

Financial Statements of

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

August 31, 2000

Deloitte & Touche LLP
1000 Royal Bank Centre
90 Sparks Street
Ottawa, ON K1P 5T8

Tel: (613) 236 2442
Fax: (613) 236 2195
www.deloitte.ca

**Deloitte
& Touche**

Auditors' Report

The Boy Scouts of Canada
National Operation

We have audited the statement of financial position of The Boy Scouts of Canada National Operation as at August 31, 2000 and the statements of operations and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the National Operation's management. 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 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 National Operation as at August 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

October 23, 2000

**Deloitte
Touche
Tohmatsu**

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements


August 31, 2000

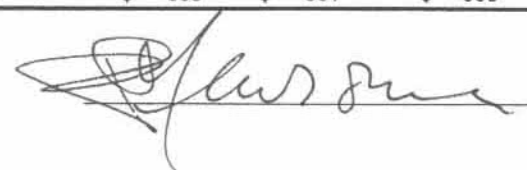
	<u>PAGE</u>
Statement of Financial Position	1
Statement of Operations and Changes in Fund Balances	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 18

THE BOY SCOUTS OF CANADA NATIONAL OPERATION
Statement of Financial Position
as at August 31, 2000
(000's)

	General Fund					Externally Restricted Fund	Total	
	Unrestricted	Internally Restricted					2000	1999
	Operating	Heritage Centre	Insurance	Brotherhood	International Participation	World Scout Foundation		(Restated) (Note 11)
CURRENT ASSETS								
Accounts receivable	\$ 2,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,843	\$ 3,293
Due from Canadian Jamboree (2001)	-	-	-	-	-	-	-	303
Inventories (Note 3)	2,043	-	-	-	-	-	2,043	1,881
Prepays	269	-	-	-	-	-	269	256
	5,155	-	-	-	-	-	5,155	5,733
LONG-TERM ASSETS								
Investments (Note 4)	-	30	-	538	361	958	1,887	3,895
Capital assets (Note 5)	3,342	-	-	-	-	-	3,342	869
	3,342	30	-	538	361	958	5,229	4,764
TOTAL ASSETS	\$ 8,497	\$ 30	\$ -	\$ 538	\$ 361	\$ 958	\$10,384	\$ 10,497
CURRENT LIABILITIES								
Bank indebtedness (Note 6)	\$ 847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 847	\$ 987
Accounts payable & accrued liabilities (Note 7)	1,459	30	(157)	9	(4)	(10)	1,327	1,317
Due to the 20 th World Jamboree	49	-	-	-	-	-	49	54
Due to the Canadian Jamboree (2001)	559	-	-	-	-	-	559	-
	2,914	30	(157)	9	(4)	(10)	2,782	2,358
LONG-TERM LIABILITIES								
Post-retirement benefits (Note 8)	3,482	-	-	-	-	-	3,482	-
TOTAL LIABILITIES	6,396	30	(157)	9	(4)	(10)	6,264	2,358
CONTINGENT LIABILITIES (Note 9)								
FUND BALANCES								
Investment in capital assets	3,342	-	-	-	-	-	3,342	869
Externally restricted	-	-	-	-	-	968	968	958
Internally restricted (Note 10)	555	-	157	529	365	-	1,606	4,348
Unrestricted	(1,796)	-	-	-	-	-	(1,796)	1,964
	2,101	-	157	529	365	968	4,120	8,139
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,497	\$ 30	\$ -	\$ 538	\$ 361	\$ 958	\$10,384	\$ 10,497

ON BEHALF OF THE COUNCIL

 Treasurer

 Chief Executive

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Statement of Operations and Changes in Fund Balances

year ended August 31, 2000

(000's)

