Consolidated Financial Statements

Mount Pleasant Group of Cemeteries

March 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Members of
Mount Pleasant Group of Cemeteries

We have audited the accompanying consolidated financial statements of **Mount Pleasant Group of Cemeteries**, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of **Mount Pleasant Group of Cemeteries** as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 22, 2015

Mount Pleasant Group of Cemeteries

CONSOLIDATED BALANCE SHEET

[in thousands of dollars]

As at March 31

	2015 $	2014 $ *[restated – note 18]*
ASSETS		
Current		
Cash and cash equivalents	**20,787**	6,042
Accounts receivable	**20,835**	14,894
Other	**1,387**	1,336
Total current assets	**43,009**	22,272
Long-term accounts receivable	**35,783**	34,755
Investments *[note 3]*	**615,363**	540,784
Cemetery properties	**37,957**	33,808
Capital assets, net *[note 4]*	**49,724**	50,084
Other	**400**	400
	782,236	682,103
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[note 6]*	**33,424**	13,442
Total current liabilities	**33,424**	13,442
Deferred prepaid trust *[note 7]*	**176,984**	160,663
Other deferred revenue *[note 8]*	**5,820**	7,738
Accrued benefit liability *[notes 14 and 18]*	**8,112**	7,333
Total liabilities	**224,340**	189,176
Commitments and contingencies *[notes 5 and 12]*		
Net assets		
Externally restricted funds for care and maintenance *[note 9]*	**385,157**	348,910
Endowments	**4,349**	3,939
Internally restricted *[note 10]*	**41,799**	41,484
Unrestricted	**126,591**	98,594
Total net assets	**557,896**	492,927
	782,236	682,103

See accompanying notes

Board Chair

Director

Mount Pleasant Group of Cemeteries

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES

[in thousands of dollars]

Year ended March 31

	2015 $	**2014** $
REVENUE		
Sales *[note 7]*	**58,956**	58,220
Care and maintenance *[note 8]*	**12,859**	11,725
Other	**774**	617
	72,589	70,562
EXPENSES		
Direct *[note 15]*	**16,770**	16,573
General and administrative *[note 15]*	**36,688**	35,547
Care and maintenance *[notes 8 and 15]*	**12,859**	11,725
	66,317	63,845
Excess of revenue over expenses before the following	**6,272**	6,717
Gain on Langstaff land sale *[note 19]*	**16,012**	—
Investment income *[note 11]*	**6,114**	4,955
Excess of revenue over expenses for the year	**28,398**	11,672

See accompanying notes

Mount Pleasant Group of Cemeteries

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended March 31

	2015					2014
	Externally restricted funds for care and maintenance $	**Endowments** $	**Internally restricted** $	**Unrestricted** $	**Total** $	**Total** $ *[restated – note 18]*
Net assets, beginning of year	**348,910**	**3,939**	**41,484**	**98,594**	**492,927**	452,543
Excess of revenue over expenses for the year	**—**	**—**	**—**	**28,398**	**28,398**	11,672
Remeasurements related to employee defined benefit plan	**—**	**—**	**—**	**(86)**	**(86)**	525
Transfers *[note 10]*	**—**	**—**	**315**	**(315)**	**—**	—
Contributions	**10,537**	**149**	**—**	**—**	**10,686**	10,389
Net gain on investments held for care and maintenance and endowments *[note 11]*	**25,710**	**261**	**—**	**—**	**25,971**	17,798
Net assets, end of year	**385,157**	**4,349**	**41,799**	**126,591**	**557,896**	492,927

See accompanying notes

Mount Pleasant Group of Cemeteries

CONSOLIDATED STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2015 $	2014 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**28,398**	11,672
Add (deduct) items not involving cash		
Amortization of capital assets	**4,565**	4,222
Net gain on investments	**(4,189)**	(3,341)
Gain on Langstaff land sale	**(16,012)**	—
Employee benefits expense related to defined benefit plan	**809**	688
	13,571	13,241
Net change in non-cash balances related to operations *[note 13]*	**23,130**	2,357
Care and maintenance and endowment contributions	**10,686**	10,389
Net purchase of investments held for care and maintenance, endowments and prepaid trust funds	**(21,739)**	(12,444)
Employer contributions to defined benefit plan	**(116)**	(106)
Cash provided by operating activities	**25,532**	13,437
INVESTING ACTIVITIES		
Net purchase of investments held for unrestricted and internally restricted	**(22,680)**	(2,832)
Purchase of capital assets	**(4,205)**	(13,173)
Proceeds from Langstaff land sale *[note 19]*	**16,098**	—
Cash used in investing activities	**(10,787)**	(16,005)
Net increase (decrease) in cash and cash equivalents during the year	**14,745**	(2,568)
Cash and cash equivalents, beginning of year	**6,042**	8,610
Cash and cash equivalents, end of year	**20,787**	6,042

