

Financial Statements of

Irving K. Barber British Columbia Scholarship Society

Year Ended December 31, 2014

DICKSON
DUSANJ
& WIRK

CHARTERED
ACCOUNTANTS



CHARTERED
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, 2014 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, 2014 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 cursive script that reads "Dickson Dusanj & Wirk".

Victoria, B.C.
June 1, 2015

Chartered Accountants

Irving K. Barber British Columbia Scholarship Society


Statement of Financial Position

As at December 31, 2014 with comparative figures for 2013

	Endowment Fund \$	Restricted Funds \$	2014 \$	2013 \$
Assets				
Cash	-	2,027,877	2,027,877	2,315,527
Accounts receivable	-	13,740	13,740	10,923
Prepaid expense	-	7,500	7,500	7,500
Investments (Note 3)	40,000,000	16,718,249	56,718,249	53,265,105
	<u>40,000,000</u>	<u>18,767,366</u>	<u>58,767,366</u>	<u>55,599,055</u>
Liabilities				
Accounts payable and accrued liabilities	-	28,467	28,467	187,600
Net assets				
Endowment Fund	40,000,000	-	40,000,000	40,000,000
Irving K. Barber B.C. Scholarship Fund	-	5,369,351	5,369,351	3,955,171
One World Scholarship Fund	-	5,176,541	5,176,541	3,949,951
Pacific Horizons Scholarship Fund	-	375,235	375,235	286,949
B.C. Aboriginal Students Scholarship Fund (Note 4)	-	5,721,181	5,721,181	4,632,009
Aboriginal Teachers Education Fund	-	1,589,287	1,589,287	1,779,172
Aboriginal Masters and Doctorates Fund	-	507,304	507,304	808,203
	<u>40,000,000</u>	<u>18,738,899</u>	<u>58,738,899</u>	<u>55,411,455</u>
	<u>40,000,000</u>	<u>18,767,366</u>	<u>58,767,366</u>	<u>55,599,055</u>

Commitment (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, 2014 with comparative figures for 2013

	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 Fund \$	2014 \$	2013 \$
Revenue:								
Investment income	2,073,008	1,945,591	141,609	1,593,445	26,365	9,101	5,789,119	9,651,227
Expenses:								
Administration (Note 6)	153,171	112,193	7,071	84,678	3,750	2,500	363,363	459,429
Adjudication committee	5,978	3,722	-	5,178	-	-	14,878	17,932
Advertising, promotion and website	5,288	3,089	186	7,387	-	-	15,950	15,367
Insurance	5,400	4,950	300	4,350	-	-	15,000	15,000
Investment management fees	32,853	32,139	2,316	26,338	-	-	93,646	-
Office	1,330	446	26	416	-	-	2,218	1,284
Professional fees	3,610	3,299	210	2,908	-	-	10,027	12,925
Travel	4,698	3,433	215	3,017	-	-	11,363	12,778
	212,328	163,271	10,324	134,272	3,750	2,500	526,445	534,715
Excess of revenue over expenses before scholarship awards	1,860,680	1,782,320	131,285	1,459,173	22,615	6,601	5,262,674	9,116,512
Scholarship awards	446,500	555,730	43,000	370,000	212,500	307,500	1,935,230	1,878,929
Excess (deficiency) of revenue over expenses	1,414,180	1,226,590	88,285	1,089,173	(189,885)	(300,899)	3,327,444	7,237,583

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, 2014 with comparative figures for 2013

	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 Fund	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Restricted funds:								
Balance, beginning of year	3,955,171	3,949,951	286,950	4,632,008	1,779,172	808,203	15,411,455	8,173,872
Excess (deficiency) of revenue over expenses	1,414,180	1,226,590	88,285	1,089,173	(189,885)	(300,899)	3,327,444	7,237,583
Balance, end of year	5,369,351	5,176,541	375,235	5,721,181	1,589,287	507,304	18,738,899	15,411,455
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	20,369,351	19,176,541	1,375,235	15,721,181	1,589,287	507,304	58,738,899	55,411,455

The accompanying notes are an integral part of these financial statements

Irving K. Barber British Columbia Scholarship Society

Statement of Cash Flows

Years ended December 31,	2014 \$	2013 \$
Cash flows provided from (used in) operating activities:		
Cash receipts from investments	2,242,094	1,683,816
Cash paid for administrative fees to The Victoria Foundation	(389,762)	(463,229)
Cash paid to suppliers	(74,252)	(72,062)
Cash paid for scholarship awards	(2,065,730)	(1,831,929)
Net cash used in operating activities	(287,650)	(683,404)
Cash, beginning of year	2,315,527	2,998,931
Cash, end of year	<u>2,027,877</u>	<u>2,315,527</u>

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, 2014 with comparative figures for 2013

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.

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.

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, 2014 with comparative figures for 2013

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 Students Scholarship Fund.

(d) 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.

(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.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2014 with comparative figures for 2013

3. Investments

	2014 \$	2013 \$
Investments are comprised of the following:		
Cash and short-term investments	194,391	149,502
Treasury bills	731,931	828,847
Bonds	11,570,403	10,482,077
Canadian equities	22,601,497	21,618,151
U.S. and international equities	21,620,027	20,186,528
	<u>56,718,249</u>	<u>53,265,105</u>

4. B.C. Aboriginal Students Scholarship Fund

In 2012 the B.C. Aboriginal Students Scholarship 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 scholarships awarded.

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.

(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, 2014 the investments denominated in foreign currencies were \$21,620,027 (December 31, 2013 - \$20,186,528).

The Society does 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, 2014 was seven years. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through diversifying its interest-bearing investments.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2014 with comparative figures for 2013

5. Financial Risks and Concentration of Risks (continued)

(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.

6. Commitment

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.

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, 2014, the market value of this endowment was \$14,750 (December 31, 2013 - \$13,498). These funds are held by The Victoria Foundation.