

Financial Statements of

**THE NATIONAL COUNCIL OF
BOY SCOUTS OF CANADA**

August 31, 1998

**Deloitte &
Touche**



Auditors' Report

Chartered Accountants

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The National Council of
Boy Scouts of Canada

We have audited the statement of financial position of The National Council of Boy Scouts of Canada as at August 31, 1998 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at August 31, 1998 and the results of its activities and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

October 5, 1998

**Deloitte Touche
Tohmatsu**

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

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THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Statement of Financial Position

as at August 31, 1998

(000's)

	General Fund					Externally Restricted Fund	Total	
	Unrestricted	Internally Restricted				World Scout Foundation	1998	1997
	Operating	Capital Asset	Insurance	Brotherhood	International Participation			
CURRENT ASSETS								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124
Accounts receivable	2,733	-	-	-	-	-	2,733	2,726
Canadian Jamboree (2001)	115	-	-	-	-	-	115	-
Inventories (Note 4)	1,814	-	-	-	-	-	1,814	1,500
Prepays	373	-	-	-	-	-	373	232
	5,035	-	-	-	-	-	5,035	4,582
LONG-TERM ASSETS								
Investments (Note 5)	-	2,060	-	823	424	973	4,280	5,350
Capital assets (Note 6)	-	923	-	-	-	-	923	1,008
	-	2,983	-	823	424	973	5,203	6,358
TOTAL ASSETS	\$ 5,035	\$ 2,983	\$ -	\$ 823	\$ 424	\$ 973	\$ 10,238	\$ 10,940
CURRENT LIABILITIES								
Bank indebtedness (Note 7)	\$ 609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 609	\$ -
Accounts payable & accrued liabilities (Note 8)	877	(188)	103	66	38	28	924	956
World Jamboree	411	-	-	-	-	-	411	111
Canadian Jamboree (1997)	-	-	-	-	-	-	-	1,181
Due to Trust	-	-	-	-	-	-	-	123
	1,897	(188)	103	66	38	28	1,944	2,371
CONTINGENT LIABILITIES (Note 9)								
FUND BALANCES								
Investment in capital assets	-	923	-	-	-	-	923	1,008
Externally restricted	-	-	-	-	-	945	945	953
Internally restricted (Note 10)	1,030	2,248	(103)	757	386	-	4,318	4,499
Unrestricted	2,108	-	-	-	-	-	2,108	2,109
	3,138	3,171	(103)	757	386	945	8,294	8,569
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,035	\$ 2,983	\$ -	\$ 823	\$ 424	\$ 973	\$ 10,238	\$ 10,940

ON BEHALF OF THE COUNCIL

Treasurer

Chief Executive

Statement of Operations & Changes in Fund Balances

year ended August 31, 1998

(000's)

	General Fund						Externally Restricted Fund		
	Unrestricted	Internally Restricted						World Scout Foundation	
	Operating	Capital Asset	Insurance	Brotherhood	International Participation	Total			
						1998	1997	1998	1997
Revenue									
Membership fees	\$ 790	\$ -	\$ -	\$ -	\$ -	\$ 790	\$ 820	\$ -	\$ -
Insurance	-	-	515	-	-	515	498	-	-
World fees	161	-	-	-	-	161	161	-	-
National Retail Services (Note 11)	760	-	-	-	-	760	1,120	-	-
Revenue development (Note 12)	409	-	-	-	-	409	309	-	-
Investment revenue	34	66	-	28	15	143	260	31	44
Other revenue - net	119	-	-	120	-	239	193	4	7
Scoutrees	-	-	-	84	-	84	94	-	-
	2,273	66	515	232	15	3,101	3,455	35	51
Expenses									
Salary and benefits	1,222	-	-	-	-	1,222	1,183	-	-
Insurance	-	-	618	-	-	618	504	-	-
Building and office operations	146	-	-	-	-	146	250	-	-
Amortization of capital assets	132	-	-	-	-	132	104	-	-
Personnel support	34	-	-	-	-	34	150	-	-
Administrative support	236	-	-	-	-	236	217	-	-
Program support	95	-	-	-	-	95	123	-	-
Promotion and publicity	131	-	-	-	-	131	63	-	-
World fees	161	-	-	-	-	161	161	-	-
Canadian leader	126	-	-	-	-	126	91	-	-
International program	-	-	-	161	-	161	113	-	-
Interest transfer to world bureau	-	-	-	-	-	-	-	43	62
Travel for international participation	-	-	-	-	25	25	33	-	-
Scoutrees	-	-	-	76	-	76	103	-	-
	2,283	-	618	237	25	3,163	3,095	43	62
Excess (deficiency) of revenue over expenses before the undernoted	(10)	66	(103)	(5)	(10)	(62)	360	(8)	(11)
Canadian Jamboree (1997) loss	(205)	-	-	-	-	(205)	-	-	-
Excess (deficiency) of revenue over expenses	(215)	66	(103)	(5)	(10)	(267)	360	(8)	(11)
Fund balances, beginning of year	3,353	3,105	-	762	396	7,616	7,256	953	964
Fund balances, end of year	\$ 3,138	\$ 3,171	\$ (103)	\$ 757	\$ 386	\$ 7,349	\$ 7,616	\$ 945	\$ 953

