

**Financial Statements of**

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

**December 31, 2010**



# MANTELL | DICKSON | BLADES | DUSANJ

Chartered Accountants

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## 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, 2010 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 generally accepted accounting principles, 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.

### ***Auditor's 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 the auditor's judgement, 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 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, 2010 and the results of its operations and changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, B.C.  
April 27, 2011

Chartered Accountants

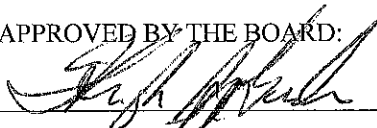
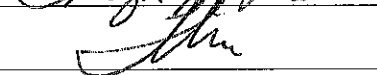
# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31,	2010	2009
	\$	\$
<b>ASSETS</b>		
CASH	31,386	32,950
INTERNALLY RESTRICTED CASH (Note 3)	135,000	282,632
ACCOUNTS RECEIVABLE	3,317	1,029
PREPAID EXPENSE	7,500	8,750
INVESTMENTS (Note 4)	39,498,725	36,880,404
	<u>39,675,928</u>	<u>37,205,765</u>
<b>LIABILITIES</b>		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>33,813</u>	<u>7,500</u>
<b>FUND BALANCES</b>		
ENDOWMENT FUND	<u>38,000,000</u>	<u>38,000,000</u>
IRVING K. BARBER B.C. SCHOLARSHIP FUND		
Unrestricted	662,820	1,771
Internally Restricted (Note 3)	<u>135,000</u>	<u>-</u>
	<u>797,820</u>	<u>1,771</u>
ONE WORLD SCHOLARSHIP FUND		
Unrestricted	643,679	(366,348)
Internally Restricted (Note 3)	<u>-</u>	<u>20,000</u>
	<u>643,679</u>	<u>(346,348)</u>
PACIFIC HORIZONS SCHOLARSHIP FUND		
Unrestricted	<u>27,869</u>	<u>(55,017)</u>
B.C. ABORIGINAL STUDENTS SCHOLARSHIP FUND		
Unrestricted	172,747	(664,773)
Internally Restricted (Note 3)	<u>-</u>	<u>262,632</u>
	<u>172,747</u>	<u>(402,141)</u>
	<u>39,642,115</u>	<u>37,198,265</u>
	<u>39,675,928</u>	<u>37,205,765</u>

Commitment (Note 6)

APPROVED BY THE BOARD:

 Director  
 Director

See accompanying notes

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

**STATEMENT OF CHANGES IN FUND BALANCES**

**YEAR ENDED DECEMBER 31,**

	Endowment Fund		Restricted Fund		2010 Total \$	2009 Total \$
	Balance at Beginning of Year	Excess of Revenues Over Expenses	Balance at Beginning of Year	Excess of Revenues Over Expenses		
Irving K. Barber B.C. Scholarship Fund	15,000,000	-	1,771	796,049	15,797,820	15,001,771
One World Scholarship Fund	12,000,000	-	(346,348)	990,027	12,643,679	11,653,652
Pacific Horizons Scholarship Fund	1,000,000	-	(55,017)	82,886	1,027,869	944,983
B.C. Aboriginal Students Scholarship Fund	10,000,000	-	(402,141)	574,888	10,172,747	9,597,859
	<u>38,000,000</u>	<u>-</u>	<u>(801,735)</u>	<u>2,443,850</u>	<u>39,642,115</u>	<u>37,198,265</u>

*See accompanying notes*

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31,	2010 \$	2009 \$
REVENUE		
Investment income	<u>3,533,608</u>	<u>5,020,446</u>
EXPENSES		
Administration fees to the Victoria Foundation <i>(Note 6)</i>	373,795	325,658
Adjudication committee	7,885	2,583
Advertising, promotion and website	24,958	20,401
Insurance	16,250	15,000
Office	922	1,372
Professional fees	11,859	13,355
Scholarship awards	637,500	359,500
Travel	<u>16,589</u>	<u>7,839</u>
	<u>1,089,758</u>	<u>745,708</u>
EXCESS OF REVENUE OVER EXPENSES	<u>2,443,850</u>	<u>4,274,738</u>

*See accompanying notes*

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31,

2010  
\$

2009  
\$

CASH FLOWS FROM (USED IN):

