
THE ENDOWMENT FUND OF THE
PHI KAPPA PSI FRATERNITY
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
Together with Independent Auditors' Report
DECEMBER 31, 2017 AND 2016

GREENWALT^{CPAs}
We Deliver Peace of Mind



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Endowment Fund of the Phi Kappa Psi Fraternity:

We have audited the accompanying consolidated financial statements of The Endowment Fund of the Phi Kappa Psi Fraternity (d/b/a Phi Kappa Psi Foundation; Phi Psi Foundation) and Subsidiaries (the "Foundation"), an Illinois not-for-profit corporation, which comprise the consolidated statement of financial position as of December 31, 2017 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 31, 2018

Greenwalt CPAs, Inc.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash	\$ 610,122	\$ 876,614
Contributions receivable, net of allowance	1,044,568	1,232,505
Related party receivable	-	44,757
Notes receivable	3,939,259	4,092,564
Other receivables	6,896	599
Investments	18,755,501	17,587,615
Cash surrender value of life insurance	4,092,701	6,031,769
Property held as an investment, net	559,517	585,187
Property and equipment, net	1,773,330	1,899,479
Beneficial interest in perpetual trusts	420,457	495,327
Prepaid expenses	54,593	54,883
	<u>\$ 31,256,944</u>	<u>\$ 32,901,299</u>
<i>Total assets</i>		

LIABILITIES AND NET ASSETS

LIABILITIES

Line of credit	\$ 3,275,000	\$ 3,275,000
Accounts payable and accrued expenses	280,621	273,530
Related party payable	98,158	-
Income tax payable	42,268	-
Gift annuity payable	8,756	8,105
Mortgage payable	358,427	371,167
Customer deposits	45,600	37,000
Deferred tax liability	200,500	-
	<u>4,309,330</u>	<u>3,964,802</u>
<i>Total liabilities</i>		

COMMITMENTS AND CONTINGENCIES (NOTES 13 AND 16)

NET ASSETS

Unrestricted		
Undesignated	2,894,885	3,003,090
Designated	4,857,213	7,278,597
	<u>7,752,098</u>	<u>10,281,687</u>
<i>Total unrestricted net assets</i>		
Temporarily restricted	18,040,077	17,447,001
Permanently restricted	1,155,439	1,207,809
	<u>26,947,614</u>	<u>28,936,497</u>
<i>Total net assets</i>		
	<u>\$ 31,256,944</u>	<u>\$ 32,901,299</u>
<i>Total liabilities and net assets</i>		

See accompanying notes to consolidated financial statements.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
REVENUES, GAINS AND OTHER SUPPORT					
Member support and other contributions	\$2,312,256	\$ 1,316,510	\$ 22,500	\$ 3,651,266	\$ 2,024,188
Endowed operating fund grant	21,352	-	-	21,352	21,341
Investment income	366,523	1,434,118	-	1,800,641	888,497
Change in beneficial interest in perpetual trusts	-	-	(74,870)	(74,870)	(60,973)
Change in value of gift annuity	2,870	-	-	2,870	101
Interest income on notes receivable	19,576	213,955	-	233,531	242,009
Rental income	155,676	-	-	155,676	155,135
Increase (decrease) in cash value of life insurance	(1,939,068)	-	-	(1,939,068)	139,523
Designated fund investment/management fee	338,711	-	-	338,711	330,500
Events income	280,152	-	-	280,152	262,212
Net assets released from restrictions	<u>2,371,507</u>	<u>(2,371,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total revenues, gains and other support</i>	<u>3,929,555</u>	<u>593,076</u>	<u>(52,370)</u>	<u>4,470,261</u>	<u>4,002,533</u>
EXPENSES					
Program	3,512,056	-	-	3,512,056	3,218,494
Management and general	1,249,057	-	-	1,249,057	737,160
Fundraising	964,031	-	-	964,031	744,656
<i>Total functional expenses</i>	<u>5,725,144</u>	<u>-</u>	<u>-</u>	<u>5,725,144</u>	<u>4,700,310</u>
LIFE INSURANCE PREMIUMS (NOTE 12)					
<i>Total expenses</i>	<u>734,000</u>	<u>-</u>	<u>-</u>	<u>734,000</u>	<u>1,733,066</u>
	<u>6,459,144</u>	<u>-</u>	<u>-</u>	<u>6,459,144</u>	<u>6,433,376</u>
CHANGE IN NET ASSETS	(2,529,589)	593,076	(52,370)	(1,988,883)	(2,430,843)
NET ASSETS, BEGINNING OF YEAR	<u>10,281,687</u>	<u>17,447,001</u>	<u>1,207,809</u>	<u>28,936,497</u>	<u>31,367,340</u>
NET ASSETS, END OF YEAR	<u>\$7,752,098</u>	<u>\$ 18,040,077</u>	<u>\$ 1,155,439</u>	<u>\$ 26,947,614</u>	<u>\$ 28,936,497</u>

See accompanying notes to consolidated financial statements.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>Management & General</u>		<u>2017 Total</u>	<u>2016 Total</u>
		<u>Fundraising</u>			
Educational program grants (Phi Kappa Psi Fraternity grants, etc.)	\$ 667,825	\$ -	\$ -	\$ 667,825	\$ 229,774
Grants, fellowships and scholarships	569,413	-	-	569,413	613,207
Educational area grants	656,638	-	-	656,638	1,186,638
Endowed operating fund grant	-	21,352	-	21,352	21,341
Salary, wages, taxes and benefits	305,047	278,850	519,216	1,103,113	738,413
Travel, lodging, meals and entertainment	259,844	114,840	71,190	445,874	169,736
Conferences and professional development	12,113	13,583	5,889	31,585	17,497
Gifted policy insurance premiums	-	-	2,662	2,662	2,662
Professional services (accounting, legal, consulting, etc.)	185,582	148,651	73,420	407,653	265,967
Designated fund and LLC investment management fee	366,710	-	-	366,710	357,104
Supplies	10,294	16,198	10,389	36,881	20,882
Dues, licenses and subscriptions	3,152	7,971	10,656	21,779	14,854
Postage and delivery	1,383	17,224	8,179	26,786	44,949
Advertising, creative, printing and reproduction	74,158	60,939	95,267	230,364	177,011
Depreciation	83,001	54,664	21,332	158,997	161,752
Mortgage interest, banking and financial fees	21,729	91,991	-	113,720	86,771
Investment manager fees	41,176	-	-	41,176	39,304
Property and liability insurance	-	17,907	3,411	21,318	14,985
Utilities	17,378	15,261	9,432	42,071	39,794
Maintenance and repairs	33,193	31,649	12,351	77,193	82,491
Facility services	42,693	40,708	15,886	99,287	73,138
Equipment rental	10,548	4,787	481	15,816	9,461
Vehicle insurance, maintenance and repairs	701	(987)	23,782	23,496	16,809
Bad debt expense (unfulfilled pledges)	149,478	-	80,488	229,966	65,043
In-kind expense (Note 15)	-	27,000	-	27,000	250,727
Taxes on investment income	-	286,469	-	286,469	-
	<u>\$ 3,512,056</u>	<u>\$ 1,249,057</u>	<u>\$ 964,031</u>	<u>\$ 5,725,144</u>	<u>\$ 4,700,310</u>

