

Financial Statements of

**SCOUTS CANADA NATIONAL
OPERATION**

Year ended August 31, 2008



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AUDITORS' REPORT

The Scouts Canada National Operation

We have audited the statement of financial position of Scouts Canada National Operation as at August 31, 2008 and the statements of operations, changes in fund balances 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, 2008 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, Licensed Public Accountants

Ottawa, Canada

October 24, 2008

SCOUTS CANADA NATIONAL OPERATION


Statement of Financial Position

August 31, 2008, with comparative figures for 2007
(In thousands of dollars)

| | Operating Fund | Restricted and Endowed Funds | 2008 | 2007 |
|---|----------------|------------------------------|-----------|-----------|
| Assets | | | | |
| Current assets: | | | | |
| Cash | \$ 1,808 | \$ 483 | \$ 2,291 | \$ 464 |
| Amounts receivable | 273 | – | 273 | 839 |
| Inventory | 2,790 | – | 2,790 | 2,998 |
| Prepaid expenses | 28 | 268 | 296 | 375 |
| Membership fees receivable (note 12(a)) | 109 | – | 109 | 272 |
| Current portion of loan to related parties (note 10(a)) | 10 | – | 10 | – |
| | 5,018 | 751 | 5,769 | 4,948 |
| Investments (note 4) | 772 | 6,252 | 7,024 | 6,357 |
| Capital assets (note 5) | 2,154 | – | 2,154 | 2,340 |
| Prepaid pension costs (note 6(a)) | 2,175 | – | 2,175 | 1,514 |
| Employee future benefits recovery receivable (note 7) | 2,350 | – | 2,350 | 2,700 |
| Loan to related parties (note 10(a)) | 40 | – | 40 | – |
| Amounts due from Operating Fund | (97) | 97 | – | – |
| | \$ 12,412 | \$ 7,100 | \$ 19,512 | \$ 17,859 |
| Liabilities and Fund Balances | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 662 | \$ 131 | \$ 793 | \$ 1,166 |
| Deferred revenue (note 8) | 258 | – | 258 | 174 |
| Current portion: | | | | |
| Inventory payables to Councils (note 9) | – | – | – | 245 |
| Loans from related parties (note 10(b)) | 107 | – | 107 | 138 |
| | 1,027 | 131 | 1,158 | 1,723 |
| Loans from related parties (note 10(b)) | 850 | – | 850 | 945 |
| Accrued employee future benefits (note 6(a)) | 6,177 | – | 6,177 | 6,172 |
| Fund balances: | | | | |
| Operating Fund | 2,204 | – | 2,204 | 26 |
| Restricted Funds (schedule) | – | 5,755 | 5,755 | 5,449 |
| Investment in capital assets | 2,154 | – | 2,154 | 2,340 |
| World Scout Foundation | – | 1,214 | 1,214 | 1,204 |
| | 4,358 | 6,969 | 11,327 | 9,019 |
| Contingent liabilities (note 11) | | | | |
| Future accounting standards (note 3) | | | | |
| | \$ 12,412 | \$ 7,100 | \$ 19,512 | \$ 17,859 |

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, 2008, with comparative figures for 2007
(In thousands of dollars)

