

SCOUTS CANADA NATIONAL OPERATION

FINANCIAL STATEMENTS

AUGUST 31, 2019

Independent Auditor's Report
Statement of Financial Position
Statement of Operations
Statement of Changes in Fund Balances
Statement of Cash Flows
Notes to Financial Statements
Schedule A - Restricted and Endowment Funds



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Scouts Canada National Operation

Opinion

We have audited the accompanying financial statements of Scouts Canada National Operation ("the National Operation"), which comprise the statement of financial position as at August 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Operation as at August 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

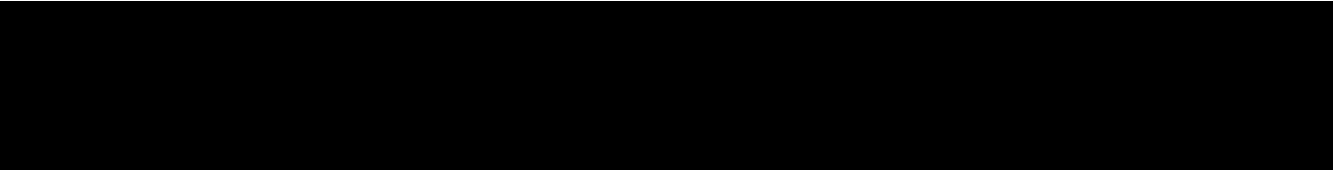
Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the National Operation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, Management is responsible for assessing the National Operation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the National Operation or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the National Operation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

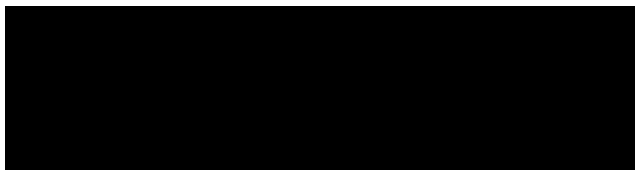
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 National Operation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Operation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the National Operation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stittsville, Ontario
November 05, 2019



Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

SCOUTS CANADA NATIONAL OPERATION

STATEMENT OF OPERATIONS

For the year ended AUGUST 31, 2019

	Operating Fund	Restricted & Endowment Funds	2019	2018
		(Schedule A)		
REVENUE				
Membership fees	\$ 10,977,190	\$ -	\$ 10,977,190	\$ 10,615,769
Retail	4,033,500	-	4,033,500	4,254,299
Fundraising	4,505,577	1,014,224	5,519,801	4,361,198
██████████ donations	-	60,786	60,786	34,057
Investment and other	2,043,717	350,105	2,393,822	2,304,477
██████████	-	-	-	40,110
(note 11)	<u>2,441,578</u>	<u>-</u>	<u>2,441,578</u>	<u>-</u>
	<u>24,001,562</u>	<u>1,425,115</u>	<u>25,426,677</u>	<u>21,609,910</u>
EXPENSES				
Salaries and benefits (note 10)	11,460,783	-	11,460,783	12,015,904
Recovery of salaries and benefits (note 10)	(1,738,870)	-	(1,738,870)	(1,831,581)
Retail	2,826,123	-	2,826,123	2,766,783
Program services	159,258	-	159,258	186,971
Grants	119,921	-	119,921	125,530
Technology services	455,785	-	455,785	360,697
Financial services	923,937	37,610	961,547	770,643
Marketing and communications	657,494	-	657,494	265,406
Fundraising	2,752,753	-	2,752,753	2,941,534
Administration	752,851	30,000	782,851	676,675
Compliance and governance	818,936	1,413,203	2,232,139	838,926
Human resources and volunteer services	254,005	445,288	699,293	376,289
Field operations	684,123	-	684,123	731,057
Field services	628,256	-	628,256	753,098
██████████ (note 11)	2,441,578	-	2,441,578	-
Other	-	210,374	210,374	173,223
	<u>23,196,933</u>	<u>2,136,475</u>	<u>25,333,408</u>	<u>21,151,155</u>
Net revenue (expenses) before the undernoted	804,629	(711,360)	93,269	458,755
Unrealized gains (losses) on investments	(414,797)	(62,653)	(477,450)	380,133
NET REVENUE (EXPENSES)	\$ 389,832	\$ (774,013)	\$ (384,181)	\$ 838,888

The accompanying notes are an integral part of these financial statements.

