

Financial Statements of

Irving K. Barber British Columbia Scholarship Society

Year Ended December 31, 2015

DICKSON
DUSANJ
& WIRK

CHARTERED
PROFESSIONAL
ACCOUNTANTS



CHARTERED
PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of Irving K. Barber British Columbia Scholarship Society

Report on Financial Statements

We have audited the accompanying financial statements of Irving K. Barber British Columbia Scholarship Society ("the Society"), which comprise the statement of financial position as at December 31, 2015 and the statements of operations and 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 accounting standards for not-for-profit organizations, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditors' 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2015 and the results of its operations and changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Dickson Dusanj & Wirk". The signature is written in a cursive, flowing style.

Victoria, B.C.
June 13, 2016

Chartered Professional Accountants

Irving K. Barber British Columbia Scholarship Society

Statement of Financial Position

As at December 31, 2015 with comparative figures for 2014

	Endowment Fund \$	Restricted Funds \$	2015 \$	2014 \$
Assets				
Cash	-	3,722,565	3,722,565	2,027,877
Accounts receivable	-	36,157	36,157	13,740
Prepaid expense	-	7,500	7,500	7,500
Investments (Note 3)	40,000,000	17,140,501	57,140,501	56,718,249
	40,000,000	20,906,723	60,906,723	58,767,366
Liabilities				
Accounts payable and accrued liabilities	-	22,110	22,110	28,467
Net assets				
Endowment Fund	40,000,000	-	40,000,000	40,000,000
Irving K. Barber B.C. Scholarship Fund	-	5,591,294	5,591,294	5,369,351
One World Scholarship Fund	-	5,332,244	5,332,244	5,176,541
Pacific Horizons Scholarship Fund	-	404,878	404,878	375,235
B.C. Aboriginal Student Award Fund (Note 4)	-	5,825,701	5,825,701	5,721,181
Aboriginal Teachers Education Fund	-	1,374,340	1,374,340	1,589,287
Aboriginal Masters and Doctorates Fund	-	2,284,811	2,284,811	507,304
Victory in Europe Scholarship Fund	-	71,345	71,345	-
	40,000,000	20,884,613	60,884,613	58,738,899
	40,000,000	20,906,723	60,906,723	58,767,366

Commitments (Note 6)

Approved by the board:

 Director

 Director

The accompanying notes are an integral part of these financial statements

Irving K. Barber British Columbia Scholarship Society

Statement of Operations

Year ended December 31, 2015 with comparative figures for 2014

	Irving K. Barber B.C. Scholarship Fund \$	One World Scholarship Fund \$	Pacific Horizons Scholarship Fund \$	B.C. Aboriginal Student Award Fund \$	Aboriginal Teachers Education Fund \$	Aboriginal Masters and Doctorates Fund \$	Victory in Europe Scholarship Fund \$	2015 \$	2014 \$
Revenue:									
Investment income	957,817	913,629	64,474	736,847	27,553	30,007	1,345	2,731,672	5,789,119
Contributions	-	-	-	-	-	2,000,000	150,000	2,150,000	-
	957,817	913,629	64,474	736,847	27,553	2,030,007	151,345	4,881,672	5,789,119
Expenses:									
Administration (Note 6)	111,595	102,785	5,872	73,415	-	-	-	293,667	363,363
Adjudication committee	3,597	4,352	-	6,854	-	-	-	14,803	14,878
Advertising, promotion and website	7,844	5,505	268	10,083	-	-	-	23,700	15,950
Insurance	5,400	4,950	300	4,350	-	-	-	15,000	15,000
Investment management fees	55,525	56,550	4,028	46,324	-	-	-	162,427	93,646
Office	1,389	205	7	133	-	-	-	1,734	2,218
Professional fees	4,851	4,212	255	3,702	-	-	-	13,020	10,027
Travel	1,673	1,667	101	1,466	-	-	-	4,907	11,363
	191,874	180,226	10,831	146,327	-	-	-	529,258	526,445
Excess of revenue over expenses before scholarship awards	765,943	733,403	53,643	590,520	27,553	2,030,007	151,345	4,352,414	5,262,674
Scholarship awards	544,000	577,700	24,000	486,000	242,500	252,500	80,000	2,206,700	1,935,230
Excess (deficiency) of revenue over expenses	221,943	155,703	29,643	104,520	(214,947)	1,777,507	71,345	2,145,714	3,327,444

