

Financial Statements of

BC SCHOLARSHIP SOCIETY

And Independent Auditor's Report thereon

Year ended December 31, 2023



KPMG LLP

St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250 480 3500
Fax 250 480 3539

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of BC Scholarship Society

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of BC Scholarship Society (the Society), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Society as at December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.



In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 year.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Victoria, Canada
April 23, 2024

BC SCHOLARSHIP SOCIETY

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	Endowment Fund	Restricted Funds	2023	2022
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 274,155	\$ 274,155	\$ 383,488
Short-term investments	-	401,000	401,000	705,175
Accounts receivable	-	5,287	5,287	11,668
Prepaid expenses	-	6,250	6,250	6,250
	-	686,692	686,692	1,106,581
Investments (note 3)	40,000,000	34,442,662	74,442,662	66,701,888
	\$ 40,000,000	\$ 35,129,354	\$ 75,129,354	\$ 67,808,469

Liabilities

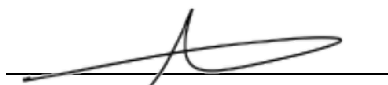
Accounts payable and accrued liabilities	\$ -	\$ 51,346	\$ 51,346	\$ 69,361
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Fund Balances

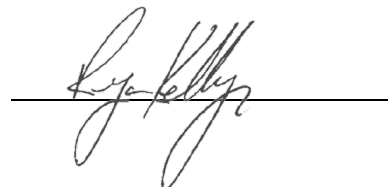
Ike Barber Transfer Scholarship Fund	15,000,000	12,990,017	27,990,017	24,817,011
One World International Scholarship Fund	15,000,000	13,647,104	28,647,104	25,766,332
Indigenous Student Award Fund	10,000,000	8,057,025	18,057,025	16,611,401
Indigenous Teachers Education Fund	-	-	-	41,212
Indigenous Masters and Doctorates Fund	-	-	-	2,723
Women in Technology and Indigenous Women in Technology Scholarship Fund (note 5)	-	383,862	383,862	500,429
	40,000,000	35,078,008	75,078,008	67,739,108
Commitments (note 8)				
	\$ 40,000,000	\$ 35,129,354	\$ 75,129,354	\$ 67,808,469

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

Approved on behalf of the Board:



Director



Director

BC SCHOLARSHIP SOCIETY

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2023, with comparative information for 2022

	Ike Barber Transfer Scholarship Fund	One World International Scholarship Fund	Indigenous Student Award Fund	Indigenous Teachers Education Fund	Indigenous Masters and Doctorates Fund	Women in Technology and Indigenous Women in Technology Scholarship Fund	Operating Fund (note 9)	2023	2022
									(Schedule)
Revenue:									
Investment income:									
Realized (note 6)	\$ 1,394,515	\$ 1,520,491	\$ 1,001,666	\$ -	\$ -	\$ 21,514	\$ -	\$ 3,938,186	\$ 13,498,063
Unrealized	2,925,284	3,074,978	1,937,079	-	-	-	-	7,937,341	(22,100,553)
Contributions	275	-	500	-	-	320	-	1,095	20
	4,320,074	4,595,469	2,939,245	-	-	21,834	-	11,876,622	(8,602,470)
Expenses:									
Administration (note 8)	-	-	-	-	-	-	422,378	422,378	397,141
Adjudication committee	1,992	-	-	-	-	-	-	1,992	-
Advertising, promotion and website	2,119	1,583	3,229	-	-	7,180	32,256	46,367	36,900
Insurance	-	-	-	-	-	-	12,675	12,675	13,000
Investment management fees	71,937	81,237	52,589	-	-	-	39,975	245,738	236,063
Office	-	-	-	-	-	1	4,459	4,460	3,308
Professional fees	-	-	-	-	-	-	24,635	24,635	21,922
Travel	221	1,110	-	-	-	2,595	5,551	9,477	8,058
	76,269	83,930	55,818	-	-	9,776	541,929	767,722	716,392
Allocation of shared expenses (note 9)	165,799	206,267	161,238	-	-	8,625	(541,929)	-	-
	242,068	290,197	217,056	-	-	18,401	-	767,722	716,392
Excess (deficiency) of revenue over expenses before scholarship awards	4,078,006	4,305,272	2,722,189	-	-	3,433	-	11,108,900	(9,318,862)
Scholarship awards	905,000	1,424,500	1,320,500	-	-	120,000	-	3,770,000	3,259,000
Excess (deficiency) of revenue over expenses	3,173,006	2,880,772	1,401,689	-	-	(116,567)	-	7,338,900	(12,577,862)
Fund balances, beginning of year	24,817,011	25,766,332	16,611,401	41,212	2,723	500,429	-	67,739,108	80,316,970
Transfer between funds (note 4)	-	-	43,935	(41,212)	(2,723)	-	-	-	-
Fund balances, end of year	\$ 27,990,017	\$ 28,647,104	\$ 18,057,025	\$ -	\$ -	\$ 383,862	\$ -	\$ 75,078,008	\$ 67,739,108

