



“CROSSROADS IV – DID WE MISS THE TURN?”

A Continuing Follow Up to the Members of the
Scouts Canada Ordinary-member Unity Taskforce Association on

**THE STEWARDSHIP AND DIRECTION
OF THE NATIONAL OPERATION**



AT JULY 10TH, 2006

*Suppose we were able to share
meanings freely without a compulsive
urge to impose our view or conform
to those of others and without
distortion and self-deception
**Would this not constitute a
real revolution in culture?***

*David Bohm, (1917-1992)
Theoretical (Quantum) Physicist and Philosopher*

Joseph M. Grittani (*Ordinary Member*)

July 15th, 2006

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A COMMENTARY ON THE STEWARDSHIP AND DIRECTION OF THE NATIONAL OPERATION

PURPOSE, SCOPE AND LIMITATIONS, CONCLUSIONS

PURPOSE

The purpose of this commentary is two fold:

First, I wanted to recap the ground we have covered in the first three Crossroads Reports and where I believe we now stand as a National Organization.

Secondly, and more importantly, it is my sincere hope that this document will both engage you and motivate you to start asking the one word question “*why?*”

SCOPE AND LIMITATIONS

I have used only two documents (very recently) produced by the National Operation in the preparation of this commentary. Those documents are:

1. Memorandum to the Board of Governors, Council Commissioners and Council Executive Directors from The Executive Commissioner and CEO (the most senior Scouts Canada employee) dated June 9th discussing Consolidated Financial Statements for the Fiscal Year Ending August 31st, 2005 (Included as Appendix A of this commentary)
2. Memorandum to Council Commissioners and Council Executive Directors from the Executive Commissioner and CEO dated June 21st, 2006 discussing a special National Board Meeting held on June 19th, 2006 (Included as Appendix B of this commentary).

Actual year to date results for the National Operation (through both the 2nd and 3rd quarters of the current year) were requested but were not provided because, apparently, they are “unaudited and subject to change¹”. I would have been happy to comment on them as is. I also would have been happy to report any changes later which might have resulted from either the subsequent correction of errors or as a result of the year end audit.

The opinions in this commentary and the resulting questions are my own. I do however, very much hope to make these questions yours. Where applicable, my assumptions are clearly stated. I *welcome* any and all comments on or rebuttal of anything in this commentary or the three Crossroads Reports which preceded this commentary.

¹ Email to Ted Claxton from Gary Boutillier, BSc, CMA Director of Finance, Scouts Canada dated June 22nd, 2006.

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I invite you to read the first three Crossroads reports and the many other useful pieces of information available on the Scout eh! website (www.scouteh.ca) .

Crossroads I	http://scouteh.ca/resources/sc-finances-2005-02.pdf
Crossroads II	http://scouteh.ca/resources/sc-finances-2005-06.pdf
Crossroads III	http://scouteh.ca/resources/2006-02-03-sc_finances.pdf

CONCLUSIONS (IT'S YOUR TURN)

As the expression goes, “Ours is not to reason *why*, ours is but to do or die”. So said Alfred, Lord Tennyson, in his poem, “The Charge of the Light Brigade”. Tennyson served as poet laureate of the United Kingdom in the latter 19th century. The poem, written about in ill fated Calvary charge in 1854, questions both necessity and advisability of war.

You may, justifiably, wonder and ask, “**Why** does a commentary on the stewardship and direction of Scouts Canada make reference to a poet who died in 1892? Has Scouter Joe lost his mind?”

Well in addition to conceding my life long love of literature and thought expressed through the written word, the reason is really rather simple. It is because, like Tennyson’s poem, the only objective of this commentary is to encourage you, the reader (and ordinary member of Scouts Canada), to start asking *why*?

The poem (ultimately) encourages one not to do or die without first reasoning (or in this instance asking) why?

It is my sincere hope that readers of this commentary will indeed begin to ask *why*?

A BRIEF SUMMARY OF CROSSROADS REPORT SERIES

I joined Scouts Canada as a member (parent volunteer leader) almost 6 years ago. I will be entering my 6th scouting year in the fall. During the first few years, which I recall as the beginning of restructuring, I had heard the grumbling here and there about how money was being used (and perhaps mis-used). My curiosity was awakened. **“Why are these people so upset?”**

I am by profession, a Chartered Accountant. My professional life has been spent analyzing and reporting on various business enterprises. I have also owned and managed a business; I have worked in industry; I have worked on construction sites, and I have even worked as a mechanic. I now largely work as a consultant².

