

SERVICE CORPORATION INTERNATIONAL

Form 10-Q

April 28, 2016

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
 1934

For the quarterly period ended March 31, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
 1934

For the transition period from _____ to _____

Commission file number 1-6402-1

SERVICE CORPORATION INTERNATIONAL

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

74-1488375

(I. R. S. employer identification number)

1929 Allen Parkway, Houston, Texas

(Address of principal executive offices)

77019

(Zip code)

713-522-5141

(Registrant's telephone number, including area code)

None

(Former name, former address, or former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

YES NO

The number of shares outstanding of the registrant's common stock as of April 26, 2016 was 193,728,521 (net of treasury shares).

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GLOSSARY

The following terms are common to the deathcare industry, are used throughout this report, and have the following meanings:

Atneed — Funeral, including cremation, and cemetery arrangements sold once death has occurred.

Burial Vault — A reinforced container intended to inhibit the subsidence of the earth and house the casket after it is placed in the ground, also known as outer burial containers.

Cancellation — Termination of a preneed contract, which relieves us of the obligation to provide the goods and services included in the contract. Cancellations may be requested by the customer or be initiated by us for failure to comply with the contractual terms of payment. State or provincial laws govern the amount of refund, if any, owed to the customer.

Care Trust Corpus — The deposits and net realized capital gains and losses included in a perpetual care trust that cannot be withdrawn. In certain states, some or all of the net realized capital gains can be distributed, so they are not included in the corpus.

Cemetery Perpetual Care or Endowment Care Fund (ECF) — A trust fund established for the purpose of maintaining cemetery grounds and property into perpetuity, also referred to as a cemetery perpetual care trust. For these trusts, the corpus remains in the trust in perpetuity and the net ordinary investment earnings are distributed to us regularly and are intended to defray our expenses incurred to maintain the cemetery. In certain states, some or all of the net realized capital gains can also be distributed.

Cemetery Property — Developed lots, lawn crypts, mausoleum spaces, niches and cremation memorialization property items (constructed and ready to accept interments) and undeveloped land we intend to develop for the sale of interment rights. Includes the construction-in-progress balance during the pre-construction and construction phases of projects creating new property inventory.

Cemetery Property Amortization — The non-cash recognized expenses of cemetery property interment rights, which are recorded by specific identification with the cemetery property revenue for each contract.

Cemetery Property Revenue — Recognized sales of interment rights in cemetery property when a minimum of 10% of the sales price has been collected and the property has been constructed and is available for interment.

Cemetery Merchandise and Services — Stone and bronze memorials, markers, burial vaults, floral placement, graveside services, merchandise installations, urns, outer burial containers, and burial openings and closings.

Cremation — The reduction of human remains to bone fragments by intense heat.

Cremation Memorialization — Products specifically designed to commemorate and honor the life of an individual that has been cremated. These products include cemetery property inventory types that provide for the disposition of cremated remains within our cemeteries such as benches, boulders, statues, etc. They also include memorial walls and books where the name of the individual is inscribed but the remains have been scattered or kept by the family.

Funeral Merchandise and Services — Merchandise such as burial caskets and related accessories, burial vaults, urns and other cremation receptacles, casket and cremation memorialization products, and flowers and professional services relating to funerals including arranging and directing services, use of funeral facilities and motor vehicles, removal, preparation, embalming, cremations, memorialization, visitations, and catering.

Funeral Recognized Preneed Revenue — Funeral merchandise and travel protection sold on a preneed contract and delivered before a death has occurred.

Funeral Services Performed — The number of funeral services, including cremations, provided after the date of death, sometimes referred to as funeral volume.

General agency (GA) revenue — Commissions we receive from third-party life insurance companies for life insurance policies sold to preneed customers for the purpose of funding preneed funeral arrangements. The commission rate paid is determined based on the product type sold, the length of payment terms, and the age of the insured/annuitant.

Interment — The burial or final placement of human remains in the ground, in mausoleums, in niches, or in cremation memorialization property.

Lawn Crypt — An underground outer burial receptacle constructed of concrete and reinforced steel, which is usually pre-installed in predetermined designated areas.

Marker — A method of identifying a deceased person in a particular burial space, crypt, niche, or cremation memorialization property. Permanent burial and cremation memorialization markers are usually made of bronze or stone.

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Maturity — When the underlying contracted merchandise is delivered or service is performed, typically at death. This is the point at which preneed contracts are converted to atneed contracts (note — delivery of certain merchandise and services can occur prior to death).

Mausoleum — An above ground structure that is designed to house caskets and cremation urns.

Merchandise and Service Trust — A trust account established in accordance with state or provincial law into which we deposit the required percentage of customers' payments for preneed funeral, cremation, or cemetery merchandise and services to be delivered or performed by us in the future. The amounts deposited can be withdrawn only after we have completed our obligations under the preneed contract or the cancellation of the contract.

Preneed — Purchase of cemetery property interment rights and merchandise and services prior to death occurring.

Preneed Backlog — Future revenue from unfulfilled preneed funeral, cremation, and cemetery contractual arrangements.

Preneed Cemetery Production — Sales of preneed or atneed cemetery contracts. These sales are recorded in Deferred preneed cemetery revenue until the merchandise is delivered, the service is performed, or when a minimum of 10% of the sales price has been collected and the property has been constructed and is available for interment.

Preneed Funeral Production — Sales of preneed funeral trust-funded and insurance-funded contracts. Preneed funeral trust-funded contracts are recorded in Deferred preneed funeral revenue until the merchandise is delivered or the service is performed. We do not reflect the unfulfilled insurance-funded preneed funeral contract amounts in our Consolidated Balance Sheet. The proceeds of the life insurance policies will be reflected in revenue as these funerals are performed by us in the future.

Sales Average — Average revenue per funeral service performed, excluding the impact of funeral recognized preneed revenue, GA revenue, and certain other revenue.

Trust Fund Income — Recognized investment earnings from our merchandise and service and perpetual care trust investments.

