

Financial Statements of

**THE SIGMA CHI CANADIAN
FOUNDATION/LA FONDATION
CANADIENNE SIGMA CHI**

Year ended June 30, 2008



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AUDITORS' REPORT

To the Members of The Sigma Chi Canadian Foundation/
La Fondation Canadienne Sigma Chi

We have audited the statement of financial position of The Sigma Chi Canadian Foundation/La Fondation Canadienne Sigma Chi as at June 30, 2008 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many not-for-profit organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to assets, revenue, excess of revenue over expenditures and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue from donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

October 31, 2008

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Financial Position

June 30, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	\$ 56,531	\$ 151,677
Accounts receivable (note 5)	118,629	25,023
Prepaid expenses	2,735	2,606
Loans receivable (note 3)	354,011	167,244
	<u>531,906</u>	<u>346,550</u>
Long-term investments (note 4)	927,650	651,711
	<u>\$ 1,459,556</u>	<u>\$ 998,261</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,280	\$ 18,051
Net assets	1,447,276	980,210
Subsequent event (note 7)		
	<u>\$ 1,459,556</u>	<u>\$ 998,261</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Operations and Changes in Net Assets

Year ended June 30, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Donations	\$ 506,424	\$ 350,785
Investments	44,937	22,226
Change in unrealized gain on investments	(6,249)	84,471
	545,112	457,482
Expenditures:		
Salaries and benefits (note 5)	32,888	34,616
Scholarships, special projects and other mission spending (note 6)	29,534	58,912
Newsletter and website	1,089	6,337
Professional fees	5,155	5,034
Travel and meetings	6,085	4,070
Insurance	2,160	2,160
Interest and bank charges	1,135	1,330
	78,046	112,459
Excess of revenue over expenditures	467,066	345,023
Net assets, beginning of year	980,210	635,187
Net assets, end of year	\$ 1,447,276	\$ 980,210

See accompanying notes to financial statements.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Cash Flows

Year ended June 30, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 467,066	\$ 345,023
Items not involving cash:		
Realized loss (gain) on investments	3,535	(2,105)
Change in unrealized gain on investments	6,249	(84,471)
Change in non-cash operating working capital:		
Accounts receivable	(93,606)	(23,759)
Prepaid expenses	(129)	(1,106)
Accounts payable and accrued liabilities	(5,771)	(203)
	<u>377,344</u>	<u>233,379</u>
Financing activities:		
Additions to loans receivable	(186,767)	(35,544)
Investing activities:		
Additions to investments, net	(285,723)	(113,634)
Increase (decrease) in cash	(95,146)	84,201
Cash, beginning of year	151,677	67,476
Cash, end of year	<u>\$ 56,531</u>	<u>\$ 151,677</u>

See accompanying notes to financial statements.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements

Year ended June 30, 2008

The Sigma Chi Canadian Foundation/La Fondation Canadienne Sigma Chi (the "Foundation") was incorporated by Letters of Patent under the Canada Corporations Act as a charitable organization without share capital in 1992 to provide financial assistance and recognition of academic achievement through scholarships, grants, aid and financial assistance. The Foundation also has the objective to enhance intellectual growth of students through the establishment and development of libraries, housing, as well as the provision of educational and learning materials and scholarly aids.

The Foundation is a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a charity registered under the Act, the Foundation must meet certain requirements within the Act.

1. Significant accounting policies:

(a) Revenue recognition:

The Foundation recognizes revenue when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Other investment income, including interest, dividends and gains or losses on sales of investments, is recognized as revenue when earned. Unrealized gains or losses on investments are recognized on an accrual basis.

(b) Investments:

Investments are classified as held-for-trading and are stated at their market values. Fixed income investments and equities are determined based on quoted market values. Investments in pooled funds are valued at their net asset values.

In determining market values, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the market value and cost of investments at the beginning and end of each year is reflected in the statement of operations and changes in net assets.

