

Financial Statements of

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

Year Ended June 30, 2023
(Unaudited)

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Financial Position (*Unaudited*)
June 30, 2023, with comparative info for 2022

	2023	2022
Assets		
Current assets:		
Cash (Note 3)	76,993	116,515
Accounts Receivable (Note 2)	66,688	44,005
Prepaid Expenses and Deposits	-	-
Loans Receivable (Note 2)	294,236	302,944
	437,916	463,464
Long-Term Assets		
Long-term investments (Note 3)	903,714	897,733
Loans Receivable (Note 2)	863,863	890,810
	1,767,577	1,788,543
	2,205,493	2,252,007

Liabilities and Net Assets

Current liabilities:		
Bank Indebtedness	-	-
Accounts payable and accrued liabilities	33,791	11,616
Net assets (see Schedule)	2,171,702	2,240,391
	2,205,493	2,252,007

See accompanying Notes to the Financial Statements

On behalf of the Board:

/signed/ J Akitt Director (Chair)

/signed/ D Lucescu Director (Treasurer)

(If you require an official copy with actual signatures please contact the Treasurer at David.Lucescu@SigmaChi.com)

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Operations and Changes in Net Assets *(Unaudited)*
June 30, 2023, with comparative info for 2022

	2023	2022
Revenue		
Donations (see paragraph 3 of the prelude to Notes)		
Foundation Programs	-	-
Chapter Specific	-	-
Investment Income	47,704	33,161
Realized gain (loss) on investments & foreign exchange	-	(17,040)
Change in unrealized gain (loss) on investments	31,295	(105,851)
	<u>78,999</u>	<u>(89,731)</u>
Expenditures:		
Scholarships and other mission spending (Note 4)	54,500	128,681
Interest, bank and credit card	165	813
Travel and meetings	3,886	1,789
Professional Fees (not including Legal)	12	12
Legal Fees	78,203	-
Insurance	2,308	2,293
Newsletter and website	3,454	3,513
Non-recoverable Portion of HST	3,235	3,691
Fundraising	1,925	830
	<u>147,688</u>	<u>141,621</u>
Excess (deficiency) of revenue over expenditures	(68,689)	(231,352)
Net assets, beginning of year	2,240,391	2,471,743
Net Assets, end of year	<u>2,171,702</u>	<u>2,240,391</u>

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THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Statement of Financial Position *(Unaudited)*
June 30, 2023, with comparative info for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	(68,689)	(231,352)
Change in unrealized gain on investments	(31,295)	105,851
Investment Income [(Retained In) / Removed From] Investments	20,964	(20,525)
Change in working capital (non-cash):		
Accounts receivable	(22,683)	9,343
Accounts payable and accrued liabilities	22,174	(1,536)
Sub-total Operating Activities (1)	(79,528)	(138,218)
Financing Activities:		
Proceeds from sale of investments	4,350	883,497
Realized gain on investments and foreign exchange	-	17,040
Sub-total Financing Activities (2)	4,350	900,537
Investing activities:		
Repayment of Loans Receivable	35,656	75,309
Additions to investments, including reinvestments	-	(1,883,597)
Sub-total Investing Activities (3)	35,656	(1,808,288)
Increase (decrease) in cash (1+2+3)	(39,523)	(1,045,969)
Cash, beginning of year	116,515	1,162,484
Cash, end of year	76,993	116,515

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THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to the Financial Statements (Unaudited)
June 30, 2023, with comparative info for 2022

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 its Registration as a Canadian Charity. The Foundation filed an objection, and in May 2023 the CRA made a final ruling against our objection. In June of 2023, the Foundation, through legal counsel Miller Thomson, requested an appeal to the Federal Tax Court. As part of the response to the Notice of Intent, the Foundation is no longer accepting donations (as of April 20, 2020). Should the Foundation lose its appeal to the Courts, it will be required to transfer all 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 (Unaudited)
June 30, 2023, with comparative info for 2022

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 (Unaudited)
June 30, 2023, with comparative info for 2022

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, which was 1.0%. The loans are secured by a second mortgage on the various properties. The Delta Omicron loan has been fully repaid during the course of the 2021-22 year. 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.

