

Financial Statements of

Irving K. Barber British Columbia Scholarship Society

Year Ended December 31, 2013

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, 2013 and the statements of operations and changes in net assets and cash flows for the year then 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

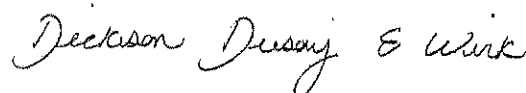
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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 audits 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, 2013 and the results of its operations and changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Victoria, B.C.
June 2, 2014

Chartered Accountants

Irving K. Barber British Columbia Scholarship Society

Statement of Financial Position

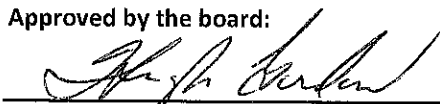
As at December 31, 2013 with comparative figures for 2012

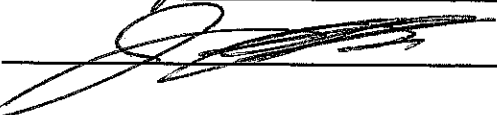
	Endowment Fund \$	Restricted Funds \$	2013 \$	2012 \$
Assets				
Cash	-	2,315,527	2,315,527	2,998,931
Accounts receivable	-	10,923	10,923	15,828
Prepaid expense	-	7,500	7,500	7,500
Investments (Note 3)	40,000,000	13,265,105	53,265,105	45,290,193
	<u>40,000,000</u>	<u>15,599,055</u>	<u>55,599,055</u>	<u>48,312,452</u>
Liabilities				
Accounts payable and accrued liabilities	-	187,600	187,600	138,580
Net assets				
Endowment Fund	40,000,000	-	40,000,000	40,000,000
Irving K. Barber B.C. Scholarship Fund	-	3,955,171	3,955,171	1,218,364
One World Scholarship Fund	-	3,949,951	3,949,951	1,352,466
Pacific Horizons Scholarship Fund	-	286,949	286,949	102,744
B.C. Aboriginal Students Scholarship Fund (Note 4)	-	4,632,009	4,632,009	2,556,109
Aboriginal Teachers Education Fund	-	1,779,172	1,779,172	1,930,269
Aboriginal Masters and Doctorates Fund	-	808,203	808,203	1,013,920
	<u>40,000,000</u>	<u>15,411,455</u>	<u>55,411,455</u>	<u>48,173,872</u>
	<u>40,000,000</u>	<u>15,599,055</u>	<u>55,599,055</u>	<u>48,312,452</u>

Commitment (Note 6)

Subsequent Event (Note 9)

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, 2013 with comparative figures for 2012

	Irving K. Barber B.C. Scholarship Fund \$	One World Scholarship Fund \$	Pacific Horizons Scholarship Fund \$	B.C. Aboriginal Students Scholarship Fund \$	Aboriginal Teachers Education Fund \$	Aboriginal Masters and Doctorates Fund \$	2013 \$	2012 \$
Revenues:								
Investment income	3,471,454	3,247,482	233,566	2,653,039	31,403	14,283	9,651,227	4,388,065
Contributions	-	-	-	-	-	-	-	5,000,000
	3,471,454	3,247,482	233,566	2,653,039	31,403	14,283	9,651,227	9,388,065
Expenses:								
Administration (Note 6)	212,675	117,130	8,395	96,229	15,000	10,000	459,429	410,699
Adjudication committee	6,348	5,290	-	6,294	-	-	17,932	9,454
Advertising, promotion and website	3,166	2,886	145	9,170	-	-	15,367	26,958
Insurance	5,400	4,950	300	4,350	-	-	15,000	15,000
Office	910	206	11	157	-	-	1,284	1,471
Professional fees	4,653	4,265	259	3,748	-	-	12,925	10,130
Travel	4,495	3,841	251	4,191	-	-	12,778	8,617
	237,647	138,568	9,361	124,139	15,000	10,000	534,715	482,329
Excess of revenues over expenses before scholarship awards	3,233,807	3,108,914	224,205	2,528,900	16,403	4,283	9,116,512	8,905,736
Scholarship awards	497,000	511,429	40,000	453,000	167,500	210,000	1,878,929	1,322,150
Excess (deficiency) of revenues over expenses	2,736,807	2,597,485	184,205	2,075,900	(151,097)	(205,717)	7,237,583	7,583,586

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, 2013 with comparative figures for 2012

