Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

October 31, 2006

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AUDITOR'S REPORT

To **The Public Accountants Council for the Province of Ontario**

I have audited the balance sheet of The Public Accountants Council for the Province of Ontario as at October 31, 2006 and the statements 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. 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 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at October 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

TORONTO, Ontario

Dale C Tinkham FCA
Chartered Accountant

November 29, 2006

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at October 31	2006	2005
Assets		
Current		
Cash	$ 89,741	$ 68,632
Short term investments (note 3)	631,199	371,701
Due from Designated Bodies	201,645	31,125
Prepaid expenses	30,368	14,543
	952,953	486,001
Capital (note 4)	201,262	6,981
	$ 1,154,215	$ 492,982
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 294,077	$ 45,611
Rebates payable to licencees (note 5)	10,350	31,125
	304,427	76,736
Net assets		
Invested in capital assets	201,262	6,981
Unrestricted	648,526	409,265
	849,788	416,246
	$ 1,154,215	$ 492,982

Commitment (note 7)

See accompanying notes to financial statements.

On behalf of the Council:

Glorianne Stromberg

Maureen Sabia

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Operations

Year ended October 31	2006	2005 (6 months)
Revenues		
Designated Bodies assessment fees	$ 2,687,000	$ -
Recovery of Standards assessment expenses	191,295	-
Licence fees	98,215	28,188
Interest	28,673	5,917
	3,005,183	34,105
Expenses		
Salaries and benefits	1,044,960	123,024
Council fees, travel and meetings	775,768	37,971
Legal advisory	206,926	35,756
Standards assessments	191,295	-
Legal and other costs of hearings and prosecutions	118,228	53,977
Office	105,670	12,798
Rent	82,719	39,865
Insurance	22,132	14,103
Amortization	12,089	1,490
Audit	11,854	8,995
	2,571,641	327,979
Excess (deficiency) of revenues over expenses for the year	$ 433,542	$ (293,874)

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Changes in Net Assets

Year ended October 31	Invested in Capital Assets	Unrestricted	2006 Total	2005 Total
Net assets, beginning of year	$ 6,981	$ 409,265	$ 416,246	$ 710,120
Purchases of capital assets	206,370	(206,370)	-	-
Excess (deficiency) of revenues over expenses for the year	(12,089)	445,631	433,542	(293,874)
Net assets, end of year	$ 201,262	$ 648,526	$ 849,788	$ 416,246

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Cash Flows

Year ended October 31		**2006**		2005 (6 months)
Cash provided by (used for):				
Operating activities				
Excess (deficiency) of revenues over expenses for the year	$	**433,542**	$	(293,874)
Adjustments for items which do not affect cash				
Amortization		**12,089**		1,490
		445,631		(292,384)
Changes in non-cash working capital balances				
Due from Designated Bodies		**(170,520)**		-
Net decrease (increase) in prepaid expenses		**(15,825)**		10,506
Net increase (decrease) in accounts payable		**248,466**		9,686
Net increase (decrease) in licence fees received in advance		**(20,775)**		-
		41,346		20,192
Net cash provided (used for) operating activities		**486,977**		(272,192)
Investing activities				
(Purchases) sale of short term investments (net)		**(259,498)**		310,388
(Purchases) of capital assets		**(206,370)**		-
Increase in cash		**21,109**		38,196
Cash, beginning of year		**68,632**		30,436
Cash, end of year	$	**89,741**	$	68,632

See accompanying notes to financial statements.

1 Purpose of the organization

The Public Accountants Council for the Province of Ontario (the Council) is a corporate body that was created by the Public Accounting Act, 2004 to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services. The Public Accounting Act was proclaimed in force on November 1, 2005.

The Council is governed by members appointed by the Government and the Designated Bodies. The Designated Bodies, which are the Certified General Accountants Association of Ontario, the Institute of Chartered Accountants of Ontario and the Society of Management Accountants of Ontario, fund the Council's operations. The Council will not issue licences directly. The Council is exempt from income taxes.