SCOUTS CANADA NATIONAL OPERATION
STATEMENT OF CHANGES IN FUND BALANCES

For the year ended AUGUST 31, 2019

	Operating Fund	Investment in tangible capital and intangible assets	Restricted & Endowment Funds	2019	2018
			(Schedule A)		
FUND BALANCES -					
BEGINNING OF YEAR	\$ 9,827,488	\$ 814,364	\$10,886,491	\$21,528,343	\$17,949,255
Net revenue (expenses)	389,832	-	(774,013)	(384,181)	838,888
Change in investments in tangible capital and intangible assets:					
Amortization of tangible and intangible assets	509,334	(509,334)	-	-	-
Purchase of tangible capital and intangible assets	(65,072)	65,072	-	-	-
Amortization of deferred capital contributions	(277,202)	277,202	-	-	-
Interfund transfers	(350,000)	-	350,000	-	-
Remeasurements and other items related to employee future benefits	(3,037,100)	-	-	(3,037,100)	2,740,200
FUND BALANCES -					
END OF YEAR	\$ 6,997,280	\$ 647,304	\$10,462,478	\$18,107,062	\$21,528,343

The accompanying notes are an integral part of these financial statements.

SCOUTS CANADA NATIONAL OPERATION

STATEMENT OF CASH FLOWS

For the year ended AUGUST 31, 2019

	2019	2018
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue (expenses)	\$ (384,181)	\$ 838,888
Items not affecting cash:		
Amortization of deferred capital contributions	(277,202)	(277,203)
Amortization of tangible capital and intangible assets	509,334	503,977
Unrealized (gains) losses on investments	477,450	(380,133)
Net change in non-cash working capital items:		
Amounts receivable	(70,251)	125,366
Inventories	523,969	467,083
Prepaid expenses and deposits	1,152,846	(1,101,324)
Accounts payable and accrued liabilities	1,358,545	(13,378)
Deferred revenue	(655,413)	1,145,946
Changes relating to employee future benefits		
Remeasurements and other items	(3,037,100)	2,740,200
Prepaid pension costs and recoveries	3,206,800	(2,663,300)
Accrued employee future benefits	<u>(539,000)</u>	<u>(294,000)</u>
	<u>2,265,797</u>	<u>1,092,122</u>
INVESTING ACTIVITIES		
Purchases of tangible capital and intangible assets	(65,072)	(67,676)
Purchases of investments, net	<u>(798,345)</u>	<u>(662,669)</u>
	<u>(863,417)</u>	<u>(730,345)</u>
NET CHANGE IN CASH	1,402,380	361,777
CASH - BEGINNING OF YEAR	6,821,333	6,459,556
CASH - END OF YEAR	<u>\$ 8,223,713</u>	<u>\$ 6,821,333</u>

The accompanying notes are an integral part of these financial statements.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

1. ORGANIZATION

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.

2. SUMMARY OF 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:

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.

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

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

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The [REDACTED] Endowment Fund reports donations received for the benefit of the [REDACTED]. These donations are held in perpetuity.

The [REDACTED] Fund reports the investment income earned on the [REDACTED] Endowment Fund and the amounts paid to the [REDACTED] from the investment income earned.

The [REDACTED] Fund reports the revenue and expenses related to a bequest received by Scouts Canada from [REDACTED].

Inventories

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

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.

Investments

Investments 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 investments are recorded at cost.

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 THE FINANCIAL STATEMENTS

August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at year end. Revenues 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.

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.

Tangible Capital and Intangible Assets

Purchased tangible capital and intangible capital 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. Amortization is on a straight-line basis as follows:

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	- 3 years

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.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Contingent Liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

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 benefits 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 6.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018 and the next required valuation will be as of January 1, 2021.

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 Fund Balances.

3. AMOUNTS RECEIVABLE

	2019	2018
Amounts receivable	\$ 311,823	\$ 340,959
Membership fees receivable	-	2,338
Sales taxes receivable	<u>135,980</u>	<u>35,405</u>
	447,803	378,702
Less: Allowance for doubtful accounts	-	(1,150)
	<u>\$ 447,803</u>	<u>\$ 377,552</u>

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

4. INVESTMENTS

The National Operation holds investments at fair value for the following purposes:

	2019	2018
Operating Fund:		
Employee future benefits	\$ 1,577,184	\$ 1,536,081
Other operating	<u>3,524,012</u>	<u>2,995,270</u>
	<u>5,101,196</u>	<u>4,531,351</u>
Restricted & Endowment Funds:		
Insurance Fund	4,804,148	5,115,850
Brotherhood Fund	842,119	820,173
International Participation Fund	545,552	531,334
██████████ Funds	<u>4,576,132</u>	<u>4,549,544</u>
	<u>10,767,951</u>	<u>11,016,901</u>
	<u>\$15,869,147</u>	<u>\$15,548,252</u>