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2015

1. PURPOSE OF THE ORGANIZATION

Mount Pleasant Group of Cemeteries [the "organization"] controls the operation of ten cemeteries, three funeral homes and five visitation centres in the Greater Toronto Area. Its purpose is to bring some comfort to an otherwise difficult experience by offering each and every person compassion, care and choice.

The organization is a corporation without share capital which was formed by Special Act and is governed by the Corporations Act (Ontario). It is a not-for-profit organization and is tax-exempt under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ["CPA Canada"] Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Basis of presentation

The organization consolidates controlled entities.

Revenue recognition

Revenue related to the sale of interment rights is recognized when the contract is signed and a deposit has been received. Revenue from the sale of products and services is recorded when the product is delivered or the service provided.

The organization also accepts pre-payment for products and services to be provided at a later date. Revenue is deferred until products and services are delivered. Payments received are credited directly to individual customer accounts and invested. Interest earned on funds is credited to the customer's account as earned. At the time of utilization, revenue to be recognized from prepaid trust funds will be equal to the payments received from the customer in relation to that portion of the contract being utilized plus any investment income earned on those payments, to a maximum value of the current retail selling price of the goods or services being utilized.

The Funeral, Burial and Cremation Services Act, 2002, requires that a certain percentage of sales of various products be set aside and invested to provide income for the care and maintenance of cemetery properties. These funds are recorded as externally restricted funds for care and maintenance. The organization also accepts contributions for the special care and maintenance of specific areas within its cemeteries, which are recorded as endowments. Contributions for care and maintenance that are to be held as trust funds and gains (losses) on the investment of these funds are recognized as direct increases (decreases) in net assets.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded as revenue in the consolidated statement of revenue and expenses, except to the extent that it relates to externally restricted funds for care and maintenance, endowments or deferred prepaid trust funds, which is added directly to the balances or is restricted and recognized when the related expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, units of short-term investment funds and short-term investments with an original term to maturity of less than 90 days at the date of acquisition. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as long-term investments.

Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the organization designates upon purchase to be measured at fair value. Transaction costs are recognized in the consolidated statement of revenue and expenses in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All transactions are recorded on a trade date basis.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Cemetery properties

Cemetery properties, which consist of land, land development costs, crypts and niches, are recorded at cost.

Direct costs of cemetery properties sold comprise costs determined on the following bases:

- Land and development costs attributable to specific lots - expensed when lots are sold.
- Crypt and niche costs - expensed when sold.
- Initial cemetery development costs, major cemetery features and other development costs not attributable to specific lots - amortized on a straight-line basis over 13 to 20 years.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis designed to charge operations with the cost of the capital assets over their estimated useful lives as follows:

Buildings and crematoria	15 - 25 years
Furniture, fixtures and equipment	3 - 10 years

Defined contribution pension plans

Contributions to defined contribution pension plans are expensed on an accrual basis.

Non-pension post-retirement defined benefit plan

The organization maintains a non-pension post-retirement defined benefit plan and accounts for these benefits using the immediate recognition approach. Under this approach, the organization recognizes the amount of the accrued benefit obligation in the consolidated balance sheet. Current service and finance costs are expensed during the year, while remeasurements, representing actuarial gains and losses, are recognized as a direct increase or decrease in net assets. The organization accrues its obligations under the non-pension post-retirement defined benefit plan as employees render services. The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate assumptions. The accrued benefit obligation is determined using a roll-forward technique to estimate the accrued liability from the most recent actuarial valuation that is prepared at least every three years.

[in thousands of dollars]

Allocation of expenses

Salaries and benefits directly related to certain activities are allocated to cemetery properties, capital assets and expense categories based on time sheets or an estimate of time spent on these activities. Other direct operating costs are allocated to the appropriate category. No general and support costs are allocated except for insurance, which is allocated based on the value of properties, and utilities, which are allocated based on estimates of consumption.

