



Annual Report
2016

Transforming Vision into Value

WHO WE ARE

The nine elected members of the Board of Directors, together with the sitting Management Team, provide a clear vision for Thanexus, Inc., paving the way to continually create value for its shareholders and employees.

BOARD MEMBERS

James R. Tomasello, *Chair*
Gardner Funeral Homes
Runnemede & Bellmawr, NJ

Timothy W. Brock, *Vice-Chair*
Vander Plaat Funeral Home of Wyckoff
Wyckoff, NJ

Enrico T. Caruso Jr., CFSP
Falco, Caruso & Leonard Funeral Homes
Pennsauken & Camden, NJ

R. Michael Gallaway
Gallaway & Crane Funeral Homes
Basking Ridge & Bernardsville, NJ

Thomas J. Givnish
Givnish Funeral Homes
Maple Shade & Cinnaminson, NJ

Rosemary K. Mahoney
Coop Metrics
Arrington, VA

Joseph C. Parell III, CFSP
Poulson & Van Hise Funeral Directors
Lawrenceville, NJ

Kimberly M. Saul-Bowne, CFSP
Saul Funeral Homes
*Hamilton Square, Cranbury,
Trenton & Hightstown, NJ*

Glenda S. Stansbury, CFSP
Insight Books
Oklahoma City, OK

MANAGEMENT TEAM

George R. Kelder Jr., CFSP
President

Barbara D. Guinta
Chief Operating and Financial Officer

Jackie Kutch
Corporate Secretary

Chris Murphy
Business Development Manager

Kimberly Boucher
Director of Finance

A MESSAGE

from the Chair and President

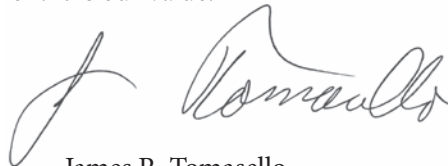
Transforming vision into value takes work—teamwork. An integrated team of staff and shareholders, coupled with evolving business processes and technology, all working together toward a common goal.

The activities of Thanexus and its shareholders are vast. This annual report outlines some achievements and progress made in selected areas over the past year, and highlights the operational efforts that made them possible.


As a funeral service cooperative, we work together to address small business challenges such as affordable health care, employment benefit packages, human resource concerns and competitive salaries head on. We share ideas and best practices, insight and feedback, talent and function. In the past year, we have placed an emphasis on transforming our collective vision for the future and generating value that resonates with our employees and fellow shareholders.

We are grateful to have shareholders who work with us to identify and execute solutions. Our collective purpose is sharing knowledge so that fellow funeral directors and employees can better manage the day-to-day nuances of funeral service.

Whether we are serving or leading, we are dedicated to being a critical part of improving funeral service. It is our vision. It is our value.



James R. Tomasello
Chair



George R. Kelder Jr., CFSP
President

VISION AND VALUE

To foster small funeral business growth and sustainability by providing a collection of benefits and services that allow New Jersey's funeral service providers to focus on their businesses and the families they serve.

As the organizational and economic dynamics of the funeral service industry continue to shift, the importance of a cooperative like Thanexus is more pertinent today than ever. Our goal is to seamlessly integrate the services our shareholders require, affording them the opportunity to focus on remaining relevant in today's business arena.

CO-EMPLOYMENT BENEFITS

What sets Thanexus apart? Co-employment. Your employees remain your employees, but they also, by agreement, are employees of Thanexus.

Together, we aggregate the cumulative employee rosters into one group, which in turn, enables Thanexus to negotiate better competitive rates for benefits than a typical funeral home would be able to secure on its own.

Additionally, as a cooperative, whatever savings that remain at the end of the year is available for reinvestment or return to our shareholders in the form of patronage dividends.



Retirement Planning

Thanexus works hard to ensure that shareholders are getting the maximum value from their benefits. A recent benchmarking analysis placed the Thanexus, Inc. Retirement Plan near the 25th percentile for plan expenses, when compared to plan expenses of similarly sized companies, ranked by participant count and asset size.



Plan assets, which are held by Alerus Retirement and Benefits, grew by 13% or \$7.9 million in 2016. At December 31, 2016, plan assets totaled \$67.3 million.

