

Financial Statements of

**THE BOY SCOUTS OF CANADA
NATIONAL OPERATION**

Year ended August 31, 2003



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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, 2003 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the National Operation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Boy Scouts of Canada National Operation as at August 31, 2003 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 24, 2003

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Statement of Financial Position

August 31, 2003, with comparative figures for 2002
(In thousands of dollars)

	Operating Fund	Restricted and Endowed Funds	2003	2002
Assets				
Current assets:				
Cash	\$ 292	\$ -	\$ 292	\$ 139
Amounts receivable	988	76	1,064	1,601
Inventory (schedule 1)	2,484	-	2,484	1,661
Prepaid expenses	175	-	175	575
	3,939	76	4,015	3,976
Investments (note 4)	445	1,616	2,061	2,767
Capital assets (note 5)	3,228	-	3,228	3,504
Prepaid pension costs (note 6)	809	-	809	1,091
Benefit recovery receivable (note 7)	607	-	607	168
Amounts due from Operating Fund	(3,090)	3,090	-	-
	\$ 5,938	\$ 4,782	\$ 10,720	\$ 11,506
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 771	\$ 131	\$ 902	\$ 1,174
Deferred revenue (note 8)	263	-	263	305
	1,034	131	1,165	1,479
Inventory rebates payable (note 3)	392	-	392	405
Accrued employee future benefits (note 6)	4,162	-	4,162	3,861
Fund balances (deficiencies):				
Operating Fund	(2,878)	-	(2,878)	(2,293)
Restricted Funds (schedule 2)	-	3,622	3,622	3,552
Investment in capital assets	3,228	-	3,228	3,504
World Scout Foundation Fund	-	1,029	1,029	998
	350	4,651	5,001	5,761
Future operations (note 1)				
Contingent liabilities (note 10)				
Subsequent events (notes 3 and 14)				
	\$ 5,938	\$ 4,782	\$ 10,720	\$ 11,506

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, 2003, with comparative figures for 2002
(In thousands of dollars)

	Operating Fund 2003	Restricted and Endowed Funds (schedule 2)	Total 2003	Total 2002
Revenue:				
Retail Services sales (schedule 1)	\$ 1,944	\$ -	\$ 1,944	\$ 3,963
Revenue sharing - Scout Shops (note 3)	803	-	803	-
Membership fees (note 11)	1,522	-	1,522	1,468
Insurance fees (note 11)	-	2,158	2,158	912
Donations and sponsorships	277	198	475	838
Fundraising	557	-	557	464
Fees for services	140	124	264	717
Canadian Leader subscriptions	188	-	188	186
Investment income (loss)	25	(28)	(3)	197
Other	200	65	265	385
	5,656	2,517	8,173	9,130
Expenses:				
Salaries and benefits (note 9)	12,001	-	12,001	11,953
Recovery of salaries and benefits (notes 9 and 11)	(9,736)	-	(9,736)	(9,563)
Retail Services cost of sales (schedule 1)	1,406	-	1,406	2,768
Insurance and legal	-	954	954	1,012
Communication and promotion	945	-	945	405
Administration and building	537	82	619	585
Fundraising	319	-	319	317
Canadian Leader magazine	314	-	314	297
Warehouse operation	210	-	210	242
Corporate meetings and travel	195	-	195	190
World bureau fees	173	-	173	162
Training and relocation	97	-	97	273
Program development and grants	53	142	195	320
Other	68	-	68	67
International relations	-	31	31	107
Interest	19	-	19	11
Transfer to World Bureau	-	48	48	122
World Jamboree fees	-	212	212	-
World Jamboree travel	-	455	455	-
Amortization of capital assets	418	-	418	269
	7,019	1,924	8,943	9,537
Excess (deficiency) of revenue over expenses before the undemoted	(1,363)	593	(770)	(407)
Canadian Jamboree	2	(23)	(21)	(23)
Endowed donations - World Scout Foundation	-	31	31	70
Deferred bulk order profit	-	-	-	(600)
Council inventory rebate	-	-	-	(405)
Excess (deficiency) of revenue over expenses	\$ (1,361)	\$ 601	\$ (760)	\$ (1,365)

