

Financial Statements of

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

August 31, 2001

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**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, 2001 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, 2001 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, 2001

**Deloitte
Touche
Tohmatsu**

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

PAGE

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, 2001

(000's)

	General Fund					Externally Restricted Fund	Total	
	Unrestricted	Internally Restricted				World Scout Foundation		
	Operating	Employee Future Benefits	Insurance	Brotherhood	International Participation		2001	2000
CURRENT ASSETS								
Cash and short-term investments (Note 3)	\$ 1,549	\$ -	\$ -	\$ 16	\$ -	\$ 14	\$ 1,579	\$ 119
Accounts receivable	2,674	83	-	2	1	3	2,763	2,843
Inventories (Note 4)	2,312	-	-	-	-	-	2,312	2,043
Prepays	433	-	-	-	-	-	433	269
	6,968	83	-	18	1	17	7,087	5,274
LONG-TERM ASSETS								
Recovery receivable	-	83	-	-	-	-	83	-
Investments (Note 5)	-	-	-	434	380	1,029	1,843	1,768
Capital assets (Note 6)	3,443	-	-	-	-	-	3,443	3,342
Accrued benefit asset (Note 7)	-	1,256	-	-	-	-	1,256	-
	3,443	1,339	-	434	380	1,029	6,625	5,110
TOTAL ASSETS	\$ 10,411	\$ 1,422	\$ -	\$ 452	\$ 381	\$ 1,046	\$13,712	\$ 10,384
CURRENT LIABILITIES								
Bank indebtedness (Note 8)	\$ 602	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 602	\$ 847
Accounts payable and accrued liabilities (Note 9)	1,949	(20)	-	(26)	4	(5)	1,902	1,228
Deferred revenue (Note 10)	449	-	-	-	-	-	449	707
	3,000	(20)	-	(26)	4	(5)	2,953	2,782
LONG-TERM LIABILITY								
Accrued benefit liability (Note 7)	-	3,633	-	-	-	-	3,633	3,482
TOTAL LIABILITIES	3,000	3,613	-	(26)	4	(5)	6,586	6,264
CONTINGENT LIABILITIES (Note 11)								
FUND BALANCES								
Investment in capital assets	3,443	-	-	-	-	-	3,443	3,342
Externally restricted	-	-	-	-	-	1,051	1,051	968
Internally restricted - Youth Event Fund (Note 12)	2,339	-	-	-	-	-	2,339	555
Internally restricted - other	-	(2,191)	-	478	377	-	(1,336)	1,051
Unrestricted	1,629	-	-	-	-	-	1,629	(1,796)
	7,411	(2,191)	-	478	377	1,051	7,126	4,120
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,411	\$ 1,422	\$ -	\$ 452	\$ 381	\$ 1,046	\$13,712	\$ 10,384

ON BEHALF OF THE CORPORATION

Vice President Finance - Board of Governors

Chief Executive Officer

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Statement of Operations and Changes in Fund Balances

year ended August 31, 2001

(000's)

