

Financial Statements of

**SCOUTS CANADA NATIONAL
OPERATION**

(formerly The Boy Scouts of Canada National Operation)

Year ended August 31, 2007



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AUDITORS' REPORT

The Scouts Canada National Operation

We have audited the statement of financial position of Scouts Canada National Operation (formerly The Boy Scouts of Canada National Operation) as at August 31, 2007 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 Scouts Canada National Operation 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 Scouts Canada National Operation as at August 31, 2007 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, Licensed Public Accountants

Ottawa, Canada

October 26, 2007

SCOUTS CANADA NATIONAL OPERATION

Statement of Financial Position

August 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	Operating Fund	Restricted and Endowed Funds	2007	2006
Assets				
Current assets:				
Cash	\$ 282	\$ 182	\$ 464	\$ 2,162
Amounts receivable	784	55	839	927
Inventory	2,998	—	2,998	2,887
Prepaid expenses	20	355	375	380
Membership fees receivable (note 10(a))	272	—	272	195
Deferred Canadian Jamboree costs (note 6)	—	—	—	202
	4,356	592	4,948	6,753
Investments (note 2)	679	5,678	6,357	3,527
Capital assets (note 3)	2,340	—	2,340	2,522
Prepaid pension costs (note 4)	1,514	—	1,514	768
Employee future benefits recovery receivable (note 5)	2,700	—	2,700	2,795
Amounts due from Operating Fund	(667)	667	—	—
	\$ 10,922	\$ 6,937	\$ 17,859	\$ 16,365

Liabilities and Fund Balances (Deficiency)

Current liabilities:				
Bank indebtedness	\$ —	\$ —	\$ —	\$ 904
Accounts payable and accrued liabilities	882	284	1,166	1,344
Deferred revenue (note 6)	174	—	174	734
Current portion:				
Inventory payables to Councils (note 7)	245	—	245	382
Loans from related parties (note 8)	138	—	138	—
	1,439	284	1,723	3,364
Inventory payables to Councils (note 7)	—	—	—	161
Loans from related parties (note 8)	945	—	945	1,047
Accrued employee future benefits (note 4(a))	6,172	—	6,172	5,818
Fund balances (deficiency):				
Operating Fund	26	—	26	(1,785)
Restricted Funds (schedule)	—	5,449	5,449	4,109
Investment in capital assets	2,340	—	2,340	2,522
World Scout Foundation	—	1,204	1,204	1,129
	2,366	6,653	9,019	5,975
Contingent liabilities (note 9)	—	—	—	—
	\$ 10,922	\$ 6,937	\$ 17,859	\$ 16,365

See accompanying notes to financial statements.

On behalf of Scouts Canada National Operations:


Vice-Chair Finance – Board of Governors


Chief Executive Officer

SCOUTS CANADA NATIONAL OPERATION

Statement of Operations

Year ended August 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	Operating Fund	Restricted and Endowed Funds (schedule)	Total 2007	Total 2006
Revenue:				
Membership fees (note 10(a))	\$ 3,746	\$ —	\$ 3,746	\$ 2,868
Scout Shops sales	5,574	—	5,574	4,854
Insurance fees (note 10(a))	—	1,485	1,485	1,562
Fundraising	418	—	418	420
Donations and sponsorships	311	56	367	288
Grants	33	—	33	167
Fees for services	86	—	86	94
Investment	27	181	208	331
Other	260	49	309	339
	10,455	1,771	12,226	10,923
Expenses:				
Salaries and benefits (note 11)	10,584	—	10,584	9,923
Recovery of salaries and benefits (note 11)	(7,486)	—	(7,486)	(6,541)
Scout Shops cost of sales	3,121	—	3,121	2,695
Insurance and legal	—	864	864	1,072
Communication and promotion	234	—	234	229
Occupancy	224	—	224	232
Property maintenance	240	—	240	209
Administration	665	17	682	714
Canadian Leader magazine	211	—	211	231
Warehouse facility and freight	77	—	77	124
Council revenue sharing	97	—	97	95
Travel and meetings	217	26	243	200
World Bureau fees	102	—	102	99
Training and relocation	12	—	12	44
Programs and grants	25	73	98	206
Other	44	—	44	69
Interest	48	—	48	47
Transfer to World Scout Bureau	—	141	141	97
Amortization of capital assets	239	—	239	239
	8,654	1,121	9,775	9,984
Excess of revenue over expenses before the undernoted	1,801	650	2,451	939
Endowed donations – World Scout Foundation	—	75	75	55
Restructuring (note 12)	(172)	—	(172)	(251)
World Jamboree	—	66	66	—
Canadian Jamboree (note 15)	—	624	624	—
Excess of revenue over expenses	\$ 1,629	\$ 1,415	\$ 3,044	\$ 743

