

PROPRIETORS OF THE CEMETERY OF

MOUNT AUBURN

FINANCIAL STATEMENTS

For the Years Ended March 31, 2017 and 2016

**PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN**

**TABLE OF CONTENTS**

|  |      |
|--|------|
| INDEPENDENT AUDITOR'S REPORT.....  | 1-2  |
| FINANCIAL STATEMENTS   |      |
| Statements of Financial Position.....                                      | 3    |
| Statements of Activities and Changes in Net Assets.....                    | 4-5  |
| Statements of Changes in Net Assets of the Endowment. ....                 | 6-7  |
| Statements of Cash Flows.....  | 8    |
| Notes to Financial Statements.....   | 9-22 |
| SUPPLEMENTARY INFORMATION  |      |
| Schedules of Unrestricted Operations Support,<br>Revenue and Expenses..... | 23   |
| Schedules of Operating Expenses.....                                       | 24   |

**INDEPENDENT AUDITOR'S REPORT**

To the Trustees of the  
Proprietors of the Cemetery of Mount Auburn  
Cambridge, Massachusetts

We have audited the accompanying financial statements of the Proprietors of the Cemetery of Mount Auburn (a nonprofit organization), which comprise the *statements of financial position* as of March 31, 2017 and 2016, and the related *statements of activities and changes in net assets, changes in net assets of the endowment and cash flows* for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proprietors of the Cemetery of Mount Auburn as of March 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of unrestricted operations support, revenue and expenses along with the schedules of operating expenses on pages 23 and 24 is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Morgan + Morgan, P.C.*

Hingham, Massachusetts  
August 29, 2017

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

STATEMENTS OF FINANCIAL POSITION

As of March 31,

|   | <u>2017</u>           | <u>2016</u>           |
|---|-----------------------|-----------------------|
| ASSETS  |                       |                       |
| CURRENT ASSETS :                                      |                       |                       |
| Cash and cash equivalents                             | \$ 1 729 786          | \$ 2 003 761          |
| Accounts receivable - interment space                 | 1 397 900             | 1 433 403             |
| Accounts receivable - employees                       | 4 231                 | 8 156                 |
| Prepaid expenses                                      | 233 505               | 110 786               |
| Due from Friends of Mount Auburn Cemetery             | 28 096                | 36 723                |
| Pledges receivable - Friends of Mount Auburn Cemetery | 2 860                 | 19 800                |
| Supplies inventory                                    | <u>21 739</u>         | <u>20 751</u>         |
| TOTAL CURRENT ASSETS                                  | 3 418 117             | 3 633 380             |
| LONG-TERM INVESTMENTS, AT FAIR VALUE                  | 174 155 607           | 162 038 153           |
| INTERMENT SPACE INVENTORY                             | 2 330 059             | 2 452 156             |
| PLEDGES RECEIVABLE - Friends of Mount Auburn Cemetery | -                     | 3 089                 |
| NET PROPERTY AND EQUIPMENT                            | 25 603 538            | 23 167 833            |
| OTHER ASSETS:   |                       |                       |
| Prepaid pension                                       | <u>32 702</u>         | <u>18 930</u>         |
| TOTAL ASSETS  | <u>\$ 205 540 023</u> | <u>\$ 191 313 541</u> |
| LIABILITIES AND NET ASSETS                            |                       |                       |
| CURRENT LIABILITIES :                                 |                       |                       |
| Accounts payable                                      | \$ 549 083            | \$ 177 775            |
| Accrued expenses                                      | 444 270               | 402 943               |
| Deferred revenue                                      | 16 259                | 19 754                |
| Pension liability                                     | <u>493 850</u>        | <u>537 613</u>        |
| TOTAL CURRENT LIABILITIES                             | 1 503 462             | 1 138 085             |
| LONG TERM LIABILITIES :                               |                       |                       |
| Deferred revenue                                      | 15 731                | 24 317                |
| External financing obligation                         | 4 800 000             | 4 800 000             |
| Pension liability                                     | <u>4 756 983</u>      | <u>6 515 049</u>      |
| TOTAL LONG TERM LIABILITIES                           | 9 572 714             | 11 339 366            |
| TOTAL LIABILITIES                                     | 11 076 176            | 12 477 451            |
| NET ASSETS :  |                       |                       |
| Unrestricted  |                       |                       |
| For current operations                                | 20 308 240            | 16 797 937            |
| Funds functioning as endowment                        | <u>27 784 782</u>     | <u>29 179 011</u>     |
| Total unrestricted                                    | 48 093 022            | 45 976 948            |
| Permanently restricted                                | <u>146 370 825</u>    | <u>132 859 142</u>    |
| TOTAL NET ASSETS                                      | <u>194 463 847</u>    | <u>178 836 090</u>    |
| TOTAL LIABILITIES AND NET ASSETS                      | <u>\$ 205 540 023</u> | <u>\$ 191 313 541</u> |

See accompanying notes.

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended March 31, 2017

|   | UNRESTRICTED         |                      |                      | Permanently<br>Restricted | TOTAL                 |
|---|----------------------|----------------------|----------------------|---------------------------|-----------------------|
|   | Operations           | Endowment            | TOTAL                |                           |                       |
| SUPPORT AND REVENUE :   |                      |                      |                      |                           |                       |
| Interment space sales - net of development<br>costs and appropriation for cost of sales | \$ 2 312 703         | \$ - -               | \$ 2 312 703         | \$ - -                    | \$ 2 312 703          |
| Perpetual care contracts  | 36 255               | - -                  | 36 255               | - -                       | 36 255                |
| Service fees  | 2 633 757            | - -                  | 2 633 757            | - -                       | 2 633 757             |
| Contributions and grants  | 1 618 350            | - -                  | 1 618 350            | - -                       | 1 618 350             |
| Investment return designated for<br>current operations, net of investment fees          | 7 493 908            | - -                  | 7 493 908            | - -                       | 7 493 908             |
| Miscellaneous income  | 272 762              | - -                  | 272 762              | - -                       | 272 762               |
| <b>TOTAL SUPPORT AND REVENUE</b>  | <b>14 367 735</b>    | <b>- -</b>           | <b>14 367 735</b>    | <b>- -</b>                | <b>14 367 735</b>     |
| EXPENSES :  |                      |                      |                      |                           |                       |
| Administration  | 1 619 083            | - -                  | 1 619 083            | - -                       | 1 619 083             |
| Cemetery & Visitor Services   | 820 316              | - -                  | 820 316              | - -                       | 820 316               |
| Cemetery Operations   | 940 853              | - -                  | 940 853              | - -                       | 940 853               |
| Horticulture  | 1 659 773            | - -                  | 1 659 773            | - -                       | 1 659 773             |
| Preservation & Facilities   | 778 054              | - -                  | 778 054              | - -                       | 778 054               |
| Corporate Overhead  | 4 146 166            | - -                  | 4 146 166            | - -                       | 4 146 166             |
| <b>TOTAL EXPENSES</b>   | <b>9 964 245</b>     | <b>- -</b>           | <b>9 964 245</b>     | <b>- -</b>                | <b>9 964 245</b>      |
| EXCESS OF SUPPORT<br>AND REVENUE OVER EXPENSES  | 4 403 490            | - -                  | 4 403 490            | - -                       | 4 403 490             |
| NONOPERATING ACTIVITIES :   |                      |                      |                      |                           |                       |
| Change in pension liability   | 1 815 601            | - -                  | 1 815 601            | - -                       | 1 815 601             |
| Endowment net change during the year  | (2 708 788)          | (1 394 229)          | (4 103 017)          | 13 511 683                | 9 408 666             |
| <b>TOTAL NONOPERATING ACTIVITIES</b>  | <b>(893 187)</b>     | <b>(1 394 229)</b>   | <b>(2 287 416)</b>   | <b>13 511 683</b>         | <b>11 224 267</b>     |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>  | <b>3 510 303</b>     | <b>(1 394 229)</b>   | <b>2 116 074</b>     | <b>13 511 683</b>         | <b>15 627 757</b>     |
| NET ASSETS, BEGINNING   | 16 797 937           | 29 179 011           | 45 976 948           | 132 859 142               | 178 836 090           |
| NET ASSETS, ENDING  | <u>\$ 20 308 240</u> | <u>\$ 27 784 782</u> | <u>\$ 48 093 022</u> | <u>\$ 146 370 825</u>     | <u>\$ 194 463 847</u> |

