Consolidated Financial Statements

# Mount Pleasant Group of Cemeteries

March 31, 2013 and 2012

Ernst & Young
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# INDEPENDENT AUDITORS' REPORT

To the Members of
**Mount Pleasant Group of Cemeteries**

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of **Mount Pleasant Group of Cemeteries**, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and April 1, 2011, and the consolidated statements of revenue and expenses, changes in net assets and cash flows for the years ended March 31, 2013 and 2012, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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, 2013 and 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
June 24, 2013.

**Mount Pleasant Group of Cemeteries**

# CONSOLIDATED BALANCE SHEETS

[in thousands of dollars]

As at

| | March 31, 2013 $ | March 31, 2012 $ | April 1, 2011 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | **8,610** | 8,591 | 7,718 |
| Accounts receivable | **13,026** | 14,686 | 14,409 |
| Other | **1,215** | 1,296 | 1,095 |
| **Total current assets** | **22,851** | 24,573 | 23,222 |
| Long-term accounts receivable | **31,226** | 29,144 | 28,141 |
| Investments *[note 3]* | **504,369** | 472,102 | 452,610 |
| Cemetery properties | **34,141** | 35,270 | 35,505 |
| Capital assets, net *[note 4]* | **41,133** | 42,331 | 43,131 |
| Other | **400** | 400 | 400 |
| | **634,120** | 603,820 | 583,009 |
| **LIABILITIES AND NET ASSETS** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities *[note 6]* | **11,400** | 12,515 | 13,013 |
| **Total current liabilities** | **11,400** | 12,515 | 13,013 |
| Deferred prepaid trust *[note 7]* | **153,969** | 144,039 | 130,889 |
| Other deferred revenue *[note 8]* | **8,932** | 8,268 | 7,376 |
| Accrued benefit liability *[note 14]* | **5,899** | 5,127 | 4,542 |
| **Total liabilities** | **180,200** | 169,949 | 155,820 |
| Commitments and contingencies *[note 12]* | | | |
| **Net assets** | | | |
| Externally restricted funds for care and maintenance *[note 9]* | **320,654** | 309,135 | 309,533 |
| Other endowments | **4,008** | 3,978 | 3,716 |
| Internally restricted *[note 10]* | **38,059** | 36,705 | 34,507 |
| Unrestricted | **91,199** | 84,053 | 79,433 |
| **Total net assets** | **453,920** | 433,871 | 427,189 |
| | **634,120** | 603,820 | 583,009 |

*See accompanying notes*

Board Chair

Director

**Mount Pleasant Group of Cemeteries**

# CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSES

[in thousands of dollars]

Years ended March 31

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **REVENUE** | | |
| Sales *[note 7]* | **57,028** | 55,653 |
| Care and maintenance *[note 8]* | **10,458** | 10,498 |
| Other | **675** | 651 |
| | **68,161** | 66,802 |
| **EXPENSES** | | |
| Direct *[note 15]* | **16,768** | 16,399 |
| General and administrative | **34,433** | 32,937 |
| Care and maintenance *[notes 8 and 15]* | **10,458** | 10,498 |
| | **61,659** | 59,834 |
| **Excess of revenue over expenses before the following** | **6,502** | 6,968 |
| Investment income (loss) *[note 11]* | **1,998** | (150) |
| **Excess of revenue over expenses for the year** | **8,500** | 6,818 |

*See accompanying notes*

**Mount Pleasant Group of Cemeteries**

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

[in thousands of dollars]

Years ended March 31

| | 2013 | | | | | 2012 |
|---|---|---|---|---|---|---|
| | **Externally restricted funds for care and maintenance** $ | **Other endowments** $ | **Internally restricted** $ | **Unrestricted** $ | **Total** $ | **Total** $ |
| **Net assets, beginning of year** | **309,135** | **3,978** | **36,705** | **84,053** | **433,871** | 427,189 |
| Excess of revenue over expenses for the year | **—** | **—** | **—** | **8,500** | **8,500** | 6,818 |
| Transfers *[note 10]* | **—** | **—** | **1,354** | **(1,354)** | **—** | — |
| Endowment contributions | **9,432** | **31** | **—** | **—** | **9,463** | 10,282 |
| Net gain (loss) on investments held for endowments *[note 11]* | **2,087** | **(1)** | **—** | **—** | **2,086** | (10,418) |
| **Net assets, end of year** | **320,654** | **4,008** | **38,059** | **91,199** | **453,920** | 433,871 |

