

Financial Statements of

**THE BOY SCOUTS OF CANADA  
NATIONAL OPERATION**

Year ended August 31, 2004



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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, 2004 and the statements of operations, changes in fund balances 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Ottawa, Canada

October 29, 2004

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

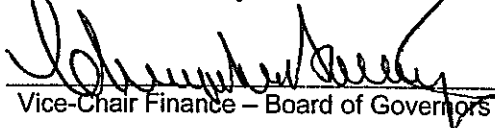
## Statement of Financial Position

August 31, 2004, with comparative figures for 2003  
(In thousands of dollars)

	Operating Fund	Restricted and Endowed Funds	2004	2003
<b>Assets</b>				
<b>Current assets:</b>				
Cash	\$ 265	\$ 1,042	\$ 1,307	\$ 292
Amounts receivable	1,456	86	1,542	1,064
Inventory	3,491	—	3,491	2,484
Prepaid expenses	276	—	276	175
Amounts receivable from Councils (note 2)	384	—	384	—
	5,872	1,128	7,000	4,015
Investments (note 3)	537	3,010	3,547	2,061
Capital assets (note 4)	2,970	—	2,970	3,228
Prepaid pension costs (note 5)	699	—	699	809
Benefit recovery receivable (note 6)	1,025	—	1,025	607
Amounts due from Operating Fund	(234)	234	—	—
	\$ 10,869	\$ 4,372	\$ 15,241	\$ 10,720
<b>Liabilities and Fund Balances</b>				
<b>Current liabilities:</b>				
Bank indebtedness	\$ 1,814	\$ —	\$ 1,814	\$ —
Accounts payable and accrued liabilities	1,462	131	1,593	902
Deferred revenue (note 7)	522	—	522	263
Current portion of inventory payables to Councils (note 8)	438	—	438	—
	4,236	131	4,367	1,165
Inventory payables to Councils (note 8)	1,056	—	1,056	392
Loan from Provincial Council for Ontario (note 9)	500	—	500	—
Accrued employee future benefits (note 5)	4,750	—	4,750	4,162
<b>Fund balances (deficiencies):</b>				
Operating Fund	(2,643)	—	(2,643)	(2,878)
Restricted Funds (schedule)	—	3,181	3,181	3,622
Investment in capital assets	2,970	—	2,970	3,228
World Scout Foundation Fund	—	1,060	1,060	1,029
	327	4,241	4,568	5,001
Contingent liabilities (note 10)				
	\$ 10,869	\$ 4,372	\$ 15,241	\$ 10,720

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, 2004, with comparative figures for 2003  
(In thousands of dollars)

	Operating Fund 2004	Restricted and Endowed Funds (schedule)	Total 2004	Total 2003
<b>Revenue:</b>				
Membership fees (note 11)	\$ 3,055	\$ —	\$ 3,055	\$ 1,522
Scout Shops sales	5,460	—	5,460	1,944
Revenue sharing – Scout Shops	42	—	42	803
Insurance fees (note 11)	—	1,833	1,833	2,158
Fundraising	448	—	448	557
Donations and sponsorships	230	151	381	475
Grants	157	—	157	—
Fees for services	190	—	190	264
Canadian Leader subscriptions	—	—	—	188
Investment	13	181	194	(3)
Other	157	225	382	265
	9,752	2,390	12,142	8,173
<b>Expenses:</b>				
Salaries and benefits (note 12)	11,969	—	11,969	12,001
Recovery of salaries and benefits (note 12)	(8,435)	—	(8,435)	(9,736)
Scout Shops cost of sales	3,171	—	3,171	1,406
Insurance and legal	—	1,196	1,196	954
Communication and promotion	384	—	384	945
Occupancy	256	—	256	—
Property maintenance	192	—	192	157
Administration	483	15	498	449
Fundraising cost of sales	448	—	448	225
Canadian Leader magazine	242	—	242	314
Warehouse facility and freight	252	—	252	210
Council revenue sharing	105	—	105	12
Travel and meetings	219	21	240	279
World Bureau fees	158	—	158	173
Training and relocation	68	—	68	97
Program development and grants	8	32	40	195
Other	198	—	198	110
Interest	15	—	15	19
Transfer to World Bureau	—	—	—	48
World Jamboree fees	—	—	—	212
World Jamboree travel	—	—	—	455
Amortization of capital assets	425	—	425	418
	10,158	1,264	11,422	8,943
<b>Excess (deficiency) of revenue over expenses before the undemoted</b>				
	(406)	1,126	720	(770)
Canadian Jamboree	—	—	—	(21)
Endowed donations – World Scout Foundation	—	31	31	31
Restructuring (note 13)	(1,184)	—	(1,184)	—
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (1,590)</b>	<b>\$ 1,157</b>	<b>\$ (433)</b>	<b>\$ (760)</b>

