

Financial Statements of

**SCOUTS CANADA -
NORTHERN ONTARIO
COUNCIL**

Year ended August 31, 2015



KPMG LLP
Suite 1800
150 Elgin Street
Ottawa ON K2P 2P8
Canada

Telephone (613) 212-KPMG (5764)
Fax (613) 212-2896
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Scouts Canada - Northern Ontario Council

We have audited the accompanying financial statements of Scouts Canada - Northern Ontario Council, which comprise the statement of financial position as at August 31, 2015, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, Scouts Canada - Northern Ontario Council derives revenue from camp fees, donations, fundraising and events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Scouts Canada - Northern Ontario Council. Therefore, we were not able to determine whether, as at or for the year ended August 31, 2015, any adjustments might be necessary to revenue and excess of revenue over expenses reported in the statement of operations, excess of revenue over expenses reported in the statements of cash flows and changes in fund balances, and current assets and unrestricted fund balances reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended August 31, 2015.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Scouts Canada - Northern Ontario Council as at August 31, 2015 and its results of operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

November 21, 2015

Ottawa, Canada

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Statement of Financial Position

August 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 19,384	\$ 55,518
Accounts receivable (note 2)	12,583	12,008
Prepaid expenses	1,432	6,960
Loan receivable from related party (note 5)	106	896
	<u>\$ 33,505</u>	<u>\$ 75,382</u>

Liabilities and Fund Balances (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 13,124	\$ 5,554
Deferred revenue (note 4)	6,428	84,375
Due to related parties (note 5)	2,205	34,368
	<u>21,757</u>	<u>124,297</u>
Employee future benefits accrued liability (note 5)	3,253	4,015
Fund balances (deficiency):		
Unrestricted	2,888	(78,099)
Restricted (note 6)	5,607	25,169
	<u>8,495</u>	<u>(52,930)</u>
Subsequent events (note 10)		
	<u>\$ 33,505</u>	<u>\$ 75,382</u>

Funds held in trust by Provincial Council for Ontario; Boy Scouts of Canada (note 5(d))

See accompanying notes to financial statements.

On behalf of the Council Management Committee:

Council
Executive Director

Council
Commissioner

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Statement of Operations

Year ended August 31, 2015, with comparative information for 2014

	Unrestricted Fund	Restricted Funds	2015 Total	2014 Total
Revenue:				
Membership fees	\$ 131,261	\$ -	\$ 131,261	\$ 132,151
Less: National and insurance fees	(55,025)	-	(55,025)	(49,713)
Less: fee subsidies and discounts	(12,617)	-	(12,617)	(6,375)
Net membership fees	63,619	-	63,619	76,063
Donations	20,363	-	20,363	28,083
Events	-	-	-	11,317
Fundraising	87,211	-	87,211	83,675
Grants	74,570	-	74,570	87,807
Other	17,400	-	17,400	26,291
Training fees	7,275	-	7,275	4,025
	270,438	-	270,438	317,261
Expenses:				
Administration	8,372	-	8,372	9,393
Communication	3,729	-	3,729	8,931
Events	-	-	-	12,714
Fundraising	56,643	-	56,643	59,158
Occupancy	3,311	-	3,311	4,697
Other	20,041	-	20,041	48,901
Property	33,992	-	33,992	115,434
Salaries and benefits	99,733	-	99,733	69,598
Staff and volunteer training	8,229	-	8,229	3,506
Travel and meetings	25,597	-	25,597	15,123
	259,647	-	259,647	347,455
Excess of revenue over expenses before the undernoted	10,791	-	10,791	(30,194)
Grant revenue:				
Provincial Council for Ontario	50,634	-	50,634	30,887
Excess of revenue over expenses	\$ 61,425	\$ -	\$ 61,425	\$ 693

See accompanying notes to financial statements.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Statement of Changes in Fund Balances

Year ended August 31, 2015, with comparative information for 2014

	Unrestricted fund	Restricted fund	2015 Total	2014 Total
Balance, beginning of year	\$ (78,099)	\$ 25,169	\$ (52,930)	\$ (53,623)
Excess of revenue over expenses	61,425	-	61,425	693
Interfund transfer	19,562	(19,562)	-	-
Balance, end of year	\$ 2,888	\$ 5,607	\$ 8,495	\$ (52,930)

See accompanying notes to financial statements.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Statement of Cash Flows

