



# Preneed Accounting Summary

## FUNERAL

## CEMETERY

REVENUES

Item	Accounting Treatment
<b>Preneed funeral merchandise and service sales</b> funded by placing monies in a trust or a third-party insurance policy, both regulated by the state	Deferred until the funeral service is performed and merchandise is delivered (at death), which on average is ~10 years from time of sale. Upon maturity (death), recognized in <i>Matured preneed revenue</i>
<b>Preneed sale of preneed merchandise that is delivered at time of sale</b> primarily urn kits and travel protection insurance sold by SCI Direct	Recognized at the time of the preneed sale in <i>Recognized preneed revenue</i> as delivery has occurred
<b>General agency revenue</b> commissions we receive from third-party insurance companies for life insurance policies sold to preneed customers for the purpose of funding preneed funeral arrangements	Recognized at the time of the preneed sale in <i>Other revenue</i>
<b>Trust investment earnings and increasing insurance benefits</b>	Deferred until funeral service is performed (at death); at time funeral service is performed, recognized in <i>Matured preneed revenue</i> along with face amount of preneed contract

REVENUES

Item	Accounting Treatment
<b>Preneed interment right sales/ property sales</b> lot, mausoleum, lawn crypt, niche	Revenues are recognized when 1) property is constructed and deliverable AND 2) at least 10% of the total sales price is received from the customer
<b>Preneed merchandise sales</b> primarily markers and vaults	Revenues are recognized upon delivery of merchandise. In certain instances, delivery can occur prior to death through 1) installation or 2) storage with a third-party bonded warehouse where product is specifically identifiable
<b>Preneed service sales</b> primarily opening and closing fees and marker installation fees	Revenues are recognized upon performance of service (generally at death, but can be at installation before death)
<b>Merchandise and service trust investment earnings</b>	Deferred and recognized when associated merchandise is delivered or services are performed (at death); at time of recognition, reflected in <i>Recognized preneed revenue</i>

SELLING EXPENSES

Item	Accounting Treatment
<b>Incremental selling compensation</b> commissions, bonuses and related incremental fringe expense	
<b>Insurance-funded</b>	Expensed in period incurred to match General agency revenue treatment
<b>Trust-funded</b>	Deferred and recognized when associated preneed sale revenue is recognized
<b>All other selling costs</b> including salaries, employer portion of healthcare costs and other overhead	Expensed in period incurred

SELLING EXPENSES

Item	Accounting Treatment
<b>Incremental selling compensation</b>	Deferred and recognized when associated preneed sale revenue is recognized
<b>All other selling costs</b> including salaries, employer portion of healthcare costs and other overhead	Expensed in period incurred