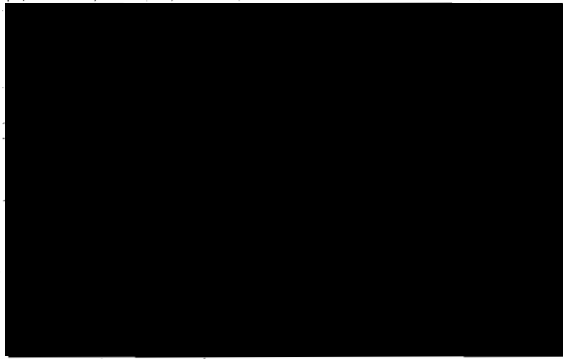


Financial Statements of

**SCOUTS CANADA NATIONAL
OPERATION**

Year ended August 31, 2017



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, 2017, 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.

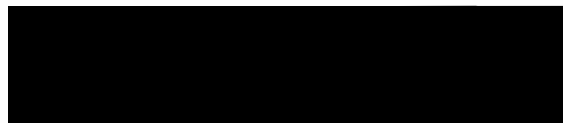
Management's Responsibility for the Financial Statements

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.

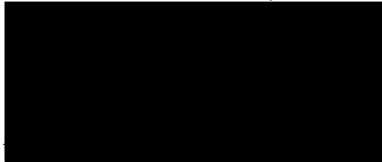




We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017, 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.



Chartered Professional Accountants, Licensed Public Accountants



Ottawa, Canada

SCOUTS CANADA NATIONAL OPERATION

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Year ended August 31, 2017
(In thousands of dollars)

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SCOUTS CANADA NATIONAL OPERATION

Statement of Financial Position

August 31, 2017, with comparative information for 2016
(In thousands of dollars)

	2017	2016
	(schedule A)	(schedule B)
Assets		
Current assets:		
Cash	\$ 6,459	\$ 5,178
Amounts receivable (note 2)	504	289
Inventories	4,058	3,591
Prepaid expenses and deposits	449	466
	<u>11,470</u>	<u>9,504</u>
Investments (note 3)	14,508	14,384
Tangible capital and intangible assets (note 4(a))	1,527	1,077
Prepaid pension costs (note 5(a))	4,003	4,653
Employee future benefits recovery receivable	-	274
	<u>\$ 31,508</u>	<u>\$ 29,892</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 2,198	\$ 1,987
Deferred revenue (note 8)	7,153	7,135
Loans payable to related parties (note 7)	-	105
	<u>9,351</u>	<u>9,207</u>
Deferred capital contributions (note 4(b))	554	-
Accrued employee future benefits (note 5(a))	3,652	3,819
Fund balances (note 15):		
Operating Fund	6,634	6,571
Restricted Funds (schedule D)	6,715	5,821
Investment in tangible capital and intangible assets	973	1,077
	<u>3,627</u>	<u>3,597</u>
	<u>17,949</u>	<u>17,068</u>
Contingent liabilities (note 12)		
Commitments (note 13)		
	<u>\$ 31,508</u>	<u>\$ 29,892</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, 2017, with comparative information for 2016

(In thousands of dollars)

	Operating Fund	Restricted Funds	Total	Total
		(schedule D)	2017	2016
				(schedule C)
Revenue:				
Membership fees (note 9(a))	\$ 11,042	\$ -	\$ 11,042	\$ 10,434
Retail	4,975	-	4,975	4,725
Fundraising	4,835	1,008	5,843	5,732
Other	2,229	290	2,519	2,330
Canadian Jamboree (note 16)	3,611	-	3,611	-
	26,692	1,298	27,990	23,221
Expenses:				
Salaries and benefits (note 10)	11,408	-	11,408	10,945
Recovery of salaries and benefits (note 10)	(1,592)	-	(1,592)	(1,645)
Retail	3,390	-	3,390	3,389
Program services	310	-	310	402
Grants	87	23	110	203
Technology services	386	-	386	382
Financial services	873	18	891	781
Marketing and communications	444	-	444	436
Fundraising	2,937	-	2,937	3,470
Administration	692	30	722	761
Compliance and governance	562	949	1,511	1,096
Human resources & volunteer services	355	-	355	392
Field operations	749	-	749	662
Field services	835	-	835	702
Canadian Jamboree - direct expenses (note 16)	3,460	-	3,460	-
Other	-	202	202	520
	24,896	1,222	26,118	22,496
Excess of revenue over expenses before the undemoted				
	1,796	76	1,872	725
Unrealized gains (loss) on investments (note 3(b))				
	267	(32)	235	177
██████████ donations				
	-	30	30	7
Excess of revenue over expenses				
	\$ 2,063	\$ 74	\$ 2,137	\$ 909

