

Consolidated financial statements

Mount Pleasant Memorial Services

March 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Members of
Mount Pleasant Memorial Services

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of **Mount Pleasant Memorial Services**, which comprise the consolidated balance sheet as at March 31, 2012 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 generally accepted accounting principles, 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 Memorial Services** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
December 3, 2012.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Mount Pleasant Memorial Services

CONSOLIDATED BALANCE SHEET

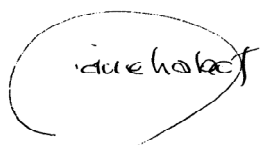
[in thousands of dollars]

As at March 31

	2012	2011
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	8,591	7,718
Accounts receivable	14,686	14,409
Other	1,296	1,095
Total current assets	24,573	23,222
Long-term accounts receivable	29,144	28,141
Investments, at market [note 3]	467,920	451,870
Cemetery properties	35,270	35,505
Capital assets, net [note 4]	42,331	43,131
Other	400	400
	599,638	582,269
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges	12,515	13,013
Total current liabilities	12,515	13,013
Deferred pre-need assurance [note 6]	139,857	130,149
Other deferred revenue [note 7]	8,268	7,376
Accrued benefit liability [note 13]	5,127	4,542
Total liabilities	165,767	155,080
Commitments and contingencies [note 11]		
Net assets		
Externally restricted funds for care and maintenance [note 8]	309,135	309,533
Other endowments	3,978	3,716
Internally restricted [note 9]	36,705	34,507
Unrestricted	84,053	79,433
Total net assets	433,871	427,189
	599,638	582,269

See accompanying notes

On behalf of the Board:



Director
Board Chair



Director

Mount Pleasant Memorial Services

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES

[in thousands of dollars]

Year ended March 31

	2012	2011
	\$	\$
REVENUE		
Sales	55,653	60,941
Care and maintenance <i>[note 7]</i>	10,498	9,690
Other	651	638
	66,802	71,269
EXPENSES		
Direct <i>[note 14]</i>	16,399	18,566
General and administrative	32,937	35,230
Care and maintenance <i>[notes 7 and 14]</i>	10,498	9,690
	59,834	63,486
Excess of revenue over expenses before investment income	6,968	7,783
Investment income (loss) <i>[note 10]</i>	(150)	2,508
Excess of revenue over expenses for the year	6,818	10,291

See accompanying notes

Mount Pleasant Memorial Services

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended March 31

	2012				2011	
	Externally restricted funds for care and maintenance \$	Other endowments \$	Internally restricted \$	Unrestricted \$	Total \$	Total \$
Net assets, beginning of year	309,533	3,716	34,507	79,433	427,189	382,507
Excess of revenue over expenses for the year	—	—	—	6,818	6,818	10,291
Transfers <i>[note 9]</i>	—	—	2,198	(2,198)	—	—
Endowment contributions	10,182	100	—	—	10,282	11,937
Net gain (loss) on investments held for endowments <i>[note 10]</i>	(10,580)	162	—	—	(10,418)	22,454
Net assets, end of year	309,135	3,978	36,705	84,053	433,871	427,189

See accompanying notes

Mount Pleasant Memorial Services

CONSOLIDATED STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	6,818	10,291
Add (deduct) items not involving cash		
Amortization of capital assets	4,068	3,663
Net loss (gain) on investments	1,410	(1,552)
	<u>12,296</u>	<u>12,402</u>
Net change in non-cash balances related to operations <i>[note 12]</i>	8,856	15,900
Care and maintenance and other endowment contributions	10,282	11,937
Net purchase of investments held for care and maintenance, other endowments and pre-need assurance	(20,353)	(25,437)
Net change in accrued benefit liability	585	570
Cash provided by operating activities	<u>11,666</u>	<u>15,372</u>
INVESTING ACTIVITIES		
Net purchase of investments held for unrestricted and internally restricted	(7,525)	(10,024)
Purchase of capital assets	(3,268)	(5,808)
Cash used in investing activities	<u>(10,793)</u>	<u>(15,832)</u>
Net increase (decrease) in cash and cash equivalents during the year	873	(460)
Cash and cash equivalents, beginning of year	7,718	8,178
Cash and cash equivalents, end of year	<u>8,591</u>	<u>7,718</u>

See accompanying notes

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

1. PURPOSE OF THE ORGANIZATION

Mount Pleasant Memorial Services [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

The consolidated financial statements of the organization have been prepared by management in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of information presented in these consolidated financial statements:

Basis of presentation

The organization consolidates controlled not-for-profit and for-profit 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 pre-need 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.

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

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.

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.

Investments and investment income

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement date basis and transaction costs are expensed as incurred. The market values of investments denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the year end.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded as revenue in the statement of revenue and expenses, except to the extent that it relates to endowment net assets or deferred pre-need assurance funds, which is added directly to the balances or is restricted and recognized when the related expenses are incurred.

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 Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

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
Leasehold improvements	over term of lease
Furniture, fixtures and equipment	3 - 10 years

Defined contribution pension plans

Contributions to defined contribution pension plans are expensed when due.

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 prorated 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 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.