² I made a conscious decision to work and earn less in exchange for spending more time with my family and bettering my community (through Scouting as it turned out).

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I have made a career (and you can too) out of learning how to ask the question *why?* A one word question whose unassuming brevity so cleverly and masterfully disguises its profound purpose.

My quest to satisfy the deity, known only to me as “*Why?*” led me to attend the 2004 Annual General Meeting of Scout Canada. I found the proceedings to be heavily weighted toward form with very little emphasis on substance. Questions from the floor were surprisingly (or at least surprisingly to me) not permitted. Shortly thereafter I requested copies of a number of prior audited financial statements of the National Operation and so the first Crossroad Report was born.

CROSSROADS – A REPORT ON THE FINANCES OF THE NATIONAL OPERATION AND WHERE TO GO FROM HERE

<http://scouteh.ca/resources/sc-finances-2005-02.pdf>

Crossroads was published on January 28th, 2005. I essentially found the following:

- That the National Operation had generated losses approaching \$5,000,000 in only three short years.
- That fancy and confusing accounting and reporting policies were being applied to disguise the organization's apparent decision to spend restricted funds in order to support these losses. In particular, it appeared (and still appears) to me that during the 3 years I examined, over \$2,000,000 in the former youth event fund was effectively squandered on operations and that cumulatively in excess of \$4,400,000 had been channeled from restricted funds to support operations.
- The youth event fund represented money set aside to help finance future youth events specifically and was thought by many, to have nothing to do with funding operations.
- I predicted an operating loss for the upcoming year (the fiscal year ending August 31st, 2005) of approximately \$589,000.
- I also suggested that it was time to put volunteers in place who were both capable of and willing to make prudent and effective stewardship decisions.

Needless to say, the senior management of Scouts Canada, both paid and volunteer went to great lengths to not only make reference to this report but to downplay its validity and significance. This senior management push back coupled with the release of some actual 2006 financial results, were the genesis of the second Crossroads Report.

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BEYOND THE CROSSROADS – A FOLLOW UP REPORT ON THE FINANCES OF THE NATIONAL OPERATION AT FEBRUARY 28TH, 2005.

<http://scoutech.ca/resources/sc-finances-2005-06.pdf>

Beyond the Crossroads was published on June 9th, 2005. This report did just as its title suggests. It went beyond my original findings and concluded the following:

- I increased my predicted loss for the year to \$855,000.
- I highlighted the then 20% year over year membership decrease.
- I introduced the newly instituted Scouts Canada practice of “borrowing” from the restricted Insurance Fund. I openly questioned both the advisability and ethical appropriateness of such an action.
- I laid out a direct financial relationship between membership numbers and all other forms of organizational revenue.
- I suggested that I considered the organization to be a failing one. I reached my conclusion by examining the actual mission and applying that most key of performance indicators, membership, to measure our actual success. Our membership has been declining steadily and so I reasoned that before we can fulfill our mission, we need members upon whom we might apply the mission. It seemed to me that we couldn't really deliver on the mission if the organization was no longer financially viable (and therefore no longer here).
- **I urged that the organization should be redesigned with reference first, to understanding its actual mission (rather than the one senior management seems determined to confer upon itself), and then, to determining what is actually required and effective in delivering that mission.**
- **I spoke openly about the “Democratic Deficit” which not only afflicts the organization but now threatens its short term survival. Again the central premise that the organization should be run by democratically elected volunteers was forcefully advanced.**

No doubt, the writing of my first report made **me** personally angry and my anger and disappointment came through in this second report. Needless to say, this report made me even less popular (something I thought impossible) amongst the “cognoscenti” of all things Scouty! Both the Vice Chair of Finance and the then Chief Commissioner took issue with my findings (without actually ever commenting on *why* they were wrong) and both insisted that Scouts Canada was well managed and being properly restructured for a continued wise use of its resources.

Fair enough I suppose, however, the actual financial results for fiscal 2005 painted a much different and bleaker picture for me and so off I went. The third Crossroads Report arrived shortly thereafter.