The Council is responsible for:

Developing and maintaining the standards that a designated body must meet in order to be authorized to license and govern the activities of its members as Public Accountants;

Determining which designated body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as Public Accountants;

Overseeing the designated bodies in their capacity to license and to govern the activities of their members as Public Accountants; and

Maintaining public confidence in public accounting through the appropriate prosecution of offences under the Public Accounting Act, 2004.

As a transitional provision, the predecessor Public Accountants Council continued to issue public accounting licences and enforced certain provisions of the Public Accountancy Act (1950) until July 31, 2006.

2 Accounting policies

(a) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Furniture and equipment	- 10% and 25% annually
Leasehold improvements	- over the term of the lease

(b) Short term investments

Short term investments are recorded at cost plus accrued interest.

(c) Revenue recognition

Licence fees are recognized as revenue in the fiscal year of the original term of the licence. No licences were issued after June 30, 2006. All licences issued under the the Public Accountancy Act (1950) will expire on March 31, 2007, except licences issued to certain members of the CGAO which will expire on December 31, 2007.

In accordance with section 33 of the Public Accountants Act, 2004, Designated Bodies fee assessments are set by Council and are based on Council's annual budgeted expenses. Assessment fees are recognized as revenue in the fiscal year to which the expenses relate.

The Council has retained an independent firm to assist it to determine whether the respective standards of the Designated Bodies are substantially equivalent to the Council's Standards. The related recoveries of costs incurred are recognized as revenue when billed.

(d) Donated services

The work of the predecessor Council to July 31, 2006 was dependant on the voluntary services of the members of the Council. Since those services were not normally purchased by the Council and because of the difficulty of determining their fair value, these donated services are not recognized in these financial statements.

2 Accounting policies continued

(e) Financial instruments

The Council's financial instruments consist of cash, short-term investments, due from Designated Bodies, accounts payable and accrued liabilities and rebates payable to licencees. The fair values of these financial instruments approximate their carrying values due to the relatively short periods to maturity of these items. It is management's opinion that the Council is not exposed to significant interest rate or credit risk arising from these financial instruments.

3 Short term investments

	2006	2005
Guaranteed investment certificates, with maturity dates of July 16, 2007 and August 30, 2007 (2005 - matures November 30, 2005) bearing interest at rates of 3.95% and 3.75% respectively (2005 - 2.25%).	**$ 625,182**	$ 364,180
Accrued interest	**6,017**	7,521
	$ 631,199	$ 371,701

The guaranteed investment certificates are cashable without penalty.

4 Capital assets

			2006
	Cost	**Accumulated Amortization**	**Net Book Value**
Furniture and equipment	**$ 110,628**	**$ 19,105**	**$ 91,523**
Leasehold improvements	**109,739**	**-**	**109,739**
	$ 220,367	**$ 19,105**	**$ 201,262**

			2005
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 165,131	$ 158,150	$ 6,981

5 Rebates payable to licencees

Upon the proclamation of the new Act on November 1, 2005, the Ontario Government passed Regulation 41/05 providing for a rebate of $75 payable to each person holding a licence on September 10, 2004. The Institute of Chartered Accountants of Ontario acted as Council's agent for payment of that rebate to its licensed members. As at October 31, 2006, the Institute held $10,350 (2005 - $31,125) on account of the Council for rebate cheques issued but not negotiated.

6 Non contributory RRSP plan

The Council established a non-contributory RRSP plan effective July 1, 2000. The Council contributed approximately $8,793 (2005 - $3,000) in total to the individual staff members' RRSP plans for the year ended October 31, 2006.

7 Lease commitment

Effective November 1, 2006, Council amended the terms of the lease to increase the space and extend the lease term to December 31, 2011. The minimum lease commitment is $46,956 per annum plus additional rent for a proportionate share of realty taxes and operating expenses which for 2007 is estimated to be $68,478.

The Council is entitled to a tenant allowance of $97,825 ($25 per square foot) in accordance with the provisions of the lease. The allowance will be received in two equal installments with fifty percent becoming payable on November 1, 2006 and the remainder upon satisfactory payment of all costs. The tenant allowance is repayable to the landlord in equal monthly installments over the term of the lease with interest calculated at 7.00% per annum.

8 Comparative figures

The comparative figures are for the 6 months ended October 31, 2005.