See accompanying notes to financial statements.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

## Statement of Changes in Fund Balances

Year ended August 31, 2004, with comparative figures for 2003

(In thousands of dollars)

	Operating Fund	Restricted Funds (schedule)	Investment in Capital Assets	World Scout Foundation	Total 2004	Total 2003
Opening balance	\$ (2,878)	\$ 3,622	\$ 3,228	\$ 1,029	\$ 5,001	\$ 5,761
Excess (deficiency) of revenue over expenses	(1,590)	1,126	—	31	(433)	(760)
Interfund transfer	1,567	(1,567)	—	—	—	—
Change in investment in capital assets:						
Amortization of capital assets	425	—	(425)	—	—	—
Capital asset additions	(167)	—	167	—	—	—
Closing balance	\$ (2,643)	\$ 3,181	\$ 2,970	\$ 1,060	\$ 4,568	\$ 5,001

See accompanying notes to financial statements.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

## Statement of Cash Flows

Year ended August 31, 2004, with comparative figures for 2003  
(In thousands of dollars)

	2004	2003
<b>Cash flows from operating activities:</b>		
Deficiency of revenue over expenses	\$ (433)	\$ (760)
Items not involving cash:		
Amortization of capital assets	425	418
Change in pension and post-retirement benefit balances	280	144
Changes in non-cash working capital:		
Amounts receivable	(478)	537
Inventory	(1,007)	(823)
Prepaid expenses	(101)	400
Amounts receivable from Councils	(384)	-
Accounts payable and accrued liabilities	691	(272)
Deferred revenue	259	(42)
	<u>(748)</u>	<u>(398)</u>
<b>Cash flows from investing and financing activities:</b>		
Capital asset additions	(167)	(142)
Decrease (increase) in investments	(1,486)	706
Increase (decrease) in inventory payables to Councils	1,102	(13)
Increase in loan from Provincial Council for Ontario	500	-
	<u>(51)</u>	<u>551</u>
Net increase (decrease) in cash	(799)	153
Cash, beginning of year	292	139
Cash (bank indebtedness), end of year	\$ (507)	\$ 292
<b>Consisting of:</b>		
Cash	\$ 1,307	\$ 292
Bank indebtedness	(1,814)	-
	<u>\$ (507)</u>	<u>\$ 292</u>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 14	\$ 19

See accompanying notes to financial statements.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements

Year ended August 31, 2004

(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. Effective September 1, 2003, the National Operation assumed ownership from the Councils of Scout Shops in Canada. The revenue, expenses, assets and liabilities of the Scout Shops are included in the 2004 financial statements but are not included in the comparative figures.

### (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.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 2

Year ended August 31, 2004  
(Amounts in thousands of dollars)

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## 1. Significant accounting policies (continued):

### (d) Investments:

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

### (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

### (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.

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.



# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 3

Year ended August 31, 2004  
(Amounts in thousands of dollars)

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## 1. Significant accounting policies (continued):

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

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 those 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, 2004  
(Amounts in thousands of dollars)

## 3. Investments:

The National Operation holds investments for the following purposes:

	2004		2003	
	Carrying value	Market value	Carrying value	Market value
Operating:				
General operations	\$ —	\$ —	\$ 318	\$ 318
Employee future benefits	537	532	127	125
Restricted:				
Insurance Fund	1,147	1,147	—	—
Brotherhood Fund	419	431	313	331
International Participation Fund	330	360	307	335
World Scout Foundation - endowed	1,114	1,215	996	1,070
	\$ 3,547	\$ 3,685	\$ 2,061	\$ 2,179

Investments consist of:

Bonds	\$ 1,980	\$ 2,038	\$ 1,335	\$ 1,376
Equities	646	652	553	630
Money market mutual funds	921	995	173	173
	\$ 3,547	\$ 3,685	\$ 2,061	\$ 2,179

## 4. Capital assets:

	2004		2003	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 15	\$ —	\$ 15	\$ 15
Building	1,485	1,012	473	503
Betterment	2,727	583	2,144	2,263
Office furniture and equipment	325	300	25	56
Computer hardware and software	1,309	1,055	254	391
Scout Shop equipment and renovations	66	7	59	—
	\$ 5,927	\$ 2,957	\$ 2,970	\$ 3,228

Cost and accumulated amortization as at August 31, 2003 were \$5,760 and \$2,532 respectively.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 5

Year ended August 31, 2004  
(Amounts in thousands of dollars)

## 5. Benefit plans:

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 other employee future benefits including life insurance and medical coverage.

