



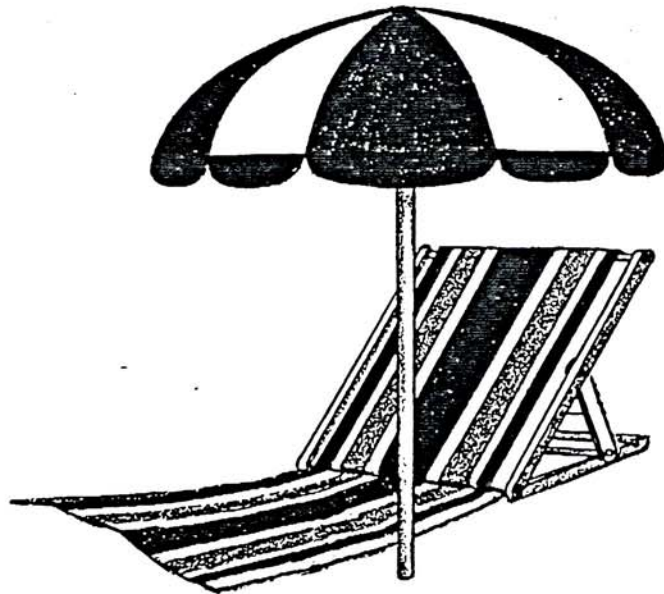
THE SOUTHERNER

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Everything You Wanted To Know About Appraisals, But Were Afraid To Ask— How I Sold My Cemetery/Funeral Home and Made (Lost) a Fortune!

by Lawrence C. Anspach, President
American Cemetery/Mortuary
Consultants, Inc.

Cemeteries/Funeral Homes need appraisals of their business for a myriad of reasons. Some companies need appraisals for estate purposes, others for tax purposes, divorce, condemnation of land for highway expansions, bank financing, for the sale of the business, and for someone who is buying a funeral home or a cemetery.

It is important for a buyer to have an appraisal when he/she buys a cemetery/funeral home. We have completed many appraisals for individuals buying cemeteries whereby we saved them from a possible poor decision. In one of these instances, the appraised value was \$600,000 less than the agreed upon purchase price. The same process, also works in reverse. We have performed appraisals that placed far higher values on properties than the asking price.

It is important to hire a professional that is independent. An appraisal gives an objective valuation of the cemetery and/or funeral home. Most individuals are too close to their business and are blinded as to their real value. However, remember, as in all businesses, any business is worth what someone will pay for it.

Being the sign of the times, we are doing a lot of work for banks who are obviously looking at their portfolios to evaluate their outstanding loans. Most banks will only loan 50% of the net asset value of the company.

In order to understand why your business is worth what it is, the most often asked question of us from our clients, is why is our appraisal valued so high or so low.

Thus, for the purposes of this article, we thought we would give you 35 major reasons as to why an appraisal is valued higher or lower. These are not necessarily in the order of importance.

1) A higher valuation results when the company has high annual profitability while lower annual profitability or losses results in a lower valuation.

2) A Company that has a strong balance sheet will result in a higher valuation than a company with a weak balance sheet.

3) The larger the inventory of salable grave spaces, mausoleum crypts, lawn crypts, cremation niches, etc., will result in a higher valuation versus a small inventory of these products.

4) If a cemetery has a sizeable number of undeveloped acres this will increase the value of the property, while a small number of undeveloped acres will have a

lower effect on this valuation of your business.

5) The higher the yield per acre for all cemetery facilities will result in a higher valuation.

6) A higher percentage of sales and cemetery uses of mausoleum and lawn crypts and package sales results in a higher valuation. The lower percentage
(Continued on page 14)

Sample Hazard Communication Program

(Continued from page 6)

Contractor Employers

It is the responsibility of
(Name of Company)

to provide contractors (with employees) with the following information:

- hazardous chemicals to which they may be exposed while in the workplace
- procedures for obtaining the necessary MSDS's
- the labeling system in use
- precautions that may be taken to reduce or prevent exposure to the hazards

Contractors bringing hazardous chemicals into the workplace shall provide appropriate hazard information to include obtaining an MSDS, labeling being used, and precautionary measures to be taken in working with these chemicals.

Access To Employee Exposure Records

(list name)

maintains records of employee exposure to toxic substances. Requests for access to information of this nature should be directed to

(list name)

Additionally, a copy of the Code of Federal Regulations (Labor) Parts 1900-1910, and specifically, sec. 1910.20, is available for viewing at the

(location)

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Everything You Wanted To Know About Appraisals (Continued from Page 10)

of sales in mausoleum and lawn crypts and package sales results in a lower valuation.

