

SCOUT PROPERTIES (B.C. / YUKON)

FINANCIAL STATEMENTS

AUGUST 31, 2018

SCOUT PROPERTIES (B.C. / YUKON)

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AUGUST 31, 2018

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Independent Auditor's Report

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To the Members of Scout Properties (B.C. / Yukon):

We have audited the accompanying financial statements of Scout Properties (B.C. / Yukon) which comprise the statement of financial position as at August 31, 2018, the statement of changes in fund balances, statement of operations and statement of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations, 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

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 comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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.

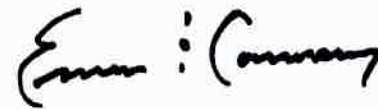
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with many charitable organizations, Scout Properties (B.C. / Yukon) derives part of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly our verification of these revenues were limited to the amounts recorded in the records of the Scout Properties (B.C. / Yukon) and we were not able to determine whether as at or for the years ending August 31, 2018 and August 31, 2017 any adjustments might be necessary to revenues, excess of revenues over expenses, assets and fund balances.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Scout Properties (B.C. / Yukon) as at August 31, 2018, and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.



January 31, 2019
Burnaby, B.C.

ENNS & COMPANY
Chartered Professional Accountants

**SCOUT PROPERTIES (B.C. YUKON)
STATEMENT OF FINANCIAL POSITION
FOR THE YEARS ENDED AUGUST 31, 2018**

	OPERATING FUND	RESTRICTED FUND	CAPITAL ASSET FUND	2018	2017 (As restated - Note 6)
ASSETS					
CURRENT					
Cash	\$ 64,967	\$ -	\$ -	\$ 64,967	\$ 142,105
Security deposits	-	10,000	-	10,000	10,000
	64,967	10,000	-	74,967	152,105
LONG TERM INVESTMENTS					
- Lee Turner & Associates (Note 2)	194,545	-	-	194,545	78,550
- Vancouver Foundation (Note 3)	-	788,936	-	788,936	775,462
CAPITAL ASSETS (Note 4)	-	-	348,131	348,131	348,131
	\$ 259,512	\$ 798,936	\$ 348,131	\$ 1,406,579	\$ 1,354,248
LIABILITIES					
CURRENT					
Accrued liabilities	\$ 9,375	\$ -	\$ -	\$ 9,375	\$ 5,250
FUND BALANCES					
FUND BALANCES	250,137	798,936	348,131	1,397,204	1,348,998
	\$ 259,512	\$ 798,936	\$ 348,131	\$ 1,406,579	\$ 1,354,248

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

The accompanying notes are an integral part of these statements

**SCOUT PROPERTIES (B.C. YUKON)
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED AUGUST 31, 2018**

	OPERATING FUND	RESTRICTED FUND	CAPITAL ASSET FUND	2018	2017 (As restated - Note 6)
FUND BALANCES - BEGINNING OF THE YEAR	\$ 215,405	\$ 511,677	\$ 348,131	\$ 1,075,213	\$ 1,059,346
PRIOR PERIOD ADJUSTMENT (Note 6)	-	273,785	-	273,785	256,258
FUND BALANCES, AS RESTATED	215,405	785,462	348,131	1,348,998	1,315,604
EXCESS OF REVENUE OVER EXPENDITURES	34,732	13,474	-	48,206	33,394
FUND BALANCES - END OF THE YEAR	\$ 250,137	\$ 798,936	\$ 348,131	\$ 1,397,204	\$ 1,348,998

The accompanying notes are an integral part of these statements

**SCOUT PROPERTIES (B.C. YUKON)
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED AUGUST 31, 2018**

	OPERATING FUND	RESTRICTED FUND	CAPITAL ASSET FUND	2018	2017 (As restated - Note 6)
REVENUE					
Property related income	\$ 13,860	\$ -	\$ -	\$ 13,860	\$ 39,000
Gain on disposal of property	27,500	-	-	27,500	31,274
Investment income	34,941	-	-	34,941	28,093
Change in market value of investments	(5,456)	13,474	-	8,018	18,858
	70,845	13,474	-	84,319	117,225
EXPENDITURES					
Meetings and conferences	7,438	-	-	7,438	11,087
Professional fees	8,000	-	-	8,000	17,142
Bank charges and interest	81	-	-	81	119
Property leasing and retention	3,532	-	-	3,532	1,287
Office and admin	1,702	-	-	1,702	4,196
Grants issued	15,360	-	-	15,360	50,000
	36,113	-	-	36,113	83,831
EXCESS OF REVENUE OVER EXPENDITURES	\$ 34,732	\$ 13,474	\$ -	\$ 48,206	\$ 33,394