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Statement of Changes in Fund Balances

Year ended August 31, 2017, with comparative information for 2016
(In thousands of dollars)

	Operating Fund		Investment in tangible capital and intangible assets	Restricted Funds (Schedule D)	Total 2017	Total 2016
Fund balances, beginning of year	\$ 6,571	\$ 3,597	\$ 1,077	\$ 5,821	\$ 17,066	\$ 15,166
Excess of revenue over expenses	2,063	30	-	44	2,137	909
Change in investment in tangible capital and intangible assets:						
Amortization of tangible capital and intangible assets	498	-	(498)	-	-	-
Purchase of tangible capital and intangible assets	(948)	-	948	-	-	-
Amortization of deferred capital contributions	(277)	-	277	-	-	-
Additions to deferred capital contributions	831	-	(831)	-	-	-
Transfer from operating fund	(850)	-	-	850	-	-
Re-measurements and other items related to employee future benefits	(1,254)	-	-	-	(1,254)	991
Fund balances, end of year	\$ 6,634	\$ 3,627	\$ 973	\$ 6,715	\$ 17,949	\$ 17,066

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Statement of Cash Flows

Year ended August 31, 2017, with comparative information for 2016

(In thousands of dollars)

	2017	2016
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 2,137	\$ 909
Items not involving cash:		
Amortization of tangible capital and intangible assets	498	395
Unrealized gains on investments (note 3(b))	(235)	(177)
Amortization of deferred capital contributions (note 4(b))	(277)	(198)
Change in non-cash working capital:		
Amounts receivable	(235)	17
Inventories	(467)	(46)
Prepaid expenses	17	187
Accounts payable and accrued liabilities	231	(435)
Deferred revenue	18	2,009
Changes relating to employee future benefits:		
Re-measurements and other items	(1,254)	991
Prepaid pension costs and recoveries	924	(1,566)
Accrued employee future benefits	33	(52)
	<u>1,390</u>	<u>2,034</u>
Cash flows from investing activities:		
Purchase of tangible capital and intangible assets	(948)	(132)
Withdrawals (purchases) of investments	113	(766)
	<u>(835)</u>	<u>(898)</u>
Cash flows from financing activities:		
Principal payments on loans payable to related parties	(105)	(100)
Increase in deferred capital contributions (note 4(b))	831	-
	<u>726</u>	<u>(100)</u>
Net increase in cash	<u>1,281</u>	<u>1,036</u>
Cash, beginning of year	5,178	4,142
Cash, end of year	<u>\$ 6,459</u>	<u>\$ 5,178</u>

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements

Year ended August 31, 2017

(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 Scouts Canada 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 Fondation Scouts Canada Foundation. In addition, they do not include the revenue, expenses, assets and liabilities associated with direct event and camp management activities managed by the Councils.

(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 [REDACTED] Fund reports donations received for the benefit of the [REDACTED]. The investment revenue earned on the [REDACTED] Fund is forwarded annually to the [REDACTED].

(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, 2017

(In thousands of dollars)

1. Significant accounting policies (continued):

(d) 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.

(e) 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.

(f) 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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

1. Significant accounting policies (continued):

(g) 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.

(h) 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.

(i) 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, 2017

(In thousands of dollars)

1. Significant accounting policies (continued):

(i) 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.

(j) 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

(k) Employee benefit plans:

The National Operation administers the [REDACTED], 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, as disclosed in note 5(e).

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

1. Significant accounting policies (continued):

(k) Employee benefit plans (continued):

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, 2017, and the next required valuation will be as of January 1, 2020.

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.

2. Amounts receivable:

	2017	2016
Amounts receivable	\$ 277	\$ 231
Membership fees receivable (note 9(a))	7	115
Sales taxes receivable	232	-
	516	346
Allowance for doubtful accounts	(12)	(77)
	\$ 504	\$ 269

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

3. Investments:

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

	2017		2016	
	Cost	Fair value	Cost	Fair value
Operating:				
Employee future benefits	\$ 1,244	\$ 1,412	\$ 1,193	\$ 1,312
Other operating	2,541	2,828	2,754	3,022
Total operating	3,785	4,240	3,947	4,334
Restricted:				
Insurance Fund	4,101	4,700	4,107	4,507
Brotherhood Fund	696	786	672	736
International Participation Fund	379	435	389	427
	3,710	4,345	3,669	4,380
	8,886	10,266	8,837	10,050
	\$ 12,671	\$ 14,506	\$ 12,784	\$ 14,384