As used herein, "SCI", "Company", "we", "our", and "us" refer to Service Corporation International and companies owned directly or indirectly by Service Corporation International, unless the context requires otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
	(In thousands, except per share amounts)	
Revenue	\$749,271	\$748,117
Costs and expenses	(587,775)	(570,673)
Gross profit	161,496	177,444
General and administrative expenses	(37,508)	(34,550)
Losses on divestitures and impairment charges, net	(347)	(1,779)
Operating income	123,641	141,115
Interest expense	(43,082)	(42,939)
Loss on early extinguishment of debt	(581)	—
Other expense, net	(211)	(58)
Income before income taxes	79,767	98,118
Provision for income taxes	(32,313)	(36,653)
Net income	47,454	61,465
Net income attributable to noncontrolling interests	(9)	(90)
Net income attributable to common stockholders	\$47,445	\$61,375
Basic earnings per share:		
Net income attributable to common stockholders	\$0.24	\$0.30
Basic weighted average number of shares	194,924	203,510
Diluted earnings per share:		
Net income attributable to common stockholders	\$0.24	\$0.30
Diluted weighted average number of shares	198,030	207,752
Dividends declared per share	\$0.12	\$0.10

(See notes to unaudited condensed consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 (UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
	(In thousands)	
Net income	\$47,454	\$61,465
Other comprehensive income:		
Foreign currency translation adjustments	22,716	(22,633)
Total comprehensive income	70,170	38,832
Total comprehensive income attributable to noncontrolling interests	(18)	(74)
Total comprehensive income attributable to common stockholders	\$70,152	\$38,758

(See notes to unaudited condensed consolidated financial statements)

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CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	March 31, 2016	December 31, 2015
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$213,505	\$134,599
Receivables, net	83,241	90,462
Inventories	28,612	27,835
Other	27,523	47,155
Total current assets	352,881	300,051
Preneed funeral receivables, net and trust investments	1,763,274	1,760,297
Preneed cemetery receivables, net and trust investments	2,323,679	2,318,167
Cemetery property	1,754,024	1,753,015
Property and equipment, net	1,841,013	1,846,722
Goodwill	1,800,522	1,796,340
Deferred charges and other assets	586,573	582,378
Cemetery perpetual care trust investments	1,334,165	1,319,427
Total assets	\$11,756,131	\$11,676,397
LIABILITIES & EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$446,824	\$422,842
Current maturities of long-term debt	57,413	86,823
Income taxes payable	13,574	1,373
Total current liabilities	517,811	511,038
Long-term debt	3,076,342	3,037,605
Deferred preneed funeral revenue	560,300	557,897
Deferred preneed cemetery revenue	1,144,292	1,120,001
Deferred tax liability	470,715	470,584
Other liabilities	493,434	496,921
Deferred preneed receipts held in trust	2,968,592	2,973,386
Care trusts' corpus	1,334,552	1,319,564
Commitments and contingencies (Note 14)		
Equity:		
Common stock, \$1 per share par value, 500,000,000 shares authorized, 201,520,963 and 200,859,676 shares issued, respectively, and 194,147,675 and 195,772,876 shares outstanding, respectively	194,148	195,773
Capital in excess of par value	1,063,892	1,092,106
Accumulated deficit	(101,545)	(109,351)
Accumulated other comprehensive income	28,871	6,164
Total common stockholders' equity	1,185,366	1,184,692
Noncontrolling interests	4,727	4,709
Total equity	1,190,093	1,189,401
Total liabilities and equity	\$11,756,131	\$11,676,397

(See notes to unaudited condensed consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	2016	2015
	(In thousands)	
Cash flows from operating activities:		
Net income	\$47,454	\$61,465
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early extinguishment of debt	581	—
Depreciation and amortization	35,834	34,041
Amortization of intangible assets	7,667	8,150
Amortization of cemetery property	13,599	11,632
Amortization of loan costs	1,615	2,422
Provision for doubtful accounts	538	2,690
Benefit for deferred income taxes	(1,291)	(6,624)
Losses on divestitures and impairment charges, net	347	1,779
Share-based compensation	3,067	4,023
Excess tax benefits from share-based awards	(2,258)	(5,511)
Change in assets and liabilities, net of effects from acquisitions and divestitures:		
Decrease (increase) in receivables	9,340	(2,894)
Decrease in other assets	1,598	5,894
Increase in payables and other liabilities	56,062	54,847
Effect of preneed funeral production and maturities:		
Decrease in preneed funeral receivables, net and trust investments	3,146	13,760
(Decrease) increase deferred preneed funeral revenue	(599)	6,729
Decrease in deferred preneed funeral receipts held in trust	(10,273)	(21,748)
Effect of cemetery production and deliveries:		
Increase in preneed cemetery receivables, net and trust investments	(7,869)	(7,252)
Increase in deferred preneed cemetery revenue	22,286	22,375
Increase in deferred preneed cemetery receipts held in trust	3,918	2,994
Net cash provided by operating activities	184,762	188,772
Cash flows from investing activities:		
Capital expenditures	(41,708)	(28,298)
Acquisitions	(56)	(30,616)
Proceeds from divestitures and sales of property and equipment	10,164	3,901
Net withdrawals of restricted funds	5,120	2,841
Net cash used in investing activities	(26,480)	(52,172)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	590,000	15,000
Debt issuance costs	(5,035)	—
Payments of debt	(10,054)	(15,071)
Early extinguishment of debt	(580,483)	—
Principal payments on capital leases	(8,156)	(7,380)
Proceeds from exercise of stock options	3,133	9,445
Excess tax benefits from share-based awards	2,258	5,511
Purchase of Company common stock	(54,632)	(73,180)

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Payments of dividends	(23,324)	(20,461)
Bank overdrafts and other	1,369	(6,819)
Net cash used in financing activities	(84,924)	(92,955)
Effect of foreign currency on cash and cash equivalents	5,548	(3,851)
Net increase in cash and cash equivalents	78,906	39,794
Cash and cash equivalents at beginning of period	134,599	177,335
Cash and cash equivalents at end of period	\$213,505	\$217,129

