

SCOUTS CANADA
FINANCIAL STATEMENTS
AUGUST 31, 2021

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

Opinion

We have audited the accompanying financial statements of Scouts Canada, which comprise the statement of financial position as at August 31, 2021, 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 Scouts Canada as at August 31, 2021, 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 Scouts Canada 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.

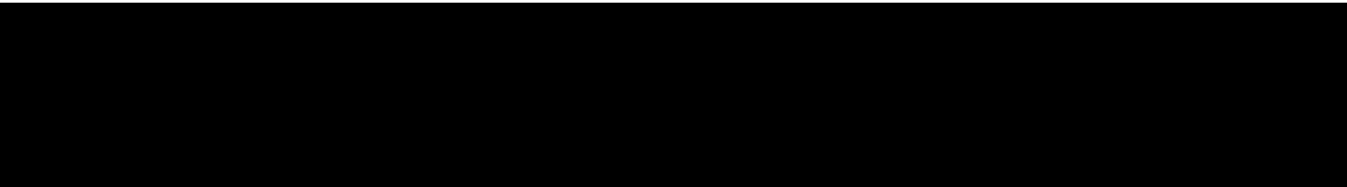
Emphasis of Matter - Restated Comparative Information

We draw attention to note 2 to the financial statements which explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

As part of our audit of the financial statements for the year ended August 31, 2021, we also audited the adjustments that were applied to restate certain of the comparative information presented for the year ended August 31, 2020. In our opinion, such adjustments are appropriate and have been properly applied.

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 Scouts Canada'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 Scouts Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Scouts Canada's financial reporting process.


Auditor's Responsibilities for the Audit of the Financial Statements

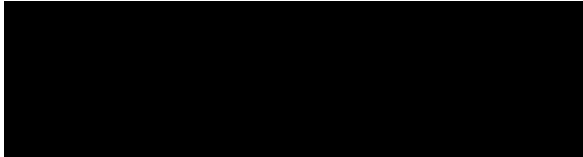
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Scouts Canada'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 Scouts Canada'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 Scouts Canada 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



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

SCOUTS CANADA

STATEMENT OF FINANCIAL POSITION

as at AUGUST 31, 2021

| | 2021 | (as restated - note 2) 2020 |
|------------------------------------------|----------------------|-----------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash (note 4) | \$ 13,141,777 | \$ 7,865,216 |
| Amounts receivable (note 5) | 618,157 | 1,367,644 |
| Inventories | 2,436,306 | 2,729,266 |
| Prepaid expenses and deposits | <u>779,040</u> | <u>954,558</u> |
| | 16,975,280 | 12,916,684 |
| OTHER ASSETS | | |
| Investments (note 6) | 36,336,020 | 42,444,918 |
| Capital assets (note 7) | 5,376,932 | 5,881,608 |
| Prepaid pension costs (note 8) | 9,063,300 | 5,798,200 |
| | <u>\$ 67,751,532</u> | <u>\$ 67,041,410</u> |
| LIABILITIES AND FUND BALANCES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 6,604,816 | \$ 4,756,630 |
| Deferred revenue (note 9) | <u>1,650,097</u> | <u>486,044</u> |
| | 8,254,913 | 5,242,674 |
| LONG-TERM LIABILITIES | | |
| Employee future benefits (note 8) | <u>2,687,000</u> | <u>3,059,000</u> |
| | 10,941,913 | 8,301,674 |
| FUND BALANCES | | |
| Operating Fund | 36,469,620 | 37,386,445 |
| Investment in capital assets | 5,376,932 | 5,881,608 |
| ██████████ Endowment Fund (Schedule A) | 4,475,231 | 4,169,117 |
| Restricted Funds (Schedule A) | <u>10,487,836</u> | <u>11,302,566</u> |
| | 56,809,619 | 58,739,736 |
| | <u>\$ 67,751,532</u> | <u>\$ 67,041,410</u> |