See accompanying notes to consolidated financial statements.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program	Management & General	Fundraising	2016 Total
Educational program grants (Phi Kappa Psi Fraternity grants, etc.)	\$ 229,774	\$ -	\$ -	\$ 229,774
Grants, fellowships and scholarships	613,207	-	-	613,207
Educational area grants	1,186,638	-	-	1,186,638
Endowed operating fund grant	-	21,341	-	21,341
Salary, wages, taxes and benefits	198,172	184,018	356,223	738,413
Travel, lodging, meals and entertainment	16,510	92,678	60,548	169,736
Conferences and professional development	4,147	7,364	5,986	17,497
Gifted policy insurance premiums	-	-	2,662	2,662
Professional services (accounting, legal, consulting, etc.)	62,144	128,646	75,177	265,967
Designated fund and LLC investment management fee	357,104	-	-	357,104
Supplies	5,186	9,220	6,476	20,882
Dues, licenses and subscriptions	2,325	2,394	10,135	14,854
Postage and delivery	8,021	14,337	22,591	44,949
Advertising, creative, printing and reproduction	39,454	28,827	108,730	177,011
Depreciation	84,185	55,794	21,773	161,752
Mortgage interest, banking and financial fees	24,473	62,298	-	86,771
Investment manager fees	39,304	-	-	39,304
Property and liability insurance	274	12,357	2,354	14,985
Utilities	16,994	14,969	7,831	39,794
Maintenance and repairs	35,471	33,821	13,199	82,491
Facility services	31,449	29,987	11,702	73,138
Equipment rental	-	9,461	-	9,461
Vehicle insurance, maintenance and repairs	-	130	16,679	16,809
Bad debt expense (unfulfilled pledges)	41,953	500	22,590	65,043
In-kind expense (Note 15)	221,709	29,018	-	250,727
	<u>\$ 3,218,494</u>	<u>\$ 737,160</u>	<u>\$ 744,656</u>	<u>\$ 4,700,310</u>

See accompanying notes to consolidated financial statements.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Page 1 of 2

CHANGE IN CASH

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grantors, contributors and others	\$ 4,356,504	\$ 3,078,422
Cash paid for scholarships and grants	(1,893,876)	(2,029,619)
Cash paid to vendors and employees	(2,951,082)	(2,276,174)
Interest paid	(99,215)	(67,287)
Cash investment income, net of fees	306,595	154,479
Interest income on notes receivable	233,531	242,009
Income taxes paid, net	(43,701)	-
	<u>(91,244)</u>	<u>(898,170)</u>
<i>Net cash used in operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(16,287,307)	(17,234,497)
Proceeds from sales and maturities of investments	16,712,021	16,739,966
Life insurance premium paid on investment contract	(734,000)	(1,733,066)
Net receipts (payments) of gift annuity	651	(1,250)
Purchase of property and equipment	(7,178)	(8,598)
Net decrease in notes receivable	153,305	95,727
	<u>(162,508)</u>	<u>(2,141,718)</u>
<i>Net cash used in investing activities</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line of credit	-	3,275,000
Payments on mortgage	(12,740)	(9,457)
	<u>(12,740)</u>	<u>3,265,543</u>
<i>Net cash provided by (used in) financing activities</i>		
CHANGE IN CASH	(266,492)	225,655
CASH, BEGINNING OF YEAR	<u>876,614</u>	<u>650,959</u>
CASH, END OF YEAR	<u>\$ 610,122</u>	<u>\$ 876,614</u>
SCHEDULE OF NON-CASH INVESTING ACTIVITY		
Donated stock	<u>\$ 96,419</u>	<u>\$ 105,014</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO
 NET CASH USED IN OPERATING ACTIVITIES

	<u>2017</u>	<u>2016</u>
CHANGE IN NET ASSETS	\$ (1,988,883)	\$ (2,430,843)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	158,997	161,752
Realized gain on sale of investments	(1,310,972)	(1,661,119)
Unrealized (gain) loss on investments	(183,074)	927,101
Change in value of gift annuity	(2,135)	735
Change in beneficial interest in perpetual trusts	74,870	60,973
Increase (decrease) in cash value of life insurance	1,939,068	(139,524)
Investment in life insurance premium	734,000	1,733,066
Non-cash contributions	(96,419)	(105,014)
<i>(Increase) decrease in operating assets:</i>		
Contributions receivable	187,937	388,667
Related party receivable	44,757	51,750
Other receivables	(6,297)	401
Prepaid expenses	290	(17,260)
<i>Increase in operating liabilities:</i>		
Accounts payable and accrued expenses	7,091	117,695
Related party receivable	98,158	-
Income tax payable	42,268	-
Customer deposits	8,600	13,450
Deferred tax liability	200,500	-
 <i>Total adjustments</i>	 <u>1,897,639</u>	 <u>1,532,673</u>
NET CASH USED IN OPERATING ACTIVITIES	 <u>\$ (91,244)</u>	 <u>\$ (898,170)</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Endowment Fund of the Phi Kappa Psi Fraternity (d/b/a Phi Kappa Psi Foundation; Phi Psi Foundation) (the "Foundation") is a not-for-profit organization whose mission and principal activities are to foster the development of leaders and to promote academic excellence in higher education by providing students with scholarships and awards and by supporting educational projects and programs for their benefit. The Foundation's revenues and other support are derived principally from contributions and investment returns.

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Foundation and its subsidiaries, PKP McMahan Finance Engine, LLC, Property Preservation, LLC, Oneonta-Maple, LLC, Hammer Street Properties, LLC, and Nelson Leadership Institute, LLC. All intercompany transactions have been eliminated in consolidation.

PKP McMahan Finance Engine, LLC (the "Finance Engine") is a single member LLC of which the Foundation is the sole member. The Finance Engine was formed to receive and maintain gifts of life insurance.

Property Preservation, LLC is a single member LLC owned by the Foundation. Oneonta-Maple, LLC and Hammer Street Properties, LLC are single member LLCs owned by Property Preservation, LLC. These limited liability companies own properties currently occupied by house corporations of the Phi Kappa Psi Fraternity, Inc. (the "Fraternity") and are held as investments.

Nelson Leadership Institute, LLC (the "Institute") is a single member LLC of which the Foundation is the sole member. The Institute was formed to provide dynamic leadership training and education to empower, develop and affirm undergraduate members of the Phi Kappa Psi Fraternity in their quest to become ethical, mission-driven leaders of influence and high moral character.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total, but not by net asset class and functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CASH

For purposes of the statements of cash flows, the Foundation considers cash held in money market accounts and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2017 and 2016. Cash held in investment accounts is reported in investments on the statement of financial position. See Note 5. At December 31, 2017 the Foundation maintained \$163,083 of cash balances in excess of FDIC limits.

CONTRIBUTIONS RECEIVABLE

Unconditional gifts to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

The Foundation uses the allowance method to estimate uncollectible pledges receivable. The allowance is based on historical experience and management's analysis of specific promises made.