See accompanying notes.

**PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**For the Year Ended March 31, 2016**

|  | UNRESTRICTED         |                      |                      | Permanently           |                       |
|--|----------------------|----------------------|----------------------|-----------------------|-----------------------|
|  | Operations           | Endowment            | TOTAL                | Restricted            | TOTAL                 |
| SUPPORT AND REVENUE :  |                      |                      |                      |                       |                       |
| Interment space sales - net of development costs and appropriation for cost of sales | \$ 2 093 274         | \$ - -               | \$ 2 093 274         | \$ - -                | \$ 2 093 274          |
| Perpetual care contracts   | 52 509               | - -                  | 52 509               | - -                   | 52 509                |
| Service fees   | 2 585 191            | - -                  | 2 585 191            | - -                   | 2 585 191             |
| Contributions and grants   | 1 549 486            | - -                  | 1 549 486            | - -                   | 1 549 486             |
| Investment return designated for current operations, net of investment fees          | 6 328 384            | - -                  | 6 328 384            | - -                   | 6 328 384             |
| Miscellaneous income   | 279 603              | - -                  | 279 603              | - -                   | 279 603               |
| <b>TOTAL SUPPORT AND REVENUE</b>   | <b>12 888 447</b>    | <b>- -</b>           | <b>12 888 447</b>    | <b>- -</b>            | <b>12 888 447</b>     |
| EXPENSES :   |                      |                      |                      |                       |                       |
| Administration   | 1 386 837            | - -                  | 1 386 837            | - -                   | 1 386 837             |
| Cemetery & Visitor Services  | 775 752              | - -                  | 775 752              | - -                   | 775 752               |
| Cemetery Operations  | 930 191              | - -                  | 930 191              | - -                   | 930 191               |
| Horticulture   | 1 573 607            | - -                  | 1 573 607            | - -                   | 1 573 607             |
| Preservation & Facilities  | 806 216              | - -                  | 806 216              | - -                   | 806 216               |
| Corporate Overhead   | 4 063 718            | - -                  | 4 063 718            | - -                   | 4 063 718             |
| <b>TOTAL EXPENSES</b>  | <b>9 536 321</b>     | <b>- -</b>           | <b>9 536 321</b>     | <b>- -</b>            | <b>9 536 321</b>      |
| EXCESS OF SUPPORT AND REVENUE OVER EXPENSES  | 3 352 126            | - -                  | 3 352 126            | - -                   | 3 352 126             |
| NONOPERATING ACTIVITIES :  |                      |                      |                      |                       |                       |
| Change in pension liability  | ( 100 193)           | - -                  | ( 100 193)           | - -                   | ( 100 193)            |
| Endowment net change during the year   | (1 963 263)          | (5 797 601)          | (7 760 864)          | ( 602 907)            | (8 363 771)           |
| <b>TOTAL NONOPERATING ACTIVITIES</b>   | <b>(2 063 456)</b>   | <b>(5 797 601)</b>   | <b>(7 861 057)</b>   | <b>( 602 907)</b>     | <b>(8 463 964)</b>    |
| INCREASE (DECREASE) IN NET ASSETS  | 1 288 670            | (5 797 601)          | (4 508 931)          | ( 602 907)            | (5 111 838)           |
| NET ASSETS, BEGINNING  | 15 509 267           | 34 976 612           | 50 485 879           | 133 462 049           | 183 947 928           |
| NET ASSETS, ENDING   | <b>\$ 16 797 937</b> | <b>\$ 29 179 011</b> | <b>\$ 45 976 948</b> | <b>\$ 132 859 142</b> | <b>\$ 178 836 090</b> |

See accompanying notes.

