

Financial Statements of

**SCOUTS CANADA NATIONAL
OPERATION**

Year ended August 31, 2015



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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, 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 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, 2015, 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

Chartered Professional Accountants, Licensed Public Accountants

November 13, 2015

Ottawa, Canada

SCOUTS CANADA NATIONAL OPERATION

Statement of Financial Position

August 31, 2015, with comparative information for 2014
(In thousands of dollars)

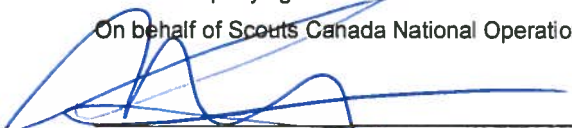
	2015 (Schedule A)	2014 (Schedule B)
Assets		
Current assets:		
Cash	\$ 4,142	\$ 2,244
Amounts receivable (notes 11)	549	129
Membership fees receivable (note 10(a))	31	-
Inventories	3,545	3,719
Prepaid expenses	653	554
	<u>8,920</u>	<u>6,646</u>
Investments (note 3)	13,441	12,792
Tangible capital and intangible assets (note 4(a))	1,340	1,866
Prepaid pension costs (note 5(a))	3,087	2,145
Employee future benefits recovery receivable (note 6)	274	338
	<u>\$ 27,062</u>	<u>\$ 23,787</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 2,696	\$ 1,645
Deferred revenue (note 8)	5,126	2,895
Current portion of loans payable to related parties (note 9)	100	100
	<u>7,922</u>	<u>4,640</u>
Deferred capital contributions (note 4(b))	198	395
Loans payable to related parties (note 9)	105	205
Accrued employee future benefits (note 5(a))	3,671	4,109
Fund balances:		
Operating Fund	4,347	3,135
Restricted Funds (Schedule D)	6,087	6,252
Investment in tangible capital and intangible assets	1,142	1,471
World Scout Foundation	3,590	3,580
	<u>15,166</u>	<u>14,438</u>
Contingent liabilities (note 13)		
Commitments (note 14)		
	<u>\$ 27,062</u>	<u>\$ 23,787</u>

See accompanying notes to financial statements.

On behalf of Scouts Canada National Operation:


Vice-Chair Finance - Board of Governors


Chair - Board of Governors

SCOUTS CANADA NATIONAL OPERATION

Statement of Operations

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

(In thousands of dollars)

	Operating Fund	Restricted Funds (Schedule D)	Total 2015	Total 2014 (Schedule C)
Revenue:				
Membership fees (note 10(a))	\$ 4,516	\$ –	\$ 4,516	\$ 4,476
Retail	4,107	–	4,107	4,018
Fundraising	1,587	60	1,647	2,054
Other	795	384	1,179	1,660
World Scouts Jamboree (note 17)	2,093	–	2,093	–
	13,098	444	13,542	12,208
Expenses:				
Salaries and benefits (note 11)	10,703	–	10,703	13,361
Recovery of salaries and benefits (note 11)	(7,092)	–	(7,092)	(8,681)
Retail	3,087	–	3,087	2,989
Program services	321	–	321	617
Grants	346	–	346	457
Technology services	332	–	332	312
Financial services	758	–	758	860
Marketing and communications	581	–	581	796
Fundraising	108	–	108	163
Administration	648	–	648	638
Compliance and governance	445	682	1,127	1,013
Human resources & volunteer services	437	–	437	551
World Scouts Jamboree - direct expenses (note 17)	2,025	–	2,025	–
Canadian Jamboree - direct expenses	–	–	–	33
Restricted funds - other (Schedule D)	–	173	173	333
	12,699	855	13,554	13,442
Excess (deficiency) of revenue over expenses before the undernoted	399	(411)	(12)	(1,234)
Unrealized gains (losses) on investments	(161)	46	(115)	1,096
World Scout Foundation donations	–	10	10	37
Excess (deficiency) of revenue over expenses	\$ 238	\$ (355)	\$ (117)	\$ (101)