	General Fund						Externally Restricted Fund	
	Unrestricted	Internally Restricted				Total	World Scout Foundation	
		Heritage Centre	Insurance	Brotherhood	International Participation		2000	1999
	Operating					2000 1999 (Restated) (Note 11)	2000	1999
Revenue								
Membership fees	\$ 1,093	\$ -	\$ -	\$ -	\$ -	\$ 1,093	\$ 956	\$ -
Insurance	-	-	554	-	-	554	540	-
World fees	140	-	-	-	-	140	150	-
Recovery of salary and benefits	8,810	-	-	-	-	8,810	-	-
National Retail Services (Note 12)	874	-	-	-	-	874	886	-
Revenue Development (Note 13)	403	105	-	-	-	508	386	-
Personnel support	149	-	-	-	-	149	9	-
Investment revenue	34	3	-	21	13	71	150	42
Other revenue - net	76	-	-	39	10	125	151	1
Scoutrees	-	-	-	55	-	55	61	-
	11,579	108	554	115	23	12,379	3,289	43
Expenses								
Salary and benefits	10,619	-	-	-	-	10,619	1,352	-
Insurance	-	-	409	-	-	409	425	-
Building and office operations	486	-	-	-	-	486	188	-
Amortization of capital assets	143	-	-	-	-	143	105	-
Personnel support	257	-	-	-	-	257	117	-
Administrative support	317	-	-	-	-	317	306	-
Program support	121	-	-	-	-	121	144	-
Promotion and publicity	180	-	-	-	-	180	155	-
World fees	139	-	-	-	-	139	150	-
Canadian Leader	143	-	-	-	-	143	138	-
International program	-	-	-	133	-	133	194	-
Interest transfer to World Bureau	-	-	-	-	-	-	-	33
Travel for international participation	-	-	-	-	25	25	53	-
Heritage Centre	-	167	-	-	-	167	71	-
Scoutrees	-	-	-	80	-	80	59	-
	12,405	167	409	213	25	13,219	3,457	33
Excess (deficiency) of revenue over expenses	(826)	(59)	145	(98)	(2)	(840)	(168)	10
Fund balances, beginning of year (restated Note 11)	6,236	(61)	12	627	367	7,181	7,349	958
Adjustment for change in accounting policy (Note 14)	(3,189)	-	-	-	-	(3,189)	-	-
Interfund transfer (Note 15)	(120)	120	-	-	-	-	-	-
Fund balances, end of year	\$ 2,101	\$ -	\$ 157	\$ 529	\$ 365	\$ 3,152	\$ 7,181	\$ 968

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Statement of Cash Flows

year ended August 31, 2000

(000's)

	2000	1999
Cash from operating activities		
Excess (deficiency) of revenue over expenses		
General Fund	\$ (840)	\$ (168)
Externally Restricted Fund	10	13
Adjusted for:		
Amortization of capital assets	143	105
Loss on disposal of capital assets	-	18
Net change in accrued post-retirement benefits	293	-
Net change in non-cash working capital	285	(117)
Net cash generated (used in) through operating activities	(109)	(149)
Financing and investing activities		
Purchase of capital assets	(2,616)	(69)
Disposal of investments	2,008	385
Funds held for (invested in) Canadian and World Jamborees	857	(545)
Net cash generated (used in) financing and investing activities	249	(229)
NET INCREASE (DECREASE) IN CASH	140	(378)
CASH POSITION, BEGINNING OF YEAR	(987)	(609)
CASH POSITION, END OF YEAR	\$ (847)	(987)

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(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 Canadian generally accepted accounting principles and include the following significant accounting policies:

Financial statements

These financial statements reflect The Boy Scouts of Canada National Operation only and do not include revenues and expenses, assets and liabilities of the Provincial Councils or other Councils of Boy Scouts of Canada, with the exception of salary and benefits. Salary and benefits expense includes the employees of all Councils of the Boy Scouts of Canada, as well as the National Operation. Recovery of salary and benefit expenses for employees of Provincial and other Councils is included as revenue. The Boy Scouts of Canada National Operation began to administer the payroll for all Councils of the Boy Scouts of Canada in January 1999, but has only reported the expenses and recovery thereof starting September 1, 1999. These financial statements do not report on the assets or the activities of the Foundation Scouts Canada Foundation, formerly Boy Scouts of Canada Trust. Separate financial statements are prepared for the Foundation.