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CROSSROADS III – ARE WE THERE YET?

http://scouteh.ca/resources/2006-02-03-sc_finances.pdf

Crossroads III was published on February 3rd, 2006. Once again, the subjects of restricted fund expropriations, losses from operations, and an apparent inability to implement the most basic management stewardship tools were all highlighted. I found or offered examples of all of the following:

- I reported that the total loss including extraordinary items was \$1,035,000 for only the 2005 fiscal year but resisted the temptation to point out that this number was much closer to my projection (an \$855,000 loss) than the senior management’s projection of “a small surplus”.
- I specifically took management to task on the continued use of restricted funds for general purposes and continue to assert that this practice is as absurd and negligent as giving a man with an axe stuck in his head two Tylenol instead of a ride to the hospital.
- I highlighted various differences between what the appointed Board of Governors was being told by senior management (through quarterly reports) and what was actually happening.
- I openly questioned management’s ability to manage and indicated that in the private sector, this management team would have been dismissed several years ago as unqualified. I offered up such things as the apparent absence of basic management controls in support of my opinion. I asked *why* this caliber of management was acceptable; and *why* this appointed Board of Governors allowed this sort of silliness to continue.
- I outlined a near future which held the prospect of:
 - **Sharply Higher Fees** (they went up 15.5% in my council). A prediction I might point out which is about as bold as predicting the sun will come up tomorrow.
 - The continuing **push to sell property** without any thought for fixing the circumstances that made the sales financially necessary in the first place.
 - **A reduction in my group’s share of fundraising** and;
 - A very **expensive CJ in 2007**. (with no reference to where the two plus million dollars expropriated from the youth event fund actually went or when it will be returned).

I suppose I am three for four and we will just have to wait for “Scout Popcorn” to decide about the fourth. Needless to say, my popularity plummeted even further. Oh well.

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MANAGEMENT – ARE THEY HARD AT WORK OR ARE THEY LOSING THE ROOM?

There is an expression often used when an entertainer is not captivating his audience. They say, “He has lost the room”. I now believe I clearly fall into the category of “room”. I would be misleading you if I told you I thought our appointed Council members, our appointed Board of Governors, our appointed senior national volunteers, or our paid management (both middle and senior) could do anything to convince me we are on the right and well managed road.

Every passing week results in new edicts, memos, misinformation, changing procedures, and new procedures.

As my eleven year old son would say, “Good luck with that Dad”. No, none of these things show me any indication that this organization understands its actual mission. In fact, they simply reinforce **my strongly held personal belief that we do not understand our true mission because if we did, this organization would be radically restructured to meet the actual needs that its’ real mission imposes upon us as members.** As I stated (clearly in my third report), the things we ultimately view as important are the things we **financially** fund. The way this organization uses its financial resources speaks clearly to its real priorities.

I can’t help but wonder *why* we operate as we do. I offer two recent cases in point.

CONSOLIDATED FINANCIAL RESULTS

On June 9th, our Executive Commissioner and CEO released a memo and a consolidated financial statement for the fiscal year ending August 31st, 2005. That’s right...2005. A full 9 months and 10 days later.

These financial statements combine all local councils and certain bodies corporate with the National Operation. This tells me that National believes they are the one and only decision making body and that there is not only no real council decision making but no truly local decision making about anything.

The CEO tells us that, “this is the first time, to the best of my memory, that we have had such a Financial Statement that clearly reflects the strength of our organization as a whole”

Needless to say, I struggle with this conclusion for a number of reasons and these are, in no particular order, and are by no means comprehensive.

First, the “Summarized Consolidated Statement of Operations shows a loss of \$527,000. I’m not sure **why** that signals strength? Try telling the shareholders that all the money they are losing is a sign of their investment’s financial strength.

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Particularly when you are spending their investment principal (the organization's program delivery assets) at the same time. Again to quote my eleven year old son, "Good luck with that".

Included in this statement is \$1,511,000 in gains from the sale of assets. In other words, to reduce our loss we sold some stuff (probably your Scout Camp friend). So to sum it up, pardon the pun, **we actually lost on a consolidated national basis, \$2,038,000**. We sold some stuff to make it not so bad. Ok?

This year is going to be the year. The turnaround year. We have made no substantial changes or reductions in our operations costs, we continue to raise fees, we continue to lower services (where any are provided at all), and membership continues to fall sharply. Notwithstanding all of the foregoing, this is going to be our year. I wonder *why* our management or for that matter our volunteers believe this?

