

SCOUTS CANADA NATIONAL OPERATION

FINANCIAL STATEMENTS

AUGUST 31, 2018

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



CHARTERED
PROFESSIONAL
ACCOUNTANTS

KELLY HUIBERS MCNEELY

PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S 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, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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.

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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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Scouts Canada National Operation for the year ended August 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on November 17, 2017.

Kelly Huibers McNeely
Professional Corporation

Stittsville, Ontario
November 07, 2018

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

SCOUTS CANADA NATIONAL OPERATION

STATEMENT OF FINANCIAL POSITION

as at AUGUST 31, 2018

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 6,821,333	\$ 6,459,556
Amounts receivable (note 3)	377,552	502,918
Inventories	3,590,814	4,057,897
Prepaid expenses and deposits	<u>1,550,075</u>	<u>448,751</u>
	12,339,774	11,469,122
OTHER ASSETS		
Investments (note 4)	15,548,252	14,505,450
Tangible capital and intangible assets (note 5)	1,091,566	1,527,867
Prepaid pension costs (note 6)	6,666,100	4,002,800
	<u>\$ 35,645,692</u>	<u>\$ 31,505,239</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,183,288	\$ 2,196,666
Deferred revenue (note 7)	<u>8,298,859</u>	<u>7,152,913</u>
	10,482,147	9,349,579
LONG-TERM LIABILITIES		
Deferred capital contributions (note 8)	277,202	554,405
Employee future benefits (note 6)	<u>3,358,000</u>	<u>3,652,000</u>
	14,117,349	13,555,984
FUND BALANCES		
Operating Fund	9,827,488	6,634,035
Investment in tangible capital and intangible assets	814,364	973,462
World Scout Foundation Endowment Fund (Schedule A)	3,660,562	3,626,505
Restricted Funds (Schedule A)	<u>7,225,929</u>	<u>6,715,253</u>
	21,528,343	17,949,255
	<u>\$ 35,645,692</u>	<u>\$ 31,505,239</u>

APPROVED ON BEHALF OF THE BOARD

Director

Director

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

SCOUTS CANADA NATIONAL OPERATION

STATEMENT OF OPERATIONS

For the year ended AUGUST 31, 2018

	Operating Fund	Restricted & Endowment Funds	2018	2017
		(Schedule A)		
REVENUE				
Membership fees	\$ 10,615,769	\$ -	\$ 10,615,769	\$ 11,041,989
Retail	4,254,299	-	4,254,299	4,975,400
Fundraising	4,324,321	16,962	4,341,283	5,843,094
World Scout Foundation donations	-	34,057	34,057	29,903
Investment and other	1,985,339	319,138	2,304,477	2,517,979
Canadian Jamboree (note 11)	40,110	-	40,110	3,611,323
	<u>21,219,838</u>	<u>370,157</u>	<u>21,589,995</u>	<u>28,019,688</u>
EXPENSES				
Salaries and benefits (note 10)	12,015,904	-	12,015,904	11,407,789
Recovery of salaries and benefits (note 10)	(1,831,581)	-	(1,831,581)	(1,592,623)
Retail	2,766,783	-	2,766,783	3,390,068
Program services	186,971	-	186,971	310,299
Grants	125,530	-	125,530	109,655
Technology services	360,697	-	360,697	386,214
Financial services	733,055	37,588	770,643	891,112
Marketing and communications	265,406	-	265,406	443,811
Fundraising	2,921,619	-	2,921,619	2,936,987
Administration	636,340	40,335	676,675	723,157
Compliance and governance	589,926	249,000	838,926	1,511,000
Human resources and volunteer services	376,289	-	376,289	354,826
Field operations	731,057	-	731,057	749,209
Field services	753,098	-	753,098	834,762
Canadian Jamboree - direct expenses (note 11)	-	-	-	3,459,926
Other	-	173,223	173,223	202,197
	<u>20,631,094</u>	<u>500,146</u>	<u>21,131,240</u>	<u>26,118,389</u>
Net revenue (expenses) before the undernoted	588,744	(129,989)	458,755	1,901,299
Unrealized gains on investments	230,582	149,551	380,133	235,000
NET REVENUE	\$ 819,326	\$ 19,562	\$ 838,888	\$ 2,136,299

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, 2018

	Operating Fund	Investment in tangible capital and intangible assets	Restricted & Endowment Funds	2018	2017
			(Schedule A)		
FUND BALANCES -					
BEGINNING OF YEAR	\$ 6,634,035	\$ 973,462	\$10,341,758	\$17,949,255	\$17,066,956
Net revenue	819,326	-	19,562	838,888	2,136,299
Change in investments in tangible capital and intangible assets:					
Amortization of tangible and intangible assets	503,977	(503,977)	-	-	-
Purchase of tangible capital and intangible assets	(67,676)	67,676	-	-	-
Amortization of deferred capital contributions	(277,203)	277,203	-	-	-
Interfund transfers	(525,171)	-	525,171	-	-
Remeasurements and other items related to employee future benefits	2,740,200	-	-	2,740,200	(1,254,000)
FUND BALANCES -					
END OF YEAR	\$ 9,827,488	\$ 814,364	\$10,886,491	\$21,528,343	\$17,949,255