See accompanying notes to financial statements.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Statement of Changes in Fund Balances

Year ended August 31, 2003, with comparative figures for 2002
(In thousands of dollars)

	Operating Fund	Restricted Funds	Investment in Capital Assets	World Scout Foundation	Total 2003	Total 2002
	(schedule 2)					
Opening balance	\$ (2,293)	\$ 3,552	\$ 3,504	\$ 998	\$ 5,781	\$ 7,126
Excess (deficiency) of revenue over expenses	(1,361)	570	-	31	(760)	(1,365)
Interfund transfer	500	(500)	-	-	-	-
Change in investment in capital assets:						
Amortization of capital assets	418	-	(418)	-	-	-
Capital asset additions	(142)	-	142	-	-	-
Closing balance	\$ (2,878)	\$ 3,622	\$ 3,228	\$ 1,029	\$ 5,001	\$ 5,761

See accompanying notes to financial statements.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Statement of Cash Flows

Year ended August 31, 2003, with comparative figures for 2002
(In thousands of dollars)

	2003	2002
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (760)	\$ (1,365)
Items not involving cash:		
Amortization of capital assets	418	269
Write-down of investments	-	42
Change in pension and post-retirement benefit balances	144	308
Changes in non-cash working capital:		
Amounts receivable	537	1,178
Inventory	(823)	651
Prepaid expenses	400	(142)
Accounts payable and accrued liabilities	(272)	(747)
Deferred revenue	(42)	(144)
	(398)	50
Cash flows from investing and financing activities:		
Capital asset additions	(142)	(330)
Net disposals of investments	706	584
Increase (decrease) in inventory rebates payable	(13)	405
	551	659
Net increase in cash	153	709
Cash (bank indebtedness), beginning of year	139	(570)
Cash, end of year	\$ 292	\$ 139

See accompanying notes to financial statements.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements

Year ended August 31, 2003
(Tabular 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 is responsible for the national activities of The Boy Scouts of Canada and provides services to Provincial and Regional Councils.

1. Future operations:

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the National Operation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the National Operation has incurred a deficit in its operating fund from normal operations of \$1,363,000 for the year ended August 31, 2003 (2002 - \$814,000) and has negative unrestricted net assets of \$2,878,000 at August 31, 2003 (2002 - \$2,466,000). In addition, membership in the Boy Scouts of Canada has been declining and effective September 1, 2001, the Boy Scouts of Canada is self-insured for child abuse coverage.

These factors raise doubt about the National Operation's ability to continue as a going concern. The Boy Scouts of Canada is in the process of implementing the restructuring plan referred to in Note 14. Management believes that the successful implementation of this restructuring plan will result in a return to profitable operations by the National Operation within two years.

The National Operation's ability to continue as a going concern is subject to it obtaining adequate debt financing to fund its operations during the restructuring period, generating sufficient revenues to fund its past deficits and future operations and building an appropriate self-insurance fund for child abuse claims. No assurance can be given that sufficient debt financing and revenues will be available to the National Operation.

The financial statements do not include adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 2

Year ended August 31, 2003
(Tabular amounts in thousands of dollars)

2. Significant accounting policies:

These financial statements reflect the operations of The Boy Scouts of Canada National Operation only and do not include the revenues, expenses, assets and liabilities of the Provincial Councils or Regional Councils of The Boy Scouts of Canada (the "Councils").

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

(a) 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.

(b) Inventory:

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

(c) Investments:

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

(d) 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

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 3

Year ended August 31, 2003
(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(e) 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.

(f) 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.