Perhaps the CEO's comments on financial strength come from the balance sheet. I again struggle to find a logical path leading to his conclusions. First, this consolidated balance sheet doesn't even appear correct to me.

The audited financial statement of the National Operation show a \$1,956,000 loan to an arms length bank, however, this loan is not included in this consolidated financial statement. This means one of two things. Either Scouts Canada wholly owns the bank it borrowed the money from or the statements are wrong? *Why* isn't the bank loan included? Does the bank know you don't think you owed them almost \$2,000,000 at that point in time?

The new consolidated financial statement shows \$5,192,000 in Accrued Employee Future Benefits. Future Benefits of \$1,343,000 were off loaded on to the Councils. *Why* does only the national number appear on the consolidated statements. Where did the portion go that was off loaded to councils? *Why* isn't the consolidated number higher?

Why aren't these consolidated financial statements fully compliant with fund accounting so as to make them actually useful? I also suppose it would be impossible for National, let alone councils to produce a full set of balance sheet fund accounts so members could really see how much restricted money is actually being irrecoverably deployed in operations which do nothing to advance the organizations true mission and for which there is clearly no (membership) return on investment.

I suppose the assets provide me with an approximation of all the stuff we still have left to sell to fund the ongoing operational follies.

This document leads me to asking the basic question of *why* it was ever produced. It doesn't confer any level of strength as far as I am concerned because the

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organization refuses to address the folly that is its undemocratic and unaccountable governance.

Why not instead just share the actual results with the membership at large if for no other reason than to demonstrate the stewardship that both paid management and senior volunteers assure us is in place? **How wrong could the actual quarterly financial results be?** If the issue is potential errors, does that mean there is still insufficient confidence the reporting systems and spending controls the Executive Commissioner and CEO assured the board he was (finally) implementing are still not functioning or are unreliable?

So, simply put, and given the lack of “actual results, I would ask those to whom this document was directed?

- **Why** does this document give you confidence in the financial strength of Scouts Canada? Is this just our signal that we now wish to show consolidated results to in future bury National’s chronically poor results in the general results of the councils³?
- **Why** do you think consolidated results are helpful when councils are also loosing money and won’t you ultimately just be reporting a much higher operating loss than you might have done had council operations been excluded? I would personally like to see the audited financial statement of my council separately (and independent of its relationship with my (nowhere near) local administration centre.
- **Why can’t the actual year to date results of the National Operation (and separate year to date results for Councils) be circulated instead?**
- **If the current management and staff cannot produce reasonably reliable and timely results, why can’t the organization employ people and systems which can?**
- **Why** does this document (apparently include) the assets and liabilities of the Ontario Provincial Incorporated Body if you are arguing in a courtroom in St. Thomas that this entity operates at arms length from Scouts Canada. Does it or doesn’t it operate at arms length? **Why** are you telling members a different story to the one currently being offered in court?

FEES AND STRATEGIC DIRECTION

I have pointed out in all three of the previous Crossroads reports that increasing fees clearly reduces membership levels. Has there ever been a year, in the modern Scouting era where fee increases didn’t significantly contribute to membership reductions?

³ See note 4 on page 12.

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The Board of Governors has again chosen not to seriously address the size or the necessity of this organization's infrastructure (at every level). To that end, next year's National Fee will increase to \$54.50. This combined with council increases (applicable to those of us in the Central Escarpment Council) will yield an overall fee increase of 15.5%. The CEO's memo of June 21st, (included as Appendix B), then goes on to tell us, what the money is for. Sure enough the spin comes shortly thereafter.

The CEO states that, "While this represents an increase, I feel strongly that Scouting continues to provide excellent value to parents and their children. This is particularly true if you break the cost down on a weekly basis."

I say terrific and I will be recommending to my group and our parent constituents that they pay those wildly increasing membership fees with 52 cheques (51 of which will be post dated to recognize the CEO's weekly value plan). **Why** do we continue to make this argument when the truth of the matter is it is only valid if and when we can actually buy and finance our membership this way?

At the heart of the matter is the unavoidable fact that in my council, the all in membership fee is \$156 (before any group markup) and the only thing the parent on the other side of my registration table really wants to know is how is it the fee can go up 15.5% in one year and more to the point what do I get for that? Is it going to be 15.5% better this year Scouter Joe? We have been making this statement unsuccessfully for years.