The accompanying notes are an integral part of these statements

SCOUT PROPERTIES (B.C. / YUKON)
STATEMENT OF CASH FLOWS
AUGUST 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 48,206	\$ 33,394
Adjustments for items not affecting cash:		
Gain on disposal of property	(27,500)	(31,274)
Change in market value of investments	(8,018)	(18,858)
Changes in non-cash working capital		
Increase in security deposits	-	(10,000)
Increase (decrease) in accrued liabilities	4,125	(2,750)
	<u>16,813</u>	<u>(29,488)</u>
INVESTING ACTIVITIES		
Purchase of long term investments - Lee Turner & Associates	(121,451)	(77,219)
Proceeds from disposal of capital assets	27,500	34,024
	<u>(93,951)</u>	<u>(43,195)</u>
NET DECREASE IN CASH	(77,138)	(72,683)
NET CASH, BEGINNING OF YEAR	142,105	214,788
NET CASH, END OF YEAR	\$ 64,967	\$ 142,105

The accompanying notes are an integral part of these statements

**SCOUT PROPERTIES (B.C. YUKON)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Scout Properties (B.C./Yukon) is incorporated under the laws of Canada and is a not-for-profit organization and is therefore not subject to income taxes. Scout Properties (B.C./Yukon) (the "Charity") received charitable status under the Income Tax Act on June 10, 2016.

The Charity's purposes is to attain, own, hold and manage real and personal property for the use of Scouts Canada, Girl Guides, and related and similar groups, for charitable activities, so long as they are registered charities under the Income Tax Act and to do all such things as are incidental or ancillary to the attainment of the above purposes.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Capital assets

Scout Properties (B.C./Yukon) was formed in 1977 and subsequently acquired the majority of its real property assets from a variety of trusts and non profit societies across British Columbia. The Charity records the value of these assets at the cost of acquisition with the majority of acquisition costs reflecting the value of the land component of the properties with no buildings recorded on the statement of financial position and hence no amortization is recorded on the books of the Charity.

(b) Long term investments

All retractable and semi-retractable funds comprised of publicly traded financial instruments which are held by the charity, shall be reflected on the balance sheet of the charity at full fair market value (FMV) referencing the most recently published FMV occurring within the applicable reporting period.

(c) Impairment of capital assets and long term investments

Capital assets and Investments are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its fair value.

(d) Fund accounting

The Charity follows the restricted fund method of accounting applicable to not-for-profit Organizations. The Operating Fund accounts for the Charity's general operations and administration activities. The Restricted Fund accounts for activities of the Charity for which the availability or the use of purpose for these funds is restricted by either external entities or internally by the Charity. Unless otherwise stated any income derived from investments within the Restricted Funds accrues to the Operating Fund. The Capital Asset Fund accounts for the capital assets employed by the Charity. Any revenue derived from the properties in the Capital Asset fund accrues to the Operating Fund.

SCOUT PROPERTIES (B.C. YUKON)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

(e) Revenue recognition

Investment income is recognized when it is earned and the Charity has access to the income.

Revenue from sources other than investment income is recognized when it is realizable and earned. Revenue is considered realizable and earned when there is persuasive evidence of an arrangement, the services have been completed, or the sales price is fixed and determinable and collectability is reasonably assured.

(f) Contributed services

A number of volunteers contribute a significant amount of their time and services to the Charity each year. Because of the difficulty in determining fair value, these contributed services are not recognized in the financial statements. The Charity records the fair value of contributed capital assets and materials at the time of receipt, where such fair value is determinable, and would otherwise have been purchased. No such contributed capital assets or materials were recognized for the years ending 2018 and 2017.

(g) Financial instruments

Initial and subsequent measurement

The Charity initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Charity subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for long term investments, which are subsequently measured at fair value. Changes in fair value of these financial instruments are recognized in net income in the period incurred.

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant areas of estimation include the valuation of capital assets.

