

SCOUTS CANADA NATIONAL OPERATION

FINANCIAL STATEMENTS

AUGUST 31, 2020

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



KELLY HUIBERS McNEELY

PROFESSIONAL CORPORATION

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, 2020, 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, 2020, 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.

106B McGonigal St. W.
Arnprior, Ontario K7S 1M4

9 Emily Street
Carleton Place, Ontario K7C 1R9

16 Gore Street West
Perth, Ontario K7H 2L6

5992 Hazeldean Rd.
Stittsville, Ontario K2S 1B9

Phone: 613-963-1430 (1-866-999-1339)

Fax: 613-686-3960 (Perth local 613-267-3949)

acctg@khmpc.ca

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.

Kelly Huibers McNeely
Professional Corporation

Stittsville, Ontario
November 04, 2020

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

SCOUTS CANADA NATIONAL OPERATION

STATEMENT OF FINANCIAL POSITION

as at AUGUST 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,650,824	\$ 8,223,713
Amounts receivable (note 3)	930,394	447,803
Inventories	2,729,266	3,066,845
Prepaid expenses and deposits	<u>793,367</u>	<u>397,229</u>
	7,103,851	12,135,590
OTHER ASSETS		
Investments (note 4)	16,213,699	15,869,147
Tangible capital and intangible assets (note 5)	571,311	647,304
Prepaid pension costs (note 6)	5,798,200	3,459,300
	\$ 29,687,061	\$ 32,111,341
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,027,032	\$ 3,541,833
Deferred revenue (note 7)	<u>486,044</u>	<u>7,643,446</u>
	4,513,076	11,185,279
LONG-TERM LIABILITIES		
Employee future benefits (note 6)	<u>3,059,000</u>	<u>2,819,000</u>
	<u>7,572,076</u>	<u>14,004,279</u>
FUND BALANCES		
Operating Fund	11,399,469	6,997,280
Investment in tangible capital and intangible assets	571,311	647,304
World Scout Foundation Endowment Fund (Schedule A)	4,169,117	3,721,348
Restricted Funds (Schedule A)	<u>5,975,088</u>	<u>6,741,130</u>
	22,114,985	18,107,062
	\$ 29,687,061	\$ 32,111,341

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, 2020

	Operating Fund	Restricted & Endowment Funds	2020	2019
		(Schedule A)		
REVENUE				
Membership fees	\$ 10,471,630	\$ -	\$ 10,471,630	\$ 10,977,190
Retail	2,744,817	-	2,744,817	4,033,500
Fundraising	4,529,442	1,203	4,530,645	5,519,801
World Scout Foundation donations	-	447,769	447,769	60,786
Investment and other (note 9)	4,786,549	254,477	5,041,026	2,393,822
World Scout Jamboree (note 10)	-	-	-	2,441,578
	<u>22,532,438</u>	<u>703,449</u>	<u>23,235,887</u>	<u>25,426,677</u>
EXPENSES				
Salaries and benefits (note 9)	11,306,424	-	11,306,424	11,460,783
Recovery of salaries and benefits (note 9)	(827,560)	-	(827,560)	(1,738,870)
Retail	1,847,458	-	1,847,458	2,826,123
Program services	244,068	-	244,068	159,258
Grants	124,861	-	124,861	119,921
Technology services	552,431	-	552,431	455,785
Financial services	614,552	38,709	653,261	961,547
Marketing and communications	606,623	-	606,623	657,494
Fundraising	2,904,940	-	2,904,940	2,752,753
Administration	397,131	30,000	427,131	782,851
Compliance and governance	694,943	753,000	1,447,943	2,232,139
Human resources and volunteer services	408,064	492,130	900,194	699,293
Field operations	457,451	-	457,451	684,123
Field services	223,971	-	223,971	628,256
World Scout Jamboree (note 10)	(5,964)	-	(5,964)	2,441,578
Other	-	147,931	147,931	210,374
	<u>19,549,393</u>	<u>1,461,770</u>	<u>21,011,163</u>	<u>25,333,408</u>
Net revenue (expenses) before the undernoted	2,983,045	(758,321)	2,224,724	93,269
Unrealized gains (losses) on investments	(193,445)	90,044	(103,401)	(477,450)
NET REVENUE (EXPENSES)	\$ 2,789,600	\$ (668,277)	\$ 2,121,323	\$ (384,181)