**PROPRIETORS OF THE CEMETERY OF MOUNTAUBURN**  
**STATEMENT OF CHANGES IN NET ASSETS OF THE ENDOWMENT**

**For the Year Ended March 31, 2017**

| Description  | UNRESTRICTED |               |               | Permanently<br>Restricted | TOTAL          |
|--|--------------|---------------|---------------|---------------------------|----------------|
|  | Operations   | Endowment     | TOTAL         |                           |                |
| INVESTMENT RETURN :                                    |              |               |               |                           |                |
| Investment income                                      | \$ 229       | \$ 539 334    | \$ 539 563    | \$ 1 495 945              | \$ 2 035 508   |
| Realized gain (loss)                                   | - -          | 533 422       | 533 422       | 1 479 544                 | 2 012 966      |
| Unrealized gain (loss)                                 | - -          | 3 480 510     | 3 480 510     | 9 653 839                 | 13 134 349     |
| GROSS INVESTMENT RETURN                                | 229          | 4 553 266     | 4 553 495     | 12 629 328                | 17 182 823     |
| Less: Investment fees                                  | - -          | ( 74 264)     | ( 74 264)     | ( 205 985)                | ( 280 249)     |
| NET INVESTMENT RETURN                                  | 229          | 4 479 002     | 4 479 231     | 12 423 343                | 16 902 574     |
| TRANSFERS BETWEEN NET ASSETS :                         |              |               |               |                           |                |
| Interment space sales                                  | (2 672 533)  | 1 555 270     | (1 117 263)   | 1 117 263                 | - -            |
| Perpetual care contracts                               | ( 36 255)    | - -           | ( 36 255)     | 36 255                    | - -            |
| Net investment return                                  | 88 676       | ( 23 498)     | 65 178        | ( 65 178)                 | - -            |
| Net realized and unrealized gain used for Operations   | 7 405 003    | (7 405 003)   | - -           | - -                       | - -            |
| TOTAL TRANSFERS BETWEEN NET ASSETS                     | 4 784 891    | (5 873 231)   | (1 088 340)   | 1 088 340                 | - -            |
| INVESTMENT RETURN DESIGNATED FOR<br>CURRENT OPERATIONS | (7 493 908)  | - -           | (7 493 908)   | - -                       | (7 493 908)    |
| ENDOWMENT NET CHANGE DURING THE YEAR                   | (2 708 788)  | (1 394 229)   | (4 103 017)   | 13 511 683                | 9 408 666      |
| TRANSFERS BETWEEN GENERAL OPERATING<br>ACCOUNT:        |              |               |               |                           |                |
| Interment space sales                                  | 2 672 533    | - -           | 2 672 533     | - -                       | 2 672 533      |
| Perpetual care contracts                               | 36 255       | - -           | 36 255        | - -                       | 36 255         |
| TOTAL TRANSFERS BETWEEN GENERAL<br>OPERATING ACCOUNT   | 2 708 788    | - -           | 2 708 788     | - -                       | 2 708 788      |
| NET CHANGE DURING THE YEAR                             | - -          | (1 394 229)   | (1 394 229)   | 13 511 683                | 12 117 454     |
| NET ASSETS, BEGINNING                                  | - -          | 29 179 011    | 29 179 011    | 132 859 142               | 162 038 153    |
| NET ASSETS, ENDING                                     | \$ - -       | \$ 27 784 782 | \$ 27 784 782 | \$ 146 370 825            | \$ 174 155 607 |

See accompanying notes



**PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN**  
**STATEMENT OF CHANGES IN NET ASSETS OF THE ENDOWMENT**

For the Year Ended March 31, 2016

| Description  | UNRESTRICTED |               |               | Permanently<br>Restricted | TOTAL          |
|--|--------------|---------------|---------------|---------------------------|----------------|
|  | Operations   | Endowment     | TOTAL         |                           |                |
| INVESTMENT RETURN :                                    |              |               |               |                           |                |
| Investment income                                      | \$ 68        | \$ 864 138    | \$ 864 206    | \$ 2 396 848              | \$ 3 261 054   |
| Realized gain (loss)                                   | - -          | 519 714       | 519 714       | 1 441 522                 | 1 961 236      |
| Unrealized gain (loss)                                 | - -          | (1 857 834)   | (1 857 834)   | (5 153 048)               | (7 010 882)    |
| GROSS INVESTMENT RETURN                                | 68           | ( 473 982)    | ( 473 914)    | (1 314 678)               | (1 788 592)    |
| Less: Investment fees                                  | - -          | ( 65 399)     | ( 65 399)     | ( 181 396)                | ( 246 795)     |
| NET INVESTMENT RETURN                                  | 68           | ( 539 381)    | ( 539 313)    | (1 496 074)               | (2 035 387)    |
| TRANSFERS BETWEEN NET ASSETS :                         |              |               |               |                           |                |
| Interment space sales                                  | (1 910 754)  | 1 099 699     | ( 811 055)    | 811 055                   | - -            |
| Perpetual care contracts                               | ( 52 509)    | - -           | ( 52 509)     | 52 509                    | - -            |
| Net investment return                                  | ( 40 276)    | 10 673        | ( 29 603)     | 29 603                    | - -            |
| Net realized and unrealized gain used for Operations   | 6 368 592    | (6 368 592)   | - -           | - -                       | - -            |
| TOTAL TRANSFERS BETWEEN NET ASSETS                     | 4 365 053    | (5 258 220)   | ( 893 167)    | 893 167                   | - -            |
| INVESTMENT RETURN DESIGNATED FOR<br>CURRENT OPERATIONS | (6 328 384)  | - -           | (6 328 384)   | - -                       | (6 328 384)    |
| ENDOWMENT NET CHANGE DURING THE YEAR                   | (1 963 263)  | (5 797 601)   | (7 760 864)   | ( 602 907)                | (8 363 771)    |
| TRANSFERS BETWEEN GENERAL OPERATING<br>ACCOUNT :       |              |               |               |                           |                |
| Interment space sales                                  | 1 910 754    | - -           | 1 910 754     | - -                       | 1 910 754      |
| Perpetual care contracts                               | 52 509       | - -           | 52 509        | - -                       | 52 509         |
| TOTAL TRANSFERS BETWEEN GENERAL<br>OPERATING ACCOUNT   | 1 963 263    | - -           | 1 963 263     | - -                       | 1 963 263      |
| NET CHANGE DURING THE YEAR                             | - -          | (5 797 601)   | (5 797 601)   | ( 602 907)                | (6 400 508)    |
| NET ASSETS, BEGINNING                                  | - -          | 34 976 612    | 34 976 612    | 133 462 049               | 168 438 661    |
| NET ASSETS, ENDING                                     | \$ - -       | \$ 29 179 011 | \$ 29 179 011 | \$ 132 859 142            | \$ 162 038 153 |

See accompanying notes

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

STATEMENTS OF CASH FLOWS

For the Years Ended March 31,

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                     |                     |
| Increase (decrease) in net assets  | \$ 15 627 757       | \$ (5 111 838)      |
| Adjustments to reconcile increase (decrease) in net assets to<br>net cash provided by operating activities : |                     |                     |
| Depreciation and amortization  | 787 617             | 832 785             |
| Change in pension liability  | (1 801 829)         | 105 939             |
| Gain on sale of property and equipment   | ( 11 432)           | ( 3 850)            |
| Net realized and unrealized (gain) loss on investments   | (15 147 315)        | 5 049 646           |
| Changes in operating assets and liabilities :  |                     |                     |
| (Increase) decrease in assets :  |                     |                     |
| Accounts receivable - interment space  | 35 503              | ( 8 147)            |
| Accounts receivable - employees  | 3 925               | 2 571               |
| Prepaid expenses   | ( 122 719)          | ( 6 332)            |
| Due from Friends of Mount Auburn Cemetery  | 8 627               | 4 613               |
| Pledges receivable - Friends of Mount Auburn Cemetery  | 20 029              | 20 055              |
| Supplies inventory   | ( 988)              | 4 800               |
| Interment space inventory  | 122 097             | ( 171 564)          |
| Prepaid pension  | ( 13 772)           | ( 5 746)            |
| Increase (decrease) in liabilities :   |                     |                     |
| Accounts payable   | 371 308             | ( 99 995)           |
| Accrued expenses   | 41 327              | 54 758              |
| Deferred revenue   | ( 12 081)           | ( 24 591)           |
| NET CASH PROVIDED (REQUIRED) BY<br>OPERATING ACTIVITIES  | ( 91 946)           | 643 104             |
| CASH FLOWS FROM INVESTING ACTIVITIES :   |                     |                     |
| Purchase of property and equipment   | (3 223 322)         | (1 479 278)         |
| Proceeds from sale of property and equipment   | 11 432              | 23 850              |
| Purchase of investments  | (7 233 434)         | (7 432 746)         |
| Proceeds from sale of investments  | 10 263 295          | 8 783 608           |
| NET CASH PROVIDED (REQUIRED) BY<br>INVESTING ACTIVITIES  | ( 182 029)          | ( 104 566)          |
| NET INCREASE (DECREASE) IN CASH  | ( 273 975)          | 538 538             |
| CASH AND CASH EQUIVALENTS, BEGINNING   | 2 003 761           | 1 465 223           |
| CASH AND CASH EQUIVALENTS, ENDING  | <u>\$ 1 729 786</u> | <u>\$ 2 003 761</u> |
| Cash paid for interest expense   | \$ 108 820          | \$ 93 779           |

