

Financial Statements of

**SCOUTS CANADA NATIONAL  
OPERATION**

Year ended August 31, 2014



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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Scouts Canada National Operation

We have audited the accompanying financial statements of Scouts Canada National Operation, which comprise the statement of financial position as at August 31, 2014, 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 audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scouts Canada National Operation as at August 31, 2014, and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

November 6, 2014

Ottawa, Canada

# SCOUTS CANADA NATIONAL OPERATION

## Statement of Financial Position

August 31, 2014, with comparative information for 2013  
(In thousands of dollars)

	2014	2013
	(Schedule A)	(Schedule B)
<b>Assets</b>		
Current assets:		
Cash	\$ 2,244	\$ 1,908
Amounts receivable (notes 11 and 12)	129	185
Inventories	3,719	4,364
Prepaid expenses	554	192
Membership fees receivable (note 10(a))	-	51
Loan receivable from related party (note 6)	-	185
	6,646	6,885
Investments (note 2)	12,792	11,134
Tangible capital and intangible assets (note 3(a))	1,866	2,458
Prepaid pension costs (note 4(a))	4,738	4,169
Employee future benefits recovery receivable (note 5)	338	984
	\$ 26,380	\$ 25,630

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 1,645	\$ 2,097
Deferred revenue (note 8)	2,895	1,500
Current portion of loans payable to related parties (note 9)	100	100
	4,640	3,697
Deferred capital contributions (note 3(b))	395	593
Loans payable to related parties (note 9)	205	305
Accrued employee future benefits (note 4(a))	5,593	5,756
Fund balances:		
Operating Fund	4,244	3,765
Restricted Funds (Schedule D)	6,252	6,106
Investment in tangible capital and intangible assets	1,471	1,865
World Scout Foundation	3,580	3,543
	15,547	15,279
Contingent liabilities (note 13)		
Commitments (14)		
	\$ 26,380	\$ 25,630

See accompanying notes to financial statements.

On behalf of Scouts Canada National Operation:

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Vice-Chair Finance – Board of Governors

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Chair – Board of Governors

# SCOUTS CANADA NATIONAL OPERATION

## Statement of Operations

Year ended August 31, 2014, with comparative information for 2013  
(In thousands of dollars)

	Operating Fund	Restricted Funds (Schedule D)	Total 2014	Total 2013 (Schedule C)
<b>Revenue:</b>				
Membership fees (note 10(a))	\$ 4,476	\$ -	\$ 4,476	\$ 4,578
Retail	3,995	-	3,995	4,518
Fundraising	1,956	28	1,984	1,917
Other	1,385	345	1,730	1,083
Canadian Jamboree (note 17)	-	-	-	3,667
	11,812	373	12,185	15,763
<b>Expenses:</b>				
Salaries and benefits (note 11)	12,992	-	12,992	12,794
Recovery of salaries and benefits (note 11)	(8,681)	-	(8,681)	(8,594)
Retail	2,966	-	2,966	3,274
Program services	617	-	617	379
Grants	457	-	457	406
Technology services	312	-	312	393
Financial services	860	-	860	514
Marketing and communications	796	-	796	1,001
Fundraising	163	-	163	265
Administration	638	-	638	563
Compliance and governance	463	550	1,013	1,407
Human resources & volunteer services	551	-	551	343
Canadian Jamboree - direct expenses	33	-	33	3,217
Restricted funds - other (Schedule D)	-	333	333	185
	12,167	883	13,050	16,147
<b>Deficiency of revenue over expenses before the undernoted</b>				
	(355)	(510)	(865)	(384)
Unrealized gains on investments	640	456	1,096	216
World Scout Foundation donations	-	37	37	279
<b>Excess (deficiency) of revenue over expenses</b>				
	\$ 285	\$ (17)	\$ 268	\$ 111

See accompanying notes to financial statements.