| | Operating Fund | Restricted and Endowed Funds (schedule) | Total 2008 | Total 2007 |
|--|-------------------|--|-----------------|-----------------|
| Revenue: | | | | |
| Membership fees (note 12(a)) | \$ 3,796 | \$ — | \$ 3,796 | \$ 3,746 |
| Scout Shops sales | 4,742 | — | 4,742 | 5,574 |
| Insurance fees (note 12(a)) | — | 1,450 | 1,450 | 1,485 |
| Fundraising | 426 | — | 426 | 418 |
| Donations and sponsorships | 217 | 65 | 282 | 367 |
| Grants | 114 | — | 114 | 33 |
| Fees for services | 61 | — | 61 | 86 |
| Program fees | — | 21 | 21 | — |
| Investment | 17 | 167 | 184 | 208 |
| Other | 264 | 15 | 279 | 309 |
| | 9,637 | 1,718 | 11,355 | 12,226 |
| Expenses: | | | | |
| Salaries and benefits (note 13) | 10,420 | — | 10,420 | 10,023 |
| Recovery of salaries and benefits (note 13) | (7,442) | — | (7,442) | (6,925) |
| Scout Shops cost of sales | 2,447 | — | 2,447 | 3,121 |
| Insurance and legal | — | 785 | 785 | 864 |
| Communication and promotion | 235 | — | 235 | 234 |
| Occupancy | 239 | — | 239 | 224 |
| Property maintenance | 220 | — | 220 | 240 |
| Administration | 747 | 14 | 761 | 682 |
| Canadian Leader magazine | 240 | — | 240 | 211 |
| Warehouse facility and freight | 67 | — | 67 | 77 |
| Council revenue sharing (note 9) | 89 | — | 89 | 97 |
| Travel and meetings | 232 | 77 | 309 | 243 |
| World Bureau fees | 101 | — | 101 | 102 |
| Training and relocation | 11 | — | 11 | 12 |
| Programs and grants | 153 | 74 | 227 | 98 |
| Interest | 25 | — | 25 | 48 |
| Transfer to World Scout Bureau | — | 117 | 117 | 141 |
| Amortization of capital assets | 224 | — | 224 | 239 |
| Other | 83 | — | 83 | 44 |
| | 8,091 | 1,067 | 9,158 | 9,775 |
| Excess of revenue over expenses before the undernoted | 1,546 | 651 | 2,197 | 2,451 |
| Endowed donations – World Scout Foundation | — | 10 | 10 | 75 |
| Restructuring (note 14) | — | — | — | (172) |
| World Jamboree | — | 30 | 30 | 66 |
| Canadian Jamboree (note 17) | — | 67 | 67 | 624 |
| Excess of revenue over expenses | \$ 1,546 | \$ 758 | \$ 2,304 | \$ 3,044 |

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Statement of Changes in Fund Balances

Year ended August 31, 2008, with comparative figures for 2007
(In thousands of dollars)

| | Operating Fund | Restricted Funds (schedule) | Investment in Capital Assets | World Scout Foundation Endowment | Total 2008 | Total 2007 |
|--|-------------------|-----------------------------------|------------------------------------|---|---------------|---------------|
| Opening balance | \$ 26 | \$ 5,449 | \$ 2,340 | \$ 1,204 | \$ 9,019 | \$ 5,975 |
| Adjustment of investments to fair value as at September 1, 2007 (note 4(a)) | (10) | (10) | - | - | (20) | - |
| Fund balances, beginning of year, as restated | 16 | 5,439 | 2,340 | 1,204 | 8,999 | 5,975 |
| Excess of revenue over expenses | 1,546 | 748 | - | 10 | 2,304 | 3,044 |
| Interfund transfer | 454 | (454) | - | - | - | - |
| Adjustment for unrealized gains on investments (note 4(b)) | 2 | 22 | - | - | 24 | - |
| Change in investment in capital assets: | | | | | | |
| Amortization of capital assets | 224 | - | (224) | - | - | - |
| Capital asset additions | (69) | - | 69 | - | - | - |
| Loss on disposal of capital assets | 31 | - | (31) | - | - | - |
| Closing balance | \$ 2,204 | \$ 5,755 | \$ 2,154 | \$ 1,214 | \$ 11,327 | \$ 9,019 |

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Statement of Cash Flows

Year ended August 31, 2008, with comparative figures for 2007
(In thousands of dollars)

| | 2008 | 2007 |
|--|----------|----------|
| Cash flows from operating activities: | | |
| Excess of revenue over expenses | \$ 2,304 | \$ 3,044 |
| Items not involving cash: | | |
| Loss on disposal of capital assets | 31 | — |
| Amortization of capital assets | 224 | 239 |
| Change in pension and employee future benefit balances | (306) | (297) |
| Changes in non-cash working capital: | | |
| Amounts receivable | 566 | 88 |
| Inventory | 208 | (111) |
| Prepaid expenses | 79 | 5 |
| Membership fees receivable | 163 | (77) |
| Deferred Canadian Jamboree costs | — | 202 |
| Accounts payable and accrued liabilities | (373) | (178) |
| Deferred revenue | 84 | (560) |
| | 2,980 | 2,355 |
| Cash flows from investing and financing activities: | | |
| Capital asset additions | (69) | (57) |
| Increase in investments | (687) | (2,830) |
| Adjustment for unrealized gains on investments | 24 | — |
| Decrease in inventory payables to Councils | (245) | (298) |
| Increase in loan to related parties | (50) | — |
| Decrease in loan from related parties | (126) | 36 |
| | (1,153) | (3,149) |
| Net increase (decrease) in cash | 1,827 | (794) |
| Cash, beginning of year | 464 | 1,258 |
| Cash, end of year | \$ 2,291 | \$ 464 |
| Supplemental cash flow information: | | |
| Interest paid | \$ 25 | \$ 40 |