APPROVED ON BEHALF OF THE BOARD

Director

Director

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

SCOUTS CANADA

STATEMENT OF OPERATIONS

For the year ended AUGUST 31, 2021

| | Operating Fund | Restricted & Endowment Funds | 2021 | (as restated - note 2) 2020 |
|-------------------------------------------------------------------|-----------------------|------------------------------|-----------------------|-----------------------------|
| | | (Schedule A) | | |
| REVENUE | | | | |
| Membership fees | \$ 2,850,010 | \$ - | \$ 2,850,010 | \$ 10,471,630 |
| Retail | 1,316,020 | - | 1,316,020 | 2,744,839 |
| Fundraising | 2,730,882 | 1,225 | 2,732,107 | 4,530,645 |
| ██████████ donations | - | 306,114 | 306,114 | 447,769 |
| Investment and other (note 11) | 5,558,143 | 387,066 | 5,945,209 | 6,695,035 |
| | <u>12,455,055</u> | <u>694,405</u> | <u>13,149,460</u> | <u>24,889,918</u> |
| EXPENSES | | | | |
| Salaries and benefits | 9,078,336 | - | 9,078,336 | 9,921,716 |
| Retail | 1,215,392 | - | 1,215,392 | 1,847,458 |
| Program services | 166,479 | - | 166,479 | 244,068 |
| Grants | 23,350 | - | 23,350 | 124,861 |
| Technology services | 664,387 | - | 664,387 | 552,431 |
| Financial services | 407,954 | 48,823 | 456,777 | 653,261 |
| Marketing and communications | 520,854 | - | 520,854 | 606,623 |
| Fundraising | 1,725,759 | - | 1,725,759 | 2,904,940 |
| Administration | 163,893 | 31,861 | 195,754 | 556,747 |
| Compliance and governance | 1,106,380 | 3,928,953 | 5,035,333 | 1,451,254 |
| Human resources and volunteer services | 168,984 | 80,135 | 249,119 | 739,500 |
| Field operations | 1,376,329 | - | 1,376,329 | 2,082,815 |
| Field services | 124,466 | - | 124,466 | 223,971 |
| World Scout Jamboree | - | - | - | (5,964) |
| | <u>16,742,563</u> | <u>4,089,772</u> | <u>20,832,335</u> | <u>21,903,681</u> |
| Net revenue (expenses) before camps operations and the undernoted | <u>(4,287,508)</u> | <u>(3,395,367)</u> | <u>(7,682,875)</u> | <u>2,986,237</u> |
| CAMPS OPERATIONS | | | | |
| Revenue | 2,147,328 | - | 2,147,328 | 2,229,753 |
| Expenses | 3,503,863 | - | 3,503,863 | 3,934,629 |
| | <u>(1,356,535)</u> | <u>-</u> | <u>(1,356,535)</u> | <u>(1,704,876)</u> |
| Net revenue (expenses) before the undernoted | (5,644,043) | (3,395,367) | (9,039,410) | 1,281,361 |
| Unrealized gains (losses) on investments | 3,033,208 | 777,485 | 3,810,693 | (694,311) |
| NET REVENUE (EXPENSES) | \$ (2,610,835) | \$ (2,617,882) | \$ (5,228,717) | \$ 587,050 |

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

SCOUTS CANADA

STATEMENT OF CHANGES IN FUND BALANCES

For the year ended AUGUST 31, 2021

| | Operating Fund | Investment in capital assets | Restricted & Endowment Funds (Schedule A) | 2021 | 2020 |
|-----------------------------------------------------------------------------------------------------|---------------------|------------------------------------|-------------------------------------------------------|---------------------|---------------------|
| FUND BALANCES - BEGINNING OF YEAR, as previously stated | \$10,632,885 | \$ 571,311 | \$10,144,205 | \$21,348,401 | \$16,575,754 |
| Restatement (note 2) | <u>26,753,560</u> | <u>5,310,297</u> | <u>5,327,478</u> | <u>37,391,335</u> | <u>39,690,332</u> |
| FUND BALANCES - BEGINNING OF YEAR, as restated | 37,386,445 | 5,881,608 | 15,471,683 | 58,739,736 | 56,266,086 |
| Net revenue (expenses) | (2,610,835) | - | (2,617,882) | (5,228,717) | 587,050 |
| Change in investments in capital assets: | | | | | |
| Amortization of capital assets | 510,544 | (510,544) | - | - | - |
| Purchase of capital assets | (5,868) | 5,868 | - | - | - |
| Interfund transfers | (2,109,266) | - | 2,109,266 | - | - |
| Remeasurements and other items related to employee future benefits - pension | 2,960,600 | - | - | 2,960,600 | 2,155,600 |
| Remeasurements and other items related to employee future benefits - other post-employment | 338,000 | - | - | 338,000 | (269,000) |
| FUND BALANCES - END OF YEAR | \$36,469,620 | \$ 5,376,932 | \$14,963,067 | \$56,809,619 | \$58,739,736 |

