

**Financial Statements of**

**IRVING K. BARBER BRITISH COLUMBIA  
SCHOLARSHIP SOCIETY**

**December 31, 2012**

## 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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011 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, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

### *Report on Other Legal and Regulatory Requirements*

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied, after giving retrospective effect to the adoption of the new standards as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.



# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

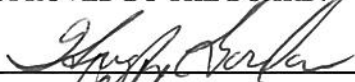

## STATEMENTS OF FINANCIAL POSITION

	Endowment Fund \$	Restricted Funds \$	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
<b>ASSETS</b>					
Cash	-	2,998,931	2,998,931	2,019,789	166,386
Accounts receivable	-	15,828	15,828	12,817	3,317
Prepaid expense	-	7,500	7,500	7,500	7,500
Investments (Note 3)	40,000,000	5,290,193	45,290,193	38,654,108	39,498,725
	40,000,000	8,312,452	48,312,452	40,694,214	39,675,928
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	-	138,580	138,580	103,928	33,813
<b>NET ASSETS</b>					
Endowment Fund	40,000,000	-	40,000,000	38,000,000	38,000,000
Irving K. Barber B.C. Scholarship Fund	-	1,218,364	1,218,364	252,790	797,820
One World Scholarship Fund	-	1,352,466	1,352,466	440,767	643,679
Pacific Horizons Scholarship Fund	-	102,744	102,744	17,433	27,869
B.C. Aboriginal Students Scholarship Fund	-	2,556,109	2,556,109	(128,771)	172,747
Aboriginal Teachers Education Fund	-	1,930,269	1,930,269	2,008,067	-
Aboriginal Masters and Doctorates Fund	-	1,013,920	1,013,920	-	-
	40,000,000	8,173,872	48,173,872	40,590,286	39,642,115
	40,000,000	8,312,452	48,312,452	40,694,214	39,675,928

COMMITMENT (Note 5)

SUBSEQUENT EVENT (Note 9)

APPROVED BY THE BOARD:

  
 \_\_\_\_\_ Director  
  
 \_\_\_\_\_ Director

See accompanying notes

# **IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY**

## **STATEMENTS OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE INFORMATION FOR 2011**

	Irving K. Barber B.C. Scholarship Fund	One World Scholarship Fund	Pacific Horizons Scholarship Fund	B.C. Aboriginal Students Scholarship Fund	Aboriginal Teachers Education Fund	Aboriginal Masters and Doctorates Endowment Fund	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>								
Investment income	1,627,284	1,437,768	108,953	1,162,790	37,350	13,920	4,388,065	413,189
Contributions	-	-	-	2,000,000	-	1,000,000	5,000,000	2,000,000
	1,627,284	1,437,768	108,953	3,162,790	37,350	1,013,920	9,388,065	2,413,189
<b>Expenses:</b>								
Administration (Note 5)	195,734	105,704	7,831	86,430	15,000	-	410,699	389,674
Adjudication committee	5,336	822	448	2,700	148	-	9,454	8,007
Advertising, promotion and website	9,463	4,906	234	12,355	-	-	26,958	28,992
Insurance	5,400	4,950	300	4,350	-	-	15,000	15,000
Office	927	295	15	234	-	-	1,471	1,647
Professional fees	3,586	3,375	204	2,965	-	-	10,130	11,017
Travel	2,764	2,367	110	3,376	-	-	8,617	10,181
	223,210	122,419	9,142	112,410	15,148	-	482,329	464,518
Excess of revenues over expenses before scholarship awards	1,404,074	1,315,349	99,811	3,050,380	22,202	1,013,920	8,905,736	1,948,671
Scholarship awards	438,500	403,650	14,500	365,500	100,000	-	1,322,150	1,000,500
<b>Excess (deficiency) of revenues over expenses</b>	<b>965,574</b>	<b>911,699</b>	<b>85,311</b>	<b>2,684,880</b>	<b>(77,798)</b>	<b>1,013,920</b>	<b>7,583,586</b>	<b>948,171</b>

