

Financial Statements of

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

Year ended June 30, 2014



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Sigma Chi Canadian Foundation/La Fondation Canadienne Sigma Chi, which comprise the statement of financial position as at June 30, 2014, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising 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 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.

Auditors' 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 our 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, we consider 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, the financial statements present fairly, in all material respects, the financial position of The Sigma Chi Canadian Foundation/La Fondation Canadienne Sigma Chi as at June 30, 2014, 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.

Chartered Professional Accountants, Licensed Public Accountants

January 22, 2015
Toronto, Canada

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Financial Position

June 30, 2014, with comparative information for 2013

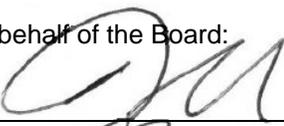
	2014	2013
Assets		
Current assets:		
Cash	\$ 20,331	\$ 55,059
Accounts receivable	16,173	17,009
Loans receivable (note 2)	1,292,419	967,760
	1,328,923	1,039,828
Long-term investments (note 3)	947,572	1,001,843
	\$ 2,276,495	\$ 2,041,671

Liabilities and Net Assets

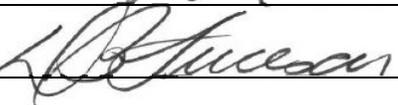
Current liabilities:		
Accounts payable and accrued liabilities	\$ 14,691	\$ 16,698
Net assets (Schedule)	2,261,804	2,024,973
	\$ 2,276,495	\$ 2,041,671

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, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Donations:		
Foundation programs	\$ 54,037	\$ 38,528
Chapter specific	74,336	142,404
Investment income	41,683	44,140
Realized gain (loss) on investments and foreign exchange	74,172	(24,503)
Change in unrealized gain on investments	93,634	101,599
	<u>337,862</u>	<u>302,168</u>
Expenditures:		
Scholarships and other mission spending (note 4)	53,370	75,396
Newsletter, website and site design (\$9,860)	14,801	6,093
Fundraising (note 5)	16,858	6,516
Professional fees	7,146	9,026
Travel and meetings	2,489	6,440
Insurance	1,985	1,936
Bank and credit card	3,282	1,404
Non-recoverable portion of HST	1,100	-
	<u>101,031</u>	<u>106,811</u>
Excess of revenue over expenditures	236,831	195,357
Net assets, beginning of year	2,024,973	1,829,616
Net assets, end of year	<u>\$ 2,261,804</u>	<u>\$ 2,024,973</u>

See accompanying notes to financial statements.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Cash Flows

Year ended June 30, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 236,831	\$ 195,357
Change in unrealized gain on investments which does not involve cash	(93,634)	(101,599)
Change in non-cash operating working capital:		
Accounts receivable	836	(20)
Accounts payable and accrued liabilities	(2,007)	(15,911)
	142,026	77,827
Financing activities:		
Proceeds from sale of investments	504,695	228,835
Repayment of loans receivable	3,341	7,113
Realized loss (gain) on investments and foreign exchange	(74,172)	24,503
	433,864	260,451
Investing activities:		
Additions to investments	(282,618)	(210,538)
Issuance of new loans	(328,000)	(105,614)
	(610,618)	(316,152)
Increase (decrease) in cash	(34,728)	22,126
Cash, beginning of year	55,059	32,933
Cash, end of year	\$ 20,331	\$ 55,059

See accompanying notes to financial statements.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements

Year ended June 30, 2014

The Sigma Chi Canadian Foundation/La Fondation Canadienne Sigma Chi (the "Foundation") was incorporated 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 was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act in August 2014. 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 and file an annual return with the Canada Revenue Agency in support of these requirements.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The most significant accounting policies are as follows:

(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.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Year ended June 30, 2014

1. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value, defined by management as the amount expected to be settled in the future, on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value, being market value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry non-equity investments at fair value.

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.

Financial assets are assessed for impairment throughout the fiscal year to determine if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances improve in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) 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.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Year ended June 30, 2014

2. Loans receivable:

The Foundation holds documented loans which are receivable from Sigma Chi Housing Corporations at various Chapters. All loans are repayable on demand. The loans bear interest at the variable quarterly prescribed rates 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. The loans are secured by a second mortgage on the property, with the exception of the loans to Gamma Lambda and Epsilon Omicron.

	2014	2013
Loan to Kappa Mu	\$ 114,974	\$ 114,974
Loan to Beta Omega	162,833	166,174
Loan to Gamma Lambda	81,597	81,597
Loan to Epsilon Omicron	378,015	362,015
Loan to Gamma Rho	312,000	–
Loan to Theta Psi	243,000	243,000
	\$ 1,292,419	\$ 967,760

3. Long-term investments:

	2014		2013	
Cash held in the investment portfolio	\$ 41,257	4.4%	\$ 40,700	4.0%
Fixed income	109,079	11.5%	132,850	13.3%
Listed equities	797,236	84.1%	777,147	77.6%
Private equities	–	–	51,146	5.1%
	\$ 947,572	100.0%	\$ 1,001,843	100.0%

Valuation policies found in note 1(b), Financial Instruments.