# SCOUTS CANADA NATIONAL OPERATION

## Statement of Changes in Fund Balances

Year ended August 31, 2014, with comparative information for 2013  
(In thousands of dollars)

	Operating Fund	Restricted Funds (Schedule D)	Investment in tangible capital and intangible assets	World Scout Foundation	Total 2014	Total 2013
Fund balances, beginning of year	\$ 3,765	\$ 6,106	\$ 1,865	\$ 3,543	\$ 15,279	\$ 15,168
Excess (deficiency) of revenue over expenses	285	(54)	-	37	268	111
Change in investment in tangible capital and intangible assets:						
Amortization and write-off of tangible capital and intangible assets	639	-	(639)	-	-	-
Tangible capital and intangible capital assets additions	(47)	-	47	-	-	-
Amortization of deferred capital contributions	(198)	-	198	-	-	-
Transfer from operating fund	(200)	200	-	-	-	-
Fund balances, end of year	\$ 4,244	\$ 6,252	\$ 1,471	\$ 3,580	\$ 15,547	\$ 15,279

See accompanying notes to financial statements.

# SCOUTS CANADA NATIONAL OPERATION

## Statement of Cash Flows

Year ended August 31, 2014, with comparative information for 2013  
(In thousands of dollars)

	2014	2013
<b>Cash flows from operating activities:</b>		
Excess of revenue over expenses	\$ 268	\$ 111
Items not involving cash:		
Amortization and write off of tangible capital and intangible assets	639	446
Change in pension and employee future benefit balances	(86)	(176)
Change in unrealized gains on investments	(1,096)	(216)
Amortization of deferred capital contributions (note 3(b))	(198)	-
Changes in non-cash working capital:		
Amounts receivable	56	125
Inventories	645	451
Prepaid expenses	(362)	391
Membership fees receivable	51	209
Accounts payable and accrued liabilities	(452)	(266)
Deferred revenue	1,395	953
	<u>860</u>	<u>2,028</u>
<b>Cash flows from investing activities:</b>		
Purchase of tangible capital and intangible assets	(47)	(647)
Principal payments received on loan receivable from related parties	185	10
Purchase of investments	(562)	(234)
	<u>(424)</u>	<u>(871)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on loans payable to related parties	(100)	(100)
Increase in deferred capital contributions	-	593
	<u>(100)</u>	<u>493</u>
<b>Net increase in cash</b>	<b>336</b>	<b>1,650</b>
Cash, beginning of year	1,908	258
<b>Cash, end of year</b>	<b>\$ 2,244</b>	<b>\$ 1,908</b>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 13	\$ 16

See accompanying notes to financial statements.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements

Year ended August 31, 2014  
(In thousands of dollars)

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Scouts Canada is a national organization operating programs aimed at contributing to the development of young people in achieving their full physical, intellectual, social and spiritual potential as individuals, as responsible citizens and as members of their local, national and international communities through the application of Scouts Principles and Practices.

Scouts Canada was incorporated on June 12, 1914, by an Act of the Canadian Parliament and is a registered charity under the Income Tax Act (Canada), and as such is not subject to income taxes. Scouts Canada National Operation (the "National Operation") is responsible for the national activities of Scouts Canada and provides services to the Provincial and Regional Councils (the "Councils") of Scouts Canada.

## 1. Significant accounting policies:

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

### (a) Basis of presentation:

These financial statements reflect the operations of the National Operation only and do not include the revenue, expenses, assets and liabilities of the Councils and Fondation Scouts Canada Foundation.

### (b) Fund accounting:

The National Operation follows the restricted fund method of accounting for contributions for not-for-profit organizations.

The Operating Fund accounts for the National Operation's program delivery, retail sales and administrative activities. Restricted funds report the revenue, expenses and fund balances of the activities of the National Operation for which the funding is internally or externally restricted to that activity.

The World Scout Foundation Fund reports donations received for the benefit of the World Scout Bureau. The investment revenue earned on the World Scout Foundation Fund is forwarded annually to the World Scout Bureau.

### (c) Inventories:

Inventories are valued at the lower of weighted average cost and net realizable value.



# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

## 1. Significant accounting policies (continued):

### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The National Operation has elected to carry its investments 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 straight-line 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, the National Operation 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 the National Operation 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 impairment change.