In 2017, Thanexus will be expanding the plan by adding a Roth 401(k) option to our Traditional 401(k), permitting employees to choose between depositing pre- or post-tax income into their retirement fund.

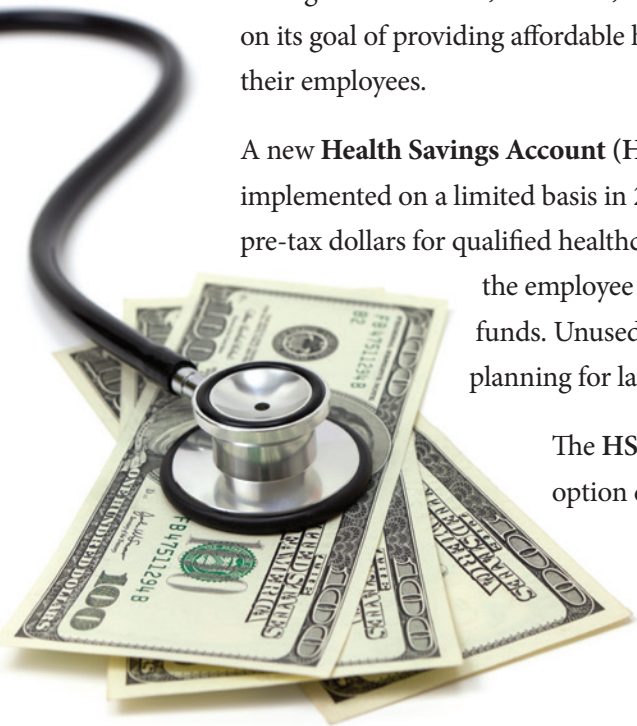
**As of December 31, 2016,
there were 420 active participants
with \$67.3 million in plan assets in the
Thanexus, Inc. Retirement Plan.**

Health Care

The state of American health care has been on an unpredictable path for years. High premiums, complex regulations and complicated reporting requirements have all affected healthcare management. In 2016, Thanexus, along with Association Master Trust (AMT), continued to deliver on its goal of providing affordable healthcare benefits at competitive rates to our shareholders and their employees.

A new **Health Savings Account (HSA)**, paired with a **High Deductible Health Plan (HDHP)**, was implemented on a limited basis in 2016. An HSA is a savings account that lets employees contribute pre-tax dollars for qualified healthcare expenses. Contributions are made each pay period by both the employee and the employer, and the employee retains ownership of the funds. Unused funds roll over and accumulate from year to year, making planning for large healthcare expenses more manageable.

The HSA/HDHP will be available to all shareholders as a health plan option during 2018 Open Enrollment.



In 2016, AMT declared a **Return of Surplus** equivalent to approximately 2.5% of health and life premium contributions as a result of less than anticipated health claims utilization. Because AMT is a not-for-profit, self-funded health benefits organization (with claims and network administration provided by Horizon Blue Cross/Blue Shield of New Jersey), its trustees are able to refund the surplus directly to Thanexus shareholders and their employees.



In 2017, Thanexus will closely follow any possible repeal or replacement legislation to the **Affordable Care Act** that may affect shareholders and employees.

Marketing and Communications

As part of its suite of benefits, Thanexus offers shareholders effective marketing materials to better communicate merchandise and service offerings to consumers. We deliver innovative and eye-catching designs that are compliant with both Federal Trade Commission and New Jersey State Board of Mortuary Science regulations.

In 2016, Thanexus provided 33,595 customized marketing pieces to its shareholders that included:

