

Financial Statements of

**SCOUTS CANADA -
QUÉBEC COUNCIL**

Year ended August 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Members of Scouts Canada - Québec Council

We have audited the accompanying financial statements of Scouts Canada - Québec Council, which comprise the statement of financial position as at August 31, 2015, the statements of operations, changes in fund balances (deficiency) 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 - Québec 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 - Québec Council. Therefore, we were not able to determine whether, as at and for the year ended August 31, 2015, any adjustments might be necessary to revenue and excess (deficiency) of revenue over expenses reported in the statement of operations, excess (deficiency) of revenue over expenses reported in the statements of cash flows and changes in fund balances (deficiency), and current assets and fund balances (deficiency) 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 - Québec Council as at August 31, 2015 and its results of operations, changes in fund balances (deficiency) and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matter

The financial statements of the Scouts Canada - Québec Council as at and for the year ended August 31, 2014 were audited by another auditor who expressed a qualified opinion on those statements on April 1, 2015.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

November 24, 2015

Ottawa, Canada

SCOUTS CANADA - QUÉBEC COUNCIL

Statement of Financial Position

August 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 83,153	\$ –
Amounts receivable (note 2)	53,919	65,116
Due from related parties (note 8)	–	4,953
Inventory	9,245	39,285
Prepaid expenses	–	27,548
	<u>146,317</u>	<u>136,902</u>
Restricted cash (note 3)	97,709	–
Tangible capital assets (note 4)	44,417	92,249
	<u>\$ 288,443</u>	<u>\$ 229,151</u>

Liabilities and Fund Balances (Deficiency)

Current liabilities:		
Bank overdraft	\$ –	\$ 25,055
Accounts payable and accrued liabilities (note 5)	87,488	143,810
Deferred revenue (note 6)	98,154	48,844
Due to related parties (note 8)	9,427	68,539
	<u>195,059</u>	<u>286,248</u>
Deferred capital contributions (note 7)	22,000	26,000
Employee future benefits accrued liability (note 8)	9,324	11,509
Fund balances (deficiency) (note 9):		
Internally restricted:		
Associates of Scouting	38,229	38,229
Special Projects	50,000	50,000
Invested in tangible capital assets	22,417	66,249
Unrestricted	<u>(48,586)</u>	<u>(249,084)</u>
	62,060	(94,606)

Subsequent events (note 9)

	<u>\$ 288,443</u>	<u>\$ 229,151</u>
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See accompanying notes to financial statements.

On behalf of the Council Management Committee:

_____ Member

_____ Member

SCOUTS CANADA - QUÉBEC COUNCIL

Statement of Operations

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

	Unrestricted	Associates of Scouting	Special Projects	2015 Total	2014 Total
Revenue:					
Membership fees	\$ 306,029	\$ -	\$ -	\$ 306,029	\$ 358,715
Less: National and insurance fees	107,885	-	-	107,885	139,027
Net membership fees	198,144	-	-	198,144	219,688
Camp fees:					
Jackson Dodds	16,637	-	-	16,637	110,202
Tamaracouta	476,268	-	-	476,268	425,607
Donations	80,341	-	-	80,341	18,905
Events	31,740	-	-	31,740	1,851
Fundraising	65,220	-	-	65,220	88,354
Grants	61,033	-	-	61,033	140,930
Other	575	-	-	575	13,689
Training and programs	2,535	-	-	2,535	24,552
Amortization of deferred capital contributions	4,000	-	-	4,000	4,000
	936,493	-	-	936,493	1,047,778
Expenses:					
Assistance programs	28,113	-	-	28,113	9,670
Building and office	113,913	-	-	113,913	116,017
Camps: Jackson Dodds	102,036	-	-	102,036	146,317
Tamaracouta	521,883	-	-	521,883	478,287
Communications	4,874	-	-	4,874	828
Events	28,897	-	-	28,897	-
Fundraising	60,095	-	-	60,095	68,386
Other	13,832	-	-	13,832	14,359
Salaries and employee benefits	208,952	-	-	208,952	247,809
Training and programs	7,520	-	-	7,520	23,733
Amortization of tangible capital assets	19,989	-	-	19,989	19,989
Loss on disposal of tangible capital assets	27,843	-	-	27,843	-
	1,137,947	-	-	1,137,947	1,125,395
Deficiency of revenue over expenses before the undernoted					
	(201,454)	-	-	(201,454)	(77,617)
Transfer from Québec Provincial Council Inc.					
	358,120	-	-	358,120	-
Excess (deficiency) of revenue over expenses					
	\$ 156,666	\$ -	\$ -	\$ 156,666	\$ (77,617)

See accompanying notes to financial statements.

