

Consolidated financial statements

Mount Pleasant Group of Cemeteries

March 31, 2017



Building a better
working world

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, 2017, 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, 2017, 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.

Toronto, Canada
June 26, 2017

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Mount Pleasant Group of Cemeteries

Consolidated balance sheet

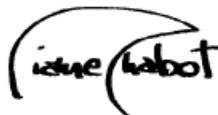
[in thousands of dollars]

As at March 31

	2017 \$	2016 \$
Assets		
Current		
Cash and cash equivalents	7,522	6,115
Accounts receivable	25,995	17,198
Other	1,521	2,707
Total current assets	35,038	26,020
Long-term accounts receivable	42,916	37,622
Investments <i>[note 3]</i>	671,787	609,489
Cemetery properties	44,782	46,114
Capital assets, net <i>[note 4]</i>	66,367	53,790
Other	400	400
	861,290	773,435
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 6]</i>	16,147	19,022
Total current liabilities	16,147	19,022
Deferred prepaid trust <i>[note 7]</i>	193,761	183,947
Other deferred revenue <i>[note 8]</i>	2,307	3,158
Accrued benefit liability <i>[note 14]</i>	7,664	7,182
Total liabilities	219,879	213,309
Commitments and contingencies <i>[notes 3, 5 and 12]</i>		
Net assets		
Externally restricted funds for care and maintenance <i>[note 9]</i>	412,881	377,275
Endowments	4,461	4,274
Internally restricted <i>[note 10]</i>	40,759	40,255
Unrestricted	183,310	138,322
Total net assets	641,411	560,126
	861,290	773,435

See accompanying notes

On behalf of the Board:



Board Chair



Director

Mount Pleasant Group of Cemeteries

Consolidated statement of revenue and expenses

[in thousands of dollars]

Year ended March 31

	2017	2016
	\$	\$
Revenue		
Sales <i>[note 7]</i>	72,811	67,989
Care and maintenance <i>[note 8]</i>	12,781	13,249
Other	645	470
	86,237	81,708
Expenses		
Direct <i>[note 15]</i>	21,117	19,519
General and administrative <i>[note 15]</i>	39,794	38,551
Care and maintenance <i>[notes 8 and 15]</i>	12,781	13,249
	73,692	71,319
Excess of revenue over expenses before the following	12,545	10,389
Gain on Langstaff land sale <i>[note 18]</i>	24,577	—
Investment income (loss) <i>[note 11]</i>	8,450	(1,685)
Excess of revenue over expenses for the year	45,572	8,704

See accompanying notes

Mount Pleasant Group of Cemeteries

Consolidated statement of changes in net assets

[in thousands of dollars]

Year ended March 31

	2017				2016	
	Externally restricted funds for care and maintenance \$	Endowments \$	Internally restricted \$	Unrestricted \$	Total \$	Total \$
Net assets, beginning of year	377,275	4,274	40,255	138,322	560,126	557,896
Excess of revenue over expenses for the year	—	—	—	45,572	45,572	8,704
Remeasurements related to employee defined benefit plan	—	—	—	(80)	(80)	1,483
Transfers <i>[note 10]</i>	—	—	504	(504)	—	—
Contributions	13,182	327	—	—	13,509	11,810
Net gain (loss) on investments held for care and maintenance and endowments <i>[note 11]</i>	22,424	(140)	—	—	22,284	(19,767)
Net assets, end of year	412,881	4,461	40,759	183,310	641,411	560,126

See accompanying notes

Mount Pleasant Group of Cemeteries

Consolidated statement of cash flows

[in thousands of dollars]

Year ended March 31

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	45,572	8,704
Add (deduct) items not involving cash		
Amortization of capital assets	4,563	4,452
Net loss (gain) on investments	(5,582)	3,924
Gain on Langstaff land sale	(24,577)	—
Employee benefits expense related to defined benefit plan	562	694
	<u>20,538</u>	<u>17,774</u>
Net change in non-cash balances related to operations <i>[note 13]</i>	(5,612)	(17,780)
Care and maintenance and endowment contributions	13,509	11,810
Net purchase of investments held for care and maintenance, endowments and prepaid trust funds	(8,660)	(14,193)
Employer contributions to defined benefit plan	(160)	(141)
Cash provided by (used in) operating activities	<u>19,615</u>	<u>(2,530)</u>
Investing activities		
Net purchase of investments held for unrestricted and internally restricted funds	(25,772)	(3,624)
Purchase of capital assets	(17,140)	(8,518)
Net proceeds from Langstaff land sale	24,704	—
Cash used in investing activities	<u>(18,208)</u>	<u>(12,142)</u>
Net increase (decrease) in cash and cash equivalents during the year	1,407	(14,672)
Cash and cash equivalents, beginning of year	6,115	20,787
Cash and cash equivalents, end of year	<u>7,522</u>	<u>6,115</u>

See accompanying notes

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

1. Purpose of the organization

Mount Pleasant Group of Cemeteries [the “organization”] controls the operation of ten cemeteries, three funeral homes and six funeral 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 that 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 *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 its controlled entity Canadian Memorial Services [“CMS”]. CMS operates three funeral homes and six funeral centres in the Greater Toronto Area and is incorporated without share capital under the *Corporations Act* (Ontario).

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.

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

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.

Alternative investments are comprised of investments in real estate, infrastructure, real assets, private equity, private debt and limited partnerships and are valued at the net asset value per unit reported by each investment fund manager, which represents fair value.

Investments in short-term investments and 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	10 – 25 years
Furniture, fixtures and equipment	3 – 10 years

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

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.

