is a Connecticut not-for-profit, religious non-stock corporation formed in 1953 and since inception has provided cemetery services to the Catholics in Fairfield County.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting and Presentation***

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

***Classifications of Net Assets***

Catholic Cemeteries reports its net assets and changes therein based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Operations

Consist of resources available for the general support of Catholic Cemeteries' operations, which may be used at the discretion of management and the Bishop of the Roman Catholic Diocese of Bridgeport.

Perpetual Care and Maintenance

These net assets consist of assets subject to legal, contractual or internal imposed limitations, that they be segregated and used for the perpetual care and maintenance of cemetery property.

The State of Connecticut requires the establishment of a fund for the perpetual care and maintenance of each mausoleum, columbarium and sale of each crypt or niche. Catholic Cemeteries deposits amounts into the perpetual care fund that equal or exceed the amounts required by the State of Connecticut. Additionally, Catholic Cemeteries designates and deposits 10% of each sale of grave burial and entombment rights into this perpetual care fund, which is not mandated by the State of Connecticut.

Additionally, certain contracts for private estates established specific amounts to be designated for individual perpetual care needs.

Such funds are classified as without donor restrictions committed to perpetual care and maintenance within the accompanying statement of financial position. These funds were not contributions; therefore, they are not donor restricted under US GAAP.

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Net Assets With Donor Restrictions - net assets subject to the following donor-imposed stipulations:

- Some donor restrictions are temporary in nature that either expire with the passage of time or can be fulfilled by the actions of Catholic Cemeteries pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period, such amounts are reported as part of net assets without donor restrictions.
- Other donor restrictions consist of funds that are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity and the income be used for specific or general purposes.

As of June 30, 2023 and 2022 Catholic Cemeteries did not have any net assets with donor restrictions.

***Cash and Cash Equivalents***

Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days from the date of purchase.

***Investments***

Investments in equity and debt securities with readily determinable fair values are recorded at fair value determined on the basis of quoted market values as of the reporting date. All investments are managed by outside investment advisors subject to the review, approval, and oversight of a Diocesan entity wide committee.

Purchases and sales of securities are recorded on the trade-date basis. Dividends and interest are recognized as earned. Realized and unrealized gains include Catholic Cemeteries gains and losses on investments purchased and sold as well as held during the year.

***Fair Value Measurements***

Catholic Cemeteries follows guidance which establishes a framework for measuring fair value, and expands disclosures about fair value measurements and provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The guidance also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the reporting entity. Catholic Cemeteries considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Catholic Cemeteries perceived risk of that instrument.

Catholic Cemeteries policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

***Cemetery Inventory***

Catholic Cemeteries inventory, which represents the cost of each unsold space, is stated at the lower of cost (computed based on the allocation of total costs incurred in the construction of the mausoleums) or market. As sales are recognized, inventory is reduced by the cost of the space sold.

Catholic Cemeteries inventory consists of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Crypts	\$ 4,206,914	\$ 1,235,165
Niches	450,908	537,457
Construction in progress (Mausoleum)	<u>653,176</u>	<u>3,749,164</u>
 Total investments, at fair value	 <u>\$ 5,310,998</u>	 <u>\$ 5,521,706</u>

Many land graves were acquired by the Diocese when formed in 1953 and within certain cemeteries that were established years before, which inventory values are considered de minimis.

***Property, Buildings and Equipment***

Property acquisitions and improvements are stated at cost, or in the case of donations, at fair value as determined on the date of gift. Additions and improvements that exceed \$2,500 and with useful lives greater than five years are capitalized and depreciated on a straight-line basis over the following estimated useful lives:

Furniture and fixtures	10 years
Vehicles, computers and other equipment	5 - 12 years
Buildings and related improvements	30 - 40 years
Land improvements	30 years

Repairs and maintenance are charged to expense as incurred. Property acquired under capital lease arrangements is capitalized and amortized over the useful life of the related asset or the lease term, whichever is shorter.