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, 2018

	2018	2017
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue	\$ 838,888	\$ 2,136,299
Items not affecting cash:		
Amortization of deferred capital contributions	(277,203)	(277,202)
Amortization of tangible capital and intangible assets	503,977	498,263
Unrealized gains on investments	(380,133)	(235,000)
Net change in non-cash working capital items:		
Amounts receivable	125,366	(234,631)
Inventories	467,083	(467,589)
Prepaid expenses and deposits	(1,101,324)	16,535
Accounts payable and accrued liabilities	(13,378)	231,241
Deferred revenue	1,145,946	17,476
Changes relating to employee future benefits		
Remeasurements and other items	2,740,200	(1,254,000)
Prepaid pension costs and recoveries	(2,663,300)	924,000
Accrued employee future benefits	<u>(294,000)</u>	<u>33,000</u>
	<u>1,092,122</u>	<u>1,388,392</u>
INVESTING ACTIVITIES		
Purchases of tangible capital and intangible assets	(67,676)	(950,007)
Proceeds (purchases) of investments, net	<u>(662,669)</u>	<u>116,409</u>
	<u>(730,345)</u>	<u>(833,598)</u>
FINANCING ACTIVITIES		
Principal payments on loans payable to related parties	-	(105,000)
Increased in deferred capital contributions	<u>-</u>	<u>831,607</u>
	<u>-</u>	<u>726,607</u>
NET CHANGE IN CASH	361,777	1,281,401
CASH - BEGINNING OF YEAR	6,459,556	5,178,155
CASH - END OF YEAR	\$ 6,821,333	\$ 6,459,556

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

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2018

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, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The World Scout Foundation Endowment Fund reports donations received for the benefit of the World Scout Bureau. These donations are held in perpetuity.

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

The Clark Family Fund reports the revenue and expenses related to a bequest received by Scouts Canada from the Clark Family.

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, 2018

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, 2018

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, 2018

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

	2018	2017
Amounts receivable	\$ 340,959	\$ 270,394
Membership fees receivable	2,338	4,530
Sales taxes receivable	<u>35,405</u>	<u>240,224</u>
	378,702	515,148
Less: Allowance for doubtful accounts	(1,150)	(12,230)
	<u>\$ 377,552</u>	<u>\$ 502,918</u>

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2018

4. INVESTMENTS

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

	2018	2017
Operating Fund:		
Employee future benefits	\$ 1,536,081	\$ 1,411,567
Other operating	<u>2,995,270</u>	<u>2,753,608</u>
	<u>4,531,351</u>	<u>4,165,175</u>
Restricted & Endowment Funds:		
Insurance Fund	5,115,850	4,700,028
Brotherhood Fund	820,173	753,690
International Participation Fund	531,334	488,264
World Scout Foundation Funds	<u>4,549,544</u>	<u>4,398,293</u>
	11,016,901	10,340,275
	<u>\$15,548,252</u>	<u>\$14,505,450</u>

Investments consist of units held in the following mutual funds:

	2018	2017
JF Money Market Fund	\$ 6,783	\$ -
JF Global Balanced Fund	4,542,761	4,398,293
BG Balanced Fund Class I	10,998,708	10,107,157
	<u>\$15,548,252</u>	<u>\$14,505,450</u>

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2018

5. TANGIBLE CAPITAL AND INTANGIBLE ASSETS

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Tangible capital:				
Land	\$ 15,015	\$ -	\$ 15,015	\$ 15,015
Building	1,484,733	1,425,594	59,139	88,709
Betterment	3,278,373	2,643,183	635,190	791,418
Office furniture and equipment	472,543	399,206	73,337	11,086
Computer hardware	48,049	45,563	2,486	5,469
Scout Shop equipment and renovations	51,048	51,048	-	-
Intangible assets:				
Computer software	658,947	629,750	29,197	61,765
Membership system	696,232	696,232	-	-
Donated software	831,607	554,405	277,202	554,405
	\$ 7,536,547	\$ 6,444,981	\$ 1,091,566	\$ 1,527,867

Cost and accumulated amortization as at August 31, 2017 amounted to \$7,468,869 and \$5,941,002, respectively.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2018

6. EMPLOYEE FUTURE BENEFITS

Information about the National Operation's defined benefit plans as at August 31, 2018 and 2017 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):

	2018		2017	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value	\$ 32,934,900	\$ -	\$ 31,602,800	\$ -
Accrued benefit obligation	(26,268,800)	(3,358,000)	(27,600,000)	(3,652,000)
Prepaid pension costs (accrued benefit liability)	\$ 6,666,100	\$ (3,358,000)	\$ 4,002,800	\$ (3,652,000)

Accrued benefit obligation:

	2018		2017	
	Pension	Other post-employment	Pension	Other post-employment
Accrued benefit obligation -				
Beginning of year	\$(27,600,000)	\$ (3,652,000)	\$(27,585,700)	\$ (3,619,000)
Current service cost	-	(38,000)	-	(38,000)
Interest cost	(1,336,700)	(183,000)	(1,337,000)	(181,000)
Benefits paid	1,732,200	238,000	1,690,400	226,000
Actuarial gain (loss)	935,700	277,000	(367,700)	(40,000)
Accrued benefit obligation -				
End of year	\$(26,268,800)	\$ (3,358,000)	\$(27,600,000)	\$ (3,652,000)