(g) Donated materials and services:

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

(h) 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.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 4

Year ended August 31, 2003
(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(i) Use of estimates:

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

3. Scout Shop operations:

Effective September 1, 2002, the method under which Scout Shops ("the Shops") belonging to Councils share their profits with the National Operation was changed. Prior to September 1, 2002, the National Operation sold goods to the Shops at a mark-up. Under the new method, the National Operation sells goods to the Shops at cost and the Shops remit 19% of their gross sales to the National Operation. This has been recorded in the financial statements as Revenue Sharing – Scout Shops.

The National Operation rebated to the Councils, the profit earned on goods sold to the Shops at a mark-up for goods still in the inventory of the Shops at August 31, 2002. This rebate payable does not have any set repayment terms.

Effective September 1, 2003, National Operation will assume ownership from the Councils of all the Shops across Canada. The National Operation will purchase the inventory of the Shops for a negotiated percentage of its book value at August 31, 2003. Management estimates the amount of inventory to be purchased at approximately \$700,000. The purchase amount is expected to be paid to the Councils over a period of five to seven years.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 5

Year ended August 31, 2003
(Tabular amounts in thousands of dollars)

4. Investments:

The National Operation holds investments for the following purposes:

	2003		2002	
	Carrying value	Market value	Carrying value	Market value
Operating:				
General operations	\$ 318	\$ 318	\$ 304	\$ 304
Employee future benefits	127	125	284	284
Restricted:				
Brotherhood Fund	313	331	364	352
International Participation Fund	307	335	333	345
World Jamboree	—	—	478	478
World Scout Foundation - endowed	996	1,070	1,004	1,024
	<u>\$ 2,061</u>	<u>\$ 2,179</u>	<u>\$ 2,767</u>	<u>\$ 2,787</u>

Investments consist of:

Bonds	\$ 1,335	\$ 1,376	\$ 865	\$ 907
Equities	553	630	1,075	1,053
Money market mutual funds	173	173	827	827
	<u>\$ 2,061</u>	<u>\$ 2,179</u>	<u>\$ 2,767</u>	<u>\$ 2,787</u>

5. Capital assets:

	2003		2002	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 15	\$ —	\$ 15	\$ 15
Building	1,485	982	503	532
Betterment	2,710	447	2,263	2,349
Office furniture and equipment	325	269	56	83
Computer hardware and software	1,225	834	391	525
	<u>\$ 5,760</u>	<u>\$ 2,532</u>	<u>\$ 3,228</u>	<u>\$ 3,504</u>

Cost and accumulated amortization as at August 31, 2002 were \$5,618,000 and \$2,114,000 respectively.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 6

Year ended August 31, 2003
(Tabular amounts in thousands of dollars)

6. Benefit plans:

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

The 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.

	2003		2002	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Prepaid (accrued) benefit costs:				
Funded status – plan deficit	\$ (2,411)	\$ (4,162)	\$ (1,492)	\$ (3,861)
Unamortized net actuarial loss	2,014	–	1,264	–
Unamortized past service cost	1,206	–	1,319	–
Prepaid (accrued) benefit costs	\$ 809	\$ (4,162)	\$ 1,091	\$ (3,861)
Change in benefit asset (obligation):				
Benefit obligation, beginning of year	\$ (20,643)	\$ (3,861)	\$ (19,110)	\$ (3,633)
Current service cost	(518)	(144)	(557)	(132)
Interest cost	(1,403)	(281)	(1,276)	(229)
Employees' contributions	(324)	–	(279)	–
Benefits paid	1,068	97	1,175	92
Amortization of past services cost	–	41	–	41
Actuarial gain	19	(14)	757	–
Purchase of indexation for pensioners	–	–	(227)	–
Effect of plan change	–	–	(1,126)	–
Benefit obligation, end of year	\$ (21,801)	\$ (4,162)	\$ (20,643)	\$ (3,861)
Change in plan assets:				
Plan assets at fair value, beginning of year	\$ 19,151	\$ –	\$ 19,404	\$ –
Actual return on plan assets	564	–	280	–
Employer contributions	419	–	362	–
Employees' contributions	324	–	280	–
Benefits paid	(1,068)	–	(1,175)	–
Plan assets at fair value, end of year	\$ 19,390	\$ –	\$ 19,151	\$ –