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Statement of Changes in Fund Balances

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

(In thousands of dollars)

	Operating Fund	Restricted Funds (Schedule D)	Investment in tangible capital and intangible assets	World Scout Foundation	Total 2015	Total 2014
Fund balances, beginning of year	\$ 3,135	\$ 6,252	\$ 1,471	\$ 3,580	\$ 14,438	\$ 14,170
Excess (deficiency) of revenue over expenses	238	(365)	-	10	(117)	(101)
Change in investment in tangible capital and intangible assets:						
Amortization and write-off of tangible capital and intangible assets	526	-	(526)	-	-	-
Amortization of deferred capital contributions	(197)	-	197	-	-	-
Transfer from operating fund	(200)	200	-	-	-	-
Re-measurements and other items related to employee future benefits	845	-	-	-	845	369
Fund balances, end of year	\$ 4,347	\$ 6,087	\$ 1,142	\$ 3,590	\$ 15,166	\$ 14,438

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Statement of Cash Flows

Year ended August 31, 2015, with comparative information for 2014
(In thousands of dollars)

	2015	2014
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (117)	\$ (101)
Items not involving cash:		
Amortization and write off of tangible capital and intangible assets	526	639
Change in unrealized gains on investments	115	(1,096)
Amortization of deferred capital contributions (note 4(b))	(197)	(198)
Changes in non-cash working capital:		
Amounts receivable	(420)	56
Inventories	174	645
Prepaid expenses	(99)	(362)
Membership fees receivable	(31)	51
Accounts payable and accrued liabilities	1,051	(452)
Deferred revenue	2,231	1,395
Changes relating to employee future benefits:		
Re-measurements and other items	845	369
Prepaid pension costs and recoveries	(878)	77
Accrued employee future benefits	(438)	(163)
	<u>2,762</u>	<u>860</u>
Cash flows from investing activities:		
Purchase of tangible capital and intangible assets	-	(47)
Principal payments received on loan receivable from related parties	-	185
Purchase of investments	(764)	(562)
	<u>(764)</u>	<u>(424)</u>
Cash flows from financing activities:		
Principal payments on loans payable to related parties	(100)	(100)
Net increase in cash	<u>1,898</u>	<u>336</u>
Cash, beginning of year	2,244	1,908
Cash, end of year	<u>\$ 4,142</u>	<u>\$ 2,244</u>
Supplemental cash flow information:		
Interest paid	\$ 9	\$ 13

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements

Year ended August 31, 2015
(In thousands of dollars)

Scouts Canada National Operation (the "National Operation") 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.

The National Operation 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. The National Operation is responsible for the national activities of the National Operation and provides services to the Councils of the National Operation.

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.

(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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015
(In thousands of dollars)

1. Significant accounting policies (continued):

(d) 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 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 Operation's 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, 2015
(In thousands of dollars)

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 National Operation 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. The National Operation also provides its employees with other retirement and post-employment benefits under its employee benefit plans.

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 5(e).

The National Operation uses the immediate recognition approach to account for the above plans. The National Operation accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's assumptions used for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the plan assets, which are recorded at fair value, and accrued benefit obligation coincides with the National Operation's fiscal year. The most recent actuarial valuation of the defined benefit pension plan for funding purposes was as of January 1, 2014, and the next required valuation will be as of January 1, 2017.

In years between valuations, the National Operation uses a roll-forward technique to estimate the accrued benefit obligation. The National Operation recognizes the accrued benefit obligation net of the fair value of the plan amounts adjusted for any valuation allowance in the statement of financial position at the end of the year. The annual benefit cost is recognized in the statement of operations and actuarial gains and losses are recognized in the statement of changes in net assets.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015

(In thousands of dollars)

1. Significant accounting policies (continued):

(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.

(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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015
(In thousands of dollars)

1. Significant accounting policies (continued):

(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.