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

SCOUTS CANADA

STATEMENT OF CASH FLOWS

For the year ended AUGUST 31, 2021

| | 2021 | (as restated - note 2) 2020 |
|-----------------------------------------------|----------------------|-----------------------------------|
| CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net revenue (expenses) | \$ (5,228,717) | \$ 587,050 |
| Items not affecting cash: | | |
| Amortization of capital assets | 510,544 | 677,436 |
| Unrealized (gains) losses on investments | (3,810,693) | 694,311 |
| Net change in non-cash working capital items: | | |
| Amounts receivable | 749,487 | 558,131 |
| Inventories | 292,960 | 337,579 |
| Prepaid expenses and deposits | 175,518 | (409,198) |
| Accounts payable and accrued liabilities | 1,848,186 | (1,257,658) |
| Deferred revenue | 1,164,053 | (7,157,402) |
| Changes relating to employee future benefits: | | |
| Remeasurements and other items | 3,298,600 | 1,886,600 |
| Prepaid pension costs and recoveries | (3,265,100) | (2,338,900) |
| Accrued employee future benefits | (372,000) | 240,000 |
| | <u>(4,637,162)</u> | <u>(6,182,051)</u> |
| INVESTING ACTIVITIES | | |
| Purchases of capital assets | (5,868) | (329,629) |
| Proceeds on sale of investments, net | <u>9,919,591</u> | <u>768,797</u> |
| | <u>9,913,723</u> | <u>439,168</u> |
| NET CHANGE IN CASH | 5,276,561 | (5,742,883) |
| CASH - BEGINNING OF YEAR | 7,865,216 | 13,608,099 |
| CASH - END OF YEAR | <u>\$ 13,141,777</u> | <u>\$ 7,865,216</u> |

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

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

1. ORGANIZATION

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

Scouts Canada was incorporated on June 12, 1914, by an Act of the Canadian Parliament and is a registered charity under the Income Tax Act (Canada), and as such is not subject to income taxes.

2. RESTATEMENT

The financial statements have been restated to include all assets, liabilities, revenues and expenses associated with the National Operation, Councils, camps and properties under the control of Scouts Canada. Previously, the financial statements included the assets, liabilities, revenues and expenses of the National Operation only. The individual Scout Groups and related properties were not included in these financial statements.

Comparative figures have been restated to include these activities and the increase to fund balances is a result of the following:

| | September 1, 2019 |
|------------------------------------------|----------------------|
| INCREASE IN ASSETS | |
| Cash | \$ 5,384,386 |
| Amounts receivable | 1,687,596 |
| Prepaid expenses and deposits | 148,131 |
| Investments | 29,360,563 |
| Capital assets | <u>5,582,111</u> |
| | 42,162,787 |
| INCREASE IN LIABILITIES | |
| Accounts payable and accrued liabilities | 2,472,455 |
| | <u>\$ 39,690,332</u> |

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

2. RESTATEMENT (continued)

In addition, the statement of financial position and the statement of operations, have been restated as follows as at and for the year ended August 31:

| | 2020 As previously reported | Change | 2020 As restated |
|------------------------------------------|-----------------------------------|-----------------------|----------------------|
| Cash | \$ 2,650,824 | \$ 5,214,392 | \$ 7,865,216 |
| Amounts receivable | 930,394 | 437,250 | 1,367,644 |
| Inventories | 2,729,266 | - | 2,729,266 |
| Prepaid expenses and deposits | 793,367 | 161,191 | 954,558 |
| Investments | 16,213,699 | 26,231,219 | 42,444,918 |
| Capital assets | 571,311 | 5,310,297 | 5,881,608 |
| Prepaid pension costs | 5,798,200 | - | 5,798,200 |
| ASSETS | \$ 29,687,061 | \$ 37,354,349 | \$ 67,041,410 |
| Accounts payable and accrued liabilities | \$ 4,027,032 | \$ 729,598 | \$ 4,756,630 |
| Deferred revenue | 486,044 | - | 486,044 |
| Employee future benefits | 3,059,000 | - | 3,059,000 |
| LIABILITIES | \$ 7,572,076 | \$ 729,598 | \$ 8,301,674 |
| Revenue | \$ 23,235,887 | \$ 1,654,031 | \$ 24,889,918 |
| Expenses | (21,011,163) | (892,518) | (21,903,681) |
| Camps operations, net | - | (1,704,876) | (1,704,876) |
| Unrealized losses on investments | (103,401) | (590,910) | (694,311) |
| NET REVENUE (EXPENSES) | \$ 2,121,323 | \$ (1,534,273) | \$ 587,050 |

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

3. 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 Scouts Canada and thus include all assets, liabilities, revenues and expenses associated with the National Operation, Councils, camps and properties under the control of Scouts Canada.