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2018

6. EMPLOYEE FUTURE BENEFITS (continued)

Plan assets:

	2018		2017	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value -				
Beginning of year	\$ 31,602,800	\$ -	\$ 32,238,400	\$ -
Actual return on plan assets	3,064,300	-	692,800	-
Employer contributions	-	238,000	362,000	226,000
Benefits paid	(1,732,200)	(238,000)	(1,690,400)	(226,000)
Plan assets at fair value -				
End of year	\$ 32,934,900	\$ -	\$ 31,602,800	\$ -

Net benefit cost:

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

	2018		2017	
	Pension	Other post-employment	Pension	Other post-employment
Current service cost	\$ -	\$ 38,000	\$ -	\$ 38,000
Interest cost	1,336,700	183,000	1,337,000	181,000
Expected return on plan assets	(1,536,800)	-	(1,578,700)	-
Net benefit cost	\$ (200,100)	\$ 221,000	\$ (241,700)	\$ 219,000

Assumptions:

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

	2018		2017	
	Pension	Other post-employment	Pension	Other post-employment
Rate of compensation increase	2.65 %	- %	2.70 %	- %
Discount rate	5.30 %	5.30 %	5.00 %	5.00 %
Expected return on plan assets	4.70 %	- %	4.90 %	- %

The actual return on plan assets in fiscal 2018 was 9.70% (2017 - 2.15%).

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2018

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). In fiscal 2017, the National Operation made additional contributions of \$362,000.

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 2018 - \$471,900 (2017 - \$226,000).

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	\$ 6,876,900	\$ 7,097,952	\$ 6,876,900	\$ 7,097,952
Other programs	132,500	250	132,500	250
Scout Shops	143,513	15,015	33,121	125,407
World Jamboree	-	1,075,250	-	1,075,250
	\$ 7,152,913	\$ 8,188,467	\$ 7,042,521	\$ 8,298,859

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2018

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.

World Jamboree consists of participant and service team registration fees that were collected in advance of the World Jamboree event which will take 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 \$171,582 (2017 - \$171,655) from the Foundation.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2018

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.

	2018	2017
All employees	\$ 12,015,904	\$ 11,407,789
Less amounts recovered from Councils	1,831,581	1,592,623
	\$ 10,184,323	\$ 9,815,166

At year end, the National Operation has amounts receivable from the Councils totaling \$142,689 (2017 - \$9,808) relating to salaries and benefits.

11. CANADIAN JAMBOREE

In 2017, Scouts Canada National Operation held their 13th Canadian Jamboree at Camp Nedooae in Elderbank, Nova Scotia. 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.

12. CONTINGENT LIABILITIES

Legal Claims

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

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

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2018

12. CONTINGENT LIABILITIES (continued)

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

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

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

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 long-term operating leases for the rental of Scouts Shops and administrative centres. Minimum annual payments are approximately:

2019	\$ 194,883
2020	46,865
2021	3,894
2022	3,894
2023	2,596

SCOUTS CANADA NATIONAL OPERATION

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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 \$36,816 (2017 - CAD \$31,799).

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 & ENDOWMENT FUNDS

For the year ended August 31, 2018

	Insurance	Brotherhood	International Participation	World Scout Foundation	Clark Family	Total Restricted Funds	World Scout Foundation Endowment	Total Restricted & Endowment Funds
REVENUE								
Fundraising	\$ -	\$ 16,962	\$ -	\$ -	\$ -	\$ 16,962	\$ -	\$ 16,962
World Scout Foundation donations	-	-	-	-	-	-	34,057	34,057
Investment	-	51,065	33,081	234,992	-	319,138	-	319,138
	-	68,027	33,081	234,992	-	336,100	34,057	370,157
EXPENSES								
Financial services	-	3,849	2,494	31,245	-	37,588	-	37,588
Compliance and governance	249,000	-	-	-	-	249,000	-	249,000
Administration	-	10,335	-	30,000	-	40,335	-	40,335
Other	-	-	6,117	167,106	-	173,223	-	173,223
	249,000	14,184	8,611	228,351	-	500,146	-	500,146
Net revenue (expenses) before the undernoted	(249,000)	53,843	24,470	6,641	-	(164,046)	34,057	(129,989)
Unrealized gains on investments	-	19,603	12,700	117,248	-	149,551	-	149,551
Net revenue (expenses)	(249,000)	73,446	37,170	123,889	-	(14,495)	34,057	19,562
Fund balances - Beginning of year	3,776,180	786,235	435,122	717,716	1,000,000	6,715,253	3,626,505	10,341,758
Transfer from Operating Fund	525,171	-	-	-	-	525,171	-	525,171
Fund balances - End of year	\$ 4,052,351	\$ 859,681	\$ 472,292	\$ 841,605	\$ 1,000,000	\$ 7,225,929	\$ 3,660,562	\$ 10,886,491