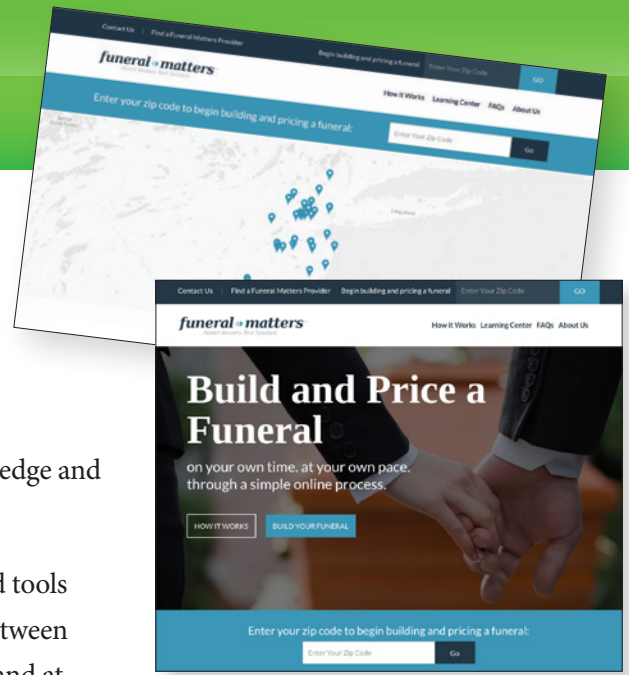
- General Price Lists
- Statements of Funeral Goods and Services Selected
- Authorization Forms
- Promissory Notes and Invoices
- Cremation, Welfare, Veterans, Eco Burial and Ethnic Packages



FUNERAL MATTERSSM

Designed to help funeral firms reposition their businesses with today's consumer, Funeral Matters is a method of communication that improves the knowledge and skills of funeral home staff.

The custom designed system of print and internet-based tools provides a framework that enhances communication between funeral homes and their clientele when discussing pre- and at-need arrangements and commemoration options. It also collects performance-based analytics for funeral homes to evaluate themselves against a statistical database of industry peers improving their ability to understand consumer behavior in the delivery of goods and services.



Funeral Matters is a product of KBF, LLC which is owned by Thanexus, Inc. and New Jersey Funeral Directors Services, Inc.



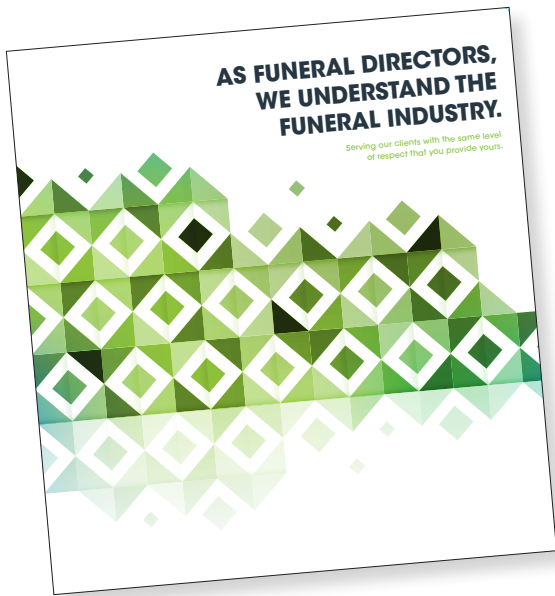
**Funeral Matters currently has
19 subscribers serving 33 registered
mortuaries throughout New Jersey.**
www.funeralmatters.com

INSURANCE

We help businesses and individuals protect what they value most.

Thanexus Financial Services, LLC (our property and casualty insurance agency) offers a wide range of products and services designed to meet the evolving needs of funeral directors. We offer insurance and risk management solutions for the modern-day challenges that funeral professionals face, such as Cyber Liability, Commercial, Personal Auto and Umbrella.

A wholly-owned subsidiary of Thanexus, Inc., the agency regularly examines existing insurance programs in terms of cost, coverage and service. Our funeral director clients can feel secure knowing that our salaried, noncommissioned producers are looking out for their best interests, matching them with the best insurance carrier to meet their unique needs.



In 2016, funeral directors placed more than

\$3.26 million

in insurance premiums with
Thanexus Financial Services, LLC.

We provide a broad offering of risk management solutions.

- Business Owners Protection
- ERISA
- Workers' Compensation
- Umbrella
- Employment Practices Liability (EPL)
- Property and Liability
- Residential and Flood
- Commercial and Personal Auto
- Owner's Dwelling
- Cyber Liability
- Specialty Coverages



Through strong partnerships with:



2016 ANNUAL COMPENSATION SURVEY

The 2016 Annual Compensation Survey results represent data for 278 licensees and 586 non-licensed staff—for a total of 864 funeral service employees in New Jersey.

As employer of record, the Thanexus compensation data is based on actual W-2 wages and is statistically accurate, making the following information the only true source of actual labor and wage data for New Jersey's funeral service professionals. It also sets an industry-wide benchmark for comparative analysis.