Fixed income securities comprise corporate bonds, which bear interest at rates ranging from 4.10% to 7.75% (2013 - 4.10% to 9.75%) on par value and mature between November 2015 and June 2017 (2013 - November 2015 and June 2017).

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Year ended June 30, 2014

4. Scholarships and other mission spending:

	2014	2013
Horizons Leadership Scholarships	\$ 12,500	\$ 20,000
Leadership Award Entrance Scholarships	15,000	16,500
Chapter Specific Scholarships	1,250	11,750
Balfour Leadership Training Workshop bursaries	12,120	12,646
Graham Scholarships	7,500	7,500
Jim Grimes Brotherhood Scholarship	4,000	6,000
George Fierheller Grade Point Average award	1,000	1,000
	<u>\$ 53,370</u>	<u>\$ 75,396</u>

5. Fundraising costs:

The Foundation has embarked upon its first capital fund raising campaign, Making a Difference Campaign. The campaign is in support of scholarship programs and operating costs as a charitable organization granting tax receipts. Fundraising expenses reflect this initiative.

6. Financial risks:

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, foreign currency, credit and liquidity risks. Private equity instruments have valuation and liquidity risk. The Foundation manages, to the best of its ability, these investment risks by making 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. There is an Investment Committee of the Board of Directors that monitors the investment policies approved by the Board of Directors. A professional investment manager invests and manages the investment portfolio in accordance with the Foundation's investment policy statement. There has been no significant change to the risk exposures from 2013.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Year ended June 30, 2014

6. Financial risks (continued):

(a) 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.

(b) Market risk:

Market risk arises as a result of trading in securities. Fluctuations in the market, generally or a company event, specifically 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.

(c) Foreign currency risk:

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

(d) Credit risk:

Credit risk arises as a result of the possibility that one party to a financial instrument will fail to discharge an obligation and cause the Foundation to incur financial loss. The Foundation manages this risk by diversifying its portfolio and by dealing with reputable and creditworthy counterparties.

(e) Liquidity risk:

Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a deterioration in value.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Schedule of Net Assets

June 30, 2014, with comparative information for 2013

	2014	2013
Chapter Funds:		
Beta Omega (Toronto/Ryerson):		
Current fund	\$ 66,842	\$ 71,231
10-year gifts	65,618	53,998
	<u>132,460</u>	<u>125,229</u>
Delta Omicron (UBC/SFU):		
Current fund	56,167	44,320
10-year gifts	25,610	21,075
	<u>81,777</u>	<u>65,395</u>
Epsilon Omicron (Western):		
Current fund	18,450	8,209
Gamma Lambda (McGill):		
Current fund	12,795	3,795
Gamma Rho (Dalhousie/St. Mary's):		
Current fund	4,860	167,189
10-year gifts	–	116,931
	<u>4,860</u>	<u>284,120</u>
Iota Mu (Wilfrid Laurier):		
Current fund	32,287	15,475
10-year gifts	621	511
	<u>32,908</u>	<u>15,986</u>
Iota Rho (Bishops):		
Current fund	14,263	11,609
10-year gifts	124,779	102,682
	<u>139,042</u>	<u>114,291</u>
Kappa Mu (Windsor):		
Current fund	4,411	2,373
10-year gifts	39,654	32,546
	<u>44,065</u>	<u>34,919</u>
Theta Psi (Waterloo):		
Current fund	78,230	50,425
Lambda Theta (Ottawa):		
Current fund	18,096	14,891
Carried forward	562,683	717,260

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Schedule of Net Assets (continued)

June 30, 2014, with comparative information for 2013

	2014	2013
Brought forward	562,683	717,260
General Funds:		
Current fund (operating)	31,000	—
10-year gifts	148,054	136,027
SCCF Special (Constantine) Fund	47,200	52,587
George Fierheller Grade Point Average award	50,220	37,059
Graham Funds	130,228	114,280
	406,702	339,953
Sigma Chi Housing Corporation loans (note 2)	1,292,419	967,760
	\$ 2,261,804	\$ 2,024,973

All donations received are allocated to either Chapter or General Funds based on donor direction. Each donation is charged a 10% fee that changed to 20% as at January 1, 2014 (2013 - 10%) and each Fund is charged a 1% fee annually of the current value of long-term investments. These fees are used for Foundation costs in support of all Chapters and members. An additional fee may be charged on all Funds from time to time, as needed, for the same purpose to cover any shortfalls. Expenses are allocated to Funds depending on their purpose and each Fund is allocated a proportionate share of any gains or losses on investments. The 10-year gift balances of Chapter Funds are available for loan to the Sigma Chi Housing Corporation of that Chapter and the current fund balances of Chapter Funds are available for scholarships and loans.