Investments consist of:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Fixed income securities	\$ 3,900	\$ 4,467	\$ 3,960	\$ 4,460
Equities	8,420	9,632	8,454	9,496
Cash	351	407	370	428
	\$ 12,671	\$ 14,506	\$ 12,784	\$ 14,384

The National Operation's fixed income securities have interest rates of 0.25% to 9.90% (2016 - 0.50% to 9.92%) and maturity dates ranging from November 2017 to May 2077 (2016 - November 2016 to November 2053).

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

3. Investments (continued):

(b) Cumulative unrealized gains on investments:

	2017	2016
Balance, beginning of year	\$ 1,600	\$ 1,423
Unrealized gains on investments in the year	235	177
Balance, end of year	\$ 1,835	\$ 1,600

4. Tangible capital and Intangible assets:

(a) Cost and accumulated amortization:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Tangible capital:				
Land	\$ 15	\$ -	\$ 15	\$ 15
Building	1,485	1,395	90	119
Betterment	3,278	2,488	790	851
Office furniture and equipment	405	394	11	12
Computer hardware	48	43	5	9
Scout Shop equipment and renovations	51	51	-	-
Intangible assets:				
Computer software	659	597	62	71
Membership system	696	696	-	-
Donated software	831	277	554	-
	\$ 7,468	\$ 5,941	\$ 1,527	\$ 1,077

Cost and accumulated amortization as at August 31, 2016 amounted to \$7,211 and \$6,134, respectively.

(b) Deferred capital contributions:

In 2017, 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, 2017

(In thousands of dollars)

5. Employee future benefits:

Information about the National Operation's defined benefit plans as at August 31, 2017 and August 31, 2016 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):

	2017		2016	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value	\$ 31,603	\$ -	\$ 32,238	\$ -
Accrued benefit obligation	(27,600)	(3,652)	(27,585)	(3,619)
Prepaid pension costs (accrued benefit liability)	\$ 4,003	\$ (3,652)	\$ 4,653	\$ (3,619)

(ii) Accrued benefit obligation:

	2017		2016	
	Pension	Other post-employment	Pension	Other post-employment
Accrued benefit obligation, beginning	\$ (27,586)	\$ (3,619)	\$ (29,099)	\$ (3,671)
Current service cost	-	(38)	-	(37)
Interest cost	(1,337)	(181)	(1,394)	(184)
Benefits paid	1,691	226	2,427	221
Actuarial gain (loss)	(368)	(40)	481	52
Accrued benefit obligation, ending	\$ (27,600)	\$ (3,652)	\$ (27,585)	\$ (3,619)

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

5. Employee future benefits (continued):

(a) Plan assets and obligations (continued):

(iii) Plan assets:

	2017		2016	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value, beginning	\$ 32,238	\$ -	\$ 32,186	\$ -
Actual return on plan assets	694	-	2,068	-
Employer contributions	362	226	411	221
Benefits paid	(1,691)	(226)	(2,427)	(221)
Plan assets at fair value, ending	\$ 31,603	\$ -	\$ 32,238	\$ -

(b) Net benefit cost:

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

	2017		2016	
	Pension	Other post-employment	Pension	Other post-employment
Current service cost	\$ -	\$ 38	\$ -	\$ 37
Interest cost	1,337	181	1,394	184
Expected return on plan assets	(1,579)	-	(1,559)	-
Net benefit cost	\$ (242)	\$ 219	\$ (165)	\$ 221

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

5. Employee future benefits (continued):

(c) Assumptions:

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

	2017		2016	
	Pension	Other post-employment	Pension	Other post-employment
Rate of compensation increases	2.70%	- %	2.75%	- %
Discount rate	5.00%	5.00%	5.00%	5.00%
Expected return on plan assets	4.90%	- %	4.84%	- %

The ultimate health care trend rate is estimated to be reached in 2030. The actual return on plan assets in fiscal 2017 was 2.15% (2016 - 4.84%).

(d) Defined benefit plan:

The latest actuarial valuation of the pension plan for funding purposes was performed as at January 1, 2017. The next actuarial valuation is required to be completed as at January 1, 2020, 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, 2017 reported a solvency deficiency of \$2,760 and a going concern surplus of \$2,547 based on economic assumptions applicable at January 1, 2017. The National Operation is required to make additional contributions of \$350 per annum in future calendar years to eliminate the solvency deficiency under the Pension Benefits Act (Ontario). In fiscal 2017, the National Operation made additional contributions of \$362 (2016 - \$411).