See accompanying notes to financial statements.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements

Year ended August 31, 2008
(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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 2

Year ended August 31, 2008
(Amounts in thousands of dollars)

1. Significant accounting policies (continued):

(d) Investments:

Commencing September 1, 2007, investments are designated as available for sale and are recorded at fair value. Realized investment income calculated using the effective interest rate method is recorded in the statement of operations. Unrealized gains or losses from the change in fair value are recorded in the statement of changes in fund balances. Fair value is determined at quoted market prices. Sales and purchases of investments are recorded on the settlement date. Transaction costs related to the acquisition of investments are expensed.

For comparative periods, investments are recorded at the lower of cost plus accrued interest and fair value.

(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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 3

Year ended August 31, 2008
(Amounts in thousands of dollars)

1. Significant accounting policies (continued):

(f) Employee benefit plans (continued):

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.

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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 4

Year ended August 31, 2008
(Amounts in thousands of dollars)

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. Adoption of new accounting standards:

The following new accounting standards were adopted effective September 1, 2007 retrospectively without restatement of prior periods:

(a) Financial instruments:

The National Operation adopted the new standards for Financial Instruments in accordance with CICA Handbook Section 3855 "*Financial Instruments – Recognition and Measurement*". The impact of the implementation of this standard on the National Operation's financial statements is described below.

The National Operation classified investments as available for sale, and as such investments are recorded at fair value on the statement of financial position. As a result, the opening balance of the operating fund has been decreased by \$10,000, restricted funds increased by \$4,000 and World Scout foundation endowment decreased by \$14,000 to reflect the prior years' net depreciation of the fair value of the National Operation's investments.

The National Operation has also implemented the following classifications:

Amounts receivable, membership fees receivable, and loan to related parties are designated as loans and receivables.

Accounts payable and accrued liabilities, membership fee payable and loans from related parties have been classified as other financial liabilities.

The National Operation has chosen September 1, 2007 as its transition date for identifying embedded derivatives, as permitted by the standard. The implementation of this standard, as it relates to non-financial and embedded derivatives, had no impact on the financial statements of the National Operation.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 5

Year ended August 31, 2008
(Amounts in thousands of dollars)

2. Adoption of new accounting standards:

(b) Accounting changes:

The National Operation adopted the revised CICA Handbook Section 1506 "Accounting Changes" relating to changes in accounting policies, changes in accounting estimates and errors. Adoption of these recommendations had no effect on the financial statements for the year ending August 31, 2008, except for the disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the National Operation because they are not effective until a future date (refer to Future Accounting Standards in note 3).

3. Future accounting standards:

The Canadian Institute of Chartered Accountants has issued accounting recommendations that will come into effect for the National Operation's fiscal year beginning September 1, 2008, except as otherwise indicated. The National Operation is currently assessing the impact of these standards on its financial statements. The following is an overview of these recommendations:

Section 1535, Capital Disclosure

This section establishes standards for disclosing information about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

Section 3031, Inventories

This section replaces the Handbook Section 3030 "Inventories". Section 3031 aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards (IFRS) and provides additional guidance on the measurement and disclosure requirements for inventories. Specifically, Section 3031 requires inventories to be measured at the lower of cost and net realizable value.

Section 3862, Financial Instruments – Disclosures

This section describes the required disclosures related to the significance of financial instruments on the National Operation's financial position and performance and the nature and extent of risks arising from financial instruments to which the National Operation is exposed and how the National Operation manages those risks. This section complements the principles of recognition, measurement, and presentation of financial instruments in Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3863, "Financial Instruments – Presentation". This standard comes into effect for fiscal years beginning on or after October 1, 2009, with early adoption permitted.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 6

Year ended August 31, 2008
(Amounts in thousands of dollars)

3. Future accounting standards (continued):

Section 3863, *Financial Instruments – Presentation*

This section establishes standards for presentation of financial instruments and non-financial derivatives. It replaces Section 3861, "*Financial Instruments – Disclosure and Presentation*". This standard comes into effect for fiscal years beginning on or after October 1, 2009, with early adoption permitted.