### (e) Tangible capital and intangible assets:

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

Tangible capital and intangible capital assets are amortized over their estimated useful lives using the straight-line basis at the following annual rates:

Asset	Term
Tangible capital:	
Building	20 years
Betterment	20 years
Office furniture and equipment	5 years
Computer hardware	3 years
Scout Shop equipment and renovations	3 years
Intangible assets:	
Computer software	3 years
Membership system	3 years
Donated software	3 years

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

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## 1. Significant accounting policies (continued):

### (e) Tangible capital and intangible assets (continued):

Tangible capital and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

### (f) Employee benefit plans:

The cost of pensions and other post-retirement benefits earned by the employees covered by defined benefit plans is actuarially determined using the projected benefit cost method prorated on employees' length of service and management's best estimate of expected plan performance, salary escalation, retirement ages of plan members and expected health care costs.

Adjustments arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of the active employees.

Pension plan assets are measured at fair value, determined at quoted market prices.

### (g) Revenue recognition:

Restricted contributions relating to general operations are recognized as revenue of the Operating 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 or receivable.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on restricted funds is recognized in the applicable restricted fund. Other investment income is recognized in the Operating Fund when earned.

Membership, insurance and other Council related fees are recognized as revenue in the fiscal year to which they relate. Amounts received but not recognized as revenue are recorded as deferred revenue.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

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## 1. Significant accounting policies (continued):

### (h) Expenses:

In the statement of operations, the National Operation presents its expenses by function, except for salaries and benefits, recovery of salaries and benefits, marketing and communications, and fundraising expense, which are presented on an object basis. Expenses are recognized in the year incurred and are recorded in the applicable function to which they are directly related. The National Operation does not allocate expenses between functions after initial recognition.

### (i) Donated materials and services:

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

### (j) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at year end. Revenue and expenses are translated at the rate of exchange prevailing at the time of the transactions. Exchange gains and losses resulting from the translation of these amounts are recorded in the statement of operations.

### (k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount 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 reporting period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known. Significant estimates include management's accrual of contingent liabilities and assumptions used to actuarially determine the prepaid pension costs and accrued employee future benefits liability.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

## 2. Investments:

(a) The National Operation holds investments for the following purposes:

	2014		2013	
	Cost	Fair value	Cost	Fair value
<b>Operating:</b>				
Employee future benefits	\$ 1,063	\$ 1,180	\$ 986	\$ 1,004
Other operating	1,146	1,272	—	—
<b>Total Operating</b>	<b>2,209</b>	<b>2,452</b>	<b>986</b>	<b>1,004</b>
<b>Restricted:</b>				
Insurance Fund	4,465	4,959	5,211	5,290
Brotherhood Fund	563	630	563	573
International Participation Fund	367	408	350	358
World Scout Foundation	3,650	4,343	3,582	3,909
<b>Total Restricted</b>	<b>9,045</b>	<b>10,340</b>	<b>9,706</b>	<b>10,130</b>
	<b>\$ 11,254</b>	<b>\$ 12,792</b>	<b>\$ 10,692</b>	<b>\$ 11,134</b>

Investments consist of:

	2014		2013	
	Cost	Fair value	Cost	Fair value
Fixed income securities	\$ 2,697	\$ 2,966	\$ 4,068	\$ 4,056
Equities	8,362	9,611	4,593	5,047
Cash	195	215	2,031	2,031
	<b>\$ 11,254</b>	<b>\$ 12,792</b>	<b>\$ 10,692</b>	<b>\$ 11,134</b>

The National Operation's fixed income securities have interest rates of 2.0% to 3.75% (2013 - 1.3% to 7.0%) and maturity dates ranging from June 2015 to June 2016.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

## 2. Investments (continued):

(b) Cumulative unrealized gains on investments:

	2014	2013
Balance, beginning of year	\$ 442	\$ 226
Unrealized gains on investments in the year	1,096	216
Balance, end of year	\$ 1,538	\$ 442

## 3. Tangible capital and intangible assets:

(a) Cost and accumulated amortization:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
<b>Tangible capital:</b>				
Land	\$ 15	\$ -	\$ 15	\$ 15
Building	1,485	1,307	178	207
Betterment	3,135	2,019	1,116	1,223
Office furniture and equipment	405	391	14	18
Computer hardware	138	126	12	20
Scout Shop equipment and renovations	51	45	6	9
<b>Intangible assets:</b>				
Computer software	561	558	3	14
Membership system	696	569	127	359
Donated software	593	198	395	593
	\$ 7,079	\$ 5,213	\$ 1,866	\$ 2,458

Cost and accumulated amortization as at August 31, 2013 were \$7,076 and \$4,618 respectively.