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**Leases**

Catholic Cemeteries adopted Accounting Standards Update 2016-02, *Leases (Topic 842)* as of July 1, 2022. Catholic Cemeteries elected the modified retrospective transition method and did not restate prior comparative periods. After the adoption of this standard, Catholic Cemeteries determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether Catholic Cemeteries controls the use of the identified asset throughout the period of use. Catholic Cemeteries classifies leases as either financing or operating. Right-of-use ("ROU") assets are recognized at the lease commencement date and represent Catholic Cemeteries' right to use an underlying asset for the lease term and lease liabilities represent Catholic Charities obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments are discounted based on the risk-free rate. Expenses related to leases determined to be operating leases are recognized on a straight-line basis, while those determined to be finance leases are recognized following a front-loaded expense pattern in which interest and amortization are presented separately in the income statement. Operating leases are presented separately as operating lease ROU assets and operating lease liabilities in the statement of financial position. Catholic Cemeteries does not have any financing leases.

Catholic Cemeteries elected certain practical expedients permitted under the standard's transition guidance. The practical expedients eliminate the need to reassess the lease classification of expired or existing leases, the need to assess whether any expired or existing contracts are or contain leases, the need to separately assess lease and non-lease components, and the need to reassess initial direct costs for any existing leases. Catholic Cemeteries also elected the short-term lease practical expedient, and accordingly, does not record ROU lease assets or lease liabilities with terms less than 12 months. In addition, Catholic Cemeteries utilized the portfolio approach to group leases with similar characteristics.

Catholic Cemeteries' adoption of this standard on July 1, 2022 resulted in the recording of an initial ROU operating lease asset and liability each totaling \$12,417 (see Note 9 for additional information).

**Deferred Revenue**

Amounts collected and related receivables for cemetery sales where the related performance obligation has not yet been completed as of year-end are reflected within deferred revenue on the statement of financial position and are subsequently reflected in the statement of activities during the period in which they apply and are earned. As of June 30, 2023 and 2022, \$186,912 and \$1,025,130, respectively, are within deferred revenue pertaining to cemetery revenues and are also included in accounts receivable, net.

**Revenue Recognition**

Catholic Cemeteries recognizes revenue when control of the promised goods or services are transferred to Catholic Cemeteries' customers in an amount that reflects the consideration Catholic Cemeteries expects to be entitled to in exchange for those goods or services. Catholic Cemeteries has identified revenues from burial rights and other cemetery sales and rental income as the primary revenue categories subject to this guidance.

Payments received in advance of Catholic Cemeteries satisfying its performance obligations are recorded within deferred revenue in the statement of financial position. The changes in deferred revenue were caused by normal timing differences between the satisfaction of performance obligations and customer payments. Catholic Cemeteries' contracts with customers generally contain terms that are less than two years. Accordingly, Catholic Cemeteries elected the practical expedients to not assess whether a contract has a significant financing component or disclose the information regarding the remaining performance obligations for contracts with customers.

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***Contributions***

Catholic Cemeteries recognizes revenues from contributions in accordance with guidance requiring Catholic Cemeteries to evaluate whether (1) transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional.

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are expected to be received after one year are discounted to reflect the present value of future cash flows using a credit adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on an assessment of the creditworthiness of the respective donor. Contributions are written off when determined to be uncollectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

Intentions to give under various wills and trust agreements are recorded as bequests receivable when Catholic Cemeteries has an irrevocable right to the bequest and the proceeds are measurable.

***Cemeteries Revenues***

Catholic Cemeteries sell rights to interment and entombment on retail installment agreements generally of not more than two-year's duration, without interest. These amounts are recognized as revenue at the point in time when the contract is executed. Other specific revenues generated from sales of pre-construction mausoleums are deferred until the construction is completed and corresponding mausoleum is available for use, at which time the corresponding revenue is recognized. Revenues related to the sales of cemetery merchandise or cemetery burial site openings and closings are recorded at the point in time of delivery or performance of the related services.