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

BC SCHOLARSHIP SOCIETY

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in) operating activities:		
Cash receipts from investment income, net of investment management fees	\$ 3,695,154	\$ 13,261,322
Cash received (paid) for sale (purchase) of investments	500,740	(9,716,330)
Cash receipts from contributions	1,095	20
Cash paid for administrative fees to The Victoria Foundation	(422,378)	(397,141)
Cash paid to suppliers	(113,944)	(69,275)
Cash paid for scholarship awards	(3,770,000)	(3,245,750)
Net cash used in operating activities	(109,333)	(167,154)
Cash and cash equivalents, beginning of year	383,488	550,642
Cash and cash equivalents, end of year	\$ 274,155	\$ 383,488

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

BC SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2022

1. Status and nature of operations:

The BC Scholarship Society (formerly Irving K. Barber British Columbia Scholarship Society) (the "Society") provides scholarship programs for students. The Society is incorporated under the Societies 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 October 1, 2022 the Society changed its name to BC Scholarship Society.

2. 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:

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 records its activities in the following funds:

Fund Name	Purpose
Ike Barber Transfer Scholarship Fund	To provide scholarships to British Columbia students transferring between public institutions in British Columbia to complete degree or diploma programs.
One World International Scholarship Fund	To provide scholarships to British Columbia students studying abroad.
Indigenous Student Award Fund	To provide financial awards to British Columbia Indigenous students pursuing post-secondary education.
Indigenous Teachers Education Fund	To provide financial awards to British Columbia Indigenous students pursuing post-secondary studies leading to a Certificate in Education. This fund was amalgamated with the Indigenous Student Award Fund on June 1, 2023.
Indigenous Masters and Doctorates Fund	To provide financial awards to British Columbia Indigenous students enrolled in masters or doctoral graduate degree programs. This fund was amalgamated with the Indigenous Student Award Fund on June 1, 2023.
Women in Technology and Indigenous Women in Technology Scholarship Fund	To provide scholarships to women in British Columbia and Indigenous Women in British Columbia who are excelling in the study of engineering, mathematics or computer/data 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.

BC SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2022

2. Significant accounting policies (continued):

(b) Fund accounting (continued):

Fund Name	Purpose
Operating Fund	To capture all common administrative expenses shared across all funds. At year-end all expenses are reimbursed through an interfund transfer from the various endowment and flow-through funds. The reimbursement amounts will be established periodically by analysis of the costs of activities related to administering each fund.

(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 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. Short-term investments are 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.

BC SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2022

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

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.

(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.

3. Investments:

Investments consist of the following:

	2023	2022
Cash and short-term investments	\$ 511,902	\$ 778,535
Bonds (95.1% Canadian)	13,345,536	11,927,106
Canadian equities	22,201,162	19,487,759
U.S. equities	20,838,110	19,397,275
International equities	17,545,952	15,111,213
	<u>\$ 74,442,662</u>	<u>\$ 66,701,888</u>

BC SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2022

4. Indigenous Student Award Fund:

The Society's Board of Directors approved the amalgamation of the Indigenous Masters and Doctorates Fund and Indigenous Teachers Education Fund with the Indigenous Student Award Fund from June 1, 2023. The amalgamation resulted in a transfer to the Indigenous Student Award Fund from the Indigenous Masters and Doctorates Fund of \$2,723 and from the Indigenous Teachers Education Fund of \$41,212.

In 2022, the Society's Board of Directors approved a transfer from the Indigenous Student Award Fund to the Indigenous Masters and Doctorates Fund of \$80,000 and to the Indigenous Teachers Education Fund of \$nil.