### OPERATING ACTIVITIES

Cash receipts from investments	915,287	382,779
Cash paid for administrative fees to The Victoria Foundation	(353,325)	(325,658)
Cash paid to suppliers	(73,658)	(59,656)
Cash paid for scholarships awards	(637,500)	(359,500)
Cash (used in) operations	<u>(149,196)</u>	<u>(362,034)</u>
CASH, beginning of year	<u>315,582</u>	<u>677,616</u>
CASH, end of year	<u>166,386</u>	<u>315,582</u>
Cash consists of:		
Unrestricted cash	31,386	32,950
Internally restricted cash	<u>135,000</u>	<u>282,632</u>
	<u>166,386</u>	<u>315,582</u>

*See accompanying notes*

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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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) *Accounting Principles*

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### (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.

Five funds are maintained – Irving K. Barber B.C. Scholarship Fund, One World Scholarship Fund, Pacific Horizons Scholarship Fund, B.C. Aboriginal Students Scholarship Fund and the Endowment Fund.

The Irving K. Barber B.C. Scholarship Fund is used to account for all revenue 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 revenue 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 revenue 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 revenue and expenses related to providing scholarships to British Columbia aboriginal students pursuing post-secondary education.

The Endowment Fund is used to account for endowment contributions. 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.

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

#### (c) *Investments*

Investments are portfolio investments recorded at fair market value as defined under the Canadian Institute of Chartered Accountants' recommendations for the recognition and measurement of financial instruments. They have been classified as held for trading due to the nature of the investment.

#### (d) *Revenue Recognition*

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.

Contributions for endowment are recognized when received.

#### (e) *Financial Instruments*

The society has chosen to apply Section 3861, *Financial Instruments – Disclosure and Presentation*, in place of Sections 3862, *Financial Instruments – Disclosures*, and 3863, *Financial Instruments – Presentation*.

#### *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 are measured at their amortized cost using the effective interest method. Total interest income calculated using the effective interest rate method is recognized in net income.



# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

#### *Accounts payable and accrued liabilities*

The Society 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 method.

#### *(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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The investments are stated after evaluation as to fair value, and appropriate adjustments are made when considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known. Actual results could differ from these 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.

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### 3. INTERNALLY RESTRICTED CASH

The Society has segregated cash restricted for scholarship awards into short-term guaranteed investment certificates. This cash is internally allocated for scholarship purposes and as such is segregated within the fund balance of each applicable scholarship fund. Unspent funds from the 2010 allocation will be paid out to students during 2011.

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 4. INVESTMENTS

	2010	2009
	\$	\$
Investments are comprised of the following:		
Cash and short-term investments	100,600	110,790
Treasury Bills	643,992	946,461
Bonds	13,101,316	12,362,257
Canadian Equities	18,959,319	14,836,672
U.S. and International Equities	6,693,498	8,624,224
	<u>39,498,725</u>	<u>36,880,404</u>

### 5. FINANCIAL INSTRUMENTS

The Society, as part of its operations, carries 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, 2010 the investments denominated in foreign currencies were \$6,693,498 (December 31, 2009 - \$8,624,224).

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 5. FINANCIAL INSTRUMENTS (continued)

#### *(b) Interest Rate Risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The average duration of the Society's bond portfolio at December 31, 2010 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. Liquidity risk is measured by reviewing the Society's future net cash flows for the possibility of a negative net cash flow. 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

#### *(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.

##### *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.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2010**

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### **6. COMMITMENT**

The Society has an agreement with the Foundation to provide investment management, administrative and grant-making services to the Society. The agreement is for a four-year term and is renewable on May 1, 2014.

The Society pays an administration fee to the 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 Foundation. As at December 31, 2010, the market value of this endowment was \$10,559 (December 31, 2009 - \$9,766). These funds are held by the Victoria Foundation.

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

The Society's constitution contains an unalterable clause that requires the protection of the original contributed principal of the endowment scholarship funds (\$38 million). The Canada Revenue Agency (CRA) regulates charities and sets policies regarding charitable spending requirements. Since its incorporation in 2006, 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 and it is anticipated will report a deficiency again in 2010, at which time a request for relief would be filed with CRA.

### **9. 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.

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.

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