



Financial Statements of

**THE BOY SCOUTS OF CANADA  
NATIONAL OPERATION**

Year ended August 31, 2005



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## 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, 2005 and the statements of operations, changes in fund balances (deficiency) and 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 Boy Scouts of Canada National Operation as at August 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Ottawa, Canada

November 21, 2005

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

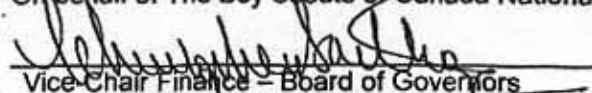
## Statement of Financial Position

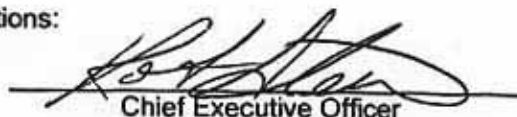
August 31, 2005, with comparative figures for 2004  
(In thousands of dollars)

|   | Operating<br>Fund | Restricted<br>and Endowed<br>Funds | 2005      | 2004      |
|---|-------------------|------------------------------------|-----------|-----------|
| <b>Assets</b>   |                   |                                    |           |           |
| <b>Current assets:</b>  |                   |                                    |           |           |
| Cash  | \$ 13             | \$ 407                             | \$ 420    | \$ 1,307  |
| Amounts receivable  | 1,041             | —                                  | 1,041     | 1,542     |
| Inventory   | 3,478             | —                                  | 3,478     | 3,491     |
| Prepaid expenses  | 272               | 398                                | 670       | 276       |
| Membership fees receivable (note 11(a))                       | 209               | 125                                | 334       | —         |
| Amounts receivable from Councils (note 2)                     | 205               | —                                  | 205       | 384       |
|   | 5,218             | 930                                | 6,148     | 7,000     |
| Investments (note 3)  | 613               | 3,132                              | 3,745     | 3,547     |
| Capital assets (note 4)                                       | 2,682             | —                                  | 2,682     | 2,970     |
| Prepaid pension costs (note 5)                                | 739               | —                                  | 739       | 699       |
| Employee future benefits recovery<br>receivable (note 6)      | 2,485             | —                                  | 2,485     | 1,025     |
| Amounts due from Operating Fund                               | (966)             | 966                                | —         | —         |
|   | \$ 10,771         | \$ 5,028                           | \$ 15,799 | \$ 15,241 |
| <b>Liabilities and Fund Balances (Deficiency)</b>             |                   |                                    |           |           |
| <b>Current liabilities:</b>                                   |                   |                                    |           |           |
| Bank indebtedness   | \$ 1,956          | \$ —                               | \$ 1,956  | \$ 1,814  |
| Accounts payable and accrued<br>liabilities                   | 890               | 431                                | 1,321     | 1,593     |
| Deferred revenue (note 7)                                     | 397               | —                                  | 397       | 522       |
| Membership fees payable (note 11(a))                          | 226               | —                                  | 226       | —         |
| Current portion of inventory payables<br>to Councils (note 8) | 431               | —                                  | 431       | 438       |
|   | 3,900             | 431                                | 4,331     | 4,367     |
| Inventory payables to Councils (note 8)                       | 536               | —                                  | 536       | 1,056     |
| Loan from Provincial Council for Ontario (note 9)             | 508               | —                                  | 508       | 500       |
| Accrued employee future benefits (note 5)                     | 5,192             | —                                  | 5,192     | 4,750     |
| <b>Fund balances (deficiency):</b>                            |                   |                                    |           |           |
| Operating Fund  | (2,047)           | —                                  | (2,047)   | (2,643)   |
| Restricted Funds (schedule)                                   | —                 | 3,523                              | 3,523     | 3,181     |
| Investment in capital assets                                  | 2,682             | —                                  | 2,682     | 2,970     |
| World Scout Foundation Fund                                   | —                 | 1,074                              | 1,074     | 1,060     |
|   | 635               | 4,597                              | 5,232     | 4,568     |
| Contingent liabilities (note 10)                              |                   |                                    |           |           |
|   | \$ 10,771         | \$ 5,028                           | \$ 15,799 | \$ 15,241 |

See accompanying notes to financial statements.

