

Financial Statements of

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

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Irving K. Barber British Columbia Scholarship Society, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets, and cash flows for the year then ended, and notes, comprising 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 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.

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 generally accepted 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 our 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, we consider 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, the financial statements present fairly, in all material respects, the financial position of Irving K. Barber British Columbia Scholarship Society as at December 31, 2017 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative information

The financial statements of Irving K. Barber British Columbia Scholarship Society as at and for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 24, 2017.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada

April 30, 2018

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	Endowment Fund	Restricted Funds	2017	2016
Assets				
Cash and cash equivalents	\$ -	\$ 224,970	\$ 224,970	\$ 94,643
Short-term investments	-	3,034,846	3,034,846	3,125,000
Accounts receivable	-	31,073	31,073	36,827
Prepaid expenses	-	7,500	7,500	7,500
Investments (note 4)	40,000,000	24,120,397	64,120,397	61,649,129
	\$ 40,000,000	\$ 27,418,786	\$ 67,418,786	\$ 64,913,099

Liabilities

Accounts payable and accrued liabilities	\$ -	\$ 61,614	\$ 61,614	\$ 23,787
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Net Assets

Irving K. Barber B.C. Scholarship Fund	15,000,000	8,370,195	23,370,195	22,422,349
One World Scholarship Fund (note 2)	15,000,000	8,171,712	23,171,712	22,267,497
B.C. Aboriginal Student Award Fund (note 5)	10,000,000	7,716,883	17,716,883	17,005,266
Aboriginal Teachers Education Fund	-	977,264	977,264	1,179,401
Aboriginal Masters and Doctorates Fund	-	1,615,693	1,615,693	2,004,799
Victory in Europe Scholarship Fund	-	-	-	10,000
Women in Technology Scholarship Fund	-	505,425	505,425	-
	40,000,000	27,357,172	67,357,172	64,889,312
	\$ 40,000,000	\$ 27,418,786	\$ 67,418,786	\$ 64,913,099

Commitments (note 8)

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:



Director



Director

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Irving K. Barber B.C. Scholarship Fund	One World Scholarship Fund	B.C. Aboriginal Student Award Fund	Aboriginal Teachers Education Fund	Aboriginal Masters and Doctors Fund	Victory in Europe Scholarship Fund	Women in Technology Scholarship Fund	2017	2016
(note 2)									
Revenue:									
Investment income (note 6)	\$ 1,938,332	\$ 1,929,062	\$ 1,472,022	\$ 17,863	\$ 30,894	\$ -	\$ 6,425	\$ 5,394,598	\$ 6,814,516
Contributions	-	-	-	-	-	-	500,000	500,000	-
	1,938,332	1,929,062	1,472,022	17,863	30,894	-	506,425	5,894,598	6,814,516
Expenses:									
Administration (note 8)	114,586	111,573	75,387	-	-	-	1,000	302,546	297,677
Adjudication committee	5,326	4,213	7,648	-	-	-	-	17,187	15,382
Advertising, promotion and website	5,823	4,808	14,568	-	-	-	-	25,199	35,071
Insurance	5,400	5,250	4,350	-	-	-	-	15,000	15,000
Investment management fees	61,603	65,402	50,148	-	-	-	-	177,153	170,665
Office	1,281	336	241	-	-	-	-	1,858	1,536
Professional fees	5,925	5,532	4,569	-	-	-	-	16,026	14,539
Travel	2,542	2,108	1,744	-	-	-	-	6,394	4,197
	202,486	199,222	158,655	-	-	-	1,000	561,363	554,067
Excess of revenue over expenses before scholarship awards	1,735,846	1,729,840	1,313,367	17,863	30,894	-	505,425	5,333,235	6,260,449
Scholarship awards	788,000	825,625	601,750	220,000	420,000	10,000	-	2,865,375	2,255,750
Excess (deficiency) of revenue over expenses	\$ 947,846	\$ 904,215	\$ 711,617	\$ (202,137)	\$ (389,106)	\$ (10,000)	\$ 505,425	\$ 2,467,860	\$ 4,004,699

The accompanying notes are an integral part of these financial statements.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Irving K. Barber B.C. Scholarship Fund	One World Scholarship Fund	B.C. Aboriginal Student Award Fund	Aboriginal Teachers Education Fund	Aboriginal Masters and Doctorates Fund	Victory in Europe Scholarship Fund	Women in Technology Scholarship Fund	2017	2016
(note 2)									
Restricted funds:									
Balance, beginning of year	\$ 7,422,349	\$ 7,267,497	\$ 7,005,266	\$ 1,179,401	\$ 2,004,799	\$ 10,000	\$ -	\$ 24,889,312	\$ 20,884,613
Excess (deficiency) of revenue over expenses	947,846	904,215	711,617	(202,137)	(389,106)	(10,000)	505,425	2,467,860	4,004,699
Balance, end of year	8,370,195	8,171,712	7,716,883	977,264	1,615,693	-	505,425	27,357,172	24,889,312
Endowment fund balance	15,000,000	15,000,000	10,000,000	-	-	-	-	40,000,000	40,000,000
Net assets, end of year	\$ 23,370,195	\$ 23,171,712	\$ 17,716,883	\$ 977,264	\$ 1,615,693	\$ -	\$ 505,425	\$ 67,357,172	\$ 64,889,312