During the year, \$44 (2013 - \$28) of computer hardware and \$44 (2013 - \$28) of related accumulated amortization were written off.

(b) Deferred capital contributions:

During the prior year, the National Operation received software licenses free of charge from a vendor. This donation was recorded as a deferred capital contribution and is being amortized over three years.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

## 4. Employee future benefits:

Scouts Canada administers the Employees' Pension Plan of Scouts Canada, which consists of a defined benefit pension plan and a defined contribution plan that cover most of its employees working at the National Operation and the Councils. Scouts Canada also provides its employees with other retirement and post-employment benefits under its employee benefit plans.

For the defined benefit pension and employee benefit plans, Scouts Canada has adopted an annual measurement date of June 30 for estimating the accounting surplus or deficit, and establishing benefit costs for the coming fiscal year, both of which are dependent on the measurement factors at that time.

As of January 1, 2013, the defined benefit plan was frozen. Employees no longer accrue credited service under the defined benefit component of the Plan. However, employee earnings will be projected in the future for the purpose of calculating the accrued pension benefit obligation. Employees who were members of the defined benefit plan now contribute to the defined contribution plan, disclosed in note 4(f).

### (a) Plan assets and obligations:

The following table presents the changes in plan assets and benefit obligations and the composition of prepaid pension costs and accrued future employee benefits liability in the financial statements.

#### (i) Prepaid pension costs (accrued benefit liability):

	2014		2013	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value	\$ 31,182	\$ -	\$ 27,097	\$ -
Accrued benefit obligation	(32,496)	(4,506)	(30,892)	(4,214)
	(1,314)	(4,506)	(3,795)	(4,214)
Employer contributions from measurement date to fiscal year end	208	-	173	-
Unamortized net actuarial loss (gain)	5,844	(513)	7,725	(825)
Unamortized past service costs	-	(574)	66	(717)
Prepaid pension costs (accrued benefit liability)	\$ 4,738	\$ (5,593)	\$ 4,169	\$ (5,756)

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014

(In thousands of dollars)

## 4. Employee future benefits (continued):

### (a) Plan assets and obligations (continued):

#### (ii) Accrued benefit obligation:

	2014		2013	
	Pension	Other post-employment	Pension	Other post-employment
Accrued benefit obligation, beginning	\$ (30,892)	\$ (4,214)	\$ (28,973)	\$ (4,130)
Current service cost	–	(62)	(214)	(59)
Interest cost	(1,354)	(192)	(1,348)	(194)
Employee contributions	–	–	(143)	–
Benefits paid	1,622	223	1,573	212
Actuarial gain (loss)	(1,872)	(261)	(1,787)	(43)
Accrued benefit obligation, ending	\$ (32,496)	\$ (4,506)	\$ (30,892)	\$ (4,214)

#### (iii) Plan assets:

	2014		2013	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value, beginning	\$ 27,097	\$ –	\$ 24,067	\$ –
Actual return on plan assets	4,490	–	3,087	–
Employer contributions	1,217	223	1,372	212
Employee contributions	–	–	143	–
Benefits paid	(1,622)	(223)	(1,572)	(212)
Plan assets at fair value, ending	\$ 31,182	\$ –	\$ 27,097	\$ –

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014

(In thousands of dollars)

## 4. Employee future benefits (continued):

### (b) Net benefit cost:

The components of the net benefit cost included in salaries and benefits expense are:

