

Financial Statements of

**THE BOY SCOUTS OF CANADA
NATIONAL OPERATION**

Year ended August 31, 2006



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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, 2006 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, 2006 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

October 27, 2006

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

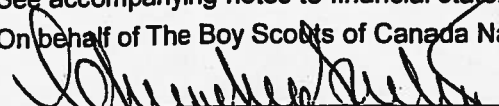
Statement of Financial Position

August 31, 2006, with comparative figures for 2005
(In thousands of dollars)

	Operating Fund	Restricted and Endowed Funds	2006	2005
Assets				
Current assets:				
Cash	\$ 342	\$ 1,820	\$ 2,162	\$ 420
Amounts receivable	927	-	927	1,246
Inventory	2,887	-	2,887	3,478
Prepaid expenses	47	333	380	670
Membership fees receivable (note 10(a))	195	-	195	334
Deferred Canadian Jamboree costs (note 6)	-	202	202	-
	4,398	2,355	6,753	6,148
Investments (note 2)	659	2,868	3,527	3,745
Capital assets (note 3)	2,522	-	2,522	2,682
Prepaid pension costs (note 4)	768	-	768	739
Employee future benefits recovery receivable (note 5)	2,795	-	2,795	2,485
Amounts due from Operating Fund	(1,122)	1,122	-	-
	\$ 10,020	\$ 6,345	\$ 16,365	\$ 15,799
Liabilities and Fund Balances (Deficiency)				
Current liabilities:				
Bank indebtedness	\$ 904	\$ -	\$ 904	\$ 1,956
Accounts payable and accrued liabilities	692	477	1,169	1,321
Deferred revenue (note 6)	104	630	734	397
Membership fees payable (note 10(a))	175	-	175	226
Current portion of inventory payables to Councils (note 7)	382	-	382	431
	2,257	1,107	3,364	4,331
Inventory payables to Councils (note 7)	161	-	161	536
Loans from Provincial Councils (note 8)	1,047	-	1,047	508
Accrued employee future benefits (note 4)	5,818	-	5,818	5,192
Fund balances (deficiency):				
Operating Fund	(1,785)	-	(1,785)	(2,047)
Restricted Funds (schedule)	-	4,109	4,109	3,523
Investment in capital assets	2,522	-	2,522	2,682
World Scout Foundation	-	1,129	1,129	1,074
	737	5,238	5,975	5,232
Contingent liabilities (note 9)				
	\$ 10,020	\$ 6,345	\$ 16,365	\$ 15,799

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, 2006, with comparative figures for 2005
(In thousands of dollars)

	Operating Fund 2005	Restricted and Endowed Funds (schedule)	Total 2006	Total 2005
Revenue:				
Membership fees (note 10)	\$ 2,868	\$ -	\$ 2,868	\$ 2,709
Scout Shops sales	4,854	-	4,854	5,225
Insurance fees (note 10)	-	1,562	1,562	1,864
Fundraising	420	-	420	295
Donations and sponsorships	259	29	288	261
Grants	167	-	167	551
Fees for services	94	-	94	197
Investment	49	282	331	235
Other	294	45	339	300
	9,005	1,918	10,923	11,637
Expenses:				
Salaries and benefits (note 11)	9,923	-	9,923	10,987
Recovery of salaries and benefits (note 11)	(6,541)	-	(6,541)	(7,493)
Scout Shops cost of sales	2,695	-	2,695	3,021
Insurance and legal	-	1,072	1,072	1,551
Communication and promotion	229	-	229	270
Occupancy	232	-	232	214
Property maintenance	209	-	209	213
Administration	641	73	714	692
Fundraising cost of sales	-	-	-	188
Canadian Leader magazine	231	-	231	221
Warehouse facility and freight	124	-	124	190
Council revenue sharing	95	-	95	100
Travel and meetings	178	22	200	226
World Bureau fees	99	-	99	165
Training and relocation	44	-	44	105
Programs and grants	138	68	206	604
Other	69	-	69	85
Interest	47	-	47	51
Transfer to World Scout Bureau	-	97	97	58
Amortization of capital assets	239	-	239	415
	8,652	1,332	9,984	11,863
Excess (deficiency) of revenue over expenses before the undemoted	353	586	939	(226)
Endowed donations – World Scout Foundation	-	55	55	14
Restructuring (note 12)	(251)	-	(251)	(467)
Excess (deficiency) of revenue over expenses	\$ 102	\$ 641	\$ 743	\$ (679)

See accompanying notes to financial statements.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Statement of Changes in Fund Balances (Deficiency)

Year ended August 31, 2006, with comparative figures for 2005
(In thousands of dollars)

