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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2006

MacGillivray & Co.



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PARTNERS

D.E. JAMES C.A.

G.G. WILSON C.A., C.B.V.

AUDITOR'S REPORT

To the Members of
Provincial Council for Ontario; Boy Scouts of Canada:

We have audited the statement of financial position of Provincial Council for Ontario; Boy Scouts of Canada as at August 31, 2006 and the statement of operations, changes in net assets and cash flows for the year then ended. 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 financial statements present fairly, in all material respects, the financial position of the Council as at August 31, 2006 and the results of operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Brampton, Ontario
February 8, 2007

A handwritten signature in black ink, appearing to read 'MacGillivray & Co.', written in a cursive style.

CHARTERED ACCOUNTANTS



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

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2006

	2006	2005
ASSETS		
CURRENT		
Cash	\$ 199,021	\$ 127,092
Accounts receivable (Note 3)	49,084	39,921
Current portion of loans receivable (Note 4)	<u>-</u>	<u>20,000</u>
	248,105	187,013
Loans receivable (Note 4)	750,000	500,000
Investments (Note 5)	<u>4,348,256</u>	<u>4,364,295</u>
	<u>\$ 5,346,361</u>	<u>\$ 5,051,308</u>
LIABILITIES & NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ <u>61,191</u>	\$ <u>93,739</u>
Designated funds (Note 6)	<u>2,234,633</u>	<u>2,020,792</u>
NET ASSETS		
Unrestricted	2,835,170	2,722,377
Restricted (Note 8)	<u>215,367</u>	<u>214,400</u>
	<u>3,050,537</u>	<u>2,936,777</u>
COMMITMENTS (Note 7)	<u>\$ 5,346,361</u>	<u>\$ 5,051,308</u>

APPROVED ON BEHALF OF THE BOARD:


 _____ Director

 _____ Director

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

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2006

	Operating Fund	Restricted Fund	2006 Total	2005 Total
Revenues				
Investment	\$ 500,907	\$ -	\$ 500,907	\$ 296,091
Supporters' contributions	5,299	-	5,299	2,953
Property administration fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,513</u>
	<u>506,206</u>	<u>-</u>	<u>506,206</u>	<u>304,557</u>
Expenses				
Office operations	132,694	-	132,694	57,878
Committee and activity costs	56,371	-	56,371	61,714
Investment management fees	40,234	-	40,234	30,079
Literacy program funding	-	-	-	20,000
Blue Springs Scout Reserve	-	131,933	131,933	164,450
Allowance for doubtful loans	-	-	-	50,000
Bad debts	31,214	-	31,214	-
Refund of property administration fees	-	-	-	13,944
Loss on disposal of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,017</u>
	<u>260,513</u>	<u>131,933</u>	<u>392,446</u>	<u>403,082</u>
Excess (deficiency) of revenue over expenses	<u>\$ 245,693</u>	<u>\$ (131,933)</u>	<u>\$ 113,760</u>	<u>\$ (98,525)</u>

See accompanying notes.

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

STATEMENT OF CHANGES IN NET ASSETS

AS AT AUGUST 31, 2006

	Unrestricted Fund	Restricted Fund	2006 Total	2005 Total
Balance, beginning of year	\$ 2,747,377	\$ 189,400	\$ 2,936,777	3,251,637
Excess (deficiency) of revenue over expenses	245,693	(131,933)	113,760	(98,525)
Transfer of assets and liabilities (Note 2)	-	-	-	(216,335)
Transfer to Blue Springs Development Funds	(182,900)	182,900	-	-
Transfer from Legal Defense Fund	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 2,835,170</u>	<u>\$ 215,367</u>	<u>\$ 3,050,537</u>	<u>\$ 2,936,777</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2006

	2006	2005
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Excess (deficiency) of revenue over expenses	\$ 113,760	\$ (98,525)
Items not resulting in an expenditure of cash		
Loss on disposal of capital assets	-	5,017
Allowance for doubtful loan	<u>-</u>	<u>50,000</u>
	113,760	(43,508)
Changes in non-cash working capital affecting operations:		
Accounts receivable	(9,163)	112,299
Inventory	-	20,059
Prepaid expenses	-	15,880
Accounts payable and accrued liabilities	(32,548)	22,466
Deferred revenue	<u>-</u>	<u>(6,845)</u>
Cash provided by operations	<u>72,049</u>	<u>120,351</u>
FINANCING ACTIVITIES		
Net increase (decrease) in designated funds	213,841	767,865
Net increase in loans receivable	<u>(230,000)</u>	<u>-</u>
Cash provided by (used for) financing activities	<u>(16,159)</u>	<u>767,865</u>
INVESTING ACTIVITIES		
Net decrease (increase) in investments	<u>16,039</u>	<u>(828,077)</u>
Cash provided by (used for) investing activities	<u>16,039</u>	<u>(828,077)</u>
NET INCREASE IN CASH	71,929	60,139
CASH, beginning of year	<u>127,092</u>	<u>66,953</u>
CASH, end of year	<u>\$ 199,021</u>	<u>\$ 127,092</u>