Investments consist of units held in the following mutual funds:

	2019	2018
██████████ Fund	\$ 3,509	\$ 6,783
██████████ Fund	4,572,623	4,542,761
██████████	11,293,015	10,998,708
	<u>\$15,869,147</u>	<u>\$15,548,252</u>

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

5. TANGIBLE CAPITAL AND INTANGIBLE ASSETS

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Tangible capital:				
Land	\$ 15,015	\$ -	\$ 15,015	\$ 15,015
Building	1,484,733	1,455,164	29,569	59,139
Betterment	3,317,641	2,801,171	516,470	635,190
Office furniture and equipment	472,543	412,742	59,801	73,337
Computer hardware	74,444	48,782	25,662	2,486
Scout Shop equipment and renovations	51,048	51,048	-	-
Intangible assets:				
Computer software	658,947	658,160	787	29,197
Membership system	696,232	696,232	-	-
Donated software	831,607	831,607	-	277,202
	\$ 7,602,210	\$ 6,954,906	\$ 647,304	\$ 1,091,566

Cost and accumulated amortization as at August 31, 2018 amounted to \$7,536,547 and \$6,444,981, respectively.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

6. EMPLOYEE FUTURE BENEFITS

Information about the National Operation's defined benefit plans as at August 31, 2019 and 2018 is as follows:

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.

Prepaid pension costs (accrued benefit liability):

	2019		2018	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value	\$ 33,295,500	\$ -	\$ 32,934,900	\$ -
Accrued benefit obligation	(29,836,200)	(2,819,000)	(26,268,800)	(3,358,000)
Prepaid pension costs (accrued benefit liability)	\$ 3,459,300	\$ (2,819,000)	\$ 6,666,100	\$ (3,358,000)

Accrued benefit obligation:

	2019		2018	
	Pension	Other post-employment	Pension	Other post-employment
Accrued benefit obligation -				
Beginning of year	\$(26,268,800)	\$ (3,358,000)	\$(27,600,000)	\$ (3,652,000)
Current service cost	-	(25,000)	-	(38,000)
Interest cost	(1,342,200)	(178,000)	(1,336,700)	(183,000)
Benefits paid	1,890,100	219,000	1,732,200	238,000
Actuarial gain (loss)	(4,115,300)	523,000	935,700	277,000
Accrued benefit obligation -				
 End of year	\$(29,836,200)	\$ (2,819,000)	\$(26,268,800)	\$ (3,358,000)

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

6. EMPLOYEE FUTURE BENEFITS (continued)

Plan assets:

	2019		2018	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value -				
Beginning of year	\$ 32,934,900	\$ -	\$ 31,602,800	\$ -
Actual return on plan assets	2,250,700	-	3,064,300	-
Employer contributions	-	219,000	-	238,000
Benefits paid	(1,890,100)	(219,000)	(1,732,200)	(238,000)
Plan assets at fair value -				
End of year	\$ 33,295,500	\$ -	\$ 32,934,900	\$ -

Net benefit cost:

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

	2019		2018	
	Pension	Other post-employment	Pension	Other post-employment
Current service cost	\$ -	\$ 25,000	\$ -	\$ 38,000
Interest cost	1,342,200	178,000	1,336,700	183,000
Expected return on plan assets	(1,695,500)	-	(1,536,800)	-
Net benefit cost	\$ (353,300)	\$ 203,000	\$ (200,100)	\$ 221,000

Assumptions:

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

	2019		2018	
	Pension	Other post-employment	Pension	Other post-employment
Rate of compensation increase	2.65 %	- %	2.65 %	- %
Discount rate	5.30 %	5.30 %	5.30 %	5.30 %
Expected return on plan assets	5.15 %	- %	4.70 %	- %

The actual return on plan assets in fiscal 2019 was 6.83% (2018 - 9.70%).

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

6. EMPLOYEE FUTURE BENEFITS (continued)

Defined benefit plan:

The latest actuarial valuation of the pension plan for funding purposes was performed as at January 1, 2018. The next actuarial valuation is required to be completed as at January 1, 2021, 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, 2018 reported a solvency deficiency of \$899,300 and a going concern surplus of \$953,200 based on economic assumptions applicable at January 1, 2018. The National Operation is not required at this time to make additional contributions to eliminate the solvency deficiency under the Pension Benefits Act (Ontario).