*See accompanying notes*

**Mount Pleasant Group of Cemeteries**

# CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands of dollars]

Years ended March 31

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Excess of revenue over expenses for the year | **8,500** | 6,818 |
| Add (deduct) items not involving cash | | |
| Amortization of capital assets | **4,054** | 4,068 |
| Net loss (gain) on investments | **(516)** | 1,410 |
| | **12,038** | 12,296 |
| Net change in non-cash balances related to operations *[note 13]* | **10,267** | 12,298 |
| Care and maintenance and other endowment contributions | **9,463** | 10,282 |
| Net purchase of investments held for care and maintenance, other endowments and prepaid trust | **(18,497)** | (23,795) |
| Net change in accrued benefit liability | **772** | 585 |
| **Cash provided by operating activities** | **14,043** | 11,666 |
| **INVESTING ACTIVITIES** | | |
| Net purchase of investments held for unrestricted and internally restricted | **(11,168)** | (7,525) |
| Purchase of capital assets | **(2,856)** | (3,268) |
| **Cash used in investing activities** | **(14,024)** | (10,793) |
| **Net increase in cash and cash equivalents during the year** | **19** | 873 |
| Cash and cash equivalents, beginning of year | **8,591** | 7,718 |
| **Cash and cash equivalents, end of year** | **8,610** | 8,591 |

*See accompanying notes*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2013 and 2012

## 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 incorporated without share capital under the Corporations Act (Ontario), is a not-for-profit organization and is tax-exempt under the Income Tax Act (Canada).

Effective March 31, 2013, there was a reorganization of the companies in the Mount Pleasant Group. Prior to the reorganization, Mount Pleasant Memorial Services ["MPMS"] was the affiliate member of the organization and Canadian Memorial Services ["CMS"] which resulted in it controlling these entities. In prior years, consolidated financial statements were prepared for MPMS that included the accounts of the organization and CMS.

As a result of the reorganization, the organization became the affiliate member of CMS which resulted in it controlling CMS. As well, the assets of MPMS were transferred to and the liabilities were assumed by the organization. Since the organization now controls CMS and all of MPMS' assets have been transferred to and liabilities assumed by the organization, the consolidated accounts of the organization include the same entities that were previously included in the consolidated accounts of MPMS. As a result, continuity of interests accounting has been used whereby the accounts of CMS and MPMS as at March 31, 2012 and April 1, 2011 and their operations and cash flows for the years ended March 31, 2013 and 2012 have been included in these consolidated financial statements as if these entities had always been controlled by the organization.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants' ["CICA"] 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 trusted 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 Cemeteries Act 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. The organization also accepts contributions for the special care and maintenance of specific areas within its cemeteries, which are recorded as other endowments. Contributions for care and maintenance that are to be held as trusted 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 statements of revenue and expenses, except to the extent that it relates to endowment net assets 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 statements 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 | 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 plans

The organization accrues its obligations under non-pension post-retirement defined benefit plans 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 excess of the cumulative unamortized balance of the net actuarial gain (loss) over 10% of the benefit obligations is amortized over the average remaining service period of employees. The average remaining service period of the active employees is 14.7 years. Liabilities are discounted using current interest rates on long-term high quality corporate bonds.

## 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.

[in thousands of dollars]

## 3. INVESTMENTS

Investments consist of the following:

| | Carrying value | March 31, 2013 $ | March 31, 2012 $ | April 1, 2011 $ |
|---|---|---|---|---|
| **Canadian investments** | | | | |
| Short-term notes | Amortized cost | **1,724** | 1,101 | 5,471 |
| Guaranteed investment certificates | Amortized cost | **18,850** | 18,318 | 17,762 |
| Equities | Fair value | **172,008** | 149,749 | 149,374 |
| **Pooled funds** | | | | |
| TD Emerald Canadian Short-Term Investment Fund | Fair value | **17,464** | 17,213 | 16,890 |
| TD Emerald Canadian Bond Fund | Fair value | **291,379** | 272,597 | 240,302 |
| TD Global Equity Fund | Fair value | **2,944** | 13,124 | 22,811 |
| | | **504,369** | 472,102 | 452,610 |

Investments held for the following purposes are managed separately with different investment mixes based on the underlying purposes of the funds. Externally restricted funds held to earn income for future care and maintenance are invested in short-term notes [5%], bonds [48%], Canadian equities [46%] and foreign equities [1%]. Other endowments are invested in short-term notes [4%] and bonds [96%]. Prepaid trust funds are invested primarily in fixed income securities. Internally restricted funds are invested in short-term notes [2%], bonds [54%] and Canadian equities [44%].