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1998

(Tabular amounts in \$000's)

1. PURPOSE OF THE ORGANIZATION

The Boy Scouts of 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 our Principles and Practices.

The Boy Scouts of Canada was incorporated on June 12, 1914, by Act of the Canadian Parliament and is a registered charity under the Income Tax Act.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Financial statements

These financial statements reflect the operations of The National Council of Boy Scouts of Canada only and do not include revenues and expenses, assets and liabilities of the Provincial Councils or other Councils of Boy Scouts of Canada. These financial statements do not report on the assets or the activities of the Boy Scouts of Canada Trust. Separate financial statements are prepared for the Trust.

Fund accounting

In accordance with the principles of fund accounting, the National Council maintains its accounting records to ensure that limitations and restrictions placed on the use of available resources are observed. Under this method, all resources are classified for accounting and reporting purposes into funds that are in accordance with specific activities or objectives. Accordingly, separate accounts are maintained for the following funds: Operating, Capital Asset, Insurance, Brotherhood, International and World Scout Foundation.

The Operating Fund accounts for the organization's program delivery, administrative and warehouse activities. This Fund reports unrestricted and internally restricted resources.

The Capital Asset Fund reports the assets, liabilities and revenues related to the National Council's capital assets. This Fund reports internally restricted resources, resulting from the sale of real estate in 1988, which are maintained for the purpose of property and equipment in use at any date, at the National Office located at 1345 Baseline Road, Ottawa, Ontario. All charges for amortization are reflected in the General Fund.

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1998

(Tabular amounts in \$000's)

2. ACCOUNTING POLICIES (Continued)

Fund accounting (continued)

The Insurance Fund was created during the year on a prospective basis and reports resources internally restricted for supporting insurance coverage and potential legal liabilities.

The Brotherhood Fund reports resources internally restricted for supporting World Scouting projects.

The International Participation Fund reports resources internally restricted for supporting authorized delegates at World Scouting conferences, events and meetings.

The World Scout Foundation Fund reports resources externally restricted by donors, for the benefit of the World Scout Bureau. The investment revenue earned on the World Scout Foundation Fund is forwarded annually to the World Scout Bureau.

Contributions

The National Council of the Boy Scouts of Canada follows the restricted fund method of accounting for contributions.

Revenue recognition

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.

Externally restricted contributions are recognized as revenue of the appropriate fund in the year received, or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Investment and other revenue are recognized in the particular fund to which they apply.

Inventories

Inventories are valued at the lower of first-in, first-out, cost and net realizable value.

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1998

(Tabular amounts in \$000's)

2. ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at cost plus accrued interest.

