

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

Members serving on the 2011-2012 Audit Review Committee are listed below:

Dr. S. Gaylen Bradley, Chairman  
Dr. Peggy Fischer (resigned from the Audit Review Committee 10/9/2012)\*  
Mr. Tom Laming  
Dr. David Lever (incoming member of the Audit Review Committee)\*\*

The Committee met via conference call on Tuesday, October 2 and 18, 2012 to review the Sigma Xi Financial Statements and the Auditors' Report for fiscal year 2012. Joining the Committee on the call were Dr. Jerome Baker (Executive Director) and Ms. Jasmine Shah (Director of Budget & Finance) representing Sigma Xi management and Nancy Gunza and Michael Szulak of the auditing firm of CliftonLarsonAllen. Copies of the financial statements and associated documents were sent to all participants for their review prior to the conference calls.

Committee members asked for clarification of some entries in the financial statements. Dr. Baker, Ms. Shah and the auditors satisfactorily answered all questions that were raised.

In sum, the Auditors offered the opinion that "In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Society as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years ended June 30, 2012 and 2011 in conformity with accounting principles generally accepted in the United States of America." Further, "We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses," and "The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*."

The Committee on Audit Review unanimously accepted this judgment by the Auditors.

The Committee had a subsequent closed session with the auditors.

The Society has incurred recurring operating losses resulting in a current and prior six years deficiency in unrestricted net assets. The Committee wishes to emphasize to the Board of Directors that the Society's reliance on endowment principal and income in its annual budget remains an area of concern.

Over the past decade Sigma Xi has accumulated a significant amount of local dues for chapters that have become inactive. The amount of local chapter dues held for inactive chapters is an issue that Sigma Xi needs to address. The Society implemented a policy during 2012 to account for the approximate \$50,000 Local Dues Reserve for the dues received between the years 2000 and 2007, for inactive chapters. However, the Society has not addressed the approximate \$74,000 Prepaid Local Dues for known inactive chapters recorded at June 30, 2012. It is important that management develop a policy and plans to implement the policy during fiscal year 2013. In addition, Sigma Xi will determine whether North Carolina or other states' unclaimed property laws factor into the ultimate disbursement of these funds

The Committee members unanimously agreed to accept the recommendation made by the auditors.

Respectfully submitted,  
S. Gaylen Bradley, Chairman  
Committee on Audit Review

\*Dr. Peggy Fischer participated in the conference call on October 2, 2012.

\*\*Dr. David Lever participated only in the conference call on October 18, 2012.