NOTES RECEIVABLE

Notes receivable represent outstanding mortgages from various house corporations. Notes receivable are reported at their carrying value. No allowance for doubtful accounts has been recorded against these loans based on their collateralization and prior collection history. Notes receivable represent 12.6% and 12.4% of total assets at December 31, 2017 and 2016, respectively.

INVESTMENTS AND INVESTMENT RETURN

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investments in open-ended mutual funds are carried at their estimated fair values. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

The Foundation maintains pooled investment accounts for its endowments, Chapter Scholarship Funds, Chapter Leadership Funds, Chapter Housing Funds, Chapter House Operating Funds, Mentor Scholarship Funds, and Individual or Named Funds. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual funds based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

CASH SURRENDER VALUE OF LIFE INSURANCE

Donated life insurance policies that are owned by the Foundation have been presented at their realizable value, net of surrender charges.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost if purchased or fair market value if donated and expenditures for normal maintenance and repairs are expensed as incurred. Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Depreciation expense was \$158,997 and \$161,752 for 2017 and 2016, respectively. When equipment is purchased under a capital lease, it is included in a property and equipment asset account with corresponding depreciation expense and accumulated depreciation recognized under the same method as the other assets described above.

CUSTOMER DEPOSITS

Customer deposits consist of deposits for the rental of Laurel Hall for future events that have been collected in advance. The revenue from the rental will be recognized when the events occur.

GIFT ANNUITY

The Foundation has a charitable gift annuity program in which donors make irrevocable gifts to the Foundation and receive an annuity payment for their lifetime, their named beneficiary's lifetime, or jointly. Assets are invested, and payments are made in accordance with the respective agreements. Contribution revenue is recognized at the date the agreement is established. In addition, the present values of the estimated future payments to be made under these agreements, calculated using discount rates which present risk adjusted rates in existence at the date of the gift, are recorded as liabilities.

NET ASSETS

Unrestricted net assets include revenue and expenses from the regular operations of the Foundation, the uses of which are at the discretion of management and the Board of Trustees.

Designated net assets are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects or investments.

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific use or time period. Temporarily restricted net assets primarily represent funds that have been given by donors for Chapter Scholarship Funds, Chapter Leadership Funds, Chapter Housing Funds, Chapter House Operating Funds and Mentor Scholarship Funds.

Permanently restricted net assets include assets of the Foundation for which the donor has stipulated that the contribution be maintained in perpetuity. Donor imposed restrictions limiting the use of assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. See Note 2.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTIONS

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses have been classified as program, management and general, and fundraising based on the actual direct expenditures and cost allocation based on estimates of time and usage by organization personnel and programs.

ADVERTISING

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2017 and 2016 were \$9,911 and \$3,839.

FAIR VALUE MEASUREMENTS

Accounting Standards for Fair Value define fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. These standards also establish a three-level fair value hierarchy for disclosure that prioritizes valuations based on whether the significant inputs used to estimate fair value are observable, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to valuations primarily based on unobservable inputs (level 3 measurements). The methods for determining fair value have not changed in 2017.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

Fair values measured on a recurring basis at December 31, 2017 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Fixed Income	\$ 962,776	\$ 962,776	\$ -	\$ -
Equity	4,999,292	4,999,292	-	-
Equity securities	601,458	601,458	-	-
US Treasury Bills	3,796,566	3,796,566	-	-
Hedge funds:				
Gas and oil royalty funds	7,938,580			
Annuity	27,135	27,135	-	-
Beneficial interest in perpetual trusts	420,457	-	420,457	-
Contributions receivable	1,044,568	-	-	1,044,568
	<u>\$ 19,790,832</u>	<u>\$ 10,387,227</u>	<u>\$ 420,457</u>	<u>\$ 1,044,568</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) are as follows:

	Contributions <u>receivable</u>
Balances, December 31, 2016	\$ 1,232,505
Realized gain	-
Unrealized loss	-
Proceeds	-
Contributions received, net	(239,582)
Change in discount to present value	34,645
Change in allowance	17,000
Balances, December 31, 2017	<u>\$ 1,044,568</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

Fair values measured on a recurring basis at December 31, 2016 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Fixed Income	\$ 916,447	\$ 916,447	\$ -	\$ -
Equity	4,020,959	4,020,959	-	-
Equity securities	1,430,671	1,430,671	-	-
US Treasury Bills	2,478,591	2,478,591	-	-
Hedge funds:				
Gas and oil royalty funds	8,682,130			
Annuity	24,265	24,265	-	-
Beneficial interest in perpetual trusts	495,327	-	495,327	-
Contributions receivable	1,232,505	-	-	1,232,505
	<u>\$ 19,280,895</u>	<u>\$ 8,870,933</u>	<u>\$ 495,327</u>	<u>\$ 1,232,505</u>

Following is a description of the valuation methodologies used for assets measured at fair market value:

Mutual funds - Valued at the net asset value of shares held by the Foundation at year-end quoted in active markets and classified within Level 1 of the valuation hierarchy.

Equity securities and US Treasuries - Valued at the closing price reported on a publicly traded market and classified within Level 1 of the valuation hierarchy.

Hedge funds - Valued based on amounts the Foundation would have received at December 31, 2017 and 2016 had it liquidated its interests. See Note 5.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

Beneficial interest in perpetual trusts – The Foundation has an interest in two trusts. One is valued based on the estimated present value of the future cash flows of the interest, and the other is valued at the fair value of the underlying trust assets as reported by the trustee. See Note 8.

Contributions receivable - Valued at their gross amount less an estimated allowance and less an estimated discount to present value as described in Note 3.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through July 31, 2018, which is the date the financial statements were available to be issued.

2. ENDOWMENT FUNDS

The Foundation's endowment includes some permanently restricted contributions from donors that were made to provide a source of income for scholarships. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the purchasing power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2017 AND 2016

2. ENDOWMENT FUNDS, CONTINUED

Changes in Endowment Net Assets for the Year Ended December 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 84,037	\$ 1,207,809
Change in value of beneficial interest in perpetual trusts		(74,870)
Contributions		22,500
Net investment income	75,355	
Appropriated for spending	<u>(11,450)</u>	
Endowment net assets, end of year	<u>\$ 147,942</u>	<u>\$ 1,155,439</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 94,262	\$ 1,268,782
Change in value of beneficial interest in perpetual trusts		(60,973)
Contributions	23	
Net investment income	30,696	
Appropriated for spending	<u>(40,944)</u>	
Endowment net assets, end of year	<u>\$ 84,037</u>	<u>\$ 1,207,809</u>