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(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 \$226 (2016 - \$411), which is included in employee future benefits expense and recovery of employee future benefits, as disclosed in note 10.

6. Accounts payable and accrued liabilities:

	2017	2016
Trade payable	\$ 2,177	\$ 1,908
Membership fees reimbursable (note 9(a))	21	59
	\$ 2,198	\$ 1,967

Included in accounts payable and accrued liabilities are government remittances payable of \$Nil (2016 - \$49), which includes amounts payable for harmonized sales tax and payroll-related taxes.

7. Loans payable to related parties:

	2017	2016
Loans payable to related parties:		
██	\$ -	\$ 80
██	-	25
	-	105
Current portion	-	105
Long-term portion	\$ -	\$ -

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(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	\$ 6,024	\$ 6,877	\$ 6,024	\$ 6,877
Other programs	317	156	248	225
Scout Shops	67	9	25	51
Canadian Jamboree	727	-	727	-
	<u>\$ 7,135</u>	<u>\$ 7,042</u>	<u>\$ 7,024</u>	<u>\$ 7,153</u>

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.

Canadian Jamboree consists of participant and service team registration fees that were collected in advance of the Canadian Jamboree event which took place in fiscal 2017.

9. Related party transactions:

(a) Membership fees:

Membership fees are collected from individual members at the local Group level and through online registration. National fees collected by the local Groups are allocated to the National Operation.

The membership fees receivable balance of \$7 (2016 - \$115) consists of amounts receivable for national membership fees from Groups at year end.

The membership fees reimbursable balance of \$21 (2016 - \$59) consists of amounts reimbursable for national membership fees to Groups at year end.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

9. Related party transactions (continued):

(b) Other:

Other related party transactions and balances are disclosed in notes 7, 10 and 11 to the financial statements.

10. Salaries and benefits:

The National Operation administers the payroll for all employees of Scouts Canada, including those working at the Councils, but recovers the cost of salary and benefits from the Councils for only non-field operations and non-field services employees.

	2017	2016
All employees:		
Salaries and benefits	\$ 10,579	\$ 10,281
Employee future benefits	829	664
	<u>11,408</u>	<u>10,945</u>
Less amounts recovered from Councils:		
Salaries and benefits	1,547	1,596
Employee future benefits	45	49
	<u>1,592</u>	<u>1,645</u>
National Operation	\$ 9,816	\$ 9,300

At year-end, the National Operation has amounts receivable from the Councils totaling \$10 (2016 - \$36) relating to salaries and benefits.

11. 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 \$176 (2016 - \$168) from the Foundation.

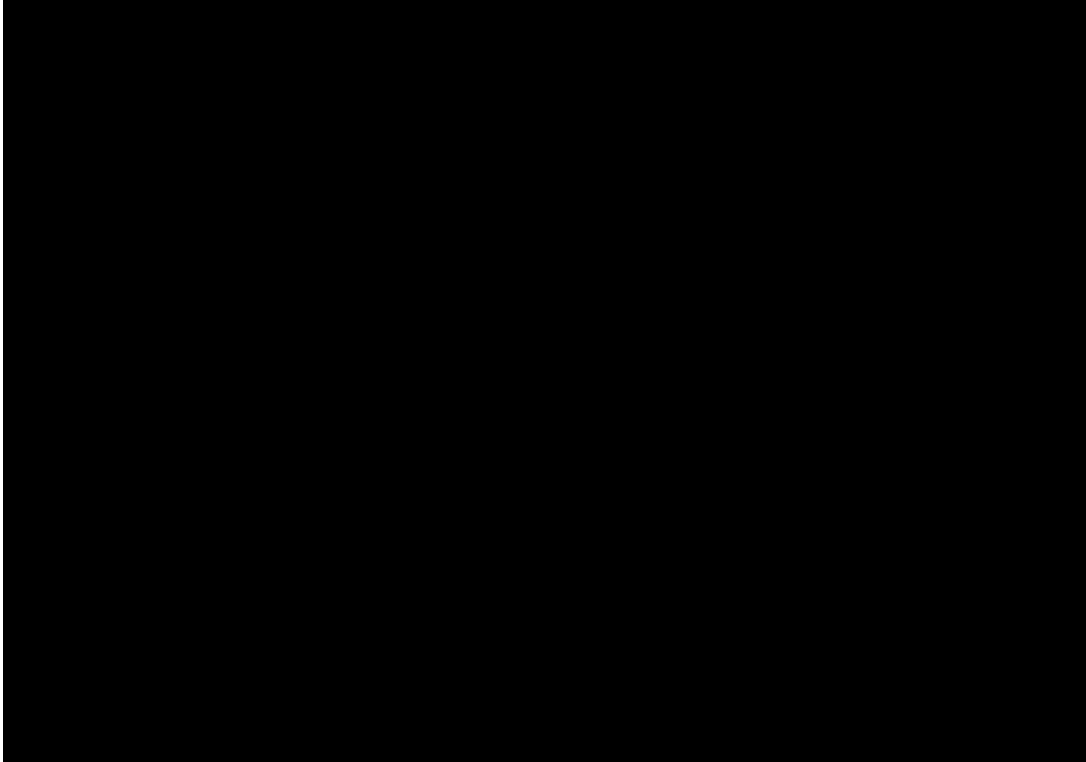
SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

