

**THE ENDOWMENT FUND OF THE  
PHI KAPPA PSI FRATERNITY  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2019 AND 2018**

*CPAs / ADVISORS*



# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

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## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
The Endowment Fund of the Phi Kappa Psi Fraternity  
Indianapolis, Indiana

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 (collectively, the Foundation), which comprise the consolidated statement of financial position as of December 31, 2019 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 Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditor's 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 accounting 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, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**REPORT OF INDEPENDENT AUDITORS**  
**(Continued)**

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2019, the Foundation adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

Adjustments to 2018 Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2018, were audited by other auditors, and their report on those consolidated financial statements dated July 15, 2019, expressed an unmodified opinion on those consolidated financial statements. The Foundation has made certain reclassifications of amounts in the 2018 consolidated financial statements as described in Note 2. The other auditors reported on the consolidated financial statements before the reclassifications.

As part of our audit of the 2019 consolidated financial statements, we also audited the reclassifications described in Note 2. In our opinion, such reclassifications are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Foundation's 2018 consolidated financial statements other than with respect to the reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2018 consolidated financial statements as a whole.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2019 consolidated financial statements as a whole. The supplementary information on pages 31 through 39 is presented for purposes 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. The 2019 information has been subjected to the auditing procedures applied in the audit of the 2019 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 2019 consolidated financial statements as a whole.

The 2018 supplementary information was audited by other auditors, and in their report dated July 15, 2019, they expressed their opinion that the information is fairly stated in all material respects in relation to the 2018 consolidated financial statements as a whole.

*Blue & Co., LLC*

Carmel, Indiana  
July 16, 2020

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

### ASSETS

	2019	2018
Cash	\$ 1,380,792	\$ 1,328,066
Contributions receivable, net	810,968	1,293,601
Related party receivable	14,938	64,488
Notes receivable	2,389,138	2,736,281
Other receivables	171,418	17,168
Investments	18,087,352	16,265,633
Cash surrender value of life insurance	189,082	2,516,619
Property held as an investment, net	508,177	533,847
Property and equipment, net	1,508,449	1,669,809
Beneficial interest in perpetual trusts	454,982	398,590
Prepaid expenses and other assets	118,476	85,748
Deferred tax asset	26,350	121,900
	\$ 25,660,122	\$ 27,031,750

### LIABILITIES AND NET ASSETS

Liabilities		
Line of credit	\$ 6,500,000	\$ 3,675,000
Accounts payable, other payables and accrued expenses	170,648	265,598
Deferred revenue	331,156	-0-
Mortgage payable	335,387	347,090
Customer deposits	56,894	80,500
Total liabilities	7,394,085	4,368,188
Net assets		
Without donor restrictions		
Undesignated	1,757,307	1,505,280
Board designated - Finance Engine	(2,528,720)	2,653,803
	(771,413)	4,159,083
With donor restrictions		
Time and purpose	17,654,884	17,237,066
Perpetual	1,382,566	1,267,413
	19,037,450	18,504,479
Total net assets	18,266,037	22,663,562
	\$ 25,660,122	\$ 27,031,750

*See accompanying notes to consolidated financial statements.*

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

(With Comparative Total for the Year Ended December 31, 2018)

	2019				2018
	Without Donor Restrictions	With Donor Restrictions			Total
		Time and Purpose	Perpetual	Total	
<b>Support and revenues</b>					
Member support and other contributions	\$ 706,780	\$ 1,292,235	\$ 1,409	\$ 2,000,424	\$ 2,922,654
Endowed operating fund grant	19,720	-0-	-0-	19,720	23,430
Investment return, net	168,938	1,613,560	37,342	1,819,840	(872,632)
Change in beneficial interest in perpetual trusts	-0-	-0-	56,392	56,392	(21,867)
Change in value of gift annuity	3,390	-0-	-0-	3,390	(2,367)
Interest income on notes receivable	17,890	92,095	40,257	150,242	217,676
Rental income	171,716	-0-	-0-	171,716	160,906
Decrease in cash value of life insurance	(2,327,537)	-0-	-0-	(2,327,537)	(1,576,082)
Events income	221,338	-0-	-0-	221,338	374,171
Net assets released from restrictions	<u>2,600,319</u>	<u>(2,580,072)</u>	<u>(20,247)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	1,582,554	417,818	115,153	2,115,525	1,225,889
<b>Expenses</b>					
Programs	3,517,133	-0-	-0-	3,517,133	2,939,138
Management and general	1,544,854	-0-	-0-	1,544,854	1,222,242
Fundraising	<u>1,451,063</u>	<u>-0-</u>	<u>-0-</u>	<u>1,451,063</u>	<u>1,348,561</u>
Total expenses	<u>6,513,050</u>	<u>-0-</u>	<u>-0-</u>	<u>6,513,050</u>	<u>5,509,941</u>
<b>Change in net assets</b>	(4,930,496)	417,818	115,153	(4,397,525)	(4,284,052)
<b>Net assets, beginning of year</b>	<u>4,159,083</u>	<u>17,237,066</u>	<u>1,267,413</u>	<u>22,663,562</u>	<u>26,947,614</u>
<b>Net assets, end of year</b>	<u>\$ (771,413)</u>	<u>\$ 17,654,884</u>	<u>\$ 1,382,566</u>	<u>\$ 18,266,037</u>	<u>\$ 22,663,562</u>

*See accompanying notes to consolidated financial statements.*

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
<b>Support and revenues</b>				
Member support and other contributions	\$ 607,143	\$ 2,278,836	\$ 36,675	\$ 2,922,654
Endowed operating fund grant	23,430	-0-	-0-	23,430
Investment return, net	360,234	(1,205,735)	(27,131)	(872,632)
Change in beneficial interest in perpetual trusts	-0-	-0-	(21,867)	(21,867)
Change in value of gift annuity	(2,367)	-0-	-0-	(2,367)
Interest income on notes receivable	18,786	167,619	31,271	217,676
Rental income	160,906	-0-	-0-	160,906
Decrease in cash value of life insurance	(1,576,082)	-0-	-0-	(1,576,082)
Events income	362,243	11,928	-0-	374,171
Net assets released from restrictions	<u>1,962,633</u>	<u>(1,939,057)</u>	<u>(23,576)</u>	<u>-0-</u>
Total support and revenues	1,916,926	(686,409)	(4,628)	1,225,889
<b>Expenses</b>				
Programs	2,939,138	-0-	-0-	2,939,138
Management and general	1,222,242	-0-	-0-	1,222,242
Fundraising	<u>1,348,561</u>	<u>-0-</u>	<u>-0-</u>	<u>1,348,561</u>
Total expenses	<u>5,509,941</u>	<u>-0-</u>	<u>-0-</u>	<u>5,509,941</u>
<b>Change in net assets</b>	(3,593,015)	(686,409)	(4,628)	(4,284,052)
<b>Net assets, beginning of year</b>	<u>7,752,098</u>	<u>17,923,475</u>	<u>1,272,041</u>	<u>26,947,614</u>
<b>Net assets, end of year</b>	<u>\$ 4,159,083</u>	<u>\$ 17,237,066</u>	<u>\$ 1,267,413</u>	<u>\$ 22,663,562</u>

*See accompanying notes to consolidated financial statements.*

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

(With Comparative Total for the Year Ended December 31, 2018)

