

Financial Statements of

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

August 31, 1999

**Deloitte &
Touche**



Auditors' Report

The National Council of
Boy Scouts of Canada

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We have audited the statement of financial position of The National Council of Boy Scouts of Canada as at August 31, 1999 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, 1999 and the results of its activities and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants

October 15, 1999

**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, 1999
(000's)

	General Fund						Externally Restricted Fund	Total	
	Unrestricted	Internally Restricted					World Scout Foundation	1999	1998
	Operating	Capital Asset	Heritage Centre	Insurance	Brotherhood	International Participation			
CURRENT ASSETS									
Accounts receivable	\$ 3,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,293	\$ 2,733
Due from Canadian Jamboree (2001)	303	-	-	-	-	-	-	303	115
Inventories (Note 4)	2,073	-	-	-	-	-	-	2,073	1,814
Prepays	256	-	-	-	-	-	-	256	373
	5,925	-	-	-	-	-	-	5,925	5,035
LONG-TERM ASSETS									
Investments (Note 5)	-	1,984	-	-	630	360	921	3,895	4,280
Capital assets (Note 6)	-	869	-	-	-	-	-	869	923
	-	2,853	-	-	630	360	921	4,764	5,203
TOTAL ASSETS	\$ 5,925	\$ 2,853	\$ -	\$ -	\$ 630	\$ 360	\$ 921	\$ 10,689	\$ 10,238
CURRENT LIABILITIES									
Bank indebtedness (Note 7)	\$ 987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 987	\$ 609
Accounts payable & accrued liabilities (Note 8)	1,708	(399)	61	(12)	3	(7)	(37)	1,317	924
Due to the 20 th World Jamboree	54	-	-	-	-	-	-	54	411
	2,749	(399)	61	(12)	3	(7)	(37)	2,358	1,944
CONTINGENT LIABILITIES (Note 9)									
FUND BALANCES									
Investment in capital assets	-	869	-	-	-	-	-	869	923
Externally restricted	-	-	-	-	-	-	958	958	945
Internally restricted (Note 10)	1,020	2,383	(61)	12	627	367	-	4,348	4,318
Unrestricted	2,156	-	-	-	-	-	-	2,156	2,108
	3,176	3,252	(61)	12	627	367	958	8,331	8,294
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,925	\$ 2,853	\$ -	\$ -	\$ 630	\$ 360	\$ 921	\$ 10,689	\$ 10,238

ON BEHALF OF THE COUNCIL

Treasurer

Chief Executive

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Statement of Operations and Changes in Fund Balances

year ended August 31, 1999

(000's)

	General Fund							Externally Restricted Fund		
	Unrestricted	Internally Restricted							World Scout Foundation	
	Operating	Capital Asset	Heritage Centre	Insurance	Brotherhood	International Participation	Total		1999	1998
							1999	1998	1999	1998
Revenue										
Membership fees	\$ 956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 956	\$ 790	\$ -	\$ -
Insurance	-	-	-	540	-	-	540	515	-	-
World fees	150	-	-	-	-	-	150	161	-	-
National Retail Services (Note 11)	1,078	-	-	-	-	-	1,078	760	-	-
Revenue Development (Note 12)	386	-	-	-	-	-	386	409	-	-
Investment revenue	20	91	-	-	26	13	150	143	33	31
Other revenue - net	73	-	-	-	36	21	130	239	11	4
Scoutrees	-	-	-	-	61	-	61	84	-	-
	2,663	91	-	540	123	34	3,451	3,101	44	35
Expenses										
Salary and benefits	1,352	-	-	-	-	-	1,352	1,222	-	-
Insurance	-	-	-	425	-	-	425	618	-	-
Building and office operations	157	10	-	-	-	-	167	146	-	-
Amortization of capital assets	105	-	-	-	-	-	105	132	-	-
Personnel support	108	-	-	-	-	-	108	34	-	-
Administrative support	306	-	-	-	-	-	306	236	-	-
Program support	75	-	-	-	-	-	75	95	-	-
Research	69	-	-	-	-	-	69	-	-	-
Promotion and publicity	155	-	-	-	-	-	155	131	-	-
World fees	150	-	-	-	-	-	150	161	-	-
Canadian leader	138	-	-	-	-	-	138	126	-	-
International program	-	-	-	-	194	-	194	161	-	-
Interest transfer to World Bureau	-	-	-	-	-	-	-	-	31	43
Travel for international participation	-	-	-	-	-	53	53	25	-	-
Heritage Centre	-	-	71	-	-	-	71	-	-	-
Scoutrees	-	-	-	-	59	-	59	76	-	-
	2,615	10	71	425	253	53	3,427	3,163	31	43
Excess (deficiency) of revenue over expenses before the undernoted	48	81	(71)	115	(130)	(19)	24	(62)	13	(8)
Canadian Jamboree (1997) loss	-	-	-	-	-	-	-	(205)	-	-
Excess (deficiency) of revenue over expenses	48	81	(71)	115	(130)	(19)	24	(267)	13	(8)
Fund balances, beginning of year	3,138	3,171	-	(103)	757	386	7,349	7,616	945	953
Interfund transfer (Note 13)	(10)	-	10	-	-	-	-	-	-	-
Fund balances, end of year	\$ 3,176	\$ 3,252	\$ (61)	\$ 12	\$ 627	\$ 367	\$ 7,373	\$ 7,349	\$ 958	\$ 945

