

Mount Pleasant Group of Cemeteries

Consolidated financial statements
March 31, 2018



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, 2018, 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, 2018, 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 25, 2018

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

	2018	2017
	\$	\$
Assets		
Current		
Cash and cash equivalents	5,573	7,522
Accounts receivable	19,139	25,995
Prepaid expenses and other	1,606	1,521
Total current assets	26,318	35,038
Long-term accounts receivable	45,714	42,916
Investments <i>[note 3]</i>	706,843	671,787
Cemetery properties <i>[note 18]</i>	58,835	44,782
Capital assets, net <i>[note 4]</i>	65,297	66,367
Other	400	400
	903,407	861,290
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 6 and 17]</i>	13,920	14,603
Deferred revenue	1,306	1,544
Total current liabilities	15,226	16,147
Deferred prepaid trust <i>[note 7]</i>	202,726	193,761
Other deferred revenue <i>[note 8]</i>	1,049	2,307
Accrued benefit liability <i>[note 14]</i>	9,411	7,664
Total liabilities	228,412	219,879
Commitments and contingencies <i>[notes 3, 5 and 12]</i>		
Net assets		
Externally restricted funds for care and maintenance <i>[note 9]</i>	432,577	412,881
Endowments	4,396	4,461
Internally restricted <i>[note 10]</i>	41,208	40,759
Unrestricted	196,814	183,310
Total net assets	674,995	641,411
	903,407	861,290

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

	2018	2017
	\$	\$
Revenue		
Sales <i>[note 7]</i>	71,605	72,811
Care and maintenance <i>[note 8]</i>	13,255	12,781
Other	559	645
	85,419	86,237
Expenses		
Direct <i>[note 15]</i>	19,878	21,117
General and administrative <i>[note 15]</i>	40,189	39,794
Care and maintenance <i>[notes 8 and 15]</i>	13,255	12,781
	73,322	73,692
Excess of revenue over expenses before the following	12,097	12,545
Gain on Langstaff land sale <i>[note 18]</i>	—	24,577
Investment income <i>[note 11]</i>	2,847	8,450
Excess of revenue over expenses for the year	14,944	45,572

See accompanying notes

Mount Pleasant Group of Cemeteries

Consolidated statement of changes in net assets

[in thousands of dollars]

Year ended March 31

	2018				2017	
	Externally restricted funds for care and maintenance \$	Endowments \$	Internally restricted \$	Unrestricted \$	Total \$	Total \$
Net assets, beginning of year	412,881	4,461	40,759	183,310	641,411	560,126
Excess of revenue over expenses for the year	—	—	—	14,944	14,944	45,572
Remeasurements related to employee defined benefit plan	—	—	—	(991)	(991)	(80)
Transfers <i>[note 10]</i>	—	—	449	(449)	—	—
Contributions <i>[note 9]</i>	13,174	20	—	—	13,194	13,509
Net gain (loss) on investments held for care and maintenance and endowments <i>[note 11]</i>	6,522	(85)	—	—	6,437	22,284
Net assets, end of year	432,577	4,396	41,208	196,814	674,995	641,411

See accompanying notes

Mount Pleasant Group of Cemeteries

Consolidated statement of cash flows

[in thousands of dollars]

Year ended March 31

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	14,944	45,572
Add (deduct) items not involving cash		
Amortization of capital assets	5,313	4,563
Net gain on investments	(208)	(5,582)
Gain on Langstaff land sale	—	(24,577)
Employee benefits expense related to defined benefit plan	924	562
	<u>20,973</u>	<u>20,538</u>
Net change in non-cash balances related to operations <i>[note 13]</i>	(3,294)	(5,612)
Care and maintenance and endowment contributions	13,194	13,509
Net purchase of investments held for care and maintenance, endowments and prepaid trust funds	(25,845)	(8,660)
Employer contributions to defined benefit plan	(168)	(160)
Cash provided by operating activities	<u>4,860</u>	<u>19,615</u>
Investing activities		
Net purchase of investments held for unrestricted and internally restricted funds	(2,566)	(25,772)
Purchase of capital assets	(4,243)	(17,140)
Net proceeds from Langstaff land sale	—	24,704
Cash used in investing activities	<u>(6,809)</u>	<u>(18,208)</u>
Net increase (decrease) in cash and cash equivalents during the year	(1,949)	1,407
Cash and cash equivalents, beginning of year	<u>7,522</u>	<u>6,115</u>
Cash and cash equivalents, end of year	<u>5,573</u>	<u>7,522</u>

See accompanying notes

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

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 permanently, 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, in which case it 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, 2018

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 comprise 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.