	Operating Fund	Restricted Funds (schedule)	Investment in Capital Assets	World Scout Foundation	Total 2006	Total 2005
Opening balance (deficiency)	\$ (2,047)	\$ 3,523	\$ 2,682	\$ 1,074	\$ 5,232	\$ 4,568
Adjustment to employee future benefits recovery receivable (note 5)	—	—	—	—	—	1,343
Excess (deficiency) of revenue over expenses	102	586	—	55	743	(679)
Change in investment in capital assets:						
Amortization of capital assets	239	—	(239)	—	—	—
Capital asset additions	(79)	—	79	—	—	—
Closing balance (deficiency)	\$ (1,785)	\$ 4,109	\$ 2,522	\$ 1,129	\$ 5,975	\$ 5,232

See accompanying notes to financial statements.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Statement of Cash Flows

Year ended August 31, 2006, with comparative figures for 2005
(In thousands of dollars)

	2006	2005
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 743	\$ (679)
Items not involving cash:		
Amortization of capital assets	239	415
Change in pension and employee future benefit balances	287	285
Changes in non-cash working capital:		
Amounts receivable	319	680
Inventory	591	13
Prepaid expenses	290	(394)
Membership fees receivable	139	(334)
Deferred Canadian Jamboree costs	(202)	-
Accounts payable and accrued liabilities	(152)	(272)
Deferred revenue	337	(125)
Membership fees payable	(51)	226
	<u>2,540</u>	<u>(185)</u>
Cash flows from investing and financing activities:		
Capital asset additions	(79)	(127)
Decrease (increase) in investments	218	(198)
Decrease in inventory payables to Councils	(424)	(527)
Increase in loan from Provincial Councils	539	8
	<u>254</u>	<u>(844)</u>
Net increase (decrease) in cash	<u>2,794</u>	<u>(1,029)</u>
Bank indebtedness, beginning of year	<u>(1,536)</u>	<u>(507)</u>
Cash (bank indebtedness), end of year	<u>\$ 1,258</u>	<u>\$ (1,536)</u>
Consisting of:		
Cash	\$ 2,162	\$ 420
Bank indebtedness	(904)	(1,956)
	<u>\$ 1,258</u>	<u>\$ (1,536)</u>
Supplemental cash flow information:		
Interest paid	\$ 47	\$ 44

See accompanying notes to financial statements.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements

Year ended August 31, 2006
(Amounts in thousands of dollars)

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, 2006
(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 estimated 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.

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Notes to Financial Statements, page 3

Year ended August 31, 2006
(Amounts in thousands of dollars)

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, donated 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.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 4

Year ended August 31, 2006
(Amounts in thousands of dollars)

2. Investments:

The National Operation holds investments for the following purposes:

	2006		2005	
	Carrying value	Market value	Carrying value	Market value
Operating:				
Employee future benefits	\$ 659	\$ 648	\$ 613	\$ 622
Restricted:				
Insurance Fund	761	757	1,154	1,164
Brotherhood Fund	490	486	459	467
International Participation Fund	410	409	364	389
World Scout Foundation	1,207	1,189	1,155	1,232
	\$ 3,527	\$ 3,489	\$ 3,745	\$ 3,874

Investments consist of:

Bonds	\$ 1,675	\$ 1,680	\$ 2,376	\$ 2,443
Equities	943	900	1,108	1,170
Money market mutual funds	909	909	261	261
	\$ 3,527	\$ 3,489	\$ 3,745	\$ 3,874

3. Capital assets:

	2006		2005	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 15	\$ -	\$ 15	\$ 15
Building	1,485	1,071	414	444
Betterment	2,794	860	1,934	2,068
Office furniture and equipment	354	326	28	2
Computer hardware and software	1,398	1,320	78	88
Scout Shop equipment and renovations	87	34	53	65
	\$ 6,133	\$ 3,611	\$ 2,522	\$ 2,682

Cost and accumulated amortization as at August 31, 2005 were 6,054 and \$3,372 respectively.

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Notes to Financial Statements, page 5

Year ended August 31, 2006
(Amounts in thousands of dollars)

4. 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 Boy Scouts of Canada has adopted an annual measurement date of June 30 for estimating the accounting surplus or deficit and establishing benefit costs for the coming fiscal year, both of which are dependent on the measurement factors at that time.

The latest triennial actuarial valuation for accounting purposes was performed as at January 1, 2006. The next triennial actuarial valuation is planned for January 1, 2009.

As part of the regulations governing federally regulated pension plans, pension plans must meet certain solvency requirements, which assume the plans, are wound up/liquidated as of the valuation date. The actuarial valuation performed as at January 1, 2006 reported a solvency deficit of \$946 and a going concern deficit of \$701, based on economic assumptions applicable at January 1, 2006. The Boy Scouts of Canada anticipates additional contributions to meet solvency and going concern requirements will approximate \$364 per year for the next three years.

