

Financial Statements of

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

December 31, 2009



MANTELL | DICKSON | BLADES | WISEMAN
Chartered Accountants

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AUDITORS' REPORT

To: The Members of Irving K. Barber British Columbia Scholarship Society

We have audited the statement of financial position of Irving K. Barber British Columbia Scholarship Society (the "Society") as at December 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2009 and the results of its operations and changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

February 12, 2010
Victoria, B.C.

Chartered Accountants

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31,	2009 \$	2008 \$
ASSETS		
CURRENT		
Cash	32,950	42,616
Internally restricted cash (Note 3)	282,632	635,000
Accounts receivable	1,029	14,387
Prepaid expense	8,750	8,750
	325,361	700,753
INVESTMENTS (Note 5)	36,880,404	32,242,737
	<u>37,205,765</u>	<u>32,943,490</u>
LIABILITIES		
CURRENT		
Accounts payable and accruals	7,500	9,463
Scholarship awards payable	-	10,500
	<u>7,500</u>	<u>19,963</u>
FUND BALANCES		
ENDOWMENT FUND	<u>38,000,000</u>	<u>38,000,000</u>
IRVING K. BARBER B.C. SCHOLARSHIP FUND		
Unrestricted	1,771	(1,837,493)
Internally Restricted (Note 3)	-	75,000
	<u>1,771</u>	<u>(1,762,493)</u>
ONE WORLD SCHOLARSHIP FUND		
Unrestricted	(366,348)	(1,851,691)
Internally Restricted (Note 3)	20,000	60,000
	<u>(346,348)</u>	<u>(1,791,691)</u>
PACIFIC HORIZONS SCHOLARSHIP FUND		
Unrestricted	<u>(55,017)</u>	<u>(176,237)</u>
B.C. ABORIGINAL STUDENTS SCHOLARSHIP FUND		
Unrestricted	(664,773)	(1,846,052)
Internally Restricted (Note 3)	262,632	500,000
	<u>(402,141)</u>	<u>(1,346,052)</u>
	<u>37,198,265</u>	<u>32,923,527</u>
	<u>37,205,765</u>	<u>32,943,490</u>

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			2009	2008
	\$			\$			Total	Total
	Balance at	Excess of	Balance at	Balance at	Excess	Balance at	\$	\$
	Beginning	Revenues	End of	Beginning	of Revenues	End of		
	of Year	Over Expenses	Year	of Year	Over Expenses	Year		
Irving K. Barber B.C. Scholarship Fund	15,000,000	-	15,000,000	(1,762,493)	1,764,264	1,771	15,001,771	13,237,507
One World Scholarship Fund	12,000,000	-	12,000,000	(1,791,691)	1,445,343	(346,348)	11,653,652	10,208,309
Pacific Horizons Scholarship Fund	1,000,000	-	1,000,000	(176,237)	121,220	(55,017)	944,983	823,763
B.C. Aboriginal Students Scholarship Fund	10,000,000	-	10,000,000	(1,346,052)	943,911	(402,141)	9,597,859	8,653,948
	<u>38,000,000</u>	<u>-</u>	<u>38,000,000</u>	<u>(5,076,473)</u>	<u>4,274,738</u>	<u>(801,735)</u>	<u>37,198,265</u>	<u>32,923,527</u>

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31,	2009 \$	2008 \$
REVENUE		
Investment returns (losses)	5,020,446	(5,887,826)
Province of B.C. – B.C. Aboriginal Students Scholarship Fund	-	500,000
	<u>5,020,446</u>	<u>(5,387,826)</u>
EXPENSES		
Administration fees (Note 5)	325,658	355,411
Adjudication committee	2,583	4,351
Advertising, promotion and website	20,401	74,076
Contract work	-	359
Insurance	15,000	15,000
Office	1,372	1,719
Professional fees	13,355	16,575
Scholarship awards	359,500	665,000
Travel	7,839	11,111
	<u>745,708</u>	<u>1,143,602</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>4,274,738</u>	<u>(6,531,428)</u>