Section 3064, *Goodwill and Intangible Assets*

This section replaces Section 3062, "*Goodwill and Other Intangible Assets*," and Section 3450, "*Research and Development Costs*". The changes to the existing standards address when an internally developed intangible asset meets the criteria for recognition as an asset. In conjunction with the issuance of the new section, the CICA made amendments to Section 1000, Financial Statement Concepts to clarify the relationship between incurring expenses and creating assets.

Section 4470, *Disclosure of Allocated Expenses by Not-For-Profit Organizations*

In September 2008, the CICA issued amendments to various accounting standards relating to not-for-profit organizations and issued a new accounting standard; Handbook Section 4470 "*Disclosure of Allocated Expenses by Not-For-Profit Organizations*". The amendments and standard are effective for the National Operation's reporting period beginning on September 1, 2009.

The amendments and new standard affect the financial statement presentation and disclosure requirements for not-for-profit organizations.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 7

Year ended August 31, 2008

(Amounts in thousands of dollars)

4. Investments:

(a) The National Operation holds investments for the following purposes:

| | 2008 | | 2007 | |
|----------------------------------|----------|--------------|----------|--------------|
| | Cost | Market value | Cost | Market value |
| Operating: | | | | |
| Employee future benefits | \$ 780 | \$ 772 | \$ 679 | \$ 669 |
| Restricted: | | | | |
| Insurance Fund | 3,947 | 3,964 | 2,826 | 2,836 |
| Brotherhood Fund | 400 | 400 | 439 | 436 |
| International Participation Fund | 364 | 362 | 389 | 386 |
| Canadian Jamboree | — | — | 782 | 782 |
| Youth Event Fund | 365 | 365 | — | — |
| World Scout Foundation | 1,164 | 1,161 | 1,242 | 1,228 |
| | \$ 7,020 | \$ 7,024 | \$ 6,357 | \$ 6,337 |

Investments consist of:

| | | | | |
|---------------------------|----------|----------|----------|----------|
| Bonds | \$ 3,519 | \$ 3,557 | \$ 4,516 | \$ 4,530 |
| Equities | 1,045 | 970 | 906 | 872 |
| Money market mutual funds | 2,456 | 2,497 | 935 | 935 |
| | \$ 7,020 | \$ 7,024 | \$ 6,357 | \$ 6,337 |

(b) Cumulative adjustment for unrealized gains on investments:

| | 2008 |
|---|---------|
| Balance, beginning of year | \$ (20) |
| Adjustment for unrealized gains on investments | 24 |
| Cumulative adjustment for unrealized gains on investments | \$ 4 |

The National Operation routinely reviews each security to determine whether unrealized losses represent temporary changes in fair value or are a result of other than temporary impairments. The consideration of whether a security is other than temporarily impaired is based on a number of factors which include, but are not limited to, the financial condition of the issuer and the length and magnitude of the unrealized loss and specific credit events. The National Operation also considers its intent and ability to hold a security for a sufficient period of time for the value of the unrealized loss to recover. Based on the evaluation as of August 31, 2008, unrealized losses are considered to be temporary.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 8

Year ended August 31, 2008
(Amounts in thousands of dollars)

5. Capital assets:

| | | | 2008 | 2007 |
|--------------------------------------|----------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 15 | \$ - | \$ 15 | \$ 15 |
| Building | 1,485 | 1,130 | 355 | 384 |
| Betterment | 2,801 | 1,140 | 1,661 | 1,801 |
| Office furniture and equipment | 372 | 340 | 32 | 39 |
| Computer hardware and software | 662 | 598 | 64 | 60 |
| Scout Shop equipment and renovations | 50 | 23 | 27 | 41 |
| | \$ 5,385 | \$ 3,231 | \$ 2,154 | \$ 2,340 |

Cost and accumulated amortization as at August 31, 2007 were \$5,474 and \$3,134 respectively.