Of course in ever predictable fashion, the memo goes on to state that, "a positive message about the role Scouting plays in the development of young people will mitigate the perception that our programs are too expensive". **Why** would you say that when you have YEARS of empirical evidence which show you that in the real world at the registration table the exact opposite has been and for ever will be true?

The CEO states that he, "fully understands the reaction this fee may bring from those of you who serve in your Council, and that is **why** it is important for us to reflect on our seven Strategic Directions and how we can grow our organization and effectively stabilize membership fees".

Why would the CEO say that? Has it ever occurred to this CEO, this senior management team, this Board of Governors, or these council commissioners that fees kill membership? **Why** do we always go right to the revenue side (the children and their parents) and never seriously adjust or eliminate many of our largely useless expenses?

Has it ever occurred to this CEO, this senior management team, this board of Governors, or these Council Commissioners that this infrastructure and this governance structure are a cancer which threatens the organization's very

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existence. Are they aware talk of growth in this environment (before addressing this organization’s fundamental management and stewardship flaws) is either arrogant or foolhardy? **Why** isn’t the CEO’s statement arrogant and foolhardy when viewed through the prism of common sense?

I wonder **why** this organization is hanging its hat on the new “**Strategic Directions**”? I personally cannot and this probably relates to my view that six of the seven strategic directions are not goals but rather outcomes of an organization which prosecutes its mission efficiently, effectively, and democratically.

- Remaining Relevant to Canadian Society
- Broadening Volunteer Support
- Strengthening Scouting’s External Profile
- Involving Youth
- Enhancing Internal Communications
- Becoming More Culturally Diverse

These are the first six Strategic Directions. I do not believe they are actionable items and I wonder why you believe that they are? Are they not in fact positive membership outcomes of the final strategic direction?

Why wouldn’t the democratic reform promised by Strategic Direction 7 serve to empower the organizations members? **Why** wouldn’t or couldn’t the immediate adoption of Strategic Direction 7 result in a proper application of resources to things the organization actually needs. **Why** wouldn’t the application for financial resources to things which are really required result in the realization of the first six priorities through membership growth?

Strategic Direction 7 entitled, “**Scouting, Canada’s 21st Century Youth Organization**” calls for:

“Structures, systems and a management which are organizationally accountable to members, sensitive to the changing needs of society and capable of a quick response.”

To accomplish this, it goes on to state that:

“Democratic reform designed to enhance the capability of Councils and Areas to have input and influence on decisions of the Board of Governors, and enhanced responsibility to implement policy decisions of the board”.

In addition it indicates that:

“Achievement of financial security at all levels of the organization (A National Operation and 20 Councils operating consistently “in the

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black”) so as to be able to fund activities and support the development of Scouting”.

Scouts Canada asks me to focus on the first six strategic directions and frankly it appears as though they could care less about the 7th one. I believe it is only there to placate dissenters (such as myself) and Scouts Canada has no actionable plan to explore it let alone implement it. Again, I am not swayed by “committees” or “task forces” or other study groups. Scouts Canada has been “studying” and “asking for input” for years. Around and around the National Operation goes to destination nowhere. No change yet, not accountability yet, no financial stewardship yet. No actual direction yet so really not very strategic.

Scouts Canada asks me to do this (focus on the first six Strategic Directions or “reflect” as our CEO puts it) but clearly does not really consider these six directions important either because no where in the calculation of fees is there any contemplation of funding them! Instead we have chosen to raise fees 15.5% just to maintain the unworkable structure we now have. If you think the current structure does work I invite you to show me one concrete material example of where this is actually the case. Sadly, I could show you dozens of examples and outcomes which undeniably prove that it doesn’t.

Why do we continue to make the same foolhardy choices and expect different results? This ultimately brings me to the big **why** in all of this? The **why** from which all other **whys** originate.

Why do we do things this (same old) way and continue to try and spin a different ending to the same very old story? Hamlet always ends the same and it really doesn’t matter who’s playing him. If nobody ever changes their lines, **why** do we think the play will end differently? It really doesn’t matter what suit you dress the dead guy in, I’m fairly sure he’s still dead.

To put it another way, I wonder why we don’t redefine the role of the National Operation and all of the attendant infrastructure it (really) controls⁴ to make it relevant and useful in prosecuting the organization’s true mission? All I want to know is why?

