

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

MacGillivray & Co.

Chartered Accountants

2 COUNTY COURT BLVD., SUITE 325
BRAMPTON, ONTARIO
CANADA L6W 3W8

Tel: (905) 459-8500

Fax: (905) 459-4459

macgillivray@on.aibn.com

DAVID E. JAMES
Chartered Accountant
Licensed Public Accountant



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Provincial Council for Ontario; Boy Scouts of Canada, which comprise the statement of financial position as at August 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

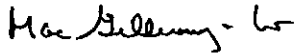
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Provincial Council for Ontario; Boy Scouts of Canada as at August 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brampton, Ontario
November 10, 2011

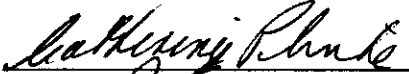
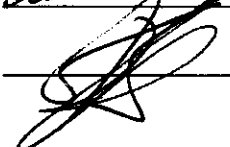

Chartered Accountant,
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**PROVINCIAL COUNCIL FOR ONTARIO;
BOY SCOUTS OF CANADA**

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2011**

	2011	2010
ASSETS		
CURRENT		
Cash	\$ 64,742	\$ 75,536
Accounts receivable (Note 2)	3,763	6,438
GST/HST recoverable	4,593	2,554
Current portion of loans receivable (Note 3)	75,000	375,000
Prepaid expenses	<u>4,276</u>	<u>3,524</u>
	152,374	463,052
 Loans receivable (Note 3)	 540,000	 615,000
 Investments (Note 4)	 <u>6,722,094</u>	 <u>6,491,604</u>
	 \$ <u>7,414,468</u>	 \$ <u>7,569,656</u>
 LIABILITIES & NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ <u>25,183</u>	\$ <u>56,532</u>
 Designated funds (Note 5)	 <u>4,719,167</u>	 <u>4,879,885</u>
NET ASSETS		
Unrestricted	<u>2,670,118</u>	<u>2,633,239</u>
 COMMITMENTS (Note 6)	 <u>\$ 7,414,468</u>	 <u>\$ 7,569,656</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, 2011

	2011	2010
Revenues		
Investment	\$ 131,438	\$ 64,311
Cost recovery from Camp Peacehaven (Note 8)	31,575	-
Supporters' contributions	<u>9,036</u>	<u>1,660</u>
	<u>172,049</u>	<u>65,971</u>
 Expenses		
Personnel (Note 8)	69,998	60,524
Committee	13,146	13,794
Accounting and audit	16,838	16,484
Investment management fees	52,656	47,488
Legal	416	1,708
Projects (Note 8)	39,975	42,299
Membership grant	-	50,000
SCENES Conference	-	2,306
Office and general	<u>1,863</u>	<u>565</u>
	<u>194,892</u>	<u>235,168</u>
 Excess (deficiency) of revenue over expenses	 <u>\$ (22,843)</u>	 <u>\$ (169,197)</u>

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

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2011

	2011	2010
Balance, beginning of year	\$ 2,633,239	2,624,507
Excess (deficiency) of revenue over expenses	(22,843)	(169,197)
Unrealized gains (losses) on investments for the year	<u>59,722</u>	<u>177,929</u>
Balance, end of year	<u>\$ 2,670,118</u>	<u>\$ 2,633,239</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2011

	2011	2010
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Excess (deficiency) of revenue over expenses	\$ (22,843)	\$ (169,197)
Changes in non-cash working capital affecting operations:		
Accounts receivable	2,674	(1,231)
GST recoverable	(2,039)	(1,797)
Prepaid expenses	(752)	105
Accounts payable and accrued liabilities	<u>(31,349)</u>	<u>(54,611)</u>
Cash provided by (used for) operations	<u>(54,309)</u>	<u>(226,731)</u>
FINANCING ACTIVITIES		
Net increase (decrease) in designated funds	(322,471)	595,670
Net decrease (increase) in loans receivable	<u>375,000</u>	<u>(202,485)</u>
Cash provided by (used for) financing activities	<u>52,529</u>	<u>393,185</u>
INVESTING ACTIVITIES		
Net decrease (increase) in investments	<u>(9,014)</u>	<u>(1,341,883)</u>
Cash provided by (used for) investing activities	<u>(9,014)</u>	<u>(1,341,883)</u>
NET INCREASE (DECREASE) IN CASH	(10,794)	(1,175,429)
CASH, beginning of year	<u>75,536</u>	<u>1,250,965</u>
CASH, end of year	<u>\$ 64,742</u>	<u>\$ 75,536</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