Year ended August 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 61,425	\$ 693
Change in non-cash operating working capital:		
Increase in accounts receivable	(575)	(9,639)
Decrease (increase) in prepaid expenses	5,528	(719)
Increase in accounts payable and accrued liabilities	7,570	254
Decrease in deferred revenue	(77,947)	(50,265)
Decrease in employee future benefits accrued liability	(762)	(8,159)
	(4,761)	(67,835)
Cash flows from financing activities:		
Decrease (increase) in loan receivable from related party	790	(896)
Increase (decrease) in due to related parties	(32,163)	23,187
Decrease in loan payable to related party	-	(30,000)
	(31,373)	(7,709)
Decrease in cash	(36,134)	(75,544)
Cash, beginning of year	55,518	131,062
Cash, end of year	\$ 19,384	\$ 55,518

See accompanying notes to financial statements.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Notes to Financial Statements

Year ended August 31, 2015

Scouts Canada is a national organization operating programs aimed at contributing to the education of young people through a value system based on the Scout Promise and Law, to help build a better world where people are self-fulfilled as individuals and play a constructive role in society. Scouts Canada was incorporated on June 12, 1914 by an Act of the Canadian Parliament ("the Act").

Scouts Canada - Northern Ontario Council ("Northern Ontario Council") is a Council of Scouts Canada, constituted under the authority of the Act. Northern Ontario Council operates Scout programs in Northern Ontario. Northern Ontario Council is a registered charity under the Income Tax Act (Canada), and as such is not subject to income taxes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit standards and include the following significant accounting policies:

(a) Basis of presentation:

These financial statements include the revenue, expenses, assets and liabilities of Northern Ontario Council.

These financial statements do not include the revenue, expenses, assets and liabilities of the local Scout Groups operating in Northern Ontario Council and its Areas.

(b) Fund accounting:

Northern Ontario Council follows the restricted fund method of accounting for contributions for not-for-profit organizations.

The Operating fund reports the revenue, expenses, assets, liabilities and fund balances related to Northern Ontario Council's program delivery and administrative activities.

The Restricted fund reports the revenue, expenses, assets, liabilities and fund balances related to the activities of Northern Ontario Council for which the funding is internally and externally restricted to that activity or purpose.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Northern Ontario Council has elected to carry any such financial instruments at fair value.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, Northern Ontario Council determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Northern Ontario Council expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Capital assets:

Capital assets are expensed in the year acquired and include buildings, betterments and equipment. During the year, Northern Ontario Council expensed \$Nil related to acquisitions of tangible capital assets which are recorded under Camp expense in the statement of operations.

(e) Revenue recognition:

Membership, camp and other fees are recognized as revenue in the fiscal year to which they relate.

Restricted contributions relating to general operations are recognized as revenue of the Unrestricted Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate Restricted fund in the year received.

Unrestricted contributions are recognized as revenue of the Unrestricted fund in the year received.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

1. Significant accounting policies (continued):

(f) Expenses:

In the statement of operations, Northern Ontario Council presents its expenses by object. Expenses are recognized in the year incurred and are recorded in the applicable restricted fund to which they are directly related.

(g) Donated services:

Volunteers donate services throughout the year to assist Northern Ontario Council in carrying out its activities. Because of the difficulty of tracking and determining their fair value, contributed services are not recorded in the financial statements.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

2. Amounts receivable:

	2015	2014
Amounts receivable	\$ 12,583	\$ 12,008
Less allowance for doubtful accounts	-	-
	<u>\$ 12,583</u>	<u>\$ 12,008</u>

3. Accounts payable and accrued liabilities:

As at year end, no amounts were included in accounts payable for government remittances such as harmonized sales or payroll taxes.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

4. Deferred revenue:

Deferred revenue represents amounts received for grants related to future projects and amounts received for specific activities on purchases that have not taken place. Deferred revenue consists of:

	2015	2014
Grants	\$ 4,793	\$ 67,042
Inactive groups	1,635	-
Membership fees	-	13,733
Training	-	3,600
	\$ 6,428	\$ 84,375

5. Related party transactions:

Northern Ontario Council is related to the National Operation and Councils of Scouts Canada including the Provincial Council for Ontario; Boy Scouts of Canada, Scouts Canada - Voyageur and Quebec Councils. At year-end, Northern Ontario Council had the following balances with these related parties:

	2015	2014
Due to related parties:		
Scouts Canada - Voyageur Council	\$ 2,205	\$ 34,368

During the year, Northern Ontario Council had the following related party transactions with these entities:

(a) National Operation:

(i) Salary, administration and other services:

The National Operation provides payroll administration and other services to Northern Ontario Council in the normal course of business. At year-end, Northern Ontario Council had an amount due to the National Operation of \$Nil (2014 - \$Nil) with respect to these services.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

5. Related party transactions (continued):

(a) National Operation (continued):

(ii) Employee future benefits payable:

The National Operation administers the Employees' Pension Plan of Scout Canada which is a defined benefit pension plan that covers some of its employees working at the National Operation and Councils. Scouts Canada also provides its employees with other retirement and post-employment benefits under its employee benefit plans. The National Operation administers both plans and allocates a share of the prepaid pension costs and employee future benefits liability to Councils, with respect to their employees. Councils are required to pay a portion of their net benefit costs incurred each year based on the cash payments required to be made to the plans by the National Operation.

