

Consolidated Financial Statements of

**BOY SCOUTS OF CANADA –
PROVINCIAL COUNCIL FOR
ONTARIO**

Year ended August 31, 2005



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AUDITORS' REPORT

To the Members of
Boy Scouts of Canada – Provincial Council for Ontario

We have audited the consolidated statement of financial position of Boy Scouts of Canada – Provincial Council for Ontario as at August 31, 2005 and the consolidated statements of operations, changes in net assets and cash flows year ended August 31, 2005. These financial statements are the responsibility of the Council'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 consolidated financial statements present fairly, in all material respects, the financial position of the Council as at August 31, 2005 and the results of its operations and its cash flows for the year ended August 31, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Ottawa, Canada

November 16, 2005

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Consolidated Statement of Financial Position

August 31, 2005, with comparative figures for 2004

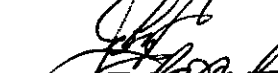
	2005	2004
Assets		
Current assets:		
Cash	\$ 127,092	\$ 66,953
Amounts receivable (note 3)	39,921	152,220
Current portion of loans receivable (note 4)	20,000	–
Inventory	–	20,059
Prepaid expenses	–	15,880
	<u>187,013</u>	<u>255,112</u>
Loans receivable (note 4)	500,000	570,000
Investments (note 5)	4,364,295	3,536,218
Capital assets (note 2)	–	260,534
	<u>\$ 5,051,308</u>	<u>\$ 4,621,864</u>

Liabilities and Net Assets

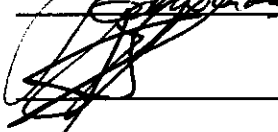
Current liabilities:		
Accounts payable and accrued liabilities	\$ 93,739	\$ 71,273
Deferred revenue	–	6,845
	<u>93,739</u>	<u>78,118</u>
Employee future benefits (note 2)	–	39,182
Designated funds (note 6)	2,020,792	1,252,927
Net assets:		
Unrestricted	2,722,377	2,687,253
Restricted (note 8)	214,400	303,850
Invested in capital assets	–	260,534
	<u>2,936,777</u>	<u>3,251,637</u>
Commitments (note 7)		
Contingency (note 12)		
	<u>\$ 5,051,308</u>	<u>\$ 4,621,864</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Consolidated Statement of Operations

Year ended August 31, 2005, with comparative figures for 2004

	Operating Fund	Restricted Funds	2005 Total	2004 Total
Revenue:				
Investment	\$ 296,091	\$ –	\$ 296,091	\$ 180,782
Supporters' contributions	2,953	–	2,953	11,308
Property administration fees	5,513	–	5,513	20,329
Membership fees	–	–	–	406,441
Blue Springs Scout Reserve	–	–	–	157,223
Scoutrees for Canada	–	–	–	9,310
	304,557	–	304,557	785,393
Expenses:				
Office operations	57,878	–	57,878	398,900
Committee and activity costs	61,714	–	61,714	58,319
Investment management fees	30,079	–	30,079	36,227
Literacy program funding	20,000	–	20,000	110,000
Blue Springs Scout Reserve	–	164,450	164,450	254,409
Allowance for doubtful loans	50,000	–	50,000	–
Refund of property administration fees	13,944	–	13,944	–
Loss on disposal of capital assets	5,017	–	5,017	–
Amortization of capital assets	–	–	–	20,119
	238,632	164,450	403,082	877,974
Excess (deficiency) of revenue over expenses				
	\$ 65,925	\$ (164,450)	\$ (98,525)	\$ (92,581)

See accompanying notes to consolidated financial statements.

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Consolidated Statement of Changes in Net Assets

Year ended August 31, 2005, with comparative figures for 2004

	Unrestricted	Restricted (note 8)	Invested in capital assets	2005 Total	2004 Total
Balance, beginning of year	\$ 2,687,253	\$ 303,850	\$ 260,534	\$ 3,251,637	\$ 3,344,218
Surplus (deficiency) of revenue over expenses	65,925	(164,450)	–	(98,525)	(92,581)
Loss on disposal of capital assets	5,017	–	(5,017)	–	–
Transfer of assets and liabilities (note 2)	39,182	–	(255,517)	(216,335)	–
Transfer to Blue Springs Development Funds	(50,000)	50,000	–	–	–
Transfer to Legal Defense Fund	(25,000)	25,000	–	–	–
Balance, end of year	\$ 2,722,377	\$ 214,400	\$ –	\$ 2,936,777	\$ 3,251,637

See accompanying notes to consolidated financial statements.