[in thousands of dollars]

The asset mix of the TD Global Equity Fund is as follows:

| | March 31, 2013 % | March 31, 2012 % | April 1, 2011 % |
|---|---|---|---|
| North America | **55** | 55 | 52 |
| Europe | **29** | 32 | 31 |
| Pacific | **15** | 12 | 16 |
| Emerging | **1** | 1 | — |
| Short-term | **—** | — | 1 |
| | **100** | 100 | 100 |

## 4. CAPITAL ASSETS

Capital assets consist of the following:

| | March 31, 2013 | | |
|---|---|---|---|
| | **Cost** $ | **Accumulated amortization** $ | **Net book value** $ |
| Land | **1,190** | **—** | **1,190** |
| Buildings | **57,530** | **23,355** | **34,175** |
| Furniture, fixtures and equipment | **19,927** | **14,159** | **5,768** |
| | **78,647** | **37,514** | **41,133** |

| | March 31, 2012 | | |
|---|---|---|---|
| | **Cost** $ | **Accumulated amortization** $ | **Net book value** $ |
| Land | 1,190 | — | 1,190 |
| Buildings | 56,508 | 21,609 | 34,899 |
| Furniture, fixtures and equipment | 23,761 | 17,519 | 6,242 |
| | 81,459 | 39,128 | 42,331 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2013 and 2012

| | April 1, 2011 | | |
|---|---|---|---|
| | **Cost** $ | **Accumulated amortization** $ | **Net book value** $ |
| Land | 1,190 | — | 1,190 |
| Buildings | 55,599 | 19,496 | 36,103 |
| Furniture, fixtures and equipment | 21,626 | 15,788 | 5,838 |
| | 78,415 | 35,284 | 43,131 |

Buildings include construction in progress of $790 [March 31, 2012 - $246; April 1, 2011 - $98] that will not be amortized until placed in service.

## 5. BANK FACILITY

The organization has lines of credit totalling $1,500 bearing interest at prime plus 0.25% [March 31, 2013 - 3.25%] against which letters of credit totalling $145 are outstanding. The lines of credit were not otherwise utilized at March 31, 2013. Annual fees are charged on outstanding letters of credit at 0.75%.

## 6. GOVERNMENT REMITTANCES PAYABLE

As at March 31, 2013, accounts payable and accrued liabilities include government remittances payable of $1,413 [March 31, 2012 - $1,513; April 1, 2011 - $1,035].

## 7. DEFERRED PREPAID TRUST

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

| | **2013** $ | **2012** $ |
|---|---|---|
| **Balance, beginning of year** | **144,039** | 130,889 |
| Contributions during the year | **14,312** | 12,698 |
| Interest income earned during the year *[note 11]* | **4,577** | 5,037 |
| Gain during the year *[note 11]* | **86** | 3,442 |
| Services performed during the year | **(9,045)** | (8,027) |
| **Balance, end of year** | **153,969** | 144,039 |

[in thousands of dollars]

## 8. OTHER DEFERRED REVENUE

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

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **Balance, beginning of year** | **8,268** | 7,376 |
| Investment income *[note 11]* | **11,122** | 11,390 |
| Revenue recognized related to care and maintenance | **(10,458)** | (10,498) |
| **Balance, end of year** | **8,932** | 8,268 |

## 9. EXTERNALLY RESTRICTED FUNDS

Externally restricted funds include that portion of revenue which is set aside under legislation and permanently maintained to provide for the care and maintenance of cemetery properties.

## 10. INTERNALLY RESTRICTED NET ASSETS

The Board of Directors of 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. Transfers to/from the internally restricted net assets are approved annually by the Board of Directors.