Capital assets

The policy of the National Council is to capitalize capital asset acquisitions when they are placed in operation. Acquisitions of capital assets are reported in the Capital Asset Fund and amortized using the straight-line method by charges to the General Fund over the following years:

Building	20
Betterment	20
Office furniture and equipment	5
Computer	3
Vehicle	4

Donated capital assets

Donated capital assets are recorded at fair value if the asset would normally have been acquired, otherwise it is recorded at a value of nil.

Contributed services

Volunteers contribute many hours to assist the Boy Scouts of Canada National Council in the governance of its operations and programs. Because of the difficulty in assessing the number of hours and their fair value, contributed services are not recognized in the financial statements.

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA
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year ended August 31, 1998
(Tabular amounts in \$000's)

2. 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. Revenue and expenses are translated at the rate of exchange prevailing at the time of the transactions.

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles 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 those estimated.

3. STATEMENT OF CHANGES IN FINANCIAL POSITION

A statement of changes in financial position has not been included with the financial statements as information on cash flows is otherwise adequately disclosed.

4. INVENTORIES

Inventories consist of the following:

	1998	1997
Work in progress		
National Retail Services warehouse inventory	\$ 183	\$ 71
Finished goods		
National Retail Services warehouse inventory	1,377	1,177
Scout shop inventory	254	252
	<u>\$ 1,814</u>	<u>\$ 1,500</u>

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA
Notes to the Financial Statements
year ended August 31, 1998
(Tabular amounts in \$000's)

5. INVESTMENTS

Investments held as at August 31, 1998 consist of the following:

<u>Description</u>	<u>General Fund</u>								<u>Externally Restricted Fund</u>	
	<u>Unrestricted</u>		<u>Internally Restricted</u>							
	<u>Operating</u>		<u>Capital Asset</u>		<u>Brotherhood</u>		<u>International Participation</u>		<u>World Scout Foundation</u>	
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
Cash and short-term investments	\$ -	\$ -	\$ 388	\$ 388	\$ 162	\$ 161	\$ 78	\$ 78	\$ 178	\$ 178
Bonds, coupons and notes	-	-	1,453	1,430	568	558	301	297	695	685
Equities	-	-	219	177	93	74	45	36	100	81
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,060</u>	<u>\$ 1,995</u>	<u>\$ 823</u>	<u>\$ 793</u>	<u>\$ 424</u>	<u>\$ 411</u>	<u>\$ 973</u>	<u>\$ 944</u>

Investments held as at August 31, 1997 consist of the following:

<u>Description</u>	<u>General Fund</u>								<u>Externally Restricted Fund</u>	
	<u>Unrestricted</u>		<u>Internally Restricted</u>							
	<u>Operating</u>		<u>Capital Asset</u>		<u>Brotherhood</u>		<u>International Participation</u>		<u>World Scout Foundation</u>	
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
Cash and short-term investments	\$ 1,055	\$ 1,055	\$ 1,424	\$ 1,424	\$ 184	\$ 184	\$ 133	\$ 133	\$ 446	\$ 445
Bonds, coupons and notes	250	251	483	490	363	368	266	270	463	471
Equities	-	-	94	89	57	54	40	38	92	88
	<u>\$ 1,305</u>	<u>\$ 1,306</u>	<u>\$ 2,001</u>	<u>\$ 2,003</u>	<u>\$ 604</u>	<u>\$ 606</u>	<u>\$ 439</u>	<u>\$ 441</u>	<u>\$ 1,001</u>	<u>\$ 1,004</u>

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1998

(Tabular amounts in \$000's)

5. INVESTMENTS (Continued)

Determination of market values

Cash and short-term investments are valued at cost which approximates market value. Short-term investments include treasury bills, and money market pooled funds.

Bonds, coupons and notes are debt obligations of governments and corporate entities paying interest at rates appropriate to the market at their date of purchase and are shown at prices based upon published market quotations.

Equities include listed and unlisted securities. Listed securities are shown at prices based upon published market quotations. Unlisted securities consist primarily of pooled funds and are valued at prices based on the market value of the underlying securities held by the pooled funds.