During the year, the National Operation wrote off \$158 for assets with an accumulated amortization of \$127; the loss on the write-off was included in occupancy costs in the statement of operations.

6. 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 \$845 in fiscal 2008 (2007 - \$498) to meet solvency and going concern requirements.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 9

Year ended August 31, 2008

(Amounts in thousands of dollars)

6. Employee future benefits (continued):

(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.

| | 2008 | | 2007 | |
|--|--------------------|-------------------|--------------------|-------------------|
| | Pension benefits | Other benefits | Pension benefits | Other benefits |
| Prepaid (accrued) benefit costs: | | | | |
| Funded status – plan deficit | \$ 303 | \$ (4,443) | \$ 205 | \$ (5,166) |
| Employer contribution from measurement date to fiscal year end | 194 | – | 118 | – |
| Unamortized net actuarial loss | 1,139 | (230) | 557 | 677 |
| Unamortized past service cost | 539 | (1,504) | 634 | (1,683) |
| Prepaid (accrued) benefit costs | \$ 2,175 | \$ (6,177) | \$ 1,514 | \$ (6,172) |
| Change in benefit asset (obligation): | | | | |
| Benefit obligation, beginning of year | \$ (23,834) | \$ (5,166) | \$ (22,790) | \$ (6,158) |
| Current service cost | (408) | (116) | (419) | (243) |
| Interest cost | (1,285) | (271) | (1,281) | (362) |
| Employees' contributions | (339) | – | (346) | – |
| Benefits paid | 1,696 | 221 | 1,776 | 212 |
| Actuarial gain (loss) | 1,547 | 889 | (774) | (190) |
| Plan amendment (note 6(e)) | – | – | – | 1,575 |
| Benefit obligation, end of year | \$ (22,623) | \$ (4,443) | \$ (23,834) | \$ (5,166) |
| Change in plan assets: | | | | |
| Plan assets at fair value, beginning of year | \$ 24,039 | \$ – | \$ 21,848 | \$ – |
| Actual return on plan assets | (526) | – | 2,572 | – |
| Employer contributions | 770 | – | 1,049 | – |
| Employees' contributions | 339 | – | 346 | – |
| Benefits paid | (1,696) | – | (1,776) | – |
| Plan assets at fair value, end of year | \$ 22,926 | \$ – | \$ 24,039 | \$ – |

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 10

Year ended August 31, 2008
(Amounts in thousands of dollars)

6. Employee future benefits (continued):

(b) Net benefit cost:

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

| | 2008 | | 2007 | |
|------------------------------------|------------------|----------------|------------------|----------------|
| | Pension benefits | Other benefits | Pension benefits | Other benefits |
| Current service cost | \$ 408 | \$ 116 | \$ 419 | \$ 243 |
| Interest cost | 1,285 | 271 | 1,281 | 362 |
| Expected return on plan assets | (1,603) | – | (1,461) | – |
| Amortization of past service costs | 95 | (179) | 95 | (36) |
| Amortization of actuarial losses | – | 18 | – | (2) |
| Net benefit cost | \$ 185 | \$ 226 | \$ 334 | \$ 567 |

(c) Assumptions:

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

| | 2008 | | 2007 | |
|---------------------------------|------------------|----------------|------------------|----------------|
| | Pension benefits | Other benefits | Pension benefits | Other benefits |
| Compensation increases | 3.5% | – % | 3.5% | – % |
| Rate of inflation | 2.75% | 2.75% | 3.0% | 3.0% |
| Discount rate | 6% | 6.25% | 5.5% | 5.25% |
| Expected return on plan assets | 6.75% | – % | 6.75% | – % |
| Initial health care trend rate | – % | 7.9% | – % | 8.3% |
| Ultimate health care trend rate | – % | 5.2% | – % | 5.1% |

The ultimate health care trend rate is estimated to be reached in 2016. The actual return on plan assets in fiscal 2008 was (2.3)% (2007 – 10.7%).

(d) 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 2008.

| | Increase | Decrease |
|----------------------------|----------|----------|
| Net benefit cost | \$ 25 | \$ 22 |
| Accrued benefit obligation | 343 | 295 |

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Notes to Financial Statements, page 11

Year ended August 31, 2008
(Amounts in thousands of dollars)

6. Employee future benefits (continued):

(e) Plan amendment:

During fiscal year 2007, 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 6(a).

