

Financial Statements of

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

Years ended June 30, 2013 and 2012



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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 statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, the statements of operations and changes in net assets and cash flows for the years ended June 30, 2013 and June 30, 2012, 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 audits. We conducted our audits 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 in our audits 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, 2013, June 30, 2012 and July 1, 2011, and its results of operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants, Licensed Public Accountants

December 12, 2013
Toronto, Canada

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statements of Financial Position

June 30, 2013, June 30, 2012 and July 1, 2011

	June 30, 2013	June 30, 2012	July 1, 2011
Assets			
Current assets:			
Cash	\$ 55,059	\$ 32,933	\$ 39,704
Accounts receivable	17,009	16,989	19,584
Loans receivable (note 3)	967,760	869,259	557,012
	1,039,828	919,181	616,300
Long-term investments (note 4)	1,001,843	943,044	1,230,617
	\$ 2,041,671	\$ 1,862,225	\$ 1,846,917

Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities	\$ 16,698	\$ 32,609	\$ 30,471
Net assets (Schedule)	2,024,973	1,829,616	1,816,446
	\$ 2,041,671	\$ 1,862,225	\$ 1,846,917

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statements of Operations and Changes in Net Assets

Years ended June 30, 2013 and 2012

	2013	2012
Revenue:		
Donations:		
Foundation programs	\$ 38,528	\$ 33,751
Chapter specific	142,404	130,993
Investment income	44,140	37,791
Realized gain (loss) on investments and foreign exchange	(24,503)	16,855
Change in unrealized gain (loss) on investments	101,599	(100,660)
	<u>302,168</u>	<u>118,730</u>
Expenditures:		
Scholarships and other mission spending (note 5)	75,396	67,370
Newsletter and website	6,093	13,128
Contract help	4,650	2,485
Fundraising	1,866	2,635
Professional fees	9,026	9,207
Travel and meetings	6,440	5,286
Donation software	–	2,297
Insurance	1,936	1,899
Interest, bank and credit card	1,404	1,253
	<u>106,811</u>	<u>105,560</u>
Excess of revenue over expenditures	195,357	13,170
Net assets, beginning of year	1,829,616	1,816,446
Net assets, end of year	<u>\$ 2,024,973</u>	<u>\$ 1,829,616</u>

See accompanying notes to financial statements.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 195,357	\$ 13,170
Change in unrealized loss (gain) on investments which does not involve cash	(101,599)	100,660
Change in non-cash operating working capital:		
Accounts receivable	(20)	2,595
Accounts payable and accrued liabilities	(15,911)	2,138
	<u>77,827</u>	<u>118,563</u>
Financing activities:		
Proceeds from sale of investments	228,835	449,308
Repayment of loans receivable	7,113	11,253
Realized loss (gain) on investments and foreign exchange	24,503	(16,855)
	<u>260,451</u>	<u>443,706</u>
Investing activities:		
Additions to investments	(210,538)	(245,540)
Issuance of new loans	(105,614)	(323,500)
	<u>(316,152)</u>	<u>(569,040)</u>
Increase (decrease) in cash	22,126	(6,771)
Cash, beginning of year	32,933	39,704
Cash, end of year	<u>\$ 55,059</u>	<u>\$ 32,933</u>

See accompanying notes to financial statements.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements

Years ended June 30, 2013 and 2012

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 and file an annual return with the Canada Revenue Agency in support of these requirements.

On July 1, 2012, the Foundation adopted Canadian Accounting Standards for Not-for-Profit Organizations ("Not-For-Profit Standards") in Part III of The Canadian Institute of Chartered Accountants' Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Foundation has adopted the changes retrospectively. The transition date is July 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards. There were no adjustments to net assets as at July 1, 2011 or excess of revenue over expenditures for the year ended June 30, 2012 as a result of the transition to Not-For-Profit Standards.

A summary of transitional election is provided in note 2.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Not-For-Profit Standards. 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.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

1. Significant accounting policies (continued):

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) 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 dates of the financial statements and the reported amounts of revenue and expenditures during the years. Actual results could differ from those estimates.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

2. Transitional election:

In accordance with transitional provisions of Not-For-Profit Standards, the Foundation has elected at the transition date, July 1, 2011, to designate all its investments to be measured at fair value.

3. 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.