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.

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

3. Investments

Investments consist of the following:

	Carrying value	2017 \$	2016 \$
Canadian investments			
Short-term notes	Amortized cost	6,221	1,977
Guaranteed investment certificates	Amortized cost	20,635	19,792
Equities	Fair value	217,327	227,631
Pooled funds			
Mawer Global Equity Fund	Fair value	40,389	—
TD Emerald Canadian Bond Fund	Fair value	127,033	357,089
TD Emerald Canadian Core Plus Bond Fund	Fair value	239,424	—
Alternative funds			
KingSett Canadian Real Estate Income Fund	Fair value	17,838	3,000
IAM Private Debt Fund	Fair value	2,920	—
		671,787	609,489

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 [2%], alternatives [5%], fixed income [45%], Global equities [10%] and Canadian equities [38%]. Endowments are invested primarily in bonds. Prepaid trust funds are invested primarily in bonds. Internally restricted funds are invested in bonds [46%] and Canadian equities [54%].

The organization has committed to make total investments in KingSett Canadian Real Estate Income Fund of \$30,000, of which \$17,838 has been funded to date.

The organization has committed to make total investments in IAM Private Debt Fund of \$25,000, of which \$2,920 has been funded to date.

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

4. Capital assets

Capital assets consist of the following:

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	3,014	—	3,014
Buildings and crematoria	89,098	31,943	57,155
Furniture, fixtures and equipment	22,506	16,308	6,198
	114,618	48,251	66,367

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	3,014	—	3,014
Buildings and crematoria	76,100	30,091	46,009
Furniture, fixtures and equipment	20,136	15,369	4,767
	99,250	45,460	53,790

Buildings include construction in progress of \$3,900 [2016 – \$6,429] that will not be amortized until placed in service. Fully amortized assets of \$1,772 [2016 – \$698] have been removed from cost and accumulated amortization as they are no longer in use.

5. Bank facility

The organization has a line of credit of \$1,300 bearing interest at prime [March 31, 2017 2.70%; 2016 – 2.70%] against which letters of credit totalling \$471 [2016 – \$339] are outstanding. In addition, the organization has a line of credit of \$197 bearing interest at prime [March 31, 2017 – 2.70%; 2016 – 2.70%] that was not utilized as at March 31, 2017 and 2016. Annual fees are charged on outstanding letters of credit at 0.75%.

6. Government remittances payable

As at March 31, 2017, accounts payable and accrued liabilities include government remittances payable of \$1,322 [2016 – \$1,459].

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

7. Deferred prepaid trust

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

	2017	2016
	\$	\$
Balance, beginning of year	183,947	176,984
Contributions during the year	19,180	16,637
Interest income earned during the year <i>[note 11]</i>	4,321	4,176
Loss during the year <i>[note 11]</i>	(2,214)	(2,861)
Services performed during the year recognized as revenue	(11,473)	(10,989)
Balance, end of year	193,761	183,947

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:

	2017	2016
	\$	\$
Balance, beginning of year	3,158	5,820
Investment income <i>[note 11]</i>	11,930	10,587
Revenue recognized related to care and maintenance	(12,781)	(13,249)
Balance, end of year	2,307	3,158

9. Externally restricted funds for care and maintenance

Externally restricted funds for care and maintenance represent that portion of revenue that 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.

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

11. Investment income (loss)

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

	2017	2016
	\$	\$
Total investment income (loss)	44,771	(9,550)
Add (deduct)		
Net loss (gain) on investments held for externally restricted funds for care and maintenance recognized in the consolidated statement of changes in net assets	(22,424)	19,590
Net loss on investments held for endowments recognized in the consolidated statement of changes in net assets	140	177
Interest income on prepaid trust funds [note 7]	(4,321)	(4,176)
Net loss on prepaid trust funds [note 7]	2,214	2,861
Investment income on externally restricted funds for care and maintenance and endowments recorded as other deferred revenue [note 8]	(11,930)	(10,587)
Investment income (loss) recognized in the consolidated statement of revenue and expenses	8,450	(1,685)

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.

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

	\$
2018	527
2019	421
2020	229
2021	181
2022	191
Thereafter	611

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

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

[c] The organization is committed to future construction costs of \$8,526 related to its cemetery properties, of which \$143 of costs have been incurred to date.

13. Net change in non-cash balances related to operations

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

	2017	2016
	\$	\$
Accounts receivable	(8,797)	3,637
Other current assets	1,186	(1,320)
Long-term accounts receivable	(5,294)	(1,839)
Cemetery properties	1,205	(8,157)
Accounts payable and accrued liabilities	(2,875)	(14,402)
Deferred prepaid trust	9,814	6,963
Other deferred revenue	(851)	(2,662)
	(5,612)	(17,780)

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, 2017.

15. Allocation of expenses

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

	2017	2016
	\$	\$
Direct	84	97
Care and maintenance	919	709
	1,003	806

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2017

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. In addition, the organization is exposed to interest rate risk with respect to its bank facilities because the interest rate is linked to the bank's prime rate, which changes from time to time, causing cash flows to fluctuate.

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, 2017, a controlled entity has tax losses of approximately \$882 not recognized in the consolidated financial statements, which expire between 2028 and 2034, and \$10,645 of unclaimed capital cost allowance available to be carried forward indefinitely.

18. Sale of land

During fiscal 2017, remaining land at the Langstaff farm location was sold. Proceeds were \$24,704 with a gain of \$24,577 recorded in the consolidated statement of revenue and expenses.