	2019			2018	
	Programs	Management and General	Fundraising	Total	Total
Educational program grants					
(Phi Kappa Psi Fraternity grants, etc.)	\$ 353,835	\$ -0-	\$ -0-	\$ 353,835	\$ 342,880
Grants, fellowships, and scholarships	540,409	-0-	-0-	540,409	416,256
Educational area grants	1,285,283	-0-	-0-	1,285,283	574,306
Endowed operating fund grant	-0-	19,720	-0-	19,720	23,430
Salary, wages, taxes, and benefits	322,840	301,489	837,603	1,461,932	1,371,788
Travel, lodging, meals and entertainment	384,083	141,976	137,297	663,356	665,223
Conferences and professional development	2,594	13,989	6,467	23,050	25,651
Professional services (accounting, legal, consulting, etc.)	152,292	88,564	80,942	321,798	304,934
Supplies	5,444	12,431	2,382	20,257	47,506
Dues, licenses and subscriptions	4,250	16,331	27,569	48,150	20,479
Postage and delivery	4,361	3,906	18,232	26,499	39,814
Advertising, creative, printing, and reproduction	35,356	17,114	85,552	138,022	214,580
Depreciation	82,739	54,851	21,405	158,995	161,884
Mortgage interest, banking and financial fees	22,216	156,137	-0-	178,353	152,223
Property and liability insurance	-0-	38,560	-0-	38,560	22,164
Utilities	18,917	18,038	7,039	43,994	61,170
Maintenance and repairs	42,144	40,184	15,682	98,010	75,864
Facility services	32,857	31,329	12,227	76,413	72,452
Equipment rental	2,055	4,983	9,772	16,810	8,806
Vehicle insurance, maintenance and repairs	9,752	1,877	31,679	43,308	26,384
Bad debt expense	-0-	5,988	152,999	158,987	391,020
In-kind expense	3,016	21,650	-0-	24,666	14,254
Taxes (benefit) on investment income/loss	-0-	118,427	-0-	118,427	(258,236)
Total expenses before gifted policy insurance premiums	3,304,443	1,107,544	1,446,847	5,858,834	4,774,832
Gifted policy insurance premiums	212,690	437,310	4,216	654,216	735,109
Total expenses	\$ 3,517,133	\$ 1,544,854	\$ 1,451,063	\$ 6,513,050	\$ 5,509,941

*See accompanying notes to consolidated financial statements.*



# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Programs	Management and General	Fundraising	Total
Educational program grants				
(Phi Kappa Psi Fraternity grants, etc.)	\$ 342,880	\$ -0-	\$ -0-	\$ 342,880
Grants, fellowships, and scholarships	416,256	-0-	-0-	416,256
Educational area grants	574,306	-0-	-0-	574,306
Endowed operating fund grant	-0-	23,430	-0-	23,430
Salary, wages, taxes, and benefits	288,282	339,266	744,240	1,371,788
Travel, lodging, meals and entertainment	391,483	150,723	123,017	665,223
Conferences and professional development	2,940	16,252	6,459	25,651
Professional services (accounting, legal, consulting, etc.)	132,496	94,090	78,348	304,934
Supplies	11,960	20,207	15,339	47,506
Dues, licenses and subscriptions	3,112	11,614	5,753	20,479
Postage and delivery	3,964	15,066	20,784	39,814
Advertising, creative, printing, and reproduction	70,661	18,589	125,330	214,580
Depreciation	84,242	55,848	21,794	161,884
Mortgage interest, banking and financial fees	26,451	125,652	120	152,223
Property and liability insurance	-0-	18,618	3,546	22,164
Utilities	16,991	32,383	11,796	61,170
Maintenance and repairs	32,622	31,104	12,138	75,864
Facility services	31,154	29,705	11,593	72,452
Equipment rental	983	3,699	4,124	8,806
Vehicle insurance, maintenance and repairs	-0-	170	26,214	26,384
Bad debt expense	254,163	-0-	136,857	391,020
In-kind expense	14,254	-0-	-0-	14,254
Taxes (benefit) on investment income/loss	-0-	(258,236)	-0-	(258,236)
Total expenses before gifted policy insurance premiums	<u>2,699,200</u>	<u>728,180</u>	<u>1,347,452</u>	<u>4,774,832</u>
Gifted policy insurance premiums	<u>239,938</u>	<u>494,062</u>	<u>1,109</u>	<u>735,109</u>
Total expenses	<u>\$ 2,939,138</u>	<u>\$ 1,222,242</u>	<u>\$ 1,348,561</u>	<u>\$ 5,509,941</u>

*See accompanying notes to consolidated financial statements.*

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Operating activities</b>		
Change in net assets	\$ (4,397,525)	\$ (4,284,052)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Realized and unrealized (gains) losses on investments, net	(1,458,888)	1,324,791
Bad debt expense	158,987	391,020
Depreciation	158,995	161,884
Write off of construction in process	28,035	-0-
Change in cash surrender value of life insurance	2,327,537	1,576,082
Change in beneficial interest in perpetual trusts	(56,392)	21,867
Investment in life insurance premium	437,310	494,062
Changes in assets and liabilities:		
Contributions receivable	323,646	(640,053)
Receivable from related party	49,550	(64,488)
Other receivables	(154,250)	(10,272)
Prepaid expenses and other assets	(32,728)	(4,020)
Accounts payable, other payables and accrued expenses	(94,950)	(66,047)
Payable to related party	-0-	(98,158)
Deferred revenue	331,156	-0-
Customer deposits	(23,606)	34,900
Deferred tax asset/liability	95,550	(322,400)
Net cash flows from operating activities	(2,307,573)	(1,484,884)
<b>Investing activities</b>		
Purchase of investments	(3,176,745)	(14,303,992)
Proceeds from sales and maturities of investments	2,813,914	15,441,934
Life insurance premium paid on investment contract	(437,310)	(494,062)
Purchase of property and equipment	-0-	(32,693)
Net decrease in notes receivable	347,143	1,202,978
Net cash flows from investing activities	(452,998)	1,814,165
<b>Financing activities</b>		
Net borrowings under line of credit	2,825,000	400,000
Payments on mortgage	(11,703)	(11,337)
Net cash flows from financing activities	2,813,297	388,663
Net change in cash	52,726	717,944
<b>Cash, beginning of year</b>	1,328,066	610,122
<b>Cash, end of year</b>	\$ 1,380,792	\$ 1,328,066
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 156,532	\$ 130,583
Cash paid for income taxes, net	\$ 80,000	\$ 93,978

*See accompanying notes to consolidated financial statements.*

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 1. NATURE OF ACTIVITIES AND PRINCIPLES OF CONSOLIDATION

The Endowment Fund of the Phi Kappa Psi Fraternity (d/b/a Phi Kappa Psi Foundation; Phi Psi Foundation) (individually and collectively referred to as 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 support and revenues are derived principally from contributions and investment returns.

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.

PKP McMahan Finance Engine, LLC (the Finance Engine) is a single member LLC owned by the Foundation. 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 owned by the Foundation. The Institute was formed to provide dynamic leadership training and education to empower, develop and affirm undergraduate members of the Fraternity in their quest to become ethical, mission-driven leaders of influence and high moral character.

All intercompany transactions have been eliminated in consolidation.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The consolidated financial statements report net assets and changes in net assets based upon the existence or absence of restrictions on use that are placed by the Foundation's donors, as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Included in this classification are endowment funds, which are subject to the restrictions of

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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gift instruments requiring that the principal be maintained in perpetuity, and invested for the purpose of producing present and future income, with investment return available for operations or specific purposes.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated statements of activities by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the funds have been expended on the specified asset, unless the donor provides more specific directions about the period of its use.

### Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents, but excludes cash and cash equivalents held by fund managers and included in investments. There are no cash equivalents at December 31, 2019 and 2018.

### Contributions Receivable

Contributions receivable consist of amounts that have been unconditionally promised to the Foundation. Contributions receivable are initially recorded at fair value based on estimated future cash flows of the unconditional pledges and are reported net of an allowance for uncollectible amounts and net of the discount to present value.

Contributions receivable were discounted to present value using the United States Treasury Bill rates with maturities commensurate to the time period of expected collection of the contributions. During the years ended December 31, 2019 and 2018, rates used ranged from 1.62% to 2.46%. Amortization of the resulting discount is recognized as additional contribution income.