[in thousands of dollars]

## 11. INVESTMENT INCOME (LOSS)

Investment income (loss) recorded in consolidated the statements of revenue and expenses is calculated as follows:

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Total investment income | **19,869** | 9,301 |
| Add (deduct) | | |
| Loss (gain) on investments held for care and maintenance recognized in the consolidated statements of changes in net assets | **(2,087)** | 10,580 |
| Loss (gain) on investments held for other endowments recognized in the consolidated statements of changes in net assets | **1** | (162) |
| Interest income on prepaid trust funds *[note 7]* | **(4,577)** | (5,037) |
| Gain on prepaid trust funds *[note 7]* | **(86)** | (3,442) |
| Interest and dividends on care and maintenance and other endowments recorded as other deferred revenue *[note 8]* | **(11,122)** | (11,390) |
| **Investment income (loss) recognized in the consolidated statements of revenue and expenses** | **1,998** | (150) |

## 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:

| | $ |
|---|---|
| 2014 | 728 |
| 2015 | 611 |
| 2016 | 312 |
| 2017 | 165 |
| Thereafter | — |

In addition to minimum rentals, 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:

| | **2013** $ | **2012** $ |
|---|---|---|
| Accounts receivable | **1,660** | (277) |
| Other current assets | **81** | (201) |
| Long-term accounts receivable | **(2,082)** | (1,003) |
| Cemetery properties | **1,129** | 235 |
| Accounts payable and accrued liabilities | **(1,115)** | (498) |
| Deferred prepaid trust | **9,930** | 13,150 |
| Other deferred revenue | **664** | 892 |
| | **10,267** | 12,298 |

## 14. EMPLOYEE FUTURE BENEFITS

### Defined contribution pension plans

Contributions to defined contribution pension plans during the year amounted to $646 [2012 - $597].

[in thousands of dollars]

## Non-pension post-retirement defined benefit plans

The organization's non-pension post-retirement defined benefit plans comprise medical and dental coverage for certain groups of employees. The latest actuarial valuation for the non-pension post-retirement defined benefit plans was performed as of October 1, 2010. The organization measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

Information about the organization's non-pension post-retirement defined benefit plans is as follows:

| | **March 31, 2013** $ | **March 31, 2012** $ | **April 1, 2011** $ |
|---|---|---|---|
| Accrued benefit obligation and plan deficit | **7,276** | 6,599 | 4,862 |
| Unamortized net actuarial loss | **(1,377)** | (1,472) | (320) |
| **Accrued benefit liability** | **5,899** | 5,127 | 4,542 |

The significant actuarial assumptions adopted in measuring the organization's accrued benefit obligation and benefit expense are as follows:

| | **March 31, 2013** | **March 31, 2012** | **April 1, 2011** |
|---|---|---|---|
| Accrued benefit obligation | | | |
| Discount rate | **4.50%** | 4.50% | 5.90% |
| Immediate health care cost trend rate | **5.83%** | 5.86% | 5.90% |
| Ultimate health and dental care cost trend rate | **4.40%** | 4.50% | 4.50% |
| Year ultimate rate reached | **2027** | 2027 | 2027 |

| | **2013** | **2012** |
|---|---|---|
| Benefit expense | | |
| Discount rate | **4.50%** | 5.90% |
| Immediate health care cost trend rate | **5.86%** | 5.90% |
| Ultimate health and dental care cost trend rate | **4.50%** | 4.50% |
| Year ultimate rate reached | **2027** | 2027 |

[in thousands of dollars]

Other information about the non-pension post-retirement defined benefit plans is as follows:

| | **2013** $ | **2012** $ |
|---|---|---|
| Expense | **861** | 673 |
| Employer contributions | **89** | 88 |
| Benefits paid | **89** | 88 |

## 15. ALLOCATION OF EXPENSES

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

| | **2013** $ | **2012** $ |
|---|---|---|
| Direct | **78** | 101 |
| Care and maintenance | **571** | 512 |
| | **649** | 613 |

## 16. FINANCIAL INSTRUMENTS

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

**Currency risk**

The organization is exposed to foreign currency risk with respect to the underlying investments of its pooled funds denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

**Credit risk**

The organization is exposed to credit risk in connection with its accounts receivable and its short-term 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 a pooled fund that holds 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.

## 17. INCOME TAXES

A controlled entity has tax losses of $2,309 not recognized in the consolidated financial statements which expire between 2014 and 2031, and approximately $7,969 of unclaimed capital cost allowance available to be carried forward indefinitely.

## 18. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These consolidated financial statements are the first financial statements that the organization has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada. First-time adoption of this new basis of accounting had no impact on excess of revenue over expenses for the year ended March 31, 2012, or net assets as at April 1, 2011, the date of transition.