See accompanying notes.

## PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

### NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Organizational Purpose

The Proprietors of the Cemetery of Mount Auburn (the Cemetery) is organized under Chapter 96 of the Acts of 1835 of the Massachusetts legislature as a non-profit corporation governed by the Trustees elected by the Proprietors. The Cemetery was the nation's first garden cemetery and is engaged in the development, sale and maintenance of graves, crypts, niches, and accessories and provides cemetery services, such as interments and cremations. Listed on the National Register of Historic Places and designated as a National Historic Landmark, the Cemetery is actively preserving and rehabilitating its historic buildings, monuments and collections.

##### Basis of Accounting

The Cemetery prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The statements have been prepared to focus on the Cemetery as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Unrestricted: For Current Operations - This is the Operating Fund used for the general purposes of the Cemetery.

Unrestricted: Funds Functioning As Endowment - This is the Permanent Fund which is a quasi-endowment fund, the income of which is utilized for the care, preservation, improvement and enlargement of the Cemetery, including the payment of salaries. While quasi-endowment funds have been established by the Trustees for the same purpose as endowment funds, any portion of quasi-endowment funds may be expended.

Permanently Restricted - This endowment Trust Fund is restricted for the perpetual care of individual lots and graves in the Cemetery. The principal of the Trust Fund shall not be used for any of the general purposes of the Cemetery.

##### Use of Estimates

The preparation of financial statements in conformity with 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.

##### Designation of Unrestricted Net Assets

It is the policy of the Trustees to review the Cemetery's plans for future property improvements and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements.

# PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

## NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Cemetery considers all short-term debt securities purchased with a maturity of one year or less to be cash equivalents.

#### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of aging and collections. The Cemetery considers accounts receivable to be fully collectible. Credit losses, when realized, have been within the range of the Cemetery's expectations and, historically, have not been significant.

#### Supplies Inventory

Inventories, which consist largely of materials and supplies consumed in the day to day operations of the Cemetery, are stated at lower of cost or market by the first-in, first-out method.

#### Interment Space

Costs of lots, graves, crypts, niches, benches and their development and improvement are capitalized when they are incurred and reported as projects in progress. Once the developed lots, graves, crypts, niches or benches have been completed, the costs are transferred to the appropriate category and reported as interment space inventory. Upon sale of the rights of interment, the costs are charged on a pro-rata basis to the cost of goods sold.

#### Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

#### Property and Equipment

All acquisitions of property and equipment in excess of \$10,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost, or if donated, at the fair market value at the date of the donation. Depreciation is computed using the straight-line method over their estimated useful lives. Maintenance and repairs are charged to operations when incurred.

Estimated useful lives are as follows:

|                           |              |
|---------------------------|--------------|
| Building and improvements | 5 - 40 years |
| Master plans              | 30 years     |
| Vehicles and equipment    | 3 - 10 years |
| Furniture and fixtures    | 5 - 7 years  |

# PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

## NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value of Investments

The Cemetery carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. The Cemetery also invests in real estate limited partnerships and a venture capital fund for which a quoted market value is not readily available. The fair values of these investments are based upon the most recent estimates provided by the respective investment managers. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investment existed and the differences could be material. The Cemetery reviewed and evaluated the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. The Cemetery believes that the carrying value of its alternative investments is a reasonable estimate of fair value as of March 31, 2017.

#### Endowment

The Cemetery's endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Cemetery has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Cemetery classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Cemetery in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Cemetery considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Cemetery, and (7) the Cemetery's investment policies.

The Cemetery's spending policy as approved by the Board of Trustees, is based on a calculation of the average of long-term investments for a 60-month average for 2017 and 2016.

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a qualifying expenditure occurs or a time restriction expires, temporarily restricted assets are recognized in unrestricted net assets as "net assets released from restriction" in the Statement of Activities and Changes in Net Assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as an unrestricted contribution.

Pledges Receivable

Pledges receivable represents the amount from Friends of Mount Auburn from donors who pledge future cash contributions to the Friends.

Revenues

Sales of interment space are recorded at the inception of the contract. The funds are transferred when payments are received in full and the rights of interment have been transferred. The funds generated by these sales, less development cost, are transferred as follows:

|   | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| To the Operating Fund for cost of sales | 22%         | 22%         |
| To the Trust Fund                       | 30%         | 30%         |
| To the Permanent Fund                   | Remainder   | Remainder   |

Deferred Revenue

Revenue from annual care contracts is deferred and recognized over the period to which the service is provided.

Income Taxes

The Cemetery is exempt from income taxes as a non-profit organization operating under Section 501(c)(13) of the Internal Revenue Code. It has been determined not to be a private foundation under Section 509 (a)(1). The Cemetery is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Cemetery's tax returns are subject to examination by the Internal Revenue service for the years ended March 31, 2016, 2015, and 2014.

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Environmental Remediation Costs

Future costs under environmental remediation obligations are not discounted to present value.

Advertising

Advertising costs are expensed as they are incurred.

NOTE B - INVESTMENTS

The Financial Accounting Standards Board (FASB) issued FASB ASC 820 *Fair Value Measurements and Disclosure*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

*Level 1*

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities.

*Level 2*

Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3*

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. 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.

# PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

## NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

The Cemetery's assets at March 31, 2017 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

|   | Level 1        | Level 2 | Level 3       | Fair Value     |
|---|----------------|---------|---------------|----------------|
| Long-Term Investments (Market)          |                |         |               |                |
| U.S. Common Stock                       | \$ 20 177 265  | \$ - -  | \$ - -        | \$ 20 177 265  |
| Global Common Stock                     | 70 897 268     | - -     | - -           | 70 897 268     |
| Non-U.S. Common Stock                   | 17 753 128     | - -     | - -           | 17 753 128     |
| Real Estate                             | 3 834 675      | - -     | - -           | 3 834 675      |
| Fixed Income                            | 22 533 830     | - -     | - -           | 22 533 830     |
| Treasury Inflation-Protected Securities | 7 717 926      | - -     | - -           | 7 717 926      |
| Total Long-Term Investments             | 142 914 092    | - -     | - -           | 142 914 092    |
| Long-Term Investments (Est Fair)        |                |         |               |                |
| Private Equity                          | - -            | - -     | 9 477 496     | 9 477 496      |
| Real Estate                             | - -            | - -     | 14 270 285    | 14 270 285     |
| Bank Loan                               | - -            | - -     | 7 520 083     | 7 520 083      |
| Total Long-Term Investments             | - -            | - -     | 31 267 864    | 31 267 864     |
| Other Investments                       |                |         |               |                |
| Cash Equivalents                        | ( 26 349)      | - -     | - -           | ( 26 349)      |
| Total Other Investments                 | ( 26 349)      | - -     | - -           | ( 26 349)      |
| TOTALS                                  | \$ 142 887 743 | \$ - -  | \$ 31 267 864 | \$ 174 155 607 |

The following table presents the Cemetery's assets measured at fair value on a recurring basis using significant unobservable inputs for fiscal year ended March 31, 2017 (Level 3):

| Level 3 Activity                     | Private Equity | Real Estate   | Bank Loan    | Total         |
|--------------------------------------|----------------|---------------|--------------|---------------|
| Beginning Balance                    | \$ 8 913 955   | \$ 15 998 832 | \$ 6 839 950 | \$ 31 752 737 |
| Purchases & Sales                    |                |               |              |               |
| Purchases                            | 1 053 300      | 128 891       | 148 170      | 1 330 361     |
| Sales (Gross Proceeds)               | (1 026 253)    | (2 487 898)   | - -          | (3 514 151)   |
| Total Purchases & Sales              | 27 047         | (2 359 007)   | 148 170      | (2 183 790)   |
| Realized & Unrealized Gains (Losses) |                |               |              |               |
| Realized                             | 90 535         | 20 416        | - -          | 110 951       |
| Unrealized                           | 445 959        | 610 044       | 531 963      | 1 587 966     |
| Total Long-Term Investments          | 536 494        | 630 460       | 531 963      | 1 698 917     |
| TOTALS                               | \$ 9 477 496   | \$ 14 270 285 | \$ 7 520 083 | \$ 31 267 864 |



**PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2017 and 2016**

The Cemetery's assets at March 31, 2016 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

|   | Level 1        | Level 2 | Level 3       | Fair Value     |
|---|----------------|---------|---------------|----------------|
| Long-Term Investments (Market)          |                |         |               |                |
| U.S. Common Stock                       | \$ 20 685 531  | \$ - -  | \$ - -        | \$ 20 685 531  |
| Global Common Stock                     | 61 583 069     | - -     | - -           | 61 583 069     |
| Non-U.S. Common Stock                   | 14 511 766     | - -     | - -           | 14 511 766     |
| Real Estate                             | 3 789 706      | - -     | - -           | 3 789 706      |
| Fixed Income                            | 22 247 630     | - -     | - -           | 22 247 630     |
| Treasury Inflation-Protected Securities | 7 608 279      | - -     | - -           | 7 608 279      |
| Total Long-Term Investments             | 130 425 981    | - -     | - -           | 130 425 981    |
| Long-Term Investments (Est Fair)        |                |         |               |                |
| Private Equity                          | - -            | - -     | 8 913 955     | 8 913 955      |
| Real Estate                             | - -            | - -     | 15 998 832    | 15 998 832     |
| Bank Loan                               | - -            | - -     | 6 839 950     | 6 839 950      |
| Total Long-Term Investments             | - -            | - -     | 31 752 737    | 31 752 737     |
| Other Investments                       |                |         |               |                |
| Cash Equivalents                        | ( 140 565)     | - -     | - -           | ( 140 565)     |
| Total Other Investments                 | ( 140 565)     | - -     | - -           | ( 140 565)     |
| TOTALS                                  | \$ 130 285 416 | \$ - -  | \$ 31 752 737 | \$ 162 038 153 |

The following table presents the Cemetery's assets measured at fair value on a recurring basis using significant unobservable inputs for fiscal year ended March 31, 2016 (Level 3):

| Level 3 Activity                     | Private Equity | Real Estate   | Bank Loan    | Total         |
|--------------------------------------|----------------|---------------|--------------|---------------|
| Beginning Balance                    | \$ 8 771 147   | \$ 16 197 035 | \$ 7 015 611 | \$ 31 983 793 |
| Purchases & Sales                    |                |               |              |               |
| Purchases                            | 1 229 674      | 88 645        | 142 030      | 1 460 349     |
| Sales (Gross Proceeds)               | (1 335 380)    | (1 800 000)   | - -          | (3 135 380)   |
| Total Purchases & Sales              | ( 105 706)     | (1 711 355)   | 142 030      | (1 675 031)   |
| Realized & Unrealized Gains (Losses) |                |               |              |               |
| Realized                             | - -            | 68            | - -          | 68            |
| Unrealized                           | 248 514        | 1 513 084     | ( 317 691)   | 1 443 907     |
| Total Long-Term Investments          | 248 514        | 1 513 152     | ( 317 691)   | 1 443 975     |
| TOTALS                               | \$ 8 913 955   | \$ 15 998 832 | \$ 6 839 950 | \$ 31 752 737 |

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

NOTE B – INVESTMENTS (Continued)

The Cemetery has committed to invest in limited partnerships that diversify in the types of alternative investments generally over a period of one to five years pursuant to provisions of the individual partnership agreements. The aggregate amount of unfunded commitments associated with these investments was \$5,066,044 at March 31, 2017 and \$6,032,488 at March 31, 2016.

The following schedule summarizes the investment return and its classification in the Statement of Activities and Changes in Net Assets for the years ended March 31:

|  | <u>2017</u>         | <u>2016</u>           |
|--|---------------------|-----------------------|
| Investment Return  |                     |                       |
| Investment Return on Marketable Securities:                              |                     |                       |
| Investment income  | \$ 1 806 108        | \$ 2 984 207          |
| Realized gains (losses)  | 1 902 015           | 1 961 168             |
| Unrealized gains (losses)  | <u>11 546 383</u>   | <u>(8 454 787)</u>    |
| Gross Investment Return  | 15 254 506          | (3 509 412)           |
| Less: Investment fees  | <u>(269 797)</u>    | <u>(246 795)</u>      |
| Net Investment Return on Marketable Securities                           | 14 984 709          | (3 756 207)           |
| Investment Return on Alternative Investments:                            |                     |                       |
| Investment income  | 229 400             | 276 847               |
| Realized gains (losses)  | 110 951             | 68                    |
| Unrealized gains (losses)  | <u>1 587 966</u>    | <u>1 443 905</u>      |
| Gross Investment Return  | 1 928 317           | 1 720 820             |
| Less: Investment fees  | <u>(10 452)</u>     | <u>-</u>              |
| Net Investment Return on Alternative Investments                         | <u>1 917 865</u>    | <u>1 720 820</u>      |
| Total Investment Return  | 16 902 574          | (2 035 387)           |
| Less: Investment return designated for current operations                | <u>(7 493 908)</u>  | <u>(6 328 384)</u>    |
| Investment return in excess of amounts designated for current operations | <u>\$ 9 408 666</u> | <u>\$ (8 363 771)</u> |