	AVERAGE	MEDIAN
LICENSED OWNER*	\$140,893	\$104,271
LICENSED NON-OWNER**	\$79,099	\$75,000
CLERICAL AND ADMINISTRATIVE (per hour)	\$20.41	\$19.25
FUNERAL ATTENDANT (per hour)	\$17.66	\$15.00
INTERNS (per hour)	\$14.83	\$15.00

* Owner compensation includes only that compensation taken in the form of W-2 wages and does not include other typical forms of owner compensation such as dividends, rent and net profit distributions.

** The average newly licensed, non-owner salary is \$40,000 and varies by geographic region.



In 2016, Thanexus shared employment with 77 stockholders in 138 registered mortuaries at 121 worksites for a combined gross annual payroll of \$32.9 million.



AVERAGE PAYMENTS†

	2016	2015
MAKING FUNERAL ARRANGEMENTS	\$228	\$216
CONDUCTING A CELEBRANT SERVICE	\$273	\$232
DIRECTING A LOCAL FUNERAL	\$256	\$237
TENDING DOOR <i>(two-hour visitation)</i>	\$66	\$62
SERVING AS A PALLBEARER <i>(local)</i>	\$73	\$64

EMBALMING SERVICES

NON-POSTED REMAINS	\$242	\$272
POSTED REMAINS	\$331	\$346
FULL DONATION	\$391	\$413

† Average flat rate payments illustrate estimates of total “per function” payments and do not reflect underlying wage and hour recordkeeping or compensation compliance.

Funeral Call Volume BREAKDOWN

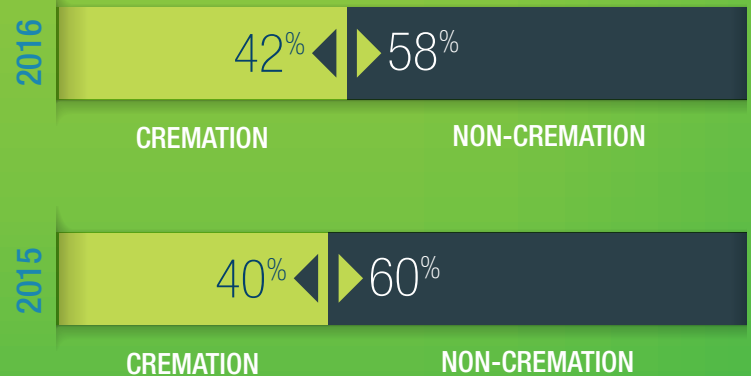
2016 Shareholder Call Volume



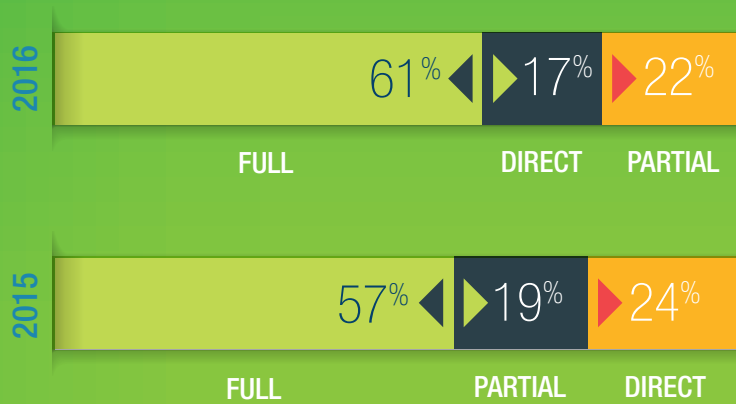
Total Number of Calls



Method of Disposition



Services Selected



FULL SERVICE is defined as an arrangement that includes basic services of funeral director and staff, embalming, dressing, casketing, cosmetics, two or more hours of visitation, funeral ceremony, transfer to funeral home and use of hearse. (Retention, care, preparation, 3+ hours and coordination.)

PARTIAL SERVICE is defined as an arrangement that includes basic services of funeral director and staff, embalming or sanitary care, dressing, casketing, cosmetics, one hour of visitation, funeral ceremony, transfer to funeral home and use of hearse/service car. (Retention, care, preparation, 3+ hours and coordination.)