Investment risk

Investment in financial instruments renders the National Council subject to investment risks. These include the risks arising from changes in interest rates, in rates of exchange for foreign currency, and in equity markets both domestic and foreign. They also include the risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

The National Council has adopted investment policies, standards and procedures to control the amount of risk to which it is exposed. The investment practices of the National Council are designed to avoid undue risk of loss or impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments. The maximum investment risk to the National Council is represented by the market value of the investments.

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

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(Tabular amounts in \$000's)

5. INVESTMENTS (Continued)

Concentration risk

Concentrations of risk exist when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the concentrations described below do not represent excessive risk.

	General Fund								Externally Restricted Fund	
	Unrestricted		Internally Restricted							
	Operating		Capital Asset		Brotherhood		International Participation		World Scout Foundation	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
	(% of Market Value)	(% of Market Value)	(% of Market Value)	(% of Market Value)	(% of Market Value)	(% of Market Value)	(% of Market Value)	(% of Market Value)	(% of Market Value)	(% of Market Value)
Cash and short-term investments	-	81	19	71	20	31	19	30	19	44
Bonds, coupons and notes										
Fixed income pooled fund	-	-	53	-	55	-	51	-	51	-
Deposit notes	-	-	19	-	15	-	21	-	21	-
Provincial coupons	-	-	-	6	-	12	-	12	-	12
Govt. of Canada coupons	-	-	-	1	-	2	-	2	-	2
Canada savings bonds	-	-	-	1	-	4	-	6	-	3
Provincial savings bonds	-	19	-	16	-	42	-	41	-	30
	-	19	72	24	70	60	72	61	72	47
Equities										
Canadian equity pooled fund	-	-	5	-	5	-	5	-	5	-
Floating preferred	-	-	-	5	-	8	-	8	-	8
US equity pooled fund	-	-	2	-	2	-	2	-	2	-
Emerging markets pooled fund	-	-	1	-	1	1	1	1	1	1
International equity pooled fund	-	-	1	-	2	-	1	-	1	-
	-	-	9	5	10	9	9	9	9	9
	-	100	100	100	100	100	100	100	100	100

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1998

(Tabular amounts in \$000's)

5. INVESTMENTS (Continued)

Foreign currency risk

Foreign currency exposure arises from the National Council's holdings of non Canadian equities summarized as follows:

	General Fund								Externally Restricted Fund	
	Unrestricted		Internally Restricted							
	Operating		Capital Asset		Brotherhood		International Participation		World Scout Foundation	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Equity										
US equity pooled fund	\$ -	\$ -	\$ 47	\$ -	\$ 19	\$ -	\$ 9	\$ -	\$ 22	\$ -
Emerging markets	-	-	19	6	8	5	4	3	8	7
International equity pooled fund	-	-	30	-	13	-	6	-	14	-
	\$ -	\$ -	\$ 96	\$ 6	\$ 40	\$ 5	\$ 19	\$ 3	\$ 44	\$ 7

Foreign exchange forward contract

A foreign exchange forward contract was entered into during the 1997 fiscal year by the National Council to hedge against rate fluctuation, in Swiss Francs, which are used for paying annual World fees. The counterparty to the contract is a major chartered Canadian bank. The following foreign exchange forward contract was committed as at August 31, 1998:

	Carrying Value	Fair Value
Liability due November 28, 1998	\$ 175	\$ 160

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1998

(Tabular amounts in \$000's)

6. CAPITAL ASSETS

	1998			1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 15	\$ -	\$ 15	\$ 15
Building	1,485	813	672	711
Betterment	154	15	139	142
Office furniture and equipment	171	171	-	-
Computer	427	351	76	113
Vehicle	32	11	21	27
	<u>\$ 2,284</u>	<u>\$ 1,361</u>	<u>\$ 923</u>	<u>\$ 1,008</u>

The net amount of capital assets purchased during the year was \$46,113 (1997 - \$88,393). The amount of donated capital assets received during the year was NIL (1997 - \$8,000). Disposals during the year were NIL (1997 - \$22,525). Net amortization recorded for the year was \$131,705 (1997 - \$104,778).