Income taxes

The organization follows the taxes payable method of accounting for income taxes in connection with for-profit entities. Under this method, only current income tax assets and liabilities are recognized.

3. INVESTMENTS

Investments consist of the following:

	Carrying value	**2015** $	**2014** $
Canadian investments			
Short-term notes	Amortized cost	**2,648**	2,882
Guaranteed investment certificates	Amortized cost	**19,451**	19,212
Equities	Fair value	**239,070**	209,273
Pooled funds			
TD Emerald Canadian Short-Term Investment Fund	Fair value	**17,793**	17,612
TD Emerald Canadian Bond Fund	Fair value	**279,896**	242,015
TD Emerald Canadian Real Return Bond Fund	Fair value	**56,505**	49,790
		615,363	540,784

[in thousands of dollars]

Investments held for the following purposes are managed separately with different investment mixes based on the underlying purposes of the funds. Externally restricted funds for care and maintenance are invested in short-term notes [4%], bonds [44%] and Canadian equities [52%]. Endowments are invested in short-term notes [4%] and bonds [96%]. Prepaid trust funds are invested primarily in bonds. Internally restricted funds are invested in short-term notes [3%], bonds [50%] and Canadian equities [47%].

4. CAPITAL ASSETS

Capital assets consist of the following:

	2015		
	Cost $	**Accumulated amortization** $	**Net book value** $
Land	**3,014**	**—**	**3,014**
Buildings and crematoria	**69,174**	**27,758**	**41,416**
Furniture, fixtures and equipment	**19,360**	**14,066**	**5,294**
	91,548	**41,824**	**49,724**

	2014		
	Cost $	**Accumulated amortization** $	**Net book value** $
Land	3,014	—	3,014
Buildings and crematoria	67,886	25,984	41,902
Furniture, fixtures and equipment	20,560	15,392	5,168
	91,460	41,376	50,084

Buildings include construction in progress of $1,781 [2014 - $7,716] that will not be amortized until placed in service.

[in thousands of dollars]

5. BANK FACILITY

The organization has a line of credit of $1,300 bearing interest at prime [March 31, 2015 – 2.85%] against which letters of credit totalling $329 are outstanding. In addition, the organization has a line of credit of $147 bearing interest at prime plus 0.25% [March 31, 2015 – 3.10%] which was not utilized as at March 31, 2015. Annual fees are charged on outstanding letters of credit at 0.75%.

6. GOVERNMENT REMITTANCES PAYABLE

As at March 31, 2015, accounts payable and accrued liabilities include government remittances payable of $1,943 [2014 - $1,511].

7. DEFERRED PREPAID TRUST

The continuity of deferred prepaid trust for the year ended March 31 is as follows:

	2015 $	**2014** $
Balance, beginning of year	**160,663**	153,969
Contributions during the year	**14,609**	15,015
Interest income earned during the year *[note 11]*	**4,925**	4,068
Gain (loss) during the year *[note 11]*	**6,286**	(2,810)
Services performed during the year recognized as revenue	**(9,499)**	(9,579)
Balance, end of year	**176,984**	160,663

[in thousands of dollars]

8. OTHER DEFERRED REVENUE

Other deferred revenue represents unspent income on externally restricted funds for care and maintenance and endowments. The continuity of other deferred revenue for the year ended March 31 is as follows:

	2015 $	2014 $
Balance, beginning of year	**7,738**	8,932
Investment income *[note 11]*	**10,941**	10,531
Revenue recognized related to care and maintenance	**(12,859)**	(11,725)
Balance, end of year	**5,820**	7,738

9. EXTERNALLY RESTRICTED FUNDS FOR CARE AND MAINTENANCE

Externally restricted funds for care and maintenance represent that portion of revenue which is set aside under legislation and permanently maintained to provide for the care and maintenance of cemetery properties. These amounts are added directly to net assets in the consolidated statement of changes in net assets.

10. INTERNALLY RESTRICTED NET ASSETS

The organization, at its discretion, has agreed to internally restrict additional amounts to provide for, amongst other things, the continued care and maintenance and development of cemetery properties.