On behalf of The Boy Scouts of Canada National Operations:

  
Vice Chair Finance – Board of Governors

  
Chief Executive Officer

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

## Statement of Operations

Year ended August 31, 2005, with comparative figures for 2004  
(In thousands of dollars)

|   | Operating<br>Fund<br>2005 | Restricted<br>and Endowed<br>Funds<br>(schedule) | Total<br>2005   | Total<br>2004   |
|---|---------------------------|--|-----------------|-----------------|
| <b>Revenue:</b>   |                           |  |                 |                 |
| Membership fees (note 11)   | \$ 2,709                  | \$ -   | \$ 2,709        | \$ 3,055        |
| Scout Shops sales   | 5,225                     | -  | 5,225           | 5,460           |
| Insurance fees (note 11)  | -                         | 1,864  | 1,864           | 1,833           |
| Fundraising   | 295                       | -  | 295             | 448             |
| Donations and sponsorships  | 200                       | 61   | 261             | 381             |
| Grants  | 551                       | -  | 551             | 157             |
| Fees for services   | 197                       | -  | 197             | 190             |
| Investment  | 31                        | 204  | 235             | 194             |
| Other   | 269                       | 31   | 300             | 382             |
| Revenue sharing - Scout Shops   | -                         | -  | -               | 42              |
|   | 9,477                     | 2,160  | 11,637          | 12,142          |
| <b>Expenses:</b>  |                           |  |                 |                 |
| Salaries and benefits (note 12)   | 10,987                    | -  | 10,987          | 11,969          |
| Recovery of salaries and benefits (note 12)                               | (7,493)                   | -  | (7,493)         | (8,435)         |
| Scout Shops cost of sales   | 3,021                     | -  | 3,021           | 3,171           |
| Insurance and legal   | -                         | 1,551  | 1,551           | 1,196           |
| Communication and promotion   | 270                       | -  | 270             | 384             |
| Occupancy   | 214                       | -  | 214             | 256             |
| Property maintenance  | 213                       | -  | 213             | 192             |
| Administration  | 559                       | 133  | 692             | 498             |
| Fundraising cost of sales   | 188                       | -  | 188             | 448             |
| Canadian Leader magazine  | 221                       | -  | 221             | 242             |
| Warehouse facility and freight  | 190                       | -  | 190             | 252             |
| Council revenue sharing   | 100                       | -  | 100             | 105             |
| Travel and meetings   | 202                       | 24   | 226             | 240             |
| World Bureau fees   | 165                       | -  | 165             | 158             |
| Training and relocation   | 105                       | -  | 105             | 68              |
| Programs and grants   | 552                       | 52   | 604             | 40              |
| Other   | 85                        | -  | 85              | 198             |
| Interest  | 51                        | -  | 51              | 15              |
| Transfer to World Scout Bureau  | -                         | 58   | 58              | -               |
| Amortization of capital assets  | 415                       | -  | 415             | 425             |
|   | 10,045                    | 1,818  | 11,863          | 11,422          |
| <b>Excess (deficiency) of revenue over expenses before the undernoted</b> | <b>(568)</b>              | <b>342</b>                                       | <b>(226)</b>    | <b>720</b>      |
| Endowed donations - World Scout Foundation                                | -                         | 14   | 14              | 31              |
| Restructuring (note 13)   | (467)                     | -  | (467)           | (1,184)         |
| <b>Excess (deficiency) of revenue over expenses</b>                       | <b>\$ (1,035)</b>         | <b>\$ 356</b>                                    | <b>\$ (679)</b> | <b>\$ (433)</b> |

See accompanying notes to financial statements.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

## Statement of Changes in Fund Balances (Deficiency)

Year ended August 31, 2005, with comparative figures for 2004  
(In thousands of dollars)

|   | Operating<br>Fund | Restricted<br>Funds<br>(schedule) | Investment<br>in Capital<br>Assets | World<br>Scout<br>Foundation | Total<br>2005 | Total<br>2004 |
|---|-------------------|-----------------------------------|------------------------------------|------------------------------|---------------|---------------|
| Opening balance<br>(deficiency)   | \$ (2,643)        | \$ 3,181                          | \$ 2,970                           | \$ 1,060                     | \$ 4,568      | \$ 5,001      |
| Adjustment to employee<br>future benefits recovery<br>receivable (note 6) | 1,343             | —                                 | —                                  | —                            | 1,343         | —             |
| Excess (deficiency) of<br>revenue over expenses                           | (1,035)           | 342                               | —                                  | 14                           | (679)         | (433)         |
| Change in investment in<br>capital assets:                                |                   |                                   |                                    |                              |               |               |
| Amortization of capital<br>assets   | 415               | —                                 | (415)                              | —                            | —             | —             |
| Capital asset additions   | (127)             | —                                 | 127                                | —                            | —             | —             |
| Closing balance<br>(deficiency)   | \$ (2,047)        | \$ 3,523                          | \$ 2,682                           | \$ 1,074                     | \$ 5,232      | \$ 4,568      |