A portion of revenue from sales is invested, at an amount determined by management that meets or exceeds what is required by Connecticut regulations and, together with the investment income therefrom, is available for perpetual care and maintenance of cemetery properties. The value of the investments in this discretionary account totaled \$7,684,482 and \$6,388,534, as of June 30, 2023 and 2022, respectively.

In addition, owners of private property improvements (private mausoleums, estate walls, etc.) at the cemeteries provided additional funds at the time of purchase that are required to be held by Catholic Cemeteries in a separate investment account and invested in perpetuity. Investment income therefrom, is available for care and maintenance for those specific property improvements. The value of the investments for owners of private property improvements totaled \$2,830,905 and \$2,532,512 as of June 30, 2023 and 2022, respectively.

Cemeteries and other accounts receivable are shown net of an allowance of \$373,508 and \$509,856 as of June 30, 2023 and 2022, respectively. These receivables are all due within two years.

***Rental Income***

Catholic Cemeteries leases a residence on cemetery grounds under a short-term lease and recognizes rental income ratably over the lease term. The lease agreement is executed on an annual basis.

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***Functional Expense Allocation***

Expenses are charged directly to Catholic Cemeteries program services and management and general based on specific identification, to the extent practicable. Expenses related to more than one function have been allocated using reasonable ratios, as determined by management, amongst the programs and supporting services benefited. Those expenses include personnel costs, insurance, professional fees, occupancy, operations and office. Management and general expenses include those expenses that are not directly identifiable with a specific function but provide for the overall support and direction of Catholic Cemeteries.

***Operating Measure***

Catholic Cemeteries classifies its statements of activities into operating and nonoperating activities. Operating activities principally include all income and expenses related to carrying out Catholic Cemeteries' mission. Nonoperating activities include investment gains (losses), net, contributions from the Diocese, contributions to the lay pension fund and other Diocesan entities, bad debt expense, net, miscellaneous non-operating income, and other activities considered to be of a more unusual or nonrecurring nature, if any.

***Use of Estimates***

The preparation of the financial statements in conformity with US GAAP 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 statement of financial position and the reported amounts of revenues and expenses during the reporting period. The most significant management judgments and estimates used in the preparation of the financial statements relate to the determination of depreciation, provision for operating accruals, bad debts, and costs of burial rights. Actual results could differ from those estimates.

***Concentration of Market and Credit Risks***

Cash, cash equivalents and investments are exposed to interest rate, market, and credit risks. Catholic Cemeteries maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, Catholic Cemeteries' cash accounts are placed with high-credit quality financial institutions, and Catholic Cemeteries' investment portfolio is diversified with several investment managers in a variety of asset classes. Catholic Cemeteries regularly evaluates its depository arrangements and investments, including performance thereof.

***Income Taxes***

Catholic Cemeteries recognizes an individual tax position in its financial statements based upon whether the tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Catholic Cemeteries has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of June 30, 2023 and 2022, management has determined that Catholic Cemeteries has no material uncertain tax positions that would require recognition or disclosure in its financial statements.

In an annually updated ruling, the Internal Revenue Service has held that agencies, instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in "The Official Catholic Directory" are exempt from federal income tax under provisions of Section 501(c)(3) of the Internal

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Revenue Code. Catholic Cemeteries is listed in “The Official Catholic Directory” and therefore is exempt from income tax. Accordingly, the accompanying financial statements reflect no provision for income taxes.

***Liquidity and Availability***

Catholic Cemeteries’ working capital and cash flows have cyclical variations during the year attributable to the cash receipts for revenue from cemetery sales, operations allocations and rental income.