	2014		2013	
	Pension	Other post-employment	Pension	Other post-employment
Current service cost	\$ -	\$ 62	\$ 214	\$ 59
Provision for plan expenses	-	-	-	-
Interest cost	1,354	192	1,348	194
Expected return on plan assets	(1,399)	-	(1,250)	-
Amortization of actuarial losses	662	(51)	697	(65)
Amortization of past service costs	66	(143)	95	(143)
<b>Net benefit cost</b>	<b>\$ 683</b>	<b>\$ 60</b>	<b>\$ 1,104</b>	<b>\$ 45</b>

### (c) Assumptions:

The significant weighted-average assumptions used in the actuarial valuation of the plan are:

	2014		2013	
	Pension	Other post-employment	Pension	Other post-employment
Rate of compensation increases	3.25%	-	3.25%	-
Discount rate	4.25%	4.20%	4.50%	4.60%
Expected return on plan assets	5.20%	-	5.20%	-
Initial health care trend rate	-	4.70%	-	4.80%
Ultimate health care trend rate	-	3.40%	-	3.40%

The ultimate health care trend rate is estimated to be reached in 2030. The actual return on plan assets in fiscal 2014 was 16.7% (2013 - 12.8%).

### (d) Health care sensitivity analysis:

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-employment benefits. A 1% change in assumed health care trend rates would have the following effect for 2014.

	Increase	Decrease
Net benefit cost	\$ 10	\$ 9
Accrued benefit obligation	244	212



# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

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## 4. Employee future benefits (continued):

### (e) Defined benefit plan:

The latest actuarial valuation of the pension plan for funding purposes was performed as at January 1, 2014. The next actuarial valuation is required to be completed as at January 1, 2017, in accordance with the requirements of the Pension Benefits Act (Ontario).

As part of the regulations governing provincially regulated pension plans in Ontario, pension plans must meet certain solvency requirements, which assume the plans, are wound up/liquidated as of the valuation date. The actuarial valuation for funding purposes performed as at January 1, 2014 reported a solvency deficiency of \$Nil (2013 - \$151) and a going concern deficit of \$3,071 (2013 - \$4,576), based on economic assumptions applicable at January 1, 2014. Scouts Canada is required to make additional contributions of \$411 (2013 - \$1,125) per annum in future calendar years to eliminate the going concern unfunded liability under the Pension Benefits Act (Ontario). In fiscal 2014, Scouts Canada made additional contributions of \$649 (2013 - \$1,036).

### (f) Defined contribution plan:

Effective January 1, 2010, Scouts Canada created a defined contribution plan available to all employees of Scouts Canada who meet the eligibility requirements specified in the Plan Agreement. In the year, Scouts Canada made employer contributions to the defined contribution plan of \$435 (2013 - \$361), which is included in salaries and benefits expense and recovery of salaries and benefits, as disclosed in note 11.

## 5. Employee future benefits recovery receivable:

The employee future benefits recovery receivable represents the amount of the prepaid pension costs and accrued employee future benefits liability, disclosed in note 4(a), that is receivable from the Councils with respect to their employees. The Councils pay the National Operation for their portion of the employer contributions made to the pension and employee benefit plans.

## 6. Loan receivable from related party:

The loan to White Pine Council, which was non-interest bearing and repayable on demand, was repaid in 2014.

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$Nil (2013 - \$Nil), which includes amounts payable for HST and payroll related taxes.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

## 8. Deferred revenue:

Deferred revenue represents amounts received or receivable by the Operating Fund for which goods or services will be provided in future years.

	Opening balance	Amounts received	Revenue recognized	Closing balance
Membership	\$ 1,154	\$ 2,427	\$ 1,881	\$ 1,700
Other programs	277	79	327	29
Scout Shops	69	11	14	66
World Jamboree	–	1,100	–	1,100
	\$ 1,500	\$ 3,617	\$ 2,222	\$ 2,895

Membership consists of fees collected in advance of the Scouting year, which runs from September 1 to August 31.

Other programs consist of restricted grants and donations received for various Scout programs in future years.

Scout Shops are all gift certificates and funds left on deposit at Scout Shops for future purchases.

World Jamboree consists of participant and service team registration fees that have been collected in advance of the World Jamboree event taking place in fiscal 2015.