See accompanying notes to financial statements.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

## Statement of Cash Flows

Year ended August 31, 2005, with comparative figures for 2004  
(In thousands of dollars)

|  | 2005       | 2004     |
|--|------------|----------|
| Cash flows from operating activities:                  |            |          |
| Deficiency of revenue over expenses                    | \$ (679)   | \$ (433) |
| Items not involving cash:                              |            |          |
| Amortization of capital assets                         | 415        | 425      |
| Change in pension and employee future benefit balances | 285        | 280      |
| Changes in non-cash working capital:                   |            |          |
| Amounts receivable                                     | 501        | (478)    |
| Inventory  | 13         | (1,007)  |
| Prepaid expenses                                       | (394)      | (101)    |
| Membership fees receivable                             | (334)      | -        |
| Amounts receivable from Councils                       | 179        | (384)    |
| Accounts payable and accrued liabilities               | (272)      | 691      |
| Deferred revenue                                       | (125)      | 259      |
| Membership fees payable                                | 226        | -        |
|  | (185)      | (748)    |
| Cash flows from investing and financing activities:    |            |          |
| Capital asset additions                                | (127)      | (167)    |
| Increase in investments                                | (198)      | (1,486)  |
| Increase (decrease) in inventory payables to Councils  | (527)      | 1,102    |
| Increase in loan from Provincial Council for Ontario   | 8          | 500      |
|  | (844)      | (51)     |
| Net decrease in cash                                   | (1,029)    | (799)    |
| Cash (bank indebtedness), beginning of year            | (507)      | 292      |
| Bank indebtedness, end of year                         | \$ (1,536) | \$ (507) |
| Consisting of:   |            |          |
| Cash   | \$ 420     | \$ 1,307 |
| Bank indebtedness                                      | (1,956)    | (1,814)  |
|  | \$ (1,536) | \$ (507) |
| Supplemental cash flow information:                    |            |          |
| Interest paid  | \$ 44      | \$ 14    |

See accompanying notes to financial statements.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

## Notes to Financial Statements

Year ended August 31, 2005  
(Amounts in thousands of dollars)

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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 Scouts Principles and Practices.

The Boy Scouts of Canada was incorporated on June 12, 1914, by an Act of the Canadian Parliament and is a registered charity under the Income Tax Act, and as such is not subject to income taxes. The Boy Scouts of Canada National Operation (the "National Operation") is responsible for the national activities of The Boy Scouts of Canada and provides services to the Provincial and Regional Councils (the "Councils") of The Boy Scouts of Canada.

### 1. Significant accounting policies:

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

#### (a) Basis of presentation:

These financial statements reflect the operations of the National Operation only and do not include the revenue, expenses, assets and liabilities of the Councils, Fondation Scouts Canada Foundation and Canyouth Publications Inc.

#### (b) Fund accounting:

The National Operation follows the restricted fund method of accounting for not-for-profit organizations.

The Operating Fund accounts for the National Operation's program delivery, retail sales and administrative activities. Restricted funds report the revenue, expenses and fund balances of the activities of the National Operation for which the funding is restricted to that activity.

The World Scout Foundation Fund reports resources externally endowed 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.

#### (c) Inventory:

Inventory is valued at the lower of average cost and net realizable value.

#### (d) Investments:

Investments are recorded at cost plus accrued interest. Investments are written-down to market value if the decline in value is considered other than temporary by management.



# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 2

Year ended August 31, 2005  
(Amounts in thousands of dollars)

## 1. Significant accounting policies (continued):

### (e) Capital assets:

Capital assets are carried at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets which is as follows:

| Asset                                | Term     |
|--------------------------------------|----------|
| Building                             | 20 years |
| Betterment                           | 20 years |
| Office furniture and equipment       | 5 years  |
| Computer hardware and software       | 3 years  |
| Scout Shop equipment and renovations | 3 years  |

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

### (f) 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% 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.

### (g) Revenue recognition:

Restricted contributions relating to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable.



# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 3

Year ended August 31, 2005  
(Amounts in thousands of dollars)

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## 1. Significant accounting policies (continued):

### (g) Revenue recognition (continued):

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on restricted funds is recognized in the applicable restricted fund. Other investment income is recognized in the Operating Fund when earned.