Management estimates an allowance for uncollectible contributions receivable based on an evaluation of current economic conditions, historical trends, and current and past experience with their donor base.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### Notes Receivable

Notes receivable represent outstanding mortgages receivable from various house corporations. These notes can be borrowed from the Foundation's undesignated fund or from restricted chapter funds in accordance with signed fund agreement terms, as applicable. 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. Interest income related to notes receivable is recorded as an increase in net assets without donor restrictions unless funds were borrowed from donor restricted funds, in which case income is recorded as an increase in net assets with donor restrictions.

### Investments and Investment Return

Investments are reported at fair value for financial reporting purposes. Investment return includes interest, dividends, and realized and unrealized gains and losses. Changes in unrealized appreciation or depreciation of investments are recorded in the period such changes occur. Realized gains and losses are recorded based on the cost of the specific securities sold. Interest and dividend income is recorded when earned.

Investment return is recorded as increases and decreases in net assets without donor restrictions unless its use is restricted by donors to a specified purpose or future period. Investment return is allocated to funds (endowment and non-endowment) based upon the percentage relationship of each fund's quarterly investment balance to the aggregate investment balances for all funds.

### 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.

### Property and Equipment (and Property Held as an Investment)

The Foundation capitalizes at cost all significant purchases of property and equipment, including expenditures that substantially increase the useful lives of existing assets. Costs of ordinary maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives, which range from 3 to 25 years.

### Accounting for Member Support and Other Contributions and Revenue Recognition

Contributions (member support), which include contributions receivable, are recognized as support in the period when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Contributed investments are recorded at the fair value of each investment on the date it is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are

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# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Events revenue related to Laurel Hall rentals is deferred (contract liabilities) and included in deferred revenue until the period in which the event is conducted. These contract liabilities had a balance at December 31, 2019 of \$331,156. There was no deferred revenue recorded at December 31, 2018 or January 1, 2018.

Customer deposits represent damage deposits related to Laurel Hall event revenue and are expected to be returned at the completion of an event.

### Functional Allocation of Expenses

The costs of providing the programs and services of the Foundation have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Certain costs have been allocated among the programs and supporting services categories based on actual direct expenditures and cost allocations based upon estimates of time spent by Foundation personnel. Expenses allocated include salaries and related taxes and benefits, depreciation and facilities expenses, travel and meetings, and other overhead expenses. Although the method used was appropriate, other methods could produce different results.

### Income Taxes

The Foundation is organized as a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and similar state law. The single member LLCs are exempt as programs under the Foundation's not-for-profit exemption and are included in the income tax filings of the Foundation. The exemption is on all income except unrelated business income. An unrelated trade or business of an exempt organization is any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Certain investment income is considered unrelated business income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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The Foundation has filed its federal and state income tax returns for periods through December 31, 2018. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

### Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This new standard, which the Foundation is required to adopt during its year ending December 31, 2021, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Foundation is presently evaluating the effects that this ASU will have on its future consolidated financial statements, including related disclosures.

### Reclassifications

Certain amounts from the 2018 financial statements have been reclassified herein to conform to the 2019 presentation. These items affected the following areas:

- Consolidated Statement of Financial Position: At December 31, 2018, net assets related to the accumulated unspent earnings on endowment funds were reclassified from time and purpose to perpetual. In addition, certain miscellaneous assets and liabilities have been reclassified.
- Consolidated Statement of Activities: For the year ended December 31, 2018, life insurance premiums expense was stated separately from total functional expenses. This expense is now reflected in the consolidated statement of functional expenses in the gifted policy insurance premiums category. In addition, the 2018 earnings on endowment funds and beginning and ending net asset balances, were reclassified from time and purpose to perpetual consistent with the change to the consolidated statement of financial position.
- Consolidated Statement of Functional Expenses: Certain expenses for the year ended December 31, 2018 were reclassified to agree with the expense category allocations for the year ended December 31, 2019.
- Consolidated Statement of Cash Flows: An election was made by management to change from the direct method to the indirect method for 2019. The 2018 consolidated statement of cash flows has been modified to be presented on the indirect method for consistency.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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- Consolidated Statement of Cash Flows: Based on the Foundation's policy to sell donated stock upon receipt, accounting principles generally accepted in the United States of America allow for these amounts to be treated as a cash gift and included in operating cash flows. These amounts were previously presented as a noncash item and deducted from operating cash flows, thus the consolidated statement of cash flows for the year ended December 31, 2018 has been reclassified to reflect this change.

These reclassifications had no effect on the change in net assets.

### Subsequent Events

The Foundation evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through July 16, 2020, which is the date the consolidated financial statements were available to be issued.

### **3. CHANGE IN ACCOUNTING PRINCIPLE**

Effective January 1, 2019, the Foundation adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (ASC 606), as issued in May 2014 by the FASB, which supersedes the revenue recognition requirements in FASB ASC Topic 605, *Revenue Recognition*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." In accordance with ASC 606, the Foundation has adopted the requirements using the modified retrospective approach. Adoption of the new guidance resulted in expanded disclosures regarding the Foundation's revenue recognition policies. Under the modified retrospective approach, any cumulative effects of initial application are to be presented as an adjustment to the opening balance of net assets in the year of adoption. No adjustments to the opening net asset balances were necessary upon adoption by the Foundation.



# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	2019	2018
Time and purpose	\$ 918,985	\$ 1,532,037
Endowment	13,050	18,000
	932,035	1,550,037
Less unamortized discount	(27,864)	(73,436)
Less allowance for uncollectible contributions	(93,203)	(183,000)
Contributions receivable, net	<u>\$ 810,968</u>	<u>\$ 1,293,601</u>
Amounts due in:		
Due within one year	\$ 331,330	\$ 557,478
Due in one to five years	569,023	952,498
Due in more than five years	31,682	40,061
	<u>\$ 932,035</u>	<u>\$ 1,550,037</u>

### 5. NOTES RECEIVABLE

Notes receivable have an outstanding balance of \$2,389,138 and \$2,736,281 at December 31, 2019 and 2018, respectively. The notes accrue interest at rates ranging from 5.34% to 7.00% and have terms ranging from 10 to 33 years.

### 6. INVESTMENTS

Investments consist of the following at December 31:

	2019	2018
Money market mutual fund	\$ 880,600	\$ 753,198
U.S. Treasury obligations	687,164	657,397
Equity securities	5,286	18,771
Mutual funds	11,754,683	9,328,282
Certificates of deposit	2,228,118	1,769,322
Hedge fund - Gas and oil royalty fund	2,531,501	3,738,663
	<u>\$ 18,087,352</u>	<u>\$ 16,265,633</u>

At December 31, 2019, one investment account with a balance of \$14,687,709 serves as collateral for the Foundation's line of credit (Note 10).

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The following schedule summarizes investment return for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 387,550	\$ 486,453
Realized gains on sale of investments, net	1,186,007	3,384,700
Unrealized gains (losses) on investments, net	272,881	(4,709,491)
Investment fees	<u>(26,598)</u>	<u>(34,294)</u>
	<u>\$ 1,819,840</u>	<u>\$ (872,632)</u>

### 7. PROPERTY HELD AS AN INVESTMENT

Property held as an investment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land, buildings and improvements	\$ 844,250	\$ 844,250
Accumulated depreciation	<u>(336,073)</u>	<u>(310,403)</u>
	<u>\$ 508,177</u>	<u>\$ 533,847</u>

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 payable (Note 11). The properties are being depreciated using the straight-line method over 25 years.

### 8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land, buildings and improvements	\$ 3,123,976	\$ 3,123,976
Furnishings and equipment	713,716	713,716
Antiques and works of art	113,951	113,951
Construction in progress	<u>-0-</u>	<u>28,035</u>
	3,951,643	3,979,678
Accumulated depreciation	<u>(2,443,194)</u>	<u>(2,309,869)</u>
	<u>\$ 1,508,449</u>	<u>\$ 1,669,809</u>

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 9. 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 \$441,000 and \$385,000 at December 31, 2019 and 2018, respectively. The other trust is valued at the fair market value of the underlying assets as reported by the trustee, which was \$13,982 and \$13,590 at December 31, 2019 and 2018, respectively.