	\$	Irving K. Barber B.C. Scholarship Fund	One World Scholarship Fund	Pacific Horizons Scholarship Fund	B.C. Aboriginal Students Scholarship Fund	Aboriginal Teachers Education Fund	Aboriginal Masters and Doctorates Fund	2012 \$	2013 \$
Restricted funds:									
Balance, beginning of year	1,218,364	1,352,466	102,744	2,556,109	1,930,269	1,013,920	2,590,286	8,173,872	
Excess (deficiency) of revenues over expenses	2,736,807	2,597,485	184,205	2,075,900	(151,097)	(205,717)	5,583,586	7,237,583	
Balance, end of year	3,955,171	3,949,951	286,949	4,632,009	1,779,172	808,203	8,173,872	15,411,455	
Endowment Fund:									
Balance, beginning of year	15,000,000	14,000,000	1,000,000	10,000,000	-	-	38,000,000	40,000,000	
Excess of revenues over expenses	-	-	-	-	-	-	2,000,000	-	
Balance, end of year	15,000,000	14,000,000	1,000,000	10,000,000	-	-	40,000,000	40,000,000	
Net assets, end of year	18,955,171	17,949,951	1,286,949	14,632,009	1,779,172	808,203	48,173,872	55,411,455	

The accompanying notes are an integral part of these financial statements

Irving K. Barber British Columbia Scholarship Society

Statement of Cash Flows

Years ended December 31,	2013	2012
	\$	\$
Cash flows provided from (used in) operating activities:		
Cash receipts from (purchases of) investments, net	1,683,816	(2,308,361)
Cash receipts from contributions	-	5,000,000
Cash paid for administrative fees to The Victoria Foundation	(463,229)	(419,951)
Cash paid to suppliers	(72,062)	(72,396)
Cash paid for scholarship awards	(1,831,929)	(1,220,150)
Net cash provided by (used in) operating activities	(683,404)	979,142
Cash, beginning of year	2,998,931	2,019,789
Cash, end of year	2,315,527	2,998,931

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, 2013 with comparative figures for 2012

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, resources are classified for accounting and reporting purposes into funds in accordance with the objectives specified by the contributor.

Seven 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, Aboriginal Masters and Doctorates Fund, and the Endowment Fund.

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

The Aboriginal Teachers 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 Aboriginal Masters and Doctorates Fund is used to account for all revenues and expenses related to providing financial awards to Aboriginal students enrolled in masters or doctoral graduate degree programs at a public British Columbia university.

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

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2013 with comparative figures for 2012

2. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition

The Society follows the restricted fund method in which externally restricted contributions are recognized as income when received in the fund corresponding to the purpose for which they were contributed.

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 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2013 with comparative figures for 2012

3. Investments

	2013	2012
	\$	\$
Investments are comprised of the following:		
Cash and short-term investments	149,502	127,704
Treasury bills	828,847	1,578,762
Bonds	10,482,077	10,517,552
Canadian equities	21,618,151	17,618,891
U.S. and international equities	20,186,528	15,447,284
	<u>53,265,105</u>	<u>45,290,193</u>

4. B.C. Aboriginal Students Scholarship Fund

In 2012 the B.C. Aboriginal Students Scholarship Fund received a contribution of \$2,000,000. This contribution has been reported as revenue in its 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 scholarships awarded.

5. Financial Instruments and Risk Management

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, 2013 the investments denominated in foreign currencies were \$10,738,341 (December 31, 2012 - \$8,003,090).

(b) 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 duration of the Society's bond portfolio at December 31, 2013 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. The Society manages the liquidity risk by investing in liquid investments.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2013 with comparative figures for 2012

5. Financial Instruments and Risk Management (continued)

(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, industry or 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.

6. 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 and are in the process of re-negotiation.

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

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 Victoria Foundation. As at December 31, 2013, the market value of this endowment was \$13,498 (December 31, 2012 - \$11,477). These funds are held by The Victoria Foundation.

Irving K. Barber British Columbia Scholarship Society

Notes to the Financial Statements

Year ended December 31, 2013 with comparative figures for 2012

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.

9. Subsequent Event

The Society's Board of Directors passed a motion on November 19, 2012 to proceed with the winding up of the Society into a new society. A new society, IKB BC Scholarship Society, has been formed for this purpose. The wind-up will require 75% approval by the Board of Directors in order to distribute its assets to the IKB BC Scholarship Society. The date of the approval by the Board of Directors and the distribution of the Society's assets are not known at this time.