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1999

(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 IncomeTax 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 General Fund and Externally Restricted Fund under the captions of Operating, Capital Asset, Heritage Centre, Insurance, Brotherhood, International Participation 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, revenue and expenses 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. 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, 1999

(Tabular amounts in \$000's)

2. ACCOUNTING POLICIES (Continued)

Fund accounting (continued)

The Heritage Centre Fund reports resources internally restricted for supporting the development of a Scouts Canada Heritage Centre.

The Insurance Fund 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.

Contributions

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

Revenue recognition

Restricted contributions related 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.

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 revenue is recognized as revenue of the particular fund to which it applies. The investment revenue earned on the World Scout Foundation Fund is forwarded annually to the World Scout Bureau.

Inventories

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

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1999

(Tabular amounts in \$000's)

2. ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at cost including accrued interest, and are written down to market value when there has been a permanent decline in value.

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 by charges to the General Fund as follows:

Building	\$40,000 per year
Betterment	Straight-line over 20 years
Office furniture and equipment	Straight-line over 5 years
Computer	Straight-line over 3 years
Vehicle	Straight-line over 4 years

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

Notes to the Financial Statements

year ended August 31, 1999

(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 CASH FLOWS

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

4. INVENTORIES

Inventories consist of the following:

	1999	1998
Work in progress		
National Retail Services	\$ 210	\$ 183
Finished goods		
National Retail Services	1,584	1,377
Scout shop inventory	279	254
	<u>\$ 2,073</u>	<u>\$ 1,814</u>

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA
Notes to the Financial Statements
year ended August 31, 1999
(Tabular amounts in \$000's)

5. INVESTMENTS

Investments held as at August 31, 1999 consist of the following:

	General Fund						Externally Restricted Fund			
Description	Internally Restricted									
	Capital Asset		Brotherhood		International Participation		World Scout Foundation		Total	
	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value
Cash and short-term investments	\$ 62	\$ 67	\$ 19	\$ 19	\$ 11	\$ 11	\$ 28	\$ 28	\$ 120	\$ 125
Bonds, coupons and notes	1,700	1,644	380	362	217	207	555	529	2,852	2,742
Equities	222	229	231	234	132	133	338	342	923	938
	\$ 1,984	\$ 1,940	\$ 630	\$ 615	\$ 360	\$ 351	\$ 921	\$ 899	\$ 3,895	\$ 3,805

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

	General Fund						Externally Restricted Fund			
Description	Internally Restricted									
	Capital Asset		Brotherhood		International Participation		World Scout Foundation		Total	
	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value
Cash and short-term investments	\$ 388	\$ 388	\$ 162	\$ 162	\$ 78	\$ 78	\$ 178	\$ 178	\$ 806	\$ 806
Bonds, coupons and notes	1,453	1,430	568	558	301	297	695	685	3,017	2,970
Equities	219	177	93	74	45	36	100	81	457	368
	\$ 2,060	\$ 1,995	\$ 823	\$ 794	\$ 424	\$ 411	\$ 973	\$ 944	\$ 4,280	\$ 4,144

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1999

(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, 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. Market values of bonds, coupons and notes are based upon published market quotations.