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

	2004		2003	
	Pension benefits	Other benefits	Pension benefits	Other benefits
<b>Prepaid (accrued) benefit costs:</b>				
Funded status – plan deficit	\$ (555)	\$ (7,216)	\$ (2,411)	\$ (5,996)
Unamortized net actuarial loss	336	2,698	2,014	2,123
Unamortized past service cost	918	(232)	1,206	(289)
<b>Prepaid (accrued) benefit costs</b>	<b>\$ 699</b>	<b>\$ (4,750)</b>	<b>\$ 809</b>	<b>\$ (4,162)</b>
<b>Change in benefit asset (obligation):</b>				
Benefit obligation, beginning of year	\$ (21,801)	\$ (5,996)	\$ (20,643)	\$ (3,882)
Current service cost	(484)	(224)	(518)	(144)
Interest cost	(1,320)	(398)	(1,403)	(281)
Employees' contributions	(362)	–	(324)	–
Benefits paid	1,212	104	1,068	97
Actuarial gain (loss)	612	(1,044)	19	(1,786)
Decrease in obligation due to curtailment	504	342	–	–
<b>Benefit obligation, end of year</b>	<b>\$ (21,639)</b>	<b>\$ (7,216)</b>	<b>\$ (21,801)</b>	<b>\$ (5,996)</b>
<b>Change in plan assets:</b>				
Plan assets at fair value, beginning of year	\$ 19,390	\$ –	\$ 19,151	\$ –
Actual return on plan assets	1,908	–	564	–
Employer contributions	636	–	419	–
Employees' contributions	362	–	324	–
Benefits paid	(1,212)	–	(1,068)	–
<b>Plan assets at fair value, end of year</b>	<b>\$ 21,084</b>	<b>\$ –</b>	<b>\$ 19,390</b>	<b>\$ –</b>

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 6

Year ended August 31, 2004

(Amounts in thousands of dollars)

## 5. Benefit plans (continued):

### (b) Net benefit cost:

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

	2004		2003	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Current service cost	\$ 484	\$ 224	\$ 518	\$ 144
Interest cost	1,320	398	1,403	281
Expected return on plan assets	(1,349)	—	(1,329)	—
Amortization of past service costs	113	(41)	113	(41)
Curtailment loss (gain)	175	(21)	—	—
Amortization of actuarial losses	—	133	—	14
<b>Net benefit cost</b>	<b>\$ 743</b>	<b>\$ 693</b>	<b>\$ 705</b>	<b>\$ 398</b>

### (c) Pension plan assets:

Plan assets are invested in the following securities at August 31, 2004:

	Target	Actual
Cash	5%	9.3%
Bonds	45%	40.3%
Canadian equities	30%	28.3%
U.S. equities	10%	12.3%
Other foreign equities	10%	9.8%

### (d) Assumptions:

The significant weighted-average assumptions used in accounting for the plan are:

	2004		2003	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Compensation increases	5.0%	—	4.0%	—
Rate of inflation	3.0%	3.0%	4.0%	4.0%
Discount rate	6.25%	6.25%	6.50%	6.50%
Expected return on plan assets	7.0%	—	7.00%	—
Initial health care trend rate	—	9.0%	—	8.38%
Ultimate health care trend rate	—	5.1%	—	4.60%

The ultimate health care trend rate is estimated to be reached in 2014. The actual return on plan assets in 2004 was 9.8%.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 7

Year ended August 31, 2004  
(Amounts in thousands of dollars)

## 5. Benefit plans (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 2004.

	Increase	Decrease
Net benefit cost	\$ 133	\$ 103
Accrued benefit obligation	1,275	1,014

### (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. Benefit recovery receivable:

This balance represents the amount to be collected from Councils for pension and other employee future benefits accruing from September 1, 2001. The amount has been classified as long-term as repayment terms are currently under negotiation.

## 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 balance	Amounts received	Revenue recognized	Closing balance
Membership fees	\$ —	\$ 250	\$ —	\$ 250
ScoutsAbout and Extreme Adventure	51	18	(8)	61
Personnel funds	208	—	(66)	142
Group deposits	—	54	—	54
Other	4	11	—	15
	\$ 263	\$ 333	\$ (74)	\$ 522

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 8

Year ended August 31, 2004  
(Amounts in thousands of dollars)

## 7. Deferred revenue (continued):

Membership fees for fiscal 2005 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. Some scouting groups leave funds on deposit in Scout Shops for future purchases.

## 8. Inventory payables to Councils:

Effective September 1, 2003, 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.

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 \$182 (2003 - \$13) against this inventory rebate payable.

