



Cemetery & Funeral Bureau

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INSTRUCTIONS FOR 2011 ENDOWMENT CARE FUND AND SPECIAL CARE FUND REPORT

Each cemetery authority shall file with the bureau annually, on or before June 1, or within five months after close of their fiscal year provided approval has been granted by the bureau, a written report in a form prescribed by the bureau. (Business and Professions Code Section 9650 (a).)

Records

Each cemetery shall at all times maintain and keep within the State of California all books, accounts, records, cash and evidences of investments of its general and special care funds. They shall be readily available for inspection and examination by the Cemetery and Funeral Bureau in accordance with the provisions of the Business and Professions Code. (Health and Safety Code Section 8747.5)

Bureau Audits

Business and Profession Code Section 9652(a) requires the Cemetery and Funeral Bureau (Bureau) to examine the endowment care funds and special care funds whenever:

- The cemetery authority in charge of endowment care funds fails to file the report required by this article; or
- The accountant or auditor qualifies his or her certification of the report that is prepared and signed by a certified public accountant licensed in the state and prepared in accordance with Business and Profession Code Section 9650.

The reasonable and necessary cost of the examination performed by the Bureau shall be paid by the cemetery authority.

Additionally, the Bureau has the authority to examine the endowment care funds and special care funds whenever it deems necessary. The actual and necessary expense of the examination shall, in the discretion of the bureau, be paid by the cemetery authority whenever the examination requires more than one day and the need for continuing the examination is directly related to identified omissions and errors in the management of endowment care funds. (Business and Profession Code Section 9652.)

Page 1

- Enter the cemetery license number (COA #).
- Enter the corporation name, phone #, and mailing address.
- Enter the cemetery name, phone #, and physical address.
- Check the reporting period: Calendar year, or Fiscal year. If the Cemetery reports on a fiscal year provide the beginning and ending dates of the period reported.

INSTRUCTIONS

2011 ENDOWMENT CARE FUND AND SPECIAL CARE FUND REPORT

Page 2

Item #1

Provide a list of all board trustees over the Endowment Care and Special Care funds. Indicate their relationship to the cemetery, and if they are trustees over the ECF, SCF, or both.

Note: Not more than one member of the board of trustees of an endowment care fund may have a proprietary interest in the cemetery authority. (Health & Safety Code Section 8732)

Note: No sum in excess of 5 percent of the net income derived from endowment care fund, or special care fund, or both in any year shall be paid as compensation to the board of trustees for its services as trustee. (Health & Safety Code Section 8733).

Note: Each member of the board of trustees shall provide signatory acknowledgment of understanding of the role of a trustee in managing trust funds. The signatory acknowledgment shall be retained by the cemetery authority during the duration of the trustee's term of office. (Health & Safety Code Section 8731(c)(1)).

Page 3

Item #2

Provide evidence of fidelity bond coverage:

- Bond number or policy number
- Name of insurance carrier
- Effective dates of the insurance policy
- Maximum amount of coverage

Page 4

Item #7

- Enter the contribution rates charged by the cemetery for grave spaces, crypt spaces, niches, scatterings and any other contributions received.
- Enter the total grave spaces, crypts, niches, and scatterings sold during the period.
- Enter the total number of square feet of grave spaces sold.

Health & Safety Code Section 8738:

The minimum amounts required by law to be deposited in the endowment care fund at the time of or not later than completion of the initial sale are:

- (a) Four dollars and fifty cents (\$4.50) a square foot for each grave.
- (b) Seventy dollars (\$70) for each niche.
- (c) Two hundred twenty dollars (\$220) for three first crypt and one hundred ten dollars (\$110) for each additional crypt.
- (d) Seventy dollars (\$70) for the cremated remains of each deceased person scattered in the cemetery at a garden or designated open area that is not an interment site subject to subdivision (a).