2. Adoption of new accounting standards:

Effective September 1, 2014, the National Operation adopted new CPA Canada Handbook Accounting Part III Section 3463, *Reporting Employee Future Benefits by Not-for-Profit Organizations* which incorporates *Section 3462, Employee Future Benefits*, issued.

Under the new standard, the changes in actuarial gains and losses and past service costs are no longer recorded through operations. The full actuarial liability net of assets is recorded in the statement of financial position, the annual benefit cost is recorded in the statement of operations and the change in unamortized gains and losses is recognized in the statement of changes in net assets. In addition, interest cost and expected rate of return on plan assets are replaced with a net interest amount that is calculated by applying the discount rate used to calculate the net defined benefit obligation.

For defined benefit plans for which an actuarial valuation for funding purposes exists, an accounting policy choice between using the funding valuation or an accounting valuation is available. The National Operation has elected to use a valuation for funding purposes when such valuation exists. For defined benefit plans for which no funding valuation exists, the National Operation uses a valuation prepared for accounting purposes as required by the standard.

The National Operation implemented the new standard retrospectively. The impact on the financial statements for the year ended August 31, 2014 is as follows:

Statement of Operations:

	As previously reported August 31, 2014	Amended Section 3463 effects	Restated August 31, 2014
Salaries and benefits	\$ 12,992	\$ 369	\$ 13,361
Excess of revenue over expenses	268	(369)	(101)

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015

(In thousands of dollars)

2. Adoption of new accounting standards (continued):

Statement of Changes in Net Assets:

	As previously reported August 31, 2014	Amended Section 3463 effects	Restated August 31, 2014
Excess of revenue over expenses	\$ 268	\$ (369)	\$ (101)
Re-measurements and other items related to employee future benefits	–	369	369

Statement of Cash Flows:

	As previously reported August 31, 2014	Amended Section 3463 effects	Restated August 31, 2014
Excess of revenue over expenses	\$ 268	\$ (369)	\$ (101)
Re-measurements and other items related to employee future benefits	–	369	369

3. Investments:

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

	2015		2014	
	Cost	Fair value	Cost	Fair value
Operating:				
Employee future benefits	\$ 1,128	\$ 1,220	\$ 1,063	\$ 1,180
Other operating	1,645	1,779	1,146	1,272
Total operating	2,773	2,999	2,209	2,452
Restricted:				
Insurance Fund	4,312	4,662	4,465	4,959
Brotherhood Fund	602	651	563	630
International Participation Fund	392	422	367	408
World Scout Foundation	3,939	4,707	3,650	4,343
Total Restricted	9,245	10,442	9,045	10,340
	\$ 12,018	\$ 13,441	\$ 11,254	\$ 12,792

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015
(In thousands of dollars)

3. Investments (continued):

(a) Investments consist of:

	2015		2014	
	Cost	Fair value	Cost	Fair value
Fixed income securities	\$ 2,577	\$ 2,786	\$ 2,697	\$ 2,966
Equities	9,232	10,429	8,362	9,611
Cash	209	226	195	215
	\$ 12,018	\$ 13,441	\$ 11,254	\$ 12,792

The National Operation's fixed income securities have an interest rate of 1.25% (2014 - 2.0% to 3.75%) and a maturity date of June 2016.

(b) Cumulative unrealized gains on investments:

	2015	2014
Balance, beginning of year	\$ 1,538	\$ 442
Unrealized gains (losses) on investments in the year	(115)	1,096
Balance, end of year	\$ 1,423	\$ 1,538

4. Tangible capital and intangible assets:

(a) Cost and accumulated amortization:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Tangible capital:				
Land	\$ 15	\$ -	\$ 15	\$ 15
Building	1,485	1,337	148	178
Betterment	3,135	2,176	959	1,116
Office furniture and equipment	405	392	13	14
Computer hardware	138	132	6	12
Scout Shop equipment and renovations	51	49	2	6
Intangible assets:				
Computer software	561	561	-	3
Membership system	696	696	-	127
Donated software	593	396	197	395
	\$ 7,079	\$ 5,739	\$ 1,340	\$ 1,866

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015
(In thousands of dollars)

4. Tangible capital and intangible assets (continued):

(a) Cost and accumulated amortization (continued):

Cost and accumulated amortization as at August 31, 2014 amounted to \$7,079 and \$5,213, respectively.