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2017 AND 2016

2. ENDOWMENT FUNDS, CONTINUED

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy administered in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on long-term growth and a reasonable return. Under this policy, the endowment assets are invested to preserve capital and focus on the long-term growth of assets with the objective of producing a minimum return of 5% plus the rate of inflation annualized over a market cycle.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation has a policy whereby disbursements may be made up to 5% of the endowment's previous year fund balance for scholarships and grants with the exception of endowed funds governed by fund specific gift agreements. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 324,289	\$ 551,888
Due in one to five years	773,570	819,838
Due in more than five years	<u>139,087</u>	<u>35,512</u>
	1,236,946	1,407,238
Allowance for uncollectible contributions	(123,700)	(140,700)
Unamortized discount	<u>(68,678)</u>	<u>(34,033)</u>
	<u>\$ 1,044,568</u>	<u>\$ 1,232,505</u>

4. NOTES RECEIVABLE

The value of the notes receivable at December 31, 2017 and 2016 was \$3,939,259 and \$4,092,564. The notes accrue interest annually at rates ranging from 5.34% to 7.00% and have various maturity lengths ranging from 10 years to 33 years.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2017 AND 2016

5. INVESTMENTS

The Foundation's investments are stated at fair value in the statement of financial position. Fair market value of equity securities, mutual funds, and Treasury Bills is the value of the security, fund, or bill at market close on the date of valuation. The fair value of the hedge fund investments is based on the amount that the Foundation would have received at December 31, 2017 had it liquidated its interests. Hedge funds may be redeemed semi-annually with 6 months advance written notice. Unrealized gains and losses are reported in the statement of activities.

Investments at December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash	\$ 429,693	\$ 34,552
Gift annuity	27,135	24,265
US Treasury Bills	3,796,566	2,478,591
Equity securities	601,458	1,430,671
Mutual funds	5,962,068	4,937,406
Hedge funds:		
Gas and oil royalty funds	7,938,581	8,682,130
	<u>\$ 18,755,501</u>	<u>\$ 17,587,615</u>

Investments had a cost basis of \$12,625,984 and \$11,644,040 at December 31, 2017 and 2016, respectively.

Investment income (loss) detail at December 31:

	<u>2017</u>	<u>2016</u>
Realized gain	\$ 1,310,972	\$ 1,661,119
Unrealized gain (loss)	183,074	(927,101)
Investment income *	306,595	154,479
	<u>\$ 1,800,641</u>	<u>\$ 888,497</u>

*Investment income consists of interest, dividends and other investment income.

6. PROPERTY HELD AS AN INVESTMENT

	<u>2017</u>	<u>2016</u>
Land, buildings and improvements	\$ 844,250	\$ 844,250
Less accumulated depreciation and amortization	(284,733)	(259,063)
	<u>\$ 559,517</u>	<u>\$ 585,187</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2017 AND 2016

6. PROPERTY HELD AS AN INVESTMENT, CONTINUED

Property Preservation, LLC is the sole member of two limited liability companies that own and actively rent properties. The properties are occupied by house corporations. One of the properties has a mortgage (Note 10). The properties are being depreciated using the straight-line method over 25 years.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	<u>2017</u>	<u>2016</u>
Land, buildings and improvements	\$ 3,117,726	\$ 3,117,726
Furnishings and equipment	687,273	671,495
Antiques and works of art	113,951	113,951
Construction in progress	<u>28,035</u>	<u>36,633</u>
	3,946,985	3,939,805
Less accumulated depreciation and amortization	<u>(2,173,655)</u>	<u>(2,040,326)</u>
	<u>\$ 1,773,330</u>	<u>\$ 1,899,479</u>

8. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Foundation is the irrevocable beneficiary of a portion of the income earned on the assets held by two perpetual trusts. The estimated present value of future cash flows of one is \$406,000 and \$482,000 at December 31, 2017 and 2016, respectively. The other trust is valued at the fair market value of the underlying assets as reported by the trustee, which was \$14,457 and \$13,327 at December 31, 2017 and 2016, respectively.

9. LINE OF CREDIT

In March 2016, the PKP McMahan Finance Engine, LLC obtained a line of credit that provides maximum borrowings of \$4,000,000 at an interest rate of prime minus 1.75% (2.75% at December 31, 2017) through March 2020. The line is secured by a \$33,000,000 life insurance policy that had a cash surrender value of \$3,964,670 at December 31, 2017. At December 31, 2017 and 2016, the outstanding balance on the line of credit was \$3,275,000.

The PKP McMahan Finance Engine, LLC gifted the proceeds from the loan to the Foundation.

10. MORTGAGE PAYABLE

Long term debt of the Foundation consists of a mortgage payable on Hammer Street Properties, LLC. The mortgage requires monthly payments of \$2,827 including interest at 6.5% through March 1, 2036. The debt outstanding on the mortgage at December 31, 2017 and 2016 was \$358,427 and \$371,167, respectively.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2017 AND 2016

10. MORTGAGE PAYABLE, CONTINUED

Future maturities of the mortgage payable are as follows for the years ending December 31:

2018	\$	10,706
2019		11,423
2020		12,188
2021		13,005
2022		13,875
Thereafter		<u>297,230</u>
	\$	<u>358,427</u>

11. NET ASSETS

DESIGNATED NET ASSETS

The board has designated net assets of \$4,857,213 and \$7,278,597 at December 31, 2017 and 2016, respectively. The Foundation's investment in the PKP McMahan Finance Engine, LLC (its wholly owned subsidiary) is included in designated net assets at December 31, 2017 and 2016.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$18,040,077 and \$17,447,001 at December 31, 2017 and 2016, respectively, are available for the following:

	<u>2017</u>	<u>2016</u>
Chapter specific funds and donor named funds	\$ 17,571,480	\$ 17,019,962
Ruth Lilly Fund (Laurel Hall Operating Fund)	468,597	427,039

PERMANENTLY RESTRICTED NET ASSETS

As described in Note 8, \$420,457 and \$495,327 of permanently restricted net assets represent a beneficial interest in perpetual trusts at December 31, 2017 and 2016, respectively. Permanently restricted net assets also include \$734,982 and \$712,482 for two endowments established as scholarship funds at December 31, 2017 and 2016, respectively.

NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were \$2,371,507 and \$2,671,648 for the years ended December 31, 2017 and 2016, respectively.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

12. RELATED PARTY TRANSACTIONS

The Foundation and the Fraternity are related parties that are not financially interrelated organizations. During 2017 and 2016, the Foundation granted \$666,775 and \$229,774, respectively, to the Fraternity for educational purposes. Grants are paid when proper documentation is received and approved.

The Foundation has invested in a hedge fund related to a board trustee who passed away in 2017. While the Caritas Royalties Fund is not related to the trustee, he owned Cornerstone Acquisition and Management Company, the investment consultant to the fund. The investment consultant agreement provides for a 20% semi-annual performance fee (if there is a loss, the performance fee is not earned until the loss is recouped in full). At December 31, 2017 and 2016, the Foundation's Caritas investments were valued at \$7,938,580 and \$8,682,130 respectively. The Caritas investments represented 35.0% and 40.1% of the Foundation's investment portfolio (including notes receivable) at December 31, 2017 and 2016, respectively. Subsequent to year end, the Foundation began to divest from Caritas and reinvest the funds in funds carried at fair value.