Membership, insurance and other Council related fees are recognized as revenue in the fiscal year to which they relate.

Amounts received but not recognized as revenue are recorded as deferred revenue.

### (h) Donated materials and services:

Volunteers donate services throughout the year to assist the National Operation in carrying out its activities. Because of the difficulty of tracking and determining their fair value, contributed materials and services are not recorded in the financial statements.

### (i) 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. Exchange gains and losses resulting from the translation of these amounts are recorded in the statement of operations.

### (j) Use of estimates:

The preparation of financial statements in conformity with Canadian 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 these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

## 2. Amounts receivable from Councils:

The National Operation performs accounting and administrative services for the Provincial Council for Ontario and the White Pine, Voyageur, Prince Edward Island and New Brunswick Councils. The amounts receivable from Councils represent amounts paid by the National Operation on behalf of these Councils which will be reimbursed by the Councils. Interest of chartered bank prime plus 0.75% is charged to the Councils on the receivable balance.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 4

Year ended August 31, 2005

(Amounts in thousands of dollars)

## 3. Investments:

The National Operation holds investments for the following purposes:

|                                  | 2005           |              | 2004           |              |
|----------------------------------|----------------|--------------|----------------|--------------|
|                                  | Carrying value | Market value | Carrying value | Market value |
| Operating:                       |                |              |                |              |
| General operations               | \$ -           | \$ -         | \$ -           | \$ -         |
| Employee future benefits         | 613            | 622          | 537            | 532          |
| Restricted:                      |                |              |                |              |
| Insurance Fund                   | 1,154          | 1,164        | 1,147          | 1,147        |
| Brotherhood Fund                 | 459            | 467          | 419            | 431          |
| International Participation Fund | 364            | 389          | 330            | 360          |
| World Scout Foundation           | 1,155          | 1,232        | 1,114          | 1,215        |
|                                  | \$ 3,745       | \$ 3,874     | \$ 3,547       | \$ 3,685     |

Investments consist of:

|                           |          |          |          |          |
|---------------------------|----------|----------|----------|----------|
| Bonds                     | \$ 2,376 | \$ 2,443 | \$ 1,980 | \$ 2,038 |
| Equities                  | 1,108    | 1,170    | 646      | 652      |
| Money market mutual funds | 261      | 261      | 921      | 995      |
|                           | \$ 3,745 | \$ 3,874 | \$ 3,547 | \$ 3,685 |

## 4. Capital assets:

|                                      | 2005     |                          | 2004           |                |
|--------------------------------------|----------|--------------------------|----------------|----------------|
|                                      | Cost     | Accumulated amortization | Net book value | Net book value |
| Land                                 | \$ 15    | \$ -                     | \$ 15          | \$ 15          |
| Building                             | 1,485    | 1,041                    | 444            | 473            |
| Betterment                           | 2,791    | 723                      | 2,068          | 2,144          |
| Office furniture and equipment       | 325      | 323                      | 2              | 25             |
| Computer hardware and software       | 1,353    | 1,265                    | 88             | 254            |
| Scout Shop equipment and renovations | 85       | 20                       | 65             | 59             |
|                                      | \$ 6,054 | \$ 3,372                 | \$ 2,682       | \$ 2,970       |

Cost and accumulated amortization as at August 31, 2004 were \$5,927 and \$2,957 respectively.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 5

Year ended August 31, 2005  
(Amounts in thousands of dollars)

## 5. Employee future benefits:

The Boy Scouts of Canada has a defined benefit pension plan that covers most of its employees working at the National Operation and the Councils. The Boy Scouts of Canada also provides its employees with other employee future benefits including life insurance and medical coverage.

The latest triennial actuarial valuation for accounting purposes was performed as at August 31, 2003. The next triennial actuarial valuation is planned for August 31, 2006.

### (a) Plan assets and obligations:

The following table presents the changes in benefit assets and obligations, change in plan assets, and the composition of prepaid (accrued) benefit costs in the financial statements.