I wonder **why** this organization can’t be governed democratically. **Why** does preserving the status quo further the organization’s true mission? It clearly hasn’t in any of the 5 years I have been a member? **Why** will year 6 be any different?

We have been driving in a circle for 5 years now without ever looking to obtain gas or directions. We just keep driving.

⁴ I personally believe that Councils have little control and have costs foisted upon them through “administration centres” and other unnecessary cost allocations neither of which have any demonstrable “positive membership” return on investment.

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Where is the positive strategic inflection point? The only way to find that point is for us to find and deal with the deficiencies of the status quo. This will require that we question every aspect of the operations of Scouts Canada.

Fortunately, it's just a simple one word question.

WHY?

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ACKNOWLEDGMENTS

The author wishes to thank Scouters Ted Claxton and Liam Morland for editorial assistance and counsel in the preparation of this report.

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APPENDIX A

Memorandum to the Board of Governors, Council Commissioners and Council Executive Directors from The Executive Commissioner and CEO (the most senior Scouts Canada employee) dated June 9th discussing Consolidated Financial Statements for the Fiscal Year Ending August 31st, 2005



100 Years of Scouting



Memorandum

Date: June 9, 2006

To: Board of Governors, Council Commissioners and Council Executive Directors

CC: Audit Committee Members

From: Rob Stewart, Executive Commissioner and CEO

Re: Consolidated Financial Statements 2005

Dear Scouters:

Attached to this e-mail, please find a copy of the summarized Consolidated Financial Statements for the Year ended August 31, 2005. This is the first time, to the best of my memory, that we have had such a Financial Statement that clearly reflects the strength of our organization as a whole.

You will note that it includes the assets, liabilities, revenues and expenses of all Councils and any controlled entities. It excludes the assets and operations of Foundations across the country, as well as the Property Holding Corporation in British Columbia, which are by their nature and structure, entities outside of the control of Scouts Canada.

It should also be noted that all identified inter Council transactions have been eliminated, so that these Financial Statements reflect the true nature and size of Scouts Canada.

In preparing these summarized Consolidated Financial Statements from the individual Council audited Financial Statements, a few inconsistencies in disclosure of transactions between Councils was noted: the failure to properly account and disclose Post Retirement Benefits, and in one instance, a failure to follow the prescribed National Financial Statement format. Gary Boutilier, our Director of Finance, will be addressing these matters shortly as well as other matters, in a memorandum to Councils with respect to year end processes for the 2006 fiscal year ending August 31, 2006.

If you have any questions on these summarized Consolidated Financial Statements for 2005, please direct them to Gary Boutilier. He will respond as quickly as possible.

I would like to personally acknowledge the great amount of time that our Vice-Chair Finance, Chris Barltrop has put into the production of these statements. Thank you Chris!

Yours in Scouting,

Rob Stewart

Executive Commissioner & CEO

One World, One Promise

The Boy Scouts of Canada

Summarized Consolidated Statement of Financial Position

31 August, 2005

(Prepared without audit)

Assets

Current Assets

Cash	2,017,000
Accounts Receivable	2,162,000
Inventory	3,600,000
Prepaid Expenses	899,000

8,678,000

Investments 16,732,000

Capital Assets 10,504,000

Prepaid Pension Costs 739,000

36,653,000

Liabilities and Fund Balances (Deficiency)

Current Liabilities

Accounts Payable and Accrued Liabilities	2,601,000
Deferred Revenue	1,572,000
Funds Held in Trust	1,601,000

5,774,000

Deferred Capital Asset Grants 548,000

Accrued Employee Future Benefits 5,192,000

Fund Balances (Deficiency)

Operating Fund	1,775,000
Internally Restricted Funds	9,789,000
Externally Restricted Funds	3,154,000
Investment in Capital Assets	10,421,000

25,139,000

36,653,000

The Boy Scouts Of Canada

Summarized Consolidated Statement of Operations

Year ended August 31, 2005

(Prepared without audit)