INSTRUCTIONS

2011 ENDOWMENT CARE FUND AND SPECIAL CARE FUND REPORT

SCHEDULE A

This schedule shows the initial deposit, and prior year contributions, combined with current year deposits. The total is added to the accumulated capital gains/losses from prior periods, and the total current year's net capital gains/losses. This "Total Corpus," is added to the ending balances of the Reserve for Losses, Reserve for Future Maintenance, and Unexpended Income.

Line #1 – The initial deposit balance carried forward from the prior year report, Schedule A, line #1.

Lines #2 through #16 – These are the various contribution sources to the endowment care fund. The first line per source is the "Accumulated balance forward from the prior year." The second line is the amount deposited in the current year. The third is the sum of the two lines.

Note: Contributions to the endowment care fund must be deposited no later than the completion of the initial sale as required by Health and Safety Code Section 8738.

Line #17 – Add lines #1, #4, #7, #10, #13, and #16.

Line #18 – Enter the amount from prior year Schedule A, line #24.

Line #19 – Enter the current year's total net realized gain (loss) after income tax from Schedule G, line #9.

Line #20 – If line #19 is a loss, enter the amount applied against that capital loss, from the Reserve for Losses, Schedule C1, line #4.

Line #21 – Subtract line #20 from #19.

Line #22 – Enter the amount set aside in the Reserve for future maintenance, Schedule C2, line #2.

Line #23 – Balance of line #21, less line #22.

Line #24 – Add lines #18 and #23.

Line #25 – Add #17 and #24.

Line #26 – Balance from Schedule C1, line #5.

Line #27 – Balance from Schedule C2, line #5.

Line #28 – Balance from Schedule C3, line #12.

Line #29 – Add lines #25 through #28.

The endowment care fund under the provisions of this code shall be kept separate and apart from all other cemetery funds. (Health & Safety Code Section 8738.2)

INSTRUCTIONS

2011 ENDOWMENT CARE FUND AND SPECIAL CARE FUND REPORT

SCHEDULE B

This schedule shows Endowment Care Fund Corpus from Schedule A, with reconciling items to agree with the Endowment Care Fund Balance reported on the audited financial statements.

Line #1 – Enter the amount from Schedule A, line #29.

Line #2a through 2k – Enter the reconciliation items to identify the variances between the sum of the endowment care fund corpus, reserves, and unexpended income reported on Schedule A, line #29 and the sum of the amounts reported on the audited financial statements. The first reconciliation item is given – “Unrealized capital gains (losses).

Line #3 – This is the total endowment care fund reported on the audited financial statements.

SCHEDULE C1

Health and Safety Code Section 8726.1: The trustee of the endowment care fund shall create a reserve from which principal losses may be replaced by setting aside a reasonable percentage of the income from the fund.

Line #1 – Enter the amount from prior year Schedule C1, line #5.

Line #2 – Enter the current year income added to the reserve.

Line #3 – Add lines #1 and #2.

Line #4 – Enter the amount applied to realized capital losses.

Line #5 – Subtract line #4 from line #3.

SCHEDULE C2

Health and Safety Code Section 8726.1: The trustee may also set aside out of income or net capital gains from investments, reserves for future maintenance, repair or restoration of property or embellishments in the cemetery which may be necessary or desirable as a result of wear, deterioration, accident, damage or destruction.

Line #1 – Enter the amount from prior year Schedule C2, line #5.

Line #2 – Enter current year additions to the reserve.

Health and Safety Code Section 8726.1. The total amount of such reserves for maintenance, repair and replacement shall not at any time exceed 10 percent of the endowment care fund.

Line #3 – Add lines #1 and #2.

Line #4 – Enter the amount expended for maintenance during the period.

Line #5 – Subtract line #4 from line #3.

INSTRUCTIONS

2011 ENDOWMENT CARE FUND AND SPECIAL CARE FUND REPORT

SCHEDULE C3

This schedule shows the beginning balance of unexpended income with the addition of current investment income, and subtraction of expenditures and allocations to reserves. The ending balance of unexpended should agree with Schedule A, line #28.

