Consolidated Financial Statements

Mount Pleasant Group of Cemeteries

March 31, 2014

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 sheet as at March 31, 2014, 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, 2014 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.

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

Toronto, Canada,
June 23, 2014.

Chartered Accountants
Licensed Public Accountants

Mount Pleasant Group of Cemeteries

CONSOLIDATED BALANCE SHEET

[in thousands of dollars]

As at March 31

	2014 $	**2013** $
ASSETS		
Current		
Cash and cash equivalents	**6,042**	8,610
Accounts receivable	**14,894**	13,026
Other	**1,336**	1,215
Total current assets	**22,272**	22,851
Long-term accounts receivable	**34,755**	31,226
Investments *[note 3]*	**540,784**	504,369
Cemetery properties	**33,808**	34,141
Capital assets, net *[note 4]*	**50,084**	41,133
Other	**400**	400
	682,103	634,120
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[note 6]*	**13,442**	11,400
Total current liabilities	**13,442**	11,400
Deferred prepaid trust *[note 7]*	**160,663**	153,969
Other deferred revenue *[note 8]*	**7,738**	8,932
Accrued benefit liability *[note 14]*	**6,481**	5,899
Total liabilities	**188,324**	180,200
Commitments and contingencies *[note 12]*		
Net assets		
Externally restricted funds for care and maintenance *[note 9]*	**348,910**	320,654
Endowments	**3,939**	4,008
Internally restricted *[note 10]*	**41,484**	38,059
Unrestricted	**99,446**	91,199
Total net assets	**493,779**	453,920
	682,103	634,120

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

	2014	**2013**
	$	$
REVENUE		
Sales *[note 7]*	**58,220**	57,028
Care and maintenance *[note 8]*	**11,725**	10,458
Other	**616**	675
	70,561	68,161
EXPENSES		
Direct *[note 15]*	**16,573**	16,768
General and administrative *[note 15]*	**35,546**	34,433
Care and maintenance *[notes 8 and 15]*	**11,725**	10,458
	63,844	61,659
Excess of revenue over expenses before the following	**6,717**	6,502
Investment income *[note 11]*	**4,955**	1,998
Excess of revenue over expenses for the year	**11,672**	8,500

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended March 31

	2014					2013
	Externally restricted funds for care and maintenance $	**Endowments** $	**Internally restricted** $	**Unrestricted** $	**Total** $	**Total** $
Net assets, beginning of year	**320,654**	**4,008**	**38,059**	**91,199**	**453,920**	433,871
Excess of revenue over expenses for the year	**—**	**—**	**—**	**11,672**	**11,672**	8,500
Transfers *[note 10]*	**—**	**—**	**3,425**	**(3,425)**	**—**	—
Contributions	**10,334**	**55**	**—**	**—**	**10,389**	9,463
Net gain (loss) on investments held for care and maintenance and endowments *[note 11]*	**17,922**	**(124)**	**—**	**—**	**17,798**	2,086
Net assets, end of year	**348,910**	**3,939**	**41,484**	**99,446**	**493,779**	453,920

See accompanying notes

Mount Pleasant Group of Cemeteries

CONSOLIDATED STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2014 $	2013 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**11,672**	8,500
Add (deduct) items not involving cash		
Amortization of capital assets	**4,222**	4,054
Net gain on investments	**(3,341)**	(516)
	12,553	12,038
Net change in non-cash balances related to operations *[note 13]*	**2,357**	10,267
Care and maintenance and endowment contributions	**10,389**	9,463
Net purchase of investments held for care and maintenance, endowments and prepaid trust funds	**(12,444)**	(18,497)
Net change in accrued benefit liability	**582**	772
Cash provided by operating activities	**13,437**	14,043
INVESTING ACTIVITIES		
Net purchase of investments held for unrestricted and internally restricted	**(2,832)**	(11,168)
Purchase of capital assets	**(13,173)**	(2,856)
Cash used in investing activities	**(16,005)**	(14,024)
Net increase (decrease) in cash and cash equivalents during the year	**(2,568)**	19
Cash and cash equivalents, beginning of year	**8,610**	8,591
Cash and cash equivalents, end of year	**6,042**	8,610

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2014

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).