For 2017 and 2016, the fund had a total return after performance and management fees as follows:

	<u>2017</u>	<u>2016</u>
Caritas Royalties Fund	5.0%	2.9%

The PKP McMahan Finance Engine, LLC is owner and beneficiary of a \$33,000,000 life insurance policy on a board trustee. The policy and gift agreement provide that the proceeds are to be disbursed as follows: \$6 million is to be distributed to the Nelson Leadership Institute, LLC, \$2 million will be distributed among all existing Foundation Chapter Scholarship Funds, \$2 million for educational spaces within Phi Kappa Psi facilities, \$9.9 million will be retained by the Finance Engine and the remaining \$13.1 million is to revert to the unrestricted funds of the Foundation. The policy required annual premium payments of approximately \$1,200,000 through 2016 and was generated from earnings on the Caritas investment. At December 31, 2017 and 2016, the policy had a cash surrender value of \$3,964,670 and \$5,241,252, respectively that is included in cash surrender value of life insurance on the statements of financial position. The PKP McMahan Finance Engine, LLC is also the owner and beneficiary of a \$23,000,000 life insurance policy on two board trustees (one of whom passed away in 2017). The policy and gift agreement provide that the proceeds are to be disbursed as follows: \$3 million is to be distributed to a named beneficiary, \$6.9 million will be retained by the Finance Engine and the remaining \$13.1 million is to revert to the unrestricted funds of the Foundation. The policy, according to the current in-force illustration, requires fluctuating annual premium payments of \$734,000 to \$2,200,000. The policy had no cash surrender value at December 31, 2017 and 2016.

13. OPERATING LEASES

The Foundation leases office space to the Fraternity under an agreement which began January 1, 2006 and was extended through December 31, 2025. Oneonta-Maple, LLC leases housing space under an agreement which ended October 8, 2012. Hammer Street Properties, LLC leases housing space under an agreement which began November 2007 and ended May 31, 2016. A formal extension has not been put in place for these leases, but the leases continue on a month-to-month basis.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

13. OPERATING LEASES, CONTINUED

Future minimum lease receipts are as follows for the years ending December 31:

2018	\$	104,462
2019		105,923
2020		107,384
2021		108,844
2022		110,305
Thereafter		339,680
	\$	<u>876,598</u>

The Foundation leases equipment and software under operating leases with expiration dates ranging from July 31, 2021 to January 2023. The Foundation also leased two vehicles under an agreement which ended in April 2017. The Foundation then entered in to a lease for four vehicles which began May 2017 and ends April 2021. Future minimum lease payments are as follows for the years ending December 31:

2018	\$	34,188
2019		34,652
2020		34,652
2021		18,766
2022		10,234
Thereafter		853
	\$	<u>133,345</u>

14. INCOME TAXES

The Foundation is partially exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, income generated from certain activities not directly related to the Foundation's tax-exempt purposes, is subject to taxation as unrelated business income. In 2017, the Foundation had investment income that is subject to federal and state income tax. The Foundation is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

The Foundation has adopted Accounting Standards for Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the period in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred asset to the amount that will more than likely be realized.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

14. INCOME TAXES, CONTINUED

Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

Deferred taxes are a result of differences between book and tax expenses related to unrealized gains (losses) on investments.

The Foundation has elected to early adopt Accounting Standards Update 2015-17, as such deferred taxes are now presented as long-term. No tax expense was recorded for the year ended December 31, 2016.

Summarized below is the income tax expense for the year ended December 31, 2017:

Federal	\$	68,764
State		<u>17,205</u>
		85,969
Deferred		<u>200,500</u>
	\$	<u><u>286,469</u></u>

15. NON-CASH CONTRIBUTIONS

The Foundation received non-cash contributions of stock of \$96,419 and \$105,014 during 2017 and 2016, respectively. The contributions have been reflected at the fair market value on the date of donation in the statement of activities. In 2016, the Foundation received and made a donation of land to a chapter housing corporation. The donation is included in contributions on the statement of activities and in-kind expense in the statement of functional expenses. These transactions have been treated as non-cash transactions for statement of cash flow purposes.

16. LEGAL AND CONTINGENCIES

Various claims could arise against the Foundation in the normal course of business. However, management believes their insurance coverage is sufficient to pay liabilities, if any. No amounts related to legal issues, litigation or contingencies were recorded in these consolidated financial statements.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of
The Endowment Fund of the Phi Kappa Psi Fraternity:

We have audited the consolidated financial statements of The Endowment Fund of the Phi Kappa Psi Fraternity (d/b/a Phi Kappa Psi Foundation; Phi Psi Foundation) and Subsidiaries (the "Foundation") as of and for the year ended December 31, 2017 and our report thereon dated July 31, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information shown in Exhibit I is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Exhibit I has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole. Information for the year ended December 31, 2016 was extracted from the consolidated financial statements for that year, on which an unmodified opinion dated June 29, 2017, was expressed.

Greenwalt CPAs, Inc.

July 31, 2018

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

DECEMBER 31, 2017 AND 2016

Exhibit I

Page 1 of 8

	<u>2017</u>	<u>2016</u>
	<u>Total</u>	<u>Total</u>
AL Alpha - Chapter Leadership Fund	\$ 1,240	\$ 143
AL Alpha - Chapter Scholarship Fund	22,572	19,463
AL Beta - Chapter Leadership Fund	500	189
AL Beta - Chapter Scholarship Fund	1,664	1,524
AL Gamma - Chapter Leadership Fund	486	398
AL Gamma - Chapter Scholarship Fund	(26)	-
AR Alumni Association - Chapter Scholarship Fund	16,456	10,269
AZ Alpha - Chapter Scholarship Fund	299,265	287,419
AZ Alpha - Chapter Leadership Fund	47	-
AZ Beta - Chapter Leadership Fund	583	90
AZ Beta - Judd Shulak Scholarship Fund	46,537	42,614
CA Beta - Chapter Leadership Fund	9,291	6,456
CA Beta - Endowed Chapter Leadership Fund	28,199	25,313
CA Beta - Chapter Scholarship Fund	78,844	73,146
CA Delta* - Chapter Scholarship Fund	1,742,791	1,728,608
CA Delta - Chapter Leadership Fund	5,545	536
CA Delta - Lamson Scholarship Fund	38,604	36,323
CA Epsilon - Chapter Leadership Fund	148	135
CA Epsilon* - Chapter Scholarship Fund	1,385,953	1,351,337
CA Epsilon - Chapter Housing Fund	857,017	485,380
CA Epsilon - Scott Thomas Scholarship Fund	44,895	42,976
CA Epsilon - James L. Tigner Jr. Scholarship Fund	209,625	195,851
CA Eta - Chapter Leadership Fund	242	221
CA Eta - Chapter Scholarship Fund	43,043	39,158
CA Gamma - Chapter Leadership Fund	4,253	3,787
CA Gamma - Chapter Scholarship Fund	76,797	66,021
CA Gamma - Chapter Housing Fund	135,708	465,221
CA Iota - Chapter Leadership Fund	261	33
CA Iota - Chapter Scholarship Fund	18,123	16,496
CA Kappa - J. Robert Meserve Memorial Scholarship Fund	26,048	23,859
CA Kappa - Chapter Housing Fund	42,379	42,418
CA Kappa - Chapter Leadership Fund	201	161
CA Lambda - Chapter Leadership Fund	215	174
CA Lambda* - Robert W. Bailey Scholarship Fund	308,275	302,680
CA Mu - Chapter Leadership Fund	19	17
CA Mu - Chapter Scholarship Fund	5,507	5,009
CA Nu - Chapter Scholarship Fund	28,503	26,345
CA Theta - Chapter Leadership Fund	1,037	460
CA Theta - Chapter Scholarship Fund	8,652	5,909
CA Xi - Chapter Leadership Fund	4,220	3,857