The financial statements do not include the revenue, expenses, assets and liabilities of Fondation Scouts Canada Foundation. In addition, the individual Scout Groups and related properties are not included in these financial statements.

Fund Accounting

Scouts Canada follows the restricted fund method of accounting for contributions for not-for-profit organizations.

The Operating Fund accounts for Scouts Canada's program delivery, retail sales and administrative activities. Restricted funds report the revenue, expenses and fund balances of the activities of Scouts Canada 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.

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] [REDACTED] Endowment Fund and the amounts paid to the World Scout Foundation from the investment income earned.

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

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The other restricted fund reports revenue and expenses related to externally restricted funds that support specific geographies, properties, and projects.

Inventories

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

Expenses

In the Statement of Operations, Scouts Canada presents its expenses by function, except for 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. Scouts Canada 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 Scouts Canada 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.

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.

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the establishment of useful lives and related amortization rates of capital assets, Management's accrual of contingent liabilities and assumptions used to actuarially determine the prepaid pension costs and accrued employee future benefits liability.

Capital Assets

Capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to Scouts Canada's ability to provide services, its carrying amount is written down to its residual value. Amortization is on a straight-line basis as follows:

| | |
|--------------------------------|--------------|
| Buildings and camps | - 5-20 years |
| Office furniture and equipment | - 5 years |
| Computer hardware and software | - 3 years |

Capital 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

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

3. 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, camps and other 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.

Government Assistance

Scouts Canada has applied for Government assistance relating to expenses. Assistance received is recorded in other revenue when the related expenditures are incurred.

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

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

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefit Plans (continued)

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 8.

Scouts Canada uses the immediate recognition approach to account for the above plans. Scouts Canada 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 Scouts Canada's fiscal year. The most recent actuarial valuation of the defined benefit pension plan for funding purposes was as of January 1, 2020 and the next required valuation will be as of January 1, 2023.

In years between valuations, Scouts Canada uses a roll-forward technique to estimate the accrued benefit obligation. Scouts Canada 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.

4. CASH

Included in cash is \$4,645,242 held for various properties.

5. AMOUNTS RECEIVABLE

| | 2021 | 2020 |
|---------------------------------------|-------------------|---------------------|
| Amounts receivable | \$ 576,793 | \$ 790,614 |
| Government receivables | <u>44,661</u> | <u>580,327</u> |
| | 621,454 | 1,370,941 |
| Less: Allowance for doubtful accounts | (3,297) | (3,297) |
| | <u>\$ 618,157</u> | <u>\$ 1,367,644</u> |

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

6. INVESTMENTS

Scouts Canada holds investments at fair value for the following purposes:

| | 2021 | 2020 |
|----------------------------------|---------------------|---------------------|
| Operating Fund: | | |
| Employee future benefits | \$ - | \$ 1,596,590 |
| Properties | 3,519,577 | 2,997,063 |
| Other operating | <u>20,155,855</u> | <u>26,723,636</u> |
| | <u>23,675,432</u> | <u>31,317,289</u> |
| Restricted and Endowment Funds: | | |
| Insurance Fund | 5,577,133 | 4,941,152 |
| Brotherhood Fund | 945,370 | 852,481 |
| International Participation Fund | 612,441 | 552,264 |
| ██████████ Funds | <u>5,525,644</u> | <u>4,781,732</u> |
| | 12,660,588 | 11,127,629 |
| | <u>\$36,336,020</u> | <u>\$42,444,918</u> |

These funds are invested in the following securities:

| | 2021 | 2020 |
|------------------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 263,641 | \$ 253,254 |
| Mutual funds: | | |
| ██████████ | 5,492,044 | 4,781,732 |
| Other | 14,657,374 | 14,429,030 |
| Other | 1,414,770 | 1,339,203 |
| Guaranteed investment certificates | 530,785 | 3,029,730 |
| Fixed income securities | 3,292,129 | 3,442,674 |
| Common and preferred shares | 9,390,092 | 7,324,607 |
| Other, including non-related Foundations | 1,295,185 | 7,844,688 |
| | <u>\$36,336,020</u> | <u>\$42,444,918</u> |

Included above are \$11,950,783 (2020 - \$9,497,762) of investments that are designated funds with Provincial Council for Ontario; Boy Scouts of Canada (OIB) directly attributable to Councils.

