

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

MacGillivray & Co.

Chartered Professional Accountants

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DAVID E. JAMES, CPA, CA
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, 2015, 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, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brampton, Ontario
October 27, 2015

MacGillivray & Co.

Chartered Professional Accountant,
Licensed Public Accountant

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED AUGUST 31, 2015


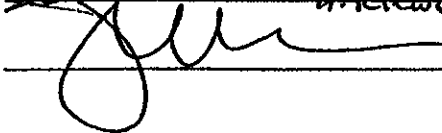
ASSETS

		<u>2015</u>	<u>2014</u>
Current			
Cash		\$ 233,070	\$ 347,569
Accounts receivable (Note 2)		13,414	4,377
GST/HST recoverable		2,439	2,927
Current portion of loans receivable (Note 3)		<u>75,000</u>	<u>375,000</u>
		<u>323,923</u>	<u>729,873</u>
 Capital Assets			
	<u>Cost</u>	<u>Accumulated Amortization</u>	
Computer equipment	\$ 1,825	\$ 1,629	196
Furniture	<u>3,303</u>	<u>1,401</u>	<u>1,902</u>
	<u>\$ 5,128</u>	<u>\$ 3,030</u>	<u>2,814</u>
 Loans receivable (Note 3)		<u>75,000</u>	<u>207,000</u>
 Investments (Note 4)		<u>10,632,473</u>	<u>10,721,973</u>
		<u>\$ 11,033,494</u>	<u>\$ 11,661,660</u>

LIABILITIES & NET ASSETS

Current			
Accounts payable and accrued liabilities		\$ 39,799	\$ 28,926
 Designated funds (Note 5)		8,054,270	8,615,723
 Commitments (Note 6)			
Net Assets			
Unrestricted		<u>2,939,425</u>	<u>3,017,011</u>
		<u>\$ 11,033,494</u>	<u>\$ 11,661,660</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, 2015

	<u>2015</u>	<u>2014</u>
Revenues		
Interest on fixed income investments	\$ 54,946	\$ 62,233
Dividends and other investment income	301,803	176,622
Interest income on loans	18,682	19,121
Realized gains on sale of investments	299,178	506,867
Unrealized gains (losses) on investments	(127,715)	162,969
Supporters' contributions	<u>664</u>	<u>13,893</u>
	547,558	941,705
Less: Net Investment Income Allocated to Designated Funds (Note 9)	<u>439,478</u>	<u>512,031</u>
	<u>108,080</u>	<u>429,674</u>
Expenses		
Personnel (Note 8)	24,835	23,076
Committee	11,776	12,232
Accounting and audit	18,969	17,864
Investment management fees	86,140	79,452
Legal	-	52
Projects (Note 8)	41,525	44,195
Amortization	716	1,127
Office and general	<u>1,705</u>	<u>3,244</u>
	<u>185,666</u>	<u>181,242</u>
Excess of revenue over expenses		
(expenses over revenue) for the year	<u>\$ (77,586)</u>	<u>\$ 248,432</u>

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

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2015

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 3,017,011	2,768,579
Excess of revenue over expenses (expenses over revenue) for the year	<u>(77,586)</u>	<u>248,432</u>
Balance, end of year	<u>\$ 2,939,425</u>	<u>\$ 3,017,011</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2015

	<u>2015</u>	<u>2014</u>
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Excess of revenue over expenses (expenses over revenue) for the year	\$ (77,586)	\$ 248,432
Item not requiring cash outlay		
Amortization	716	1,127
Unrealized losses (gains) on investments	<u>127,715</u>	<u>(162,969)</u>
	50,845	86,590
Changes in non-cash working capital affecting operations:		
Accounts receivable	(9,037)	556
GST/HST recoverable	488	7,051
Prepaid expenses	-	7,173
Accounts payable and accrued liabilities	<u>10,874</u>	<u>(3,892)</u>
Cash provided by operations	<u>53,170</u>	<u>97,478</u>
FINANCING ACTIVITIES		
Net increase (decrease) in designated funds	(301,153)	1,032,901
Investment in loans receivable	-	(300,000)
Repayment of loans receivable	<u>225,000</u>	<u>375,000</u>
Cash provided by (used for) financing activities	<u>(76,153)</u>	<u>1,107,901</u>
INVESTING ACTIVITIES		
Net decrease (increase) in investments	<u>(91,516)</u>	<u>(993,450)</u>
Cash provided by (used for) investing activities	<u>(91,516)</u>	<u>(993,450)</u>
NET INCREASE (DECREASE) IN CASH	(114,499)	211,929
CASH, beginning of year	<u>347,569</u>	<u>135,640</u>
CASH, end of year	<u>\$ 233,070</u>	<u>\$ 347,569</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following 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 or preceding year.