(See notes to unaudited condensed consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(UNAUDITED)
(In thousands)

	Common Stock	Treasury Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance at December 31, 2014	\$205,458	\$(591)	\$1,186,304	\$(81,859)	\$ 59,414	\$ 8,652	\$1,377,378
Comprehensive income	—	—	—	61,375	(22,617)	74	38,832
Dividends declared on common stock (\$0.10 per share)	—	—	(20,461)	—	—	—	(20,461)
Employee share-based compensation earned	—	—	4,023	—	—	—	4,023
Stock option exercises	873	—	8,572	—	—	—	9,445
Restricted stock awards, net of forfeitures	254	—	(254)	—	—	—	—
Purchase of Company common stock	—	(3,085)	(17,808)	(52,287)	—	—	(73,180)
Tax benefits related to share-based awards	—	—	5,511	—	—	—	5,511
Other	1	—	7	—	—	—	8
Balance at March 31, 2015	\$206,586	\$(3,676)	\$1,165,894	\$(72,771)	\$ 36,797	\$ 8,726	\$1,341,556
Balance at December 31, 2015	\$200,859	\$(5,086)	\$1,092,106	\$(109,351)	\$ 6,164	\$ 4,709	\$1,189,401
Comprehensive income	—	—	—	47,445	22,707	18	70,170
Dividends declared on common stock (\$0.12 per share)	—	—	(23,324)	—	—	—	(23,324)
Employee share-based compensation earned	—	—	3,067	—	—	—	3,067
Stock option exercises	417	—	2,716	—	—	—	3,133
Restricted stock awards, net of forfeitures	242	(1)	(241)	—	—	—	—
Purchase of Company common stock	—	(2,285)	(12,708)	(39,639)	—	—	(54,632)
Tax benefits related to share-based awards	—	—	2,258	—	—	—	2,258
Other	2	—	18	—	—	—	20
Balance at March 31, 2016	\$201,520	\$(7,372)	\$1,063,892	\$(101,545)	\$ 28,871	\$ 4,727	\$1,190,093

(See notes to unaudited condensed consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

1. Nature of Operations

We are North America's largest provider of deathcare products and services, with a network of funeral service locations and cemeteries operating in the United States and Canada. Our funeral and cemetery operations consist of funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria, and related businesses, which enable us to serve a wide array of customer needs. We sell cemetery property and funeral and cemetery merchandise and services at the time of need and on a preneed basis.

Funeral service locations provide all professional services relating to funerals and cremations, including the use of funeral facilities and motor vehicles, arranging and directing services, removal, preparation, embalming, cremations, memorialization, and catering. Funeral merchandise, including burial caskets and related accessories, urns and other cremation receptacles, outer burial containers, flowers, online and video tributes, stationery products, casket and cremation memorialization products, and other ancillary merchandise, is sold at funeral service locations.

Our cemeteries provide cemetery property interment rights, including developed lots, lawn crypts, mausoleum spaces, niches, and other cremation memorialization and interment options. Cemetery merchandise and services, including memorial markers and bases, outer burial containers, flowers and floral placement, other ancillary merchandise, graveside services, merchandise installation, and burial openings and closings, are sold at our cemeteries.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

Our unaudited condensed consolidated financial statements include the accounts of Service Corporation International (SCI) and all subsidiaries in which we hold a controlling financial interest. Our financial statements also include the accounts of the merchandise and service trusts and cemetery perpetual care trusts in which we have a variable interest and are the primary beneficiary. Our interim condensed consolidated financial statements are unaudited but include all adjustments, consisting of normal recurring accruals and any other adjustments, which management considers necessary for a fair statement of our results for these periods. Our unaudited condensed consolidated financial statements have been prepared in a manner consistent with the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2015, unless otherwise disclosed herein, and should be read in conjunction therewith. The accompanying year-end condensed Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year period.

Reclassifications Prior Period Financial Statements

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation with no effect on our previously reported results of operations, consolidated financial position, or cash flows. For the first quarter of 2016, we recorded in General and administrative expenses an out-of-period expense of \$5.5 million for previously improperly capitalized acquisition costs. Such amounts are immaterial to both current and prior period financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of the unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions as described in our Annual Report on Form 10-K for the year ended December 31, 2015. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. As a result, actual results could differ from these estimates.

Accounting Standards Adopted in 2016

Consolidation

In February 2015, the Financial Accounting Standards Board (FASB) amended "Consolidation" to revise the consolidation model for limited partnerships, variable interest entities, and certain investment funds. Further, the amendment provides guidance on how fee arrangements and related parties should be considered when determining whether to consolidate variable interest entities. As a result of this amendment, all legal entities were reevaluated to determine if they should be consolidated.

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We adopted the amendment effective January 1, 2016, with no impact our consolidated results of operations, consolidated financial position, and cash flows.

Debt Issuance Costs

In April 2015, the FASB amended "Interest—Imputation of Interest" to simplify the presentation of debt issuance costs on the balance sheet. Prior to adoption of this amendment, debt issuance costs were included in Other current assets and Deferred charges and other assets on our unaudited condensed Consolidated Balance Sheet. The amendment requires that these costs instead be presented as a direct deduction from the carrying amount of Current maturities of long-term debt and Long-term debt, consistent with the presentation of debt discounts.

In August 2015, the FASB issued an additional amendment that provides additional guidance to "Interest—Imputation of Interest" since it did not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. The amendment noted that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

This change does not impact the manner in which the debt issuance costs are expensed over the term of the debt. We have retrospectively adopted the change in presentation effective January 1, 2016. As a result, we recast our Consolidated Balance Sheet as of December 31, 2015 to reduce Other current assets and Current maturities of long-term debt by \$8.4 million and to reduce Deferred charges and other assets and Long-term debt by \$34.1 million.