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

7. CAPITAL ASSETS

| | Cost | Accumulated Amortization | 2021 Net Book Value | 2020 Net Book Value |
|--------------------------------|----------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 735,582 | \$ - | \$ 735,582 | \$ 735,582 |
| Buildings and camps | 21,791,746 | 17,207,032 | 4,584,714 | 5,057,654 |
| Office furniture and equipment | 1,600,564 | 1,552,004 | 48,560 | 71,497 |
| Computer hardware and software | 2,533,181 | 2,525,105 | 8,076 | 16,875 |
| | \$ 26,661,073 | \$ 21,284,141 | \$ 5,376,932 | \$ 5,881,608 |

Cost and accumulated amortization as at August 31, 2020 amounted to \$26,616,491 and \$20,734,883, respectively.

Certain provincial organizations hold title to properties (including land, buildings and camps) located in the respective province. These properties are beneficially owned, managed and used by Scouts Canada in their operation and are thus reported in these financial statements.

8. EMPLOYEE FUTURE BENEFITS

Information about Scouts Canada's defined benefit plans as at August 31, 2021 and 2020 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):

| | 2021 | | 2020 | |
|---------------------------------------------------|---------------------|---------------------------|---------------------|---------------------------|
| | Pension | Other post- employment | Pension | Other post- employment |
| Plan assets at fair value | \$ 37,353,100 | \$ - | \$ 34,538,900 | \$ - |
| Accrued benefit obligation | (28,289,800) | (2,687,000) | (28,740,700) | (3,059,000) |
| Prepaid pension costs (accrued benefit liability) | \$ 9,063,300 | \$ (2,687,000) | \$ 5,798,200 | \$ (3,059,000) |

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

8. EMPLOYEE FUTURE BENEFITS (continued)

Accrued benefit obligation:

| | 2021 | | 2020 | |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Pension | Other post-employment | Pension | Other post-employment |
| Accrued benefit obligation - | | | | |
| Beginning of year | \$(28,740,700) | \$ (3,059,000) | \$(29,836,200) | \$ (2,819,000) |
| Current service cost | - | (28,000) | - | (23,000) |
| Interest cost | (1,458,800) | (161,000) | (1,521,400) | (150,000) |
| Benefits paid | 1,909,700 | 223,000 | 2,262,600 | 202,000 |
| Actuarial gain (loss) | - | 338,000 | 354,300 | (269,000) |
| Accrued benefit obligation - | | | | |
| End of year | \$(28,289,800) | \$ (2,687,000) | \$(28,740,700) | \$ (3,059,000) |

Plan assets:

| | 2021 | | 2020 | |
|------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Pension | Other post-employment | Pension | Other post-employment |
| Plan assets at fair value - | | | | |
| Beginning of year | \$ 34,538,900 | \$ - | \$ 33,295,500 | \$ - |
| Actual return on plan assets | 4,723,900 | - | 3,506,000 | - |
| Employer contributions | - | 223,000 | - | 202,000 |
| Benefits paid | (1,909,700) | (223,000) | (2,262,600) | (202,000) |
| Plan assets at fair value - | | | | |
| End of year | \$ 37,353,100 | \$ - | \$ 34,538,900 | \$ - |

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

| | 2021 | | 2020 | |
|--------------------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Pension | Other post-employment | Pension | Other post-employment |
| Current service cost | \$ - | \$ 28,000 | \$ - | \$ 23,000 |
| Interest cost | 1,458,800 | 161,000 | 1,521,400 | 150,000 |
| Expected return on plan assets | (1,763,300) | - | (1,704,700) | - |
| Net benefit cost (income) | \$ (304,500) | \$ 189,000 | \$ (183,300) | \$ 173,000 |