See accompanying notes.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2006**

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. The Council was responsible for fulfilling the mission of the Boy Scouts of Canada in the Province of Ontario. The Council was a registered charity under the Income Tax Act and as such was not subject to income taxes.

The Ontario Council controlled 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 disclosed in the 2005 comparative figures to the statement of changes in net assets and in Note 2.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) 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.

(b) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2006

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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.

(d) 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.

(e) 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 revenues 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.

(f) Financial instruments

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest rate or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value unless otherwise indicated.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2006

NOTE 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		<u>39,182</u>
	\$	<u>216,335</u>

NOTE 3: ACCOUNTS RECEIVABLE

	2006	2005
Councils and Groups	\$ 49,084	\$ 24,918
National Operation	<u>-</u>	<u>15,003</u>
	<u>\$ 49,084</u>	<u>\$ 39,921</u>

NOTE 4: LOANS RECEIVABLE

Loans receivable from Councils and the National Operation consist of:

	2006	2005
National Operation	\$ 750,000	\$ 500,000
Shining Waters Council	<u>-</u>	<u>20,000</u>
	750,000	520,000
Less current portion	<u>-</u>	<u>20,000</u>
	<u>\$ 750,000</u>	<u>\$ 500,000</u>

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

Interest receivable on these loans is included in accounts receivable.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2006

NOTE 5: INVESTMENTS

Investments consist of:

	2006		2005	
	Carrying Value	Market Value	Carrying Value	Market Value
Government and other bonds	\$ 2,147,280	\$ 2,140,072	\$ 2,076,746	\$ 2,074,460
Shares in Canadian and foreign corporations	<u>2,200,976</u>	<u>2,750,085</u>	<u>2,287,549</u>	<u>2,902,234</u>
	<u>\$ 4,348,256</u>	<u>\$ 4,890,157</u>	<u>\$ 4,364,295</u>	<u>\$ 4,976,694</u>

Investments include \$2,234,633 (2005 - \$2,020,792) of carrying value and \$2,552,627 (2005 - \$2,339,192) of market value relating to the designated funds detailed in note 6.

NOTE 6: DESIGNATED FUNDS

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

	2006		2005	
	Carrying Value	Market Value	Carrying Value	Market Value
Provincial Funds	\$ 358,381	\$ 409,381	\$ 348,797	\$ 403,755
Greater Toronto Council	182,945	208,978	178,052	206,106
Shining Waters Council	645,371	737,208	648,388	750,550
White Pine Council	212,403	242,628	211,675	245,026
Tri-Shores Council	383,675	438,273	366,268	423,978
Battlefields Council	155,765	177,932	181,025	209,547
Voyageur Council	158,277	180,800	57,408	66,453
Central Escarpment Council	22,999	26,272	29,102	33,687
Northern Ontario Council	<u>114,817</u>	<u>131,155</u>	<u>77</u>	<u>88</u>
	<u>\$ 2,234,633</u>	<u>\$ 2,552,627</u>	<u>\$ 2,020,792</u>	<u>\$ 2,339,190</u>

The Corporation received \$374,713 (2005 - \$860,669) from the sale of land properties by Councils, and bequests and designated donations to the Corporation.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2006

NOTE 7: COMMITMENTS

The Corporation is titled on leases on 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.

NOTE 8: RESTRICTED FUNDS

Restricted funds consist of:

	2006	2005
Blue Springs Development Funds	\$ 224,068	\$ 173,101
Professional Development Fund	16,299	16,299
Legal Defense Fund	<u>-</u>	<u>25,000</u>
	<u>\$ 240,367</u>	<u>\$ 214,400</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 was to fund legal costs of the Corporation.

NOTE 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2006

NOTE 10: RELATED PARTY TRANSACTIONS

The Corporation is related to the National Operation and Councils of the Boy Scouts of Canada in Ontario. The Corporation has incurred charges of \$20,000 to support the salary for an administrative assistant at the Central Ontario Administrative Centre and \$52,000 towards the travel, accommodation and meeting costs of personnel of the National Operation.

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

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, accounts 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.