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 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 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 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 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	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 13.3 years. Liabilities are discounted using current interest rates on long-term high quality corporate bonds.

[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 $	**2014** $	**2013** $
Canadian investments			
Short-term notes	Amortized cost	**2,882**	1,724
Guaranteed investment certificates	Amortized cost	**19,212**	18,850
Equities	Fair value	**209,273**	172,008
Pooled funds			
TD Emerald Canadian Short-Term Investment Fund	Fair value	**17,612**	17,464
TD Emerald Canadian Bond Fund	Fair value	**242,015**	237,909
TD Emerald Canadian Real Return Bond Fund	Fair value	**49,790**	53,470
TD Global Equity Fund	Fair value	**—**	2,944
		540,784	504,369

[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 [5%], bonds [44%] and Canadian equities [51%]. 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 [3%], bonds [49%] and Canadian equities [48%].

4. CAPITAL ASSETS

Capital assets consist of the following:

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

	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

Buildings include construction in progress of $7,716 [2013 - $790] that will not be amortized until placed in service.

[in thousands of dollars]

5. BANK FACILITY

The organization has lines of credit totalling $1,497 bearing interest at prime plus 0.25% [March 31, 2014 - 3.25%] against which letters of credit totalling $28 are outstanding. The lines of credit were not otherwise utilized as at March 31, 2014. Annual fees are charged on outstanding letters of credit at 0.75%.

6. GOVERNMENT REMITTANCES PAYABLE

As at March 31, 2014, accounts payable and accrued liabilities include government remittances payable of $1,511 [March 31, 2013 - $1,413].

7. DEFERRED PREPAID TRUST

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

	2014 $	**2013** $
Balance, beginning of year	**153,969**	144,039
Contributions during the year	**15,015**	14,312
Interest income earned during the year *[note 11]*	**4,068**	4,577
Gain (loss) during the year *[note 11]*	**(2,810)**	86
Services performed during the year recognized as revenue	**(9,579)**	(9,045)
Balance, end of year	**160,663**	153,969

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2014

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:

	2014 $	**2013** $
Balance, beginning of year	**8,932**	8,268
Investment income *[note 11]*	**10,531**	11,122
Revenue recognized related to care and maintenance	**(11,725)**	(10,458)
Balance, end of year	**7,738**	8,932

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 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

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

	2014 $	**2013** $
Total investment income	**34,542**	19,869
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	**(17,922)**	(2,087)
Net loss on investments held for endowments recognized in the consolidated statement of changes in net assets	**124**	1
Interest income on prepaid trust funds *[note 7]*	**(4,068)**	(4,577)
Net loss (gain) on prepaid trust funds *[note 7]*	**2,810**	(86)
Investment income on externally restricted funds for care and maintenance and endowments recorded as other deferred revenue *[note 8]*	**(10,531)**	(11,122)
Investment income recognized in the consolidated statement of revenue and expenses	**4,955**	1,998

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:

	$
2015	449
2016	208
2017	305
2018	250
2019	193
Thereafter	1,151

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:

	2014 $	**2013** $
Accounts receivable	**(1,868)**	1,660
Other current assets	**(121)**	81
Long-term accounts receivable	**(3,529)**	(2,082)
Cemetery properties	**333**	1,129
Accounts payable and accrued liabilities	**2,042**	(1,115)
Deferred prepaid trust	**6,694**	9,930
Other deferred revenue	**(1,194)**	664
	2,357	10,267

[in thousands of dollars]

14. EMPLOYEE FUTURE BENEFITS

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 March 31, 2013. 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:

	2014 $	**2013** $
Accrued benefit obligation and plan deficit	**7,333**	7,276
Unamortized net actuarial loss	**(852)**	(1,377)
Accrued benefit liability	**6,481**	5,899

15. ALLOCATION OF EXPENSES

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

	2014 $	**2013** $
Direct	**78**	78
Care and maintenance	**587**	571
	665	649

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 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.

17. INCOME TAXES

As at March 31, 2014, a controlled entity has tax losses of approximately $1,748 not recognized in the consolidated financial statements which expire between 2026 and 2034 and $10,819 of unclaimed capital cost allowance available to be carried forward indefinitely.