Market value estimates are made at a specific point in time and may not be reflective of future value. The Foundation does not hold or invest in derivative financial instruments.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Year ended June 30, 2008

1. Significant accounting policies (continued):

(c) Financial instruments other than investments:

The Foundation designated its cash as held-for-trading, which is measured at fair value. Accounts receivable and loans receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

(d) Use of estimates:

The preparation of financial statements 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 expenditures during the year. Actual results could differ from those estimates.

2. Future accounting change:

The following summarizes a future accounting change that will be relevant to Foundation's financial statements subsequent to June 30, 2008:

Financial instruments - disclosure:

The Canadian Institute of Chartered Accountants has issued new accounting standards on financial instruments that revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new standards will be effective for the Foundation commencing July 1, 2008. The new disclosures will provide additional information on the nature and extent of risks arising from financial instruments to which the Foundation is exposed and how it manages those risks.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Year ended June 30, 2008

3. Loans receivable:

The Foundation holds loans which are receivable from related Chapters. All loans are repayable on demand and are unsecured, with the exception of the Beta Omega loan which is secured by a second mortgage on the property at 350 Huron Street. The loans bear interest rates at the prescribed rate that Canada Revenue Agency applies to taxable benefits for employees and shareholders from interest-free and low interest loans as declared and published each calendar quarter.

	2008	2007
Loan to Kappa Mu	\$ 81,974	\$ 70,960
Loan to Beta Omega	199,540	41,455
Loan to Gamma Lambda	29,982	28,829
Loan to Epsilon Omicron	42,515	26,000
	\$ 354,011	\$ 167,244

4. Long-term investments:

	2008		2007	
	Cost	Market	Cost	Market
Cash	\$ 290,614	\$ 290,614	\$ 84,535	\$ 84,535
Fixed income	124,938	120,546	124,938	121,244
Equities	378,284	427,752	241,531	303,050
Other	28,850	32,911	66,719	71,189
Income trusts	46,855	55,827	69,630	71,693
	\$ 869,541	\$ 927,650	\$ 587,353	\$ 651,711

Fixed income securities are comprised of provincial and corporate bonds which bear interest ranging from 5.0% to 7.5% and mature between December 2008 and December 2010. Investments are subject to market risk.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Year ended June 30, 2008

4. Long-term investments (continued):

(a) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate, market and foreign currency risk. The Foundation manages this market risk by investing in investments that meet specific investment criteria which are established and approved by the Board of Directors and are designed to diversify the Foundation's investments. A professional investment manager invests and manages the investment portfolio in accordance with the Foundation's investment policy statement.

(b) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. The Foundation manages this risk by holding various debt instruments and by staggering the terms of the securities held.

(c) Market risk:

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss. The Foundation mitigates this risk through controls to monitor and limit concentration levels, but is still subject to overall market changes.

(d) Foreign currency risk:

Foreign currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on the Foundation's foreign equity securities.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Year ended June 30, 2008

5. Related party transactions:

Salaries expenditure includes one employee from Sigma Chi Headquarters ("Headquarters") in the U.S. who resides in Canada and one part-time summer student. The cost of the employee from Headquarters is covered by an unreceipted donation from the General Fraternity. This employee serves as the regional coordinator of the CornerStone Mentor Program.

Accounts receivable include \$18,400 (2007 - \$24,616) from Headquarters.

Also included in accounts receivable is a \$100,000 bequest (2007 - nil) from the estate of Brother Jim Grimes who entered the Chapter Eternal in April 2008. The full bequest was received subsequent to year end.

6. Scholarships, special projects and other mission spending:

	2008	2007
Balfour scholarships	\$ 8,800	\$ 7,450
Graham scholarships	5,000	2,500
CornerStone program	—	10,000
Balfour Leadership Training Workshop	10,264	9,902
Special projects and other	5,470	29,060
	<hr/>	<hr/>
	\$ 29,534	\$ 58,912

7. Subsequent event:

The market value of the Foundation's investments declined by 18.9% from year end to October 31, 2008 compared to the corresponding benchmark or S&P/TSX Total Return Index which declined 32.5% in that same period. The Foundation mitigates market risk by monitoring and limiting concentration levels in equity and fixed income securities but is still subject to overall declines in the market.