|  | 2005                |                   | 2004                |                   |
|--|---------------------|-------------------|---------------------|-------------------|
|  | Pension<br>benefits | Other<br>benefits | Pension<br>benefits | Other<br>benefits |
| Prepaid (accrued) benefit costs:             |                     |                   |                     |                   |
| Funded status – plan deficit                 | \$ (2,294)          | \$ (7,437)        | \$ (555)            | \$ (7,216)        |
| Unamortized net actuarial loss               | 2,209               | 2,425             | 336                 | 2,698             |
| Unamortized past service cost                | 824                 | (180)             | 918                 | (232)             |
| Prepaid (accrued) benefit costs              | \$ 739              | \$ (5,192)        | \$ 699              | \$ (4,750)        |
| Change in benefit asset (obligation):        |                     |                   |                     |                   |
| Benefit obligation, beginning of year        | \$ (21,639)         | \$ (7,216)        | \$ (21,801)         | \$ (5,996)        |
| Current service cost                         | (439)               | (244)             | (484)               | (224)             |
| Interest cost                                | (1,311)             | (382)             | (1,320)             | (398)             |
| Employees' contributions                     | (304)               | –                 | (362)               | –                 |
| Benefits paid                                | 2,080               | 214               | 1,212               | 104               |
| Actuarial gain (loss)                        | (3,524)             | (1,317)           | 612                 | (1,044)           |
| Remeasurement gain                           | –                   | 1,034             | –                   | –                 |
| Decrease in obligation due to curtailment    | –                   | 474               | 504                 | 342               |
| Benefit obligation, end of year              | \$ (25,137)         | \$ (7,437)        | \$ (21,639)         | \$ (7,216)        |
| Change in plan assets:                       |                     |                   |                     |                   |
| Plan assets at fair value, beginning of year | \$ 21,078           | \$ –              | \$ 19,390           | \$ –              |
| Actual return on plan assets                 | 3,029               | –                 | 1,908               | –                 |
| Employer contributions                       | 512                 | –                 | 636                 | –                 |
| Employees' contributions                     | 304                 | –                 | 362                 | –                 |
| Benefits paid                                | (2,080)             | –                 | (1,212)             | –                 |
| Plan assets at fair value, end of year       | \$ 22,843           | \$ –              | \$ 21,084           | \$ –              |

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 6

Year ended August 31, 2005

(Amounts in thousands of dollars)

## 5. Employee future benefits (continued):

### (b) Net benefit cost:

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

|                                    | 2005                |                   | 2004                |                   |
|------------------------------------|---------------------|-------------------|---------------------|-------------------|
|                                    | Pension<br>benefits | Other<br>benefits | Pension<br>benefits | Other<br>benefits |
| Current service cost               | \$ 439              | \$ 244            | \$ 484              | \$ 224            |
| Interest cost                      | 1,311               | 382               | 1,320               | 398               |
| Expected return on plan assets     | (1,380)             | —                 | (1,349)             | —                 |
| Amortization of past service costs | 95                  | (37)              | 113                 | (41)              |
| Curtailment loss (gain)            | —                   | (23)              | 175                 | (21)              |
| Amortization of actuarial losses   | —                   | 90                | —                   | 133               |
| Net benefit cost                   | \$ 465              | \$ 656            | \$ 743              | \$ 693            |

### (c) Pension plan assets:

Plan assets are invested in the following securities at August 31, 2005:

|                        | Target | Actual |
|------------------------|--------|--------|
| Cash                   | 5%     | 7%     |
| Bonds                  | 45%    | 37%    |
| Canadian equities      | 30%    | 34%    |
| U.S. equities          | 10%    | 12%    |
| Other foreign equities | 10%    | 10%    |

### (d) Assumptions:

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

|                                 | 2005                |                   | 2004                |                   |
|---------------------------------|---------------------|-------------------|---------------------|-------------------|
|                                 | Pension<br>benefits | Other<br>benefits | Pension<br>benefits | Other<br>benefits |
| Compensation increases          | 4.0%                | —                 | 5.0%                | —                 |
| Rate of inflation               | 3.0%                | 3.0%              | 3.0%                | 3.0%              |
| Discount rate                   | 5.0%                | 5.0%              | 6.25%               | 6.25%             |
| Expected return on plan assets  | 6.75%               | —                 | 7.0%                | —                 |
| Initial health care trend rate  | —                   | 8.3%              | —                   | 9.0%              |
| Ultimate health care trend rate | —                   | 5.1%              | —                   | 5.1%              |

The ultimate health care trend rate is estimated to be reached in 2014. The actual return on plan assets in fiscal 2005 was 13% (2004 – 9%).

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 7

Year ended August 31, 2005  
(Amounts in thousands of dollars)

## 5. Employee future benefits (continued):

### (e) Health care sensitivity analysis:

Assumed health care cost trend rates have a significant effect on the amounts reported for the health-care plans. A 1% change in assumed health care trend rates would have the following effects for 2005.

|                            | Increase | Decrease |
|----------------------------|----------|----------|
| Net benefit cost           | \$ 142   | \$ 101   |
| Accrued benefit obligation | 1,458    | 1,142    |

### (f) Curtailment:

The National Operation's restructuring plan disclosed in note 13 resulted in a curtailment of the pension and other employee future benefits plans. The impact of this curtailment is disclosed in notes 5(a) and 5(b).

