

Financial Statements of

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

*Year Ended June 30, 2020
(Unaudited)*

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Financial Position (*Unaudited*)
June 30, 2020, with comparative info for 2019

	2020	2019
Assets		
Current assets:		
Cash	42,874	18,026
Accounts Receivable	22,183	37,267
Loans Receivable (note 2)	320,104	328,556
	<u>385,161</u>	<u>383,849</u>
Long-Term Assets		
Long-term investments (note 3)	1,124,918	981,175
Loans Receivable (note 2)	995,229	1,032,589
	<u>2,120,147</u>	<u>2,013,764</u>
	<u>2,505,308</u>	<u>2,397,613</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	15,190	10,570
Net assets (see Schedule)	2,490,118	2,387,042
	<u>2,505,308</u>	<u>2,397,613</u>

See accompanying Notes to the Financial Statements

On behalf of the Board:

/signed/ David MacNicol

Director (Chairman)

/signed/ David Lucescu

Director (Treasurer)

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Operations and Changes in Net Assets *(Unaudited)*
June 30, 2020, with comparative info for 2019

	2020	2019
Revenue		
Donations		
Foundation Programs	10,555	1,731
Chapter Specific	8,586	9,394
Investment Income	32,708	30,094
Realized gain (loss) on investments & foreign exchange	87,496	(1,996)
Change in unrealized gain (loss) on investments	62,134	25,334
	201,479	64,557
Expenditures:		
Scholarships and other mission spending (note 4)	52,000	151,000
Interest, bank and credit card	704	1,415
Travel and meetings	721	4,325
Professional Fees (not including Legal)	11,118	10,020
Legal Fees	20,322	713
Insurance	2,274	2,184
Newsletter and website	2,531	1,411
Non-recoverable Portion of HST	4,381	597
Fundraising	4,352	2,000
	98,402	173,666
Excess (deficiency) of revenue over expenditures	103,077	(109,109)
Net assets, beginning of year	2,387,042	2,496,151
Net Assets, end of year	2,490,118	2,387,042

See accompanying Notes to the Financial Statements

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Financial Position *(Unaudited)*
June 30, 2020, with comparative info for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	103,077	(109,109)
Change in unrealized gain on investments	(62,134)	(25,334)
Investment Income [(Retained In) / Removed From] Investments	5,887	(15,767)
Change in working capital (non-cash):		
Accounts receivable	15,083	(25,515)
Accounts payable and accrued liabilities	4,620	(16,205)
Sub-total Operating Activities (1)	66,532	(191,931)
Financing Activities:		
Proceeds from sale of investments	144,945	103,047
Realized gain on investments and foreign exchange	(87,497)	1,996
Sub-total Financing Activities (2)	57,449	105,043
Investing activities:		
Repayment of Loans Receivable	45,811	131,116
Additions to investments, including reinvestments	(144,945)	(103,047)
Sub-total Investing Activities (3)	(99,134)	28,069
Increase (decrease) in cash (1+2+3)	24,847	(58,819)
Cash, beginning of year	18,027	76,846
Cash, end of year	42,874	18,027

See accompanying Notes to the Financial Statements

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to the Financial Statements
June 30, 2020, with comparative info for 2019

The Sigma Chi Canadian Foundation / La Fondation Sigma Chi (the "Foundation") was incorporated as a charitable foundation 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 Canada Revenue Agency ("CRA" in support of these requirements.

In March of 2020, the Deputy Minister of Finance notified this Foundation of the Intent to Revoke our registration as a Canadian Charity. The Foundation has filed an objection to this Notice of Intent and is awaiting a response from the Ministry / CRA. As part of our response to the Notice of Intent, the Foundation is no longer accepting donations nor are we filing for HST rebates. Should the Foundation lose its appeal, we will be required to transfer our assets within one year, to another Canadian Charity (or multiple charities) and/or distribute assets to eligible donees such as scholarship recipients. At this time, we are continuing to award scholarships and bursaries to eligible donees.