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Consolidated Statement of Cash Flows

Year ended August 31, 2005, with comparative figures for 2004

	2005	2004
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (98,525)	\$ (92,581)
Items not involving cash:		
Amortization of capital assets	–	20,119
Loss on disposal of capital assets	5,017	–
Allowance for doubtful loan	50,000	–
Changes in non-cash working capital:		
Decrease in amounts receivable	112,299	8,587
Decrease in inventory	20,059	796
Decrease (increase) in prepaid expenses	15,880	(4,345)
Increase in accounts payable and accrued liabilities	22,466	49,842
Increase (decrease) in deferred revenue	(6,845)	1,030
	120,351	(16,552)
Cash flow from investing activities:		
Decrease (increase) in investments	(828,077)	674,252
Cash flow from financing activities:		
Increase (decrease) in funds held in trust	767,865	(403,658)
Net change in cash	60,139	(184,794)
Cash, beginning of year	66,953	251,747
Cash, end of year	\$ 127,092	\$ 66,953

See accompanying notes to consolidated financial statements.

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2005

The Boy Scouts of Canada is a national organization operating programs aimed at contributing to the education of young people through a value system based on the Scout Promise and Law, to help build a better world where people are self-fulfilled as individuals and play a constructive role in society. The Boy Scouts of Canada was incorporated on June 12, 1914 by an Act of the Canadian Parliament.

The Provincial Council for Ontario (the "Ontario Council") was constituted on May 29, 1920 by the Canadian General Council of The Boy Scouts of Canada under authority of (the "Act Council"). The Council is responsible for fulfilling the mission of the Boy Scouts of Canada in the Province of Ontario. The Council is a registered charity under the Income Tax Act and as such is not subject to income taxes.

The Ontario Council controls the Provincial Council for Ontario; Boy Scouts of Canada (the "Corporation"), which was incorporated without share capital on March 26, 1963 under the Ontario Corporations Act. The objectives of the Corporation include promoting and expanding the Boy Scouts of Canada in the Province of Ontario; acquiring, holding, selling, exchanging, and disposing of real and personal property and accepting donations, gifts, legacies and bequests. The Corporation is a registered charity under the Income Tax Act and as such is not subject to income taxes.

Effective August 31, 2005, the Ontario Council was dissolved as part of a national restructuring plan approved at a Special General Meeting of the Boy Scouts of Canada on May 31, 2003. Under the approved plan, the Corporation continues its operations with its own Board of Directors.

As part of the dissolution, the Ontario Council transferred all of its assets and liabilities to Councils in Ontario or to the Corporation effective September 1, 2004. The transfer to the Councils is recorded in the statement of operations and is disclosed in note 2. Aside from this transfer, the Ontario Council did not have any activity during the year.

1. Significant accounting policies:

The consolidated 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 consolidated financial statements include the revenue, expenses, assets and liabilities of the Corporation and the transfer of the asset and liabilities of the Ontario Council effective September 1, 2004.

These consolidated financial statements do not include the revenue, expenses, assets and liabilities of Councils and Groups in Ontario.

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Notes to Consolidated Financial Statements, page 2

Year ended August 31, 2005

1. Significant accounting policies (continued):

(b) Fund accounting:

The Corporation follows the restricted fund method of accounting for not-for-profit organizations.

The Unrestricted Fund accounts for the Corporation's operations and administrative activities.

Restricted Funds include contributions allocated by the board for the Professional Development Fund, the Blue Springs Development Funds, and the Legal Defense Fund as well as contributions and bequests received for the development of scouting and scouting programs in Ontario.

(c) investments:

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

(d) Revenue recognition:

Unrestricted contributions are recognized as revenue in the year received.

Restricted contributions relating to general operations are recognized as revenue of the unrestricted 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.

Pledges of contributions are not recorded until received.

Investment income is recognized when earned.

(e) Donated materials and services:

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

(f) 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 amounts 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 period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Notes to Consolidated Financial Statements, page 3

Year ended August 31, 2005

2. Transfer of capital assets:

As at September 1, 2004, the following assets and liabilities were transferred to Councils in Ontario from the Ontario Council:

Asset:		
Blue Springs Property	\$	255,517
Liability:		
Employee future benefits		39,182
	\$	216,335

3. Amounts receivable:

	2005	2004
Councils and Groups	\$ 24,919	\$ 101,874
National Operation	15,003	449
Unrelated parties	–	49,897
	\$ 39,922	\$ 152,220

4. Loans receivable:

Loans receivable from Councils and the National Operation consist of:

	2005	2004
National Operation	\$ 500,000	\$ 500,000
Shining Waters Council	20,000	20,000
Former Atironta Council	–	50,000
	520,000	570,000
Less current portion	20,000	–
	\$ 500,000	\$ 570,000

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Notes to Consolidated Financial Statements, page 4

Year ended August 31, 2005

4. Loans receivable (continued):

The loan to Shining Waters Council bears interest at the bank rate plus one and a half percent. The loan is to be paid in full in fiscal 2006.