### 10. LINE OF CREDIT

In March 2016, the Finance Engine obtained a line of credit that provided maximum borrowings of \$4,000,000 at an interest rate of prime minus 1.75% (3.00% at December 31, 2019) through March 2020. This line was renewed during 2019 to increase the maximum available borrowings to \$8,000,000 and to extend interest only payments through November 2024. Under the original agreement, the line of credit was secured by a \$33,000,000 life insurance policy that had a cash surrender value of \$2,387,062 at December 31, 2018. Under the renewed agreement, the line of credit is also secured by an investment account held by the Foundation, with a balance of \$14,687,709 at December 31, 2019. At December 31, 2019 and 2018, the outstanding balance on the line of credit was \$6,500,000 and \$3,675,000, respectively.

Cumulatively, the Finance Engine has gifted \$5,500,000 of proceeds from the line of credit to the Foundation and loaned \$1,000,000 to the Institute. This activity is eliminated in consolidation.

### 11. MORTGAGE PAYABLE

Hammer Street Properties, LLC has a mortgage payable requiring monthly payments of \$2,827 including interest at 6.5% through March 2036. The balances outstanding on the mortgage at December 31, 2019 and 2018 were \$335,387 and \$347,090, respectively.

Scheduled maturities of the mortgage payable are as follows as of December 31, 2019:

Year Ending December 31,	
2020	\$ 12,188
2021	13,005
2022	13,875
2023	14,805
2024	15,796
Thereafter	<u>265,718</u>
	<u>\$ 335,387</u>

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 12. NET ASSETS

#### Net Assets Without Donor Restrictions - Board Designated

Included in net assets without donor restrictions are funds which have been designated by the Board of Trustees related to the Foundation's investment in the Finance Engine. Board designated net assets have a balance of (\$2,528,720) and \$2,653,803 at December 31, 2019 and 2018, respectively.

#### Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	2019	2018
Time restricted		
Contributions receivable	\$ 97,482	\$ 183,428
Purpose restricted		
Chapter specific funds and donor named funds	17,134,312	16,659,229
Ruth Lilly Fund (Laurel Hall Operating Fund)	423,090	394,409
	17,557,402	17,053,638
Total time and purpose restricted	17,654,884	17,237,066
Perpetual		
Beneficial interest in perpetual trusts	454,982	398,590
Endowment		
Scholarships and grants	927,584	868,823
Total perpetual	1,382,566	1,267,413
	\$ 19,037,450	\$ 18,504,479

#### Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by appropriation by the Board of Trustees related to the following for the years ended December 31:

	2019	2018
Scholarships and grants	\$ 2,261,692	\$ 1,605,414
Administrative fees	338,627	357,219
	\$ 2,600,319	\$ 1,962,633

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 13. ENDOWMENT

The Foundation's endowment consists of donor-restricted funds. The donor-restricted endowment funds have been established to support scholarships and grants. As required by accounting principles generally accepted in the United States of America, 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 Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees has interpreted SPMIFA as not requiring the preservation of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of the interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, 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

#### Underwater Endowment Funds

From time to time, due to unfavorable market conditions, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2019 and 2018.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for assets held for endowment 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. Under this policy, as approved by the Board of Trustees, the endowment investments are invested in a manner that is intended to produce a total return which protects the purchasing power of the endowment investments and which allows spending under the terms of each endowment fund.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation, as it relates to its endowment investments, targets a diversified asset allocation that places emphasis on equity and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy for its endowment funds of appropriating for distribution each year 5% of its endowment fund's previous year fund balance for scholarships and grants with the exception of endowed funds governed by fund specific gift agreements. Beginning January 1, 2020, the spending policy decreased to 4.5% of the endowment fund's rolling five year quarterly market value average. In establishing this policy, the Foundation considered the long-term expected return on its assets held for endowment. The Foundation's objective is to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

The composition of endowment net assets is as follows at December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -0-	\$ 765,976	\$ 765,976
Accumulated investment gains	-0-	161,608	161,608
	<u>\$ -0-</u>	<u>\$ 927,584</u>	<u>\$ 927,584</u>

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -0-	\$ 769,180	\$ 769,180
Accumulated investment gains	<u>-0-</u>	<u>99,643</u>	<u>99,643</u>
	<u>\$ -0-</u>	<u>\$ 868,823</u>	<u>\$ 868,823</u>

The change in endowment net assets is as follows for the years ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -0-	\$ 868,823	\$ 868,823
Contributions	-0-	1,409	1,409
Investment return, net	-0-	77,599	77,599
Distributions	<u>-0-</u>	<u>(20,247)</u>	<u>(20,247)</u>
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 927,584</u>	<u>\$ 927,584</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -0-	\$ 851,584	\$ 851,584
Contributions	-0-	36,675	36,675
Investment return, net	-0-	4,140	4,140
Distributions	<u>-0-</u>	<u>(23,576)</u>	<u>(23,576)</u>
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 868,823</u>	<u>\$ 868,823</u>

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 14. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

- *Money market mutual funds:* Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV), however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *U.S. Treasury obligations:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.



# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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- *Hedge fund:* Valued at the NAV of units of the fund as provided by the external investment managers. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities and is used as the practical expedient to fair value. Due to the nature of the investments held by the fund, changes in market conditions and the economic environment may significantly impact the NAV of the fund and, consequently, the fair value of the Foundation's interests in the fund. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.
- *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. For the second, the fair value determination is based on the underlying assets, as reported by the trustee, held within the trust, substantially all of which are valued on a mark-to-market basis.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The following tables segregate all financial assets measured at fair value into the most appropriate level within the fair value hierarchy as of December 31:

	2019			Total
	Level 1	Level 2	Level 3	
Investments:				
Money market mutual fund	\$ -0-	\$ 880,600	\$ -0-	\$ 880,600
U.S. Treasury obligations	-0-	687,164	-0-	687,164
Equity securities	5,286	-0-	-0-	5,286
Mutual funds				
Equity				
Large value	961,080	-0-	-0-	961,080
Large blend	3,329,760	-0-	-0-	3,329,760
Mid cap	962,569	-0-	-0-	962,569
Small cap	3,555,300	-0-	-0-	3,555,300
International	1,117,351	-0-	-0-	1,117,351
Domestic	<u>1,828,623</u>	<u>-0-</u>	<u>-0-</u>	<u>1,828,623</u>
	<u>11,754,683</u>	<u>-0-</u>	<u>-0-</u>	<u>11,754,683</u>
Total investments in the fair value hierarchy	<u>\$ 11,759,969</u>	<u>\$ 1,567,764</u>	<u>\$ -0-</u>	13,327,733
Certificates of deposit				2,228,118
Hedge fund				
Gas and oil royalty fund (a)				<u>2,531,501</u>
Total investments				<u>\$ 18,087,352</u>
Beneficial interest in perpetual trusts	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 454,982</u>	<u>\$ 454,982</u>

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

	2018			Total
	Level 1	Level 2	Level 3	
Investments:				
Money market mutual fund	\$ -0-	\$ 753,198	\$ -0-	\$ 753,198
U.S. Treasury obligations	-0-	657,397	-0-	657,397
Equity securities	18,771	-0-	-0-	18,771
Mutual funds				
Equity				
Large cap	1,958,945	-0-	-0-	1,958,945
Large blend	1,448,982	-0-	-0-	1,448,982
Mid cap	766,887	-0-	-0-	766,887
Small cap	2,757,195	-0-	-0-	2,757,195
International	889,239	-0-	-0-	889,239
Domestic	1,507,034	-0-	-0-	1,507,034
	<u>9,328,282</u>	<u>-0-</u>	<u>-0-</u>	<u>9,328,282</u>
Total investments in the fair value hierarchy	<u>\$ 9,347,053</u>	<u>\$ 1,410,595</u>	<u>\$ -0-</u>	10,757,648
Certificates of deposit				1,769,322
Hedge fund				
Gas and oil royalty fund (a)				<u>3,738,663</u>
Total investments				<u>\$ 16,265,633</u>
Beneficial interest in perpetual trusts	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 398,590</u>	<u>\$ 398,590</u>

(a) In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts present in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the consolidated statements of financial position.