Total financial assets available to meet cash needs for general expenditures as of June 30, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	\$ 655,580	\$ 1,183,514
Accounts receivable, net, due within one year	1,645,032	2,287,215
Financial assets as of fiscal year end available to meet needs for general expenditures	\$ 2,300,612	\$ 3,470,729

***Reclassifications***

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications have no effect on previously reported total assets, liabilities, or change in net assets.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable, net, consist of the following payments due at June 30:

	2023	2022
2024	\$ 1,987,385	\$ 2,665,838
2025	180,859	924,000
	2,168,244	3,589,838
Less: provision for doubtful accounts	(373,508)	(509,856)
	\$ 1,794,736	\$ 3,079,982

**NOTE 4 - INVESTMENTS**

As of June 30, investments, at fair value, by fair value hierarchy level (all Level 1), consist of the following:

Description	2023	2022
U.S. Treasury Bills (maturity greater than 90 days)	\$ 1,736,868	\$ -
Bond mutual funds	2,364,421	2,203,348
Equity mutual funds	8,150,966	6,717,698
Total investments, at fair value	\$ 12,252,255	\$ 8,921,046

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Investment gains (losses), net, consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Interest and dividend, net	\$ 383,492	\$ 479,537
Unrealized gains (losses)	735,865	(2,148,515)
Realized losses	-	(4,534)
Investment fees	<u>(5,555)</u>	<u>(4,182)</u>
Investment gains (losses), net	<u>\$ 1,113,802</u>	<u>\$ (1,677,694)</u>

**NOTE 5 - PROPERTY, BUILDINGS AND EQUIPMENT, NET**

Property, buildings and equipment, net, consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 136,508	\$ 80,661
Vehicles, computers, and other equipment	3,021,042	2,756,424
Buildings and improvements	<u>10,003,339</u>	<u>8,898,890</u>
	13,160,889	11,735,975
Less: accumulated depreciation	<u>(9,518,090)</u>	<u>(9,132,082)</u>
	3,642,799	2,603,893
Construction in progress	-	89,373
Land improvements	5,850,550	4,817,205
Land	<u>1,863,821</u>	<u>1,863,821</u>
Property, buildings and equipment, net	<u>\$ 11,357,170</u>	<u>\$ 9,374,292</u>

**NOTE 6 - NOTE PAYABLE**

On December 16, 2020, Catholic Cemeteries obtained a construction loan totaling \$4.5 million, with a fixed interest rate of 3.25%, to be utilized for the construction of a mausoleum in Trumbull, Connecticut. The construction commenced in December 2020 with the initial projected completion by the summer of 2021. The mausoleum was completed and a "Certificate of Occupancy" was received during December 2022. The loan has a total term of 84 months with the initial 24 months pertaining to the construction phase, followed by a 60-month permanent term. During the construction phase interest only payments are due, with the remaining permanent term requiring principal and interest payments. Catholic Cemeteries was in compliance with the terms of the loan at June 30, 2023 and 2022 or received a waiver. As of June 30, 2023 and 2022, the outstanding balance on this loan totaled \$4,083,211 and \$509,000, respectively.

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Scheduled payments due on note payable as of June 30, 2023 are as follows:

2024	\$ 855,111
2025	884,336
2026	913,920
2027	944,494
2028	<u>485,350</u>
Total	<u>\$ 4,083,211</u>

**NOTE 7 - DEFINED CONTRIBUTION PLANS**

Catholic Cemeteries participates in a Diocese maintained defined contribution 401(a) thrift plan covering all lay employees of Catholic Cemeteries working at least 30 hours per week who meet the eligibility requirements of one year of service and 21 years of age. Contributions are based on years of service to Diocesan entities at rates of 3% and 5% after the one-year eligibility period. Catholic Cemeteries' contributions totaled approximately \$191,000 and \$175,000 for the years ended June 30, 2023 and 2022, respectively.

Catholic Cemeteries also provides for a non-contributory 403(b) salary reduction plan for all employees who wish to participate. Catholic Cemeteries does not make employer contributions to the 403(b) plan.

**NOTE 8 - DEFINED BENEFIT PLAN**

Catholic Cemeteries participates in the Bridgeport Diocesan Pension Plan (the "Lay Plan"), a multiemployer, defined benefit plan sponsored by the Roman Catholic Diocese of Bridgeport. The Lay Plan covers lay employees of Catholic Cemeteries and other Diocesan entities who worked at least 20 hours per week and met the eligibility requirements of three years of continuous service and 30 years of age on or before July 2, 2008. Effective July 31, 2010, pension benefits under the plan were frozen. No additional benefits will be earned by participants for services rendered after that date. Pension benefits are based on years of service and average compensation over a five-year period during the last 10 years of employment prior to July 31, 2010.