Fund accounting

In accordance with the principles of fund accounting, the National Operation 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 and Restricted Funds.

The Operating Fund accounts for the assets, liabilities, revenue and expenses related to the organization's program delivery, administrative and warehouse activities. This Fund reports unrestricted and internally restricted resources.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(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 Boy Scouts of Canada National Operation 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 BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(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 Operation is to capitalize capital asset acquisitions when they are placed in operation. Capital assets are amortized 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

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.

Post-retirement benefits

The cost of pensions and other post-retirement benefits earned by the employees covered by defined benefit plans is actuarially determined using the projected benefit cost method prorated on service and management's best estimate of expected terminations, retirement ages of plan members and expected health care costs.

The Boy Scouts of Canada Pension Plan is a contributory defined benefit plan. The Pension Plan's assets and liabilities are measured at December 31 rather than at year-end. Defined contribution plan accounting is applied to the Pension Plan as the National Operation has insufficient actuarial information to apply defined benefit plan accounting. The other post-retirement benefit plans are defined benefits plans which are measured as at August 31. Contributions received from other Councils for their portion of the expenditures incurred during the year for the post-retirement benefits, are accounted for by the National Operation as a recovery of salary and benefits.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

2. ACCOUNTING POLICIES (Continued)

Contributed services

Volunteers contribute many hours to assist the Boy Scouts of Canada National Operation 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.

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. INVENTORIES

Inventories consist of the following:

	<u>2000</u>	<u>1999</u> (Restated) (Note 11)
National Retail Services	\$ 1,644	\$ 1,602
National Scout shop	399	279
	<u>\$ 2,043</u>	<u>\$ 1,881</u>

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

4. INVESTMENTS

Investments held as at August 31, 2000 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>Heritage Centre</u>		<u>Brotherhood</u>		<u>International Participation</u>		<u>World Scout Foundation</u>		<u>Total</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>	<u>Carrying Value</u>	<u>Market Value</u>
Cash and short-term investments	\$ -	\$ -	\$ 30	\$ 30	\$ 4	\$ 4	\$ 5	\$ 5	\$ 80	\$ 80	\$ 119	\$ 119
Bonds, coupons and notes	-	-	-	-	190	195	142	145	376	384	708	724
Equities	-	-	-	-	344	390	214	241	502	574	1,060	1,205
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 30</u>	<u>\$ 538</u>	<u>\$ 589</u>	<u>\$ 361</u>	<u>\$ 391</u>	<u>\$ 958</u>	<u>\$ 1,038</u>	<u>\$ 1,887</u>	<u>\$ 2,048</u>

Investments held as at August 31, 1999 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>Heritage Centre</u>		<u>Brotherhood</u>		<u>International Participation</u>		<u>World Scout Foundation</u>		<u>Total</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>	<u>Carrying Value</u>	<u>Market Value</u>
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
	<u>\$ 1,984</u>	<u>\$ 1,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630</u>	<u>\$ 615</u>	<u>\$ 360</u>	<u>\$ 351</u>	<u>\$ 921</u>	<u>\$ 899</u>	<u>\$ 3,895</u>	<u>\$ 3,805</u>

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

4. 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. 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 Operation 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 Operation has adopted investment policies, standards and procedures to control the amount of risk to which it is exposed. The investment practices of the National Operation 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 Operation is represented by the cost of the investments.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