The Foundation's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels at December 31, 2019 and 2018.

### 15. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund specific purposes. In addition, the Foundation receives significant support without donor restrictions that is available to fund general expenditures as well as program services costs.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

- Maintaining sufficient reserves to provide flexibility to respond to changing needs, as well as to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The following table reflects the Foundation's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date; that is, amounts that are without board designations or other restrictions limiting their use.

	2019	2018
Cash	\$ 1,380,792	\$ 1,328,066
Contributions receivable, net	810,968	1,293,601
Related party receivable	14,938	64,488
Notes receivable	2,389,138	2,736,281
Other receivables	171,418	17,168
Investments	18,087,352	16,265,633
Cash surrender value of life insurance	189,082	2,516,619
Beneficial interest in perpetual trusts	454,982	398,590
Total financial assets	23,498,670	24,620,446
Cash surrender value of life insurance	(189,082)	(2,516,619)
Board designated net assets	-0-	(2,653,803)
Net assets with donor restrictions		
Time and purpose restricted	(17,654,884)	(17,237,066)
Perpetual	(1,382,566)	(1,267,413)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 4,272,138	\$ 945,545

Net assets with donor restrictions are not available for general expenditure. As described in Note 13, the endowment funds have specific spending policies based on the balances of the endowment funds.

As part of the Foundation's liquidity management plan, amounts remain in investments until they are required to be transferred to the Foundation's operating bank account to meet operating expenses.

### 16. RELATED PARTY TRANSACTIONS

The Foundation and the Phi Kappa Psi Fraternity, Inc. (the Fraternity) are related parties that are not financially interrelated organizations. Because the organizations have separate boards, funding, goals and objectives, the accounts of the Fraternity have not been consolidated with the Foundation in the accompanying financial statements.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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The significant transactions and balances between the affiliated and subsidiary organizations are as follows for the years ended December 31, 2019 and 2018.

During 2019 and 2018, the Foundation granted \$353,835 and \$342,880, respectively, to the Fraternity for educational purposes. Grants are paid when proper documentation is received and approved.

The Foundation and the Fraternity share office space in the national headquarters building owned by the Foundation and each is responsible for their proportionate share of certain operating costs.

The Foundation leases office space to the Fraternity under an agreement which began January 1, 2006 and was extended through December 31, 2026. The Foundation recognized rental income for the years ended December 31, 2019 and 2018 from the Fraternity of \$105,923 and \$104,462, respectively.

Future minimum lease payments due from the Fraternity under its lease agreement are as follows as of December 31, 2019:

Year Ending December 31,	
2020	\$ 107,384
2021	108,844
2022	110,305
2023	111,766
2024	113,227
Thereafter	<u>114,687</u>
	<u>\$ 666,213</u>

The Fraternity reimbursed the Foundation \$107,090 and \$110,132 during the years ended December 31, 2019 and 2018, respectively, for its proportionate share of personnel costs, janitorial services, voice and data usage, IT services, and other operating expenses.

Accounts receivable of \$14,938 and \$64,488 are due from the Fraternity at December 31, 2019 and 2018, respectively.

The Finance Engine 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 to the Institute, \$2 million among all existing Foundation Chapter Scholarship Funds, \$2 million for educational spaces within Phi Kappa Psi facilities, \$9.9 million retained by the Finance Engine and the remaining \$13.1 million to the unrestricted funds of the Foundation. The policy required annual premium payments of approximately \$1,200,000 through 2016, which were generated from earnings on the Caritas investment. At December 31, 2019 and 2018, the policy had a cash surrender value of \$61,020 and \$2,387,062, respectively that is included in cash surrender value of life insurance on the consolidated statements of financial position.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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The Finance Engine 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 to a named beneficiary, \$6.9 million retained by the Finance Engine and the remaining \$13.1 million to the unrestricted funds of the Foundation. The policy, according to the current in-force illustration, requires fluctuating annual premium payments of \$650,000 to \$2,200,000. The policy had no cash surrender value at December 31, 2019 and 2018.

### 17. RETIREMENT PLAN

The Foundation offers a 401(k) retirement plan for all eligible employees who have satisfied the conditions for participation. Employee contributions may be made to the plan up to IRS limits. The Foundation matches employee contributions 100% up to 6% of pay and also offers discretionary profit-sharing contributions. The Foundation's contributions for 2019 and 2018 were \$58,446 and \$47,377, respectively.

### 18. OPERATING LEASES

The Foundation leases equipment and software under operating leases with expiration dates ranging from May 2021 to January 2023. The Foundation leases various vehicles under operating leases with expiration dates ranging from May 2021 to June 2022. Total lease expense aggregated \$56,538 for 2019.

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

Year Ending December 31,	
2020	\$ 48,001
2021	31,815
2022	15,290
2023	<u>853</u>
	<u>\$ 95,959</u>

### 19. INCOME TAXES

The Foundation is partially exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and similar 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 2019 and 2018, 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 ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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Deferred income taxes arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. The principal temporary difference relate to unrealized gains and losses on debt-financed investments.

Income tax expense is as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Federal	\$ 19,422	\$ 52,927
State	<u>3,455</u>	<u>11,237</u>
	22,877	64,164
Deferred tax	<u>95,550</u>	<u>(322,400)</u>
	<u>\$ 118,427</u>	<u>\$ (258,236)</u>

### 20. RISKS AND UNCERTAINTIES

The Foundation's investments (Note 6) and beneficial interest in perpetual trusts (Note 9) are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these assets and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

### 21. 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.

### 22. CONCENTRATIONS

The Foundation maintains cash in an interest-bearing account which regularly exceeds federally insured limits. The Foundation has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash.

At December 31, 2019, two donors made up 22% of gross contributions receivable with individual percentages of 11% each.

At December 31, 2019, three borrowers represent 84% of notes receivable, with individual percentages ranging from 10% to 41%.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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The Foundation's investments (Note 6) are held with one investment manager. The Foundation has not experienced any credit losses in its accounts and believes it is not exposed to any significant credit risk. At December 31, 2019, two mutual funds represent 27% of total investments, with individual percentages of 13% and 14%. At December 31, 2019 and 2018, the Caritas Royalties Fund investment (Note 16) represents 14% and 23%, respectively, of total investments.

### **23. SUBSEQUENT EVENTS**

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Foundation's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of personnel, shortages of supplies, delays, loss of, or reduction to revenues, contributions and funding, and investment portfolio declines. Management believes the Foundation is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the consolidated financial statements were available to be issued.

In April 2020, the Foundation received a low interest loan in the amount of \$232,854 under the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration. The PPP loan is unsecured, bears interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria are met, with the remaining balance repayable up to five years after disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic, and submit adequate documentation of such expenditures to qualify for loan forgiveness.



