



Welcome eh!

<http://scouteh.ca>

Scouter Chris Barltrop, FCA
Vice Chair – Finance
Board of Governors
Scouts Canada
1345 Baseline Road
Ottawa, ON K2C 0A7

Dear Scouter Chris,

I have received a copy of your memo that has been circulated among various senior members of Scouts Canada.

I had the opportunity to review Scouter Joseph Grittani's analysis of the National Operation. We would suggest that certain of your comments bear some further careful reflection.

First, you state in your memo, "The article appears to deal with Scouts Canada as a whole, whereas, as stated, the financial data is actually only applicable to the National Operation."

Your observations in this regard are not born out in the document. Point No.1 of the report clearly states that it relates to the "Scouts Canada National Operation". Furthermore, Point No.4, in unmistakable terms, spells out that a full analysis would require the audited financial statements of all of the Councils.

You go on to say that, "With respect to financial stewardship, our auditors, KPMG LLP, have expressed an unqualified audit opinion on the financial statements of the National Council." What they actually say, cutting out the verbiage is, "In our opinion, these financial statements present fairly, in all material respects, the financial position...and the results of its operations and its cash flows...in accordance with Canadian generally accepted accounting principles".

As a lawyer, I too give opinions. A significant number of questions posed to me relate to what is within the letter of the law. A lot of things are perfectly acceptable from the point of view of the letter of the law and I would likewise presume, from the point of view of



the letter of Canadian generally accepted accounting principles. Scouter Grittani quite fairly states that the financial reporting disclosures and methods used by the auditors do fall within the framework of Canadian generally accepted accounting principles. Furthermore, Scouter Grittani in no way indicates that the activities or the report of the auditors are incorrect. The technical appropriateness of the auditor's report is not in question. I believe Scouter Grittani went to great lengths to explain why the decisions related to the forms of disclosure chosen were in fact permissible. I believe Scouter Grittani's point was that certain financial statement reporting decisions, while perfectly compliant with Canadian generally accepted accounting principles, obscure our organization's chronic need to fund operating expenditures through the use of "Restricted Funds". It is this resultant opaqueness by which he appears to be personally troubled and he provides the appropriate references in the accounting rules related to that conclusion.

Your memorandum, unfortunately, seems to subtly imply that an unqualified audit opinion is in fact a positive commentary on the organization's financial and operational stewardship. I do not believe that an auditor's report is in any way a commentary on an organization's financial or operational stewardship. Rather, I believe that it is an analysis of the historical operating results of the National Operation that appear to speak negatively to the organization's stewardship.

You mention the Budget in your report. My understanding and experience of creating a Budget is that it is in the nature of a forecast of the expectations of revenue and expenditures of a certain enterprise, event, or project. When we had a District our District budget had to be published and distributed so that the membership could have the opportunity to question the assumptions, the appropriateness of various proposed expenditures, and the likelihood of the forecast income being realized. I have attended the Annual General Meeting of Scouts Canada for the past two years. I have yet to see a budget. When I first attended in November of 2003 I learned, to my chagrin (having driven from Kitchener to Ottawa to be in attendance), that no questions could be posed by the lowly Ordinary-member. As a result I wrote to our Chief Executive Officer and sent by e-mail certain queries. That was done on December 30, 2003. I have yet to have any response. Scouts Canada's management saw fit not to shed any light on the matters that I raised. The report of Scouter Grittani certainly had the salutary effect of enlightening me on a number of those questions that I had posed.

In 2003 I wrote three times to Scouts Canada before I managed to obtain a copy of the Audited Financial Statements. Only after I threatened to bring the matter before the federal tax authorities charged with overseeing charities and the provincial authorities charged with matters pertaining to the Charities Accounting Act, did I obtain the pertinent documentation. I had to go through that process despite the fact that the Annual Report of Scouts Canada contains a statement, at the end of the financial summary, that copies of the audited financial statements are available for the asking.