The loan to the National Operation bears interest at the bank rate less one percent. This loan is to be paid in full by fiscal 2010.

The loan to the former Atironta Council has been allowed for 100% by the Corporation.

Interest receivable on these loans is included in amounts receivable.

5. Investments:

Investments consist of:

	2005		2004	
	Carrying value	Market value	Carrying value	Market value
Government and other bonds	\$ 2,076,746	\$ 2,074,460	\$ 1,719,274	\$ 1,801,784
Shares in Canadian and foreign corporations	2,287,549	2,902,234	1,816,944	2,284,191
	<u>\$ 4,364,295</u>	<u>\$ 4,976,694</u>	<u>\$ 3,536,218</u>	<u>\$ 4,085,975</u>

Investments include \$2,020,792 (2004 - \$1,252,927) of carrying value and \$2,339,192 (2004 - \$1,450,506) of market value relating to the designated funds detailed in note 6.

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Notes to Consolidated Financial Statements, page 5

Year ended August 31, 2005

6. Designated funds:

Designated funds held for Councils, and groups within these Councils, consist of:

	2005		2004	
	Carrying value	Market value	Carrying value	Market value
Provincial Funds	\$ 364,723	\$ 422,190	\$ 20,545	\$ 23,783
Greater Toronto Council	178,052	206,106	238,028	275,564
Shining Waters Council	648,388	750,550	486,662	563,406
White Pine Council	211,675	245,026	202,045	233,906
Tri-Shores Council	366,268	423,978	168,993	195,642
Battlefields Council	181,025	209,547	71,160	82,382
Voyageur Council	57,408	66,453	52,840	61,173
Central Escarpment Council	13,176	15,252	12,229	14,158
Northern Ontario Council	77	88	424	492
	\$ 2,020,792	\$ 2,339,190	\$ 1,252,926	\$ 1,450,506

The Corporation received \$860,669 (2004 - \$62,063) from the sale of land and properties by Councils, and bequests and designated donations to the Corporation.

During the year, the Corporation transferred \$108,723 (2004 - \$619,391) to the Councils.

Provincial Funds are available to Councils and groups within Councils to fund their activities upon application and approval by the Board.

7. Commitments:

The Corporation is titled on leases of varying lengths for the lease of land and buildings in Ontario, entered into by the Councils and groups within Councils in Ontario. The lease payments are the responsibility of the Councils and groups within Councils; the Corporation's commitment is enforceable only if the Councils and groups within Councils fail to make the lease payments.

During the year, the Corporation did not make any lease payments on behalf of Councils and groups within Councils.

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Notes to Consolidated Financial Statements, page 6

Year ended August 31, 2005

8. Restricted funds:

Restricted funds consist of:

	2005	2004
Blue Springs Development Funds	\$ 173,141	\$ 287,551
Professional Development Fund	16,299	16,299
Legal Defense Fund	25,000	–
	<u>\$ 214,440</u>	<u>\$ 303,850</u>

The Blue Springs Development Fund's purpose is to fund capital or maintenance projects at the Blue Springs Scout Reserve.

The Professional Development Fund's purpose is to fund personnel related expenses such as training and relocation.

The Legal Defense Fund's purpose is to fund legal costs of the Corporation.

9. Properties:

The Corporation holds legal title to properties located in the Province of Ontario for the Councils. These properties are not reported in these financial statements but are reported in the financial statements of the Councils, which control, manage and use the properties in their operations.

10. Related party transactions:

The Provincial Council and the Corporation are related to the National Operation, Provincial Councils and Regional Councils of The Boy Scouts of Canada. The National Operation provides accounting and administrative services to the Council. During the year, the National Operation charged \$6,300 (2004 - \$18,000) for these services. Councils in Central Ontario provide administrative services to the Corporation through the Central Ontario Administration Centre. During the year, the Centre charged \$20,000 for these services. In addition, the Corporation contributed \$20,000 to the Literacy program administered by the Centre.

Other related party balances and transactions are disclosed in notes 2,3,4,5 and 6.

BOY SCOUTS OF CANADA – PROVINCIAL COUNCIL FOR ONTARIO

Notes to Consolidated Financial Statements, page 7

Year ended August 31, 2005

11. Subsequent event:

Subsequent to year end, the Corporation loaned the National Operation \$250,000 under the same terms as the loan disclosed in note 4.

12. Contingency:

The Corporation has been named a defendant in a legal action. No damages are claimed, except for court costs which are not determinable. Management is of the opinion that there is a strong defense against the claim. Accordingly, no provision for losses has been reflected in the accounts of the Corporation for this matter.

13. Fair value of financial instruments:

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

The carrying value of loans receivable approximates its fair value because the interest rate approximates the market rate.

The fair market value of investments is disclosed in note 5