**SUPPLEMENTARY INFORMATION**

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS DECEMBER 31, 2019 AND 2018

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	2019	2018
Alabama Alpha Chapter Leadership Fund	\$ 192	\$ 1,270
Alabama Alpha Chapter Scholarship Fund	24,608	22,252
Alabama Beta Chapter Leadership Fund	591	444
Alabama Beta Chapter Scholarship Fund	1,865	1,674
Alabama Gamma Chapter Leadership Fund	481	431
Alabama Gamma Chapter Scholarship Fund	19	17
Arkansas Alumni Association Chapter Scholarship Fund	31,349	18,937
Arizona Alpha Chapter Scholarship Fund	268,088	252,537
Arizona Alpha Chapter Leadership Fund	274	42
Arizona Beta Chapter Leadership Fund	577	517
Arizona Beta (Judd H. Shulak) Scholarship Fund	42,660	40,130
California Beta Chapter Leadership Fund	9,197	8,252
California Beta Endowed Chapter Leadership Fund	38,364	35,204
California Beta Chapter Scholarship Fund	75,995	71,356
California Delta Chapter Scholarship Fund	1,804,123	1,685,097
California Delta Chapter Leadership Fund	5,489	4,925
California Delta (Benton H. Lamson) Scholarship Fund	37,588	33,725
California Delta (Brensike - McMahan) Scholarship Fund	28,557	25,200
California Delta Chapter House Operating Fund	45,093	-0-
California Epsilon Chapter Leadership Fund	597	131
California Epsilon Chapter Scholarship Fund	1,347,989	1,280,361
California Epsilon Chapter Housing Fund	367,412	743,911
California Epsilon (Scott C. Thomas) Scholarship Fund	40,056	37,948
California Epsilon (James L. Tigner Jr.) Scholarship Fund	187,325	178,116
California Epsilon (James N. Harger) Engineering Sch. Fund	25,948	-0-
California Eta Chapter Leadership Fund	273	215
California Eta Chapter Scholarship Fund	40,944	38,453
California Gamma Chapter Leadership Fund	6,172	4,738
California Gamma Chapter Scholarship Fund	71,923	68,206
California Gamma Chapter Housing Fund	22,251	64,782
California Iota Chapter Leadership Fund	355	232
California Iota Chapter Scholarship Fund	17,078	15,323
California Kappa (J. Robert Meserve) Scholarship Fund	24,375	23,062
California Kappa Chapter Housing Fund	41,160	41,674
California Kappa Chapter Leadership Fund	412	178
California Lambda Chapter Leadership Fund	459	210
California Lambda (Robert W. Bailey) Scholarship Fund	291,415	285,613
California Mu Chapter Leadership Fund	19	17
California Mu Chapter Scholarship Fund	5,451	4,891

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# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS DECEMBER 31, 2019 AND 2018

	2019	2018
California Nu Chapter Scholarship Fund	26,726	25,354
California Theta Chapter Leadership Fund	2,144	1,317
California Theta Chapter Scholarship Fund	9,774	8,015
California Xi Chapter Leadership Fund	2,036	3,748
California Xi Chapter Scholarship Fund	7,775	6,976
California Zeta Chapter Scholarship Fund	1,080	969
Colorado Alpha Chapter Leadership Fund	207	67
Colorado Alpha Chapter Scholarship Fund	115,533	109,916
District of Columbia Alpha Chapter Scholarship Fund	3,739	3,354
District of Columbia Alpha Chapter Leadership Fund	338	219
Delaware Alpha Chapter Leadership Fund	59	53
Delaware Alpha Chapter Scholarship Fund	5,662	5,080
Florida Alpha Chapter Leadership Fund	639	138
Florida Alpha (Robert "Bob" L. Foss) Scholarship Fund	8,122	6,851
Florida Beta Chapter Scholarship Fund	171	153
Georgia Alpha Chapter Scholarship Fund	11,249	10,590
Georgia Alpha Chapter Leadership Fund	225	-0-
Georgia Alpha Chapter Housing Fund	911	5,889
Georgia Beta Chapter Leadership Fund	608	344
Georgia Beta Chapter Scholarship Fund	21,770	19,640
Houston Alumni Association Chapter Scholarship Fund	21,362	19,441
Iowa Alpha Chapter Leadership Fund	850	509
Iowa Alpha Chapter Scholarship Fund	67,830	60,945
Iowa Alpha (Michael D. Junker) Scholarship Fund	33,082	28,754
Iowa Beta Chapter Leadership Fund	1,689	1,367
Iowa Beta Chapter Scholarship Fund	66,469	58,829
Iowa Beta Chapter House Operating Fund	36,117	90,567
Iowa Beta (Bill & Lindy Good) Chapter Scholarship Fund	109,529	95,879
Iowa Beta (Paul T. Troupe) Emerging Leaders Scholarship Fund	39,720	-0-
Illinois Alpha Chapter Leadership Fund	1,047	750
Illinois Alpha Chapter Scholarship Fund	24,616	23,341
Illinois Beta Chapter Scholarship Fund	29,134	27,746
Illinois Delta (Stephen W. Acheson) Scholarship Fund	49,882	46,667
Illinois Delta (C.F. "Dab" Williams) Scholarship Fund	86,875	82,375
Illinois Delta Chapter Housing Fund	50,827	136,093
Illinois Delta Chapter Leadership Fund	635	358
Illinois Epsilon Chapter Leadership Fund	173	155
Illinois Epsilon Chapter Scholarship Fund	44,190	39,437
Illinois Eta Chapter Leadership Fund	221	198
Illinois Eta Chapter Scholarship Fund	15,147	14,345

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS DECEMBER 31, 2019 AND 2018

	2019	2018
Illinois Iota Chapter Leadership Fund	43	39
Illinois Iota Chapter Scholarship Fund	4,389	3,938
Illinois Theta Chapter Scholarship Fund	19,221	16,816
Illinois Theta Chapter Leadership Fund	101	91
Illinois Zeta Chapter Leadership Fund	877	356
Illinois Zeta (Carlos Navarro) Chapter Scholarship Fund	53,381	47,532
Indiana Alpha Chapter Leadership Fund	1,387	585
Indiana Alpha Chapter Scholarship Fund	210,706	190,944
Indiana Alpha Chapter Housing Fund	192,927	171,532
Indiana Alpha (Mom Brown) Chapter House Operating Fund	603	-0-
Indiana Beta Chapter Leadership Fund	1,910	83
Indiana Beta Chapter Scholarship Fund	122,379	116,025
Indiana Beta Chapter Housing Fund	54,901	56,705
Indiana Beta (Bradley L. Henninger) Scholarship Fund	105,393	94,579
Indiana Beta (Reach For Excellence) Grant Fund	21,290	19,102
Indiana Beta (William E. Young Trust) Scholarship Fund	13,982	13,590
Indiana Delta Chapter Leadership Fund	20,684	18,100
Indiana Delta Chapter Scholarship Fund	174,033	159,854
Indiana Delta Chapter House Operating Fund	42,055	112,401
Indiana Epsilon Chapter Leadership Fund	19,139	18,170
Indiana Epsilon Chapter Scholarship Fund	131,508	127,786
Indiana Epsilon Chapter Housing Fund	958,045	1,276,551
Indiana Epsilon (Donald V. Fites) Mentor Scholarship Fund	67,623	60,674
Indiana Eta Chapter Leadership Fund	262	205
Indiana Eta Chapter Scholarship Fund	17,378	15,858
Indiana Gamma Chapter Leadership Fund	1,743	721
Indiana Gamma (Edward H. Knight) Scholarship Fund	56,331	50,462
Indiana Iota Chapter Leadership Fund	630	491
Indiana Iota Chapter Scholarship Fund	2,020	1,556
Indiana Theta Chapter Leadership Fund	583	523
Indiana Theta Chapter Scholarship Fund	6,819	6,054
Indiana Zeta Chapter Leadership Fund	565	507
Indiana Zeta Chapter Scholarship Fund	70,109	62,477
Kansas Alpha Chapter Scholarship Fund	16,025	14,378
Kansas Alpha Chapter Leadership Fund	706	611
Kansas Alpha (Riley) Scholarship Fund	23,544	21,125
Kentucky Beta Chapter Leadership Fund	51	46
Kentucky Beta Chapter Scholarship Fund	37,080	33,269
Louisiana Alpha Chapter Leadership Fund	1,109	667

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS DECEMBER 31, 2019 AND 2018