12.



(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, 2017

(In thousands of dollars)

13. Commitments:

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

2018	\$	172
2019		172
2020		43
		<hr/>
		\$ 387

14. 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's credit risk relates to receivables and investments as disclosed in notes 2 and 3.

(b) Liquidity risk:

Liquidity risk is the risk that the National Operation will have difficulty meeting its financial obligations. The National Operation has a bank overdraft authorization limit of \$1,500 on its bank accounts to mitigate this risk.

(c) Market rate risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in currency exchange rates, interest rates or changes in market prices.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

14. Financial risks:

(c) Market rate risk:

(i) 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 7.

(ii) Foreign currency and market risk:

Foreign currency exposure arises from the National Operation's holdings of non- Canadian financial instruments. At year end, the National Operation held U.S. dollar denominated cash and investment in mutual funds of CAD \$2,520 (2016 - CAD \$2,839) and investment denominated in other currencies in mutual funds of CAD \$2,852 (2016 - CAD \$2,723).

(iii) Other price risk:

The National Operation is exposed to other price risk with respect to its equity investments as disclosed in note 3.

The National Operation believes that it is not exposed to significant financial risks arising from its financial instruments. There has been no change to the risk exposures from 2016.

15. 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.

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

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements (continued)

Year ended August 31, 2017

(In thousands of dollars)

16. Canadian Jamboree:

In 2017, Scouts Canada National Operation held their 13th Canadian Jamboree at [REDACTED]. Nearly 5,600 youth and volunteers joined together to celebrate Scouting.

The statement of operations for 2017 shows the gross revenue and direct expenses of the Jamboree. Direct expenses does not include all allocations of personnel and indirect costs including IT support, overhead and administration incurred by the National Operation in organizing the Jamboree.

17. Comparative information:

Certain 2016 comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.

SCOUTS CANADA NATIONAL OPERATION

Schedule A - Statement of Financial Position

August 31, 2017

(In thousands of dollars)

	Operating Fund	Restricted Funds	Total
Assets			
Current assets:			
Cash	\$ 5,408	\$ 1,051	\$ 6,459
Amounts receivable (note 2)	504	-	504
Inventories	4,058	-	4,058
Prepaid expenses and deposits	449	-	449
	10,419	1,051	11,470
Investments (note 3)	4,240	10,266	14,506
Tangible capital and intangible assets (note 4(a))	1,527	-	1,527
Prepaid pension costs (note 5(a))	4,003	-	4,003
	\$ 20,189	\$ 11,317	\$ 31,506
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities (note 6)	\$ 1,223	\$ 975	\$ 2,198
Deferred revenue (note 8)	7,153	-	7,153
	8,376	975	9,351
Deferred capital contributions (note 4(b))	554	-	554
Accrued employee future benefits (note 5(a))	3,652	-	3,652
Fund balances (note 15):			
Operating Fund	6,634	-	6,634
Restricted Funds (schedule D)	-	6,715	6,715
Investment in tangible capital and intangible assets	973	-	973
	-	3,627	3,627
	7,607	10,342	17,949
	\$ 20,189	\$ 11,317	\$ 31,506

SCOUTS CANADA NATIONAL OPERATION

Schedule B - Statement of Financial Position

August 31, 2016

(In thousands of dollars)