## 9. Loans payable to related parties:

	2014	2013
Loans payable to related parties:		
Incorporated Body for Scouts Canada in Ontario	\$ 230	\$ 305
British Columbia Councils	75	100
	305	405
Current portion	100	100
Long-term portion	\$ 205	\$ 305

The loan from the Incorporated Body for Scouts Canada in Ontario is repayable in annual installments of \$75 principal plus interest accrued at the chartered bank prime rate less 1% at the date of the original loan.

The loans from the British Columbia Councils are repayable in annual installments of \$25 plus interest accrued at the chartered bank prime rate less 1% at the date of the original loan.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

## 10. Related party transactions:

### (a) Membership fees:

Membership fees are collected from individual members of Scouts Canada primarily at the local Group level. National and Council fees collected by the local Groups are allocated to the National Operation and the Councils based on the membership fee schedules for the year.

The membership fee receivable balance of \$Nil (2013 - \$51) consists of amounts receivable for national membership fees from Councils at year end.

### (b) Council revenue sharing:

Effective September 1, 2003, the National Operation assumed ownership from the Councils of all the Scout Shops across Canada.

As part of the transfer of ownership of the Scout Shops, the National Operation committed to paying the Councils 2% of the annual gross sales of the Scout Shops in their region. In 2014, \$72 (2013 - \$79) was paid to the Councils.

### (c) Other:

Other related party transactions and balances are disclosed in notes 5, 6, 9, 11 and 12 to the financial statements.

## 11. Salaries and benefits:

The National Operation administers the payroll for all employees of Scouts Canada, including those working at the Councils. The National Operation recovers the cost of these salary and benefits from the Councils.

	2014	2013
All employees:		
Salaries and benefits	\$ 10,998	\$ 11,096
Employee future benefits	1,994	1,698
	<u>12,992</u>	<u>12,794</u>
Less amounts recovered:		
Salaries and benefits	7,396	7,447
Employee future benefits	1,285	1,147
	<u>8,681</u>	<u>8,594</u>
National Operation	\$ 4,311	\$ 4,200

At year-end, the National Operation has amounts receivable from the Councils totaling \$98 (2013 - \$151) relating to salaries and benefits.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

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## 12. Fondation Scouts Canada Foundation:

The National Operation has an economic interest in Fondation Scouts Canada Foundation. The Foundation was established to financially support Scouts Canada by promoting and soliciting gifts, grants and matching funds from individuals, corporations and foundations.

The National Operation received donations of \$75 (2013 - \$30) from the Foundation for the Learning Management System Program.

## 13. Contingent liabilities:

### (a) Legal claims:

The National Operation has been named as a defendant in a number of legal claims, which have arisen in the normal course of its operations and delivery of its programs. Legal claims are categorized as liability, breach of contract, sexual molestation, wrongful dismissal and human rights complaints. In certain of these instances, a specified amount has been claimed by the plaintiffs. In other instances, no amounts have been specified.

The National Operation is covered by insurance policies which provide funding for the cost of most of these claims should damages be awarded. However, since September 2001, Scouts Canada has not been insured for child abuse claims.

For claims covered by insurance, the National Operation has accrued as an expense the amount deductible from insurance payments for those cases where management believes a payment is likely.

For claims not covered by insurance, the National Operation has accrued an amount for those cases where management believes a payment is likely and reasonably estimated. For other cases, amounts will be recorded in the period in which an estimate can reasonably be made.

Due to the difficulty in predicting the outcome of any litigation and the sustainability of insurance coverage, actual losses could differ from management's estimates and therefore could have a material adverse effect on the financial position of the National Operation.

### (b) Other:

Under certain circumstances, the National Operation could be held liable for the obligations of the Councils and Groups.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

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## 14. Commitments:

The National Operation is committed under long-term operating leases for the rental of Scouts Shops. Minimum annual payments are approximately:

2015	\$ 46
2016	46
2017	46
	<hr/>
	\$ 138

## 15. Financial risks:

(a) Credit risk:

The National Operation is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as Scouts Councils, government agencies and public companies. The National Operation believes that it is not exposed to significant credit risk arising from its financial instruments. In 2014, an allowance for doubtful accounts was not considered necessary.