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	2019	2018
Louisiana Alpha Chapter Scholarship Fund	37,902	32,988
Louisiana Alpha Chapter Housing Fund	116,534	187,724
Louisiana Alpha Chapter Fellowship Fund	39,263	60,861
Louisiana Beta Chapter Leadership Fund	85	843
Louisiana Beta Chapter Scholarship Fund	23,880	22,435
Louisiana Gamma Chapter Leadership Fund	444	398
Louisiana Gamma Chapter Scholarship Fund	17,194	15,427
Massachusetts Beta Chapter Leadership Fund	71	63
Massachusetts Beta Chapter Scholarship Fund	23,631	21,032
Maryland Alpha Chapter Leadership Fund	334	256
Maryland Alpha Chapter Scholarship Fund	441,698	424,978
Maryland Delta Chapter Scholarship Fund	94	-0-
Maryland Gamma Chapter Leadership Fund	93	84
Maryland Gamma Chapter Scholarship Fund	5,045	4,527
Michigan Alpha Chapter Housing Fund	-0-	29,536
Michigan Alpha Chapter House Operating Fund	34,250	-0-
Michigan Alpha Chapter Leadership Fund	1,204	45
Michigan Alpha (Michael R. Etzioni) Scholarship Fund	28,700	-0-
Michigan Alpha (Wolverine) Scholarship Fund	64,710	57,608
Michigan Alpha Chapter Leadership Fund	-0-	67
Michigan Beta Chapter Leadership Fund	2,345	1,848
Michigan Beta Chapter Scholarship Fund	67,511	65,221
Michigan Beta (Charles & Estelle Williams) Scholarship Fund	369,334	352,393
Minnesota Beta Chapter Leadership Fund	4,488	5,441
Minnesota Beta Chapter Scholarship Fund	340,920	315,808
Minnesota Delta Chapter Leadership Fund	1,663	1,184
Minnesota Delta Chapter Scholarship Fund	20,949	17,392
Minnesota Gamma Chapter Leadership Fund	449	397
Minnesota Gamma Chapter Scholarship Fund	10,086	9,050
Missouri Alpha Chapter Leadership Fund	497	3,060
Missouri Alpha Chapter Scholarship Fund	180,043	165,051
Mississippi Alpha Chapter Scholarship Fund	14,831	13,307
Mississippi Alpha (Christopher J. Grimaud) Scholarship Fund	28,356	26,855
Mississippi Alpha Chapter Leadership Fund	76	-0-
North Carolina Alpha Chapter Scholarship Fund	31,594	29,050
North Carolina Beta Chapter Leadership Fund	513	246
North Carolina Beta Chapter Scholarship Fund	11,170	10,023
Nebraska Alpha Chapter Scholarship Fund	31,763	28,499
Nebraska Alpha (Dan Cook) Fellowship Fund	42,462	37,294
Nebraska Alpha (Robert E. Hamilton) Scholarship Fund	40,034	37,646

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# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS DECEMBER 31, 2019 AND 2018

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	2019	2018
Nebraska Alpha (Walter & Virginia Henrion) Fellowship Fund	84,932	80,880
Nebraska Alpha (Western Nebraska) Scholarship Fund	16,637	15,623
Nebraska Beta Chapter Leadership Fund	19	18
Nebraska Beta (Theodore J. Urban) Scholarship Fund	23,373	20,971
New Jersey Alpha Chapter Scholarship Fund	399	358
New Jersey Beta Chapter Scholarship Fund	6,988	6,851
New Jersey Beta Chapter Leadership Fund	387	366
New Jersey Delta Chapter Leadership Fund	103	93
New Jersey Delta (Member Excellence) Scholarship Fund	14,694	12,650
New Jersey Epsilon Chapter Leadership Fund	376	320
New Jersey Epsilon Chapter Scholarship Fund	19,531	16,987
New Jersey Gamma Chapter Leadership Fund	492	440
New Jersey Gamma Chapter Scholarship Fund	5,543	5,238
New Mexico Alpha Chapter Scholarship Fund	2,080	1,866
New York Alpha Chapter Leadership Fund	119	125
New York Alpha Chapter Scholarship Fund	74,256	70,388
New York Beta Chapter Leadership Fund	858	700
New York Beta Chapter Scholarship Fund	14,041	12,587
New York Beta (Hunter Brooks Watson) Scholarship Fund	88,665	84,574
New York Epsilon Chapter Scholarship Fund	338	303
New York Eta Chapter Leadership Fund	1,217	847
New York Eta Chapter Scholarship Fund	46,285	42,071
New York Iota Chapter Leadership Fund	53	26
New York Iota Chapter Scholarship Fund	2,236	2,006
New York Kappa Chapter Leadership Fund	221	198
New York Kappa Chapter Scholarship Fund	51,732	46,416
New York Theta (Brian D. Bauer) Scholarship Fund	29,343	27,317
New York Theta Chapter Scholarship Fund	80,352	76,749
New York Theta Chapter Leadership Fund	145	26
Ohio Alpha Chapter Leadership Fund	142	127
Ohio Alpha Chapter Scholarship Fund	35,769	32,094
Ohio Beta Chapter Leadership Fund	1,119	329
Ohio Beta Chapter Scholarship Fund	291,701	282,687
Ohio Delta (Norman "Norm" M. Spain) Scholarship Fund	37,421	35,209
Ohio Delta (J. Gilbert Reese) Chapter Scholarship Fund	819,671	768,276
Ohio Delta (William "Mil" M. Batten) Scholarship Fund	37,533	35,305
Ohio Delta (Howard L. Hamilton) Scholarship Fund	56,046	51,863
Ohio Delta (Manning D. Webster) Scholarship Fund	52,175	49,015
Ohio Delta (Honors Lodge) Chapter House Operating Fund	3,103	2,759
Ohio Delta (George S. Frost) Scholarship Fund	1,049,978	945,273

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# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS DECEMBER 31, 2019 AND 2018

	2019	2018
Ohio Delta Chapter Leadership Fund	43,158	40,413
Ohio Delta (Chapter House) Chapter House Operating Fund	5,938	47,045
Ohio Epsilon Chapter Leadership Fund	3,569	4,703
Ohio Epsilon Endowed Chapter Leadership Fund	40,655	34,674
Ohio Epsilon Chapter Scholarship Fund	183,354	172,965
Ohio Epsilon (Medical Education) Scholarship Fund	2,525	1,447
Ohio Eta Chapter Leadership Fund	798	529
Ohio Eta Chapter Scholarship Fund	11,580	10,976
Ohio Iota Chapter Leadership Fund	253	227
Ohio Iota Chapter Scholarship Fund	2,902	10,270
Ohio Kappa Chapter Scholarship Fund	73	66
Ohio Kappa Chapter Leadership Fund	51	46
Ohio Lambda Chapter Scholarship Fund	62,476	56,056
Ohio Lambda Chapter Leadership Fund	32	22
Ohio Lambda Chapter Housing Fund	44,550	29,657
Ohio Lambda Chapter House Operating Fund	344	306
Ohio Lambda Leadership Character Strengthening Fund	72,906	67,703
Ohio Mu Chapter Leadership Fund	154	137
Ohio Mu Chapter Scholarship Fund	59,088	56,034
Ohio Nu Chapter Leadership Fund	130	117
Ohio Nu Chapter Scholarship Fund	2,672	2,397
Ohio Nu Chapter Housing Fund	6,013	5,861
Ohio Omicron Chapter Leadership Fund	265	238
Ohio Omicron Chapter Scholarship Fund	2,164	1,736
Ohio Theta Chapter Leadership Fund	9,132	10,195
Ohio Theta Chapter Scholarship Fund	12,550	12,295
Ohio Theta (Helen B. Smith) Scholarship Fund	10,172	9,362
Ohio Theta (Jerry & Terrie Dunlap) Scholarship Fund	26,866	24,013
Ohio Xi Chapter Leadership Fund	100	90
Ohio Xi Chapter Scholarship Fund	18,538	16,375
Ohio Zeta Chapter Leadership Fund	547	400
Ohio Zeta Chapter Scholarship Fund	35,667	31,715
Oklahoma Alpha Chapter Leadership Fund	15,205	437
Oklahoma Alpha Chapter Scholarship Fund	32,327	29,183
Oklahoma Alpha (Wittrock) Scholarship Fund	13,884	11,942
Oklahoma Beta Chapter Scholarship Fund	579	520
Oregon Alpha Chapter Leadership Fund	497	446
Oregon Alpha Chapter Scholarship Fund	26,198	23,506
Oregon Alpha (Maurice O'Callaghan) Scholarship Fund	23,891	21,336
Oregon Alpha (Hugh B. Oliphant) Scholarship Fund	44,684	39,893