	Operating Fund	Restricted and Endowed Funds
Revenue		
Membership fees	7,257,000	
Camping fees	2,721,000	638,000
Other fees	1,172,000	36,000
Fund Raising	4,708,000	109,000
United Way	1,247,000	
Donations, sponsorships and Grants	1,876,000	1,441,000
Scout shop and Camp sales	5,371,000	
Investment	656,000	251,000
Insurance fees		1,864,000
Other	873,000	303,000
Gain on sale of Assets	1,511,000	187,000
	27,392,000	4,829,000
Expenses		
Salaries and Benefits	10,987,000	60,000
Scout shop and camp cost of sales	3,297,000	
Insurance and Legal		1,551,000
Communication and Promotion	703,000	11,000
Camp costs	1,442,000	1,268,000
Occupancy and Property	1,923,000	247,000
Administration	1,310,000	139,000
Fundraising costs	3,725,000	94,000
Canadian Leader Magazine	221,000	
Travel and Meetings	938,000	111,000
World Bureau and World Scout	165,000	58,000
Training and Relocation	270,000	29,000
Program and Grants	1,247,000	157,000
Events	227,000	29,000
Other	242,000	46,000
Interest	51,000	
Amortization of Capital Assets	704,000	335,000
Restructuring	467,000	
	27,919,000	4,135,000
Excess (Deficiency) of Revenue over Expenses	(527,000)	694,000

The Boy Scouts Of Canada

Notes to Summarized Consolidated Financial Statements

Year ended August 31, 2005

(Prepared without audit)

These summarized consolidated financial statements have been prepared from the Audited Council Financial Statements for each of the Councils comprising the operations of The Boy Scouts of Canada for the year ended August 31 2005.

All identified inter Council balances and transactions have been eliminated in the preparation of these summarized consolidated financial statements.

CROSSROADS IV – DID WE MISS THE TURN?

A COMMENTARY ON THE STEWARDSHIP AND DIRECTION OF THE NATIONAL OPERATION

APPENDIX B

Memorandum to Council Commissioners and Council Executive Directors from the Executive Commissioner and CEO dated June 21st, 2006 discussing a special National Board Meeting held on June 19th, 2006



100 Years of Scouting



To: Council Commissioners
Council Executive Directors

From: Rob Stewart
Chief Executive Officer

Date: June 21, 2006

Re: Update on Special Board Meeting – June 19, 2006

Dear Scouters,

Scouts Canada's Board of Governors convened a special meeting on Monday, June 19, 2006 in order to review and approve the Budget for 2006/07.

The Budget has now been approved. Included in the Budget is a new National fee of \$54.50. This fee has been adopted by the Board following a detailed review by the Operations Advisory Committee, the Chief Commissioner and senior staff. The fee is based on a membership of 95,000 members for 2006/07. We currently anticipate a year-end membership for 2005/06 of 100,000 members.

As you know, the national portion of Scouts Canada's membership fee covers such services as our national insurance program, program development and support, providing *Leader Magazine* to all of our volunteer leaders, operating twenty-four Scout Shops across the country, and maintaining the Membership Management System (MMS).

The new fee was finalized following a review of our National Operation and identification of the minimum resources required to support the delivery of our programs. While this represents an increase, I feel strongly that Scouting continues to provide excellent value to parents and their children. This is particularly true if you break the cost down on a weekly basis.

I believe that a positive message about the role Scouting plays in the development of young people will mitigate the perception that our programs are too expensive. I fully understand the reaction this fee may bring from those you serve in your Council, and that is why it is important for us to reflect on our seven *Strategic Directions* and how we can grow our organization and effectively stabilize membership fees. One of the areas of adjustment we have made with respect to the Strategic Directions is a re-organization of our communications department to focus more energy and resources on enhancing our Internal Communications. This will also allow more opportunities to expand on our external strategies. The Chief Commissioner has also struck a task force that will examine how Scouts Canada funds itself at all levels.

This is also a time to consider the positive things that have happened in our organization over the past year and the significant contribution we have made to Canadian society. Of particular note are our preparations to celebrate 100 years of Scouting, our upcoming Canadian Jamboree in 2007, continued partnership with such government agencies as Veterans Affairs, and our strong focus on growing the organization through a more diverse membership.

Attached is a set of questions and answers that will assist you in responding to concerns from the field related to this increase. Should you encounter difficulties in addressing particular issues, please feel free to contact me directly.

On another note, I am pleased to announce that the Board amended the policy regarding camps whereby each Council will have the opportunity to designate two camp facilities that can accommodate independent third parties, including the provision of catering. It is important to note that Scouts Canada's alcohol policy will still apply to these properties. A memo outlining this new initiative will follow shortly from our Risk Manager, Pierre Laurin.