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, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in) operating activities:		
Cash receipts from investment income, net of investment management fees	\$ 2,985,439	\$ 4,670,191
Cash paid for purchase of investments	(152,335)	(1,974,290)
Cash receipts from contributions	500,000	-
Cash paid for administrative fees to The Victoria Foundation	(301,549)	(297,678)
Cash paid to suppliers	(80,753)	(74,395)
Cash paid for scholarship awards	(2,820,475)	(2,266,750)
Net cash provided by operating activities	130,327	57,078
Cash and cash equivalents, beginning of year	94,643	37,565
Cash and cash equivalents, end of year	\$ 224,970	\$ 94,643

The accompanying notes are an integral part of these financial statements.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2017

1. Status and nature of operations:

The Irving K. Barber British Columbia Scholarship Society (the "Society") provides scholarship programs for students. The Society is incorporated under the Society Act of British Columbia. It 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. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Society has until November 28, 2018 to transition to the new act.

2. Amalgamation of One World Scholarship Fund and Pacific Horizons Scholarship Fund:

During the year, the One World Scholarship Program and the Pacific Horizons Scholarship Program were amalgamated and named the One World Scholarship Program. The respective Funds for each of these programs have been combined into the One World Scholarship Fund. This change has been applied retroactively and the December 31, 2016 comparative figures have been adjusted as follows:

	Net assets as previously reported	Increase (decrease)	Net assets as restated
Pacific Horizons Scholarship Fund	\$ 1,553,426	\$ (1,553,426)	\$ -
One World Scholarship Fund	20,714,071	1,553,426	22,267,497

3. 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:

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2017

3. Significant accounting policies (continued):

(b) Fund accounting (continued):

Fund Name	Purpose
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.
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.
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.
Women in Technology Scholarship Fund	To provide scholarships to women in British Columbia who are excelling in the study of engineering, mathematics or computer science at the post secondary level.
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.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2017

3. Significant accounting policies (continued):

(c) Revenue recognition (continued):

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 cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original terms to maturity of less than three months.

(e) Short-term investments:

Short-term investments include cash, guaranteed investment certificates and treasury bills with terms to maturity less than one year at date of purchase, held at investment managers for investing or future granting purposes.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in operations in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

(g) 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.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2017

3. Significant accounting policies (continued):

(h) 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.

(i) 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.

4. Investments:

Investments consist of the following:

	2017	2016
Cash and short-term investments	\$ 373,789	\$ 236,324
Treasury bills	919,056	1,608,365
Bonds	12,630,726	12,318,895
Canadian equities	26,177,686	28,797,656
U.S. equities	12,198,495	11,593,931
International equities	11,820,645	7,093,958
	<u>\$ 64,120,397</u>	<u>\$ 61,649,129</u>

5. 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 Financial Statements

Year ended December 31, 2017

6. Investment income:

Investment income consists of the following:

	2017	2016
Interest income	\$ 235,137	\$ 246,309
Dividend income	2,218,442	2,354,511
Realized capital gains	712,240	2,239,358
Unrealized capital gains	2,228,779	1,974,338
	<u>\$ 5,394,598</u>	<u>\$ 6,814,516</u>

7. 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, 2017 the Canadian dollar value of investments denominated in foreign currencies were \$24,019,140 (2016 - \$18,687,889).

During 2017, 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, 2017 was seven years. The Society minimizes the risks from interest rate fluctuations by diversifying its interest-bearing investments.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2017

7. 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 8.

(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.

8. 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 \$302,546 (2016 - \$297,677) 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:

	2018	2019	2020	2021	2022 and thereafter	Total
Aboriginal Teachers Education Fund	\$ 124,750	\$ 41,750	\$ 16,250	\$ -	\$ -	\$ 182,750
Aboriginal Masters and Doctorates Fund	243,250	137,600	70,800	46,350	54,450	552,450
	\$ 368,000	\$ 179,350	\$ 87,050	\$ 46,350	\$ 54,450	\$ 735,200

These amounts have not been accrued in these financial statements and will be recognized when award requirements have been achieved.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2017

9. Allocation of administrative expenses:

The Society's general administration expenses are allocated among the three 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.

10. Comparative information:

Certain comparative information has been reclassified to conform to the presentation adopted in the current year.

11. Subsequent event:

On March 29, 2018, the Society was awarded a grant of \$2,000,000 from the Province of British Columbia to allow the Society to increase the number of Indigenous Student Awards and the amount of the individual awards.