The accompanying notes are an integral part of these financial statements

Irving K. Barber British Columbia Scholarship Society

Statement of Net Assets

Year ended December 31, 2015 with comparative figures for 2014

	Irving K. Barber B.C. Scholarship Fund	One World Scholarship Fund	Pacific Horizons Scholarship Fund	B.C. Aboriginal Student Award Fund	Aboriginal Teachers Education Fund	Aboriginal Masters and Doctorates Fund	Victory in Europe Scholarship Fund	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted funds:									
Balance, beginning of year	5,369,351	5,176,541	375,235	5,721,181	1,589,287	507,304	-	18,738,899	15,411,455
Excess (deficiency) of revenue over expenses	221,943	155,703	29,643	104,520	(214,947)	1,777,507	71,345	2,145,714	3,327,444
Balance, end of year	5,591,294	5,332,244	404,878	5,825,701	1,374,340	2,284,811	71,345	20,884,613	18,738,899
Endowment fund	15,000,000	14,000,000	1,000,000	10,000,000	-	-	-	40,000,000	40,000,000
Net assets, end of year	20,591,294	19,332,244	1,404,878	15,825,701	1,374,340	2,284,811	71,345	60,884,613	58,738,899

The accompanying notes are an integral part of these financial statements

Irving K. Barber British Columbia Scholarship Society

Statement of Cash Flows

Year Ended December 31, 2015 with comparative figures for 2014

	2015 \$	2014 \$
Cash flows provided from (used in) operating activities:		
Cash receipts from investments	2,121,366	2,242,094
Cash receipts from contributions	2,150,000	-
Cash paid for administrative fees to The Victoria Foundation	(293,668)	(389,762)
Cash paid to suppliers	(70,810)	(74,252)
Cash paid for scholarship awards	(2,212,200)	(2,065,730)
Net cash provided by (used in) operating activities	1,694,688	(287,650)
Cash, beginning of year	2,027,877	2,315,527
Cash, end of year	3,722,565	2,027,877

The accompanying notes are an integral part of these financial statements

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2015 with comparative figures for 2014

1. Status and Nature of Operations

The Irving K. Barber British Columbia Scholarship Society (the "Society") provides scholarship programs for students. The Society is registered as a charity under the Income Tax Act (the "Act") and as such is exempt from income taxes subject to certain conditions under the Act.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Fund Accounting

In order to ensure observance of restrictions placed on the use of its resources, the Society's accounts are maintained on the restricted fund method of accounting for contributions and it reports on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds in accordance with the objectives specified by the contributor.

Eight funds are maintained – Irving K. Barber B.C. Scholarship Fund, One World Scholarship Fund, Pacific Horizons Scholarship Fund, B.C. Aboriginal Student Award Fund, Aboriginal Teacher Education Fund, Aboriginal Masters and Doctorates Fund, Victory in Europe Scholarship Fund, and the Endowment Fund.

The Irving K. Barber B.C. Scholarship Fund is used to account for all revenues and expenses related to providing scholarships to students transferring from public colleges to public institutions in British Columbia to complete degree programs.

The One World Scholarship Fund is used to account for all revenues and expenses related to providing scholarships to British Columbia students studying abroad and foreign students studying in British Columbia.

The Pacific Horizons Scholarship Fund is used to account for all revenues and expenses related to providing scholarships to British Columbia students studying abroad.

The B.C. Aboriginal Student Award Fund is used to account for all revenues and expenses related to providing financial awards to British Columbia Aboriginal students pursuing post-secondary education.

The Aboriginal Teachers Education Fund is used to account for all revenues and expenses related to providing financial awards to Aboriginal students pursuing post secondary studies leading to a Bachelor of Education.

The Aboriginal Masters and Doctorates Fund is used to account for all revenues and expenses related to providing financial awards to Aboriginal students enrolled in masters or doctoral graduate degree programs at a public British Columbia university.

The Victory in Europe Scholarship Fund is used to account for all revenues and expenses related to providing scholarships on a one-time basis to students from the Netherlands studying at the Master's or Doctoral level at British Columbia public universities during the 2015/16 academic year, and may be renewable for one additional year.

The Endowment Fund is used to account for externally restricted endowment contributions.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2015 with comparative figures for 2014

2. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition

The Society follows the restricted fund method in which externally restricted contributions are recognized as income when received in the fund corresponding to the purpose for which they were contributed.

Investment income includes dividends and interest income, foreign exchange gains and losses and realized and unrealized investment gains and losses. Dividend and interest income is recognized when earned. Gains and losses on investments are recognized when the market value changes. Investment income earned on resources of the Endowment Fund is reported in the Irving K. Barber B.C. Scholarship Fund, the One World Scholarship Fund, the Pacific Horizons Scholarship Fund or the B.C. Aboriginal Student Award Fund. Investment income earned outside of the Endowment Fund is recognized in its corresponding fund.