	General Fund						Externally Restricted Fund		
	Unrestricted	Internally Restricted						World Scout Foundation	
	Operating	Employee Future Benefits	Insurance	Brotherhood	International Participation	Total		2001	2000
						2001	2000	2001	2000
Revenue									
Membership fees	\$ 1,375	\$ -	\$ -	\$ -	\$ -	\$ 1,375	\$ 1,093	\$ -	\$ -
Insurance fees	-	-	510	-	-	510	554	-	-
World fees	134	-	-	-	-	134	140	-	-
Recovery of Council salary and benefits	7,659	486	-	-	-	8,145	8,810	-	-
National Retail Services (Note 13)	573	-	-	-	-	573	822	-	-
Revenue Development (Note 14)	495	-	-	-	-	495	249	-	-
Council contributions to personnel support	93	-	-	-	-	93	149	-	-
Investment revenue	141	-	-	87	47	275	76	122	42
Other revenue	191	128	46	20	10	395	129	3	1
Scoutrees	-	-	-	69	-	69	55	-	-
	10,661	614	556	176	57	12,064	12,077	125	43
Expenses									
Salary and benefits - National Operation	1,326	116	-	-	-	1,442	1,730	-	-
Salary and benefits - Councils	7,659	479	-	-	-	8,138	8,810	-	-
Insurance and legal	-	-	880	-	-	880	409	-	-
Building and office operations	289	8	-	-	-	297	442	-	-
Amortization of capital assets	266	-	-	-	-	266	143	-	-
Personnel support	219	-	-	-	-	219	257	-	-
Corporate	289	-	-	-	-	289	287	-	-
Program	163	-	-	-	-	163	143	-	-
Promotion	195	-	-	-	-	195	176	-	-
World Bureau fees	137	-	-	-	-	137	139	-	-
Canadian Leader	112	-	-	-	-	112	143	-	-
International program	-	-	-	173	-	173	133	-	-
Interest to World Bureau	-	-	-	-	-	-	-	42	33
Travel for international participation	-	-	-	-	45	45	25	-	-
Scoutrees	-	-	-	54	-	54	80	-	-
	10,655	603	880	227	45	12,410	12,917	42	33
Excess (deficiency) of revenue over expenses before Jamboree	6	11	(324)	(51)	12	(346)	(840)	83	10
JAMBOREE SURPLUS (Note 12)	1,989	-	-	-	-	1,989	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,995	11	(324)	(51)	12	1,643	(840)	83	10
Fund balances, beginning of year	2,101	-	157	529	365	3,152	7,181	968	958
Adjustment for change in accounting policy (Note 15)	-	1,280	-	-	-	1,280	(3,189)	-	-
Interfund transfer (Note 16)	3,315	(3,482)	167	-	-	-	-	-	-
Fund balances, end of year	\$ 7,411	\$ (2,191)	\$ -	\$ 478	\$ 377	\$ 6,075	\$ 3,152	\$ 1,051	\$ 968

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Statement of Cash Flows

year ended August 31, 2001

(000's)

	<u>2001</u>	<u>2000</u>
Cash from operating activities		
Excess (deficiency) of revenue over expenses		
General Fund	\$ 1,643	\$ (840)
Externally Restricted Fund	83	10
Adjusted for:		
Amortization of capital assets	266	143
Net change in long term receivable	(83)	-
Difference between cash and accounting expense for pension	24	-
Net change in accrued post-retirement benefits	151	293
Net change in non-cash working capital	62	285
Net cash generated by (used in) operating activities	<u>2,147</u>	<u>(109)</u>
Financing and investing activities		
Purchase of capital assets	(366)	(2,616)
Investments (purchase) disposal	(75)	2,127
Funds held for Canadian Jamboree	-	857
Net cash generated by (used in) financing and investing activities	<u>(441)</u>	<u>368</u>
NET INCREASE IN CASH	<u>1,706</u>	<u>259</u>
CASH POSITION, BEGINNING OF YEAR	<u>(728)</u>	<u>(987)</u>
CASH POSITION, END OF YEAR	<u>\$ 978</u>	<u>\$ (728)</u>

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(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 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. Recovery of salary and benefit expenses for employees working at Provincial and other Councils are included as revenue.

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 Operating and Restricted Funds.

The Operating Fund accounts for the assets, liabilities, revenue and expenses related to program delivery, administrative and retail services activities.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(Tabular amounts in \$000's)

2. ACCOUNTING POLICIES

Fund accounting (Continued)

The Insurance Fund reports resources internally restricted for insurance premiums and settlements and potential legal liabilities.

The Employee Future Benefits Fund was established as an internally restricted fund in the current year to account for the assets, liabilities and expenses related to pension and non-pension post-retirement benefits for all employees of the Boy Scouts of Canada. Contributions are made to this fund by the National Operation and provincial and other councils.

