

**The Green-Wood Cemetery
Perpetual Care Fund**

Financial Statements

December 31, 2018 and 2017

Independent Auditors' Report

Board of Trustees
The Green-Wood Cemetery Perpetual Care Fund

Report on the Financial Statements

We have audited the accompanying financial statements of The Green-Wood Cemetery Perpetual Care Fund (the "Perpetual Care Fund"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to 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.

Auditors' 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 auditors' 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 Green-Wood Cemetery Perpetual Care Fund as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements during the year ended December 31, 2018, the Perpetual Care Fund adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Compliance

With respect to Rule of Procedure 200.4 of the New York State Cemetery Board and in connection with our audits, we confirmed with depositories all cash account balances and we confirmed with the custodians the investments held as of December 31, 2018 and 2017. We also considered the Perpetual Care Fund's system of internal accounting control relative to cash and investments to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our review was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Perpetual Care Fund's financial statements taken as a whole. In connection with our audits, nothing came to our attention that would cause us to believe that the Perpetual Care Fund is not in compliance with Section 1507(c) (d) of the Not-For-Profit Corporation Law. However, it should be noted that our audits were not directed primarily toward obtaining knowledge of such compliance and we express no opinion and provide no assurance on compliance.

PKF O'Connor Davies, LLP

March 29, 2019

**The Green-Wood Cemetery
Perpetual Care Fund**

Statements of Financial Position

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 5,251,570	\$ 1,187,573
Investments	159,268,497	175,173,214
Accrued interest and dividends receivable	95,928	163,073
	\$ 164,615,995	\$ 176,523,860
 LIABILITIES AND NET ASSETS		
Liabilities		
Accrued liabilities	\$ 64,708	\$ 10,981
Due to The Green-Wood Cemetery	1,040,167	563,461
Total Liabilities	1,104,875	574,442
 Net Assets Without Donor Restrictions		
Restricted by state law	163,511,120	175,949,418
	\$ 164,615,995	\$ 176,523,860

See notes to financial statements

**The Green-Wood Cemetery
Perpetual Care Fund**

Statements of Activities

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Surplus Fund	Principal Fund	Total	Surplus Fund	Principal Fund	Total
REVENUE						
Services for perpetual care	\$ 43,082	\$ -	\$ 43,082	\$ 5,167	\$ -	\$ 5,167
Investment income, net	(9,999,470)	-	(9,999,470)	25,194,698	-	25,194,698
New funds and additions to old funds for perpetual care principal	-	289,439	289,439	-	144,364	144,364
Total Revenue	(9,956,388)	289,439	(9,666,949)	25,199,865	144,364	25,344,229
EXPENSES						
Program services - maintenance	1,873,457	-	1,873,457	2,115,594	-	2,115,594
Management and administration	897,892	-	897,892	779,329	-	779,329
Total Expenses	2,771,349	-	2,771,349	2,894,923	-	2,894,923
Change in Net Assets	(12,727,737)	289,439	(12,438,298)	22,304,942	144,364	22,449,306
NET ASSETS						
Beginning of year	156,317,658	19,631,760	175,949,418	134,012,716	19,487,396	153,500,112
End of year	\$ 143,589,921	\$ 19,921,199	\$ 163,511,120	\$ 156,317,658	\$ 19,631,760	\$ 175,949,418

See notes to financial statements

**The Green-Wood Cemetery
Perpetual Care Fund**

Statement of Functional Expenses

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Cemetery Operations	Administrative	Total Expenses	Cemetery Operations	Administrative	Total Expenses
PERSONNEL COSTS						
Labor	\$ 376,468	\$ -	\$ 376,468	\$ 391,461	\$ -	\$ 391,461
Salary	198,286	462,668	660,954	196,879	459,383	656,262
Payroll related costs	342,507	192,660	535,167	284,014	82,689	366,703
Total Personnel Costs	917,261	655,328	1,572,589	872,354	542,072	1,414,426
Maintenance, service and supplies	778,963	-	778,963	784,846	-	784,846
Depreciation	43,187	-	43,187	333,342	-	333,342
Other	134,046	242,564	376,610	125,052	237,257	362,309
	<u>\$ 1,873,457</u>	<u>\$ 897,892</u>	<u>\$ 2,771,349</u>	<u>\$ 2,115,594</u>	<u>\$ 779,329</u>	<u>\$ 2,894,923</u>