4. 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		Heritage Centre		Brotherhood		International Participation		World Scout Foundation		Total	
	2000 (% of Market Value)	1999	2000 (% of Market Value)	1999	2000 (% of Market Value)	1999	2000 (% of Market Value)	1999	2000 (% of Market Value)	1999	2000	1999
Cash and short-term investments	-	3	100	-	1	29	1	29	8	29	6	16
Bonds, coupons and notes												
Fixed income pooled fund	-	59	-	-	24	59	22	59	21	59	23	59
Provincial savings bonds	-	26	-	-	9	-	15	-	16	-	15	13
	-	85	-	-	33	59	37	59	37	59	38	72
Equities												
Canadian equities	-	3	-	-	26	3	21	3	22	3	21	3
US equities	-	6	-	-	30	6	31	6	25	6	27	6
International equities	-	3	-	-	10	3	10	3	8	3	8	3
	-	12	-	-	66	12	62	12	55	12	56	12
	-	100	100	-	100	100	100	100	100	100	100	100

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

4. INVESTMENTS (Continued)

Foreign currency risk

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

	General Fund						Externally Restricted Fund			
	Unrestricted		Internally Restricted							
	<u>Operating</u>		<u>Brotherhood</u>		<u>International Participation</u>		<u>World Scout Foundation</u>		<u>Total</u>	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Equity										
US equities	\$ -	\$ 109	\$ 164	\$ 34	\$ 111	\$ 34	\$ 240	\$ 51	\$ 515	\$ 228
International equities	-	52	50	16	34	16	69	24	153	108
	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ 214</u>	<u>\$ 50</u>	<u>\$ 145</u>	<u>\$ 50</u>	<u>\$ 309</u>	<u>\$ 75</u>	<u>\$ 668</u>	<u>\$ 336</u>

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

5. CAPITAL ASSETS

	2000		1999
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 15	\$ -	\$ 15
Building	1,485	894	591
Betterment	2,552	55	2,497
Office furniture and equipment	322	179	143
Computer	565	469	96
	\$ 4,939	\$ 1,597	\$ 3,342
			\$ 869

The net amount of capital assets purchased during the year was \$2,616,932 (1999 - \$69,437). The amount of donated capital assets received during the year was \$NIL (1998 - \$NIL). Disposals during the year were \$NIL (1999 - \$18,396). Net amortization recorded for the year was \$143,332 (1999 - \$105,129).

6. BANK INDEBTEDNESS

The National Operation 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, 2000, the National Operation's bank indebtedness of \$847,000 (1999 - \$987,000) consisted of cash of \$21,000 (1999 - \$NIL) and borrowings of \$868,000 (1999 - \$987,000).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in the accounts payable and accrued liabilities for the year are interfund payable and receivable balances, also included are deferred revenues of \$107,476 (1999 - \$228,075).

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

8. POST-RETIREMENT BENEFITS

The National Operation has defined benefit plans which provide pension and other post-retirement benefits to most of its employees. The liability associated with these plans as at August 31, 2000 was as follows:

Pension	\$ -
Other post-retirement benefits	<u>3,482</u>
	<u>\$ 3,482</u>

Pension

The contributory defined benefit pension plan is accounted for as a defined contribution plan. The National Operation's pension expense for the year was \$62,949 (1999 - \$80,286).

Other post-retirement benefits

In addition to pension benefits, the Boy Scouts of Canada provides certain health and nominal life insurance benefits to its retired employees. This plan is not funded. As disclosed in Note 14, the entire transitional obligation has been recognized as a liability of the National Operation during the year. The benefit expense for the year, was as follows:

Current service cost	\$ 127
Interest cost on accrued benefit obligation	<u>227</u>
Benefit expense	<u>\$ 354</u>

THE BOY SCOUTS OF CANADA NATIONAL OPERATION
Notes to the Financial Statements
year ended August 31, 2000
(Tabular amounts in \$000's)

8. POST-RETIREMENT BENEFITS (Continued)

The 2000 benefit expense was calculated using a discount rate of 6.98% based on the prevailing corporate bond rates at the beginning of the year. The actual benefits paid during the year totalled \$61,000.