* Balance includes assets invested in loan to chapter

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

DECEMBER 31, 2017 AND 2016

Exhibit I

Page 2 of 8

	<u>2017</u>	<u>2016</u>
	<u>Total</u>	<u>Total</u>
CA Xi - Chapter Scholarship Fund	\$ 7,855	\$ 2,884
CA Zeta - Chapter Scholarship Fund	1,091	999
CO Alpha - Chapter Leadership Fund	76	69
CO Alpha - Chapter Scholarship Fund	123,762	118,033
DC Alpha - Chapter Scholarship Fund	3,777	3,459
DC Alpha - Chapter Leadership Fund	246	225
DE Alpha - Chapter Leadership Fund	60	32
DE Alpha - Chapter Scholarship Fund	5,720	5,228
FL Alpha - Chapter Leadership Fund	155	92
FL Alpha - Bob Foss Memorial Scholarship Fund	7,715	7,064
FL Beta - Chapter Scholarship Fund	173	158
GA Alpha - Chapter Scholarship Fund	12,335	11,870
GA Alpha - Chapter Housing Fund	4,621	1,851
GA Beta - Chapter Leadership Fund	387	271
GA Beta - Chapter Scholarship Fund	21,287	19,010
Houston Alumni - Chapter Scholarship Fund	20,987	19,436
IA Alpha - Chapter Leadership Fund	573	495
IA Alpha - Chapter Scholarship Fund	72,494	69,855
IA Alpha - Junker Scholarship Fund	33,423	30,735
IA Beta - Chapter Leadership Fund	1,540	1,283
IA Beta - Chapter Scholarship Fund	63,452	55,612
IA Beta - Chapter House Operating Fund	90,488	136,568
IA Beta - Bill & Lindy Good Scholarship Fund	104,250	95,273
IL Alpha - Chapter Leadership Fund	396	362
IL Alpha - Chapter Scholarship Fund	26,067	23,509
IL Beta - Chapter Scholarship Fund	32,825	31,422
IL Delta - Stephen W. Acheson Scholarship Fund	55,139	52,177
IL Delta - C.F. "Dab" Williams Scholarship Fund	97,285	93,278
IL Delta - Chapter Housing Fund	355,225	484,855
IL Delta - Chapter Leadership Fund	404	141
IL Epsilon - Chapter Leadership Fund	175	125
IL Epsilon - Chapter Scholarship Fund	44,011	39,934
IL Eta - Chapter Leadership Fund	223	64
IL Eta - Chapter Scholarship Fund	16,152	14,754
IL Iota - Chapter Leadership Fund	44	17
IL Iota - Chapter Scholarship Fund	4,434	4,060
IL Theta - Chapter Scholarship Fund	18,484	16,857
IL Theta - Chapter Leadership Fund	102	48

* Balance includes assets invested in loan to chapter

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

DECEMBER 31, 2017 AND 2016

Exhibit I

Page 3 of 8

	<u>2017</u>	<u>2016</u>
	<u>Total</u>	<u>Total</u>
IL Zeta - Chapter Leadership Fund	\$ 355	\$ 239
IL Zeta - Chapter Scholarship Fund	53,042	47,885
IN Alpha - Chapter Leadership Fund	380	284
IN Alpha - Chapter Scholarship Fund	219,698	210,230
IN Alpha - Chapter Housing Fund	192,683	176,091
IN Beta - Chapter Scholarship Fund	129,861	124,409
IN Beta - Chapter Housing Fund	64,008	68,106
IN Beta - Bradley Henninger Scholarship Fund	106,492	100,971
IN Beta - Reach for Excellence Scholarship Fund	20,160	17,631
IN Beta - William E. Young Trust Scholarship Fund	14,457	13,327
IN Delta - Chapter Leadership Fund	19,987	16,743
IN Delta* - Chapter Scholarship Fund	182,330	168,193
IN Delta - Chapter House Operating Fund	56,717	15,308
IN Delta - Chapter Housing Fund	57,153	51,161
IN Epsilon - Chapter Leadership Fund	21,617	19,661
IN Epsilon - Chapter Scholarship Fund	148,916	134,766
IN Epsilon - Chapter Housing Fund	90	-
IN Epsilon - Donald V. Fites Mentor Scholarship Fund	68,317	62,554
IN Eta - Chapter Leadership Fund	230	210
IN Eta - Chapter Scholarship Fund	16,888	15,152
IN Gamma - Chapter Leadership Fund	730	667
IN Gamma - Edward H. Knight Scholarship Fund	56,818	51,765
IN Iota - Chapter Leadership Fund	391	175
IN Iota - Chapter Scholarship Fund	1,591	1,094
IN Theta - Chapter Leadership Fund	589	538
IN Theta - Chapter Scholarship Fund	6,751	6,101
IN Zeta - Chapter Leadership Fund	570	521
IN Zeta - Chapter Scholarship Fund	69,792	63,326
KS Alpha - Chapter Scholarship Fund	15,998	14,088
KS Alpha - Chapter Leadership Fund	663	539
KS Alpha - Riley Scholarship Fund	23,786	22,265
KY Beta - Chapter Leadership Fund	52	47
KY Beta - Chapter Scholarship Fund	37,460	34,302
LA Alpha - Chapter Leadership Fund	531	178
LA Alpha - Chapter Scholarship Fund	37,826	33,555
LA Alpha - Chapter Housing Fund	11,534	-
LA Alpha - Chapter Fellowship Fund	3,845	-
LA Beta - Chapter Leadership Fund	904	322
LA Beta - Chapter Scholarship Fund	27,194	24,876