**SCOUT PROPERTIES (B.C. YUKON)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

2. LONG TERM INVESTMENTS - LEE TURNER & ASSOCIATES

	2018		2017	
	Cost	Market Value	Cost	Market Value
Cash	\$ 6,840	\$ 6,840	\$ 22,781	\$ 22,781
Long term investments	198,658	194,545	77,219	78,550
	\$ 205,498	\$ 201,385	\$ 100,000	\$ 101,331

These long term investments are managed by Lee Turner & Associates and are held in trust by the Royal Bank Investor & Treasury Services. The investments consist of cash and long term investments. Long-term investments are made up of common stocks and equivalents and fixed income securities.

3. LONG TERM INVESTMENTS - VANCOUVER FOUNDATION

The British Columbia and Yukon Scout Fund includes the original contributions of \$501,677 plus increases due to fair market value fluctuations as disclosed below:

	2018	2017
British Columbia and Yukon Scout Fund	\$ 788,936	\$ 775,462
The Reg G. Miller Memorial Fund	-	-
	\$ 788,936	\$ 775,462

The British Columbia and Yukon Scout Fund is a retractable fund and the Charity is the beneficial owner of this fund and it is therefore recorded as an asset on the statement of financial position.

The Reg G. Miller Memorial Fund is not a retractable fund and is hence not an asset of the Charity. The principle amount of donations as of August 31, 2018 is \$10,000 (2017: \$10,000).

Income derived from both of the above Funds is recorded as investment income by the Charity.

The Vancouver Foundation provided the most recent available fair market value of the funds at June 30, 2018 and June 30, 2017. The market values of investments at that time are included in the chart below:

	June 30, 2018	June 30, 2017
British Columbia and Yukon Scout Fund	\$ 788,936	\$ 775,462
The Reg G. Miller Memorial Fund	19,081	18,755
	\$ 808,017	\$ 794,217

**SCOUT PROPERTIES (B.C. YUKON)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

4. CAPITAL ASSETS

The Charity holds registered title for many real properties throughout British Columbia. These assets are carried in the accounts based on the consideration paid on the date of transfer. Total consideration paid for all land purchases in past years, adjusted for any disposals, amounted to \$348,131.

Buildings constructed by other entities at no cost to the Charity consists of halls, camps and buildings on leased properties.

Certain parcels of real property owned by the Charity are subject to a variety of registered covenants such as mineral rights, statutory right of ways, timber reserves and other reservations with respect to usage or disposition.

The estimated aggregate fair market value of the properties for 2018 (based on the 2018 property tax assessments) and 2017 (based on the 2016 property tax assessments), as adjusted to reflect any disposals and any significant impairments resulting from land covenants, are as follows:

	2018	2017
Land	\$ 39,471,800	\$ 29,601,500
Building	6,120,700	5,983,459
	\$ 45,592,500	\$ 35,584,959

5. FINANCIAL INSTRUMENTS

Items that meet the definition of a financial instrument include cash, security deposits, long term investments with Lee Turner & Associates and the Vancouver Foundation and accrued liabilities.

It is management's opinion that the Charity is not exposed to significant liquidity risk or credit risk arising from these financial instruments.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. It is managements opinion that the Charity is not exposed to significant currency risk or interest rate risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Charity is exposed to other price risk in respect of its long term investments with Lee Turner & Associates and the Vancouver Foundation.

**SCOUT PROPERTIES (B.C. YUKON)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

6. PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been posted to be in accordance with a change in policy in regards to long term investments - Vancouver Foundation as discussed in note 1(b). The effect of these changes are as follows:

	As Previously Stated	As Restated
STATEMENT OF FINANCIAL POSITION		
Long Term Investments - Vancouver Foundation	\$ 501,677	\$ 775,462
Fund balances	1,075,213	1,348,998
STATEMENT OF CHANGES IN FUND BALANCES		
Excess of revenue over expenditures	15,867	33,394
Fund balances - end of the year	1,075,213	1,348,998
STATEMENT OF OPERATIONS		
Investment income	29,424	28,093
Change in market value of investments	-	18,858
Excess of revenues over expenditures	15,867	33,394

7. SUBSEQUENT EVENT

Subsequent to year end, a notice of Civil claim was filed against the Charity in the Supreme Court of BC raising issues with respect to the ownership interest of one of the properties held by the Charity with a cost on the Statement of Financial Position of \$1 and a fair market value of \$9,232,600 at August 31, 2018. It is not possible to predict the outcome of this claim with certainty and no accrual has been recorded on the books for this potential contingency.