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Statement of Changes in Fund Balances (Deficiency)

Year ended August 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	Operating Fund	Restricted Funds (schedule)	Investment in Capital Assets	World Scout Foundation Endowment	Total 2007	Total 2006
Opening balance (deficiency)	\$ (1,785)	\$ 4,109	\$ 2,522	\$ 1,129	\$ 5,975	\$ 5,232
Excess of revenue over expenses	1,629	1,340	—	75	3,044	743
Change in investment in capital assets:						
Amortization of capital assets	239	—	(239)	—	—	—
Capital asset additions	(57)	—	57	—	—	—
Closing balance	\$ 26	\$ 5,449	\$ 2,340	\$ 1,204	\$ 9,019	\$ 5,975

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Statement of Cash Flows

Year ended August 31, 2007, with comparative figures for 2006
(In thousands of dollars)

	2007	2006
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 3,044	\$ 743
Items not involving cash:		
Amortization of capital assets	239	239
Change in pension and employee future benefit balances	(297)	287
Changes in non-cash working capital:		
Amounts receivable	88	319
Inventory	(111)	591
Prepaid expenses	5	290
Membership fees receivable	(77)	139
Deferred Canadian Jamboree costs	202	(202)
Accounts payable and accrued liabilities	(178)	(152)
Deferred revenue	(560)	337
Membership fees payable	-	(51)
	2,355	2,540
Cash flows from investing and financing activities:		
Capital asset additions	(57)	(79)
Decrease (increase) in investments	(2,830)	218
Decrease in inventory payables to Councils	(298)	(424)
Increase in loan from Provincial Councils	36	539
	(3,149)	254
Net increase (decrease) in cash	(794)	2,794
Cash (bank indebtedness), beginning of year	1,258	(1,536)
Cash, end of year	\$ 464	\$ 1,258
Consisting of:		
Cash	\$ 464	\$ 2,162
Bank indebtedness	-	(904)
	\$ 464	\$ 1,258
Supplemental cash flow information:		
Interest paid	\$ 40	\$ 47

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements

Year ended August 31, 2007
(Amounts in thousands of dollars)

Scouts 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.

Scouts 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. Scouts Canada National Operation (the "National Operation") is responsible for the national activities of Scouts Canada and provides services to the Provincial and Regional Councils (the "Councils") of Scouts Canada.

Effective February 21, 2007, by an Act of the Canadian Parliament, the legal name of The Boy Scouts of Canada was changed to Scouts 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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 2

Year ended August 31, 2007

(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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 3

Year ended August 31, 2007
(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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 4

Year ended August 31, 2007
(Amounts in thousands of dollars)

2. Investments:

The National Operation holds investments for the following purposes:

	2007		2006	
	Carrying value	Market value	Carrying value	Market value
Operating:				
Employee future benefits	\$ 679	\$ 669	\$ 659	\$ 648
Restricted:				
Insurance Fund	2,826	2,836	761	757
Brotherhood Fund	439	436	490	486
International Participation Fund	389	386	410	409
Canadian Jamboree	782	782	—	—
World Scout Foundation	1,242	1,228	1,207	1,189
	\$ 6,357	\$ 6,337	\$ 3,527	\$ 3,489

Investments consist of:

Bonds	\$ 4,516	\$ 4,530	\$ 1,675	\$ 1,680
Equities	906	872	943	900
Money market mutual funds	935	935	909	909
	\$ 6,357	\$ 6,337	\$ 3,527	\$ 3,489

3. Capital assets:

	2007		2006	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 15	\$ —	\$ 15	\$ 15
Building	1,485	1,101	384	414
Betterment	2,801	1,000	1,801	1,934
Office furniture and equipment	372	333	39	28
Computer hardware and software	714	654	60	78
Scout Shop equipment and renovations	87	46	41	53
	\$ 5,474	\$ 3,134	\$ 2,340	\$ 2,522

Cost and accumulated amortization as at August 31, 2006 were \$6,133 and \$3,611 respectively.

During the year, the National Operation wrote off \$716 of fully amortized capital assets.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 5

Year ended August 31, 2007

(Amounts in thousands of dollars)

4. Employee future benefits:

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

Scouts 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. Scouts Canada made additional contributions of \$498 in fiscal 2007 to meet solvency and going concern requirements.

(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.