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

8. EMPLOYEE FUTURE BENEFITS (continued)

The components of the remeasurements and other items related to employee future benefits included in the Statement of Changes in Fund Balances are:

| | 2021 | | 2020 | |
|---------------------------------------------------------------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Pension | Other post-employment | Pension | Other post-employment |
| Actuarial gain on plan assets | | | | |
| Actual return on plan assets | \$ 4,723,900 | \$ - | \$ 3,506,000 | \$ - |
| Expected return on plan assets | <u>1,763,300</u> | <u>-</u> | <u>1,704,700</u> | <u>-</u> |
| | <u>2,960,600</u> | <u>-</u> | <u>1,801,300</u> | <u>-</u> |
| Actuarial gain (loss) on benefit obligation | | | | |
| Actual benefit obligation | (28,289,800) | (2,687,000) | (28,740,700) | (3,059,000) |
| Expected benefit obligation | <u>(28,289,800)</u> | <u>(3,025,000)</u> | <u>(29,095,000)</u> | <u>(2,790,000)</u> |
| | - | 338,000 | 354,300 | (269,000) |
| Remeasurements and other items related to employee future benefits | \$ 2,960,600 | \$ 338,000 | \$ 2,155,600 | \$ (269,000) |

Assumptions:

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

| | 2021 | | 2020 | |
|--------------------------------|---------|-----------------------|---------|-----------------------|
| | Pension | Other post-employment | Pension | Other post-employment |
| Rate of compensation increase | 2.55 % | - % | 2.55 % | - % |
| Discount rate | 5.25 % | 5.25 % | 5.25 % | 5.25 % |
| Expected return on plan assets | 5.40 % | - % | 5.50 % | - % |

The actual return on plan assets in fiscal 2021 was 14.5% (2020 - 11.3%).

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

8. EMPLOYEE FUTURE BENEFITS (continued)

Defined benefit plan:

The latest actuarial valuation of the pension plan for funding purposes was performed as at January 1, 2020. The next actuarial valuation is required to be completed as at January 1, 2023, 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, 2020 reported a solvency excess of \$954,600 and a going concern surplus of \$2,627,800 based on economic assumptions applicable at January 1, 2020. As the Plan is fully funded on both a solvency and going concern basis, the National Operation is not required at this time to make additional contributions or special payments under the Pension Benefits Act (Ontario).

Defined contribution plan:

Effective January 1, 2010, Scouts Canada created a defined contribution plan available to all employees of Scouts Canada who meet the eligibility requirements specified in the Plan Agreement. During the year, Scouts Canada made employer contributions to the defined contribution plan of \$514,100 (2020 - \$476,300).

9. 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 | \$ - | \$ 4,276,262 | \$ 2,850,010 | \$ 1,426,252 |
| Other programs | 377,002 | 117,636 | 377,002 | 117,636 |
| Scout Shops | 109,042 | 14,050 | 16,883 | 106,209 |
| | \$ 486,044 | \$ 4,407,948 | \$ 3,243,895 | \$ 1,650,097 |

Membership consists of fees collected in advance of the Scouting year, which runs from January 1 to December 31. Due to the COVID-19 global pandemic, in the prior year, registration was not opened to the membership. As a result, there were no memberships received in advance of the prior fiscal year.

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

9. 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.

10. FONDATION SCOUTS CANADA FOUNDATION

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

Scouts Canada received donations of \$168,000 (2020 - \$364,000) from the Foundation.