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 7

Year ended August 31, 2003
(Tabular amounts in thousands of dollars)

6. Benefit plans (continued):

The significant assumptions used in accounting for the plan were:

	2003		2002	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Discount rate	6.50%	6.50%	6.75%	6.50%
Expected return on plan assets	7.00%	-	7.00%	-
Initial health care trend rate	-	7.54%	-	7.34%
Ultimate health care trend rate	-	4.59%	-	5.00%

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

Current service cost	\$ 518	\$ 144	\$ 557	\$ 132
Interest cost	1,403	281	1,276	229
Expected return on plan assets	(1,329)	-	(1,340)	-
Amortization of past service costs	113	(41)	35	(41)
Net benefit cost	\$ 705	\$ 384	\$ 528	\$ 320

7. Benefit recovery receivable:

This balance represents the amount to be collected from Councils for pension and/or other employee future benefits accruing from September 1, 2001. The amount has been classified as long-term as there are no repayment terms.

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	Cash receipts	Revenue recognized	Closing balance
ScoutsAbout and Extreme Adventure	\$ 54	\$ 25	\$ 28	\$ 51
Personnel funds	225	183	200	208
Other	26	4	26	4
	\$ 305	\$ 212	\$ 254	\$ 263

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 9

Year ended August 31, 2003
(Tabular amounts in thousands of dollars)

10. Contingent liabilities (continued):

(a) Legal claims (continued):

Additional costs, if any, for financial settlements in excess of the National Operation's insurance coverage, and for cases where no insurance coverage exists, will be recorded as an expense of the Insurance Fund, in the period in which they are determined.

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

(b) Other:

Under certain circumstances, the National Operation could be held liable for the obligations of the provincial councils, regions, districts and other groups.

11. Related party transactions:

The National Operation collects its membership and insurance fees from all members through the Councils. In addition, Retail Services warehouse sales are made to Scout Shops operated by Councils. The National Operation provides payroll services to the Councils and recovers the paid salary and benefits from the Councils. The President of the Company with which the National Operation has contracted its warehouse services serves as the senior volunteer of The Boy Scouts of Canada.

12. 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 \$194,801 (2002 - \$Nil) from the Foundation based on 100% of net proceeds from direct mail campaigns and 85% of corporate donation campaigns.

During the year, the National Operation charged the Foundation \$27,156 (2002 - \$6,890) for administrative services and recovered \$108,578 (2002 - \$39,219) for salaries and benefits.

The National Operation has an amount receivable from the Foundation of \$92,546 (2002 - \$59,713) including recoveries of salary and benefits from the Foundation.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 9

Year ended August 31, 2003
(Tabular amounts in thousands of dollars)

10. Contingent liabilities (continued):

(a) Legal claims (continued):

Additional costs, if any, for financial settlements in excess of the National Operation's insurance coverage, and for cases where no insurance coverage exists, will be recorded as an expense of the Insurance Fund, in the period in which they are determined.

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

(b) Other:

Under certain circumstances, the National Operation could be held liable for the obligations of the provincial councils, regions, districts and other groups.

11. Related party transactions:

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THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Notes to Financial Statements, page 10

Year ended August 31, 2003
(Tabular amounts in thousands of dollars)

13. 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, 2003, the National Operation is entitled to a rebate of \$21,407 (2002 - \$31,908) from Canyouth Publications Ltd. This amount has been recorded as a reduction in Canadian Leader magazine expense.

The National Operation purchased magazines totaling \$324,000 (2002 - \$317,000) from Canyouth Publications Ltd. in the year. The National Operation has an amount receivable from Canyouth Publication Ltd. of \$54,705 (2001 - \$40,964) including the above rebate and recoveries of salaries and benefits.