The Brotherhood Fund reports resources internally restricted for the support of World Scouting projects.

The International Participation Fund reports resources internally restricted for the travel expenses of delegates attending 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 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 when received.

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 the related investment applies.

Inventories

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

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(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	Straight-line over 20 years
Betterment	Straight-line over 20 years
Office furniture and equipment	Straight-line over 5 years
Computer hardware and software	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 they are recorded at a value of nil.

Employee benefit plans

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 employees' length of service and management's best estimate of expected plan performance, salary escalation, retirement ages of plan members and expected health care costs.

Pension plan assets are measured at fair value. Adjustments arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gain or loss over 10 per cent of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of the active employees. Contributions received from councils for their portion of the post-retirement expenses are accounted for by the National Operation as a recovery of salary and benefits.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(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 recorded 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. CASH AND SHORT-TERM INVESTMENTS

Short-term investments in the General Fund consist of a \$1,000,000 term investment, bearing interest of 5.0%, that matures on January 28, 2002, and a \$500,000 cashable term investment, bearing interest of 5.25%, plus accrued interest on both instruments.

4. INVENTORIES

Inventories consist of:

	<u>2001</u>	<u>2000</u>
National Retail Services Warehouse	\$ 2,017	\$ 1,644
National Scout Shop	295	399
	<u>\$ 2,312</u>	<u>\$ 2,043</u>

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2001

(Tabular amounts in \$000's)

5. INVESTMENTS

Investments held as at August 31, 2001 consist of the following:

<u>Description</u>	<u>General Fund</u>				<u>Externally Restricted Fund</u>			
	<u>Internally Restricted</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>
Bonds, coupons and notes	\$ 102	\$ 107	\$ 169	\$ 177	\$ 539	\$ 564	\$ 810	\$ 848
Equities	332	348	211	224	490	495	1,033	1,067
	<u>\$ 434</u>	<u>\$ 455</u>	<u>\$ 380</u>	<u>\$ 401</u>	<u>\$ 1,029</u>	<u>\$ 1,059</u>	<u>\$ 1,843</u>	<u>\$ 1,915</u>

Investments held as at August 31, 2000 consist of the following:

<u>Description</u>	<u>General Fund</u>				<u>Externally Restricted Fund</u>			
	<u>Internally Restricted</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>
Bonds, coupons and notes	\$ 190	\$ 195	\$ 142	\$ 145	\$ 376	\$ 384	\$ 708	\$ 724
Equities	344	390	214	241	502	574	1,060	1,205
	<u>\$ 534</u>	<u>\$ 585</u>	<u>\$ 356</u>	<u>\$ 386</u>	<u>\$ 878</u>	<u>\$ 958</u>	<u>\$ 1,768</u>	<u>\$ 1,929</u>

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(Tabular amounts in \$000's)

5. INVESTMENTS (Continued)

Determination of market values

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, 2001

(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							
	Brotherhood		International Participation		World Scout Foundation		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
	(% of Market Value)		(% of Market Value)		(% of Market Value)			
Bonds, coupons and notes								
Fixed income pooled fund	9	24	18	22	22	23	18	23
Provincial savings bonds	15	9	26	16	31	17	26	15
	24	33	44	38	53	40	44	38
Equities								
Canadian equities	28	26	21	21	20	24	22	24
US equities	33	31	23	31	18	28	23	29
International equities	15	10	12	10	9	8	11	9
	76	67	56	62	47	60	56	62
	100	100	100	100	100	100	100	100

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to the Financial Statements

year ended August 31, 2001

(Tabular amounts in \$000's)

5. 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			
	Internally Restricted							
	Brotherhood		International Participation		World Scout Foundation		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Equity								
US equities	\$ 148	\$ 164	\$ 90	\$ 111	\$ 199	\$ 240	\$ 437	\$ 515
International equities	50	50	34	34	69	69	153	153
	<u>\$ 198</u>	<u>\$ 214</u>	<u>\$ 124</u>	<u>\$ 145</u>	<u>\$ 268</u>	<u>\$ 309</u>	<u>\$ 590</u>	<u>\$ 668</u>