11. INVESTMENT AND OTHER INCOME

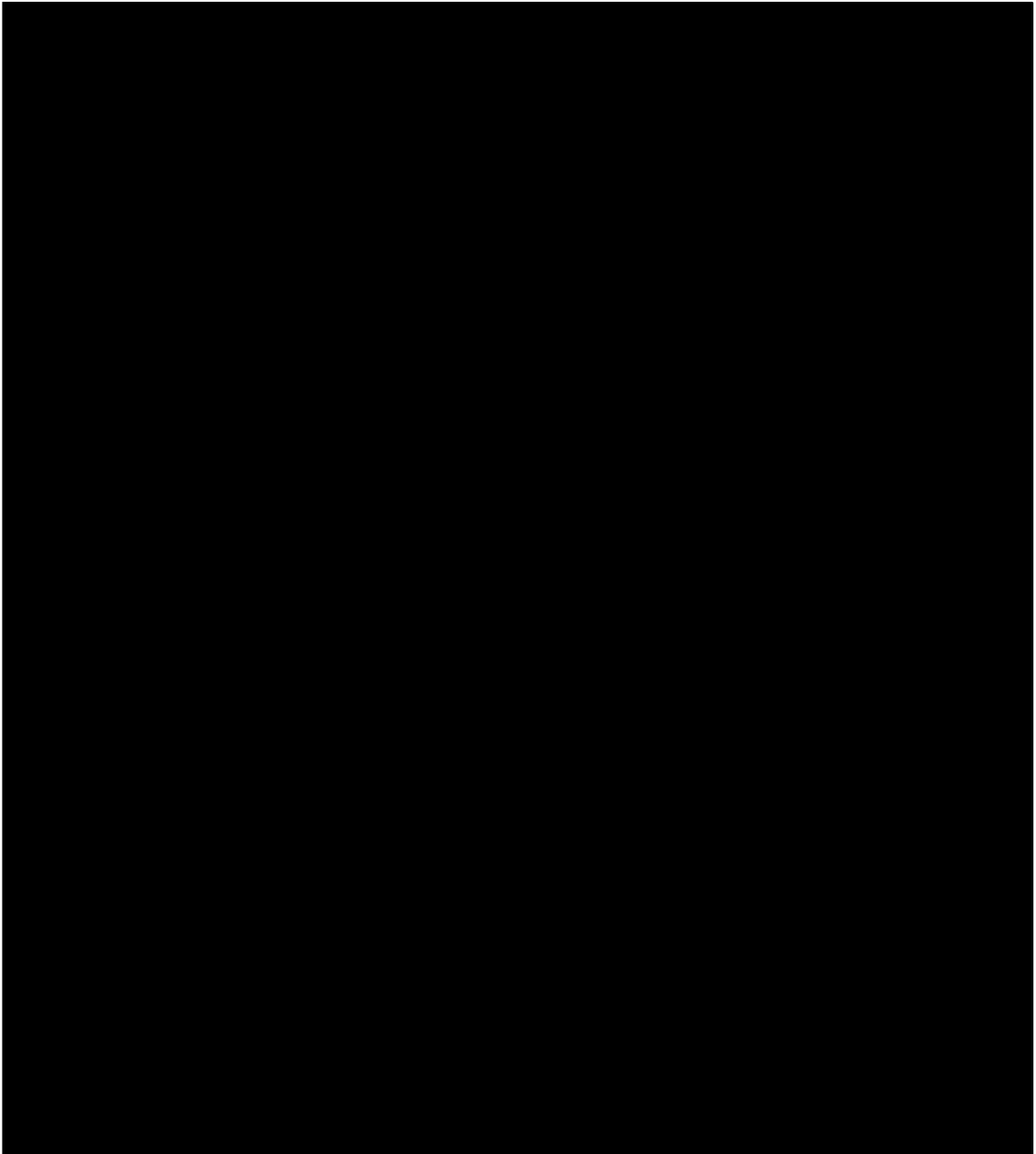
On March 11, 2020, the World Health Organization categorized COVID-19 as a global pandemic. As a result, the federal government has introduced a variety of financial support programs to aid those impacted by the outbreak. During the year, Scouts Canada has recognized \$3,150,557 (2020 - \$2,713,239) in relation to the Canada Emergency Wage Subsidy program.

Also included in other revenue are various donations and grants.

SCOUTS CANADA
NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

12.

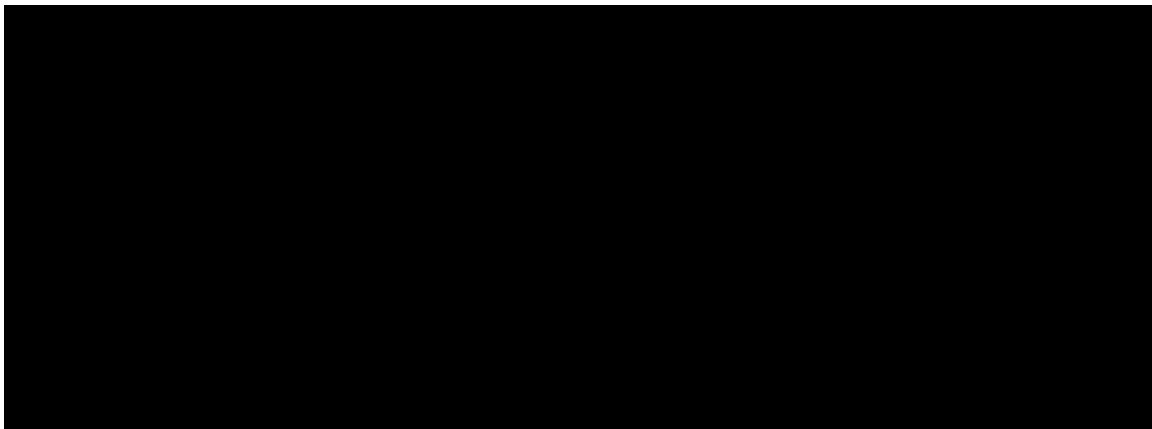


SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

12.