Line #1 – Enter the amount from prior year Schedule A, line #28.

Line #2 – Enter current year investment income: interest, dividends, and rents.

Line #3 – Enter any other investment income earned during the current year.

Line #4 – Add lines #2 and #3 for total investment income.

Line #5 – Enter administration expenses paid during the year, including bank and audit fees.

Line #6 – Enter amount paid to the board of trustees during the year.

Line #7 – Enter the amount deposited into the Reserve for Losses (Schedule C1, line #2).

Line #8 – Enter the amount deposited into the Reserve for Future Maintenance (Schedule C2, line #2).
If a portion of capital gains is being set aside for the reserve, then unexpended income can not be set aside for the reserve.

Line #9 – Enter amount reported for cemetery maintenance (Schedule H, line #3a).

Line #10 -Enter any other current year expenditures.

Line #11- Add lines #5 through #10.

Line #12- Subtract line #11 from the sum of lines #1 and #4.
Should agree with Schedule A, line #28.

SCHEDULE D

Health and Safety Code Section 8777: All money or property received by a cemetery authority for deposit in a special care fund shall be placed in the custody of the trustee or trustees thereof within 30 days after receipt by the cemetery authority. This includes payments for preneed services and merchandise as well as for grave spaces, niches, or crypts that are received for deposit in a special care fund.

Line #1 – Enter the prior year ending balance of the Special Care Fund.

Line #2 – Enter current year additions to the fund corpus from collections for preneed services, merchandise or burial space.

Line #3 – Enter investment income, and Capital Gains/(Losses) realized during the year.

Line #4 – Add lines #2, and #3.

Line #5 – Enter the amount spent to service preneed accounts.

INSTRUCTIONS

2011 ENDOWMENT CARE FUND AND SPECIAL CARE FUND REPORT

Line #6 – Enter the amount spent for refunds, cancellations, or revoked preneed accounts.

Line #7 – Enter the amount of revocation fees collected.

Line #8 – Enter the cost of Non-burial services provided.

Line #9 – Add lines #5, #6, #7, and #8.

Line #10 – Enter the amount of Administration Fees charged to the Special Care Fund.

(Note per Health and Safety Code Section 8778.5(b): The board of trustees may charge an annual fee for administering a revocable special care trust fund, which may be recovered by administrative withdrawals from current trust income, but the total administrative withdrawals in any year shall not exceed 4 percent of the trust balance.)

Line #11 – Enter the amount expended from the fund for maintenance (Schedule H, line #3b).

Line #12 – Enter the amount of income taxes incurred for the period.

Line #13 – Enter the amount of any other expenses to the fund during the period.

Line #14 – Add lines #10, #11, #12, and #13.

Line #15 – Add lines #1 and #4, Subtract lines #9 and #14.

SCHEDULE E

This schedule reports the cash and investments of the amounts deposited in the trust funds. A separate schedule for each trust maintained by the cemetery authority must be completed. Investments are shown at both market value and cost. If the cemetery authority has commingled the endowment care and special care funds, a schedule showing the investment amounts, the unrealized gains and losses allocated to each fund, and a description of the allocation method must be attached.

Lines #1 through #8 – List all investments of the fund assets individually, including the current market value, and the initial cost of investment. If needed, additional detail should be attached.

Note: Any investments in default should be identified.

Line #9 – Add lines #1 through #8 for both the market value, and the cost basis of the invested assets.

Line #10 – Enter the total market value from line #9.

Line #11 – Enter the total cost basis from line #9.

Line #12 – Subtract line #10 from #11.

Line #13 – Enter the portion of net unrealized gain (loss) from line #12, allocated to the endowment care fund.

Line #14 – Enter the portion of net unrealized gain (loss) from line #12, allocated to the special care fund.

Note: A description of the allocation method between Line #13 and #14 should be provided.