SCOUTS CANADA - QUÉBEC COUNCIL

Statement of Changes in Fund Balances (Deficiency)

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

	Unrestricted	Associates of Scouting	Special Projects	Invested in tangible capital assets	2015 Total	2014 Total
Fund balances (deficiency), beginning of year	\$ (249,084)	\$ 38,229	\$ 50,000	\$ 66,249	\$ (94,606)	\$ (16,989)
Excess (deficiency) of revenue over expenses	156,666	–	–	–	156,666	(77,617)
Amortization of tangible capital assets	19,989	–	–	(19,989)	–	–
Amortization of deferred capital contributions	(4,000)	–	–	4,000	–	–
Loss on disposal of tangible capital assets	27,843	–	–	(27,843)	–	–
Fund balances (deficiency), end of year	\$ (48,586)	\$ 38,229	\$ 50,000	\$ 22,417	\$ 62,060	\$ (94,606)

See accompanying notes to financial statements.

SCOUTS CANADA - QUÉBEC COUNCIL

Statement of Cash Flows

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

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 156,666	\$ (77,617)
Item not involving cash:		
Amortization of tangible capital assets	19,989	19,989
Amortization of deferred donations related to tangible capital assets	(4,000)	(4,000)
Loss on disposal of tangible capital assets	27,843	–
Change in non-cash operating working capital:		
Decrease (increase) in amounts receivable	11,197	(1,125)
Decrease (increase) in due from related parties	4,953	(2,613)
Decrease (increase) in inventory	30,038	(8,924)
Decrease in prepaid expenses	27,548	25,849
Increase (decrease) in accounts payable and accrued liabilities	(56,330)	26,205
Increase in deferred contributions	49,310	135
Decrease in employee future benefits accrued liability	(2,185)	(22,565)
	<u>265,029</u>	<u>(44,666)</u>
Financing:		
Increase (decrease) in bank overdraft	(25,055)	25,055
Increase (decrease) in due to related parties	(59,112)	8,164
	<u>(84,167)</u>	<u>33,219</u>
Increase (decrease) in cash	180,862	(11,447)
Cash, beginning of year	–	11,447
Cash, end of year	<u>\$ 180,862</u>	<u>\$ –</u>
Consisting of:		
Cash on deposit	\$ 83,153	\$ –
Restricted cash	97,709	–
Cash, end of year	<u>\$ 180,862</u>	<u>\$ –</u>

See accompanying notes to financial statements.

SCOUTS CANADA - QUÉBEC 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 - Québec Council ("Québec Council") is a Council of Scouts Canada constituted under the authority of the Act. The mandate of the Québec Council includes the raising and controlling of funds required for its own use. Québec Council is entitled to arrange for its property to be held by a corporation which it owns or completely controls. Québec Council is a registered charity under the Income Tax Act (Canada).

The properties owned by Boy Scouts of Canada, Québec Provincial Council, Inc. (the "Corporation") are used by the Québec Council on a rent-free basis. In lieu of rent, the Québec Council is responsible for all real estate taxes, insurance premiums and the normal repair and maintenance fees associated with the properties.

The Corporation makes periodic grants to the Québec Council to finance scouting activities in the province of Québec.

1. Significant accounting policies:

The financial statements have been prepared by management 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 Québec Council.

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

(b) Fund accounting:

Assets, liabilities, revenues and expenses relating to service delivery and administrative activities are reported in the unrestricted fund.

Assets, liabilities, revenues and expenses relating to activities that members cannot afford to pay for such as membership, campership and uniforms are included in the associates of scouting fund.

Assets, liabilities, revenues and expenses relating to special projects are reported in the special projects fund.

Assets, liabilities, revenues and expenses relating to tangible capital assets are reported in the invested in tangible capital asset fund.

SCOUTS CANADA - QUÉBEC COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

1. Significant accounting policies (continued):

(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. Québec Council has elected to carry all such financial instruments at fair value.

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, Québec 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 Québec 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) Inventory:

Inventory is composed entirely of finished goods and is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method.

(e) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. When a tangible capital asset no longer contributes to Québec Council's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Motor vehicles	15%
Equipment	10%
Leasehold improvements	10%

SCOUTS CANADA - QUÉBEC COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

1. Significant accounting policies (continued):

(f) Revenue recognition:

Québec Council follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and 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 is reasonably assured.

Camp, training and program revenues are recognized as revenue of the unrestricted fund when persuasive evidence of an arrangement exists, the activities take place, when the revenue is fixed or determinable and when recovery is reasonably assured.

Membership fees are recognized as revenue in the unrestricted fund over the term that the services are rendered on the condition that there is an agreement between the parties that the fees are fixed or determinable and collection is reasonably assured.

(g) Contributed supplies and services:

Québec Council may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

(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
Camp fees	\$ 50,960	\$ 40,007
MELS grant receivable	2,959	1,930
Centraide grant receivable	—	5,159
Membership fees	—	520
Sales taxes	—	17,500
	<hr/> \$ 53,919	<hr/> \$ 65,116

SCOUTS CANADA - QUÉBEC COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

3. Restricted cash:

During the year, Québec Council received a bequest in the amount of \$120,000 to be used for the upkeep of Camp Tamaracouta. The amount unspent at year end represents the remaining balance of \$97,709 and has therefore been appropriated from cash on deposit for this purpose.