	2007		2006	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Prepaid (accrued) benefit costs:				
Funded status – plan deficit	\$ 205	\$ (5,166)	\$ (941)	\$ (6,158)
Employer contribution from measurement date to fiscal year end	118	–	87	–
Unamortized net actuarial loss	557	677	893	484
Unamortized past service cost	634	(1,683)	729	(144)
Prepaid (accrued) benefit costs	\$ 1,514	\$ (6,172)	\$ 768	\$ (5,818)
Change in benefit asset (obligation):				
Benefit obligation, beginning of year	\$ (22,790)	\$ (6,158)	\$ (25,137)	\$ (7,437)
Current service cost	(419)	(243)	(630)	(309)
Interest cost	(1,281)	(362)	(1,231)	(383)
Employees' contributions	(346)	–	(300)	–
Benefits paid	1,776	212	1,981	189
Actuarial gain (loss)	(774)	(190)	2,527	1,782
Plan amendment (note 4(f))	–	1,575	–	–
Benefit obligation, end of year	\$ (23,834)	\$ (5,166)	\$ (22,790)	\$ (6,158)

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 6

Year ended August 31, 2007
(Amounts in thousands of dollars)

4. Employee future benefits (continued):

(a) Plan assets and obligations (continued):

	2007		2006	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Change in plan assets:				
Plan assets at fair value, beginning of year	\$ 21,848	\$ —	\$ 22,843	\$ —
Actual return on plan assets	2,572	—	288	—
Employer contributions	1,049	—	399	—
Employees' contributions	346	—	300	—
Benefits paid	(1,776)	—	(1,981)	—
Plan assets at fair value, end of year	\$ 24,039	\$ —	\$ 21,849	\$ —

(b) Net benefit cost:

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

	2007		2006	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Current service cost	\$ 419	\$ 243	\$ 630	\$ 309
Interest cost	1,281	362	1,231	383
Expected return on plan assets	(1,461)	—	(1,499)	—
Amortization of past service costs	95	(36)	95	(36)
Amortization of actuarial losses	—	(2)	—	158
Net benefit cost	\$ 334	\$ 567	\$ 457	\$ 814

(c) Pension plan assets:

Plan assets are invested in the following securities at August 31, 2007:

	Target	Actual
Cash	5%	6%
Bonds	45%	31%
Canadian equities	30%	33%
U.S. equities	10%	14%
Other foreign equities	10%	16%

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 7

Year ended August 31, 2007
(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:

	2007		2006	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Compensation increases	3.5%	– %	3.5%	– %
Rate of inflation	3.0%	3.0%	3.0%	3.0%
Discount rate	5.5%	5.25%	5.75%	5.75%
Expected return on plan assets	6.75%	– %	6.75%	– %
Initial health care trend rate	– %	8.3%	– %	8.9%
Ultimate health care trend rate	– %	5.1%	– %	5.1%

The ultimate health care trend rate is estimated to be reached in 2016. The actual return on plan assets in fiscal 2007 was 10.7% (2006 – 1.3%).

(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 2007.

	Increase		Decrease	
Net benefit cost	\$	119	\$	94
Accrued benefit obligation		411		351

(f) Plan amendment:

During the year, Scouts Canada implemented a change to its post-retirement health care benefit plan. For employees retiring on or after September 1, 2009, the current plan will be replaced by a fixed dollar Health Spending Account to cover health and dental related expenses. In addition, effective September 1, 2009, the amended eligibility criteria will include a requirement of 20 years of service in addition to attaining age 60. Employees retiring before September 1, 2009 under the current eligibility criteria will have the option between the current plan and the Health Spending Account Plan. The impact of this plan amendment on the benefit obligation is disclosed in note 4(a).

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 Scouts 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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 8

Year ended August 31, 2007
(Amounts in thousands of dollars)

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	Closing balance
Membership fees	\$ -	\$ 9	\$ -	\$ 9
ScoutsAbout and Extreme Adventure	-	38	-	38
Group Deposits - Scout Shops	36	57	(47)	46
Canadian Jamboree (note 15)	630	3,521	(4,151)	-
Other	68	56	(43)	81
	\$ 734	\$ 3,681	\$ (4,241)	\$ 174

Membership fees for fiscal 2008 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 Canadian Jamboree amounts consist of funds received in the 2006 fiscal year relating to the 2007 Canadian Jamboree.

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 \$289 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 \$9 (2006 - \$49) against this inventory rebate payable in the year.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 9

Year ended August 31, 2007
(Amounts in thousands of dollars)

7. Inventory payables to Councils (continued):

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: 2008	\$ 61	\$ 184	\$ 245

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 2007, \$97 (2006 - \$95) was paid to the Councils.