(d) Cash

Cash includes balances held at Canadian financial institutions for the purpose of meeting short-term cash commitments.

(e) Financial Instruments

The Society's financial instruments consist of cash, investments, accounts receivable, and accounts payable and accrued liabilities. The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments that are quoted in an active market, which are measured at fair value.

Investments are initially recognized at their fair value determined by published price quotations in an active market. Investments are subsequently measured at their fair value, without any deduction for transaction costs incurred on sale or other disposal. Net gains and losses arising from changes in fair value are recognized in investment income.

(f) Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in investment income.

In these financial statements, unless otherwise indicated, dollar amounts are expressed in Canadian dollars.

(g) Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Actual results may vary from the current estimates.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2015 with comparative figures for 2014

2. Summary of Significant Accounting Policies (continued)

(h) Contributed Services

Volunteers and certain public sector entities contribute their time and resources each year to assist the Society in carrying out its service delivery activities. Because of the difficulties in determining their fair value, contributed services are not recognized in the financial statements.

3. Investments

	2015 \$	2014 \$
Investments are comprised of the following:		
Cash and short-term investments	303,163	194,391
Treasury bills	1,103,533	731,931
Bonds	11,903,844	11,570,403
Canadian equities	20,397,131	22,601,497
U.S. equities	12,823,501	11,742,133
International equities	10,609,329	9,877,894
	<u>57,140,501</u>	<u>56,718,249</u>

4. B.C. Aboriginal Student Award Fund

In 2012 the B.C. Aboriginal Student Award Fund received a contribution of \$2,000,000. This contribution has been reported as revenue in its Restricted Fund. The Society's Board of Directors intends to maintain the principal of this contribution and to use the investment income earned to fund awards.

5. Financial Risks and Concentration of Risks

The risks that arise from transacting financial instruments include credit risk, currency risk, interest rate risk, liquidity risk and market risk. These risks are managed by the Society's investment policies that prescribe the investments asset mix including the degree of liquidity and concentration, and the credit rating of the debt issuers. There have been no significant changes in the Society's risk exposure from the prior year.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society does not face significant credit risk exposure.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2015 with comparative figures for 2014

5. Financial Risks and Concentration of Risks (continued)

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society holds investments denominated in foreign currencies for which the related revenues and investment balances are subject to exchange rate fluctuations. As at December 31, 2015 the investments denominated in foreign currencies were \$23,432,830 (December 31, 2014 - \$21,620,027).

During 2015 the society did not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Interest rate risk

Interest rate risk is the risk that the value of financial instruments including bonds is affected by a change in interest rates. The average duration of the Society's bond portfolio at December 31, 2015 was seven years. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through diversifying its interest-bearing investments.

(d) Liquidity risk

Liquidity risk is the risk that the Society cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk is managed by investing the majority of the Society's assets in investments that are traded in an active market and can be readily liquidated. The Society's investments are considered readily realizable and liquid, therefore the Society's liquidity risk is considered minimal. The Society's contractual liabilities are all due within one year, with the exception of the commitment as set out in Note 6.

(e) Market risk

Market risk is the potential for financial loss to the Society from changes in the values of its financial instruments due to changes in equity prices. The investments of the Society are subject to normal market fluctuations and to the risk inherent in investment in capital markets. These risks are managed by the Society's investment policies that prescribe the investments asset mix including the degree of liquidity and concentration, and the credit rating of the debt issuers.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2015 with comparative figures for 2014

6. Commitments

The Society has an agreement with The Victoria Foundation to provide certain services to the Society. The agreement was renewed for a three year term commencing May 1, 2014.

The Society pays administration fees to The Victoria Foundation as part of the agreement.

The Society also has commitments related to the renewal of awards that have already been distributed. The Society estimates commitments relating to granting of awards in future years based on students' anticipated end dates, communication with the students, and historical patterns of renewal. These commitments are as follows:

	<u>\$ Amount</u>
Aboriginal Masters and Doctorates Fund	210,000
Aboriginal Teachers Education Fund	125,000
Victory in Europe Scholarship Fund	<u>40,000</u>
	<u>375,000</u>

7. Other Endowments

The Society established a permanent companion endowment fund in May 2007 with an establishing gift of \$10,000. During 2007 an additional \$500 was contributed to the fund by a donor of The Victoria Foundation. As at December 31, 2015, the market value of this endowment was \$15,351 (December 31, 2014 - \$14,750). These funds are held by The Victoria Foundation.