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

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

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, 2018

3. Investments

Investments consist of the following:

	Carrying value	2018 \$	2017 \$
Canadian short-term investments	Amortized cost	77,645	26,856
Canadian equities	Fair value	156,624	217,327
Pooled funds			
Canadian bonds	Fair value	233,201	366,457
Canadian mortgages	Fair value	73,335	—
Global equities	Fair value	93,289	40,389
Alternative funds			
Canadian real estate income	Fair value	31,925	17,838
Canadian real estate mortgages	Fair value	600	—
Canadian private debt	Fair value	4,958	2,920
Global income	Fair value	35,266	—
		706,843	671,787

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 Canadian short-term investments [1%], Canadian bonds [39%], Canadian equities [21%], Global equities [22%] and alternative funds [17%]. Endowments are primarily invested in bonds. Prepaid trust funds are invested in Canadian bonds [46%] and Canadian mortgages [54%]. Internally restricted funds are invested in Canadian short-term investments [40%] and Canadian equities [60%].

The organization has committed to make total investments in Canadian real estate mortgages and Canadian private debt of \$10,000 and \$25,000, respectively, of which \$600 and \$4,958, respectively, has been funded to date. Subsequent to year-end, the organization committed to make additional investments in Canadian real estate income of \$10,000, of which \$1,000 has been subsequently funded.

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

4. Capital assets

Capital assets consist of the following:

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	3,014	—	3,014
Buildings and crematoria	91,081	34,775	56,306
Furniture, fixtures and equipment	23,248	17,271	5,977
	117,343	52,046	65,297

	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

Buildings include construction in progress of \$2,718 [2017 – \$3,900] that will not be amortized until placed in service. Fully amortized assets of \$1,518 [2017 – \$1,772] 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 available with a Canadian chartered bank, bearing interest at the bank's prime rate of 3.45% [2017 – 2.70%] against which letters of credit totalling \$776 [2017 – \$471] are outstanding. In addition, the organization has a line of credit of \$197 available with a Canadian chartered bank, bearing interest at the bank's prime rate of 3.45% [2017 – 2.70%] that was not utilized as at March 31, 2018 and 2017. Annual fees are charged on outstanding letters of credit at 0.75%.

6. Government remittances payable

As at March 31, 2018, accounts payable and accrued liabilities include government remittances payable of \$1,438 [2017 – \$1,322].

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

7. Deferred prepaid trust

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

	2018	2017
	\$	\$
Balance, beginning of year	193,761	183,947
Contributions during the year	19,121	19,180
Interest income earned during the year <i>[note 11]</i>	4,391	4,321
Loss during the year <i>[note 11]</i>	(2,265)	(2,214)
Services performed during the year recognized as revenue	(12,282)	(11,473)
Balance, end of year	202,726	193,761

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:

	2018	2017
	\$	\$
Balance, beginning of year	2,307	3,158
Investment income <i>[note 11]</i>	11,997	11,930
Revenue recognized related to care and maintenance	(13,255)	(12,781)
Balance, end of year	1,049	2,307

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, 2018

11. Investment income

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

	2018	2017
	\$	\$
Total investment income	23,407	44,771
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	(6,522)	(22,424)
Net loss on investments held for endowments recognized in the consolidated statement of changes in net assets	85	140
Interest income on prepaid trust funds <i>[note 7]</i>	(4,391)	(4,321)
Net loss on prepaid trust funds <i>[note 7]</i>	2,265	2,214
Investment income on externally restricted funds for care and maintenance and endowments recorded as other deferred revenue <i>[note 8]</i>	(11,997)	(11,930)
Investment income recognized in the consolidated statement of revenue and expenses	2,847	8,450

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:

	\$
2019	421
2020	229
2021	181
2022	191
2023	192
Thereafter	419

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

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

[c] The organization is committed to construction costs of \$8,526 related to its cemetery properties, of which \$2,318 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:

	2018	2017
	\$	\$
Accounts receivable	6,856	(8,797)
Prepaid expenses and other	(85)	1,186
Long-term accounts receivable	(2,798)	(5,294)
Cemetery properties	(14,053)	1,205
Accounts payable and accrued liabilities	(683)	(2,098)
Deferred revenue	(238)	(777)
Deferred prepaid trust	8,965	9,814
Other deferred revenue	(1,258)	(851)
	<u>(3,294)</u>	<u>(5,612)</u>

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, 2018.

15. Allocation of expenses

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

	2018	2017
	\$	\$
Direct	71	84
Care and maintenance	714	919
	<u>785</u>	<u>1,003</u>

Mount Pleasant Group of Cemeteries

Notes to consolidated financial statements

[in thousands of dollars]

March 31, 2018

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 its investments denominated in foreign currencies, including 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 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, 2018, the organization estimates taxes payable of approximately \$74 [2017 – nil], which has been recorded in accounts payable and accrued liabilities, and \$9,871 of unclaimed capital cost allowance available to be carried forward indefinitely.

18. Land transactions

During fiscal 2018, the organization purchased property for total cash consideration of \$13,668.

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.

19. Comparative figures

Certain reclassifications of 2017 amounts have been made to facilitate comparison with the current year.