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 on investments are recognized on an accrual basis.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to the Financial Statements
June 30, 2020, with comparative info for 2019

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 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 year, 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 reflect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the year. Significant items subject to such estimates and assumptions include the carrying amounts of investments, loans receivable, and accrued liabilities. Actual results could differ from these estimates.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to the Financial Statements
June 30, 2020, with comparative info for 2019

2. Loans receivable:

The Foundation holds documented loans, which are receivable from Sigma Chi Housing Corporations at various universities. The Gamma Lambda, Beta Omega, Gamma Rho and Theta Psi loans are repayable in annual installments maturing June 30, 2052, and bear fixed interest at the prevailing Canada Revenue Agency (CRA) prescribed rate as at March 31, 2018. The loans are secured by a second mortgage on the various properties. The Delta Omicron loan is repayable in quarterly installments maturing December 31, 2021, and bears fixed interest at the prevailing CRA prescribed rate as at July 1, 2016. The loan is secured by a General Security Arrangement. The Epsilon Omicron loan is repayable on demand and bears interest at variable quarterly prescribed rates as published each calendar quarter that CRA applies to taxable benefits for employees and shareholders for interest-free and low interest loans.

	2020	2019
Loan to Beta Omega	185,078	189,966
Loan to Gamma Lambda	99,740	102,374
Loan to Delta Omicron	17,526	29,066
Loan to Epsilon Omicron	320,104	328,556
Loan to Gamma Rho	395,513	405,958
Loan to Theta Psi	297,372	305,225
	1,315,333	1,361,145
Less current portion	320,104	328,556
	995,229	1,032,589

3. Long-term investments (at market value):

	2020		2019	
Cash held in investment portfolio	41,518	3.7%	87,240	8.9%
Fixed Income	48,452	4.3%	47,000	4.8%
Alternative Assets	179,199	15.9%	171,575	17.5%
Listed Equities	855,748	76.1%	675,360	68.8%
	1,124,918	100.0%	981,175	100.0%

Fixed income securities are comprised of a single corporate bond with a coupon rate of 8.00% (2019 - 8.00%) on par value and maturing March 07, 2024 (2019 - March 2024).

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4. Scholarships and other mission spending:

	2020	2019
University Endowments	-	100,000
Leadership Award Entrance Scholarships	-	6,000
Chapter Specific Scholarships	24,000	24,000
Balfour Leadership Training Workshop Bursaries	4,500	6,000
Graham Scholarships	7,500	5,000
Jim Grimes Awards & General Leadership Scholarships	16,000	10,000
	52,000	151,000

5. Fundraising Costs:

The Foundation has embarked upon a capital fund-raising program some years ago, 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 risks. The Foundation manages, to the best of its ability, these 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. The principal shareholder of the investment manager is a Director of the Foundation and does not charge the Foundation for managing the investment portfolio. There has been no significant change to the risk exposures from the previous year.

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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.

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	2020	2019
Chapter Specific Funds		
Beta Omega (Toronto / Ryerson)	123,690	121,200
Delta Omicron (UBC / SFU)	82,106	59,145
Epsilon Omicron (Western)	16,707	1,454
Gamma Lambda (McGill)	57,866	50,896
Gamma Rho (Dalhousie / St. Mary's)	40,159	24,428
Iota Mu (Wilfrid Laurier)	2,864	2,457
Iota Rho (Bishops)	213,759	183,348
Kappa Mu (Windsor)	234,463	200,203
Theta Psi (Waterloo)	63,669	44,980
Lambda Theta (Ottawa)	33,134	28,245
Sub-total: All Chapter Funds	868,417	716,356
General & Special Funds:		
General Education Fund	1,198	41,488
George Fierheller General Leadership Awards	73,709	63,222
Graham Funds	155,344	139,542
Gamma Rho Society Scholarship Fund	16,464	14,122
Horizons Endowments	59,653	51,166
Sub-total: General and Special Funds	306,368	309,541
Sigma Chi Housing Corporation Loans (Note 2)	1,315,333	1,361,145
	2,490,118	2,387,042

All donations received are allocated to either Chapter or General Funds based on donor direction. Each donation is charged a 20% fee as of January 1, 2014 (previously - 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.