See notes to financial statements

**The Green-Wood Cemetery
Perpetual Care Fund**

Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (12,438,298)	\$ 22,449,306
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized loss (gain) on investments	12,149,873	(23,356,092)
Changes in operating assets and liabilities		
Accrued interest and dividends receivable	67,145	(90,790)
Accrued liabilities	53,727	2,907
Due to The Green-Wood Cemetery	476,706	183,107
Net Cash from Operating Activities	309,153	(811,562)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	44,785,369	12,600,327
Purchase of investments	(41,030,525)	(11,521,782)
Net Cash from Investing Activities	3,754,844	1,078,545
Net Change in Cash and Cash Equivalents	4,063,997	266,983
CASH AND CASH EQUIVALENTS		
Beginning of year	1,187,573	920,590
End of year	\$ 5,251,570	\$ 1,187,573

The Green-Wood Cemetery Perpetual Care Fund

Notes to Financial Statements
December 31, 2018 and 2017

1. Description of Organization

The Green-Wood Cemetery Perpetual Care Fund (the “Perpetual Care Fund”), a statutory trust administered by The Green-Wood Cemetery (the “Cemetery”), is a tax exempt organization under Section 501(c)(13) of the Internal Revenue Code and accordingly, is not subject to income tax.

The Perpetual Care Fund consists of amounts received for perpetual care and maintenance of the lots, plots and other parts of the Cemetery. Under the New York State Law, such amounts must be invested in separate funds, and all income generated must be used for the perpetual care and maintenance of the plots for which they are provided.

The Perpetual Care Fund’s main source of income is from investment income.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of financial statements in accordance with U.S. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

On January 1, 2018, the Perpetual Care Fund adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Perpetual Care Fund to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Perpetual Care Fund to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard prior year amounts for unrestricted net assets were reclassified to net assets without donor restrictions.

**The Green-Wood Cemetery
Perpetual Care Fund**

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation

Net assets without donor restrictions may be expended for any purpose in performing the primary objective of the Perpetual Care Fund. Net assets without donor restrictions consist of Perpetual Care Funds, which are required to remain in compliance with Section 1507 of the New York State Not-for-Profit Corporation Law. The Perpetual Care Fund does not have net assets that are subject to donor-imposed restrictions.

Perpetual Care Funds

The Perpetual Care Fund consists of the Principal Fund and Surplus Fund.

The Principal Fund represents funds received for the maintenance of specific lots, graves and private mausoleums. Pursuant to New York State law the principal of this fund is kept invested and the income, net of investment fees charged, is transferred to the Surplus Fund for disbursement against appropriate expenses.

The Surplus Fund represents the accumulated excess of income received from the Principal Fund over expenses incurred for the maintenance of individual endowed lots, graves and private mausoleums.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid debt instruments with maturities of three months or less, at time of purchase.

Fair Value Measurements of Financial Investments

The Perpetual Care Fund follows U.S. GAAP guidance on fair value measurements which define fair value and establish a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable, either directly or indirectly with fair values being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value (“NAV”) as a practical expedient for fair value are not categorized within the fair value hierarchy.

Measure of Operations

The Perpetual Care Fund includes in its measure of operation, all revenues and expenses that are an integral part of its operations.

**The Green-Wood Cemetery
Perpetual Care Fund**

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-data basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to program and supporting services of the Perpetual Care Fund. Therefore, these expenses require an allocation using a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses which are allocated based on estimates of time and effort and other expenses which include grounds maintenance, depreciation and administrative expenses which are allocated based on the functions receiving the benefit.

Accounting for Uncertainty in Income Taxes

The Perpetual Care Fund recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Perpetual Care Fund had no uncertain tax positions that would require financial statement recognition or disclosure.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 29, 2019.

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Perpetual Care Fund to concentrations of credit risk consist principally of cash and investments. The Perpetual Care Fund places its cash with various financial institutions and limits the amount of credit exposure by any one financial institution. At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation insurance limit. Investments are diversified to reduce concentrations so that there is no significant concentration of credit risk.