13. FINANCIAL INSTRUMENTS

Scouts Canada's financial instruments consist of cash, amounts receivable, investments, and accounts payable and accrued liabilities.

Credit Risk Exposure

Scouts Canada is exposed to credit risk in the event of non-performance by counterparties in connection with its amounts receivable. Scouts Canada 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 government agencies and public companies. Scouts Canada's credit risk relates to receivables and investments as disclosed in notes 5 and 6.

Interest Rate Risk

Scouts Canada is exposed to interest rate risk with respect to its interest-bearing investments, as disclosed in note 6.

Market Risk

Scouts Canada'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 6. Scouts Canada does not use derivative financial instruments to alter the effects of this risk.

Foreign Currency Risk

Scouts Canada 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, Scouts Canada held U.S. dollar denominated cash of CAD \$2,145 (2020 - CAD \$4,742).

SCOUTS CANADA

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021

13. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

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

Scouts Canada believes that it is not exposed to significant financial risks arising from its financial instruments.

14. OTHER RESTRICTED FUNDS

The other restricted funds are presented in Schedule A. The balances at the end of the year consist of the following:

| | 2021 |
|----------------------------------------------|---------------------|
| Funds held by OIB | \$ 1,082,540 |
| Funds held by Saskatchewan Scout Foundation | 1,521,782 |
| Funds held by Vancouver Community Foundation | 443,577 |
| Funds held by Hamilton Community Foundation | 259,373 |
| ████████████████████ | 670,690 |
| ████████████████████ | 364,108 |
| Other funds | 985,408 |
| | <u>\$ 5,327,478</u> |

Other funds contain a number of externally restricted funds that support specific geographies, properties, and projects.

SCOUTS CANADA

SCHEDULE A - RESTRICTED AND ENDOWMENT FUNDS

For the year ended August 31, 2021

| | Internal | | | External | | | Total Restricted Funds | External Endowment | Total Restricted and Endowment Funds |
|----------------------------------------------|-------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|------------------------|---------------------|--------------------------------------|
| | Insurance | Brotherhood | International Participation | | Family | Other | | | |
| REVENUE | | | | | | | | | |
| Fundraising | \$ - | \$ 1,225 | \$ - | \$ - | \$ - | \$ - | \$ 1,225 | \$ - | \$ 1,225 |
| donations | - | - | - | - | - | - | - | 306,114 | 306,114 |
| Investment | - | 63,353 | 41,042 | 164,018 | 118,653 | - | 387,066 | - | 387,066 |
| | - | 64,578 | 41,042 | 164,018 | 118,653 | - | 388,291 | 306,114 | 694,405 |
| EXPENSES | | | | | | | | | |
| Financial services | - | 4,137 | 2,685 | 34,266 | 7,735 | - | 48,823 | - | 48,823 |
| Administration | - | 1,305 | - | 30,556 | - | - | 31,861 | - | 31,861 |
| Compliance and governance | 3,928,953 | - | - | - | - | - | 3,928,953 | - | 3,928,953 |
| Human resources and volunteer services | - | - | - | - | 80,135 | - | 80,135 | - | 80,135 |
| | 3,928,953 | 5,442 | 2,685 | 64,822 | 87,870 | - | 4,089,772 | - | 4,089,772 |
| Net revenue (expenses) before the undernoted | (3,928,953) | 59,136 | 38,357 | 99,196 | 30,783 | - | (3,701,481) | 306,114 | (3,395,367) |
| Unrealized gains (losses) on investments | - | 97,370 | 63,079 | 617,036 | - | - | 777,485 | - | 777,485 |
| Net revenue (expenses) | (3,928,953) | 156,506 | 101,436 | 716,232 | 30,783 | - | (2,923,996) | 306,114 | (2,617,882) |
| Fund balances - Beginning of year | 2,586,152 | 925,789 | 478,632 | 921,933 | 1,062,582 | 5,327,478 | 11,302,566 | 4,169,117 | 15,471,683 |
| Transfer from/to Operating Fund | 2,109,266 | - | - | - | - | - | 2,109,266 | - | 2,109,266 |
| Fund balances - End of year | \$ 766,465 | \$ 1,082,295 | \$ 580,068 | \$ 1,638,165 | \$ 1,093,365 | \$ 5,327,478 | \$ 10,487,836 | \$ 4,475,231 | \$ 14,963,067 |