## 6. Employee future benefits recovery receivable:

The employee future benefits recovery receivable represents the amount of the accrued employee future benefits liability, disclosed in note 5, which relates to the employees of The Boy Scouts of Canada who are working at the Councils. The Councils pay the National Operation for their portion of the employer contributions under the plans in the year.

In the year, the Board of The Boy Scouts of Canada approved the allocation of the entire accrued employee future benefits liability between the National Operation and the Councils. In prior years, only the liability relating to post-September 1, 2001 employee service was allocated. This allocation has been recorded as an adjustment to Operating Fund deficiency, resulting in an increase in the employee future benefits recovery receivable and a decrease in the Operating Fund deficiency of \$1,343.



# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 8

Year ended August 31, 2005  
(Amounts in thousands of dollars)

## 7. Deferred revenue:

Deferred revenue represents funds received or receivable by the Operating Fund for which goods or services will be provided in future years.

|  | Opening<br>balance | Amounts<br>received | Revenue<br>recognized | Closing<br>balance |
|--|--------------------|---------------------|-----------------------|--------------------|
| Membership fees                                    | \$ 250             | \$ 127              | \$ (250)              | \$ 127             |
| ScoutsAbout and Extreme<br>Adventure               | 61                 | 4                   | (17)                  | 48                 |
| Personnel funds                                    | 142                | —                   | (142)                 | —                  |
| Deposits – Scout Shops                             | 54                 | 38                  | (54)                  | 38                 |
| Lieutenant Governor Aboriginal<br>Literary Program | —                  | 502                 | (390)                 | 112                |
| Other  | 15                 | 72                  | (15)                  | 72                 |
|  | \$ 522             | \$ 743              | \$ (868)              | \$ 397             |

Membership fees for fiscal 2006 were received prior to year end.

Grants and donations received for the ScoutsAbout and Extreme Adventure programs are used to develop and introduce these programs in Councils across Canada.

The National Operation receives funds from Councils for personnel related expenses including training and relocation which are deferred until required.

Group deposits - Scout Shops are funds left on deposit at Scout Shops for future purchases by Groups.

The Lieutenant Governor Aboriginal Literary Program relates to funds received for a program to improve the literacy of Aboriginal children.

## 8. Inventory payables to Councils:

Effective September 1, 2003, the National Operation assumed ownership from the Councils of all the Scout Shops across Canada. The National Operation purchased the inventory of the Scout Shops from the Councils at September 1, 2003 for \$1,284, to be paid in fiscal years 2005 – 2008. During the year, the National Operation paid \$435 against this inventory purchase payable to Councils.

In fiscal 2002, the National Operation rebated to the Councils, the profit earned by the National Operations on goods sold to the Scout Shops that were still in the inventory of the Scout Shops at August 31, 2002. The total rebate was \$405. The National Operation made payments of \$92 (2004 - \$182) against this inventory rebate payable in the year.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 9

Year ended August 31, 2005  
(Amounts in thousands of dollars)

## 8. Inventory payables to Councils (continued):

Interest is not charged on these amounts. The expected repayments of these amounts are:

|                        | Inventory<br>rebate<br>payable | Inventory<br>purchase<br>payable | Total  |
|------------------------|--------------------------------|----------------------------------|--------|
| Year ending August 31: |                                |                                  |        |
| 2006                   | \$ 118                         | \$ 313                           | \$ 431 |
| 2007                   | —                              | 313                              | 313    |
| 2008                   | —                              | 223                              | 223    |
|                        | \$ 118                         | \$ 849                           | \$ 967 |

As part of the transfer of ownership of the Scout Shops, the National Operation committed to paying the Councils 2% of the gross sales of the Scout Shops in their region. In 2005, \$100 (2004 - \$105) was paid to the Councils.

## 9. Loan from Provincial Council for Ontario:

The loan from the Provincial Council for Ontario bears interest at the chartered bank prime rate less 1%. This loan has no annual repayments terms but is to be repaid in full by fiscal 2010.