4. Tangible capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Equipment	\$ 852	\$ 596	\$ 256	\$ 33,311
Motor vehicles	26,816	20,782	6,034	10,056
Leasehold improvements	107,547	69,420	38,127	48,882
	<u>\$ 135,215</u>	<u>\$ 90,798</u>	<u>\$ 44,417</u>	<u>\$ 92,249</u>

Cost and accumulated amortization at August 31, 2014 amounted to \$186,485 and \$94,236, respectively. During the year, Québec Council wrote off equipment with a cost of \$51,270 and amortization of \$23,427, resulting in a loss on disposal of \$27,843.

5. Accounts payable and accrued liabilities:

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

6. Deferred revenue:

	2015	2014
Camp Tamaracouta upkeep (R. Matthews bequest)	\$ 97,709	\$ –
Other	445	787
Membership fees	–	4,057
	<u>\$ 98,154</u>	<u>\$ 48,844</u>

SCOUTS CANADA - QUÉBEC COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

7. Deferred capital contributions:

	2015	2014
Balance, beginning of year	\$ 26,000	\$ 30,000
Less: amortization	(4,000)	(4,000)
Balance, end of year	\$ 22,000	\$ 26,000

8. Related parties:

Québec Council is related to the National Operation and Councils of Scouts Canada including Scouts Canada – Northern Ontario and Voyageur Councils (the “Councils”). Québec Council shares certain administrative costs with the Councils. At year end, Québec Council had the following payables to these related parties:

	2015	2014
Due to Voyageur Council	\$ 9,321	\$ 68,539
Due to Northern Ontario Council	106	–
Balance, end of year	\$ 9,427	\$ 68,539

(a) National Operation:

(i) Employee future benefits

The National Operation administers the Employees' Pension Plan of Scouts Canada which is a defined benefit pension plan that covers some employees working at the National Operation and the Councils. The National Operation also provides its employees with other retirement and post-employment benefits under its employee benefit plan. The National Operation administers both plans and allocates a share of the prepaid pension costs and employee benefits liability to the Councils, with respect to their employees. The 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, Québec Council paid \$11,806 (2014 - \$17,997) for regular payments for employee future benefits to the National Operation.

(ii) Employee future benefits accrued liability:

At year end, Québec Council's employee future benefits accrued liability is \$9,324 (2014 - \$11,509). This decrease in liability of \$6,191 has been recorded as a credit to salaries and employee benefits expense.

SCOUTS CANADA - QUÉBEC COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

8. Related parties (continued):

(b) Québec Provincial Council, Inc. (the "Corporation"):

Québec Council controls the Corporation. The Corporation was incorporated by letters patent issued by the Province of Québec on September 15, 1964 under Part III of the Companies Act as a not-for-profit corporation without share capital. The Corporation is a registered charity under the Income Tax Act (Canada). Québec Council elects the Corporation's Board members.

The Corporation provides financial support to Québec Council for the scouting activities it carries out in the province of Québec. This support takes the form of special project grants.

The Corporation has not been consolidated in Québec Council's financial statements. Financial statements of the Corporation are available upon request. Non-consolidated financial summaries of this entity as at August 31, 2015 and 2014 and for the years then ended are as follows:

Financial position:

	2015	2014
Total assets	\$ 2,443,055	\$ 2,933,848
Total liabilities	\$ 120,669	\$ 156,802
Net assets (deficiency):		
Invested in tangible capital assets	2,311,989	2,393,585
Internally restricted	–	892,221
Unrestricted	10,397	(508,760)
Total liabilities and net assets	\$ 2,443,055	\$ 2,933,848

Operations:

	2015	2014
Total revenue	\$ 117,162	\$ 80,055
Total expenses	571,822	221,132
Deficiency of revenue over expenses	\$ (454,660)	\$ (141,077)

SCOUTS CANADA - QUÉBEC COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

8. Related parties (continued):

(b) Québec Provincial Council, Inc. (the Corporation - continued):

Cash flows:

	2015	2014
Cash provided by (used in):		
Operating activities	\$ (268,186)	\$ 37,806
Investing activities	266,752	(47,789)
Financing activities	(1,919)	1,414
	<u>\$ (3,353)</u>	<u>\$ (8,569)</u>

9. Fund balances:

Québec Council considers its capital to consist of its fund balances. The objective of the Québec Council with respect to fund balances is to fund the acquisition of tangible capital assets and future projects.

Québec Council is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended August 31, 2014.

10. Subsequent events:

Effective September 1, 2015, Scouts Canada transferred certain operational responsibilities to the National Operations from Québec 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. Québec Council's financial operations will be focused on events, short-term programs and running properties in its area.

SCOUTS CANADA - QUÉBEC COUNCIL

Notes to Financial Statements (continued)

Year ended August 31, 2015

11. Financial risks and concentration of credit risks:

(a) Credit risk:

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

The credit risk regarding cash is considered to be negligible because it is held by a reputable financial institution with an investment grade external credit rating.

(b) Liquidity risk:

Québec Council's liquidity risk represents the risk that Québec Council could encounter difficulty in meeting obligations associated with its financial liabilities. Québec Council is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Québec Council is not exposed to currency risk as it does not hold any foreign currency, nor is it subject to interest rate risk as it does not hold financial investments.

There has been no change to the risk exposures from 2014.