Scouts 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. Scouts Canada was incorporated on June 12, 1914 by an Act of the Canadian Parliament.

The Provincial Council for Ontario; Boy Scouts of Canada (the "Corporation"), was incorporated without share capital on March 26, 1963 under the Ontario Corporations Act. The objectives of the Corporation include promoting and expanding Scouts 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.

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 from time to time to create Development Funds as well as contributions and bequests received for the development of Scouting and Scouting programs in Ontario. There has been no Restricted Funds activity in the current year.

(b) Investments

Investments are classified as available-for-sale. They are measured at fair value with changes in fair value recognized in comprehensive income as unrealized gains or losses.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 assets and liabilities

On initial recognition, all financial assets and liabilities are measured and recognized at fair value. Financial assets and liabilities are measured as follows:

Financial assets held for trading

Financial assets held for trading, consisting of cash, are measured at fair value and any changes in fair value are recognized in excess of revenues over expenses. Changes in fair value include interest, realized and unrealized gains (losses).

Financial assets available for sale

Financial assets available for sale, consisting of portfolio investments, are measured at fair value and any changes in fair value are recognized in comprehensive income. Changes in fair value include interest, dividends and realized and unrealized gains (losses).

Loans and receivables and other financial liabilities

Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method (including any impairment of financial assets). Interest rate on these instruments approximates the market rate, therefore policy has no impact on these financial statements.

(g) Recently issued accounting pronouncements

New financial statement framework

The Accounting Standards Board has approved new Canadian accounting standards for not-for-profit organizations. As first-time adoption of the new standards will be mandatory for fiscal periods commencing on or after December 21, 2011, the Corporation will be required to adopt the new standards for its fiscal year ended August 31, 2013, but may consider early adoption for its fiscal year ended August 31, 2012.

The impact to the Corporation of the transition to the new accounting standards for not-for-profit organizations has yet to be determined.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

NOTE 2: ACCOUNTS RECEIVABLE

Accounts receivable consist of:

	2011	2010
Councils and Groups	\$ 77	\$ 268
Interest receivable	<u>3,686</u>	<u>6,170</u>
	<u>\$ 3,763</u>	<u>\$ 6,438</u>

NOTE 3: LOANS RECEIVABLE

Loans receivable consist of:

	2011	2010
National Operation	\$ 450,000	\$ 525,000
Northern Ontario Council	165,000	165,000
Southwestern Ontario Administrative Centre	<u>-</u>	<u>300,000</u>
	615,000	990,000
Less current portion	<u>75,000</u>	<u>375,000</u>
	<u>\$ 540,000</u>	<u>\$ 615,000</u>

The loans to the National Operation bear interest at the bank rate less one percent based on the prime rate charged by the Corporation's bankers at the dates of the advances. The loan principal is repayable \$75,000 annually commencing May 31, 2008.

The loan to Northern Ontario Council is secured by the amount of Designated Funds held on behalf of the Northern Ontario Council with respect to Smooth Rock Falls, Trout Lake and Grey Wolf. Interest is to be charged on the loan at an amount equal to that earned on investments held in the secured designated funds.

The loan to the Southwestern Ontario Administrative Centre was to provide bridge financing with designated reserve funds of Battlefields and Tri-Shores Councils resulting from property sales to be used as collateral. Interest was charged at the lessor of prime plus 1% or an amount equal to that earned on investments in the secured designated funds. The loan balance of \$300,000 plus interest was repaid in the current year.