Due to the nature of the Lay Plan, it is not practicable to determine the extent to which the assets of the Lay Plan cover the actuarially computed value of vested benefits for the Catholic Cemeteries on a standalone basis. In addition, because the Lay Plan is considered to be a multi-employer plan, it is only subject to certain minimum reporting requirements. Pension expense allocated to Catholic Cemeteries for the Lay Plan for the years ended June 30, 2023 and 2022 amounted to \$97,500 and \$94,600, respectively, and is expected to approximate \$122,000 for the year ended June 30, 2024. Additionally, Catholic Cemeteries contributed an additional \$500,000 and \$250,000 to the lay plan for the years ended June 30, 2023 and 2022, respectively, and expects to contribute an additional \$350,000 for the year ended June 30, 2024, to fund the accumulated benefit obligation.

The Lay Plan is considered a church plan and is therefore exempt from the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. At June 30, 2023 and 2022 the date of the most recent valuation, the Lay Plan's projected benefit obligation exceeded the fair value of its assets by approximately \$60.9 million and \$71.7 million, respectively (unaudited).

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE 9 - LEASES**

Catholic Cemeteries leases an office copier and other equipment under operating leases that expire during fiscal year ending June 30, 2025.

The operating lease costs are reflected on the statements of functional expenses within office expense.

Supplemental cash flow information related to leases was as follows during the period ending June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	<u>\$ 5,388</u>
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The following table represents the weighted-average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term (expressed in years)	2.64
Weighted average discount rate	2.85%

Future undiscounted lease payments for the Catholic Cemeteries operating lease liabilities are as follows as of June 30, 2023:

2024	\$ 4,843
2025	<u>2,720</u>
Total future lease payments	7,563
Less: imputed interest	<u>(262)</u>
Present value of lease liabilities	<u>\$ 7,301</u>

**NOTE 10 - RELATED-PARTY TRANSACTIONS**

Catholic Cemeteries participates in employee benefit and insurance programs sponsored by the Diocese of Bridgeport for all Diocesan entities and the Diocese of Bridgeport provided office space to Catholic Cemeteries until January 2023 when cemetery operations moved to a new office facility.

Expenses for these programs and services were as follows for the years ended June 30:

	2023	2022
Employee benefit and insurance programs	\$ 441,612	\$ 435,829
Office space and related services	<u>48,769</u>	<u>83,604</u>
Total expenses	<u>\$ 490,381</u>	<u>\$ 519,433</u>

**Fairfield County Catholic Cemeteries of the Diocese of Bridgeport LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE 11 - COMMITMENTS**

Catholic Cemeteries, in the normal course of its operations, may be a party to various legal proceedings and complaints, some of which are covered by insurance. Management of Catholic Cemeteries is not aware of any claims or contingencies which are not covered by insurance that would have a material adverse effect on the Catholic Cemeteries financial statements.

During February 2022, Catholic Cemeteries executed a mausoleum construction contract for approximately \$571,000. Subsequent change orders increased this total to approximately \$775,000. Construction commenced in March 2022. Construction was completed and a temporary "Certificate of Occupancy" was received during November 2023. The final "Certificate of Occupancy" is expected in January 2024.

During May 2023, Catholic Cemeteries entered into an agreement with a Diocesan parish to construct a Cremation Garden on the parish grounds. The parish will pay for the cost of the construction and will recapture this cost based on a revenue sharing agreement between both parties. Catholic Cemeteries will also manage all administrative and sales processes required for all interments. This project was completed in December 2023.

**NOTE 12 - SUBSEQUENT EVENTS**

Catholic Cemeteries evaluated its June 30, 2023 financial statements for subsequent events through December 22, 2023, the date the financial statements were available to be issued. Catholic Cemeteries is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.