7) The lower cost for cemetery operation and overhead results in a higher valuation, while a higher cost for cemetery operation and overhead will be a lower valuation. The most frequent culprits are union labor and high sales costs.

8) The higher price and merchandise mark up coupled with the ability to sell will give a higher value to your company while the opposite holds true for lower valuation.

9) Because the death care business is on an installment basis and not a cash basis. The cemetery/funeral home that collects and services its installment sales and charges interest will have higher valuation while the cemetery/funeral home that sells its "paper" and the bank secures the interest will have a lower valuation.

10) The cemetery/funeral home that has a high value of good accounts receivable will be a higher valuation while a low value of good accounts receivable will result in a lower valuation.

11) Large amounts of cash and/or investment reserves helps to give a higher valuation while the opposite results in a lower valuation.

12) A large paid inventory of salable merchandise (vaults, memorials, vases, urns, decorations, etc. helps to give a higher valuation while a small paid inventory of salable merchandise will lower the value.

13) A large inventory of modern grounds equipment and office equipment in good condition will result in a higher valuation while small inventories of modern goods and office equipment and/or if they are in poor condition will lower the valuation.

14) With all the access to original artwork we have available today, valuable section features and original artwork in good condition will result in a higher valuation and mass produced section features of low quality and poor condition will lower the valuation.

15) Cemeteries/funeral homes with valuable office, service and auxiliary buildings help to give a higher valuation and the absence of buildings, or low value of buildings will lower a valuation.

16) Cemeteries with paved roads that are in good condition with a proper base are worth more than cemeteries with unpaved roads in poor condition with an unsatisfactory base.

17) No or small ratio of indepthness at low interest rates gives a higher valuation while major indepthness at high interest rates gives a lower valuation.

18) A large endowment care fund with no funding deficiencies results in a higher valuation while a small endowment care fund with liabilities in funding will lower the valuation.

19) With pre-arrangement sales at an all time high, it is important for cemeteries/funeral homes to have all their merchandise and service delivered or properly funded. This will result in a higher valuation while cemeteries/funeral homes with merchandise and service trust liabilities will result in a lower valuation.

20) Make sure you have proper insurance with proper insured values for all of your assets. This will help to give your business a higher valuation over a business with no, little, or improper insurance.

21) If your business is in a well located area, the undeveloped land with good topography, access and sub-soil will add to the value of your property. A poorly located undeveloped land with problems in topography, access, and sub-soil will take away from your value.

22) A cemetery/funeral home with little or moderate competition is worth far more than one with strong competition.

23) The cemetery/funeral home that enjoys community acceptance from good public relations, and provides good service will result in a higher valuation. A cemetery/funeral home that faces market resistance because of unfavorable public relations, and/or poor service will lower the valuation.

24) A cemetery/funeral home located in an area that has future growth expected will help to give a higher value while little growth or decline in your market area will lower the valuation.

25) Good natural and/or installed drainage adds to the value while poor natural drainage or and absence of adequate drainage installation lowers the

valuation.

26) It always seems cemeteries are ripe for easements from communities, power companies, water, highway, etc. A cemetery with no easements of records against it will help increase the value, while easements against the cemetery land will lower the value.

27) Well selected landscape and bed plantings in good balance and condition results in a higher valuation versus poorly selected landscape and bed plantings, overplanting or underplanting and impaired condition.

28) Depending upon the circumstances, if a cemetery/funeral home has no litigation and/or judgements pending against it, it will help increase the value while litigation and/or judgements pending against it will lower the value.

29) Cemeteries/funeral homes with good records, computerized, and in top condition have a higher value then businesses with poor records and systems.

30) Adequately trained and qualified personnel (office, grounds, and sales) adds value to the property while inadequate personnel lowers the value.

31) If a cemetery/funeral home is well secured by fencing, entrance gates or other security systems; this will help to increase the value of your business.

32) Environmental issues (underground gas tanks, asbestos wrapped pipes, land fill material) are very important now-a-days and having your house in order will add value to your property.

33) The same goes for OSHA. They are finding cemeteries/funeral homes easy targets and being in compliance with OSHA regulations will add value to your property.

34) If your cemetery/funeral home is located in a designated wetland area or flood plain, this may lower the value of your property because the spaces in the flood plain may be unusable.

35) The zoning of your property can have an effect on the value of your business.

Reviewing your operations now will help you to better prepare your business so it will be shown in its best light. So when the time comes and you need an independent appraisal, you will be in a better position of increasing the value of your business.