

**Financial Statements of**

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

**December 31, 2011**



## 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, 2011 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, 2011 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.

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

	Endowment Funds \$	Restricted Funds \$	Total 2011 \$	Total 2010 \$
<b>ASSETS</b>				
Cash	-	2,019,789	2,019,789	166,386
Accounts receivable	-	12,817	12,817	3,317
Prepaid expense	-	7,500	7,500	7,500
Investments (Note 3)	38,000,000	654,108	38,654,108	39,498,725
	<u>38,000,000</u>	<u>2,694,214</u>	<u>40,694,214</u>	<u>39,675,928</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	-	103,928	103,928	33,813
<b>NET ASSETS</b>				
Endowment funds	38,000,000	-	38,000,000	38,000,000
Irving K. Barber B.C. Scholarship Fund	-	252,790	252,790	797,820
One World Scholarship Fund	-	440,767	440,767	643,679
Pacific Horizons Scholarship Fund	-	17,433	17,433	27,869
B.C. Aboriginal Students Scholarship Fund	-	(128,771)	(128,771)	172,747
The Aboriginal Teacher Education Fund	-	2,008,067	2,008,067	-
	<u>38,000,000</u>	<u>2,590,286</u>	<u>40,590,286</u>	<u>39,642,115</u>
	<u>38,000,000</u>	<u>2,694,214</u>	<u>40,694,214</u>	<u>39,675,928</u>

COMMITMENT (Note 5)

APPROVED BY THE BOARD:

 Director

 Director

See accompanying notes

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2011

	Irving K. Barber B.C. Scholarship Fund \$	One World Scholarship Fund \$	Pacific Horizons Scholarship Fund \$	B.C. Aboriginal Students Scholarship Fund \$	The Aboriginal Teacher Education Fund \$	Total 2011 \$	Total 2010 \$
<b>REVENUES</b>							
Investment income	152,548	131,687	10,347	95,540	23,067	413,189	3,533,608
Contributions	-	-	-	-	2,000,000	2,000,000	-
	<u>152,548</u>	<u>131,687</u>	<u>10,347</u>	<u>95,540</u>	<u>2,023,067</u>	<u>2,413,189</u>	<u>3,533,608</u>
<b>EXPENSES</b>							
Administration fees (note 5)	200,640	89,142	7,268	77,624	15,000	389,674	373,795
Adjudication committee	4,293	-	-	3,714	-	8,007	7,885
Advertising, promotion and website	7,215	14,595	147	7,035	-	28,992	24,958
Insurance	6,000	4,800	150	4,050	-	15,000	16,250
Office	1,095	294	8	250	-	1,647	922
Professional fees	4,238	3,526	110	3,143	-	11,017	11,859
Travel	4,097	3,242	100	2,742	-	10,181	16,589
	<u>227,578</u>	<u>115,599</u>	<u>7,783</u>	<u>98,558</u>	<u>15,000</u>	<u>464,518</u>	<u>452,258</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE SCHOLARSHIP AWARDS</b>							
	<u>(75,030)</u>	<u>16,088</u>	<u>2,564</u>	<u>(3,018)</u>	<u>2,008,067</u>	<u>1,948,671</u>	<u>3,081,350</u>
<b>SCHOLARSHIP AWARDS</b>							
	<u>470,000</u>	<u>219,000</u>	<u>13,000</u>	<u>298,500</u>	<u>-</u>	<u>1,000,500</u>	<u>637,500</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>							
	<u>(545,030)</u>	<u>(202,912)</u>	<u>(10,346)</u>	<u>(301,518)</u>	<u>2,008,067</u>	<u>948,171</u>	<u>2,443,850</u>
<b>RESTRICTED FUND BALANCES, (DEFICIENCY) BEGINNING OF YEAR</b>							
	<u>797,820</u>	<u>643,679</u>	<u>27,869</u>	<u>172,747</u>	<u>-</u>	<u>1,642,115</u>	<u>(801,735)</u>
<b>RESTRICTED FUND BALANCES, (DEFICIENCY) END OF YEAR</b>							
	<u>252,790</u>	<u>440,767</u>	<u>17,443</u>	<u>(128,771)</u>	<u>2,008,067</u>	<u>2,590,286</u>	<u>1,642,115</u>
<b>ENDOWMENT FUND BALANCE</b>							
	<u>15,000,000</u>	<u>12,000,000</u>	<u>1,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>38,000,000</u>	<u>38,000,000</u>
<b>NET ASSETS, END OF YEAR</b>							
	<u>15,252,790</u>	<u>12,440,767</u>	<u>1,017,433</u>	<u>9,871,229</u>	<u>2,008,067</u>	<u>40,590,286</u>	<u>39,642,115</u>