7. BANK INDEBTEDNESS

Boy Scouts of Canada, National Office has an unsecured revolving demand credit facility with a Canadian chartered bank, which allows it to borrow up to \$1,500,000, at an interest rate of prime. As at August 31, 1998, the Council is indebted under this facility for \$609,000 (1997 - NIL).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in the accounts payable and accrued liabilities are deferred revenues of \$144,392 (1997 - \$124,977), and interfund receivables and payables.

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1998

(Tabular amounts in \$000's)

9. CONTINGENCIES

Legal proceedings

The National Council 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 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 amount has been specified.

The National Council is covered by insurance policies which likely provide funding for the cost of most of these claims should damages be awarded. The National Council has accrued as an expense the amount deductible from insurance payments for those cases where management believes a payment is likely. Additional costs, if any, for financial settlements in excess of the National Council's insurance coverage, and for cases where no insurance coverage exists, will be recorded as expense in the Operating Fund's statement of operations when they are determined.

Although the outcome of these claims cannot be determined, in the opinion of management none of these, individually or in the aggregate is likely to result in an additional expense that would have a material adverse effect on the financial position of the National Council.

Due to the difficulty in predicting the outcome of any of the foregoing litigation, actual losses could differ from management's estimates and therefore could have a material adverse effect on the financial position of the National Council.

Other

Under certain circumstances, the Boy Scouts of Canada's National Council could be held liable for the obligations of the Provincial Councils, regions, districts and other groups.

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

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(Tabular amounts in \$000's)

10. INTERNALLY RESTRICTED FUND BALANCES OF THE OPERATING FUND

	1998	1997
Youth event	\$ 555	\$ 756
Capital maintenance	264	277
Contingency	201	201
Museum	10	10
	<u>\$ 1,030</u>	<u>\$ 1,244</u>

11. NATIONAL RETAIL SERVICES

The contribution by National Retail Services to the revenue of the National Council is as follows:

	1998	1997
Sales	\$ 4,992	\$ 5,907
Cost of sales	3,079	3,594
Operating expenses	1,153	1,193
	<u>4,232</u>	<u>4,787</u>
Excess of revenue over expenses	<u>\$ 760</u>	<u>\$ 1,120</u>

12. REVENUE DEVELOPMENT

The contribution by Revenue Development to the revenue of the National Council is as follows:

	1998	1997
Revenue	\$ 583	\$ 615
Expenses	174	306
Excess of revenue over expenses	<u>\$ 409</u>	<u>\$ 309</u>

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

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(Tabular amounts in \$000's)

13. INTERFUND TRANSFERS

All monies received and paid out for all funds are transacted through one bank account. These transactions are duly recorded in the revenue and expense accounts of the appropriate fund with the offset being the intercompany accounts. Interest is paid from the Operating Fund to the other funds at prime less 1% on the month-end balance each month. Each July the intercompany accounts are paid out to the appropriate funds.

14. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

Most entities depend on computerized systems and therefore are exposed to the Year 2000 conversion risk, which, if not properly addressed, could affect an entity's ability to conduct normal business operations. Management is addressing this issue, however, given the nature of this risk, it is not possible to be certain that all aspects of the Year 2000 issue affecting the National Council and those with whom it deals such as customers, suppliers or other third parties, will be fully resolved without adverse impact on the National Council's operations.

15. PENSION AND OTHER RETIREMENT BENEFITS

The National Council participates in a single-employer defined benefit pension plan which for purposes of administration is treated as a multi-employer plan. The plan is funded by contributions of the employer and the employees. Contributions to the plan are expensed in the year of payment.

The National Council also provides certain health benefits for retired employees of the Boy Scouts of Canada. The cost of these benefits is recorded in the General Fund in the year of payment.

16. RELATED PARTY TRANSACTIONS

The National Council of Boy Scouts of Canada collects membership fees, provides administration and program support to its members through the Provincial Councils, regions, districts and other groups. In addition, a significant portion of the National Council's National Retail Services sales are made to its members.