

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Irving K. Barber British Columbia Scholarship Society (the Society), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of 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, 2019, 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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 20, 2020

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	Endowment Fund	Restricted Funds	2019	2018
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 270,353	\$ 270,353	\$ 640,543
Short-term investments	-	2,460,085	2,460,085	3,743,294
Accounts receivable	-	49,435	49,435	60,527
Prepaid expenses	-	7,500	7,500	8,011
	-	2,787,373	2,787,373	4,452,375
Investments (note 3)	40,000,000	26,262,275	66,262,275	58,668,958
	\$ 40,000,000	\$ 29,049,648	\$ 69,049,648	\$ 63,121,333

Liabilities

Accounts payable and accrued liabilities	\$ -	\$ 16,673	\$ 16,673	\$ 29,518
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Fund Balances

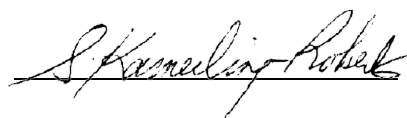
Irving K. Barber B.C. Scholarship Fund	15,000,000	8,969,579	23,969,579	21,349,382
One World Scholarship Fund	15,000,000	8,623,914	23,623,914	21,200,300
B.C. Indigenous Student Award Fund (note 4)	10,000,000	9,946,570	19,946,570	18,274,156
Indigenous Teachers Education Fund	-	462,037	462,037	722,490
Indigenous Masters and Doctorates Fund	-	753,768	753,768	1,155,756
Women in Technology Scholarship Fund	-	277,107	277,107	389,731
	40,000,000	29,032,975	69,032,975	63,091,815
Commitments (note 7)				
Subsequent events (note 9)				
	\$ 40,000,000	\$ 29,049,648	\$ 69,049,648	\$ 63,121,333

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, 2019, with comparative information for 2018

	Irving K. Barber B.C. Scholarship Fund	One World Scholarship Fund	B.C. Indigenous Student Award Fund	Indigenous Teachers Education Fund	Indigenous Masters and Doctorates Fund	Women in Technology Scholarship Fund	2019	2018
								(Schedule)
Revenue:								
Investment income								
Realized (note 5)	\$ 1,742,471	\$ 1,766,898	\$ 1,314,033	\$ 9,548	\$ 20,511	\$ 7,323	\$ 4,860,784	\$ 5,186,209
Unrealized	1,865,128	1,805,281	1,493,995	-	-	-	5,164,404	(7,631,454)
Contributions	5,024	-	100	-	-	-	5,124	2,001,504
	3,612,623	3,572,179	2,808,128	9,547	20,512	7,323	10,030,312	(443,741)
Expenses:								
Administration (notes 7 and 8)	118,754	115,629	78,127	-	-	5,115	317,625	313,175
Adjudication committee	4,335	5,294	11,234	-	-	3,312	24,175	23,893
Advertising, promotion and website	5,198	3,373	19,510	-	-	11,467	39,548	38,370
Insurance	5,400	5,250	4,350	-	-	-	15,000	15,000
Investment management fees	60,477	60,300	46,751	-	-	-	167,528	175,414
Office	1,682	816	403	-	-	44	2,945	1,624
Professional fees	4,889	6,106	5,104	-	-	-	16,099	14,201
Travel	1,691	1,491	1,235	-	-	9	4,426	14,521
	202,426	198,259	166,714	-	-	19,947	587,346	596,198
Excess (deficiency) of revenue over expenses before scholarship awards	3,410,197	3,373,920	2,641,414	9,547	20,512	(12,624)	9,442,966	(1,039,939)
Scholarship awards	790,000	950,306	879,000	270,000	512,500	100,000	3,501,806	3,225,418
Excess (deficiency) of revenue over expenses	\$ 2,620,197	\$ 2,423,614	\$ 1,762,414	\$ (260,453)	\$ (491,988)	\$ (112,624)	\$ 5,941,160	\$ (4,265,357)

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

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Statement of Changes in Fund Balances

Year ended December 31, 2019, with comparative information for 2018

	Irving K. Barber B.C. Scholarship Fund	One World Scholarship Fund	B.C. Indigenous Student Award Fund	Indigenous Teachers Education Fund	Indigenous Masters and Doctorates Fund	Women in Technology Scholarship Fund	2019	2018
Restricted funds:								
Balance, beginning of year	\$ 6,349,382	\$ 6,200,300	\$ 8,274,156	\$ 722,490	\$ 1,155,756	\$ 389,731	\$ 23,091,815	\$ 27,357,172
Excess (deficiency) of revenue over expenses	2,620,197	2,423,614	1,762,414	(260,453)	(491,988)	(112,624)	5,941,160	(4,265,357)
Transfer between funds (note 4)	-	-	(90,000)	-	90,000	-	-	-
Balance, end of year	8,969,579	8,623,914	9,946,570	462,037	753,768	277,107	29,032,975	23,091,815
Endowment fund balance	15,000,000	15,000,000	10,000,000	-	-	-	40,000,000	40,000,000
Fund balance, end of year	\$ 23,969,579	\$ 23,623,914	\$ 19,946,570	\$ 462,037	\$ 753,768	\$ 277,107	\$ 69,032,975	\$ 63,091,815

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in) operating activities:		
Cash receipts from investment income, net of investment management fees	\$ 4,703,172	\$ 4,985,850
Cash paid for purchase of investments	(1,145,703)	(2,888,462)
Cash receipts from contributions	6,128	2,000,500
Cash paid for administrative fees to The Victoria Foundation	(317,625)	(314,175)
Cash paid to suppliers	(106,256)	(104,924)
Cash paid for scholarship awards	(3,509,906)	(3,263,216)
Net cash (used in) provided by operating activities	(370,190)	415,573
Cash and cash equivalents, beginning of year	640,543	224,970
Cash and cash equivalents, end of year	\$ 270,353	\$ 640,543

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, 2019

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 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.