* Balance includes assets invested in loan to chapter

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

DECEMBER 31, 2017 AND 2016

Exhibit I

Page 4 of 8

	<u>2017</u>	<u>2016</u>
	<u>Total</u>	<u>Total</u>
LA Gamma - Chapter Leadership Fund	\$ 448	\$ 364
LA Gamma - Chapter Scholarship Fund	17,370	16,258
MA Beta - Chapter Leadership Fund	20	19
MA Beta - Chapter Scholarship Fund	23,390	20,960
MD Alpha - Chapter Leadership Fund	263	92
MD Alpha* - Chapter Scholarship Fund	444,384	437,978
MD Gamma - Chapter Leadership Fund	94	69
MD Gamma - Chapter Scholarship Fund	5,097	4,247
MI Alpha - Chapter Housing Fund	32,920	28,479
MI Alpha - Chapter Leadership Fund	50	46
MI Alpha - Wolverine Scholarship Fund	64,348	58,037
MI Alpha - Chapter Leadership Fund	24	-
MI Beta - Chapter Leadership Fund	2,081	1,901
MI Beta - Chapter Scholarship Fund	74,537	67,078
MI Beta* - Charles and Estelle Williams Scholarship Fund	411,025	393,097
MN Beta - Chapter Leadership Fund	6,001	5,444
MN Beta - Chapter Scholarship Fund	220,636	199,485
MN Delta - Chapter Leadership Fund	993	571
MN Delta - Chapter Scholarship Fund	18,986	16,637
MN Gamma - Chapter Leadership Fund	194	94
MN Gamma - Chapter Scholarship Fund	9,740	9,193
MO Alpha - Chapter Leadership Fund	3,105	184
MO Alpha - Chapter Scholarship Fund	195,309	182,518
MS Alpha - Chapter Scholarship Fund	14,983	14,406
MS Alpha - Christopher J. Grimaud Scholarship Fund	30,238	28,913
NC Alpha - Chapter Scholarship Fund	34,353	32,678
NC Beta - Chapter Leadership Fund	277	253
NC Beta - Chapter Scholarship Fund	11,285	10,249
NE Alpha - Chapter Scholarship Fund	30,928	28,321
NE Alpha - Dan Cook Campaign Fund	43,791	40,143
NE Alpha - Robert Hamilton Scholarship Fund	42,388	38,815
NE Alpha - Walter and Virginia Henrion Fellowship Fund	100,662	92,177
NE Alpha - Western Nebraska Scholarship Fund	17,591	16,108
NE Beta - Chapter Leadership Fund	20	19
NE Beta - Theodore J. Urban Scholarship Fund	23,612	21,622
NJ Alpha - Chapter Scholarship Fund	403	369
NJ Beta - Chapter Scholarship Fund	7,689	7,025
NJ Beta - Chapter Leadership Fund	412	-
NJ Delta - Chapter Leadership Fund	104	95
NJ Delta - Member Excellence Scholarship Fund	13,726	12,133
NJ Epsilon - Chapter Leadership Fund	248	227
NJ Epsilon - Chapter Scholarship Fund	18,568	16,395

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THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

DECEMBER 31, 2017 AND 2016

Exhibit I

Page 5 of 8

	<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>
NJ Gamma - Chapter Leadership Fund	\$ 394	\$ 230
NJ Gamma - Chapter Scholarship Fund	5,671	5,085
NM Alpha - Chapter Scholarship Fund	2,102	1,924
NY Alpha - Chapter Leadership Fund	141	129
NY Alpha - Chapter Scholarship Fund	79,154	76,074
NY Beta - Chapter Leadership Fund	281	257
NY Beta - Chapter Scholarship Fund	13,666	11,599
NY Beta - Hunter Brooks Watson Scholarship Fund	100,286	91,330
NY Epsilon - Chapter Scholarship Fund	342	313
NY Eta - Chapter Leadership Fund	771	344
NY Eta - Chapter Scholarship Fund	49,389	47,214
NY Iota - Chapter Leadership Fund	30	27
NY Iota - Chapter Scholarship Fund	2,259	2,068
NY Kappa - Chapter Leadership Fund	223	204
NY Kappa - Chapter Scholarship Fund	62,258	56,927
NY Theta - Brian D. Bauer Scholarship Fund	30,758	28,618
NY Theta - Chapter Scholarship Fund	86,845	80,005
NY Theta - Chapter Leadership Fund	1	-
OH Alpha - Chapter Leadership Fund	143	131
OH Alpha - Chapter Scholarship Fund	36,157	33,109
OH Beta - Chapter Leadership Fund	650	594
OH Beta - Chapter Scholarship Fund	340,489	312,551
OH Delta* - Norman "Norm" M. Spain Scholarship Fund	34,952	35,100
OH Delta* - J. Gilbert Reese Scholarship Fund	772,430	742,436
OH Delta* - Mil Batten Scholarship Fund	35,074	35,213
OH Delta* - Howard L. Hamilton Scholarship Fund	52,080	47,323
OH Delta* - Manning Webster Scholarship Fund	48,867	49,092
OH Delta - Honors Lodge Educational Operating Fund	1,966	1,263
OH Delta* - George S. Frost Scholarship Fund	1,055,028	1,014,521
OH Delta - Chapter Leadership Fund	44,484	22,046
OH Delta - Chapter House Educational Operating Fund	166,508	158,490
OH Epsilon - Chapter Leadership Fund	5,339	4,544
OH Epsilon - Endowed Chapter Leadership Fund	36,199	25,687
OH Epsilon - Chapter Scholarship Fund	200,755	191,166
OH Epsilon - Medical Education Scholarship Fund	1,123	884
OH Eta - Chapter Leadership Fund	509	209
OH Eta - Chapter Scholarship Fund	12,077	11,471
OH Iota - Chapter Leadership Fund	255	233
OH Iota - Chapter Scholarship Fund	1,468	1,008
OH Kappa - Chapter Scholarship Fund	74	45
OH Kappa - Chapter Leadership Fund	52	47
OH Lambda* - Chapter Scholarship Fund	63,117	58,102
OH Lambda - Chapter Leadership Fund	25	23
OH Lambda - Chapter House Operating Fund	344	243
OH Lambda - Leadership Character Strengthening Fund	22,500	-

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THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

DECEMBER 31, 2017 AND 2016

Exhibit I

Page 6 of 8

	<u>2017</u>	<u>2016</u>
	<u>Total</u>	<u>Total</u>
OH Mu - Chapter Leadership Fund	\$ 103	\$ 94
OH Mu - Chapter Scholarship Fund	63,092	60,010
OH Nu - Chapter Leadership Fund	131	120
OH Nu - Chapter Scholarship Fund	2,699	2,455
OH Nu - Chapter Housing Fund	5,746	8,662
OH Omicron - Chapter Leadership Fund	180	164
OH Omicron - Chapter Scholarship Fund	1,740	1,328
OH Theta - Chapter Leadership Fund	8,637	627
OH Theta - Chapter Scholarship Fund	15,463	11,667
OH Theta - Helen B. Smith Leadership Fund	10,541	9,483
OH Theta - Jerry and Terrie Dunlap Scholarship Fund	26,718	24,151
OH Xi - Chapter Leadership Fund	101	93
OH Xi - Chapter Scholarship Fund	17,890	15,863
OH Zeta - Chapter Leadership Fund	451	358
OH Zeta - Chapter Scholarship Fund	35,385	32,129
OK Alpha - Chapter Leadership Fund	493	450
OK Alpha - Chapter Scholarship Fund	33,003	30,004
OK Alpha - Wittrock Scholarship Fund	14,276	12,819
OK Beta - Chapter Scholarship Fund	585	536
OR Alpha - Chapter Leadership Fund	502	413
OR Alpha - Chapter Scholarship Fund	31,417	28,420
OR Alpha - Maurice O'Callaghan Scholarship Fund	23,934	22,406
OR Alpha - Hugh B. Oliphant Scholarship Fund	46,607	34,009
OR Alpha - Mo Warnock Scholarship Fund	84,085	81,436
OR Beta - Chapter Leadership Fund	810	695
OR Beta - Chapter Scholarship Fund	205,984	194,275
OR Beta - Chapter Housing Fund	7,779	8,858
PA Alpha - Chapter Leadership Fund	448	323
PA Alpha - Chapter Scholarship Fund	8,784	8,027
PA Beta - Chapter Leadership Fund	147	135
PA Beta - Chapter Scholarship Fund	55,539	50,004
PA Epsilon - Chapter Leadership Fund	262	182
PA Epsilon - Chapter Scholarship Fund	97,125	90,129
PA Eta - Chapter Leadership Fund	613	560
PA Eta - Chapter Scholarship Fund	28,954	18,845
PA Gamma - Chapter Scholarship Fund	59,492	54,477
PA Iota - Chapter Leadership Fund	493	451
PA Iota - Chapter Scholarship Fund	46,438	42,929
PA Iota - Correia Scholarship Fund	19,223	13,077
PA Lambda - Chapter Leadership Fund	530	361
PA Lambda - Chapter Scholarship Fund	32,094	30,624
PA Lambda - Chapter Housing Fund	191,371	174,758
PA Nu - Chapter Leadership Fund	133	121
PA Nu - Chapter Scholarship Fund	34,530	31,425
PA Phi - Chapter Leadership Fund	335	306