INSTRUCTIONS

2011 ENDOWMENT CARE FUND AND SPECIAL CARE FUND REPORT

Health & Safety Code Section 8725: Every cemetery authority which now or hereafter maintains a cemetery may place its cemetery under endowment care and establish, maintain, and operate an endowment care fund. Endowment care and special care funds consisting of trust funds created by irrevocable trust agreements may be commingled for investment and the income therefrom shall be divided between the endowment care and special care funds in the proportion that each fund contributed to the principal sum invested. Special care funds derived from trusts created by a revocable agreement shall not be commingled for investment and shall be accounted for separately from all other funds. The funds may be held in the name of the cemetery authority or its directors or in the name of the trustees appointed by the cemetery authority.

Business and Professions Code Section 9659: In any report to the bureau all bonds, debentures or other evidences of debt held by a cemetery corporation if amply secured and if not in default as to principal or interest may be valued as follows:

- (a) If purchased at par at the par value.
- (b) If purchased above or below par on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield the effective rate of interest on the basis at which the purchase was made.
- (c) In such valuation the purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase.

SCHEDULE F

The purpose of this schedule is to reconcile the fund balances of the endowment care fund, and the special care fund, shown on Schedule A, and Schedule D of the Annual Report with the total investment balances, stated at cost. An explanation should be provided for any differences.

Line #1 – Enter the Endowment Care Fund balance from Schedule A, line #29

Line #2 – Enter the Special Care Fund balanced from Schedule D, line #15.

Line #3 – Add lines #1 and #2.

Line #4 – Enter total Investments at cost. For each Schedule E filed, add together each line #11 to determine total investments at cost.

Line #5 – Subtract line #4 from #3. Provide explanations for any differences.

SCHEDULE G

This schedule reports the net realized capital gains or (losses) resulting from the sale of invested assets during the year. A separate schedule for each trust maintained by the cemetery authority must be completed. If the cemetery authority has commingled the endowment care and special care funds, a schedule showing the investment amounts, the unrealized gains and losses allocated to each fund, and a description of the allocation method must be attached.

INSTRUCTIONS

2011 ENDOWMENT CARE FUND AND SPECIAL CARE FUND REPORT

If the trust fund realized any capital gains and/or losses on its investments during the current year, complete the schedule of capital gains and losses on page 12.

Lines #1 through #6 – List all sales of investments during the year. Include the date of the disposition, the amount realized from the sale, the cost basis of the investment sold, and any gain, or loss realized.

Line #7 – Add lines #1 through #6 for the net gain (loss) realized during the year.

Line #8 – Enter income tax effect of gain (loss) realized during the year.

Line #9 – Offset line #8 against line #7.

- If line #7 is a gain the income tax will reduce the gain.
- If line #7 is a (loss) the income tax effect will be positive, and reduce the loss.

Line #10 – Enter the portion of net realized gain (loss) from line #9, allocated to the endowment care fund.

Line #11 – Enter the portion of net realized gain (loss) from line #9, allocated to the special care fund.

Note: A description of the allocation method between Line #10 and #11 should be provided.

SCHEDULE H

The first part of this schedule reports the total maintenance expenses incurred by the cemetery. These expenses should be broken down to their line item components such as: labor, benefits, equipment, supplies, materials, etc.

The second part of this schedule reports the funding sources that cover the above reported expenses, and the amount allocated from each source.

Maintenance Expenses:

Lines #1a through #1n – Enter the item and dollar amount for of the maintenance expenses incurred during the period.

Line #2 – Add all expenses for the total spent by the COA during the period.

Funding of Maintenance Expenses:

Line #3a – Enter total maintenance expenses funded by the Endowment Care Fund.

Line #3b – Enter total maintenance expenses funded by the Special Care Fund.

Line #3c – Enter the total maintenance expenses funded by cemetery operations.

Line #3d – Enter the total maintenance expenses funded by other sources (specify the sources).

Line #4 – Add all Funding for the total revenue provided during the period.

Attach Additional Pages if necessary