I rather suspect that if Scouter Grittani had sent his document for comment he would not have fared any better than I in getting a response. What is actually unfortunate and what is regrettable is not the fact that Scouter Grittani did not seek your comments but the fact that there is a fundamental lack of openness. Is Scouter Grittani wrong about the Youth Event Fund? What happened to that fund? Do you have a different explanation? What are the terms of the line of credit? Is it a demand loan? At what rate of interest? It was reported to us that this line of credit is an unsecured loan. I have been practicing law for 25 years. I have dealt with some pretty tough cases against banks over failure to give reasonable notice of demand. I have yet to see an unsecured line of credit for 1.9 million dollars. I must admit that I do personally know a number of generous people who have helped out Scouting at all levels so maybe there is a generous bank willing to help out Scouts Canada. On the other hand, maybe the story of the unsecured loan is preposterous. Given the track record of Scouts Canada on transparency and given my sceptical lawyer's worldview, I rather suspect the latter although, wearing my Scouter's hat, I'd much rather believe the former.

On the face of it, Scouter Grittani has carefully pointed out that the two competing approaches to financial statement presentation are both within the proper boundaries of the Canadian generally accepted accounting principles. Your memo of March 11th does not mention any specific deficiency in the analysis of Scouter Grittani. You do state that Scouter Grittani has not been privy to all of the financial data of Scouts Canada and the related decision making process. He and we are privy only to the public information. Does it not reflect the true financial picture of Scouts Canada? Is the public information inaccurate? Because of the lack of transparency it appears that we are to rely on your bold assertion that Scouts Canada finances and operations are well managed. Are you therefore indicating, with regard to Scouter Grittani's opinions on the financial statement presentation and their concomitant stewardship implications (an opinion which we believe has been appropriately documented and supported), that Scouter Grittani's opinions are fundamentally flawed? If so, what would those flaws be? As an officer of SCOUT eh! I want to assure you that I do not want to leave standing in a public forum an analysis that cannot be justified by the facts or by the methodology of analysis applied to those facts or by unfortunate ignorance of pertinent facts.

Your memo implies that you would be prepared to provide substantive information to certain Council Commissioners, Treasurers and Executive Commissioners. Are you prepared to share that information with the ordinary membership? Is there substantive information that would lead Scouters like Mr. Grittani and myself to conclusions different from those in his report? To that end, we have enclosed an additional request for information which we look forward to receiving in a timely fashion. Of course any additional information you feel might be pertinent will also be welcome.



The officers of SCOUT eh! stand ready at all times to be informed of pertinent information touching upon our Scouts Canada organization. Regrettably, pertinent information has not been readily forthcoming. That is part of the reason why there is a SCOUT eh! Naturally, we view your memo as a positive first step toward the free flow of pertinent and timely information that may help to enlighten us about the picture of our financial status.

Yours in Scouting

Ted Claxton,
Treasurer SCOUT *eh!*
c/o 17 Weber Street West
Kitchener, Ontario N2H 3Y9



Request for additional information pertaining to Scouts Canada financial affairs:

1. Copies of the audited financial statements for the Canadian Leader Magazine for the fiscal year ended August 31st, 2004. I note that Scouter Grittani did request these through both Sally Clarke (who we understand has since resigned) and Jennifer Austin. He received neither a response nor the aforementioned financial statements.
2. Copies of the audited financial statements for all councils, remaining provincial councils and provincial bodies corporate which were or are still in existence as at August 31st, 2004
3. Information on the full terms, conditions and security related to the bank indebtedness and the balance of that indebtedness at March 1st, 2005.
4. The year to date consolidated results for the quarters ending November 30th, 2004 and February 28th, 2005. Both Scouter Grittani and I recall your comments at the AGM where you indicated that National consolidated reporting was now in place.
5. Both the annual budget, to which your memo refers, and the financial statements of the National Operation for the quarters ending November 30th, 2004 and February 28th, 2005. We would ask that you segregate income from operations from those related to the sale of Real property and any other substantial revenue accruals not derived from operations. We assume your memo indicates that Scouts Canada National Operation is actually profitable from an operations standpoint and not through extraordinary or one time accruals such as through the sale of Real Property.
6. Because there is a budget in place, please provide the total budgeted payroll for the national operation for the fiscal year ending August 31st, 2005. In addition please provide the total payroll for the organization as a whole, including councils.
7. Total employee headcount of Scouts Canada at all levels and a further breakdown by employment location. That is to say, the number of employees at National Office and the number of employees employed in each council.
8. Total membership numbers in Scouts Canada as at March 15th, 2005 and a further breakdown of this information by council and by youth versus adults.