

**CONSUMER PROTECTION FUND
FOR PREPAID FUNERAL SERVICES**

Financial Statements

Year Ended March 31, 2020

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES
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Year Ended March 31, 2020

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Independent Auditor's Report

To the Minister of Service NL of Consumer Protection Fund For Prepaid Funeral Services:

Opinion

We have audited the financial statements of Consumer Protection Fund For Prepaid Funeral Services (the "Fund"), which comprise the statement of financial position as at March 31, 2020, and the statements of income, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2020, 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 (ASNPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Fund for the year ended March 31, 2019 were audited by Coombs & Associates of Paradise, Newfoundland and Labrador, Canada. Coombs & Associates expressed an unmodified opinion on those statements on June 14, 2019.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to

fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mount Pearl, Newfoundland and Labrador

October 13, 2020

MNP LLP
Chartered Professional Accountants

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES
Statement of Revenues and Expenditures
Year Ended March 31, 2020

	2020	2019
REVENUE		
Assessments	\$ 55,564	\$ 58,838
EXPENDITURES		
Interest and bank charges	27	30
Professional fees	3,500	2,611
	3,527	2,641
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	52,037	56,197
OTHER INCOME		
Interest on short term investments	1,027	1,947
EXCESS OF REVENUE OVER EXPENDITURES	\$ 53,064	\$ 58,144

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES

Statement of Changes in Net Assets

Year Ended March 31, 2020

	2020		2019
NET ASSETS - BEGINNING OF YEAR	\$ 446,347	\$	388,203
EXCESS OF REVENUE OVER EXPENDITURES	53,064		58,144
NET ASSETS - END OF YEAR	\$ 499,411	\$	446,347

See notes to financial statements

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES
Statement of Financial Position
March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 338,321	\$ 290,721
Short term investments	180,000	180,000
Accounts receivable (Note 4)	12,757	11,620
Interest receivable	683	1,065
	\$ 531,761	\$ 483,406
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,772	\$ 3,146
Liabilities for claims arising from prepaid funeral services contracts (Note 6)	28,578	33,913
	32,350	37,059
NET ASSETS	499,411	446,347
	\$ 531,761	\$ 483,406

ON BEHALF OF THE BOARD

 Director
 Director

See notes to financial statements

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES
Statement of Cash Flows
Year Ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 53,064	\$ 58,144
Changes in non-cash working capital:		
Accounts receivable	(1,136)	6,730
Interest receivable	382	(228)
Accounts payable and accrued liabilities	625	-
	(129)	6,502
Cash flow from operating activities	52,935	64,646
INVESTING ACTIVITY		
(Redemption) purchase of short term investments	-	(75,000)
FINANCING ACTIVITY		
Payment of claims arising from prepaid funeral services contracts	(5,335)	-
INCREASE (DECREASE) IN CASH FLOW	47,600	(10,354)
Cash - beginning of year	290,721	301,075
CASH - END OF YEAR	\$ 338,321	\$ 290,721
CASH CONSISTS OF:		
Cash	\$ 338,321	\$ 290,721

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES

Notes to Financial Statements

Year Ended March 31, 2020

1. PURPOSE OF THE FUND

Consumer Protection Fund For Prepaid Funeral Services (the "Fund") was established under the Prepaid Funeral Services Act (the "Act") for the purposes of paying in whole, or in part, claims arising out of a prepaid funeral contract against a person who holds or held a license under the Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations (ASNPO).

Cash equivalents

The Fund's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

Financial instruments

The Fund's financial instruments recognized on the statement of financial position consist of cash and cash equivalents, short-term investments, accounts receivable, interest receivable, accounts payable, and liability for claims arising from prepaid funeral services contracts. The Fund generally recognized a financial instrument when it enters into a contract which creates a financial asset or financial liability.