*See accompanying notes*

# **IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY**

## **STATEMENTS OF NET ASSETS**

**YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE INFORMATION FOR 2011**

	Irving K. Barber B.C. One World Scholarship Fund	Pacific Horizons Scholarship Fund	B.C. Aboriginal Students Scholarship Fund	Aboriginal Teachers Education Fund	Aboriginal Masters and Doctorates Fund	2012	2011
	\$	\$	\$	\$	\$	\$	\$
Restricted funds:							
Balance, beginning of year	252,790	440,767	17,433	(128,771)	2,008,067	2,590,286	1,642,115
Excess (deficiency) of revenues over expenses	965,574	911,699	85,311	2,684,880	(77,798)	5,583,586	948,171
Balance, end of year	1,218,364	1,352,466	102,744	2,556,109	1,930,269	8,173,872	2,590,286
Endowment Fund:							
Balance, beginning of year	15,000,000	12,000,000	1,000,000	10,000,000	-	38,000,000	38,000,000
Excess of revenues over expenses	-	2,000,000	-	-	-	2,000,000	-
Balance, end of year	15,000,000	14,000,000	1,000,000	10,000,000	-	40,000,000	38,000,000
<b>Net assets, end of year</b>	<b>16,218,364</b>	<b>15,352,466</b>	<b>1,102,744</b>	<b>12,556,109</b>	<b>1,930,269</b>	<b>48,173,872</b>	<b>40,590,286</b>

*See accompanying notes*

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	2012 \$	2011 \$
Cash flows provided from (used in) operating activities:		
Cash (purchases of) receipts from investments	(2,308,361)	1,248,163
Cash receipts from contributions	5,000,000	2,000,000
Cash paid for administrative fees to The Victoria Foundation	(419,951)	(317,530)
Cash paid to suppliers	(72,396)	(76,730)
Cash paid for scholarship awards	(1,220,150)	(1,000,500)
Net cash provided by operating activities	979,142	1,853,403
Cash, beginning of year	2,019,789	166,386
Cash, end of year	2,998,931	2,019,789

*See accompanying notes*

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 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 as long as certain conditions are met. In order to maintain its status as a registered charity under the Act, the Society must meet certain requirements within 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 and Revenue Recognition*

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.

Seven funds are maintained – Irving K. Barber B.C. Scholarship Fund, One World Scholarship Fund, Pacific Horizons Scholarship Fund, B.C. Aboriginal Students Scholarship Fund, Aboriginal Teacher Education Fund, Aboriginal Masters and Doctorates 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 Students Scholarship Fund is used to account for all revenues and expenses related to providing scholarships 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.

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) *Fund Accounting and Revenue Recognition (continued)*

The Endowment Fund is used to account for externally restricted endowment contributions and contributions internally restricted by the Society's Board of Directors. 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 Students Scholarship Fund based on the restrictions imposed by the contributors.

#### (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 from the Endowment Fund is reported within the related restricted funds.

#### (d) *Financial Instruments*

##### *Cash and Investments*

The Society has classified the following financial assets as held for trading: cash and investments. These instruments are initially recognized at their fair value determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in income.

Held for trading financial instruments 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 immediately in income.

##### *Accounts Receivable*

The Society has classified accounts receivable as loans and receivables and these are measured at their amortized cost using the effective interest rate method. Total interest income calculated using the effective interest rate method is recognized in net income.

##### *Accounts Payable and Accrued Liabilities*

The Society has classified accounts payable and accrued liabilities as other financial liabilities. These liabilities are initially recognized at their fair value and are measured at amortized cost using the effective interest rate method.



# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) 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.

#### (f) 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.

#### (g) 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.

#### (h) Conversion to Canadian Accounting Standards for Not-For-Profit Organizations

Commencing with the 2012 fiscal year, the Society has adopted Canadian accounting standards for not-for-profit organizations issued by the Accounting Standards Board. These financial statements are the first financial statements for which the Society has applied Canadian accounting standards for not-for-profit organizations, which have been applied retrospectively.