5. Women in Technology and Indigenous Women in Technology Scholarship Fund:

In both 2021 and 2020, the Women in Technology and Indigenous Women in Technology Scholarship Fund received contributions of \$300,000 to expand the Women in Technology Scholarship and Indigenous Women in Technology Scholarship programs and these amounts were reported in the Restricted Fund. The Society's Board of Directors intends to use these funds to increase the number of scholarships.

6. Realized investment income:

Realized investment income consists of the following:

	2023	2022
Interest income	\$ 545,469	\$ 385,903
Dividend income	1,200,410	1,069,637
Realized capital gains	2,192,307	12,042,523
	<u>\$ 3,938,186</u>	<u>\$ 13,498,063</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.

BC SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2022

7. 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, primarily in US dollars, for which the related revenues and investment balances are subject to exchange rate fluctuations. As at December 31, 2023 the Canadian dollar value of investments denominated in foreign currencies was \$39,327,777 (2022 - \$35,411,864)

During 2023, 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, 2023 was 7.3 years (2022 - 7.4 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.

(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 had an agreement with The Victoria Foundation to provide administrative services to the Society until October 31, 2023. A new agreement is expected to be approved in 2024.

The Society paid administration fees of \$422,378 (2022 - \$397,141) to The Victoria Foundation as part of the agreement.

BC SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2022

9. Allocation of shared expenses:

Expenses not directly attributable to a specific program are recorded in the Operating Fund and allocated at the end of year to each of the restricted funds. Expenses directly attributable to a particular program (fund), are recorded as a direct expense of the specific fund.

The expenses that are allocated include administration fees, adjudication committee, insurance, advertising, promotion and website, office, professional fees, travel and certain investment management fees. The Society has allocated these expenses, with 50% of the expenses being allocated to programs with a related endowment fund based on a percentage of the relative market value of the endowment fund, and 50% allocated to programs based on the relative value of scholarships issued during the year. The Society believes this formula results in an allocation that reflects the time and effort to administer each program.

BC SCHOLARSHIP SOCIETY

Statement of Operations

Schedule

Year ended December 31, 2022

	Ike Barber Transfer Scholarship Fund	One World International Scholarship Fund	Indigenous Student Award Fund	Indigenous Teachers Education Fund	Indigenous Masters and Doctorates Fund	Women in Technology and Indigenous Women in Technology Scholarship Fund	Operating Fund (note 9)	Total
Revenue:								
Investment income:								
Realized (note 6)	\$ 4,865,920	\$ 5,160,521	\$ 3,464,080	\$ 143	\$ -	\$ 7,399	\$ -	\$ 13,498,063
Unrealized	(7,977,179)	(8,401,728)	(5,721,646)	-	-	-	-	(22,100,553)
Contributions	-	-	20	-	-	-	-	20
	(3,111,259)	(3,241,207)	(2,257,546)	143	-	7,399	-	(8,602,470)
Expenses:								
Administration (note 8)	-	-	-	-	-	-	397,141	397,141
Advertising, promotion and website	2,103	-	4,896	-	-	1,178	28,723	36,900
Insurance	-	-	-	-	-	-	13,000	13,000
Investment management fees	67,738	77,047	51,303	-	-	-	39,975	236,063
Office	-	40	27	-	-	-	3,241	3,308
Professional fees	-	-	-	-	-	-	21,922	21,922
Travel	-	-	-	-	-	2,757	5,301	8,058
	69,841	77,087	56,226	-	-	3,935	509,303	716,392
Allocation of shared expenses (note 9)	140,067	153,794	154,260	7,814	44,773	8,595	(509,303)	-
	209,908	230,881	210,486	7,814	44,773	12,530	-	716,392
Excess (deficiency) of revenue over expenses before scholarship awards	(3,321,167)	(3,472,088)	(2,468,032)	(7,671)	(44,773)	(5,131)	-	(9,318,862)
Scholarship awards	600,000	727,000	1,149,000	100,000	573,000	110,000	-	3,259,000
Excess (deficiency) of revenue over expenses	(3,921,167)	(4,199,088)	(3,617,032)	(107,671)	(617,773)	(115,131)	-	(12,577,862)
Fund balances, beginning of year	28,738,178	29,965,420	20,308,433	148,883	540,496	615,560	-	80,316,970
Transfer between funds (note 4)	-	-	(80,000)	-	80,000	-	-	-
Fund balances, end of year	\$ 24,817,011	\$ 25,766,332	\$ 16,611,401	\$ 41,212	\$ 2,723	\$ 500,429	\$ -	\$ 67,739,108