## 10. Contingent liabilities:

### (a) Legal claims:

The National Operation has been named as a defendant in a number of legal claims, which have arisen in the normal course of its operations and delivery of its programs. Legal claims are categorized as liability, breach of contract, sexual molestation, wrongful dismissal and human rights complaints. In certain of these instances, a specified amount has been claimed by the plaintiffs. In other instances, no amounts have been specified.

The National Operation is covered by insurance policies which provide funding for the cost of most of these claims should damages be awarded. The National Operation has accrued as an expense the amount deductible from insurance payments for those cases where management believes a payment is likely. 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.



# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 10

Year ended August 31, 2005  
(Amounts in thousands of dollars)

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## 10. Contingent liabilities (continued):

### (a) Legal claims (continued):

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 an expense of the Insurance Fund, in the period in which they are determined.

Effective September 1, 2001, the National Operation is self-insured for child abuse coverage. A self-insurance reserve fund has been established and funds have been transferred to this restricted fund.

### (b) Other:

Under certain circumstances, the National Operation could be held liable for the obligations of the Councils and Groups.

## 11. Related party transactions:

### (a) Membership and insurance fees:

Membership and insurance fees are collected from individual members of Scouts Canada primarily at the local Group level. National and Council fees collected by the local Groups are allocated to the National Operation and the Councils based on the membership fee schedules for the year.

The membership fee receivable balance consists of amounts receivable from local Groups of \$190 and from Councils of \$144 for 2004-2005 national membership and insurance fees. The balance is net of an allowance for uncollectible memberships of \$303, which is included in administration expense.

The membership fees payable balance of \$226 consists of amounts payable by the National Operation to Councils for Council membership fees.

### (b) Other:

A senior volunteer of The Boy Scouts of Canada was, until March 2005, president of the company that contracted warehouse services with the National Operation. As per the conflict of interest guidelines of The Boy Scouts of Canada, the appropriate declarations have been made.

Other related party transactions and balances are disclosed in notes 2, 6, 8, 9, 12, 14 and 15 to the financial statements.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 11

Year ended August 31, 2005  
(Amounts in thousands of dollars)

## 12. Salaries and benefits:

The National Operation is responsible for the payroll for all employees of Boy Scouts of Canada, including those working at the Councils. The National Operation recovers the cost of salary and benefits as well as an administrative fee from the Councils.

|                               | 2005     | 2004      |
|-------------------------------|----------|-----------|
| All employees:                |          |           |
| Salaries and benefits         | \$ 9,716 | \$ 10,534 |
| Employee future benefits      | 1,271    | 1,435     |
|                               | 10,987   | 11,969    |
| Less recovered from Councils: |          |           |
| Salaries and benefits         | 6,504    | 7,535     |
| Employee future benefits      | 989      | 900       |
|                               | 7,493    | 8,435     |
| National Operation            | \$ 3,494 | \$ 3,534  |

## 13. Restructuring costs:

During 2004, the Board of The Boy Scouts of Canada approved a restructuring plan that included a reduction in the number of Councils in Canada to 20, subject to certain conditions stated in By-Law No. 2.

The restructuring expense of \$467 (2004 - \$1,184) relates to costs incurred under the restructuring plan which is expected to strengthen scouting in Canada and has direct financial benefits for a number of Councils. Of this amount, \$27 (2004 - \$662) is included in accounts payable and accrued liabilities at August 31, 2005. This amount is expected to be paid in 2006.

## 14. Fondation Scouts Canada Foundation:

The National Operation has an economic interest in Fondation Scouts Canada Foundation. The Foundation was established to financially support The Boy Scouts of Canada by promoting and soliciting gifts, grants and matching funds from individuals, corporations and foundations.

Under the terms of an agreement with the Foundation, the National Operation received donations of \$139 (2004 - \$167) from the Foundation based on 100% of net proceeds from direct mail campaigns and 85% of net proceeds of corporate campaigns.

During the year, the National Operation charged the Foundation \$9 (2004 - \$6) for administrative services and recovered \$128 (2004 - \$131) for salaries and benefits.

The National Operation has an amount receivable from the Foundation of \$167 (2004 - \$72) including recoveries of salaries and benefits from the Foundation.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 12

Year ended August 31, 2005  
(Amounts in thousands of dollars)

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## 15. Canyouth Publications Ltd.:

The National Operation exercises significant influence over Canyouth Publications Ltd. Canyouth Publications Ltd. publishes the Canadian Leader magazine. Under an agreement between the two organizations, the National Operation purchases all issues of the magazine, and covers any deficit incurred by Canyouth Publications Ltd. or receives a rebate in the amount of any surplus generated by Canyouth Publications Ltd. For the year ended August 31, 2005, the National Operation is entitled to a rebate of \$32 (2004 - \$48) from Canyouth Publications Ltd. This amount has been recorded as a reduction in Canadian Leader magazine expense.