During the year, \$Nil (2014 - \$44) of computer hardware and \$Nil (2014 - \$44) of related accumulated amortization were written off.

(b) Deferred capital contributions:

In 2013, 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.

5. Employee future benefits:

Information about the National Operation's defined benefit plans as at August 31, 2015 and August 31, 2014 is as follows:

(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):

	2015		2014	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value	\$ 32,186	\$ -	\$ 31,806	\$ -
Accrued benefit obligation	(29,099)	(3,671)	(29,661)	(4,109)
Prepaid pension costs (accrued benefit liability)	\$ 3,087	\$ (3,671)	\$ 2,145	\$ (4,109)

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015

(In thousands of dollars)

5. Employee future benefits (continued):

(a) Plan assets and obligations (continued):

(ii) Accrued benefit obligation:

	2015		2014	
	Pension	Other post-employment	Pension	Other post-employment
Accrued benefit obligation, beginning	\$ (29,661)	\$ (4,109)	\$ (29,424)	\$ (4,096)
Current service cost	–	(65)	–	(73)
Interest cost	(1,433)	(205)	(1,388)	(232)
Benefits paid	1,995	225	1,630	260
Actuarial gain (loss)	–	483	(479)	32
Accrued benefit obligation, ending	\$ (29,099)	\$ (3,671)	\$ (29,661)	\$ (4,109)

(iii) Plan assets:

	2015		2014	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value, beginning	\$ 31,806	\$ –	\$ 27,312	\$ –
Actual return on plan assets	1,917	–	4,872	–
Employer contributions	458	225	1,252	260
Benefits paid	(1,995)	(225)	(1,630)	(260)
Plan assets at fair value, ending	\$ 32,186	\$ –	\$ 31,806	\$ –

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015
(In thousands of dollars)

5. Employee future benefits (continued):

(b) Net benefit cost:

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

	2015		2014	
	Pension	Other post-employment	Pension	Other post-employment
Current service cost	\$ -	\$ 65	\$ -	\$ 62
Interest cost	1,433	205	1,388	199
Expected return on plan assets	(1,552)	-	(1,316)	-
Net benefit cost	\$ (119)	\$ 270	\$ 72	\$ 261

(c) Assumptions:

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

	2015		2014	
	Pension	Other post-employment	Pension	Other post-employment
Rate of compensation increases	3.25%	-	3.25%	-
Discount rate	5.00%	5.00%	5.00%	5.00%
Expected return on plan assets	4.88%	-	4.06%	-

The ultimate health care trend rate is estimated to be reached in 2030. The actual return on plan assets in fiscal 2015 was 4.88% (2014 - 16.70%).

(d) 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 and a going concern deficit of \$3,071, based on economic assumptions applicable at January 1, 2014. The National Operation is required to make additional contributions of \$411 per annum in future calendar years to eliminate the going concern unfunded liability under the Pension Benefits Act (Ontario). In fiscal 2015, the National Operation made additional contributions of \$411 (2014 - \$649).

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015
(In thousands of dollars)

5. Employee future benefits (continued):

(e) Defined contribution plan:

Effective January 1, 2010, the National Operation created a defined contribution plan available to all employees of the National Operation who meet the eligibility requirements specified in the Plan Agreement. In the year, the National Operation made employer contributions to the defined contribution plan of \$384 (2014 - \$435), which is included in salaries and benefits expense and recovery of salaries and benefits, as disclosed in note 11.

6. 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 5(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.

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$7 (2014 - \$Nil), which includes amounts payable for harmonized sales tax and payroll-related taxes.