Cloud Computing Arrangements

In April 2015, the FASB amended "Intangibles—Goodwill and Other—Internal-Use Software" to provide guidance on whether a cloud computing arrangement contains a software license. If a cloud computing arrangement includes a software license, then we should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, we should account for the arrangement as a service contract. We adopted the amendment effective January 1, 2016, with no impact on our consolidated results of operations, consolidated financial position, and cash flows.

Fair Value Measurements

In May 2015, the FASB amended "Fair Value Measurements" to remove the requirement to disclose the fair value measurement hierarchy level associated with investments measured at net asset value as a practical expedient. Other disclosures required by the standard for these assets remain the same. This amendment does not change the underlying accounting for these investments. We retrospectively adopted the amendment effective January 1, 2016, and have made the appropriate disclosures in Notes 3, 4, and 5.

Business Combinations

In September 2015, the FASB amended "Business Combinations" to eliminate the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Under the new guidance, acquirers must recognize measurement-period adjustments in the period in which they determine the amount of the adjustment. We adopted the amendment on January 1, 2016 and it will be applied prospectively to measurement-period adjustments occurring after that date, if any.

Recently Issued Accounting Standards

Revenue Recognition

In May 2014, the FASB issued "Revenue from Contracts with Customers" which supersedes the revenue recognition requirements in "Revenue Recognition" and most industry-specific guidance. This new standard is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, and timing of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. Additionally, the new standard requires the deferral of direct incremental selling costs to the period in which the underlying revenue is recognized. In August 2015, the FASB issued an amendment that defers implementation of "Revenue from Contracts with Customers" for all entities by one year. The new standard will be effective for us beginning January 1, 2018 and we intend to implement the standard with the modified retrospective

approach, which recognizes the cumulative effect of application recognized on that date. We are evaluating the impact of adoption on our consolidated results of operations, consolidated financial position, and cash flows.

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Inventory

In July 2015, the FASB amended "Inventory" to state that an entity using an inventory method other than last-in, first out ("LIFO") or the retail inventory method should measure inventory at the lower of cost and net realizable value.

The new guidance clarifies that net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance is effective for us on January 1, 2017, and we are still evaluating the impact of adoption on our consolidated results of operations, consolidated financial position, and cash flows.

Financial Instruments

In January 2016, the FASB amended "Financial Instruments" to provide additional guidance on the recognition and measurement of financial assets and liabilities. The amendment requires investments in equity instruments to be measured at fair value with changes in fair value reflected in net income. The amendment also changes the guidance for debt securities held at amortized cost and liabilities under the fair value option. The new guidance is effective for us on January 1, 2018, and we are still evaluating the impact of adoption on our consolidated results of operations, consolidated financial position, and cash flows.

Leases

In February 2016, the FASB amended "Leases" to increase transparency and comparability among organizations. Under the new standard, an entity will be required to recognize lease assets and liabilities on its balance sheet and disclose key information about leasing arrangements. In addition, the new standard offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This new standard will be effective for us on January 1, 2019. We are evaluating the impact of adoption on our consolidated results of operations, consolidated financial position, and cash flows.

Stock Compensation

In March 2016, the FASB amended "Stock Compensation" to simplify certain aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective for us on January 1, 2017, and we are still evaluating the impact of adoption on our consolidated results of operations, consolidated financial position, and cash flows.

3. Preneed Funeral Activities

Preneed funeral receivables, net and trust investments represent trust investments, including investment earnings, and customer receivables, net of unearned finance charges, related to unperformed price-guaranteed preneed funeral contracts. Our merchandise and service trusts are variable interest entities. We have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. Our trust investments detailed in Notes 4 and 5 are also accounted for as variable interest entities. When we receive payments from the customer, we deposit the amount required by law into the trust and reclassify the corresponding amount from Deferred preneed funeral revenue into Deferred preneed receipts held in trust. Amounts are withdrawn from the trusts after the contract obligations are performed. Cash flows from preneed contracts are presented as operating cash flows in our unaudited condensed Consolidated Statement of Cash Flows.

Preneed funeral receivables, net and trust investments are reduced by the trust investment earnings (realized and unrealized) that we have been allowed to withdraw in certain states prior to maturity. These earnings are recorded in Deferred preneed funeral revenue until the merchandise is delivered or the service is performed.

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The table below sets forth certain investment-related activities associated with these preneed merchandise and service trusts:

	Three Months Ended	
	March 31,	
	2016	2015
	(In thousands)	
Deposits	\$27,708	\$29,995
Withdrawals	\$35,170	\$45,444
Purchases of available-for-sale securities	\$109,522	\$104,231
Sales of available-for-sale securities	\$99,493	\$82,320
Realized gains from sales of available-for-sale securities	\$6,824	\$4,349
Realized losses from sales of available-for-sale securities	\$(19,651)	\$(4,735)

The components of Preneed funeral receivables, net and trust investments in our unaudited condensed Consolidated Balance Sheet at March 31, 2016 and December 31, 2015 are as follows:

	March 31,	December 31,
	2016	2015
	(In thousands)	
Trust investments, at market	\$1,112,379	\$1,109,394
Cash and cash equivalents	128,315	134,603
Insurance-backed fixed income securities	270,473	271,116
Trust investments	1,511,167	1,515,113
Receivables from customers	298,852	290,689
Unearned finance charge	(11,906)	(11,235)
	1,798,113	1,794,567
Allowance for cancellation	(34,839)	(34,270)
Preneed funeral receivables, net and trust investments	\$1,763,274	\$1,760,297

The costs and values associated with trust investments measured at market at March 31, 2016 and December 31, 2015 are detailed below. Cost reflects the investment (net of redemptions) of control holders in the trusts. Value represents the value of the underlying securities held by the trusts.