[in thousands of dollars]

11. INVESTMENT INCOME

Investment income recorded in the consolidated statement of revenue and expenses is calculated as follows:

	2015 $	**2014** $
Total investment income	**54,237**	34,542
Add (deduct)		
Net gain on investments held for externally restricted funds for care and maintenance recognized in the consolidated statement of changes in net assets	**(25,710)**	(17,922)
Net loss (gain) on investments held for endowments recognized in the consolidated statement of changes in net assets	**(261)**	124
Interest income on prepaid trust funds *[note 7]*	**(4,925)**	(4,068)
Net loss (gain) on prepaid trust funds *[note 7]*	**(6,286)**	2,810
Investment income on externally restricted funds for care and maintenance and endowments recorded as other deferred revenue *[note 8]*	**(10,941)**	(10,531)
Investment income recognized in the consolidated statement of revenue and expenses	**6,114**	4,955

12. COMMITMENTS AND CONTINGENCIES

[a] The organization is subject to various claims and potential claims in connection with operations. Where the potential liability is able to be estimated, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the period during which the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

[in thousands of dollars]

[b] The organization is committed with respect to leases for office premises. The future minimum annual lease payments under operating leases are as follows:

	$
2016	230
2017	310
2018	271
2019	193
2020	168
Thereafter	983

In addition to minimum rental payments, leases for offices generally require the payment of various operating costs.

13. NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS

The net change in non-cash balances related to operations consists of the following:

	2015 $	**2014** $
Accounts receivable	**(5,941)**	(1,868)
Other current assets	**(51)**	(121)
Long-term accounts receivable	**(1,028)**	(3,529)
Cemetery properties	**(4,235)**	333
Accounts payable and accrued liabilities	**19,982**	2,042
Deferred prepaid trust	**16,321**	6,694
Other deferred revenue	**(1,918)**	(1,194)
	23,130	2,357

[in thousands of dollars]

14. POST-RETIREMENT DEFINED BENEFIT PLAN

The organization's non-pension post-retirement defined benefit plan comprises medical and dental coverage for certain groups of employees. The latest actuarial valuation for the non-pension post-retirement defined benefit plan was performed as of March 31, 2013.

15. ALLOCATION OF EXPENSES

General and administrative expenses allocated to other expense categories are as follows:

	2015 $	**2014** $
Direct	**113**	78
Care and maintenance	**589**	587
	702	665

16. FINANCIAL INSTRUMENTS

The organization is exposed to various financial risks through transactions in financial instruments.

Credit risk

The organization is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

The organization is exposed to interest rate risk with respect to its investments in fixed income investments and pooled funds that hold fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Other price risk

The organization is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities and pooled funds.

[in thousands of dollars]

17. INCOME TAXES

As at March 31, 2015, a controlled entity has tax losses of approximately $1,450 not recognized in the consolidated financial statements which expire between 2026 and 2034 and $11,035 of unclaimed capital cost allowance available to be carried forward indefinitely.

18. ADOPTION OF REPORTING EMPLOYEE FUTURE BENEFITS BY NOT-FOR-PROFIT ORGANIZATIONS

Effective April 1, 2014, the organization adopted Section 3463, *Reporting Employee Future Benefits by Not-for-Profit Organizations*, of the CPA Canada Handbook - Accounting, on a retrospective basis. Section 3463.01 provides that a not-for-profit organization applies Section 3462 except as otherwise provided for in Section 3463.

In accordance with Section 3463, the organization has adopted the immediate recognition approach and remeasurements are recognized directly in net assets in the consolidated balance sheet, rather than in the consolidated statement of revenue and expenses, and presented as a separately identified item in the consolidated statement of changes in net assets.

The following table provides a reconciliation of the net assets as at April 1, 2013, as previously reported with those computed after adopting Section 3463:

	Net assets as at April 1, 2013 $
Net assets – as previously reported	453,920
Adoption of immediate recognition approach	(1,377)
Net assets – restated	452,543

Immediate recognition approach

Prior to adopting Section 3463, the organization used the deferral and amortization approach to account for its employee future benefits. Section 3463 requires the use of the immediate recognition approach whereby the accrued benefit obligation is recognized in the consolidated balance sheet. As a result of this change, the unamortized actuarial loss as at April 1, 2013 of $1,377 was deducted from the net assets balance as at that date. There was no change to the consolidated statement of revenue and expenses as a result of this change.

19. SALE OF LAND

During the year, a portion of land at the Langstaff farm location was expropriated. Proceeds were $16,098 with a gain of $16,012 recorded in the consolidated statement of revenue and expenses.