	2023	2022
Loan to Beta Omega	170,121	175,157
Loan to Gamma Lambda	56,857	59,916
Loan to Delta Omicron	-	-
Loan to Epsilon Omicron	294,236	302,944
Loan to Gamma Rho	363,545	374,307
Loan to Theta Psi	273,340	281,430
	1,158,099	1,193,754
Less current portion	294,236	302,944
	863,863	890,810

Accounts receivable are generally the current portion of principal due on the loans plus accumulated interest. Payments are due annually, 30 days following the Foundation's fiscal year end. All A/Rs are current except the Epsilon Omicron (London Sigma Chi Properties Inc.); the 2021-22 payment plus arrears interest are overdue. **Subsequent to year-end**, LSCPI has been notified that the Board has approved the referral of their account to our lawyers for collection procedures should the A/Rs remain unpaid as of Sept 30, 2023.

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

	2023		2022	
Cash held in				
investment portfolio	6,069	0.7%	27,033	3.0%
Fixed Income	444,240	49.2%	446,400	49.7%
Equities	453,406	50.2%	424,300	47.3%
TOTALS	903,715	100.0%	897,733	100.0%

The Foundation's investment manager resigned in early 2021 and the Foundation set up a self-directed iTrade account at Scotiabank (finalized and invested in early July 2021). Investments are in Canadian Mutual Funds, ETFs and cash.

THE SIGMA CHI CANADIAN FOUNDATION/ LA FONDATION CANADIENNE SIGMA CHI

Notes to the Financial Statements (Unaudited)
June 30, 2023, with comparative info for 2022

4. Scholarships and other mission spending:

	2023	2022
University Endowments	-	-
Leadership Award Entrance Scholarships	-	-
Chapter Specific Scholarships	30,000	68,000
*Krach Transformational Leadership Workshop Bursaries	1,500	55,681
Horizons Leadership Training Program - Canada	-	-
Graham Scholarships	5,000	-
Jim Grimes Awards & General Leadership Scholarships	18,000	5,000
	54,500	128,681

*Formerly Balfour Leadership Training Workshop

5. Fundraising Costs:

There are no active fundraising programs at the present time, pending the CRA outcome.

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. 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 invested and managed the investment portfolio in accordance with the Foundation's investment policy statement until January 2021. The principal shareholder of the investment manager was a Director of the Foundation and did not charge the Foundation for managing the investment portfolio. Following the resignation of the investment manager, and given the uncertainty of the CRA decision and relatively short time frame (one - two years), the Foundation has established a self-directed Scotiabank iTrade account and manages its own investment program using Mutual Funds and

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Notes to the Financial Statements (Unaudited)
June 30, 2023, with comparative info for 2022

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 a short-term bond ETF and a Canadian Dividend Index ETF

(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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Notes to the Financial Statements (Unaudited)
June 30, 2023, with comparative info for 2022

7. Designated Funds:

	2023	2022
Chapter Specific Funds		
Beta Omega (Toronto / Ryerson)	87,127	81,088
Delta Omicron (UBC / SFU)	91,987	92,842
Epsilon Omicron (Western)	49,513	37,891
Gamma Lambda (McGill)	19,477	45,032
Gamma Rho (Dalhousie / St. Mary's)	53,080	41,619
Iota Mu (Wilfrid Laurier)	2,661	2,686
Iota Rho (Bishops)	201,121	202,990
Kappa Mu (Windsor)	215,818	219,875
Theta Psi (Waterloo)	82,236	71,996
Lambda Theta (Ottawa)	0	0
Sub-total: All Chapter Funds	803,020	796,019
General & Special Funds:		
General Education Fund	194	24,793
George Fierheller General Leadership Awards	60,679	69,123
Graham Funds	139,458	145,678
Gamma Rho Society Scholarship Fund	10,253	11,024
Horizons Endowments	0	0
Sub-total: General and Special Funds	210,584	250,618
Sigma Chi Housing Corporation Loans (Note 2)	1,158,099	1,193,754
	2,171,702	2,240,391