7. Employee future benefits recovery receivable:

The employee future benefits recovery receivable represents the amount of the accrued employee future benefits liability, disclosed in note 6(a), 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.

8. 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 | 55 | (6) | 87 |
| Gift Certificates – Scout Shops | 46 | 65 | (51) | 60 |
| Other | 81 | 148 | (118) | 111 |
| | \$ 174 | \$ 268 | \$ (184) | \$ 258 |

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

Gift Certificates - Scout Shops are funds left on deposit at Scout Shops for future purchases.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 12

Year ended August 31, 2008
(Amounts in thousands of dollars)

9. 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 \$184 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 \$61 (2007 - \$9) against this inventory rebate payable in the year.

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 2008, \$89 (2007 - \$97) was paid to the Councils.

10. Loans to/from related parties:

(a) Loans to related parties:

| | 2008 | 2007 |
|-------------------------------|-------|------|
| Loan to New Brunswick Council | \$ 50 | \$ - |
| Current portion | 10 | - |
| | \$ 40 | \$ - |

The loan to the New Brunswick Council is repayable in five annual instalments, interest-free.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 13

Year ended August 31, 2008
(Amounts in thousands of dollars)

10. Loans to/from related parties (continued):

(b) Loans from related parties:

| | 2008 | 2007 |
|--|--------|--------|
| Loans from related parties: | | |
| Incorporated Body for Scouts Canada in Ontario | \$ 681 | \$ 813 |
| British Columbia Councils | 276 | 270 |
| | 957 | 1,083 |
| Current portion | 107 | 138 |
| Long-term portion | \$ 850 | \$ 945 |

The loans from the Incorporated Body for Scouts Canada in Ontario is repayable 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 loans from the British Columbia Councils are repayable in ten equal installments of \$25 annually plus interest accrued at the chartered bank prime rate less 1%.

11. 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.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 14

Year ended August 31, 2008
(Amounts in thousands of dollars)

11. Contingent liabilities (continued):

(b) Other:

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

12. 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 \$109 consists of amounts receivable for national membership and insurance fees from Councils for 2007-2008.

(b) Other:

Other related party transactions and balances are disclosed in notes 7, 9, 10, 15 and 16 to the financial statements.

13. 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.

| | 2008 | 2007 |
|-------------------------------|-----------------|-----------------|
| All employees: | | |
| Salaries and benefits | \$ 9,472 | \$ 8,940 |
| Employee future benefits | 948 | 1,083 |
| | <u>10,420</u> | <u>10,023</u> |
| Less recovered from Councils: | | |
| Salaries and benefits | 6,625 | 6,031 |
| Employee future benefits | 817 | 894 |
| | <u>7,442</u> | <u>6,925</u> |
| National Operation | <u>\$ 2,978</u> | <u>\$ 3,098</u> |

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 15

Year ended August 31, 2008

(Amounts in thousands of dollars)

14. 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 \$Nil (2007 - \$172) 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.

15. 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.

The National Operation received donations of \$282 (2007 - \$221) from the Foundation based on an allocation from direct mail and corporate campaigns.

During the year, the National Operation charged the Foundation \$3 (2007 - \$9) for administrative services and recovered \$223 (2007 - \$152) for salaries and benefits.

The National Operation has an amount receivable from the Foundation of \$Nil (2007 - \$130) including recoveries of salaries and benefits from the Foundation.

16. 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, 2008, the National Operation is required to cover the deficit of \$3 (2007 - \$63) from Canyouth Publications Ltd. This amount has been recorded as a reduction in Canadian Leader magazine expense.

The National Operation purchased magazines totaling \$231. (2007 - \$161) from Canyouth Publications Ltd. in the year. The National Operation has an amount payable to Canyouth Publication Ltd. of \$3 (2007 - amount payable of \$7) including the above deficit and recoveries of salaries and benefits.

During the year, the National Operation charged Canyouth Publications Ltd. \$9 (2007 - \$9) for rent and administration and recovered \$162 (2007 - \$157) for salaries and benefits.

