REPORT OF THE COMMITTEE ON AUDIT REVIEW TO THE BOARD OF DIRECTORS

Members of the Board of Directors appointed to serve on the 2001-2002 Audit Review Committee is listed below:

Dr. Sue Ann Miller, Chairman
Dr. Howard Ceri
Mr. Ronald Weinberg

By Invitation:
Dr. S. Gaylen Bradley

The Committee met via a telephone conference call on September 25, 2002 to review the Sigma Xi Financial Statements and the Auditors' Report for fiscal year 2002. Joining the Committee in the conference call were Dr. Patrick Sculley, Executive Director, Dr. Evan Ferguson (Deputy Executive Director) and Ms. Jasmine Shah (Director of Budget & Finance) representing Sigma Xi management and Ms. Ruth Bartholomew (Partner) and Ms. Wendy Howard (Audit Manager) of the auditing firm of Cherry, Bekaeft and Holland, L.L.P. Dr. Gaylen Bradley joined the call by invitation as a Resource Consultant for the Committee. Copies of the financial statements and associated documents were sent to all participants for their review prior to the conference call.

Committee members asked for clarification of some entries in the financial statements. Dr. Sculley, Dr. Ferguson, Ms. Shah and the auditors satisfactorily answered all questions that were raised. The Committee had subsequent closed sessions with the auditors and with management of Sigma Xi.

A management letter with following recommendations was issued by the auditors.

1. Investments to be recorded at market value
2. Investments Gains and Losses – All accumulated gains to be recorded as unrestricted instead of temporarily restricted. The Board to pass a resolution allowing the accumulated gains of $7 million in the temporarily restricted fund to be reclassified as unrestricted and used to offset the unallocated deficit.
3. Board Designations and unrestricted net assets – The Board to carefully assess the funds it designates in relationship to total unrestricted net assets, to ensure that the designations are not excessive.

The Committee members unanimously agreed to accept the recommendations made by the auditors.
The Committee was pleased to receive an unqualified opinion on the financial statements from the Auditors. The auditors reported that there were no material errors or irregularities and no material weaknesses in the accounting or financial activities of the Society. The high level of openness, availability and cooperation of the Society’s financial managers with the auditors was noted. The Auditors also assured the Committee that there were no significant adjustments or reclassifications recorded or significant changes in accounting policies.

In sum, the Auditors offered the opinion that: “... the financial statements referred to above present fairly, in all material respects, the financial position of Sigma Xi, The Scientific Research Society, Incorporated as of June 30, 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.” The Committee on Audit Review unanimously accepted this judgment by the Auditors.

During the closed session with management, the Committee desired that a policy be formed with regards to the following:
1. Competitive bids are acquired before major purchase is made.
2. Policy is formed to allow Audit Review Committee to rotate auditors periodically at an interval of about 5 years and that the Audit Review Committee would recommend to the Board of Directors of the Corporation the appointment of the external auditors for the next fiscal year.

Respectfully submitted, [Signature]
Sue Ann Miller, Chairman
Committee on Audit Review