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

	Inventory rebate payable	Inventory purchase payable	Total
Year ending August 31:			
2005	\$ 92	\$ 346	\$ 438
2006	118	346	464
2007	—	346	346
2008	—	246	246
	\$ 210	\$ 1,284	\$ 1,494

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 2004, \$105 was paid to the Councils.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 9

Year ended August 31, 2004  
(Amounts in thousands of dollars)

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## 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 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. 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.

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 provincial councils, regions, districts and other groups.

## 11. Related party transactions:

The National Operation collects its membership and insurance fees from all members through the Councils. The President of the company with which the National Operation has contracted its warehouse services serves as the senior volunteer of The Boy Scouts of Canada.

Other related party transactions and balances are disclosed in notes 2, 6, 8, 9, 12, 14 and 15 to the financial statements. As per the conflict of interest guidelines of The Boy Scouts of Canada, the appropriate declarations have been made.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 10

Year ended August 31, 2004

(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.

	2004	2003
All employees:		
Salaries and benefits	\$ 10,534	\$ 10,898
Employee future benefits	1,435	1,103
	<u>11,969</u>	<u>12,001</u>
Less recovered from Councils:		
Salaries and regular benefits	7,535	8,814
Employee future benefits	900	922
	<u>8,435</u>	<u>9,736</u>
National Operation	\$ 3,534	\$ 2,265

## 13. Restructuring costs:

During the year, 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 \$1,184 represents the severance costs related to this restructuring plan which is expected to strengthen scouting in Canada and has direct financial benefits for a number of Councils. Of this amount, \$622 is included in accounts payable and accrued liabilities. This amount is expected to be paid as follows: 2005 - \$491 and 2006 - \$131.

## 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 \$167 (2003 - \$194) 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 \$6 (2003 - \$27) for administrative services and recovered \$131 (2003 - \$108) for salaries and benefits.

The National Operation has an amount receivable from the Foundation of \$72 (2003 - \$92) including recoveries of salary and benefits from the Foundation.



# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 11

Year ended August 31, 2004  
(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, 2004, the National Operation is entitled to a rebate of \$48 (2003 - \$21) from Canyouth Publications Ltd. This amount has been recorded as a reduction in Canadian Leader magazine expense.

The National Operation purchased magazines totaling \$195 (2003 - \$324) from Canyouth Publications Ltd. in the year. The National Operation has an amount receivable from Canyouth Publication Ltd. of \$53 (2003 - \$54) including the above rebate and recoveries of salaries and benefits.

During the year, the National Operation charged Canyouth Publications Ltd. \$41 (2003 - \$34) for rent, administration and designer services and recovered \$96 (2003 - \$100) for salaries and benefits.

## 16. Financial instruments:

The carrying value of cash, amounts receivable, amounts receivable from Councils, bank indebtedness 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 benefit 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 \$1,300 based on the expected repayments provided in note 8 and an annual interest rate of 5.5%.

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Schedule – Restricted Funds

Year ended August 31, 2004, with comparative figures for 2003  
(In thousands of dollars)

	Insurance	Brotherhood	International Participation	World Scout Foundation	Youth Event	2004 Restricted Funds	2003 Restricted Funds
<b>Revenues:</b>							
Insurance fees	\$ 1,833	\$ -	\$ -	\$ -	\$ -	\$ 1,833	\$ 2,158
Donations and sponsorships	112	27	12	-	-	151	198
Fees for services	-	-	-	-	-	-	124
Investment income (loss)	34	38	28	81	-	181	(28)
Other	210	15	-	-	-	225	65
	2,189	80	40	81	-	2,390	2,517
<b>Expenses:</b>							
Insurance and legal	1,196	-	-	-	-	1,196	954
Administration	-	3	3	9	-	15	82
Program development and grants	-	32	-	-	-	32	142
Travel and meetings	-	-	21	-	-	21	31
Transfer to World Bureau	-	-	-	-	-	-	48
World Jamboree fees	-	-	-	-	-	-	212
World Jamboree travel	-	-	-	-	-	-	455
Canadian Jamboree	-	-	-	-	-	-	23
	1,196	35	24	9	-	1,264	1,947
<b>Excess revenue over expenses</b>							
	993	45	16	72	-	1,126	570
Fund balance, beginning of year	1,124	378	317	(14)	1,817	3,622	3,552
Transfer to Operating Fund	-	-	-	-	(1,567)	(1,567)	(500)
<b>Fund balance, end of year</b>	<b>\$ 2,117</b>	<b>\$ 423</b>	<b>\$ 333</b>	<b>\$ 58</b>	<b>\$ 250</b>	<b>\$ 3,181</b>	<b>\$ 3,622</b>

# THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Schedule – Restricted Funds (continued)

Year ended August 31, 2004, with comparative figures for 2003  
(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.