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, 2011

NOTE 4: INVESTMENTS

Investments consist of:

	2011		2010	
	Cost	Market Value	Cost	Market Value
Government and other bonds	\$ 2,429,602	\$ 2,619,131	\$ 2,179,295	\$ 2,340,193
Shares in Canadian and foreign corporations	<u>3,637,322</u>	<u>4,102,962</u>	<u>3,878,615</u>	<u>4,151,411</u>
	<u>\$ 6,066,924</u>	<u>\$ 6,722,093</u>	<u>\$ 6,057,910</u>	<u>\$ 6,491,604</u>

Investments include \$4,268,311 (2010 - \$4,590,782) at cost and \$4,719,167 (2010 - \$4,879,885) at market value relating to the designated funds detailed in note 5.

NOTE 5: DESIGNATED FUNDS

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

	2011		2010	
	Cost	Market Value	Cost	Market Value
Provincial Funds	\$ 418,974	\$ 463,195	\$ 422,758	\$ 452,928
Greater Toronto Council	1,151,148	1,305,639	1,236,129	1,340,883
Shining Waters Council	706,564	778,238	680,788	729,974
White Pine Council	212,310	238,413	204,711	223,775
Tri-Shores Council	663,576	739,983	711,612	763,636
Battlefields Council	556,874	592,826	790,197	805,081
Voyageur Council	257,577	271,800	248,181	254,944
Northern Ontario Council	<u>301,288</u>	<u>329,073</u>	<u>296,406</u>	<u>308,664</u>
	<u>\$ 4,268,311</u>	<u>\$ 4,719,167</u>	<u>\$ 4,590,782</u>	<u>\$ 4,879,885</u>

Provincial Funds are available to Councils and groups within Councils to fund their activities upon application and approval by the Board. During the year, the Corporation transferred \$488,575 (2010 - \$244,106) to the Councils. The Councils returned a total of \$10,922 to the Corporation., consisting of \$9,130 of unspent funds and \$1,791 HST rebate on a property sale.

The Corporation received \$Nil (2010 - \$827,753) from the sale of land properties by Council.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

NOTE 6: 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.

NOTE 7: 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.

NOTE 8: RELATED PARTY TRANSACTIONS

The Corporation is related to the National Operation and Councils of Scouts Canada. The Corporation has incurred charges of \$49,998 representing a portion of the salary and benefit costs of secretary of the Corporation for the year and \$20,000 towards the salary of the recording secretary. Additional charges representing salary, benefits and other expenses related to 2011 National Leadership Summit totalling \$29,000 are included under Projects.

During the year, Camp Peacehaven, Battlefields Council reimbursed expenses of \$31,575 to the Corporation from its designated funds. This cost recovery is recorded as revenue of the Corporation.

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

NOTE 9: CAPITAL DISCLOSURES

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing the return and other benefits to its stakeholders. The capital structure consists of designated funds held for Councils, and groups within these Councils as well as the maintenance of restricted and unrestricted net asset funds.

The Corporation is not subject to externally imposed capital requirements and the overall strategy remains unchanged from 2010.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

NOTE 10: FINANCIAL INSTRUMENTS

Fair Values

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 amortized cost because the interest rate approximates the market rate. The loan to the Northern Ontario Council bears an interest rate equal to the return on investments held in designated funds. For the short period this loan has been outstanding, it is not determinable whether the effective interest rate will approximate the market rate.

The fair market value of investments at August 31, 2011 is disclosed in note 5.

Risks Arising from Financial Instruments

Credit Risk

The Corporation's cash and investment portfolio are each held at a major financial institution and are exposed to credit risk associated with this concentration of assets.

Interest Risk

Loans receivable and the fixed income portion of the investment portfolio, representing approximately 40% of the total portfolio, have fixed interest rates and long-term maturity dates.

Currency Risk

Approximately 15% of the investment portfolio is held in foreign securities denominated in US dollars. Consequently, the Corporation is exposed to foreign exchange fluctuations between the Canadian and US dollars.