Equities include listed and unlisted securities. Market values of listed securities are recorded at prices based upon published market quotations. Unlisted securities consist primarily of pooled funds. Market values are 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 cost 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	
	Internally Restricted							
	<u>Capital Asset</u>		<u>Brotherhood</u>		<u>International Participation</u>		<u>World Scout Foundation</u>	
	1999	1998	1999	1998	1999	1998	1999	1998
	(% 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	3	19	29	20	29	19	29	19
Bonds, coupons and notes								
Fixed income pooled fund	59	53	59	55	59	51	59	51
Deposit notes	-	19	-	15	-	21	-	21
Provincial savings bonds	26	-	-	-	-	-	-	-
	85	72	59	70	59	72	59	72
Equities								
Canadian equity pooled fund	3	5	3	5	3	5	3	5
US equity pooled fund	6	2	6	2	6	2	6	2
Emerging markets pooled fund	-	1	-	1	-	1	-	1
International equity pooled fund	3	1	3	2	3	1	3	1
	12	9	12	10	12	9	12	9
	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, 1999

(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							
	<u>Operating</u>		<u>Capital Asset</u>		<u>Brotherhood</u>		<u>International Participation</u>		<u>World Scout Foundation</u>	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Equity										
US equity pooled fund	-	-	109	47	34	19	34	9	51	22
Emerging markets	-	-	-	19	-	8	-	4	-	8
International equity pooled fund	-	-	52	30	16	13	16	6	24	14
	-	-	161	96	50	40	50	19	75	44

Foreign exchange forward contracts

A foreign exchange forward contract was entered into during the year by the Organization to hedge against rate fluctuation, in Swiss Francs, which are used for paying annual World fees. The counterparty to the contract is a major Canadian chartered bank. The following foreign exchange forward contract was committed as at August 31, 1999:

	<u>Carrying Value</u>	<u>Fair Value</u>
Liability due November 30, 1999	\$ 166	\$ 170

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA
Notes to the Financial Statements
year ended August 31, 1999
(Tabular amounts in \$000's)

6. CAPITAL ASSETS

	1999		1998
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 15	\$ -	\$ 15
Building	1,485	853	632
Betterment	154	23	131
Office furniture and equipment	171	171	-
Computer	497	406	91
Vehicle	-	-	-
	\$ 2,322	\$ 1,453	\$ 869
			\$ 923

The net amount of capital assets purchased during the year was \$69,437 (1998 - \$46,113). The amount of donated capital assets received during the year was \$NIL (1998 - \$NIL). Disposals during the year were \$18,396 (1998 - \$NIL). Net amortization recorded for the year was \$105,129 (1998 - \$131,705).

7. BANK INDEBTEDNESS

The National Council has an unsecured revolving demand credit facility with a Canadian chartered bank, which allows it to borrow up to \$1,900,000, at an interest rate of prime. As at August 31, 1999, the Council has borrowed \$987,000 (1998 - \$609,000).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in the accounts payable and accrued liabilities for the year are deferred revenues of \$188,451 (1998 - \$144,392).

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA
Notes to the Financial Statements
year ended August 31, 1999
(Tabular amounts in \$000's)

9. CONTINGENCIES

Legal proceedings

The Boy Scouts of Canada 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 amounts have 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 Insurance Fund's statement of operations when they are determined.

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 National Council of the Boy Scouts of Canada 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
year ended August 31, 1999
(Tabular amounts in \$000's)

10. INTERNALLY RESTRICTED FUND BALANCES OF THE OPERATING FUND

	1999	1998
Youth event	\$ 555	\$ 555
Capital maintenance	264	264
Contingency	201	201
Museum	-	10
	<u>\$ 1,020</u>	<u>\$ 1,030</u>

11. NATIONAL RETAIL SERVICES

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

	1999	1998
Sales	<u>\$ 5,583</u>	<u>\$ 4,992</u>
Cost of sales	3,209	3,079
Operating expenses	<u>1,296</u>	<u>1,153</u>
	<u>4,505</u>	<u>4,232</u>
Excess of revenue over expenses	<u>\$ 1,078</u>	<u>\$ 760</u>

12. REVENUE DEVELOPMENT

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

	1999	1998
Revenues	\$ 785	\$ 583
Expenses	<u>399</u>	<u>174</u>
Excess of revenues over expenses	<u>\$ 386</u>	<u>\$ 409</u>

THE NATIONAL COUNCIL OF BOY SCOUTS OF CANADA

Notes to the Financial Statements

year ended August 31, 1999

(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 interfund accounts. Interest is paid from the Operating Fund to the other funds at prime less 1% on the month-end balance each month.

During the year, \$10,000 of internally restricted net assets were transferred from the Operating Fund to the Heritage Centre Fund.

14. 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.

15. 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 Retail Services sales are made to these related parties.

16. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Organization, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.