8. Loans from related parties:

	2007	2006
Loans from related parties:		
Incorporated Body for Scouts Canada in Ontario	\$ 813	\$ 781
British Columbia Councils	270	266
	1,083	1,047
Current portion	138	—
Long-term portion	\$ 945	\$ 1,047

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

On September 17, 2007 the National Operation and the Incorporated Body for Scouts Canada in Ontario agreed that the National Operation would make principal repayments in ten equal installments of \$75 annually plus interest accrued at the chartered bank prime rate less 1% to the date of the payment. The first payment is due May 31, 2008 and will include the \$63 interest accrued on the loan up to August 31, 2007.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 10

Year ended August 31, 2007

(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 \$272 consists of amounts receivable for national membership and insurance fees from Councils of \$36 for 2005-2006 and \$236 for 2006-2007.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 11

Year ended August 31, 2007

(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 Scouts 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.

	2007	2006
All employees:		
Salaries and benefits	\$ 9,247	\$ 8,609
Employee future benefits	1,337	1,314
	<u>10,584</u>	<u>9,923</u>
Less recovered from Councils:		
Salaries and benefits	6,592	5,718
Employee future benefits	894	823
	<u>7,486</u>	<u>6,541</u>
National Operation	\$ 3,098	\$ 3,382

12. Restructuring:

During 2004, the Board of Scouts 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 \$172 (2006 - \$251) 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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 12

Year ended August 31, 2007

(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 Scouts 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 \$221 (2006 - \$217) 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 (2006 - \$9) for administrative services and recovered \$152 (2006 - \$129) for salaries and benefits.

The National Operation has an amount receivable from the Foundation of \$130 (2006 - \$193) 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 required to cover the deficit of \$63 (2006 - \$36) from Canyouth Publications Ltd. This amount has been recorded as a reduction in Canadian Leader magazine expense.

The National Operation purchased magazines totaling \$161 (2006 - \$173) from Canyouth Publications Ltd. in the year. The National Operation has an amount payable to Canyouth Publication Ltd. of \$7 (2006 - amount payable of \$25) including the above deficit and recoveries of salaries and benefits.

During the year, the National Operation charged Canyouth Publications Ltd. \$9 (2006 - \$9) for rent and administration and recovered \$157 (2006 - \$130) for salaries and benefits.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 13

Year ended August 31, 2007
(Amounts in thousands of dollars)

15. Canadian Jamboree:

In 2007, Scouts Canada held their 11th Canadian Jamboree at Camp Tamaracouta, in Mille-Isle, Quebec. Nearly 8,000 international youth and volunteers joined together to celebrate 100 years of Scouting.

The revenue and expenditures of the Canadian Jamboree for the period of September 11, 2005 to August 31, 2007 are as follows:

	2007
Revenue	\$ 4,151
Expenditures	3,527
Excess of revenue over expenditures	\$ 624

16. Financial instruments:

The carrying value of cash, amounts receivable, membership fees receivable, bank indebtedness, accounts payable and accrued liabilities and inventory payables to Councils approximates their fair value because of the relatively short period to maturity of these financial instruments. The fair value of investments is disclosed in note 2 to the financial statements.

The fair value of the employee future benefits recovery receivable, accrued employee future benefits and the loan from British Columbia Councils is not determinable as there are no set terms of repayment.

The fair value of the loan from the Incorporated Body for Scouts Canada in Ontario is approximately \$696 based on the expected repayments provided in note 8 and an annual interest rate of 6.25%.

17. Comparative figures:

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.

Schedule – Restricted Funds

	Insurance	Brotherhood	International Participation	World Scout Foundation	Youth Event	2007 Restricted Funds	2006 Restricted Funds
Revenues:							
Insurance fees	\$ 1,485	\$ -	\$ -	\$ -	\$ -	\$ 1,485	\$ 1,562
Donations and sponsorships	-	28	28	-	-	56	29
Investment	102	16	18	45	-	181	282
Other	-	49	-	-	-	49	45
	1,587	93	46	45	-	1,771	1,918
Expenses:							
Insurance and legal	864	-	-	-	-	864	1,072
Administration	-	-	8	9	-	17	73
Travel and meetings	-	-	26	-	-	26	22
Programs and grants	-	73	-	-	-	73	68
Transfer to World Scout Bureau	-	-	-	141	-	141	97
	864	73	34	150	-	1,121	1,332
Excess (deficiency) of revenue over expenses	723	20	12	(105)	-	650	586
Fund balance, beginning of year	2,894	435	380	150	250	4,109	3,523
Fund balance, end of year	\$ 3,617	\$ 455	\$ 392	\$ 45	\$ 250	4,759	4,109
World Jamboree						66	-
Canadian Jamboree (note 15)						624	-
Total restricted fund balance						\$ 5,449	\$ 4,109

SCOUTS CANADA NATIONAL OPERATION

Schedule – Restricted Funds (continued)

Year ended August 31, 2007, with comparative figures for 2006
(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 amounts earned from past Canadian Jamborees that have been set aside to fund future events.