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. During the year, the National Operation made employer contributions to the defined contribution plan of \$463,000 (2018 - \$471,900).

7. 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	\$ 7,097,952	\$ 7,401,946	\$ 7,097,952	\$ 7,401,946
Other programs	250	125,000	250	125,000
Scout Shops	125,407	40,874	49,781	116,500
XXXXXXXXXX	1,075,250	-	1,075,250	-
	\$ 8,298,859	\$ 7,567,820	\$ 8,223,233	\$ 7,643,446

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

7. DEFERRED REVENUE (continued)

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.

██████████ consists of participant and service team registration fees that were collected in advance of the ██████████ event which took place in July 2019.

8. 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.

9. FONDATION SCOUTS CANADA FOUNDATION

The National Operation has an economic interest in Fondation Scouts Canada Foundation ("the 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 \$168,000 (2018 - \$168,000) from the Foundation.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

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.

	2019	2018
All employees	\$ 11,460,783	\$ 12,015,904
Less: amounts recovered from Councils	1,738,870	1,831,581
	<u>\$ 9,721,913</u>	<u>\$ 10,184,323</u>

At year end, the National Operation has amounts receivable from the Councils totaling \$70,681 (2018 - \$142,689) relating to salaries and benefits, scholarships, telephone, travel and other expenses.

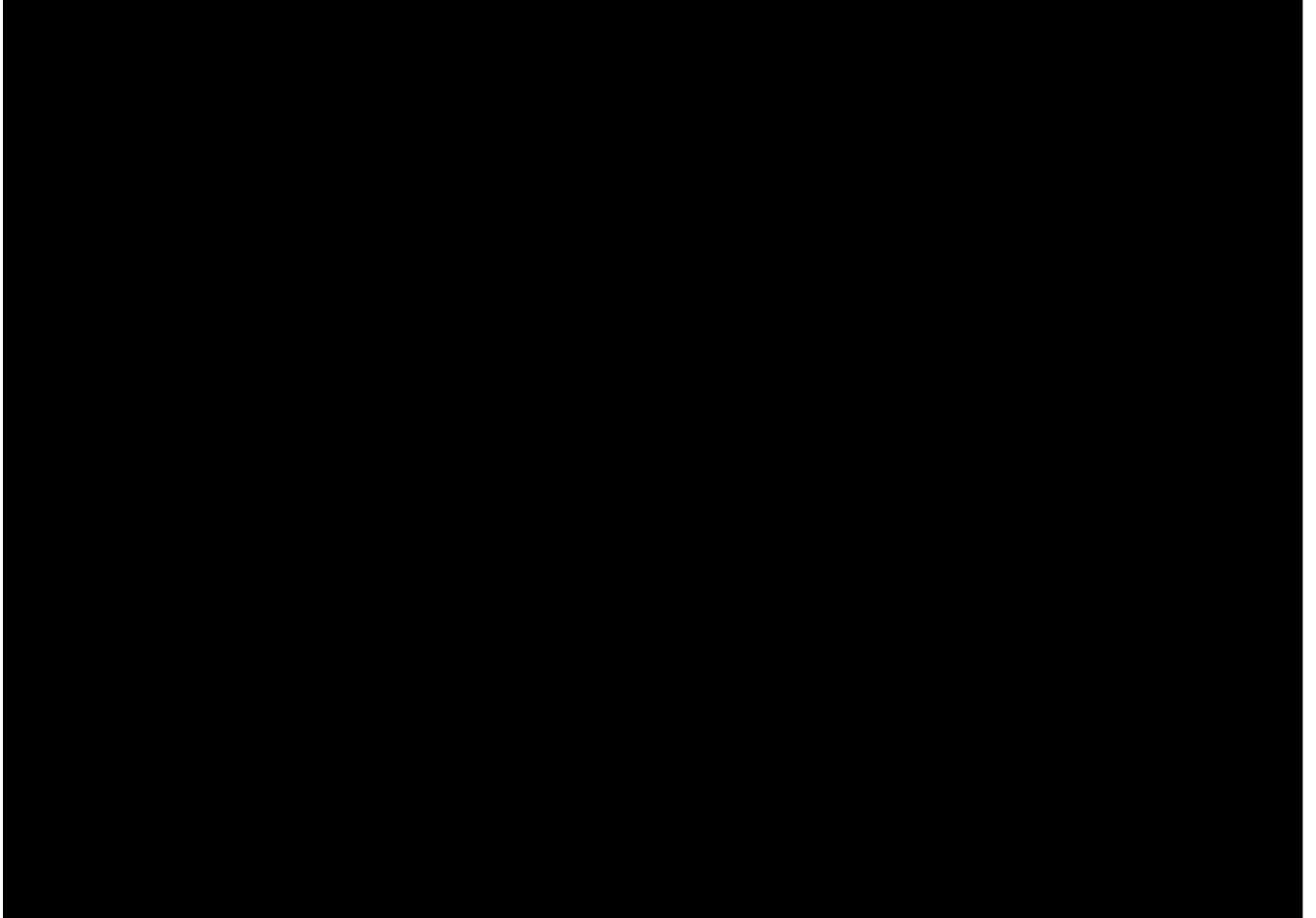
11.