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	March 31, 2016		Unrealized		Unrealized	Value
	Value Hierarchy Level	Cost	Gains	Losses		
			(In thousands)			
Fixed income securities:						
U.S. Treasury	2	\$78,022	\$834	\$(254)	)	\$78,602
Canadian government	2	77,781	410	(881)	)	77,310
Corporate	2	14,974	173	(262)	)	14,885
Residential mortgage-backed	2	80	2	—	)	82
Asset-backed	2	58	—	(1)	)	57
Equity securities:						
Preferred stock	2	1,950	64	(116)	)	1,898
Common stock:						
United States	1	351,310	30,275	(23,247)	)	358,338
Canada	1	13,014	2,338	(1,146)	)	14,206
Other international	1	29,746	2,171	(3,909)	)	28,008
Mutual funds:						
Equity	1	328,286	2,780	(40,449)	)	290,617
Fixed income	1	150,974	594	(9,179)	)	142,389
Other	3	3,997	910	(96)	)	4,811
Trust investments, at fair value		1,050,192	40,551	(79,540)	)	1,011,203
Fixed income commingled funds		64,988	1,328	—	)	66,316
Private equity		37,761	3,701	(6,602)	)	34,860
Trust investments, at net asset value		102,749	5,029	(6,602))	101,176
Trust investments, at market		\$1,152,941	\$45,580	\$(86,142))	\$1,112,379

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	December 31, 2015		Unrealized		Unrealized	Value
	Value Hierarchy Level	Cost	Gains	Losses		
			(In thousands)			
Fixed income securities:						
U.S. Treasury	2	\$82,417	\$107	\$(1,331)	)	\$81,193
Canadian government	2	72,488	532	(655)	)	72,365
Corporate	2	19,036	235	(284)	)	18,987
Residential mortgage-backed	2	1,297	29	(22)	)	1,304
Asset-backed	2	5	—	—	)	5
Equity securities:						
Preferred stock	2	1,949	41	(158)	)	1,832
Common stock:						
United States	1	344,116	30,885	(19,149)	)	355,852
Canada	1	11,930	2,652	(1,077)	)	13,505
Other international	1	32,156	2,636	(3,907)	)	30,885
Mutual funds:						
Equity	1	323,884	1,263	(43,975)	)	281,172
Fixed income	1	155,717	154	(13,092)	)	142,779
Other	3	3,703	1,069	—	)	4,772
Trust investments, at fair value		1,048,698	39,603	(83,650)	)	1,004,651
Fixed income commingled funds		69,148	—	(442)	)	68,706
Private equity		38,724	3,780	(6,467)	)	36,037
Trust investments, at net asset value		107,872	3,780	(6,909)	)	104,743
Trust investments, at market		\$1,156,570	\$43,383	\$(90,559)	)	\$1,109,394

Valuation policies and procedures are determined by our Trust Services department, which reports to our Chief Financial Officer. Additionally, valuations are reviewed by the Investment Committee of the Board of Directors quarterly.

Where quoted prices are available in an active market, securities are classified as Level 1 investments pursuant to the fair value measurements hierarchy.

Where quoted market prices are not available for the specific security, fair values are estimated by using either quoted prices of securities with similar characteristics or an income approach fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, ratings, and tax-exempt status. These funds are classified as Level 2 investments pursuant to the fair value measurements hierarchy.

The valuation of other investments requires management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. These funds are classified as Level 3 investments pursuant to the fair value measurements hierarchy.

Fixed income commingled funds and private equity investments are measured at net asset value. Fixed income commingled funds are redeemable for net asset value with two weeks notice. Our private equity investments include several funds that invest in limited partnerships, distressed debt, real estate, and mezzanine financing. These investments can never be redeemed by the funds. Instead, due to the nature of the investments in this category, distributions are received through the liquidation of the underlying assets of the funds. We estimate that the underlying assets will be liquidated over the next 2 to 10 years. As of March 31, 2016, our unfunded commitment for our private equity investments was \$41.1 million which, if called, would be funded by the assets of the trusts.

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The change in our trust investments measured at fair value with significant unobservable inputs (Level 3) is as follows:

	Three Months Ended March 31, 2016 2015 Other Other (In thousands)	
Fair value, beginning balance	\$4,772	\$4,891
Net unrealized gains (losses) included in Accumulated other comprehensive income ⁽¹⁾	39	(74)
Fair value, ending balance	\$4,811	\$4,817

⁽¹⁾ All unrealized gains (losses) recognized in Accumulated other comprehensive income for our merchandise and service trust investments are attributable to our preneed customers and are offset by a corresponding reclassification in Accumulated other comprehensive income to Deferred preneed receipts held in trust. See Note 6 for further information related to our Deferred preneed receipts held in trust.

Maturity dates of our fixed income securities range from 2016 to 2041. Maturities of fixed income securities, excluding mutual funds, at March 31, 2016 are estimated as follows:

	Fair Value (In thousands)
Due in one year or less	\$ 106,941
Due in one to five years	26,528
Due in five to ten years	31,082
Thereafter	6,385
	\$ 170,936

Earnings from all our merchandise and service trust investments are recognized in revenue when merchandise is delivered or a service is performed. Fees charged by our wholly-owned registered investment advisor are also included in current revenue. In addition, we are entitled to retain, in certain jurisdictions, a portion of collected customer payments when a customer cancels a preneed contract; these amounts are also recognized in current revenue in the period in which they are earned. Recognized trust fund income (realized and unrealized) related to these trust investments was \$12.0 million and \$14.4 million for the three months ended March 31, 2016 and 2015, respectively. We assess our trust investments for other-than-temporary declines in fair value on a quarterly basis. Impairment charges resulting from this assessment are recognized as investment losses in Other expense, net and a decrease to Preneed funeral receivables, net and trust investments. These investment losses, if any, are offset by the corresponding reclassification in Other expense, net, which reduces Deferred preneed receipts held in trust. See Note 6 for further information related to our Deferred preneed receipts held in trust. For the three months ended March 31, 2016 and 2015, we recorded an \$1.1 million and a \$0.5 million impairment charge, respectively, for other-than-temporary declines in fair value related to unrealized losses on certain investments.