(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.

	2006		2005	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Prepaid (accrued) benefit costs:				
Funded status – plan deficit	\$ (941)	\$ (6,158)	\$ (2,294)	\$ (7,437)
Employer contribution from measurement date to fiscal year end	87	–	–	–
Unamortized net actuarial loss	893	484	2,209	2,425
Unamortized past service cost	729	(144)	824	(180)
Prepaid (accrued) benefit costs	\$ 768	\$ (5,818)	\$ 739	\$ (5,192)
Change in benefit asset (obligation):				
Benefit obligation, beginning of year	\$ (25,137)	\$ (7,437)	\$ (21,639)	\$ (7,216)
Current service cost	(630)	(309)	(439)	(244)
Interest cost	(1,231)	(383)	(1,311)	(382)
Employees' contributions	(300)	–	(304)	–
Benefits paid	1,981	189	2,080	214
Actuarial gain (loss)	2,527	1,782	(3,524)	(1,317)
Remeasurement gain	–	–	–	1,034
Decrease in obligation due to curtailment	–	–	–	474
Benefit obligation, end of year	\$ (22,790)	\$ (6,158)	\$ (25,137)	\$ (7,437)

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Notes to Financial Statements, page 6

Year ended August 31, 2006
(Amounts in thousands of dollars)

4. Employee future benefits (continued):

(a) Plan assets and obligations (continued):

	2006		2005	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Change in plan assets:				
Plan assets at fair value, beginning of year	\$ 22,843	\$ —	\$ 21,078	\$ —
Actual return on plan assets	288	—	3,029	—
Employer contributions	399	—	512	—
Employees' contributions	300	—	304	—
Benefits paid	(1,981)	—	(2,080)	—
Plan assets at fair value, end of year	\$ 21,849	\$ —	\$ 22,843	\$ —

(b) Net benefit cost:

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

	2006		2005	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Current service cost	\$ 630	\$ 309	\$ 439	\$ 244
Interest cost	1,231	383	1,311	382
Expected return on plan assets	(1,499)	—	(1,380)	—
Amortization of past service costs	95	(36)	95	(37)
Curtailment loss (gain)	—	—	—	(23)
Amortization of actuarial losses	—	158	—	90
Net benefit cost	\$ 457	\$ 814	\$ 465	\$ 656

(c) Pension plan assets:

Plan assets are invested in the following securities at August 31, 2006:

	Target	Actual
Cash	5%	7%
Bonds	45%	34%
Canadian equities	30%	34%
U.S. equities	10%	12%
Other foreign equities	10%	13%

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 7

Year ended August 31, 2006
(Amounts in thousands of dollars)

4. Employee future benefits (continued):

(d) Assumptions:

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

	2006		2005	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Compensation increases	3.5%	– %	4.0%	–
Rate of inflation	3.0%	3.0%	3.0%	3.0%
Discount rate	5.75%	5.75%	5.0%	5.0%
Expected return on plan assets	6.75%	– %	6.75%	–
Initial health care trend rate	– %	8.9%	–	8.3%
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 2006 was 1.3% (2005 – 13%).

(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 2006.

	Increase	Decrease
Net benefit cost	\$ 170	\$ 130
Accrued benefit obligation	955	767

(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 in 2005. The impact of this curtailment is disclosed in notes 4(a) and 4(b).

5. Employee future benefits recovery receivable:

The employee future benefits recovery receivable represents the amount of the accrued employee future benefits liability, disclosed in note 4, 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.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 8

Year ended August 31, 2006
(Amounts in thousands of dollars)

5. Employee future benefits recovery receivable (continued):

In 2005, 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 was recorded as an adjustment to Operating Fund deficiency in 2005, resulting in an increase in the employee future benefits recovery receivable and a decrease in the Operating Fund deficiency of \$1,343.

6. 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	Amounts reimbursed	Closing balance
Membership fees	\$ 127	\$ -	\$ (127)	\$ -	\$ -
ScoutsAbout and Extreme Adventure	48	-	(48)	-	-
Group Deposits - Scout Shops	38	36	(38)	-	36
Lieutenant Governor Aboriginal Literary Program	112	-	(87)	(25)	-
Canadian Jamboree	-	630	-	-	630
Other	72	28	(32)	-	68
	\$ 397	\$ 694	\$ (332)	\$ (25)	\$ 734

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.

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

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

The Canadian Jamboree amounts consist of funds received in the year relating to the 2007 Canadian Jamboree. It is comprised of restricted cash of \$428 and deferred Jamboree costs of \$202.

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Notes to Financial Statements, page 9

Year ended August 31, 2006
(Amounts in thousands of dollars)

7. 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 \$375 against this inventory purchase payable to Councils.