	June 30, 2013	June 30, 2012	July 1, 2011
Loan to Kappa Mu	\$ 114,974	\$ 88,974	\$ 88,974
Loan to Beta Omega	166,174	169,488	177,741
Loan to Gamma Lambda	81,597	71,482	65,982
Loan to Epsilon Omicron	362,015	317,515	217,515
Loan to Lambda Theta	–	3,800	6,800
Loan to Theta Psi	243,000	218,000	–
	\$ 967,760	\$ 869,259	\$ 557,012

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Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

4. Long-term investments:

	June 30, 2013		June 30, 2012		July 1, 2011	
Cash (held in the investment portfolio)	\$ 40,700	4.0%	\$ 5,686	0.6%	\$ 97,151	7.9%
Fixed income	132,850	13.3%	146,599	15.6%	158,790	12.9%
Listed equities	777,147	77.6%	741,483	78.6%	921,427	74.9%
Private equities	51,146	5.1%	49,276	5.2%	53,249	4.3%
	\$ 1,001,843	100.0%	\$ 943,044	100.0%	\$ 1,230,617	100.0%

Fixed income securities are comprised of corporate bonds, which bear interest at rates ranging from 4.10% to 9.75% (June 30, 2012 - 4.10% to 9.75%; July 1, 2011 - 6.00% to 9.75%) on par value and mature between November 2015 and June 2017 (June 30, 2012 - November 2015 and June 2017; July 1, 2011 - May 2012 and June 2017).

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Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

5. Scholarships and other mission spending:

	2013	2012
Horizons Leadership Scholarships	\$ 20,000	\$ –
Leadership Award Entrance Scholarships	16,500	21,000
Chapter Specific Scholarships	11,750	20,867
Balfour Leadership Training Workshop bursaries	12,646	10,003
Graham Scholarships	7,500	7,500
Jim Grimes Brotherhood Scholarship	6,000	7,000
George Fierheller Grade Point Average award	1,000	1,000
	<u>\$ 75,396</u>	<u>\$ 67,370</u>

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, this investment risk 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 2012.

(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.

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Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

6. Financial risks (continued):

(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

Schedules of Net Assets

June 30, 2013, June 30, 2012 and July 1, 2011

	June 30, 2013	June 30, 2012	July 1, 2011
Chapter Funds:			
Beta Omega (Toronto/Ryerson):			
Current fund	\$ 71,231	\$ 63,098	\$ 64,931
10-year gifts	53,998	45,677	40,129
	<u>125,229</u>	<u>108,775</u>	<u>105,060</u>
Delta Omicron (UBC/SFU):			
Current fund	44,320	11,465	10,479
10-year gifts	21,075	19,170	20,804
	<u>65,395</u>	<u>30,635</u>	<u>31,283</u>
Epsilon Omicron (Western):			
Current fund	8,209	28,101	50,688
10-year gifts	—	—	40,993
	<u>8,209</u>	<u>28,101</u>	<u>91,681</u>
Gamma Lambda (McGill):			
Current fund	3,795	2,500	2,475
Gamma Rho (Dalhousie/St. Mary's):			
Current fund	167,189	105,780	59,335
10-year gifts	116,931	106,362	113,991
	<u>284,120</u>	<u>212,142</u>	<u>173,326</u>
Iota Mu (Wilfrid Laurier):			
Current fund	15,475	14,076	2,779
10-year gifts	511	465	12,796
	<u>15,986</u>	<u>14,541</u>	<u>15,575</u>
Iota Rho (Bishops):			
Current fund	11,609	11,196	9,600
10-year gifts	102,682	93,401	99,385
	<u>114,291</u>	<u>104,597</u>	<u>108,985</u>
Kappa Mu (Windsor):			
Current fund	2,373	4,407	19,072
10-year gifts	32,546	52,886	56,275
	<u>34,919</u>	<u>57,293</u>	<u>75,347</u>
Carried forward	651,944	558,584	603,732

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Schedules of Net Assets (continued)

June 30, 2013, June 30, 2012 and July 1, 2011

	June 30, 2013	June 30, 2012	July 1, 2011
Brought forward	651,944	558,584	603,732
Theta Psi (Waterloo):			
Current fund	50,425	38,848	13,847
10-year gifts	–	4,925	224,786
	50,425	43,773	238,633
Lambda Theta (Ottawa):			
Current fund	14,891	8,155	4,958
	717,260	610,512	847,323
General Funds:			
10-year gifts	136,027	123,732	134,458
SCCF Special (Constantine) Fund	52,587	84,821	123,527
George Fierheller Grade Point			
Average award	37,059	30,536	28,563
Graham Funds	114,280	110,756	125,563
	339,953	349,845	412,111
Sigma Chi Housing Corporation loans (note 3)	967,760	869,259	557,012
	\$ 2,024,973	\$ 1,829,616	\$ 1,816,446

All donations received are allocated to either Chapter or General Funds based on donor direction. Each donation is charged a 10% (5% prior to July 1, 2012) fee 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 shortfall. 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 to loan to the Sigma Chi Housing Corporation of that Chapter and the current fund balances of Chapter Funds are available for scholarships and loans.