Financial instruments are initially measured at cost, which is the fair value at the time of acquisition. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported to income. All other financial instruments are reported at amortized cost. Financial assets measured at amortized cost include cash and cash equivalents, short term investments, accounts receivable and interest receivable. Financial liabilities measured at amortized cost include accounts payable, and liability for claims arising from prepaid funeral services contracts.

Revenue recognition

The Fund Follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES

Notes to Financial Statements

Year Ended March 31, 2020

3. SHORT TERM INVESTMENTS

Short term investments of \$180,000 (2019 - \$180,000) in guaranteed investment certificates are measured at cost. These investments have interest rates ranging from 0.10% to 1.00% and have maturity dates in 2020.

4. ACCOUNTS RECEIVABLE

	2020	2019
<u>Accounts receivable consist of the following:</u>		
Accounts receivable	\$ 13,205	\$ 12,068
Allowance for doubtful accounts	(448)	(448)
	<u>\$ 12,757</u>	<u>\$ 11,620</u>

5. BANK INDEBTEDNESS

The Fund has a \$200,000 revolving demand credit facility guaranteed by the Province of Newfoundland and Labrador. Interest is charges at the bank's prime rate. As at March 31, 2020, \$200,000 (2019 - \$200,000) was available under this credit facility.

6. LIABILITIES FOR CLAIMS ARISING FROM PREPAID FUNERAL SERVICES CONTRACTS

The liability for claims arising from prepaid funeral services contracts resulted from the failure of a funeral home in Port aux Basques in November 2000, where 88 customers had purchased prepaid funerals totaling \$492,790. An additional claim has also been recognized for a customer who was not included in the original liability. During 2020, \$5,335 (2019 - NIL) relating to these prepaid funeral services contracts were paid by the Assurance Fund. Details of the change in the liability are as follows:

	2020	2019
Liability, beginning of the year	\$ 33,913	\$ 33,913
Payment of claims during the year	(5,335)	-
	<u>\$ 28,578</u>	<u>\$ 33,913</u>

7. ASSESSMENTS

A seller of prepaid funeral services is required to pay into the Fund an amount of money that is 1% of the cost of each prepaid funeral contract.

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES

Notes to Financial Statements

Year Ended March 31, 2020

8. FINANCIAL INSTRUMENTS

The Fund is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Fund's risk exposure and concentration as of March 31, 2020.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Fund is exposed to credit risk related to cash and cash equivalents, short term investments and accounts receivable. The Fund's maximum exposure to credit risk is the carrying value of these financial instruments. The Fund is not exposed to significant credit risk with its cash and cash equivalents or short term investments because these financial instruments are held with a chartered bank. In order to reduce credit risk, the Fund has policies and procedures for the monitoring and collection of its accounts receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities which are comprised of accounts payable and accrued liabilities and the liabilities for claims arising from prepaid funeral services contracts.

The Fund manages liquidity risk by monitoring its cash flow requirements. Management believes its overall liquidity risk to be minimal as the Fund's financial assets are highly liquid and sufficient to pay the Fund's obligations.

The Fund is also exposed to risk resulting from the possibility that the claim is made to the Minster for compensation from the Fund where: 1) a seller becomes bankrupt and the trustee in bankruptcy does not refund the buyer the amount due to him or her under the prepaid funeral contract; 2) a prepaid funeral contract entered into by the buyer is cancelled and the seller has not, within 6 months of the cancellation, reimbursed the buyer the amount paid by buyer under the contract together with interest accrued on the amount; and 3) a prepaid funeral contract entered into by the buyer has not been carried out as provided for by the contract and the buyer has, as a result, purchased other funeral services.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency rate risk, interest rate risk, and other price risk. The Fund is not exposed to significant foreign exchange risk or other price risk.

(d) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument might be adversely affected by a change in the interest rates. The Fund is not exposed to significant interest rate risk related to short term investments as the investments have fixed interest rates and short term maturities. The liability for claims arising from prepaid funeral services contracts is non-interest bearing and as such is not subject to interest rate risk.