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(Tabular amounts in \$000's)

6. CAPITAL ASSETS

	2001		2000
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 15	\$ -	\$ 15
Building	1,485	923	591
Betterment	2,693	186	2,497
Office furniture and equipment	322	209	143
Computer hardware and software	790	544	96
	\$ 5,305	\$ 1,862	\$ 3,443
			\$ 3,342

The net amount of capital assets purchased during the year was \$366,000 (2000 - \$2,616,000). The amount of donated capital assets received during the year was \$NIL (2000 - \$NIL). Disposals during the year were \$NIL (2000 - \$NIL). Net amortization recorded for the year was \$266,000 (2000 - \$143,000).

7. ACCRUED BENEFIT ASSET AND LIABILITY

The Boy Scouts of Canada has a defined benefit pension plan that covers most of its employees. The Boy Scouts of Canada also provides its employees with post-employment benefits other than pensions including defined life insurance and medical benefits beyond those provided by government sponsored plans.

Information about the plans is as follows:

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(Tabular amounts in \$000's)

7. ACCRUED BENEFIT ASSET AND LIABILITY (Continued)

	2001		2000
	Pension Benefit Plan	Other Benefit Plan	Other Benefit Plan
Change in benefit asset (obligation)			
Benefit asset (obligation) - beginning of year	\$ 17,450	\$ (3,482)	\$ (3,189)
Current service cost	486	(112)	(127)
Interest cost	1,189	(214)	(227)
Employees' contributions	274	-	-
Benefits paid	(883)	71	61
Amortization of past services cost	-	41	-
Actuarial loss	636	-	-
Purchase of indexation for pensioners	(41)	-	-
Effect of plan change	-	63	-
Benefit asset (obligation) - end of year	19,111	(3,633)	\$ (3,482)
Change in plan assets			
Plan assets at fair value - beginning of year	18,730	-	\$ -
Actual return on plan assets	975	-	-
Employer contributions	350	-	-
Employee contributions	273	71	61
Benefits paid	(883)	(71)	(61)
Purchase of indexation for pensioners	(40)	-	-
Plan assets at fair value - end of year	19,405	-	-
Funded status - plan surplus (deficit)	294	(3,633)	(3,482)
Unamortized net actuarial loss	962	-	-
Accrued benefit asset (liability)	\$ 1,256	\$ (3,633)	\$ (3,482)

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(Tabular amounts in \$000's)

7. ACCRUED BENEFIT ASSET AND LIABILITY (Continued)

The significant weighted average actuarial assumptions adopted in measuring the accrued benefit asset and obligation and net benefit plan expense are as follows:

	2001		2000
	Pension Benefit Plan	Other Benefit Plan	Other Benefit Plan
Discount rate	6.50%	6.50%	6.89%
Expected long-term rate of return on plan assets	7.00%	-	-
Initial Health Care Trend rate	-	8.00%	8.00%
Ultimate Health Care Trend rate	-	5.00%	5.00%

Net benefit plan expense is as follows:

	2001		2000
	Pension Benefit Plan	Other Benefit Plan	Other Benefit Plan
Current service cost	\$ 486	\$ 112	\$ 127
Interest cost	1,189	214	227
Expected return on plan assets	(1,301)	-	-
Net benefit plan expense	\$ 374	\$ 326	\$ 354

8. BANK INDEBTEDNESS

The National Operation has an unsecured revolving demand credit facility with a Canadian chartered bank that allows it to borrow up to \$1,900,000 at an interest rate of prime. As at August 31, 2001, the National Operation's bank indebtedness of \$601,000 (2000 - \$847,000) consisted of cash of \$67,000 (2000 - \$21,000) and borrowings of \$668,000 (2000 - \$868,000).