We have determined that the remaining unrealized losses in our merchandise and service trust investments are considered temporary in nature, as the unrealized losses were due to temporary fluctuations in interest rates and equity prices. The investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We believe that none of the remaining securities are other-than-temporarily impaired based on our analysis of the investments. Our analysis included a review of the portfolio holdings and discussions with the individual money managers as to the sector exposures, credit ratings, and the severity and duration of the unrealized losses. Our merchandise and service trust investment unrealized losses, their associated values, and the duration of unrealized losses as of March 31, 2016 and December 31, 2015, respectively, are shown in the following tables:

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	March 31, 2016					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Value	Unrealized Losses	Value	Unrealized Losses	Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$4,421	\$(169)	\$4,550	\$(85)	\$8,971	\$(254)
Canadian government	5,233	(77)	12,167	(804)	17,400	(881)
Corporate	2,714	(108)	3,369	(154)	6,083	(262)
Asset-backed	57	(1)	—	—	57	(1)
Equity securities:						
Preferred stock	94	(25)	48	(91)	142	(116)
Common stock:						
United States	124,502	(19,418)	14,346	(3,829)	138,848	(23,247)
Canada	4,918	(866)	670	(280)	5,588	(1,146)
Other international	11,101	(2,189)	4,841	(1,720)	15,942	(3,909)
Mutual funds:						
Equity	182,603	(23,695)	71,967	(16,754)	254,570	(40,449)
Fixed income	77,990	(2,994)	21,240	(6,185)	99,230	(9,179)
Other	1,084	(96)	—	—	1,084	(96)
Trust investments, at fair value	414,717	(49,638)	133,198	(29,902)	547,915	(79,540)
Private equity	788	(612)	17,165	(5,990)	17,953	(6,602)
Trust investments, at net asset value	788	(612)	17,165	(5,990)	17,953	(6,602)
Total temporarily impaired securities	\$415,505	\$(50,250)	\$150,363	\$(35,892)	\$565,868	\$(86,142)

	December 31, 2015					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Value	Unrealized Losses	Value	Unrealized Losses	Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$37,008	\$(1,273)	\$4,687	\$(58)	\$41,695	\$(1,331)
Canadian government	2,336	(17)	11,535	(638)	13,871	(655)
Corporate	4,644	(156)	4,025	(128)	8,669	(284)
Residential mortgage-backed	377	(6)	133	(16)	510	(22)
Equity securities:						
Preferred stock	448	(60)	42	(98)	490	(158)
Common stock:						
United States	128,725	(16,448)	14,531	(2,701)	143,256	(19,149)
Canada	1,956	(355)	1,097	(722)	3,053	(1,077)
Other international	9,458	(1,638)	6,151	(2,269)	15,609	(3,907)
Mutual funds:						
Equity	185,726	(23,385)	79,855	(20,590)	265,581	(43,975)
Fixed income	108,984	(5,052)	27,048	(8,040)	136,032	(13,092)
Trust investments, at fair value	479,662	(48,390)	149,104	(35,260)	628,766	(83,650)

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Fixed income commingled funds	68,578	(442)	—	—	68,578	(442)	
Private equity	—	—		18,713	(6,467)	18,713	(6,467)
Trust investments, at net asset value	68,578	(442	)	18,713	(6,467	)	87,291	(6,909)
Total temporarily impaired securities	\$548,240	\$(48,832)	\$167,817	\$(41,727)	\$716,057	\$(90,559)

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4. Preneed Cemetery Activities

Preneed cemetery receivables, net and trust investments represent trust investments, including investment earnings, and customer receivables, net of unearned finance charges, for contracts sold in advance of when the property interment rights, merchandise, or services are needed. Our merchandise and service trusts are variable interest entities. We have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. The trust investments detailed in Notes 3 and 5 are also accounted for as variable interest entities. When we receive payments from the customer, we deposit the amount required by law into the trust and reclassify the corresponding amount from Deferred preneed cemetery revenue into Deferred preneed receipts held in trust. Amounts are withdrawn from the trusts when the contract obligations are performed. Cash flows from preneed cemetery contracts are presented as operating cash flows in our unaudited condensed Consolidated Statement of Cash Flows.

Preneed cemetery receivables, net and trust investments are reduced by the trust investment earnings (realized and unrealized) that we have been allowed to withdraw in certain states prior to maturity. These earnings are recorded in Deferred preneed cemetery revenue until the merchandise is delivered or the service is performed.

The table below sets forth certain investment-related activities associated with these preneed merchandise and service trusts:

	Three Months Ended	
	March 31,	
	2016	2015
	(In thousands)	
Deposits	\$36,998	\$35,161
Withdrawals	\$32,411	\$31,226
Purchases of available-for-sale securities	\$131,851	\$106,937
Sales of available-for-sale securities	\$118,581	\$99,262
Realized gains from sales of available-for-sale securities	\$6,246	\$7,135
Realized losses from sales of available-for-sale securities	\$(22,853)	\$(7,028)

The components of Preneed cemetery receivables, net and trust investments in our unaudited condensed Consolidated Balance Sheet at March 31, 2016 and December 31, 2015 are as follows:

	March 31,	December 31,
	2016	2015
	(In thousands)	
Trust investments, at market	\$1,333,276	\$1,343,916
Cash and cash equivalents	128,497	118,583
Trust investments	1,461,773	1,462,499
Receivables from customers	965,495	958,503
Unearned finance charges	(32,144)	(31,332)
	2,395,124	2,389,670
Allowance for cancellation	(71,445)	(71,503)
Preneed cemetery receivables, net and trust investments	\$2,323,679	\$2,318,167

The costs and values associated with the trust investments measured at market at March 31, 2016 and December 31, 2015 are detailed below. Cost reflects the investment (net of redemptions) of control holders in the trusts. Value represents the market value of the underlying securities held by the trusts.