	Operating Fund	Restricted Funds	Total
Assets			
Current assets:			
Cash	\$ 5,126	\$ 52	\$ 5,178
Amounts receivable (note 2)	269	-	269
Inventories	3,591	-	3,591
Prepaid expenses and deposits	466	-	466
	<u>9,452</u>	<u>52</u>	<u>9,504</u>
Investments (note 3)	4,334	10,050	14,384
Tangible capital and intangible assets (note 4(a))	1,077	-	1,077
Prepaid pension costs (note 5(a))	4,653	-	4,653
Employee future benefits recovery receivable	274	-	274
	<u>\$ 19,790</u>	<u>\$ 10,102</u>	<u>\$ 29,892</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities (note 6)	\$ 1,283	\$ 684	\$ 1,967
Deferred revenue (note 8)	7,135	-	7,135
Loans payable to related parties (note 7)	105	-	105
	<u>8,523</u>	<u>684</u>	<u>9,207</u>
Accrued employee future benefits (note 5(a))	3,619	-	3,619
Fund balances (note 15):			
Operating Fund	6,571	-	6,571
Restricted Funds (schedule D)	-	5,821	5,821
Investment in tangible capital and intangible assets	1,077	-	1,077
	<u>-</u>	<u>3,597</u>	<u>3,597</u>
	<u>7,648</u>	<u>9,418</u>	<u>17,066</u>
	<u>\$ 19,790</u>	<u>\$ 10,102</u>	<u>\$ 29,892</u>

SCOUTS CANADA NATIONAL OPERATION

Schedule C - Statement of Operations

Year ended August 31, 2016

(In thousands of dollars)

	Operating Fund	Restricted Funds (schedule D)	Total
Revenue:			
Membership fees (note 9(a))	\$ 10,434	\$ -	\$ 10,434
Retail	4,725	-	4,725
Fundraising	5,689	43	5,732
Other	1,923	407	2,330
	<u>22,771</u>	<u>450</u>	<u>23,221</u>
Expenses:			
Salaries and benefits (note 10)	10,945	-	10,945
Recovery of salaries and benefits (note 10)	(1,645)	-	(1,645)
Retail	3,389	-	3,389
Program services	402	-	402
Grants	167	36	203
Technology services	382	-	382
Financial services	723	58	781
Marketing and communications	436	-	436
Fundraising	3,470	-	3,470
Administration	731	30	761
Compliance and governance	603	493	1,096
Human resources & volunteer services	392	-	392
Field operations	662	-	662
Field services	702	-	702
Other	-	520	520
	<u>21,359</u>	<u>1,137</u>	<u>22,496</u>
Excess (deficiency) of revenue over expenses before the undemoted	1,412	(687)	725
Unrealized gains on investments (note 3(b))	156	21	177
██████████ donations	-	7	7
Excess (deficiency) of revenue over expenses	\$ 1,568	\$ (659)	\$ 909

SCOUTS CANADA NATIONAL OPERATION

Schedule D - Restricted Funds

Year ended August 31, 2017, with comparative information for 2016
(In thousands of dollars)

	Insurance	Brotherhood	International Participation	██████████	██████████	Family	2017 Restricted Funds	2016 Restricted Funds
Revenue:								
Donations and sponsorships	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,008	\$ 43
Investment	-	41	23	228	-	-	290	407
	-	49	23	228	-	1,000	1,298	450
Expenses:								
Financial services	-	2	1	15	-	-	18	58
Compliance and governance	949	-	-	-	-	-	949	493
Consulting	-	-	-	30	-	-	30	30
Programs and grants	-	23	-	-	-	-	23	36
Other	-	-	32	170	-	-	202	520
	949	25	33	215	-	-	1,222	1,137
Excess (deficiency) of revenue over expenses before the undernoted	(949)	24	(10)	11	1,000	-	76	(687)
Unrealized gains (loss) on investments (note 3(b))	-	26	10	(76)	-	-	(32)	21
Excess (deficiency) of revenue over expenses	(949)	50	8	(65)	1,000	-	44	(666)
Fund balances, beginning of year	3,875	738	427	783	-	-	5,821	6,087
Transfer from operating fund	850	-	-	-	-	-	850	400
Fund balances, end of year	\$ 3,776	\$ 788	\$ 435	\$ 718	1,000	-	\$ 6,715	\$ 5,821

Restricted fund descriptions:

- The Insurance Fund reports the revenue and expenses related to insurance premiums, 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 is related to Canadian delegates attending World Scouting conferences, events and meetings.
- The ██████████ fund reports the investment income earned on the ██████████ Fund and the amounts paid to the ██████████ from the investment income earned.
- The ██████████ Family Fund reports the revenue and expenses related to a bequest received by Scouts Canada from the ██████████ Family.