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, 2020

	Operating Fund	Investment in tangible capital and intangible assets	Restricted & Endowment Funds	2020	2019
			(Schedule A)		
FUND BALANCES -					
BEGINNING OF YEAR	\$ 6,997,280	\$ 647,304	\$10,462,478	\$18,107,062	\$21,528,343
Net revenue (expenses)	2,789,600	-	(668,277)	2,121,323	(384,181)
Change in investments in tangible capital and intangible assets:					
Amortization of tangible and intangible assets	188,605	(188,605)	-	-	-
Purchase of tangible capital and intangible assets	(112,612)	112,612	-	-	-
Interfund transfers	(350,004)	-	350,004	-	-
Remeasurements and other items related to employee future benefits - pension	2,155,600	-	-	2,155,600	(3,560,100)
Remeasurements and other items related to employee future benefits - other post-employment	(269,000)	-	-	(269,000)	523,000
FUND BALANCES -					
END OF YEAR	\$11,399,469	\$ 571,311	\$10,144,205	\$22,114,985	\$18,107,062

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, 2020

	2020	2019
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue (expenses)	\$ 2,121,323	\$ (384,181)
Items not affecting cash:		
Amortization of deferred capital contributions	-	(277,202)
Amortization of tangible capital and intangible assets	188,605	509,334
Unrealized losses on investments	103,401	477,450
Net change in non-cash working capital items:		
Amounts receivable	(482,591)	(70,251)
Inventories	337,579	523,969
Prepaid expenses and deposits	(396,138)	1,152,846
Accounts payable and accrued liabilities	485,199	1,358,545
Deferred revenue	(7,157,402)	(655,413)
Changes relating to employee future benefits:		
Remeasurements and other items	1,886,600	(3,037,100)
Prepaid pension costs and recoveries	(2,338,900)	3,206,800
Accrued employee future benefits	<u>240,000</u>	<u>(539,000)</u>
	<u>(5,012,324)</u>	<u>2,265,797</u>
INVESTING ACTIVITIES		
Purchases of tangible capital and intangible assets	(112,612)	(65,072)
Purchases of investments, net	<u>(447,953)</u>	<u>(798,345)</u>
	<u>(560,565)</u>	<u>(863,417)</u>
NET CHANGE IN CASH	(5,572,889)	1,402,380
CASH - BEGINNING OF YEAR	8,223,713	6,821,333
CASH - END OF YEAR	<u>\$ 2,650,824</u>	<u>\$ 8,223,713</u>

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

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

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, 2020

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, 2020

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, 2020

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 covers 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, 2020

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, 2020 and the next required valuation will be as of January 1, 2023.

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

	2020	2019
Amounts receivable	\$ 375,242	\$ 311,823
Government receivables	555,152	135,980
	\$ 930,394	\$ 447,803

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

4. INVESTMENTS

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

	2020	2019
Operating Fund:		
Employee future benefits	\$ 1,596,590	\$ 1,577,184
Other operating	<u>3,489,480</u>	<u>3,524,012</u>
	<u>5,086,070</u>	<u>5,101,196</u>
Restricted and Endowment Funds:		
Insurance Fund	4,941,152	4,804,148
Brotherhood Fund	852,481	842,119
International Participation Fund	552,264	545,552
World Scout Foundation Funds	<u>4,781,732</u>	<u>4,576,132</u>
	11,127,629	10,767,951
	\$16,213,699	\$15,869,147

Investments consist of units held in the following mutual funds:

	2020	2019
JF Money Market Fund	\$ -	\$ 3,509
JF Global Balanced Fund	4,781,732	4,572,623
BG Balanced Fund Class I	11,431,967	11,293,015
	\$16,213,699	\$15,869,147