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:

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:

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. 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 Indigenous students pursuing post-secondary studies leading to a Certificate in Education.
Indigenous Masters and Doctorates Fund	To provide financial awards to Indigenous students enrolled in masters or doctoral graduate degree programs at a public British Columbia university.
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.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2019

2. Significant accounting policies (continued):

(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.

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.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2019

2. Significant accounting policies (continued):

(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:

	2019	2018
Cash and short-term investments	\$ 892,154	\$ 366,608
Bonds (98.5% Canadian)	11,460,480	11,471,422
Canadian equities	26,096,809	22,933,840
U.S. equities	13,551,859	11,065,118
International equities	14,260,973	12,831,970
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	\$ 66,262,275	\$ 58,668,958

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2019

4. B.C. Indigenous Student Award Fund:

The B.C. Indigenous Student Award Fund received contributions of \$2,000,000 in 2012 and 2018, which have been reported in the Restricted Fund. The Society's Board of Directors intends to maintain the principal of the contribution received in 2012 and use the investment income earned to fund awards and intends to use the contribution received in 2018, to fund awards over a period of approximately four years.

The Society's Board of Directors approved a transfer of \$90,000 from the B.C. Indigenous Student Award Fund to the Indigenous Masters and Doctorates Fund.

5. Realized investment income:

Realized investment income consists of the following:

	2019	2018
Interest income	\$ 425,232	\$ 392,436
Dividend income	1,431,929	1,849,878
Realized capital gains	3,003,623	2,943,895
	<u>\$ 4,860,784</u>	<u>\$ 5,186,209</u>

6. 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.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2019

6. 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, 2019 the Canadian dollar value of investments denominated in foreign currencies were \$22,249,785 (2018 - \$18,877,330).

During 2019, 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, 2019 was 7.8 years (2018 - seven 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.

7. 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 \$317,625 (2018 - \$313,175) to The Victoria Foundation as part of the agreement.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Notes to Financial Statements

Year ended December 31, 2019

8. 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 the related endowment fund. Expenses for programs without a related endowment fund, are allocated to the program.

9. Subsequent events:

As a result of the developing COVID-19 pandemic, global equity markets have experienced significant volatility and weakness. The investment portfolio of the Society has been subject to these market fluctuations and will continue to experience significant volatility as the situation evolves. As of April 17, 2020, the fair value of the Society's investments had declined by approximately 9.3% compared to the fair value at December 31, 2019.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

These subsequent changes in the fair value of the Society's investments are not reflected in the financial statements as at December 31, 2019.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

Statement of Operations

Schedule

Year ended December 31, 2018

	Irving K. Barber B.C. Scholarship Fund	One World Scholarship Fund	B.C. Indigenous Student Award Fund	Indigenous Teachers Education Fund	Indigenous Masters and Doctorates Fund	Women in Technology Scholarship Fund	Total
Revenue:							
Investment income							
Realized (note 5)	\$ 1,872,309	\$ 1,791,361	\$ 1,467,374	\$ 15,226	\$ 30,063	\$ 9,876	\$ 5,186,209
Unrealized	(2,788,152)	(2,711,763)	(2,131,539)	-	-	-	(7,631,454)
Contributions	-	-	2,000,000	-	-	1,504	2,001,504
	(915,843)	(920,402)	1,335,835	15,226	30,063	11,380	(443,741)
Expenses:							
Administration (notes 8 and 9)	116,346	113,285	76,544	-	-	7,000	313,175
Adjudication committee	5,358	3,891	10,555	-	-	4,089	23,893
Advertising, promotion and website	5,577	3,618	15,410	-	-	13,765	38,370
Insurance	5,400	5,250	4,350	-	-	-	15,000
Investment management fees	61,156	64,500	49,758	-	-	-	175,414
Office	1,251	234	131	-	-	8	1,624
Professional fees	5,116	4,968	4,117	-	-	-	14,201
Travel	4,766	3,846	3,697	-	-	2,212	14,521
	204,970	199,592	164,562	-	-	27,074	596,198
Excess (deficiency) of revenue over expenses before scholarship awards	(1,120,813)	(1,119,994)	1,171,273	15,226	30,063	(15,694)	(1,039,939)
Scholarship awards	900,000	851,418	614,000	270,000	490,000	100,000	3,225,418
Excess (deficiency) of revenue over expenses	\$ p(2,020,813)	\$ (1,971,412)	\$ 557,273	\$ (254,774)	\$ (459,937)	\$ (115,694)	\$ 4,265,357