

Financial Statements of

Irving K. Barber British Columbia Scholarship Society

Year Ended December 31, 2016

DICKSON
DUSANJ
& WIRK

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, 2016 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 audit. We conducted our audit 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 audit 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, 2016 and the results of its operations, changes in net assets and cash flows for the year then ended 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 on a basis consistent with that of the preceding year.

Dickson Dusanj & Wirk

Victoria, B.C.
April 24, 2017

Chartered Professional Accountants

Irving K. Barber British Columbia Scholarship Society

Statement of Financial Position

As at December 31, 2016 with comparative figures for 2015

	Endowment Fund \$	Restricted Funds \$	2016 \$	2015 \$
Assets				
Cash and short-term investments	-	3,219,643	3,219,643	3,722,565
Accounts receivable	-	36,827	36,827	36,157
Prepaid expense	-	7,500	7,500	7,500
Investments (Note 3)	40,000,000	21,649,129	61,649,129	57,140,501
	40,000,000	24,913,099	64,913,099	60,906,723
Liabilities				
Accounts payable and accrued liabilities	-	23,787	23,787	22,110
Net assets				
Irving K. Barber B.C. Scholarship Fund	15,000,000	7,422,349	22,422,349	20,591,294
One World Scholarship Fund	14,000,000	6,714,071	20,714,071	19,332,244
Pacific Horizons Scholarship Fund	1,000,000	553,426	1,553,426	1,404,878
B.C. Aboriginal Student Award Fund (Note 4)	10,000,000	7,005,266	17,005,266	15,825,701
Aboriginal Teachers Education Fund	-	1,179,401	1,179,401	1,374,340
Aboriginal Masters and Doctorates Fund	-	2,004,799	2,004,799	2,284,811
Victory in Europe Scholarship Fund	-	10,000	10,000	71,345
	40,000,000	24,889,312	64,889,312	60,884,613
	40,000,000	24,913,099	64,913,099	60,906,723

Commitments (Note 7)

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, 2016 with comparative figures for 2015

	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	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:									
Investment income (Note 5)	2,446,973	2,272,847	168,019	1,870,863	20,061	34,988	765	6,814,516	2,731,672
Contributions	-	-	-	-	-	-	-	-	2,150,000
	2,446,973	2,272,847	168,019	1,870,863	20,061	34,988	765	6,814,516	4,881,672
Expenses:									
Administration (Note 7)	113,117	104,187	5,954	74,419	-	-	-	297,677	293,667
Adjudication committee	4,076	4,715	-	6,591	-	-	-	15,382	14,803
Advertising, promotion and website	11,316	9,872	507	13,376	-	-	-	35,071	23,700
Insurance	5,400	4,950	300	4,350	-	-	-	15,000	15,000
Investment management fees	58,856	58,949	4,337	48,523	-	-	-	170,665	162,427
Office	1,269	177	6	84	-	-	-	1,536	1,734
Professional fees	5,233	4,718	286	4,302	-	-	-	14,539	13,020
Travel	1,651	1,312	81	1,153	-	-	-	4,197	4,907
	200,918	188,880	11,471	152,798	-	-	-	554,067	529,258
Excess of revenue over expenses before scholarship awards	2,246,055	2,083,967	156,548	1,718,065	20,061	34,988	765	6,260,449	4,352,414
Scholarship awards	415,000	724,250	8,000	538,500	215,000	315,000	40,000	2,255,750	2,206,700
Excess (deficiency) of revenue over expenses	1,831,055	1,359,717	148,548	1,179,565	(194,939)	(280,012)	(39,235)	4,004,699	2,145,714

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, 2016 with comparative figures for 2015

	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	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted funds:									
Balance, beginning 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
Excess (deficiency) of revenue over expenses	1,831,055	1,359,717	148,548	1,179,565	(194,939)	(280,012)	(39,235)	4,004,699	2,145,714
Transfers between funds	-	22,110	-	-	-	-	(22,110)	-	-
Balance, end of year	7,422,349	6,714,071	553,426	7,005,266	1,179,401	2,004,799	10,000	24,889,312	20,884,613
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	22,422,349	20,714,071	1,553,426	17,005,266	1,179,401	2,004,799	10,000	64,889,312	60,884,613

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, 2016 with comparative figures for 2015

	2016	2015
	\$	\$
Cash flows provided by (used in) operating activities:		
Cash receipts from investments, net of investment management fees	2,135,901	2,121,366
Cash receipts from contributions	-	2,150,000
Cash paid for administrative fees to The Victoria Foundation	(297,678)	(293,668)
Cash paid to suppliers	(74,395)	(70,810)
Cash paid for scholarship awards	(2,266,750)	(2,212,200)
Net cash provided by (used in) operating activities	(502,922)	1,694,688
Cash and short-term investments, beginning of year	3,722,565	2,027,877
Cash and short-term investments, end of year	3,219,643	3,722,565

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, 2016 with comparative figures for 2015