(b) Investments

Investments held in traded bonds, other long-term fixed instruments and shares in Canadian and foreign corporations are classified as available-for-sale. They are measured at fair value with changes in fair value recognized in the statement of operations 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) 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%
Furnitures	20%

(f) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

NOTE 2: ACCOUNTS RECEIVABLE

Accounts receivable consist of:

	<u>2015</u>	<u>2014</u>
Councils and Groups	\$ 916	\$ 689
Interest receivable	<u>12,498</u>	<u>3,688</u>
	<u>\$ 13,414</u>	<u>\$ 4,377</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 3: LOANS RECEIVABLE

Loans receivable consist of:

	<u>2015</u>	<u>2014</u>
National Operation	\$ 150,000	\$ 225,000
Northern Ontario Council	-	57,000
South-Western Ontario Councils	<u>-</u>	<u>300,000</u>
	150,000	582,000
Less current portion	<u>75,000</u>	<u>375,000</u>
	<u>\$ 75,000</u>	<u>\$ 207,000</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 was 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. The loan principal was fully repaid in the current year out of the Designated Funds held.

The loan to the South-Western Ontario Councils of Battlefields Council and Tri-Shores Council was secured by a promissory note bearing interest at the bank rate plus one percent on the prime rate charged by the Corporation's bankers at the date of advance of July 1, 2014. The loan principal of \$300,000 was fully repaid in the current year.

Interest receivable on these loans is included in accounts receivable.

NOTE 4: INVESTMENTS

Investments consist of:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Government and other bonds	\$ 3,616,987	\$ 3,859,529	\$ 3,667,848	\$ 3,880,736
Shares in Canadian and foreign corporations	<u>4,778,813</u>	<u>6,772,944</u>	<u>4,636,436</u>	<u>6,841,237</u>
	<u>\$ 8,395,800</u>	<u>\$10,632,473</u>	<u>\$ 8,304,284</u>	<u>\$10,721,973</u>

Investments include \$ 6,319,548 (2014 - \$ 6,640,521) at cost and \$ 8,054,270 (2013 - \$ 8,615,723) at market value relating to the designated funds detailed in note 6.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 5: DESIGNATED FUNDS

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

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Provincial Funds	\$ 511,636	\$ 677,485	\$ 495,228	\$ 665,240
Greater Toronto Council	1,313,441	1,796,554	1,217,871	1,712,148
Shining Waters Council	1,021,562	1,300,211	962,714	1,249,784
White Pine Council	519,962	615,255	755,026	861,822
Tri-Shores Council	373,403	536,261	623,667	869,605
Battlefields Council	444,501	561,738	589,019	771,908
Voyageur Council	446,160	534,212	303,606	390,359
Central Escarpment Council	1,612,275	1,895,661	1,564,572	1,858,303
Northern Ontario Council	<u>76,608</u>	<u>136,893</u>	<u>128,818</u>	<u>236,554</u>
	<u>\$ 6,319,548</u>	<u>\$ 8,054,270</u>	<u>\$ 6,640,521</u>	<u>\$ 8,615,723</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 \$1,044,136 (2014 - \$197,106) to the Councils.

The Corporation received \$121,796 (2014 - \$121,564) from the Councils.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 8: RELATED PARTY TRANSACTIONS

The Corporation is related to the National Operation and Councils of Scouts Canada. The Corporation has incurred charges of \$19,414 representing a portion of the salary and benefit costs of secretary of the Corporation for the year and \$3,763 towards the salary of the recording secretary.

Additional charges included under Projects are as follows:

Area Support Manager for Northern Ontario Council in the amount of \$10,000 for the period May to August 2015, with an additional \$20,000 to be provided in the 2015-16 fiscal year;

Property Manager for Councils of Ontario in the amount of \$30,000 to cover the period May to August 2015, with additional amounts totalling \$150,000 in the 2015-16 and 2016-17 fiscal years;

Silver Acorn Ceremony in the amount of \$1,525.

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

NOTE 9: NET INVESTMENT INCOME ALLOCATED TO DESIGNATED FUNDS

Investment income is allocated between the Corporation and Designated Funds subject to the deduction of certain related administrative costs. The net investment income allocated to designed funds is determined as follows:

	<u>2015</u>	<u>2014</u>
Interest on fixed income investments	\$ 54,946	\$ 62,233
Dividends and other investment income	301,803	176,622
Interest on loans receivable	18,682	19,121
Realized gains on sale of investments	<u>299,178</u>	<u>506,867</u>
Total investment income	<u>674,609</u>	<u>764,843</u>
Deduct expenses related to investment income:		
Investment management fees	86,140	79,452
Accounting and audit	<u>18,969</u>	<u>17,864</u>
	<u>105,109</u>	<u>97,316</u>
 Net investment income to be allocated between Designated Funds and Corporation's portion of investments	 <u>\$ 569,500</u>	 <u>\$ 667,527</u>
 Allocation among Designated Funds in proportion to units held in each Designated Fund compared to total units held by all Designated Funds and Corporation's investment	 <u>\$ 439,478</u>	 <u>\$ 512,031</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 10: FINANCIAL INSTRUMENTS

Financial instruments consist primarily of cash, accounts receivable, loans receivable, investments and accounts payable and accrued liabilities. On initial recognition, all financial assets and liabilities are measured at fair value and any changes in fair value are recognized in the statement of operations. Changes in fair value include realized and unrealized gains (losses).

Fair Value of Financial Instruments

The fair value of a financial instrument is the estimated amount that the Organization would receive or pay to settle a financial asset or liability at the reporting date.

The fair values of investments are determined by reference to published bid price quotations in an active market at the year-end. The fair market value of investments at August 31, 2015 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 39% of total investments, have fixed interest rates and long-term maturity dates.

Currency Risk

Approximately 22% 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.