In fiscal 2002, the National Operation rebated to the Councils, the profit earned by the National Operation 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 \$49 (2005 - \$92) against this inventory rebate payable in the year.

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:			
2007	\$ 69	\$ 313	\$ 382
2008	–	161	161
	\$ 69	\$ 474	\$ 543

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 2006, \$95 (2005 - \$100) was paid to the Councils.

8. Loans from Provincial Councils:

	2006	2005
Loans from Provincial Councils:		
Provincial Council for Ontario	\$ 781	\$ 508
Provincial Council for British Columbia	266	–
	\$ 1,047	\$ 508

The loans from the Provincial Councils bear interest at the chartered bank prime rate less 1%. Repayment terms are currently under negotiation between the National Operation and the respective Provincial Council.

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Notes to Financial Statements, page 10

Year ended August 31, 2006
(Amounts in thousands of dollars)

9. 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.

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.

10. 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 of \$195 consists of amounts receivable for national membership and insurance fees from Councils of \$69 for 2004-2005 and \$126 for 2005-2006.

The membership fees payable balance of \$175 consists of amounts payable by the National Operation to Councils for Council membership fees, of which \$155 relates to 2004-2005 and \$20 to 2005-2006.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 11

Year ended August 31, 2006
(Amounts in thousands of dollars)

10. Related party transactions (continued):

(b) Other:

Other related party transactions and balances are disclosed in notes 5, 7, 8, 11, 13 and 14 to the financial statements.

11. 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.

	2006	2005
All employees:		
Salaries and benefits	\$ 8,609	\$ 9,716
Employee future benefits	1,314	1,271
	<u>9,923</u>	<u>10,987</u>
Less recovered from Councils:		
Salaries and benefits	5,718	6,504
Employee future benefits	823	989
	<u>6,541</u>	<u>7,493</u>
National Operation	\$ 3,382	\$ 3,494

12. 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 \$251 (2005 - \$467) 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.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 12

Year ended August 31, 2006
(Amounts in thousands of dollars)

13. 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 \$217 (2005 - \$139) from the Foundation based on 100% of net proceeds from direct mail campaigns, excluding 15% of first \$100,000 and 85% of corporate campaigns.

During the year, the National Operation charged the Foundation \$9 (2005 - \$9) for administrative services and recovered \$129 (2005 - \$128) for salaries and benefits.

The National Operation has an amount receivable from the Foundation of \$193 (2005 - \$167) including recoveries of salaries and benefits from the Foundation.

14. 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, 2006, the National Operation is entitled to cover the deficit of \$36 (2005 - \$32) from Canyouth Publications Ltd. This amount has been recorded as a reduction in Canadian Leader magazine expense.

The National Operation purchased magazines totaling \$173 (2005 - \$187) from Canyouth Publications Ltd. in the year. The National Operation has an amount payable to Canyouth Publication Ltd. of \$25 (2005 - amount receivable of \$42) including the above deficit and recoveries of salaries and benefits.

During the year, the National Operation charged Canyouth Publications Ltd. \$44 (2005 - \$48) for rent, administration and designer services and recovered \$130 (2005 - \$124) for salaries and benefits.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 13

Year ended August 31, 2006
(Amounts in thousands of dollars)

15. 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, accrued employee future benefits 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 2 to the financial statements.

The fair value of inventory payables to Councils is approximately \$507 based on the expected repayments provided in note 7 and an annual interest rate of 5.5%.

16. Comparative figures:

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Schedule - Restricted Funds

Year ended August 31, 2006, with comparative figures for 2005
(In thousands of dollars)

	Insurance	Brotherhood	International Participation	World Scout Foundation	Youth Event	2006 Restricted Funds	2005 Restricted Funds
Revenues:							
Insurance fees	\$ 1,562	\$ -	\$ -	\$ -	-	\$ 1,562	\$ 1,864
Donations and sponsorships	-	16	13	-	-	29	61
Investment	38	35	50	159	-	282	204
Other	25	20	-	-	-	45	31
	1,625	71	63	159	-	1,918	2,160
Expenses:							
Insurance and legal	1,072	-	-	-	-	1,072	1,551
Administration	58	-	6	9	-	73	133
Travel and meetings	-	-	22	-	-	22	24
Programs and grants	-	68	-	-	-	68	52
Transfer to World Scout Bureau	-	-	-	97	-	97	58
	1,130	68	28	106	-	1,332	1,818
Excess of revenue over expenses	495	3	35	53	-	586	342
Fund balance, beginning of year	2,399	432	345	97	250	3,523	3,181
Fund balance, end of year	\$ 2,894	\$ 435	\$ 380	\$ 150	\$ 250	\$ 4,109	\$ 3,523

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Schedule -- Restricted Funds (continued)

Year ended August 31, 2006, with comparative figures for 2005
(In thousands of dollars)

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.