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

5. TANGIBLE CAPITAL AND INTANGIBLE ASSETS

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Tangible capital:				
Land	\$ 15,015	\$ -	\$ 15,015	\$ 15,015
Building	1,484,733	1,484,733	-	29,569
Betterment	3,475,749	2,982,583	493,166	516,470
Office furniture and equipment	472,543	426,277	46,266	59,801
Computer hardware	79,996	63,132	16,864	25,662
Intangible assets:				
Computer software	2,186,786	2,186,786	-	787
	\$ 7,714,822	\$ 7,143,511	\$ 571,311	\$ 647,304

Cost and accumulated amortization as at August 31, 2019 amounted to \$7,602,210 and \$6,954,906, respectively.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

6. EMPLOYEE FUTURE BENEFITS

Information about the National Operation's defined benefit plans as at August 31, 2020 and 2019 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):

	2020		2019	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value	\$ 34,538,900	\$ -	\$ 33,295,500	\$ -
Accrued benefit obligation	(28,740,700)	(3,059,000)	(29,836,200)	(2,819,000)
Prepaid pension costs (accrued benefit liability)	\$ 5,798,200	\$ (3,059,000)	\$ 3,459,300	\$ (2,819,000)

Accrued benefit obligation:

	2020		2019	
	Pension	Other post-employment	Pension	Other post-employment
Accrued benefit obligation -				
Beginning of year	\$(29,836,200)	\$ (2,819,000)	\$(26,268,800)	\$ (3,358,000)
Current service cost	-	(23,000)	-	(25,000)
Interest cost	(1,521,400)	(150,000)	(1,342,200)	(178,000)
Benefits paid	2,262,600	202,000	1,890,100	219,000
Actuarial gain (loss)	354,300	(269,000)	(4,115,300)	523,000
Accrued benefit obligation -				
End of year	\$(28,740,700)	\$ (3,059,000)	\$(29,836,200)	\$ (2,819,000)

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

6. EMPLOYEE FUTURE BENEFITS (continued)

Plan assets:

	2020		2019	
	Pension	Other post-employment	Pension	Other post-employment
Plan assets at fair value -				
Beginning of year	\$ 33,295,500	\$ -	\$ 32,934,900	\$ -
Actual return on plan assets	3,506,000	-	2,250,700	-
Employer contributions	-	202,000	-	219,000
Benefits paid	(2,262,600)	(202,000)	(1,890,100)	(219,000)
Plan assets at fair value -				
End of year	\$ 34,538,900	\$ -	\$ 33,295,500	\$ -

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

	2020		2019	
	Pension	Other post-employment	Pension	Other post-employment
Current service cost	\$ -	\$ 23,000	\$ -	\$ 25,000
Interest cost	1,521,400	150,000	1,342,200	178,000
Expected return on plan assets	(1,704,700)	-	(1,695,500)	-
Net benefit cost (income)	\$ (183,300)	\$ 173,000	\$ (353,300)	\$ 203,000

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

6. 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:

	2020		2019	
	Pension	Other post-employment	Pension	Other post-employment
Actuarial gain on plan assets				
Actual return on plan assets	\$ 3,506,000	\$ -	\$ 2,250,700	\$ -
Expected return on plan assets	<u>1,704,700</u>	<u>-</u>	<u>1,695,500</u>	<u>-</u>
	<u>1,801,300</u>	<u>-</u>	<u>555,200</u>	<u>-</u>
Actuarial gain (loss) on benefit obligation				
Actual benefit obligation	(28,740,700)	(3,059,000)	(29,836,200)	(2,819,000)
Expected benefit obligation	<u>(29,095,000)</u>	<u>(2,790,000)</u>	<u>(25,720,900)</u>	<u>(3,342,000)</u>
	354,300	(269,000)	(4,115,300)	523,000
Remeasurements and other items related to employee future benefits	\$ 2,155,600	\$ (269,000)	\$ (3,560,100)	\$ 523,000

Assumptions:

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

	2020		2019	
	Pension	Other post-employment	Pension	Other post-employment
Rate of compensation increase	2.55 %	- %	2.65 %	- %
Discount rate	5.25 %	5.25 %	5.30 %	5.30 %
Expected return on plan assets	5.50 %	- %	5.15 %	- %

The actual return on plan assets in fiscal 2020 was 11.30% (2019 - 6.83%).