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	\$ 1,700	\$ 6,277	\$ 3,095	\$ 4,882
Other programs	29	209	62	176
Scout Shops	66	12	10	68
World Scouts Jamboree	1,100	–	1,100	–
	<u>\$ 2,895</u>	<u>\$ 6,498</u>	<u>\$ 4,267</u>	<u>\$ 5,126</u>

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

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015
(In thousands of dollars)

8. Deferred revenue (continued):

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 were collected in advance of the World Jamboree event which took place in fiscal 2015.

9. Loans payable to related parties:

	2015	2014
Loans payable to related parties:		
Incorporated Body for Scouts Canada in Ontario	\$ 155	\$ 230
British Columbia Councils	50	75
	<u>205</u>	<u>305</u>
Current portion	100	100
Long-term portion	<u>\$ 105</u>	<u>\$ 205</u>

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.

10. Related party transactions:

(a) Membership fees:

Membership fees are collected from individual members of the National Operation 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 fees receivable balance of \$31 (2014 - \$Nil) consists of amounts receivable for national membership fees from Councils at year end.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015
(In thousands of dollars)

10. Related party transactions (continued):

(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 2015, \$80 (2014 - \$72) was paid to the Councils.

(c) Other:

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

11. Salaries and benefits:

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

	2015	2014
All employees:		
Salaries and benefits	\$ 9,737	\$ 10,998
Employee future benefits	966	2,363
	<u>10,703</u>	<u>13,361</u>
Less amounts recovered:		
Salaries and benefits	6,458	7,396
Employee future benefits	634	1,285
	<u>7,092</u>	<u>8,681</u>
National Operation	\$ 3,611	\$ 4,680

At year-end, the National Operation has amounts receivable from the Councils totaling \$30 (2014 - \$98) relating to salaries and benefits.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2015
(In thousands of dollars)

12. Fondation Scouts Canada Foundation:

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

The National Operation received donations of \$63 (2014 - \$75) 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, the National Operation 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, 2015
(In thousands of dollars)

14. Commitments:

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

2016	\$	46
2017		46
	\$	92

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 2015, 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 and loans repayable to related parties, as disclosed in notes 3 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 2014.

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, 2015
(In thousands of dollars)

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. World Scouts Jamboree:

In 2015, the 23rd World Scouts Jamboree was held in Kirara-hama, Yamaguchi, Japan. More than 30,000 scouts and leaders from 161 countries around the world joined together to attend this Jamboree which was themed "Spirit of Unity". The event provided eleven days of incredible programming and a unique scouting culture exchange for young people from 14 to 17 years of age from National scouting organizations.

The statement of operations for 2015 shows the gross revenue and direct expenses of the World Scouts Jamboree supported by the National Operation which provided Canadian youth with an opportunity to attend this event.

18. Subsequent event:

Effective September 1, 2015, Scouts Canada transferred certain operational responsibilities to the National Operation from the Councils. The impact of this restructuring on the National Operation's financial statements has not yet been determined and will be reflected in the 2015-16 financial statements.

19. Comparative information:

Certain 2014 comparative information has been reclassified to conform with the financial statement presentation adopted for 2015.

SCOUTS CANADA NATIONAL OPERATION

Schedule A - Statement of Financial Position

August 31, 2015

(In thousands of dollars)