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

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.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments

The organization has chosen to apply the Canadian Institute of Chartered Accountants ["CICA"] 3861, *Financial Instruments - Disclosure and Presentation*, in place of CICA 3862, *Financial Instruments - Disclosures*, and CICA 3863, *Financial Instrument - Presentation*.

Future changes in accounting policies

The Accounting Standards Board of the CICA has issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012. The organization is currently evaluating the impact of these standards.

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

3. INVESTMENTS

Investments, at market, consist of the following:

	2012	2011
	\$	\$
Canadian investments		
Short-term	19,419	23,233
Equities	149,749	149,374
Pooled funds		
TD Emerald Canadian Short-Term Investment Fund	17,243	16,897
TD Emerald Canadian Bond Fund	268,385	239,555
TD Global Equity Fund	13,124	22,811
	467,920	451,870

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 [49%], Canadian equities [42%] and foreign equities [4%]. Other endowments are invested in short-term notes [4%] and bonds [96%]. Pre-need assurance funds are invested primarily in bonds. Internally restricted funds are invested in short-term notes [2%], bonds [54%] and Canadian equities [44%].

The asset mix of the TD Global Equity Fund at March 31, 2012 and 2011 is as follows:

	2012	2011
	%	%
North America	55	52
Europe	32	31
Pacific	12	16
Emerging	1	—
Short-term	—	1
	100	100

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

4. CAPITAL ASSETS

Capital assets consist of the following:

	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

	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 \$246 [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% [2011 - 0.25%] against which letters of credit totalling \$480 are outstanding. The lines of credit were not otherwise utilized at March 31, 2012. Annual fees are charged on outstanding letters of credit at 0.75%.

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

6. DEFERRED PRE-NEED ASSURANCE

The continuity of deferred pre-need assurance for the year ended March 31 is as follows:

	2012	2011
	\$	\$
Balance, beginning of year	130,149	110,931
Contributions during the year	12,698	23,757
Interest income during the year <i>[note 10]</i>	5,037	4,306
Services performed during the year	(8,027)	(8,845)
Balance, end of year	139,857	130,149

7. 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:

	2012	2011
	\$	\$
Balance, beginning of year	7,376	7,234
Investment income <i>[note 10]</i>	11,390	9,832
Revenue recognized related to care and maintenance	(10,498)	(9,690)
Balance, end of year	8,268	7,376

8. 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.

9. 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.

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

10. INVESTMENT INCOME (LOSS)

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

	2012	2011
	\$	\$
Total investment income	5,859	39,100
Less		
Loss (gain) on investments held for care and maintenance recognized in the statement of changes in net assets	10,580	(22,453)
Gain on investments held for other endowments recognized in the statement of changes in net assets	(162)	(1)
Interest income on pre-need assurance funds [note 6]	(5,037)	(4,306)
Interest and dividends on care and maintenance and other endowments recorded as deferred revenue [note 7]	(11,390)	(9,832)
Investment income (loss) recognized as revenue	(150)	2,508

11. 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:

	\$
2013	724
2014	678
2015	586
2016	312
2017	165

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

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

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

	2012	2011
	\$	\$
Accounts receivable	(277)	(1,060)
Other current assets	(201)	(96)
Long-term accounts receivable	(1,003)	(5,949)
Cemetery properties	235	1,954
Accounts payable and accrued charges	(498)	1,691
Deferred pre-need assurance	9,708	19,218
Other deferred revenue	892	142
	8,856	15,900

13. EMPLOYEE FUTURE BENEFITS

Defined contribution pension plans

Contributions to defined contribution pension plans during the year amounted to \$597 [2011 - \$561].

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 February 28 of each year.

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

Information about the organization's non-pension post-retirement defined benefit plans as at March 31 is as follows:

	2012	2011
	\$	\$
Accrued benefit obligation and plan deficit	6,599	4,862
Employer contributions in March	(8)	(7)
Unamortized net actuarial loss	(1,464)	(313)
Accrued benefit liability	5,127	4,542

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

	2012	2011
Accrued benefit obligation		
Discount rate	4.5%	5.9%
Initial health care cost trend rate	5.9%	5.9%
Ultimate health and dental care cost trend rate	4.5%	4.5%
Year ultimate rate reached	2027	2027

	2012	2011
Benefit expense		
Discount rate	5.9%	6.4%
Initial health care cost trend rate	5.9%	6.5%
Ultimate health and dental care cost trend rate	4.5%	4.5%
Year ultimate rate reached	2027	2027

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

	2012	2011
	\$	\$
Expense	673	651
Employer contributions	88	81
Benefits paid	88	81

Mount Pleasant Memorial Services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

14. ALLOCATION OF EXPENSES

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

	2012	2011
	\$	\$
Direct	101	113
Care and maintenance	512	472
	613	585

15. INCOME TAXES

A controlled entity has tax losses of \$2,960 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.

16. RISK MANAGEMENT

The organization is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the organization has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances. The organization is also subject to credit risk with respect to its accounts receivable.

17. CAPITAL MANAGEMENT

In managing capital, the organization focuses on liquid resources available for operations. The need for sufficient resources is considered in the preparation of the annual budget and in the monitoring of cash flows and operating results compared to the budget. As at March 31, 2012, the organization has met its objective of having sufficient liquid resources to meet its current obligations.