DIRECT SERVICE is defined as an arrangement that includes basic services of funeral director and staff, no visitation or ceremony, transfer to funeral home and use of hearse/service car. (Retention, care, preparation, 3+ hours and coordination.)

The statistical information on pages 12–14 is based on survey responses from 77 stockholders.

CONSOLIDATED BALANCE SHEET¹

for the year ended December 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,298,975
Investments in marketable securities	812,079
Member receivables ²	633,337
Deferred tax asset	3,400
Prepaid and other current assets	119,192
	<u>\$ 2,866,983</u>
Investment in Knowledge Based Funerals, LLC ³	180,059
TOTAL ASSETS	<u>\$ 3,047,042</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 29,917
Accrued salaries and related payables	1,388,296
Deferred revenue	5,000
Member capital payable ⁴	17,840
Patronage dividends payable ⁵	121,892
	<u>\$ 1,562,945</u>

TOTAL LIABILITIES

STOCKHOLDERS' EQUITY

Common stock, \$100 par value; 300 shares authorized, 77 shares issued and outstanding	\$ 7,700
Additional paid-in capital ⁶	375,889
Accumulated other comprehensive income (loss)	8,423
Retained earnings	1,092,085
	<u>\$ 1,484,097</u>

TOTAL STOCKHOLDERS' EQUITY

Total Liabilities and Stockholders' Equity	<u>\$ 3,047,042</u>
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NOTES

¹ The operations of Thanexus, Inc. and its wholly-owned subsidiary, Thanexus Financial Services, LLC, are consolidated for financial reporting purposes. The earnings from Thanexus Financial Services, LLC do not contribute to patronage dividends and are taxed at the cooperative level.

² Member receivables reflect the financial reporting requirements to accrue all wages and benefits as of December 31, 2016 that are not yet booked and processed. The amount is considered fully collectible. Accordingly, no allowance for doubtful accounts is required.

³ Thanexus, Inc. is an equal partner with New Jersey Funeral Directors Services, Inc. in Knowledge Based Funerals, LLC, and serves as its Managing Member. Knowledge Based Funerals, LLC holds the property rights to Funeral MattersSM.

⁴ Member capital may be retained for a period of time to pay the outstanding liabilities of stockholders incurred after the date of termination. The accrual to pay stockholders who terminated membership was \$17,840 and \$11,604 for the years ended December 31, 2016 and December 31, 2015, respectively.

⁵ Stockholders are entitled to a patronage dividend distribution of eligible earnings. Investment income and earnings from Thanexus Financial Services, LLC are not patronage eligible. The company declared a patronage dividend of \$121,892 for the year ended December 31, 2016 and \$119,519 for the year ended December 31, 2015.

⁶ Additional paid-in capital represents prior years' patronage dividends, less amounts paid out in cash distributions.

CONSOLIDATED STATEMENT OF OPERATIONS¹

for the year ended December 31, 2016

REVENUE

Administrative fees	\$ 1,390,876
Insurance commissions	556,000
Initiation fees	19,600
Other income	3,824
Employment related income ⁷	41,558,987

TOTAL REVENUE

\$43,529,287

DIRECT COSTS

Salaries	\$ 32,944,530
Payroll taxes	2,410,403
Pension ⁸	1,672,781
Other benefits	4,531,273

TOTAL DIRECT COSTS⁷

\$41,558,987

General and administrative expenses ⁹	\$ 1,761,589
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TOTAL DIRECT COSTS AND EXPENSES

\$ 43,320,576

INCOME FROM OPERATIONS

\$ 208,711

Other income	26,043
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EARNINGS BEFORE DECLARATION OF PATRONAGE

\$ 234,754

Patronage dividends declared ⁵	(121,892)
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EARNINGS BEFORE PROVISION FOR INCOME TAXES

\$ 112,862

Loss on Investment in Knowledge Based Funerals, LLC ¹⁰	(98,895)
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Provision for income taxes	1,518
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NET INCOME

\$ 15,485

Retained earnings, beginning of year	\$ 1,076,600
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Retained earnings, end of year	\$ 1,092,085
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2016 NOTES

⁷ Total direct costs are netted against employment related income in the audited financial statements. The total employee related costs for 2016 and 2015 were \$41,558,987 and \$40,948,107, respectively.