The National Operation purchased magazines totaling \$187 (2004 - \$195) from Canyouth Publications Ltd. in the year. The National Operation has an amount receivable from Canyouth Publication Ltd. of \$42 (2004 - \$53) including the above rebate and recoveries of salaries and benefits.

During the year, the National Operation charged Canyouth Publications Ltd. \$48 (2004 - \$41) for rent, administration and designer services and recovered \$124 (2004 - \$96) for salaries and benefits.

## 16. Financial instruments:

The carrying value of cash, amounts receivable, membership fees receivable, amounts receivable from Councils, bank indebtedness, membership fees payable, and accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of these financial instruments.

The fair value of the employee future benefits recovery receivable and the loan from Provincial Council for Ontario is not determinable as there are no set terms of repayment. The fair value of investments is disclosed in note 3 to the financial statements.

The fair value of inventory payables to Councils is approximately \$880 based on the expected repayments provided in note 8 and an annual interest rate of 5.5%.

## 17. Subsequent event:

Subsequent to year-end, the National Operation borrowed \$250 from each of the Provincial Council for Ontario and the Provincial Council for British Columbia, under the same terms as those disclosed in note 9.

## 18. Comparative figures:

Certain 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2005.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Schedule - Restricted Funds

Year ended August 31, 2005, with comparative figures for 2004  
(In thousands of dollars)

|                                 | Insurance | Brotherhood | International Participation | World Scout Foundation | Youth Event | 2005 Restricted Funds | 2004 Restricted Funds |
|---------------------------------|-----------|-------------|-----------------------------|------------------------|-------------|-----------------------|-----------------------|
| <b>Revenues:</b>                |           |             |                             |                        |             |                       |                       |
| Insurance fees                  | \$ 1,864  | \$ -        | \$ -                        | \$ -                   | \$ -        | \$ 1,864              | \$ 1,833              |
| Donations and sponsorships      | 34        | 14          | 13                          | -                      | -           | 61                    | 151                   |
| Investment                      | 28        | 36          | 34                          | 106                    | -           | 204                   | 181                   |
| Other                           | 20        | 11          | -                           | -                      | -           | 31                    | 225                   |
|                                 | 1,946     | 61          | 47                          | 106                    | -           | 2,160                 | 2,390                 |
| <b>Expenses:</b>                |           |             |                             |                        |             |                       |                       |
| Insurance and legal             | 1,551     | -           | -                           | -                      | -           | 1,551                 | 1,196                 |
| Administration                  | 113       | -           | 11                          | 9                      | -           | 133                   | 15                    |
| Travel and meetings             | -         | -           | 24                          | -                      | -           | 24                    | 21                    |
| Programs and grants             | -         | 52          | -                           | -                      | -           | 52                    | 32                    |
| Transfer to World Scout Bureau  | -         | -           | -                           | 58                     | -           | 58                    | -                     |
|                                 | 1,664     | 52          | 35                          | 67                     | -           | 1,818                 | 1,264                 |
| Excess of revenue over expenses | 282       | 9           | 12                          | 39                     | -           | 342                   | 1,126                 |
| Fund balance, beginning of year | 2,117     | 423         | 333                         | 58                     | 250         | 3,181                 | 3,622                 |
| Transfer to Operating Fund      | -         | -           | -                           | -                      | -           | -                     | (1,567)               |
| Fund balance, end of year       | \$ 2,399  | \$ 432      | \$ 345                      | \$ 97                  | \$ 250      | \$ 3,523              | \$ 3,181              |

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Schedule - Restricted Funds (continued)

Year ended August 31, 2005, with comparative figures for 2004  
(In thousands of dollars)

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## Restricted fund descriptions:

The Insurance Fund reports the revenue and expenses related to insurance premiums and settlements and potential legal liabilities to Scouts Canada.

The Brotherhood Fund reports revenue and expenses related to Canadian support of World Scouting projects.

The International Participation Fund reports revenue and expenses related to Canadian delegates attending World Scouting conferences, events and meetings.

The World Scout Foundation Fund reports the investment income earned on the endowment of the Foundation and the amounts paid to the World Scout Foundation.

The Youth Event Fund is an internally restricted fund consisting of the net surpluses from past Canadian Jamborees.