Other post-retirement benefits liability as at August 31, 2000	\$ 3,482
Amount not yet recognized in the financial statements	
Unrecognized actuarial losses	<u>13</u>
Accrued benefit obligation as at August 31, 2000	<u>\$ 3,469</u>

The significant actuarial assumptions adopted in measuring the accrued benefit obligation as at August 31, 2000 are as follows:

Discount rate	6.89%
Initial health care trend rate	8.0%
Ultimate health care trend rate	5.0%

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 Operation is covered by insurance policies which likely provide funding for the cost of most of these claims should damages be awarded. The National Operation 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 Operation'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 Operation.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

9. CONTINGENCIES (Continued)

Other

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

10. INTERNALLY RESTRICTED FUND BALANCES OF THE OPERATING FUND

	2000	1999
Youth event	\$ 555	\$ 555
Capital maintenance	-	264
Contingency	-	201
	<u>\$ 555</u>	<u>\$ 1,020</u>

11. PRIOR PERIOD ADJUSTMENT

During the year, the National Operation discovered that there were adjustments required due to errors with the August 31, 1999 inventory totalling \$192,000. As a result, the National Retail Services' cost of sales for 1999 were restated to reflect an increase of \$192,000, and an equal decrease in the excess of revenue over expenses. The inventory and unrestricted fund balance of the Operating Fund as at August 31, 1999 have also been restated to reflect a decrease of \$192,000.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

12. NATIONAL RETAIL SERVICES

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

	2000	1999 (Restated) (Note 11)
Sales	\$ 4,564	\$ 5,410
Cost of sales	2,665	3,212
Gross profit	1,899	2,198
Operating expenses		
Salaries and benefits	358	635
Occupancy costs	32	91
Warehouse outsourcing	204	66
Other	431	520
	1,025	1,312
Excess of revenue over expenses	\$ 874	\$ 886

13. REVENUE DEVELOPMENT

The contribution by Revenue Development to the revenue of the Operating Fund is as follows:

	2000	1999
Revenues	\$ 779	\$ 785
Expenses	376	399
Excess of revenues over expenses	\$ 403	\$ 386

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2000

(Tabular amounts in \$000's)

14. CHANGES IN ACCOUNTING POLICIES

During the year, the National Operation changed certain of its accounting policies, as follows:

Presentation

In prior years, the National Operation used a Capital Asset Fund to report the assets, liabilities, revenue and expenses related to the National Operation's capital assets. This Fund also reported internally-restricted resources, resulting from the sale of real estate in 1988, which were being maintained for the purpose of property and equipment in use at any date, at the National Office located at 1345 Baseline Road. Extensive renovations of the National office were completed in June 2000 thereby depleting the internally restricted resources. All charges for amortization were and continue to be reflected in the Operating Fund.

The assets, liabilities and activities of the Capital Asset Fund have been combined with those of the Operating Fund on a retroactive basis.

Post-retirement benefits

The National Operation has adopted the new Canadian Institute of Chartered Accountants (CICA) accounting recommendations for employee future benefits.

The new recommendations require that organizations record the costs of post-retirement and post-employment benefits earned by employees on an accrual basis. Prior to August 31, 1999, the National Operation recognized the costs of these benefits, on a cash basis. The effect of this change, which has been applied retroactively without restatement, is a decrease of \$3,189,000 to the 2000 opening balance of the Operating Fund's unrestricted fund balance, and an equal increase in the long-term liabilities. In addition, the recording of the current year's expense of \$354,000 less benefits paid during the year of \$61,000, has further increased the liability balance, such that the closing liability position for these benefits as at August 31, 2000 is \$3,482,000.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements
year ended August 31, 2000
(Tabular amounts in \$000's)

15. INTERFUND TRANSFER

All monies received and paid out for all funds are transacted through two bank accounts. 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, \$120,000 of unrestricted net assets were transferred from the Operating Fund to the Heritage Centre Fund to cover its accumulated deficiency in revenue over expenses.

16. RELATED PARTY TRANSACTIONS

The Boy Scouts of Canada National Operation 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.

17. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.