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THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

DECEMBER 31, 2017 AND 2016

Exhibit I

Page 7 of 8

	<u>2017</u>	<u>2016</u>
	<u>Total</u>	<u>Total</u>
PA Phi - Chapter Scholarship Fund	\$ 4,642	\$ 4,250
PA Pi- Chapter Scholarship Fund	168	154
PA Rho - Chapter Leadership Fund	303	231
PA Rho - Chapter Scholarship Fund	8,267	7,570
PA Sigma - Chapter Scholarship Fund	4,167	3,816
PA Tau - Chapter Scholarship Fund	1,880	1,722
PA Theta - Chapter Leadership Fund	2,779	1,153
PA Theta* - Chapter Scholarship Fund	389,287	381,487
PA Theta - Chapter House Operating Fund	150,061	137,139
PA Thea - Endowment Chapter Leadership Fund	60,671	36,000
PA Upsilon - Chapter Leadership Fund	316	206
PA Upsilon - Chapter Scholarship Fund	6,590	6,001
PA Xi - Chapter Leadership Fund	503	460
PA Xi - Chapter Scholarship Fund	1,691	1,463
PA Zeta - Chapter Scholarship Fund	2,261	2,070
RI Alpha - Chapter Scholarship Fund	34,270	31,381
RI Alpha - Dovey Memorial Scholarship Fund	1,925	1,763
RI Beta - Chapter Leadership Fund	390	356
RI Beta - Chapter Scholarship Fund	128,944	118,799
TN Delta - Graham Stone Memorial Scholarship Fund	22,222	19,730
TN Delta - Chapter Housing Fund	43,568	53,013
TN Delta - Chapter Leadership Fund	3,688	2,504
TN Delta - Chapter House Operating Fund	991	732
TN Epsilon - Chapter Leadership Fund	119	65
TN Epsilon - Chapter Scholarship Fund	55,959	53,676
TX Alpha - Centennial Scholarship Fund	301,322	288,231
TX Alpha - Derrick Eakin Memorial Scholarship Fund	17,973	16,458
TX Alpha - Longview Scholarship Fund	103,302	94,594
TX Alpha - St. Tacky Scholarship Fund	73,401	67,214
TX Alpha - Paul Cox Memorial Scholarship Fund	16,496	15,106
TX Alpha - Chapter Leadership Fund	998	912
TX Beta - Bill Collins Scholarship Fund	137,013	120,418
TX Beta - (Library) Chapter Housing Fund	-	11,217
TX Beta - Chapter Leadership Fund	299	274
TX Delta - Chapter Scholarship Fund	2,513	2,301
TX Epsilon - Chapter Leadership Fund	49	-
TX Epsilon - Chapter Scholarship Fund	11,762	10,771
TX Gamma - Chapter Leadership Fund	92	-
TX Gamma - Chapter Scholarship Fund	10,779	9,870
TX Gamma - Chapter Housing Fund	19,433	108,707
TX Zeta - Chapter Leadership Fund	235	139
TX Zeta - Chapter Scholarship Fund	6,890	6,309

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THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

DECEMBER 31, 2017 AND 2016

Exhibit I

Page 8 of 8

	<u>2017</u>	<u>2016</u>
	<u>Total</u>	<u>Total</u>
VA Alpha - Chapter Scholarship Fund	\$ 8,639	\$ 7,911
VA Beta - George S. Lantzas Scholarship Fund	63,358	57,811
VA Beta - C. Stephen Leonard Scholarship Fund	127,505	116,757
VA Beta - Jerry Nelson Mentor Scholarship Fund	81,015	74,185
VA Beta - Chapter House Operating Fund	14,787	13,514
VA Eta - Chapter Scholarship Fund	3,139	2,874
VA Zeta - Chapter Scholarship Fund	9,741	9,065
VA Zeta - Willow Creek/Philpott Memorial Scholarship Fund	1,383	1,266
VA Zeta - Chapter Leadership Fund	50	-
WA Alpha - Chapter Leadership Fund	2,206	1,565
WA Alpha* - Chapter Scholarship Fund	488,436	467,975
WA Alpha - Douglas A. Hora Chapter Scholarship Fund	20,833	15,679
WA Alpha - Chapter House Operating Fund	88,861	82,077
WV Alpha - Chapter Scholarship Fund	36,833	32,898
WV Alpha - Chapter Leadership Fund	1,556	1,065
WI Gamma - Chapter Leadership Fund	268	161
WI Gamma - Chapter Scholarship Fund	81,688	75,793
Annual Chapter Leadership Fund	9,356	-
Philip M. Cornelius Scholarship Fund	41,140	37,672
Excellence in Advising Grant Fund	45,617	44,567
Ralph D. Daniel Leadership Award Fund	89,888	86,207
Ruddick C. Lawrence Scholarship Fund	121,060	110,855
Leadership and Member Development Fund	3,276	1,294
Health and Wellness Fund	-	2,013
Pledge Smart, Keep Smart Tony Horton Scholarship Fund	-	39,084
Gordon S. Letterman Scholarship Fund	5,343	4,892
William H. Blanning Scholarship Fund	189,254	173,301
Wineman International Fellowship Fund	-	1,891
American Leadership Academy Fellowship Fund	499	457
Terrence "Terry" G. Harper Fellowship Fund	45,273	43,086
Jerry Nelson Scholarship Fund	43,371	39,715
Watkins Christian Scholarship Fund	81,654	54,081
Schroeder Scholarship Fund	29,856	28,820
Boys and Girls Club of America	620	567
Strategic Plan 2020 Campaign	5,759	156,180
Museum & Archives Fund	545	87
Shane Yates Fellowship Fund	27,237	20,022

* Balance includes assets invested in loan to chapter