During the year, the National Operation charged Canyouth Publications Ltd. \$34,265 (2002 - \$45,668) for rent, administration and designer services and recovered \$100,000 (2002 - \$64,957) for salaries and benefits.

14. Subsequent event:

Under By-Law No.2, approved at a Special General Meeting of The Boy Scouts of Canada on May 31, 2003, the organization of the Councils and National Operation of The Boy Scouts of Canada will change over the next few years. The approved restructuring plan includes a reduction in the number of Councils in Canada to 20, subject to certain conditions stated in the By-Law.

15. Financial Instruments:

The carry value of cash, amounts 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 benefit recovery receivable and inventory rebates payable is not determinable as there are no terms of repayment.

16. Comparative figures:

Certain 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2003.

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Schedule 1 – Retail Services

Year ended August 31, 2003, with comparative figures for 2002
(In thousands of dollars)

	2003	2002
Warehouse:		
Regular sales (note 11)	\$ 1,149	\$ 1,602
Cost of regular sales	957	1,335
Gross profit	\$ 192	\$ 267
Bulk order sales		
Bulk order sales	\$ –	\$ 1,545
Cost of bulk order sales	–	945
	–	600
Deferred bulk order profit	–	(600)
Gross profit	\$ –	\$ –
National Scout Shop:		
Sales	\$ 795	\$ 816
Cost of sales	449	488
Gross profit	\$ 346	\$ 328
Total:		
Sales	\$ 1,944	\$ 3,963
Cost of sales	1,406	2,768
	538	1,195
Deferred bulk order profit	–	(600)
Gross profit	\$ 538	\$ 595
Inventory consists of:		
Warehouse	\$ 1,980	\$ 1,309
National Scout Shop	269	321
Work-in-progress	17	31
Hot chocolate	218	–
	\$ 2,484	\$ 1,661

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Schedule 2 - Restricted Funds

Year ended August 31, 2003, with comparative figures for 2002
(In thousands of dollars)

	Insurance	World Jamboree	Brotherhood	International Participation	World Scout Foundation	Youth Event	2003 Restricted Funds	2002 Restricted Funds
Revenues:								
Insurance fees	\$ 2,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,158	\$ 912
Donations and sponsorships	93	4	75	26	-	-	198	190
Fees for services	-	124	-	-	-	-	124	625
Investment income (loss)	-	7	(22)	(6)	(7)	-	(28)	149
Other	-	65	-	-	-	-	65	19
	2,251	200	53	20	(7)	-	2,517	1,895
Expenses:								
Insurance and legal	954	-	-	-	-	-	954	1,012
Administration	-	68	3	3	8	-	82	44
Program development and grants	-	89	53	-	-	-	142	222
International relations	-	-	-	31	-	-	31	95
Transfer to World Bureau	-	-	-	-	48	-	48	122
World Jamboree fees	-	212	-	-	-	-	212	-
World Jamboree travel	-	455	-	-	-	-	455	-
Canadian Jamboree	-	-	-	-	-	23	23	-
	954	824	56	34	56	23	1,947	1,495
Excess (deficiency) revenue over expenses	1,297	(624)	(3)	(14)	(63)	(23)	570	400
Fund balance, beginning of year	(173)	624	381	331	49	2,340	3,552	3,152
Transfer to General Operating Fund	-	-	-	-	-	(500)	(500)	-
Fund balance, end of year	\$ 1,124	\$ -	\$ 378	\$ 317	\$ (14)	\$ 1,817	\$ 3,622	\$ 3,552

THE BOY SCOUTS OF CANADA NATIONAL OPERATION

Schedule 2 - Restricted Funds (continued)

Year ended August 31, 2003, with comparative figures for 2002
(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 World Jamboree Fund reports revenue and expenses related to the participation of The Boy Scouts of Canada in the World Jamboree.

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.