SCOUTS CANADA NATIONAL OPERATION

Notes to Financial Statements, page 16

Year ended August 31, 2008
(Amounts in thousands of dollars)

17. 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 ending August 31, 2007 and year ended August 31, 2008 are as follows:

| | 2008 | 2007 |
|-------------------------------------|-------|----------|
| Revenue | \$ 67 | \$ 4,151 |
| Expenditures | — | 3,527 |
| Excess of revenue over expenditures | \$ 67 | \$ 624 |

18. Financial instruments:

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

The fair value of the employee future benefits recovery receivable and accrued employee future benefits is not determinable as there are no set terms of repayment.

The fair value of the loan to the New Brunswick Council is approximately \$38 based on the expected repayments provided in note 10(a) and an annual interest rate of 5.75%.

The fair value of the loan from the Incorporated Body for Scouts Canada in Ontario is approximately \$582 based on the expected repayments provided in note 10(b) and an annual interest rate of 5.75%.

The fair value of the loan from British Columbia Councils is approximately \$213 based on the expected repayments provided in note 10(b) and an annual interest rate of 5.75%.

19. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.

SCOUTS CANADA NATIONAL OPERATION

Schedule – Restricted Funds

Year ended August 31, 2008, with comparative figures for 2007
(In thousands of dollars)

| | Insurance | Brotherhood (note 9(a)) | International Participation | World Scout Foundation | Youth Event | Information Technology Fund | 2008 Restricted Funds | 2007 Restricted Funds |
|---|-----------|----------------------------|--------------------------------|------------------------------|----------------|-----------------------------------|-----------------------------|-----------------------------|
| Revenue: | | | | | | | | |
| Insurance fees | \$ 1,450 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,450 | \$ 1,485 |
| Donations and sponsorships | - | 30 | 35 | - | - | - | 65 | 56 |
| Investment | 110 | 7 | 10 | 31 | 5 | 4 | 167 | 181 |
| Program fees | - | - | 21 | - | - | - | 21 | - |
| Other | - | 15 | - | - | - | - | 15 | 49 |
| | 1,560 | 52 | 66 | 31 | 5 | 4 | 1,718 | 1,771 |
| Expenses: | | | | | | | | |
| Insurance and legal | 785 | - | - | - | - | - | 785 | 864 |
| Administration | - | - | 5 | 9 | - | - | 14 | 17 |
| Travel and meetings | - | - | 77 | - | - | - | 77 | 26 |
| Programs and grants | - | 74 | - | - | - | - | 74 | 73 |
| Transfer to World Scout Bureau | - | - | - | 117 | - | - | 117 | 141 |
| | 785 | 74 | 82 | 126 | - | - | 1,067 | 1,121 |
| Excess (deficiency) of revenue over expenses | 775 | (22) | (16) | (95) | 5 | 4 | 651 | 650 |
| Fund balance, beginning of year | 3,617 | 455 | 392 | 45 | 250 | - | 4,759 | 4,109 |
| Adjustment of investments to fair value as at September 1, 2007 | 10 | (3) | (3) | (14) | - | - | (10) | - |
| Adjustment for unrealized gains on investments | 7 | 3 | 1 | 11 | - | - | 22 | - |
| Transfer from World and Canadian Jamboree | - | - | - | - | 110 | 223 | 333 | - |
| Fund balance, end of year | \$ 4,409 | \$ 433 | \$ 374 | \$ (53) | \$ 365 | \$ 227 | \$ 5,755 | \$ 4,759 |
| World and Canadian Jamboree, beginning of year | | | | | | | 690 | - |
| World Jamboree | | | | | | | 30 | 66 |
| Canadian Jamboree (note 17) | | | | | | | 67 | 624 |
| World and Canadian Jamboree, end of year | | | | | | | 787 | 690 |
| Transfer to Operating Fund | | | | | | | (454) | - |
| Transfer within Restricted Funds | | | | | | | (333) | - |
| Total restricted fund balance | | | | | | | \$ 5,755 | \$ 5,449 |

SCOUTS CANADA NATIONAL OPERATION

Schedule – Restricted Funds (continued)

Year ended August 31, 2008, with comparative figures for 2007
(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.

The Information Technology Fund is an internally restricted fund that has been set aside to fund upgrades to the Membership Management System.