See accompanying notes

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31,	2009 \$	2008 \$
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	4,274,738	(6,531,428)
Changes in non-cash working capital:		
Investments	(4,637,667)	7,205,705
Accounts receivable	13,358	(13,693)
Accounts payable and accruals	(12,463)	(20,626)
Cash from (used in) operations	(362,034)	639,958
NET INCREASE (DECREASE) IN CASH	(362,034)	639,958
CASH, beginning of year	677,616	37,658
CASH, end of year	315,582	677,616
Cash consists of:		
Unrestricted cash	32,950	42,616
Internally restricted cash	282,632	635,000
	315,582	677,616

See accompanying notes

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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 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 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, 2009

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

Held for Trading

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments – Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading. 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.

Loans and Receivables

The Society has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value determined as their initial cost less an allowance for impairment where required. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in income. Total interest income calculated using the effective interest rate method, is recognized in net income.

Loans and receivables are subsequently measured at their amortized cost using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial assets are measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction in net income upon derecognition or impairment.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Financial Liabilities

The Society classified accounts payable and accruals and scholarship awards payable as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in current year earnings upon derecognition or impairment.

(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 for the current period.

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 revenues 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.

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 2009 allocation will be paid out to students during 2010.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

4. 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, 2009 the investments denominated in foreign currencies were \$8,624,224 (December 31, 2008 - \$5,145,392).

(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. 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 investment type.

IRVING K. BARBER BRITISH COLUMBIA SCHOLARSHIP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

4. FINANCIAL INSTRUMENTS (continued)

(e) Fair Value of Financial Instruments

The fair value of the financial instruments and their related carrying values have been summarized and included in the table below:

	2009 \$		2008 \$	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
<i>Held for Trading</i>				
Cash	32,950	32,950	42,616	42,616
Internally restricted cash	282,632	282,632	635,000	635,000
Investments	36,880,404	36,880,404	32,242,737	32,242,737
Loans and receivables	1,029	1,029	14,387	14,387
FINANCIAL LIABILITIES				
<i>Other Financial Liabilities</i>				
Accounts payable and accruals	7,500	7,500	9,463	9,463
Scholarship awards payable	-	-	10,500	10,500

Held for trading

(a) Cash

Cash is recorded at its fair value, which is approximated by its initial carrying value, due to its short-term nature.

(b) Accounts receivable

Accounts receivable are recorded at their fair value, which is approximated by their initial carrying value, due to their short-term nature.

(c) 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.

Other Financial Liabilities

The accounts payable and accruals and scholarship awards payable 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, 2009

5. INVESTMENTS

The Society's portfolio investment assets of \$36,880,404 (December 31, 2008 - \$32,242,737) are invested in the Consolidated Trust Fund of The Victoria Foundation ("the Foundation").

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 three-year term and is renewable on April 30, 2010. The Foundation is a registered charity and a community foundation and as such partakes in endowment building, grant-making and community leadership initiatives. The boards of both the Society and the Foundation believe the relationship brings strength in these areas to the Society and allows the Foundation to further its goals in supporting other charitable organizations.

The Society pays an administration fee to the Foundation as part of the agreement.

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, 2009, the market value of this endowment was \$9,766 (December 31, 2008 - \$8,624).

Subsequent to year end, the Boards of Directors of the Society and the Foundation approved the renewal of their agreement for a four year term commencing May 1, 2010.

6. 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 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 and therefore the Society will report a disbursement deficiency to Canada Revenue Agency in 2009. Canada Revenue Agency provides a one-year relief period for charities experiencing disbursement quota difficulties and that relief will apply to the 2009 fiscal year. Therefore the Society will be working during 2010 to address their disbursement quota issues and may make application for disbursement quota relief to the Canada Revenue Agency.