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

NOTE B – INVESTMENTS (Continued)

The Cemetery's endowment distribution policy is designed to preserve the value of the endowment and to generate a predictable stream of available income. Investment return designated for current operations is determined annually by the Trustees during the budgeting process and is computed as follows:

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Investment return designated for<br>current operations | <u>\$ 7 493 908</u> | <u>\$ 6 328 384</u> |

NOTE C - PROPERTY AND EQUIPMENT

The Cemetery's master plans are long range studies of its grounds, including mapping, maintenance requirements and landscape design; development of additional interment space; the condition of the existing buildings, horticultural collections, selected monuments; and the future location and size of possible additional facilities.

Projects in progress include major building repairs, landscaping improvements, land acquisition and master planning. The total estimated cost of these projects is \$18,486,000 as of March 31, 2017 and \$9,642,256 as of March 31, 2016.

The components of the property and equipment for the years ended March 31, 2017 and 2016 were as follows:

|  | <u>2017</u>              | <u>2016</u>              |
|--|--------------------------|--------------------------|
| Land, building and improvements                    | \$ 30 915 736            | \$ 29 115 590            |
| Master plans                                       | 702 676                  | 702 676                  |
| Vehicles and equipment                             | 3 465 341                | 3 326 166                |
| Furniture and fixtures                             | 210 317                  | 210 317                  |
| Project in progress                                | <u>3 021 543</u>         | <u>1 811 970</u>         |
| <br>TOTAL PROPERTY AND<br>EQUIPMENT                | <br>38 315 613           | <br>35 166 719           |
| <br>Less accumulated depreciation and amortization | <br><u>12 712 075</u>    | <br><u>11 998 886</u>    |
| <br>NET PROPERTY AND<br>EQUIPMENT                  | <br><u>\$ 25 603 538</u> | <br><u>\$ 23 167 833</u> |

Depreciation and amortization for the years ended March 31, 2017 and 2016 were \$787,617 and \$832,785, respectively.

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

NOTE D – EXTERNAL FINANCING OBLIGATION

The Cemetery has an interest only note payable to Cambridge Savings Bank for \$4,800,000 due in January 2020. The interest rates on the note for the years ended March 31, 2017 and 2016 were 2.53% and 1.92%, and the monthly interest payments were \$10,120 and \$7,687 respectively. An investment account valued at \$15,216,976 and \$13,379,588 as of March 31, 2017 and 2016 respectively, has been pledged as collateral for the note payable.

The future scheduled maturities of long-term debt are as follows:

|                            |             |
|----------------------------|-------------|
| Year ending March 31, 2020 | \$4,800,000 |
|----------------------------|-------------|

NOTE E – PLEDGES RECEIVABLE

Pledges receivable as of March 31, included the following:

|                                     | <u>2017</u>     | <u>2016</u>      |
|-------------------------------------|-----------------|------------------|
| Amounts due in:                     |                 |                  |
| Less than one year                  | \$ 3 250        | \$ 22 500        |
| One to five years                   | <u>- -</u>      | <u>4 000</u>     |
|                                     | 3 250           | 26 500           |
| Less                                |                 |                  |
| Unamortized discount                | - -             | 490              |
| Allowance for uncollectible amounts | <u>390</u>      | <u>3 121</u>     |
| Net pledges receivable              | <u>\$ 2 860</u> | <u>\$ 22 889</u> |

Future pledges receivable have been discounted to present value using a discount rate of 5%. An allowance for uncollectible pledges of 12% is used.

NOTE F - DEFINED BENEFIT PENSION PLAN

The Cemetery sponsors a defined benefit pension plan (the Plan) covering substantially all of its employees. Pension benefits are based on years of service and an employee's highest average compensation during 36 consecutive months. The Cemetery's plan has been funded by an initial reserve and, subsequently, by annual contributions as recommended by enrolled actuaries. The actuarial valuation method used for the plan periods ended March 31, 2017 and 2016, is the Unit Credit Service Pro Rate Method.

The Plan benefits were frozen effective January 31, 2012, which eliminates defined benefit accruals for present employees' future services. A curtailment was recognized due to the plan freeze and measured as of March 31, 2012.

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

NOTE F - DEFINED BENEFIT PENSION PLAN (Continued)

|  | <u>2017</u>           | <u>2016</u>           |
|--|-----------------------|-----------------------|
| Pension plan obligations and funded status:  |                       |                       |
| Projected benefit obligation   | \$ 16 451 838         | \$ 17 319 519         |
| Fair value of plan assets  | <u>11 233 707</u>     | <u>10 285 787</u>     |
| Funded status  | <u>\$ (5 218 131)</u> | <u>\$ (7 033 732)</u> |
| Benefit cost   | \$ 385 396            | \$ 339 400            |
| Employer contribution  | 537 613               | 421 700               |
| Benefits paid  | 620 729               | 584 460               |
| Effect of curtailment  | -                     | -                     |
| Accumulated benefit obligation   | 16 451 838            | 17 319 519            |
| Pension (liability) asset recognized in the Statement of Financial Position                              | \$ (5 218 131)        | \$ (7 033 732)        |
| Components of net periodic benefit cost are as follows for the year ended March 31:                      |                       |                       |
| Service cost   | \$ - -                | \$ - -                |
| Interest cost  | 625 267               | 625 525               |
| Expected return on assets  | (720 122)             | (747 662)             |
| Net amortization and deferral  | 480 251               | 461 537               |
| Net periodic benefit cost  | <u>\$ 385 396</u>     | <u>\$ 339 400</u>     |
| Other changes in plan assets and benefit obligations recognized and unrestricted net assets of March 31: |                       |                       |
| Unrecognized net obligation at initial obligation  | \$ - -                | \$ - -                |
| Unamortized prior service cost   | -                     | -                     |
| Unrecognized net actuarial (gain) loss   | <u>5 405 117</u>      | <u>7 068 501</u>      |
| Total unamortized items  | <u>\$ 5 405 117</u>   | <u>\$ 7 068 501</u>   |

**PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2017 and 2016**

**NOTE F - DEFINED BENEFIT PENSION PLAN (Continued)**

|   | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| <b>Weighted-average assumptions</b>       |             |             |
| Discount rate - net periodic benefit cost | 3.68%       | 3.61%       |
| Discount rate - funded status             | 3.90%       | 3.68%       |
| Expected return on plan assets            | 7.00%       | 7.00%       |
| Rate of compensation increase             | 0.00%       | 0.00%       |