(b) Interest rate risk:

The National Operation is exposed to interest rate risk with respect to its interest-bearing investments, loans receivable from related parties and loans repayable to related parties, as disclosed in notes 2 and 9.

(c) Foreign currency and market risk:

The National Operation believes that it is not exposed to significant foreign currency or market risks arising from its financial instruments.

There has been no change to the risk exposures from 2013.

## 16. Fund balances:

The National Operation considers its capital to consist of the fund balances of the operating and restricted funds and its investment in capital assets.

The National Operation's overall objective for its capital is to fund capital assets, contingent liabilities, future projects and ongoing operations. The National Operation manages its capital by maintaining and monitoring restricted funds for specific purposes, future projects, contingencies and other capital requirements. The restricted funds are disclosed in Schedule D.

# SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2014  
(In thousands of dollars)

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## 16. Fund balances (continued):

In 2009, the Board of Governors approved by motion the objective of accumulating a fund balance of \$4 million in the Operating Fund by 2016.

The National Operation is not subject to externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

## 17. Canadian Jamboree:

In 2013, Scouts Canada National Operation held their 12th Canadian Jamboree at Camp Woods in Sylvan Lake, Alberta. Nearly 6,600 youth and volunteers joined together to celebrate Scouting.

The statement of operations for 2013 shows the gross revenue and direct expenses of the Jamboree. Direct expenses do not include the allocations of personnel and indirect costs including IT support, overhead and administration incurred by the National Operation in organizing the Jamboree, nor in-kind donations of goods and services received for the Jamboree.

In 2014, there were no Jamborees held by Scouts Canada National Operation, therefore no revenues were recognized relating to a Jamboree. Expenses relate to refunds provided subsequent to year end relating to the Jamboree held in 2013.

## 18. Comparative information:

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

# SCOUTS CANADA NATIONAL OPERATION

## Schedule A – Statement of Financial Position

August 31, 2014

(In thousands of dollars)

	Operating Fund	Restricted Funds	Total
<b>Assets</b>			
Current assets:			
Cash	\$ 2,193	\$ 51	\$ 2,244
Amounts receivable	129	-	129
Inventories	3,719	-	3,719
Prepaid expenses	554	-	554
	6,595	51	6,646
Investments	2,452	10,340	12,792
Tangible capital and intangible assets	1,866	-	1,866
Prepaid pension costs	4,738	-	4,738
Employee future benefits recovery receivable	338	-	338
	\$ 15,989	\$ 10,391	\$ 26,380
<b>Liabilities and Fund Balances</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,086	\$ 559	\$ 1,645
Deferred revenue	2,895	-	2,895
Current portion of loans payable to related parties	100	-	100
	4,081	559	4,640
Deferred capital contributions	395	-	395
Loans payable to related parties	205	-	205
Accrued employee future benefits	5,593	-	5,593
Fund balances:			
Operating Fund	4,244	-	4,244
Restricted Funds	-	6,252	6,252
Investment in tangible capital and intangible assets	1,471	-	1,471
World Scout Foundation	-	3,580	3,580
	5,755	9,832	15,547
	\$ 15,989	\$ 10,391	\$ 26,380

# SCOUTS CANADA NATIONAL OPERATION

## Schedule B – Statement of Financial Position

August 31, 2013

(In thousands of dollars)