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(Tabular amounts in \$000's)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in the accounts payable and accrued liabilities for the year are interfund payable and receivable balances.

10. DEFERRED REVENUE

Deferred revenue consists of balances held for Personnel Support funds, Jamboree revenue net of expenses to date, and restricted donations.

	<u>2001</u>	<u>Total</u> <u>2000</u>
Personnel Support Fund balances	\$ 321	\$ 99
Restricted Donations	69	-
Funds held for World Jamboree	59	49
Funds held for Canadian Jamboree	-	559
Closing balance	<u>\$ 449</u>	<u>\$ 707</u>

Personnel Support Fund balances consist of funds contributed by National Operation and Councils for Professional Development Week, moving expenses, and other personnel expenses shared by the National Operation and Councils, net of expense incurred for these purposes.

11. CONTINGENT LIABILITIES

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 BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(Tabular amounts in \$000's)

11. CONTINGENT LIABILITIES (Continued)

Legal proceedings (Continued)

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 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 Boy Scouts of Canada National Operation could be held liable for the obligations of the provincial councils, regions, districts and other groups.

12. INTERNALLY RESTRICTED - YOUTH EVENT FUND

	<u>2001</u>	<u>2000</u>
Youth event	<u>\$ 2,339</u>	<u>\$ 555</u>

As directed by the Board of Governors, the surplus of the Canadian Jamboree 2001 of \$1,989,000, less the amount of the deficit incurred in the Canadian Jamboree of 1997 of \$205,000, has been added to the Youth Event Fund.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(Tabular amounts in \$000's)

13. NATIONAL RETAIL SERVICES

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

	<u>2001</u>	<u>2000</u>
Sales	\$ 4,732	\$ 4,564
Cost of sales	<u>3,226</u>	<u>2,665</u>
Gross profit	<u>1,506</u>	<u>1,899</u>
Operating expenses		
Salaries and benefits	383	358
Occupancy costs	42	32
Warehouse outsourcing	246	343
Other	<u>262</u>	<u>292</u>
	<u>933</u>	<u>1,025</u>
Excess of revenue over expenses	<u>\$ 573</u>	<u>\$ 874</u>

14. REVENUE DEVELOPMENT

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

	<u>2001</u>	<u>2000</u>
Revenues	\$ 908	\$ 779
Expenses	<u>413</u>	<u>530</u>
Excess of revenues over expenses	<u>\$ 495</u>	<u>\$ 249</u>

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Financial Statements

August 31, 2001

(Tabular amounts in \$000's)

15. ADJUSTMENT FOR CHANGE IN ACCOUNTING POLICY

During the year, the National Operation adopted the method recommended by the Canadian Institute of Chartered Accountants for reporting on its pension obligations. This standard calculates pension expense and funding surpluses or deficiencies using actuarial methods. Previously, the pension plan contributions were expensed as paid. This accounting change was applied retroactively without restatement of prior period results. This resulted in an increase in retained earnings of \$1,280,000. The effect of the change on the surplus for the current year was not significant.

16. INTERFUND TRANSFER

During the year, the deficit of \$3,480,000 was transferred from the Operating Fund into the new Employee Future Benefits Fund. In addition, the deficit of \$167,000 was transferred from the Insurance Fund to the Operating Fund.

17. RELATED PARTY TRANSACTIONS

Boy Scouts of Canada National Operation collects membership fees from all members through the provincial and regional councils. In addition, a significant portion of the National Retail Services sales are made to Scout Shops operated by provincial, regional and district councils.

18. FONDATION SCOUTS CANADA FOUNDATION

Boy Scouts of Canada National Operation exercises significant influence over Fondation Scouts Canada Foundation. The Foundation was established to financially support Boy Scouts of Canada, by promoting and soliciting gifts, grants and matching funds from individuals, corporations and foundations. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. Resources of the Foundation amounted to \$1,497,000 (2000 - \$1,382,000) at August 31, 2001.

19. COMPARATIVE FIGURES

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