	Operating Fund	Restricted Funds	Total
Assets			
Current assets:			
Cash	\$ 4,091	\$ 51	\$ 4,142
Amounts receivable	549	–	549
Membership fees receivable (note 10(a))	31	–	31
Inventories	3,545	–	3,545
Prepaid expenses	653	–	653
	8,869	51	8,920
Investments	2,999	10,442	13,441
Tangible capital and intangible assets	1,340	–	1,340
Prepaid pension costs	3,087	–	3,087
Employee future benefits recovery receivable	274	–	274
	\$ 16,569	\$ 10,493	\$ 27,062
Liabilities and Fund Balances			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,880	\$ 816	\$ 2,696
Deferred revenue	5,126	–	5,126
Current portion of loans payable to related parties	100	–	100
	7,106	816	7,922
Deferred capital contributions	198	–	198
Loans payable to related parties	105	–	105
Accrued employee future benefits	3,671	–	3,671
Fund balances:			
Operating Fund	4,347	–	4,347
Restricted Funds	–	6,087	6,087
Investment in tangible capital and intangible assets	1,142	–	1,142
World Scout Foundation	–	3,590	3,590
	5,489	9,677	15,166
	\$ 16,569	\$ 10,493	\$ 27,062

SCOUTS CANADA NATIONAL OPERATION

Schedule B - Statement of Financial Position

August 31, 2014

(In thousands of dollars)

	Operating Fund	Restricted Funds	Total
Assets			
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	2,145	-	2,145
Employee future benefits recovery receivable	338	-	338
	\$ 13,396	\$ 10,391	\$ 23,787
Liabilities and Fund Balances			
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	4,109	-	4,109
Fund balances:			
Operating Fund	3,135	-	3,135
Restricted Funds	-	6,252	6,252
Investment in tangible capital and intangible assets	1,471	-	1,471
World Scout Foundation	-	3,580	3,580
	4,606	9,832	14,438
	\$ 13,396	\$ 10,391	\$ 23,787

SCOUTS CANADA NATIONAL OPERATION

Schedule C - Statement of Operations

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

	Operating Fund	Restricted Funds	Total
Revenue:			
Membership fees	\$ 4,476	\$ –	\$ 4,476
Retail	4,018	–	4,018
Fundraising	2,026	28	2,054
Other	1,315	345	1,660
	11,835	373	12,208
Expenses:			
Salaries and benefits	13,361	–	13,361
Recovery of salaries and benefits	(8,681)	–	(8,681)
Retail expenses	2,989	–	2,989
Program services	617	–	617
Grants	457	–	457
Technology services	312	–	312
Financial services	860	–	860
Marketing and communications	796	–	796
Fundraising expenses	163	–	163
Administration	638	–	638
Compliance and governance	463	550	1,013
Human resources management	551	–	551
Canadian Jamboree - direct expenses	33	–	33
Restricted funds	–	333	333
	12,559	883	13,442
Deficiency of revenue over expenses before the undernoted	(724)	(510)	(1,234)
Change in cumulative unrealized gains on investments	640	456	1,096
World Scout Foundation donations	–	37	37
Deficiency of revenue over expenses	\$ (84)	\$ (17)	\$ (101)

SCOUTS CANADA NATIONAL OPERATION

Schedule D - Restricted Funds

Year ended August 31, 2015, with comparative information for 2014
(In thousands of dollars)

	Insurance	Brotherhood	World International Participation	Scout Foundation	2015 Restricted Funds	2014 Restricted Funds
Revenue:						
Donations and sponsorships	\$ -	\$ 54	\$ 6	\$ -	\$ 60	\$ 28
Investment	-	41	27	316	384	345
	-	95	33	316	444	373
Expenses:						
Administration	-	2	2	56	60	35
Compliance and governance	682	-	-	-	682	550
Travel and meetings	-	-	9	-	9	25
Programs and grants	-	34	-	-	34	62
Transfer to World Scout Bureau	-	-	-	70	70	211
	682	36	11	126	855	883
Excess (deficiency) of revenue over expenses before undernoted	(682)	59	22	190	(411)	(510)
Change in cumulative unrealized gains on investments	-	(17)	(11)	74	46	456
Excess (deficiency) of revenue over expenses	(682)	42	11	264	(365)	(54)
Fund balance, beginning of year	4,450	638	404	760	6,252	6,106
Transfer from operating fund	200	-	-	-	200	200
Fund balance, end of year	\$ 3,968	\$ 680	\$ 415	\$ 1,024	\$ 6,087	\$ 6,252

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.