	Operating Fund	Restricted Funds	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$ 1,857	\$ 51	\$ 1,908
Amounts receivable	185	–	185
Inventories	4,364	–	4,364
Prepaid expenses	192	–	192
Membership fees receivable	51	–	51
Current portion of loans receivable from related parties	185	–	185
	6,834	51	6,885
Investments	1,004	10,130	11,134
Tangible capital and intangible assets	2,458	–	2,458
Prepaid pension costs	4,169	–	4,169
Employee future benefits recovery receivable	984	–	984
Amounts due from operating fund to restricted funds	44	(44)	–
	\$ 15,493	\$ 10,137	\$ 25,630
<b>Liabilities and Fund Balances</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,609	\$ 488	\$ 2,097
Deferred revenue	1,500	–	1,500
Current portion of loans payable to related parties	100	–	100
	3,209	488	3,697
Deferred capital contributions	593	–	593
Loans payable to related parties	305	–	305
Accrued employee future benefits	5,756	–	5,756
<b>Fund balances:</b>			
Operating Fund	3,765	–	3,765
Restricted Funds	–	6,106	6,106
Investment in tangible capital and intangible assets	1,865	–	1,865
World Scout Foundation	–	3,543	3,543
	5,630	9,649	15,279
	\$ 15,493	\$ 10,137	\$ 25,630



# SCOUTS CANADA NATIONAL OPERATION

## Schedule C - Statement of Operations

Year ended August 31, 2013  
(In thousands of dollars)

	Operating Fund	Restricted Funds	Total
<b>Revenue:</b>			
Membership fees	\$ 4,578	\$ -	\$ 4,578
Retail	4,518	-	4,518
Fundraising	1,832	85	1,917
Other	874	209	1,083
Canadian Jamboree	3,667	-	3,667
	15,469	294	15,763
<b>Expenses:</b>			
Salaries and benefits	12,794	-	12,794
Recovery of salaries and benefits	(8,594)	-	(8,594)
Retail expenses	3,274	-	3,274
Program services	379	-	379
Grants	406	-	406
Technology services	393	-	393
Financial services	514	-	514
Marketing and communications	1,001	-	1,001
Fundraising expenses	265	-	265
Administration	563	-	563
Compliance and governance	507	900	1,407
Human resources management	343	-	343
Canadian Jamboree -- direct expenses	3,217	-	3,217
Restricted funds	-	185	185
	15,062	1,085	16,147
<b>Excess (deficiency) of revenue over expenses before the undernoted</b>			
	407	(791)	(384)
Change in cumulative unrealized gains on investments	(62)	278	216
World Scout Foundation donations	-	279	279
<b>Excess (deficiency) of revenue over expenses</b>			
	\$ 345	\$ (234)	\$ 111

# SCOUTS CANADA NATIONAL OPERATION

Schedule D – Restricted Funds

Year ended August 31, 2014, with comparative information for 2013  
(In thousands of dollars)

	Insurance	Brotherhood	World International Participation	Scout Foundation	2014 Restricted Funds	2013 Restricted Funds
<b>Revenue:</b>						
Donations and sponsorships	\$ -	\$ 23	\$ 5	\$ -	\$ 28	\$ 85
Investment	-	46	28	271	345	209
	-	69	33	271	373	294
<b>Expenses:</b>						
Administration	-	3	2	30	35	56
Compliance and governance	550	-	-	-	550	900
Travel and meetings	-	-	25	-	25	29
Programs and grants	-	56	6	-	62	35
Transfer to World Scout Bureau	-	-	-	211	211	65
	550	59	33	241	883	1,085
<b>Excess (deficiency) of revenue over expenses before undermoted</b>	(550)	10	-	30	(510)	(791)
<b>Change in cumulative unrealized gains on investments</b>	-	56	33	367	456	278
<b>Excess (deficiency) of revenue over expenses</b>	(550)	66	33	397	(54)	(513)
Fund balance, beginning of year	4,800	572	371	363	6,106	7,076
Transfer from (to) Operating fund	200	-	-	-	200	(457)
<b>Fund balance, end of year</b>	\$ 4,450	\$ 638	\$ 404	\$ 760	\$ 6,252	\$ 6,106

## Restricted fund descriptions:

The Insurance Fund reports the revenue and expenses related to insurance premiums and settlements and potential legal liabilities to Scouts Canada.

The Brotherhood Fund reports revenue and expenses related to Canadian support of World Scouting projects

The International Participation Fund reports revenue and expenses related to Canadian delegates attending World Scouting conferences, events and meetings.

The World Scout Foundation fund reports the investment income earned on the World Scout Foundation Fund and the amounts paid to the World Scout Foundation from the investment income earned