**The Green-Wood Cemetery
Perpetual Care Fund**

Notes to Financial Statements
December 31, 2018 and 2017

3. Concentrations of Credit Risk (continued)

Alternative investments consist of non-traditional, not readily available marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgement.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

4. Investments

Investments in marketable securities at December 31 are as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Fixed income domestic	\$ 22,626,603	\$ 22,848,215	\$ 26,856,812	\$ 31,210,765
Equity domestic	15,265,458	18,062,145	11,660,314	20,470,085
Equity international	40,204,871	57,631,677	29,309,763	56,829,243
Hedge funds	24,185,346	39,631,245	30,277,965	43,627,222
Private equity partnerships	7,373,389	7,619,751	6,623,244	8,034,321
Real estate investments	8,330,155	9,144,468	7,306,807	8,940,961
Cash equivalents - money market	4,330,996	4,330,996	1,041,575	6,060,617
	<u>\$ 122,316,818</u>	<u>\$ 159,268,497</u>	<u>\$ 113,076,480</u>	<u>\$ 175,173,214</u>

**The Green-Wood Cemetery
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Notes to Financial Statements
December 31, 2018 and 2017

4. Investments (continued)

The following are major categories of investments measured at fair value on a recurring basis at December 31, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy.

	2018	2017
Level 1 (Quoted Prices in Active Markets)		
Money market funds	\$ 4,330,996	\$ 6,060,617
Equity Securities		
Domestic	18,062,145	20,470,085
International	57,631,677	56,829,243
Fixed Income Securities	22,848,215	31,210,765
Total Level 1	102,873,033	114,570,710
Alternative investments	56,395,464	60,602,504
	\$ 159,268,497	\$ 175,173,214

As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Information regarding alternative investments measured at NAV using the practical expedient at December 31, 2018 is as follows:

	Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	\$ 13,329,287	a	\$ -	Monthly	10 - 15 days
Hedge funds	10,614,942	b	-	Quarterly	45 - 90 days
Hedge funds	3,209,275	b	-	Annually	60 days
Hedge funds	4,819,009	b	-	Semiannually	90 days
Hedge funds	3,462,476	b	-	Every 2 Years	45 days
Hedge funds	4,196,256	b	-	Every 3 Years	60 days
Real estate investments	9,144,468	c	-	Quarterly	60 - 90 days
Private equity partnerships	7,619,751	d	2,400,000	Illiquid	N/A
	\$ 56,395,464		\$ 2,400,000		

**The Green-Wood Cemetery
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Notes to Financial Statements
December 31, 2018 and 2017

4. Investments (continued)

Information regarding investments valued at NAV using the practical expedient at December 31, 2018 is as follows:

- a. The investment objective is to achieve long-term appreciation by investing primarily in international companies.
- b. The investment objective is to achieve absolute return by investing in hedging markets in a wide variety of asset classes and strategies.
- c. The investment objective is to achieve annual returns through investments in the real estate market.
- d. The investment objective is to achieve long-term return through investments in a diversified group of domestic venture capital limited partnership investments. The funds are expected to liquidate in the next five to eight years.

5. Liquidity

The financial assets of the Perpetual Care Fund are restricted by state laws. The assets of the Principal Fund are kept invested and the income, net of investment fees charged, is transferred to the Surplus Fund for disbursement against appropriate expenses. The expenses are determined by the Cemetery using the size of the space multiplied by an average amount based on current year expenses. Appropriations for expenses average approximately \$2.7 million for the past four years.

The Perpetual Care Fund's Surplus Fund's financial assets due within one year of the statement of financial position date available for appropriation are as follows:

Cash	\$ 5,251,570
Investment income receivable	95,928
Investments	<u>139,347,298</u>
Financial Assets at Year End	144,694,796
Less amounts unavailable for general expenditures due to:	
Non-liquid investments	<u>(56,395,464)</u>
Financial assets at year end available to meet cash needs for general expenditures within one year	<u>\$ 88,299,332</u>

6. Related Party Transactions

The Perpetual Care Fund shares a common board of Trustees with the Cemetery and The Green-Wood Historic Fund, Inc. The Perpetual Care Fund utilizes the Cemetery's personnel on an as needed basis. These salaries and other general and administrative expenses are allocated to the Perpetual Care Fund based on actual usage.

At December 31, 2018 and 2017, the balance owed to the Cemetery was \$1,040,167 and \$563,461 and is payable upon demand.