The conversion to the Canadian accounting standards for not-for-profit organizations on January 1, 2011 did not result in adjustment to previously reported assets, liabilities or net assets of the Society, and accordingly no adjustments have been recorded in the comparative statement of financial position, statement of operations, statement of net assets, or statement of cash flows.

### 3. INVESTMENTS

Investments are comprised of the following:

	2012 \$	2011 \$
Cash and short-term investments	127,704	98,614
Treasury bills	1,578,762	565,747
Bonds	10,517,552	11,865,603
Canadian equities	25,063,085	19,081,969
U.S. and international equities	8,003,090	7,042,175
	<u>45,290,193</u>	<u>38,654,108</u>

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 4. FINANCIAL INSTRUMENTS

The Society, as part of its operations, invests in financial instruments. It is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

The Society is exposed to fluctuations in the market prices of its equity and fixed income investments, interest and exchange rates and credit risks on its fixed income investments. 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.

#### (a) *Foreign Currency Risk*

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, 2012 the investments denominated in foreign currencies were \$8,003,090 (December 31, 2011 - \$7,042,175).

#### (b) *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, 2012 was six years. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through diversifying its interest-bearing investments.

#### (c) *Liquidity Risk*

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society manages the liquidity risk by investing in liquid investments.

#### (d) *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 risk or foreign 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 Society enters into transactions to purchase investments, for which the market price fluctuates. The Society manages this risk through its investment policy which prescribes the maximum amount of investments that can be made in any one investment, industry or geographical sector.

#### (e) *Fair Value of Financial Instruments*

##### *Cash*

Cash is recorded at its fair value, which is approximated by its initial carrying value, due to its short-term nature.

##### *Accounts Receivable*

Accounts receivable are recorded at their fair value, which is approximated by their initial carrying value, due to their short-term nature.

# **IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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### **4. FINANCIAL INSTRUMENTS (continued)**

#### *Investments*

Investments are recorded at their fair value, determined by reference to published bid price quotations in an active market. The market prices of publicly-traded securities can be impacted by trading volumes and restrictions and the quoted market price may not be indicative of what the Society could realize on the immediate sale as it may take an extended period of time to liquidate positions without causing a significant negative impact on the market price.

#### *Accounts Payable and Accrued Liabilities*

The accounts payable and accrued liabilities are recorded at their fair value, which is approximated by their initial carrying value, due to their short-term nature.

### **5. COMMITMENT**

The Society has agreements with The Victoria Foundation to provide certain services to the Society. The agreements are renewable on March 31, 2014 and May 1, 2014.

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

### **6. 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, 2012, the market value of this endowment was \$11,477 (December 31, 2011 - \$10,546). These funds are held by The Victoria Foundation.

### **7. SOCIETY CONSTITUTION AND ENDOWMENT FUND PRINCIPAL**

The Society's constitution contains an unalterable clause that requires the protection of the contributed principal of the endowment scholarship funds of \$40 million. The Canada Revenue Agency ("CRA") regulates charities and sets policies regarding charitable spending requirements. Since its incorporation in 2005, investment market conditions have significantly impacted the Society's ability to fully fund its scholarship programs. Therefore the Society reported a disbursement deficiency to CRA in 2009, 2010, and 2011.

### **8. CAPITAL MANAGEMENT**

The Society defines capital as the amounts included in its Fund balances.

The Society's objective when managing capital is to safeguard the Society's ability to provide the appropriate level of benefits and services to its stakeholders.

# **IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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### **8. CAPITAL MANAGEMENT (continued)**

The Society monitors its capital through the use of detailed budgets that are approved by the Board of Directors. Changes to the activity of the Society's expenditures are approved by the Board of Directors as needed in order to preserve the capital of the Endowment Fund as determined by the Society's Constitution and Bylaws.

### **9. SUBSEQUENT EVENT**

The Society's Board of Directors passed a motion on November 19, 2012 to proceed with the winding up of the Society into a new society. The wind-up will require 75% approval by the Board of Directors in order to distribute its assets to the new society. The date of the approval by the Board of Directors and the distribution of the Society's assets are not known at this time.