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

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, 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, 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 \$476,300 (2019 - \$463,000).

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	\$ 7,401,946	\$ -	\$ 7,401,946	\$ -
Other programs	125,000	252,002	-	377,002
Scout Shops	116,500	9,066	16,524	109,042
	\$ 7,643,446	\$ 261,068	\$ 7,418,470	\$ 486,044

Membership consists of fees collected in advance of the Scouting year, which runs from September 1 to August 31. Due to the ongoing COVID-19 global pandemic (note 9), registration was not opened to the membership. As a result, there are no memberships received in advance of the next fiscal year.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

7. 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.

8. 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 \$364,000 (2019 - \$168,000) from the Foundation.

9. SALARIES AND BENEFITS

The National Operation administers the payroll for all employees of Scouts Canada, including those working at the Council camps and properties, and recovers the cost of salary and benefits from the Councils for those camp and property employees.

	2020	2019
All employees	\$ 11,306,424	\$ 11,460,783
Less: amounts recovered from Councils	827,560	1,738,870
	\$ 10,478,864	\$ 9,721,913

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, the National Operation has recognized \$2,713,239 in relation to the Canada Emergency Wage Subsidy program.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

10. WORLD SCOUT JAMBOREE

The World Scout Jamboree 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. The 24th World Scout Jamboree took place on July 22 to August 2, 2019 at The Summit Bechtel Family National Scout Reserve in West Virginia, USA. Any excess funds received over funds disbursed in relation to this event were returned to the attendees during the year.

11. 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.

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.

SCOUTS CANADA NATIONAL OPERATION

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

12. 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 \$4,742 (2019 - CAD \$17,145).

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, 2020

	Insurance	Brotherhood	International Participation	World Scout Foundation	Clark Family	Total Restricted Funds	World Scout Foundation Endowment	Total Restricted and Endowment Funds
REVENUE								
Fundraising	\$ -	\$ 1,203	\$ -	\$ -	\$ -	\$ 1,203	\$ -	\$ 1,203
World Scout Foundation donations	-	-	-	-	-	-	447,769	447,769
Investment	-	48,847	31,644	173,986	-	254,477	-	254,477
	-	50,050	31,644	173,986	-	255,680	447,769	703,449
EXPENSES								
Financial services	-	4,009	2,602	32,098	-	38,709	-	38,709
Administration	-	-	-	30,000	-	30,000	-	30,000
Compliance and governance	753,000	-	-	-	-	753,000	-	753,000
Human resources and volunteer services	-	-	-	-	492,130	492,130	-	492,130
Other	-	-	-	147,931	-	147,931	-	147,931
	753,000	4,009	2,602	210,029	492,130	1,461,770	-	1,461,770
Net revenue (expenses) before the undernoted	(753,000)	46,041	29,042	(36,043)	(492,130)	(1,206,090)	447,769	(758,321)
Unrealized gains (losses) on investments	-	(16,446)	(10,654)	117,144	-	90,044	-	90,044
Net revenue (expenses)	(753,000)	29,595	18,388	81,101	(492,130)	(1,116,046)	447,769	(668,277)
Fund balances - Beginning of year	2,989,148	896,194	460,244	840,832	1,554,712	6,741,130	3,721,348	10,462,478
Transfer from Operating Fund	350,004	-	-	-	-	350,004	-	350,004
Fund balances - End of year	\$ 2,586,152	\$ 925,789	\$ 478,632	\$ 921,933	\$ 1,062,582	\$ 5,975,088	\$ 4,169,117	\$ 10,144,205