The table below presents the Cemetery's plan assets at fair value as of March 31. Investments, carried at the quoted market value of the securities as of March 31, 2017 and 2016, grouped by the valuation hierarchy defined in Note B:

|   | <u>Level 1</u>       | <u>Level 2</u> | <u>Level 3</u> | <u>2017<br/>Fair Value</u> | <u>2016<br/>Level 1<br/>Fair Value</u> |
|---|----------------------|----------------|----------------|----------------------------|--|
| Cash & equivalents                      | \$ 61 678            | \$ - -         | \$ - -         | \$ 61 678                  | \$ 138 653                             |
| Bonds and mutual funds                  | 3 376 477            | - -            | - -            | 3 376 477                  | 3 060 888                              |
| Domestic equities and mutual funds      | 4 653 112            | - -            | - -            | 4 653 112                  | 4 346 901                              |
| International equities and mutual funds | <u>3 142 440</u>     | <u>- -</u>     | <u>- -</u>     | <u>3 142 440</u>           | <u>2 739 345</u>                       |
| <b>TOTALS</b>                           | <u>\$ 11 233 707</u> | <u>\$ - -</u>  | <u>\$ - -</u>  | <u>\$ 11 233 707</u>       | <u>\$ 10 285 787</u>                   |

The Plan is invested in cash equivalent securities, other high-grade fixed income securities and equities. The Trustees make decisions regarding asset allocation between cash equivalents, other fixed income securities and equities, providing, however, that the proportion of U.S. common stocks and securities convertible into common stocks held by the Plan shall be within 37% to 47% of the Plan's total market value. Non-U.S. common stocks shall be within 23% to 33% of the Plan's total market value. Fixed income securities shall be within 25% to 35% of the Plan's total market value. When acquired, no one holding of stock in any corporation shall amount to 5% or more of the market value of the Plan.

The Plan's overall rate of return objective, defined as capital appreciation plus income, is to approximate a total return, net of fees, equal to a hypothetical index created by blending the return of the DJ US Total Stock Index (42%), the MSCI All-Country World ex-US Stock Index (28%) and the Barclay's Capital Long-Term Gov/Credit Bond Index (30%).

In the selection of the expected long-term rate of return on plan assets, consideration is given to the plan's historical return and expected future returns. This rate is expected to reflect the average rate of return of funds currently invested and expected to be invested in the future to provide for plan benefits.

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

NOTE F - DEFINED BENEFIT PENSION PLAN (Continued)

The Cemetery expects to contribute approximately \$493,850 to the Pension Plan in 2018 and contributed \$537,613 in 2017. No plan assets are expected to be returned to the Cemetery during 2017.

Estimated Future Benefit Payments – The following benefit payments are expected to be paid:

| <u>Year</u><br><u>Beginning</u> | <u>Expected</u><br><u>Payments</u> |
|---------------------------------|------------------------------------|
| 2018                            | \$ 639 000                         |
| 2019                            | 658 000                            |
| 2020                            | 735 000                            |
| 2021                            | 730 000                            |
| 2022                            | 755 000                            |
| 2023 –2027                      | <u>4 484 000</u>                   |
| Total                           | <u>\$ 8 001 000</u>                |

NOTE G - DEFINED CONTRIBUTION PLAN

The Cemetery converted the existing Defined Contribution Program (401k) to a Safe Harbor plan with a 3% core contribution to all eligible employees plus a 4% company match (100% on the first 3% and 50% on the next 2%) effective January 1, 2012. All employees are eligible with at least 1 year of service, 1,000 hours of service and at least 21 years old. In 2017, the Cemetery contributed \$240,899 to the Retirement Plan: \$118,413 for the core contribution and \$122,486 for the company match. Prior to January 1, 2012, the Cemetery adopted a 401(k) retirement plan (the Retirement Plan) effective January 1, 1998, which covered all employees with at least one year of service and the Cemetery's matching contributions were discretionary.

NOTE H – SECTION 457(b) DEFERRED COMPENSATION PLAN

The Cemetery has an executive retirement plan that is designed in accordance with Section 457(b) of the Internal Revenue Code. Participants are designated by the Board of Trustees. The Cemetery generally makes non-elective annual contributions to the plan on behalf of each participant. The participants are responsible for making investment selections within their designated accounts. However, the funds remain assets of the Cemetery until such time as the participant withdraws the funds in accordance with the plan provisions. Assets held for this plan were \$32,702 and \$18,930 at March 31, 2017 and 2016, respectively. A corresponding liability to plan participants is reported in pension liability.

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and 2016

NOTE I - CONCENTRATION OF CREDIT RISK

Bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Cemetery's cash is held at Cambridge Savings Bank, a Massachusetts chartered savings bank. It is fully insured by the Depositors Insurance Fund (DIF) for funds exceeding \$250,000.

NOTE J - RELATED PARTY TRANSACTIONS

The Friends of Mount Auburn Cemetery (the Friends) and the Cemetery have some common trustees. The Friends is an Internal Revenue Code Section 501(c)(3) tax-exempt trust promoting the appreciation and preservation of Mount Auburn Cemetery. For the years ended March 31, 2017 and 2016, the Cemetery contributed \$517,580 and \$472,216, respectively, for the Friends payroll costs.

During the periods ended March 31, 2017 and 2016, the Friends made grants to the Cemetery of \$1,608,930 and \$1,538,328, respectively, to preserve, improve and interpret its horticultural and historic resources.

As of March 31, 2017 and 2016, amounts due from the Friends were \$28,096 and \$36,723, respectively.

Pledges Receivable of \$2,860 and \$22,889 for the years ended March 31, 2017 and 2016 are receivable from the Friends of Mount Auburn. These funds were raised by the Friends for the building of the Greenhouse.

NOTE K - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets, comprised of perpetual care funds, are \$146,243,980 and \$132,859,142 for the years ended March 31, 2017 and 2016, respectively.

NOTE L - SUBSEQUENT EVENTS

In accordance with the guidance for subsequent events, the Cemetery evaluated all subsequent events for recognition or disclosure through August 29, 2017, the date the financial statements were available to be issued.



PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN

SUPPLEMENTARY INFORMATION

For the Years Ended March 31, 2017 and 2016

PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN  
SCHEDULES OF UNRESTRICTED OPERATIONS SUPPORT, REVENUE AND EXPENSES

For the Years Ended March 31,

|  | <u>2017</u>  | <u>2016</u>  |
|--|--------------|--------------|
| SUPPORT AND REVENUE  |              |              |
| GROSS INTERMENT SPACE SALES :  |              |              |
| Lots and graves  | \$ 3 148 085 | \$ 2 731 650 |
| Crypts   | 68 000       | 153 500      |
| Niches   | 30 500       | 55 370       |
| Special memorials  | 36 550       | - -          |
| TOTAL GROSS INTERMENT SPACE SALES  | 3 283 135    | 2 940 520    |
| LESS:  |              |              |
| Development costs  | 253 888      | 188 676      |
| Appropriation for costs of sales   | 716 544      | 658 570      |
| INTERMENT SPACE SALES - NET OF DEVELOPMENT<br>COSTS AND APPROPRIATION FOR COSTS OF SALES | 2 312 703    | 2 093 274    |
| PERPETUAL CARE CONTRACTS   | 36 255       | 52 509       |
| SERVICE FEES :   |              |              |
| Interments   | 1 030 549    | 1 025 330    |
| Cremations   | 474 245      | 463 782      |
| Memorials  | 117 879      | 106 738      |
| Appropriation for costs of sales   | 716 544      | 658 570      |
| Inscriptions and other services  | 51 116       | 41 668       |
| Genealogical research  | 1 034        | 754          |
| Chapel rentals   | 103 060      | 121 480      |
| Historic preservation  | 3 208        | 3 427        |
| Grounds annual care  | 81 870       | 96 266       |
| Greenhouse sales   | 54 252       | 67 176       |
| TOTAL SERVICE FEES   | 2 633 757    | 2 585 191    |
| SUPPORT :  |              |              |
| Contributions  | 9 420        | 11 158       |
| Grants from Friends of Mount Auburn Cemetery   | 1 608 930    | 1 538 328    |
| TOTAL SUPPORT  | 1 618 350    | 1 549 486    |
| INVESTMENT RETURN DESIGNATED<br>FOR CURRENT OPERATIONS, NET OF INVESTMENT FEES           | 7 493 908    | 6 328 384    |
| OTHER INCOME :   |              |              |
| Gain on sale of property and equipment   | 11 432       | 10 850       |
| Miscellaneous income   | 261 330      | 268 753      |
| TOTAL OTHER INCOME   | 272 762      | 279 603      |
| TOTAL SUPPORT AND REVENUE  | 14 367 735   | 12 888 447   |
| EXPENSES :   |              |              |
| Administration   | 1 619 083    | 1 386 837    |
| Cemetery & Visitor Services  | 820 316      | 775 752      |
| Cemetery Operations  | 940 853      | 930 191      |
| Horticulture   | 1 659 773    | 1 573 607    |
| Preservation & Facilities  | 778 054      | 806 216      |
| Corporate Overhead   | 4 146 166    | 4 063 718    |
| TOTAL EXPENSES   | 9 964 245    | 9 536 321    |
| EXCESS OF UNRESTRICTED OPERATIONS SUPPORT<br>AND REVENUE OVER EXPENSES                   | \$ 4 403 490 | \$ 3 352 126 |

**PROPRIETORS OF THE CEMETERY OF MOUNT AUBURN**

**SCHEDULES OF OPERATING EXPENSES**

**For the Years Ended March 31,**

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| <b>ADMINISTRATION</b>                            |                     |                     |
| Contribution to Friends of Mount Auburn Cemetery | \$ 366 975          | \$ 328 714          |
| Development                                      | 111 801             | 20 807              |
| F & A Administration                             | 197 030             | 193 163             |
| Finance  | 102 312             | 88 713              |
| Human Resources                                  | 136 560             | 124 808             |
| Information Technology                           | 252 272             | 223 701             |
| Planning & Cemetery Development                  | 104 544             | 95 024              |
| President's Office                               | 347 589             | 311 907             |
| <b>TOTAL ADMINISTRATION</b>                      | <b>1 619 083</b>    | <b>1 386 837</b>    |
| <b>CEMETERY &amp; VISITOR SERVICES</b>           |                     |                     |
| Administration                                   | 80 566              | 78 922              |
| Cemetery Sales                                   | 155 283             | 131 503             |
| Cemetery Services                                | 234 293             | 204 550             |
| Contribution to Friends of Mount Auburn Cemetery | 150 605             | 143 502             |
| Cremations                                       | 149 880             | 166 163             |
| Visitor Services                                 | 49 689              | 51 112              |
| <b>TOTAL CEMETERY &amp; VISITOR SERVICES</b>     | <b>820 316</b>      | <b>775 752</b>      |
| <b>CEMETERY OPERATIONS</b>                       |                     |                     |
| Administration                                   | 98 577              | 94 951              |
| General Operations                               | 218 947             | 195 050             |
| Interments                                       | 238 646             | 230 846             |
| Security   | 214 188             | 208 375             |
| Vehicles and Equipment Services                  | 170 495             | 200 969             |
| <b>TOTAL CEMETERY OPERATIONS</b>                 | <b>940 853</b>      | <b>930 191</b>      |
| <b>HORTICULTURE</b>                              |                     |                     |
| Plant Collections                                | 220 709             | 211 366             |
| <b>GROUNDS:</b>                                  |                     |                     |
| Administration                                   | 161 791             | 165 272             |
| Arboriculture                                    | 191 471             | 181 973             |
| Gardening  | 370 066             | 328 010             |
| Grass/Grounds Maintenance                        | 396 715             | 376 619             |
| Greenhouse                                       | 306 090             | 297 525             |
| Recycling Center                                 | 12 931              | 12 842              |
| <b>TOTAL GROUNDS</b>                             | <b>1 439 064</b>    | <b>1 362 241</b>    |
| <b>TOTAL HORTICULTURE</b>                        | <b>1 659 773</b>    | <b>1 573 607</b>    |
| <b>PRESERVATION &amp; FACILITIES</b>             |                     |                     |
| Administration                                   | 103 489             | 100 601             |
| Custodial Services                               | 91 285              | 96 322              |
| Facilities Maintenance                           | 284 878             | 256 362             |
| Historical Collections                           | 123 411             | 113 897             |
| Preservation                                     | 174 991             | 239 034             |
| <b>TOTAL PRESERVATION &amp; FACILITIES</b>       | <b>778 054</b>      | <b>806 216</b>      |
| <b>CORPORATE OVERHEAD</b>                        |                     |                     |
| Depreciation and Amortization                    | 787 617             | 832 785             |
| Employee Benefits                                | 765 143             | 732 834             |
| Payroll Taxes                                    | 372 529             | 366 596             |
| Workers Compensation Insurance                   | 72 492              | 64 331              |
| Major Projects                                   | 1 046 545           | 1 100 577           |
| Retirement Plan Contributions                    | 537 613             | 421 700             |
| Other Expenses                                   | 564 227             | 544 895             |
| <b>TOTAL CORPORATE OVERHEAD</b>                  | <b>4 146 166</b>    | <b>4 063 718</b>    |
| <b>TOTAL OPERATING EXPENSES</b>                  | <b>\$ 9 964 245</b> | <b>\$ 9 536 321</b> |