

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

MacGillivray & Co.

Chartered Accountants

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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, 2012, 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, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brampton, Ontario
November 21, 2012



Chartered Accountant,
Licensed Public Accountant

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

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2012**

ASSETS		<u>2012</u>	<u>2011</u>
Current			
Cash		\$ 42,890	\$ 64,742
Accounts receivable (Note 2)		3,559	3,763
GST/HST recoverable		5,620	4,593
Current portion of loans receivable (Note 3)		75,000	75,000
Prepaid expenses		<u>6,029</u>	<u>4,276</u>
		133,098	152,374
 Capital Assets			
	<u>Cost</u>	<u>Accumulated Amortization</u>	
Computer equipment	\$ <u>890</u>	\$ <u>245</u>	645
Loans receivable (Note 3)			415,000
			540,000
Investments (Note 4)			<u>8,206,626</u>
			<u>6,722,094</u>
		<u>\$ 8,755,369</u>	<u>\$ 7,414,468</u>
 LIABILITIES & NET ASSETS			
Current			
Accounts payable and accrued liabilities		\$ 31,788	\$ 25,183
Designated funds (Note 5)		6,119,169	4,719,167
Net Assets			
Unrestricted		<u>2,604,412</u>	<u>2,670,118</u>
Commitments (Note 6)		<u>\$ 8,755,369</u>	<u>\$ 7,414,468</u>

APPROVED ON BEHALF OF THE BOARD:

 Director
 Director

See accompanying notes.

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

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2012

	<u>2012</u>	<u>2011</u>
Revenues		
Investment	\$ 139,888	\$ 131,438
Cost recovery from Camp Peacehaven	-	31,575
Supporters' contributions	<u>8,983</u>	<u>9,036</u>
	<u>148,871</u>	<u>172,049</u>
Expenses		
Personnel (Note 8)	38,549	69,998
Committee	10,212	13,146
Accounting and audit	17,064	16,838
Investment management fees	58,377	52,656
Legal	-	416
Projects (Note 8)	43,174	39,975
Marketing initiative (Note 8)	7,500	-
Amortization	245	-
Office and general	1,933	1,863
Bad debts	<u>21</u>	<u>-</u>
	<u>177,075</u>	<u>194,892</u>
Excess (deficiency) of revenue over expenses	\$ <u>(28,204)</u>	\$ <u>(22,843)</u>

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

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2012

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 2,670,118	2,633,239
Excess (deficiency) of revenue over expenses	(28,204)	(22,843)
Unrealized gains (losses) on investments for the year	<u>(37,502)</u>	<u>59,722</u>
Balance, end of year	<u>\$ 2,604,412</u>	<u>\$ 2,670,118</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2012

	<u>2012</u>	<u>2011</u>
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Excess (deficiency) of revenue over expenses	\$ (28,204)	\$ (22,843)
Item not requiring cash outlay		
Amortization	<u>245</u>	<u>-</u>
	(27,959)	(22,843)
 Changes in non-cash working capital affecting operations:		
Accounts receivable	203	(2,674)
GST recoverable	(1,027)	(2,039)
Prepaid expenses	(1,753)	752
Accounts payable and accrued liabilities	<u>6,605</u>	<u>(31,349)</u>
 Cash used for operations	<u>(23,931)</u>	<u>(54,309)</u>
 FINANCING ACTIVITIES		
Net increase (decrease) in designated funds	1,360,103	(322,471)
Repayment of loans receivable	<u>125,000</u>	<u>375,000</u>
 Cash provided by financing activities	<u>1,485,103</u>	<u>52,529</u>
 INVESTING ACTIVITIES		
Additions to capital assets	(890)	-
Net decrease (increase) in investments	<u>(1,482,134)</u>	<u>(9,014)</u>
 Cash used for investing activities	<u>(1,483,024)</u>	<u>(9,014)</u>
 NET DECREASE IN CASH	(21,852)	(10,794)
 CASH, beginning of year	<u>64,742</u>	<u>75,536</u>
 CASH, end of year	<u>\$ 42,890</u>	<u>\$ 64,742</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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 the statement of changes in net assets 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, 2012

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Capital assets

Capital assets are recorded at cost less accumulated amortization. The cost of capital assets is amortized on a declining balance basis at the following rates:

Computer hardware	55%
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(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 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.

(g) 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.

(h) 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 adopt the new standards for its fiscal year ended August 31, 2013.

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, 2012

NOTE 2: ACCOUNTS RECEIVABLE

Accounts receivable consist of:	<u>2012</u>	<u>2011</u>
Councils and Groups	\$ 487	\$ 77
Interest receivable	<u>3,072</u>	<u>3,686</u>
	<u>\$ 3,559</u>	<u>\$ 3,763</u>

NOTE 3: LOANS RECEIVABLE

Loans receivable consist of:	<u>2012</u>	<u>2011</u>
National Operation	\$ 375,000	\$ 450,000
Northern Ontario Council	<u>115,000</u>	<u>165,000</u>
	490,000	615,000
Less current portion	<u>75,000</u>	<u>75,000</u>
	<u>\$ 415,000</u>	<u>\$ 540,000</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.

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 Trout Lake and Grey Wolf. Interest is charged on the loan at an amount equal to that earned on investments held in the secured designated funds.

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, 2012

NOTE 4: INVESTMENTS

Investments consist of:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Government and other bonds	\$ 3,093,725	\$ 3,282,975	\$ 2,429,602	\$ 2,619,132
Shares in Canadian and foreign corporations	<u>4,455,333</u>	<u>4,923,651</u>	<u>3,637,322</u>	<u>4,102,962</u>
	<u>\$ 7,549,058</u>	<u>\$ 8,206,626</u>	<u>\$ 6,066,924</u>	<u>\$ 6,722,094</u>

Investments include \$5,628,414 (2011 - \$4,268,311) at cost and \$6,119,169 (2011 - \$4,719,167) 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:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Provincial Funds	\$ 435,642	\$ 486,152	\$ 418,974	\$ 463,195
Greater Toronto Council	1,155,650	1,328,051	1,151,148	1,305,639
Shining Waters Council	724,605	806,592	706,564	778,238
White Pine Council	219,974	249,439	212,310	238,413
Tri-Shores Council	583,741	670,913	663,576	739,983
Battlefields Council	553,787	596,730	556,874	592,826
Voyageur Council	267,825	285,271	257,577	271,800
Central Escarpment Council	1,387,668	1,358,206	-	-
Northern Ontario Council	<u>299,522</u>	<u>337,815</u>	<u>301,288</u>	<u>329,073</u>
	<u>\$ 5,628,414</u>	<u>\$ 6,119,169</u>	<u>\$ 4,268,311</u>	<u>\$ 4,719,167</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 \$337,844 (2011 - \$488,575) to the Councils.

The Corporation received \$1,507,984 (2011 - \$Nil) from the sale of land properties by Council.

**PROVINCIAL COUNCIL FOR ONTARIO;
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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 \$18,549 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 included under Projects related to 2012 Growth Symposium in the amount of \$5,538, Silver Acorn Ceremony in the amount of \$4,203, Queen's Venturer Awards in the amount of \$5,114, Well-decommissioning expenses in the amount of \$6,880, and Office Refurbishment totalling \$21,140.

The Corporation has also contributed \$7,500 to fund a marketing initiative project.

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 2011.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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 period this loan has been outstanding, it is not determinable whether the effective interest rate will approximate the market rate over the term of the loan.

The fair market value of investments at August 31, 2012 is disclosed in note 4.

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.