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, all resources are classified for accounting and reporting purposes into restricted funds in accordance with the objectives specified by the contributor. The Society does not have general funds without any restrictions. The Society records its activities in the following funds:

<u>Fund Name</u>	<u>Purpose</u>
Irving K. Barber B.C. Scholarship Fund	To provide scholarships to students transferring from public colleges to public institutions in British Columbia to complete degree programs.
One World Scholarship Fund	To provide scholarships to British Columbia students studying abroad and foreign students studying in British Columbia.
Pacific Horizons Scholarship Fund	To provide scholarships to British Columbia students studying abroad.
B.C. Aboriginal Student Award Fund	To provide financial awards to British Columbia Aboriginal students pursuing post-secondary education.
Aboriginal Teachers Education Fund	To provide financial awards to Aboriginal students pursuing post secondary studies leading to a Bachelor of Education.
Aboriginal Masters and Doctorates Fund	To provide 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, 2016 with comparative figures for 2015

2. Summary of Significant Accounting Policies (continued)

(b) Fund Accounting (continued)

<u>Fund Name</u>	<u>Purpose</u>
Victory in Europe Scholarship Fund	To provide 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. This was renewed for one additional year.
Endowment Fund	Consists of externally restricted contributions, the principal of which is required to be maintained intact in perpetuity.

(c) Revenue Recognition

The Society follows the restricted fund method in which externally restricted contributions are recognized as revenue when received in the fund corresponding to the purpose for which they were contributed. Externally restricted endowment contributions, the principal amounts of which are to be maintained in perpetuity, are recognized as revenue in the respective endowment fund. Contributions which are received and designated "flow-through funds", in that the principal and any investment income are to be used for current and future scholarships, are recognized as revenue when received in the respective Restricted Fund.

Investment income includes dividends and interest income, realized and unrealized foreign exchange gains and losses and realized and unrealized investment gains and losses. Dividend and interest income is recognized when earned. Unrealized 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 related restricted fund.

(d) Cash and short-term investments

This balance includes cash and short-term investments held at Canadian financial institutions.

(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.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

2. Summary of Significant Accounting Policies (continued)

(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.

(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

	2016 \$	2015 \$
Investments consist of the following:		
Cash and short-term investments	236,324	303,163
Treasury bills	1,608,365	1,103,533
Bonds	12,318,895	11,903,844
Canadian equities	28,797,656	20,397,131
U.S. equities	11,593,931	12,823,501
International equities	7,093,958	10,609,329
	<u>61,649,129</u>	<u>57,140,501</u>

4. B.C. Aboriginal Student Award Fund

In 2012 the B.C. Aboriginal Student Award Fund received a contribution of \$2,000,000, which has been reported in the 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.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

5. Investment Income

	2016 \$	2015 \$
Investment income consists of the following:		
Interest income	246,309	318,780
Dividend income	2,354,511	1,983,370
Realized capital gains	2,239,358	2,439,050
Unrealized capital gains (losses)	1,974,338	(2,009,528)
	<u>6,814,516</u>	<u>2,731,672</u>

6. 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 manages credit risk by adhering to its investment policy which specifies minimum credit ratings for debt issuers.

(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, primarily in US dollars, for which the related revenues and investment balances are subject to exchange rate fluctuations. As at December 31, 2016 the Canadian dollar value of investments denominated in foreign currencies were \$18,687,889 (December 31, 2015 - \$23,432,830).

During 2016, 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 time to maturity of the Society's bond portfolio at December 31, 2016 was seven years. The Society minimizes the risks from interest rate fluctuations by 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 7.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

6. Financial Risks and Concentration of Risks (continued)

(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.

7. Commitments

The Society has an agreement with The Victoria Foundation to provide administrative services to the Society until April 30, 2020.

The Society paid administration fees of \$297,677 (2015 – \$293,667) 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>\$</u>
Aboriginal Masters and Doctorates Fund	375,000
Aboriginal Teachers Education Fund	235,000
Victory in Europe Scholarship Fund	<u>10,000</u>
	<u>620,000</u>

These amounts have not been accrued in these financial statements.

8. Other Endowments – Irving K. Barber Society Companion Fund

The Society established an endowment fund with the Victoria Foundation in May 2007 with an establishing gift of \$10,000. An additional \$500 was contributed to the fund by a donor of the Victoria Foundation. As at December 31, 2016, the market value of this endowment was \$16,966 (December 31, 2015 - \$15,351). The capital of the Endowment Fund remains the property of the Victoria Foundation and as such, is not recorded in these financial statements. At the discretion of the Society's Board of Directors, grants from this fund are either re-invested in the Endowment Fund or distributed to the Society.

9. Allocation of Administrative Expenses

The Society's general administration expenses are allocated among the four restricted funds that have a related endowment fund as a percentage of their relative market value. Expenses specific to a particular program are fully allocated to that restricted fund. As they are intended to be temporary in nature, administration expenses are not allocated to other restricted funds.