Please talk to your Council leadership teams about the impact of these announcements and how you can all focus on the *Strategic Directions* in an effort to create the proper environment for membership growth.

Thank you in advance for your continued co-operation and support.

Yours in Scouting,



Rob Stewart
Chief Executive Officer

cc: Operations Advisory Committee
National Office Staff



100 Years of Scouting



Questions and Answers: Scouts Canada's New National Fee Structure

Scouts Canada's Board of Governors has now approved the 2006/07 Budget. Included in the Budget is a new National fee of \$54.50. The following may address questions which may arise concerning this development; they may also assist you in communicating the fee change to your members.

Q: What is the new National fee?

A: The new National portion of the membership fee will be \$54.50. The national portion of Scouts Canada's membership fee covers such services as our national insurance program, program development and support, providing *Leader Magazine* to all of our volunteer leaders, operating twenty-four Scout Shops across the country, and maintaining the Membership Management System (MMS).

Q: Why is the fee being changed?

A: After months of development and consultation with volunteers and staff, it was deemed necessary to increase the fee due to increased overall operating and production costs versus decreased revenues resulting from declining membership. Increased costs include:

- *Leader Magazine*: While the charge to members for each magazine subscription is \$8; the actual production costs for 2006 are projected at \$17.75 per subscription, covering printing, design, editorial, and postage;
- MMS: Operating costs including upgrades;
- Scout Shops: operating 24 Shops across the country in order to provide our members with access to books, badges, and uniforms.

Q: When will the new fee structure be implemented?

A: The new National fee will be in place for the 2006/07 Scouting season which formally begins September 1, 2006.

Q: How will this change be communicated to the field?

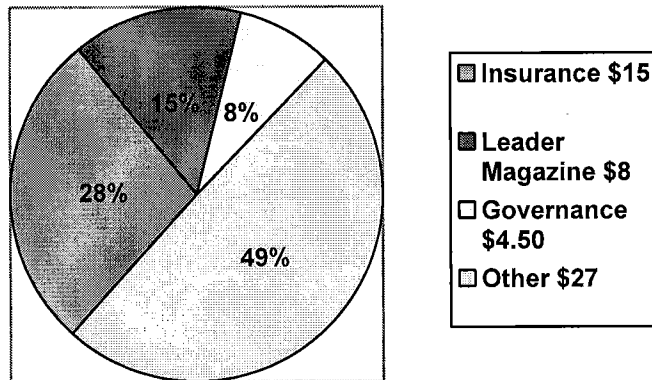
A: This Q&A, with the attached memo, is going to all Council Executive Directors and Council Commissioners so that they can communicate this to their respective staff and volunteers.

Q: Have insurance rates had any impact on this new fee structure?

A: No. Due to the ongoing efforts of our Risk Manager, who has negotiated an excellent arrangement with our insurer, the insurance rate of \$15 per member will remain the same for 2006/07.

Q: What does the National fee cover?

A: The National fee is essentially broken down into three sections as outlined in the chart below.



Note: Included in the "Other" category:

- *training materials and resources for leaders*
- *program development for youth*
- *publications including handbooks*
- *providing service and support to twenty Councils across Canada*
- *internal and external communications*
- *World Scouting fee, paid on a per member basis*

Q: How often does National intend to change the membership fee?

A: Fees are evaluated on an annual basis during the budgeting process. Scouts Canada is actively working with groups across the country to raise the participation level in our official fundraiser (Scout Popcorn). With the cooperation of our volunteers, these revenue sources have the power to eventually stabilize or even decrease the membership fee. In addition, focusing on Scouts Canada's *Strategic Directions* will assist us to grow our organization and effectively stabilize membership fees. We are optimistic that working together, we can make this happen.

Q: Should parents still consider Scouting a good value?

A: Dollar for dollar, Scouts Canada's programs continue to be the best deal around. For example, many parents pay as much or **more** for programs that only function for three or four months. Our programs generally run for eight months or more and include many adventures such as camping trips that kids will remember forever. Most importantly, Scouting makes a difference in the lives of children, youth and young adults. They are more likely to demonstrate greater self-confidence and optimism about what the future holds. They express a strong sense of civic responsibility and have a desire to "pay back" the community. They become more physically fit, energetic, outgoing, conscientious and compassionate.