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	March 31, 2016		Unrealized		Value
	Value Hierarchy Level	Cost	Gains	Losses	
			(In thousands)		
Fixed income securities:					
U.S. Treasury	2	\$62,763	\$1,584	\$—	\$64,347
Canadian government	2	29,144	229	(49)	) 29,324
Corporate	2	5,036	21	(168)	) 4,889
Asset-backed	2	169	21	—	190
Equity securities:					
Common stock:					
United States	1	544,212	45,619	(37,705)	) 552,126
Canada	1	8,487	3,958	(295)	) 12,150
Other international	1	45,771	3,516	(5,834)	) 43,453
Mutual funds:					
Equity	1	353,128	3,010	(44,406)	) 311,732
Fixed income	1	188,990	407	(14,775)	) 174,622
Other	3	1,476	—	(179)	) 1,297
Trust investments, at fair value		1,239,176	58,365	(103,411)	) 1,194,130
Fixed income commingled funds		101,182	2,274	—	103,456
Private equity		34,460	5,829	(4,599)	) 35,690
Trust investments, at net asset value		135,642	8,103	(4,599)) 139,146
Trust investments, at market		\$1,374,818	\$66,468	\$(108,010)	\$1,333,276

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	December 31, 2015		Unrealized		Unrealized	Value
	Value Hierarchy Level	Cost	Gains	Losses		
			(In thousands)			
Fixed income securities:						
U.S. Treasury	2	\$69,746	\$25	\$(1,437)	)	\$68,334
Canadian government	2	24,648	183	(169)	)	24,662
Corporate	2	5,112	26	(118)	)	5,020
Residential mortgage-backed	2	129	3	(3)	)	129
Asset-backed	2	170	15	—	)	185
Equity securities:						
Common stock:						
United States	1	532,026	44,181	(32,037)	)	544,170
Canada	1	8,984	3,858	(891)	)	11,951
Other international	1	50,053	4,207	(5,799)	)	48,461
Mutual funds:						
Equity	1	356,798	1,620	(49,642)	)	308,776
Fixed income	1	203,983	92	(18,526)	)	185,549
Other	3	1,381	122	—	)	1,503
Trust investments, at fair value		1,253,030	54,332	(108,622)	)	1,198,740
Fixed income commingled funds		108,883	—	(570)	)	108,313
Private equity		35,411	5,954	(4,502)	)	36,863
Trust investments, at net asset value		144,294	5,954	(5,072)	)	145,176
Trust investments, at market		\$1,397,324	\$60,286	\$(113,694)	)	\$1,343,916

Valuation policies and procedures are determined by our Trust Services department, which reports to our Chief Financial Officer. Additionally, valuations are reviewed by the Investment Committee of the Board of Directors quarterly.

Where quoted prices are available in an active market, securities held by the trusts are classified as Level 1 investments pursuant to the fair value measurements hierarchy.

Where quoted market prices are not available for the specific security, fair values are estimated by using either quoted prices of securities with similar characteristics or an income approach fair value model with observable inputs that include a combination of interest rates, yield curves, credit risks, prepayment speeds, ratings, and tax-exempt status. These funds are classified as Level 2 investments pursuant to the fair value measurements hierarchy.

The valuation of other investments requires management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. These funds are classified as Level 3 investments pursuant to the fair value measurements hierarchy.

Fixed income commingled funds and private equity investments are measured at net asset value. Fixed income commingled funds are redeemable for net asset value with two weeks notice. Our private equity investments include several funds that invest in limited partnerships, distressed debt, real estate, and mezzanine financing. These investments can never be redeemed by the funds. Instead, due to the nature of the investments in this category, distributions are received through the liquidation of the underlying assets of the funds. We estimate that the underlying assets will be liquidated over the next 2 to 10 years. As of March 31, 2016, our unfunded commitment for our private equity investments was \$42.7 million which, if called, would be funded by the assets of the trusts.

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The change in our trust investments measured at fair value with significant unobservable inputs (Level 3) is as follows:

	Three Months Ended March 31, 2016 2015 Other Other (In thousands)	
Fair value, beginning balance	\$1,503	\$203
Net unrealized losses included in Accumulated other comprehensive income ⁽¹⁾	(206)	(4)
Fair value, ending balance	\$1,297	\$199

All unrealized losses recognized in Accumulated other comprehensive income for our merchandise and service trust investments are attributable to our preneed customers and are offset by a corresponding reclassification in (1) Accumulated other comprehensive income to Deferred preneed receipts held in trust. See Note 6 for further information related to our Deferred preneed receipts held in trust.

Maturity dates of our fixed income securities range from 2016 to 2041. Maturities of fixed income securities, excluding mutual funds, at March 31, 2016 are estimated as follows:

	Fair Value (In thousands)
Due in one year or less	\$ 26,335
Due in one to five years	32,443
Due in five to ten years	29,785
Thereafter	10,187
	\$ 98,750

Earnings from all our merchandise and service trust investments are recognized in current revenue when merchandise is delivered or a service is performed. Fees charged by our wholly-owned registered investment advisor are also included in current revenue. In addition, we are entitled to retain, in certain jurisdictions, a portion of collected customer payments when a customer cancels a preneed contract; these amounts are also recognized in current revenue in the period in which they are earned. Recognized trust fund income (realized and unrealized) related to these trust investments was \$9.7 million and \$12.1 million for the three months ended March 31, 2016 and 2015, respectively. We assess our trust investments for other-than-temporary declines in fair value on a quarterly basis. Impairment charges resulting from this assessment are recognized as investment losses in Other expense, net and a decrease to Preneed cemetery receivables, net and trust investments. These investment losses, if any, are offset by the corresponding reclassification in Other expense, net, which reduces Deferred preneed receipts held in trust. See Note 6 for further information related to our Deferred preneed receipts held in trust. For the three months ended March 31, 2016 and 2015, we recorded a \$2.0 million and a \$0.5 million impairment charge, respectively, for other-than-temporary declines in fair value related to unrealized losses on certain investments.