See accompanying notes

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31,	2011	2010
	\$	\$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Cash receipts from investments	1,248,163	915,287
Cash receipts from contributions	2,000,000	-
Cash paid for administrative fees to The Victoria Foundation	(317,530)	(353,325)
Cash paid to suppliers	(76,730)	(73,658)
Cash paid for scholarships awards	<u>(1,000,500)</u>	<u>(637,500)</u>
Net cash provided by (used in) operating activities	<u>1,853,403</u>	<u>(149,196)</u>
CASH, beginning of year	<u>166,386</u>	<u>315,582</u>
CASH, end of year	<u>2,019,789</u>	<u>166,386</u>

*See accompanying notes*

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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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 by management in accordance with Canadian generally accepted accounting principles prescribed by the Canadian Institute of Chartered Accountants ("CICA") Handbook – Part V, 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.

Six 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 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 Aboriginal Teacher 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 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, 2011

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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 CICA's 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. Investment income from the endowment fund is reported within the related restricted funds.

Contributions for endowment are recognized when received.

#### (e) *Financial Instruments*

The society has chosen to apply CICA Handbook (Part V) 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 these 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, 2011

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

#### *Accounts payable and accrued liabilities*

The Society has 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.

#### *(i) Future accounting changes*

The Accounting Standards Board (“AcSB”) released accounting standards impacting the future financial reporting framework for not-for-profit organizations. The standards require that not-for-profit organizations choose between International Financial Reporting Standards contained in the CICA Handbook – Part I and Accounting Standards for Not-for-Profit Organizations contained in the CICA Handbook – Part III. This is effective for fiscal years beginning on or after January 1, 2012.

It is anticipated that the Society will adopt Accounting Standards for Not-for-Profit Organizations effective for the fiscal year commencing January 1, 2012. The impact of the adoption of these standards is being evaluated and is not known or reasonably estimated at this time.

# IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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### 3. INVESTMENTS

	2011	2010
	\$	\$
Investments are comprised of the following:		
Cash and short-term investments	98,614	100,600
Treasury bills	565,747	643,992
Bonds	11,865,603	13,101,316
Canadian equities	19,081,969	18,959,319
U.S. and international equities	7,042,175	6,693,498
	<u>38,654,108</u>	<u>39,498,725</u>

### 4 FINANCIAL INSTRUMENTS

The Society, as part of its operations, invests in 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, 2011 the investments denominated in foreign currencies were \$7,042,175 (December 31, 2010 - \$6,693,498).

#### (b) Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments including bonds are affected by a change in interest rates. The average duration of the Society's bond portfolio at December 31, 2011 was six 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, 2011

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### 4. FINANCIAL INSTRUMENTS (continued)

#### *(c) Liquidity Risk*

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. 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 investment and industry and geographical sector.

#### *(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.

### 5. COMMITMENT

The Society has agreements with The Victoria Foundation to provide certain services to the Society. The agreements are renewable on March 31, 2014 and May 1, 2014.

The Society pays administration fees to The Victoria Foundation as part of the agreements.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**

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### **6. 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, 2011, the market value of this endowment was \$10,546 (December 31, 2010 - \$10,559). These funds are held by The Victoria Foundation.

### **7. 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 2005, 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, 2010, and it is anticipated it will report a deficiency again in 2011.

### **8. 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.