During the year, Northern Ontario Council paid \$3,884 (2014 - \$11,842) for regular payments for employee future benefits to the National Operation.

(iii) Employee future benefits accrued liability:

At year-end, Northern Ontario Council's employee future benefits accrued liability is \$3,253 (2014 - \$4,015). The decrease in the liability of \$762 (2014 - \$8,159) has been recorded as a credit to salaries and benefits expense.

(b) Voyageur Council:

(i) Administrative and other services:

Northern Ontario Council shares certain administrative costs with Voyageur Council. At year-end, Northern Ontario Council has a payable to Voyageur Council of \$2,205 (2014 - \$34,368) for amounts paid on its behalf.

(c) Other Scouts Councils:

Northern Ontario Council shares certain administrative costs with other Scouts Councils including Quebec and Voyageur Councils. At year-end, Northern Ontario Council has a receivable from these Councils for \$106 (2014 - \$Nil) for amounts the Councils paid on Northern Ontario Council's behalf.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

5. Related party transactions (continued):

(d) Provincial Council for Ontario; Boy Scouts of Canada:

The Provincial Council for Ontario; Boy Scouts of Canada (the "Ontario Incorporated Body") holds funds in trust for Ontario Councils, in accordance with the policies of Scouts Canada. These funds were generated from the sale of Scout properties in Northern Ontario Council and are available for use by Northern Ontario Council upon approval of the Ontario Incorporated Body. The Ontario Incorporated Body holds funds in trust for Northern Ontario Council which are not recorded in these financial statements. Funds held in trust at August 31, 2015 have a cost of \$76,608 (2014 - \$128,818) and a fair market value of \$136,893 (2014 - \$236,554).

In 2015, the Northern Ontario Council requested and received \$60,634 (2014 - \$55,000) from the Ontario Incorporated Body for operating expenses, general repairs and maintenance of camp facilities, of which \$4,793 was unspent at year end and has been deferred.

6. Restricted fund balances:

Restricted fund balances include various restricted funds for which the funding is internally and externally restricted to that activity or purpose. As these amounts are expensed, they will be recorded as of the restricted funds. The balances are as follows:

	2015	2014
Inactive Group Funds	\$ 1,635	\$ 1,664
Replacement reserve	-	19,533
Northern Communities Trust	3,972	3,972
	<u>\$ 5,607</u>	<u>\$ 25,169</u>

7. Fund balances:

Northern Ontario Council considers its capital to consist of its fund balances.

Northern Ontario Council's overall objective for its capital is to fund future projects and ongoing operations. Northern Ontario Council manages its capital by maintaining and monitoring restricted funds for specific purposes, future projects, and other capital requirements. The restricted funds are disclosed in note 6.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

7. Fund balances (continued):

Northern Ontario Council is not subject to externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

8. Financial risks and concentration of credit risks:

(a) Currency risk:

Northern Ontario Council is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, Northern Ontario Council does not transact in foreign currencies.

(b) Liquidity risk:

Liquidity risk is the risk that Northern Ontario Council will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Northern Ontario Council manages its liquidity risk by monitoring its operating requirements. Northern Ontario Council prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Northern Ontario Council is exposed to credit risk with respect to the accounts receivable. Northern Ontario Council assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(d) Interest rate risk:

Northern Ontario Council is not exposed to interest rate risk as no fixed interest rate financial instruments are held.

There has been no changes to the risk exposure from 2014.

9. Comparative information:

Certain 2014 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

SCOUTS CANADA - NORTHERN ONTARIO COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

10. Subsequent events:

Effective September 1, 2015, Scouts Canada transferred certain operational responsibilities to the National Operations from the Council. Scouts Canada is taking a centralized approach to support the organizational strategic plan. The impact of this restructuring will be reflected in the 2016 financial statements.

Membership revenue, subsidy programs and the major fundraiser – popcorn will be centrally managed and funds will go directly to the National operation. Northern Ontario Council's financial operations will be focused on events, short-term programs and running properties in its area.