We have determined that the remaining unrealized losses in our merchandise and service trust investments are considered temporary in nature, as the unrealized losses were due to temporary fluctuations in interest rates and equity prices. The investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We believe that none of the remaining securities are other-than-temporarily impaired based on our analysis of the investments. Our analysis included a review of the portfolio holdings and discussions with the individual money managers as to the sector exposures, credit ratings, and the severity and duration of the unrealized losses. Our merchandise and service trust investment unrealized losses, their associated values and the duration of unrealized losses as of March 31, 2016 and December 31, 2015, respectively, are shown in the following tables:

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	March 31, 2016					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Value	Unrealized Losses	Value	Unrealized Losses	Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
Canadian government	\$19,788	\$(12)	\$1,197	\$(37)	\$20,985	\$(49)
Corporate	1,632	(36)	2,383	(132)	4,015	(168)
Equity securities:						
Common stock:						
United States	197,289	(31,577)	21,487	(6,128)	218,776	(37,705)
Canada	653	(199)	692	(96)	1,345	(295)
Other international	17,150	(3,452)	7,230	(2,382)	24,380	(5,834)
Mutual funds:						
Equity	198,230	(25,801)	82,557	(18,605)	280,787	(44,406)
Fixed income	113,796	(3,463)	36,630	(11,312)	150,426	(14,775)
Other	1,297	(179)	—	—	1,297	(179)
Trust investments, at fair value	549,835	(64,719)	152,176	(38,692)	702,011	(103,411)
Private equity	—	—	8,661	(4,599)	8,661	(4,599)
Trust investments, at net asset value	—	—	8,661	(4,599)	8,661	(4,599)
Total temporarily impaired securities	\$549,835	\$(64,719)	\$160,837	\$(43,291)	\$710,672	\$(108,010)

	December 31, 2015					
	In Loss Position Less Than 12 Months		In Loss Position Greater Than 12 Months		Total	
	Value	Unrealized Losses	Value	Unrealized Losses	Value	Unrealized Losses
	(In thousands)					
Fixed income securities:						
U.S. Treasury	\$52,533	\$(1,435)	\$21	\$(2)	\$52,554	\$(1,437)
Canadian government	16,039	(105)	841	(64)	16,880	(169)
Corporate	1,754	(22)	2,347	(96)	4,101	(118)
Residential mortgage-backed	42	(1)	18	(2)	60	(3)
Equity securities:						
Common stock:						
United States	198,843	(26,038)	21,355	(5,999)	220,198	(32,037)
Canada	470	(6)	1,430	(885)	1,900	(891)
Other international	15,567	(2,507)	9,412	(3,292)	24,979	(5,799)
Mutual funds:						
Equity	207,349	(25,991)	86,720	(23,651)	294,069	(49,642)
Fixed income	139,749	(6,322)	44,550	(12,204)	184,299	(18,526)
Trust investments, at fair value	632,346	(62,427)	166,694	(46,195)	799,040	(108,622)
Fixed income commingled funds	108,347	(570)	—	—	108,347	(570)
Private equity	—	—	9,526	(4,502)	9,526	(4,502)
Trust investments, at net asset value	108,347	(570)	9,526	(4,502)	117,873	(5,072)

Total temporarily impaired securities \$740,693 \$(62,997) \$176,220 \$(50,697) \$916,913 \$(113,694)

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5. Cemetery Perpetual Care Trusts

We are required by state and provincial law to pay into cemetery perpetual care trusts a portion of the proceeds from the sale of cemetery property interment rights. Our cemetery perpetual care trusts are variable interest entities. We have determined that we are the primary beneficiary of these trusts, as we absorb a majority of the losses and returns associated with these trusts. The trust investments detailed in Notes 3 and 4 are also accounted for as variable interest entities. We consolidate our cemetery perpetual care trust investments with a corresponding amount recorded as Care trusts' corpus. Cash flows from cemetery perpetual care trusts are presented as operating cash flows in our unaudited condensed Consolidated Statement of Cash Flows.

The table below sets forth certain investment-related activities associated with our cemetery perpetual care trusts:

	Three Months Ended	
	March 31,	
	2016	2015
	(In thousands)	
Deposits	\$9,813	\$9,253
Withdrawals	\$16,294	\$13,158
Purchases of available-for-sale securities	\$48,476	\$101,660
Sales of available-for-sale securities	\$33,522	\$53,765
Realized gains from sales of available-for-sale securities	\$1,494	\$398
Realized losses from sales of available-for-sale securities	\$(1,616)	\$(129)

The components of Cemetery perpetual care trust investments in our unaudited condensed Consolidated Balance Sheet at March 31, 2016 and December 31, 2015 are as follows:

	March 31, December 31,	
	2016	2015
	(In thousands)	
Trust investments, at market	\$1,261,088	\$1,232,592
Cash and cash equivalents	73,077	86,835
Cemetery perpetual care trust investments	\$1,334,165	\$1,319,427

The cost and values associated with trust investments, at market at March 31, 2016 and December 31, 2015 are detailed below. Cost reflects the investment (net of redemptions) of control holders in the trusts. Value represents the value of the underlying securities or cash held by the trusts.

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	March 31, 2016			
	Value Hierarchy Level	Cost	Unrealized Gains	Value
			(In thousands)	
Fixed income securities:				
U.S. Treasury	2	\$ 2,986	\$— (108)	\$ 2,878
Canadian government	2	36,402	400 (106)	36,696
Corporate	2	11,324	113 (362)	11,075
Residential mortgage-backed	2	383	1 —	384
Asset-backed	2	644	6 (34)	616
Equity securities:				
Preferred stock	2	5,034	67 (134)	4,967
Common stock:				
United States	1	228,357	16,013 (184)	232,311
Canada	1	4,978	2,165 (52)	6,892
Other international	1	14,677	119 (2,925)	11,871
Mutual funds:				
Equity	1	19,842	3,562 (1,037)	21,336
Fixed income	1	904,294	1,454 (1,175)	851,532
Other	3	629	1,254	1,883
Trust investments, at fair value		1,229,550	25,078 (317)	1,182,441
Private equity		84,479	2,362 (194)	78,647
Trust investments, at net asset value		84,479	2,362	