[REDACTED] is a gathering of Scouts and Guides from over 150 countries from most of the 165 National Scouting Organizations around the world, taking place every four years. [REDACTED] took place on July 22 to August 2, 2019 at The [REDACTED]. Any excess funds received over funds disbursed in relation to this event have been recorded as an accrued liability as it is expected to be returned to the attendees in the upcoming year.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019



Other

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

13. COMMITMENTS

The National Operation is committed under a long-term operating lease for the rental of the Central Ontario Service Centre office until November 2019. Total payments remaining on this lease amount to \$42,971.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

14. FINANCIAL INSTRUMENTS

The National Operation's financial instruments consist of cash, amounts receivable, investments, and accounts payable and accrued liabilities.

Credit Risk Exposure

The National Operation is exposed to credit risk in the event of non-performance by counterparties in connection with its amounts receivable. The National Operation does not obtain collateral or other security to support the amounts receivable subject to credit risk but mitigates this risk by dealing only with what Management believes to be financially sound 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 3 and 4.

Interest Rate Risk

The National Operation is exposed to interest rate risk with respect to its interest-bearing investments, as disclosed in note 4.

Market Risk

The National Operation's investments in publicly-traded securities exposes the entity to price risks as equity investments are subject to price changes in an open market, as disclosed in note 4. The National Operation does not use derivative financial instruments to alter the effects of this risk.

Foreign Currency Risk

The National Operation enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. These assets and liabilities are of a short-term nature and Management does not believe they represent a significant risk to the entity. At year-end, the National Operation held U.S. dollar denominated cash of CAD \$17,145 (2018 - CAD \$36,816).

Liquidity Risk

Liquidity risk is the risk that the National Operation will have difficulty in meeting obligations associated with financial liabilities. The National Operation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The National Operation has a bank overdraft authorization limit of \$1,500,000 on its bank account to mitigate this risk.

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

SCOUTS CANADA NATIONAL OPERATION

SCHEDULE A - RESTRICTED AND ENDOWMENT FUNDS

For the year ended August 31, 2019

	Insurance	Brotherhood	International Participation		Total Restricted Funds		Total Restricted & Endowment Funds	
REVENUE								
Fundraising	\$ -	\$ 14,224	\$ -	\$ -	\$ 1,000,000	\$ 1,014,224	\$ -	\$ 1,014,224
donations	-	-	-	-	-	-	60,786	60,786
Investment	-	61,483	39,831	248,791	-	350,105	-	350,105
	-	75,707	39,831	248,791	1,000,000	1,364,329	60,786	1,425,115
EXPENSES								
Financial services	-	3,929	2,545	31,136	-	37,610	-	37,610
Administration	-	-	-	30,000	-	30,000	-	30,000
Compliance and governance	1,413,203	-	-	-	-	1,413,203	-	1,413,203
Human resources and volunteer services	-	-	-	-	445,288	445,288	-	445,288
Other	-	-	26,488	183,886	-	210,374	-	210,374
	1,413,203	3,929	29,033	245,022	445,288	2,136,475	-	2,136,475
Net revenue (expenses) before the undernoted	(1,413,203)	71,778	10,798	3,769	554,712	(772,146)	60,786	(711,360)
Unrealized losses on investments	-	(35,265)	(22,846)	(4,542)	-	(62,653)	-	(62,653)
Net revenue (expenses)	(1,413,203)	36,513	(12,048)	(773)	554,712	(834,799)	60,786	(774,013)
Fund balances - Beginning of year	4,052,351	859,681	472,292	841,605	1,000,000	7,225,929	3,660,562	10,886,491
Transfer from Operating Fund	350,000	-	-	-	-	350,000	-	350,000
Fund balances - End of year	\$ 2,989,148	\$ 896,194	\$ 460,244	\$ 840,832	\$ 1,554,712	\$ 6,741,130	\$ 3,721,348	\$ 10,462,478