⁸ Thanexus, Inc. maintains an employee retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan is available to employees who have worked 1,000 hours and completed one year of service. All stockholder firms make a safe harbor contribution of 3% of eligible compensation and may also make additional discretionary contributions. The 401(k) expense was \$1,672,781 in 2016 and \$1,658,394 in 2015.

⁹ General and Administrative costs include office, technology, marketing, personnel, professional and management fees. Thanexus, Inc. has a management agreement with New Jersey Funeral Directors Services, Inc. to provide office space and related services for a fee, which totaled \$230,750 in 2016 and \$223,750 in 2015.

¹⁰ As an equal partner with NJFDS in KBF, any net income or loss sustained by KBF is apportioned in equal amounts to both members. Thanexus' pro rata share of the KBF net loss was \$98,895 and \$37,477 for the years ended December 31, 2016 and December 31, 2015, respectively.

THANEXUS SHAREHOLDERS

as of December 31, 2016

Ana Maria Zevallos/Skrocki Home for Funerals
Ashcraft Funeral Homes
Bailey Funeral Homes
Biondi Funeral Home
Bizub-Quinlan Funeral Home
Boucher Funeral Home
Bradley & Stow Funeral Home
Bradley Funeral Home
Brunswick Memorial Home
Codey & Mackey Funeral Home
Costantino Funeral Home
Costello-Runyon Funeral Homes
Creran Funeral Homes
Damiano Funeral Home
Doyle Funeral Home
Ely Funeral Home
Evoy Funeral Homes
Falco, Caruso & Leonard Funeral Homes
Festa Memorial Funeral Home
Flynn & Sons Funeral Homes
Freeman Funeral Homes
Funeral Service of New Jersey

G. Keenen O'Brien Funeral Home
Galante Funeral Homes
Gallaway & Crane Funeral Homes
Gardner Funeral Homes
George H. Wimberg Funeral Homes
Givnish Funeral Homes
Godfrey Funeral Homes
Gosselin Funeral Home
Hagan-Chamberlain Funeral Home
Higgins Home for Funerals
Hoffman Funeral Homes
Introcaso-Angelo Funeral Homes
John F. Pflieger Funeral Home
Kain-Murphy Funeral Services
Krowicki Gorny Memorial Home
LeRoy P. Wooster Funeral Home and Crematory
M. John Scanlan Funeral Home
M. William Murphy Funeral Directors
MacFadden Funeral Home
Martin Funeral Home
McCriskin-Gustafson Home for Funerals
McLaughlin Funeral Home

Memorial Funeral Home
Nazare Memorial Home
Norman Dean Home for Services
Norton Funeral Home
Oakland Memorial Home

Orender Family Home for Funerals

Pancoast Funeral Home
Parow Funeral Homes
Paul Ippolito Memorial Homes
Peppler Funeral Homes

Perinchief Chapels

Pettit-Davis Funeral Home
Pizzi Funeral Home
Poulson & VanHise Funeral Directors
Prout Funeral Home
Radzieta Funeral Home
Riewerts Memorial Homes

Riotto Funeral Home

Robert Spearing Funeral Home
S.W. Brown & Son Funeral Home
Saul Funeral Homes
Shook Funeral Homes

Shook's Cedar Grove Funeral Homes
Smith-McCracken Funeral Homes
Stephen J. Priola Parsippany Funeral Service
Timothy E. Ryan Home for Funerals
Vander May Wayne Colonial Funeral Home
Vander Plaat Funeral Home
Walter J. Johnson Funeral Homes
Warner-Wozniak Funeral Service
Wimberg Funeral Homes
Woolley-Boglioli Funeral Homes
Wright and Ford Family Funeral Home and
Cremation Services

Bold = New stockholders in 2016.

**Thanexus welcomed
Alvarez Funeral Homes in
Newark and Jersey City
in January 2017**

Learn how Thanexus can help transform your firm's vision into value.

Contact Chris Murphy for a confidential discussion.

THANEXUS[®]
INCORPORATED

P.O. Box L
Manasquan NJ 08736-0642
888.309.5137
www.thanexus.coop

*Thanexus is an economic development program
of New Jersey Funeral Directors Services, Inc.*