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS DECEMBER 31, 2019 AND 2018

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	2019	2018
Oregon Alpha (Maurice "Mo" J. Warnock) Scholarship Fund	84,731	76,179
Oregon Beta Chapter Leadership Fund	403	764
Oregon Beta Chapter Scholarship Fund	190,809	178,295
Oregon Beta Chapter Housing Fund	5,563	6,534
Pennsylvania Alpha Chapter Leadership Fund	113	534
Pennsylvania Alpha Chapter Scholarship Fund	9,081	7,926
Pennsylvania Beta Chapter Leadership Fund	329	209
Pennsylvania Beta Chapter Scholarship Fund	53,456	50,326
Pennsylvania Epsilon Chapter Leadership Fund	425	291
Pennsylvania Epsilon Chapter Scholarship Fund	87,099	82,984
Pennsylvania Eta Chapter Leadership Fund	1,542	859
Pennsylvania Eta Chapter Scholarship Fund	28,197	24,593
Pennsylvania Gamma Chapter Scholarship Fund	58,888	52,837
Pennsylvania Iota Chapter Leadership Fund	510	438
Pennsylvania Iota Chapter Scholarship Fund	42,311	39,723
Pennsylvania Iota (Correia) Scholarship Fund	29,695	24,682
Pennsylvania Lambda Chapter Leadership Fund	1,411	558
Pennsylvania Lambda Chapter Scholarship Fund	29,897	28,302
Pennsylvania Lambda Chapter Housing Fund	-0-	170,601
Pennsylvania Lambda Chapter House Operating Fund	156,464	-0-
Pennsylvania Nu Chapter Leadership Fund	45	130
Pennsylvania Nu Chapter Scholarship Fund	32,935	30,802
Pennsylvania Phi Chapter Leadership Fund	331	297
Pennsylvania Phi Chapter Scholarship Fund	4,594	4,122
Pennsylvania Pi Chapter Scholarship Fund	166	149
Pennsylvania Rho Chapter Leadership Fund	299	269
Pennsylvania Rho Chapter Scholarship Fund	8,183	7,342
Pennsylvania Sigma Chapter Scholarship Fund	4,125	3,701
Pennsylvania Tau Chapter Scholarship Fund	1,861	1,670
Pennsylvania Theta Chapter Leadership Fund	2,906	2,850
Pennsylvania Theta Chapter Scholarship Fund	376,077	351,393
Pennsylvania Theta Chapter House Operating Fund	166,713	135,955
Pennsylvania Theta Endowed Chapter Leadership Fund	71,532	61,252
Pennsylvania Upsilon Chapter Leadership Fund	313	281
Pennsylvania Upsilon Chapter Scholarship Fund	6,657	5,973
Pennsylvania Xi Chapter Leadership Fund	498	447
Pennsylvania Xi Chapter Scholarship Fund	1,893	1,698
Pennsylvania Zeta Chapter Scholarship Fund	2,238	2,008
Rhode Island Alpha Chapter Scholarship Fund	32,019	30,436
Rhode Island Alpha (Clayton C. Dovey III) Scholarship Fund	1,906	1,710

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# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS DECEMBER 31, 2019 AND 2018

	2019	2018
Rhode Island Beta Chapter Leadership Fund	386	346
Rhode Island Beta Chapter Scholarship Fund	116,440	110,291
Tennessee Delta (Graham G. Stone Memorial) Scholarship Fund	21,220	18,722
Tennessee Delta Endowed Chapter Leadership Fund	27,000	-0-
Tennessee Delta Chapter Housing Fund	41,282	42,748
Tennessee Delta Chapter Leadership Fund	4,924	4,193
Tennessee Delta Chapter House Operating Fund	992	882
Tennessee Epsilon Chapter Leadership Fund	214	151
Tennessee Epsilon Chapter Scholarship Fund	52,465	49,699
Texas Alpha (Centennial) Scholarship Fund	268,040	255,146
Texas Alpha (Derrick A. Eakin Memorial) Scholarship Fund	16,839	15,962
Texas Alpha (Longview) Scholarship Fund	95,701	90,776
Texas Alpha (St. Tacky) Scholarship Fund	68,500	65,189
Texas Alpha (Paul A. Cox Memorial) Scholarship Fund	15,457	14,651
Texas Alpha Chapter Leadership Fund	1,116	887
Texas Beta (Bill Collins) Scholarship Fund	124,573	118,663
Texas Beta Chapter Leadership Fund	618	311
Texas Delta Chapter Scholarship Fund	2,487	2,232
Texas Epsilon Chapter Leadership Fund	48	43
Texas Epsilon Chapter Scholarship Fund	11,372	10,536
Texas Gamma Chapter Leadership Fund	91	81
Texas Gamma Chapter Scholarship Fund	10,670	9,573
Texas Gamma Chapter Housing Fund	19,457	17,300
Texas Zeta Chapter Leadership Fund	284	254
Texas Zeta Chapter Scholarship Fund	7,272	6,525
Virginia Alpha Chapter Scholarship Fund	8,301	7,448
Virginia Alpha Chapter Leadership Fund	340	270
Virginia Beta (George S. Lantzas) Scholarship Fund	60,299	56,720
Virginia Beta (C. Stephen Leonard) Scholarship Fund	119,450	113,241
Virginia Beta (Jerry Nelson) Mentor Scholarship Fund	80,192	71,951
Virginia Beta Chapter Leadership Fund	4,841	-0-
Virginia Beta (1855) Chapter House Operating Fund	14,806	13,164
Virginia Eta Chapter Scholarship Fund	3,414	3,002
Virginia Theta Chapter Leadership Fund	531	-0-
Virginia Zeta Chapter Scholarship Fund	9,214	8,267
Virginia Zeta (Willow Creek/Philpott) Scholarship Fund	1,369	1,228
Virginia Zeta Chapter Leadership Fund	49	44
Washington Alpha Chapter Leadership Fund	3,572	2,790
Washington Alpha Chapter Scholarship Fund	441,822	416,813
Washington Alpha (Douglas A. Hora) Chapter Scholarship Fund	23,705	20,340

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## SCHEDULE OF NET ASSETS WITH DONOR RESTRICTIONS DECEMBER 31, 2019 AND 2018

	2019	2018
Washington Alpha Chapter House Operating Fund	(6,724)	(6,814)
West Virginia Alpha Chapter Scholarship Fund	36,569	32,821
West Virginia Alpha Chapter Leadership Fund	257	1,590
Wisconsin Gamma Chapter Leadership Fund	471	238
Wisconsin Gamma Chapter Scholarship Fund	82,957	72,634
Annual Chapter Leadership Fund	425	8,373
Philip M. Cornelius Scholarship Fund	35,491	33,471
Excellence in Advising Grant Fund	43,747	41,196
Ralph D. Daniel Scholarship Fund	80,507	76,250
Ruddick C. Lawrence Scholarship Fund	104,246	98,040
Leadership & Member Development Fund	1,473	2,339
Health & Wellness Fund	257	225
Gordon S. Letterman Scholarship Fund	6,089	5,444
William H. Blanning Scholarship Fund	162,397	152,919
American Leadership Academy Fellowship Fund	-0-	443
Terrence "Terry" G. Harper Fellowship Fund	42,409	40,208
Jerry Nelson Scholarship Fund	37,003	35,010
Watkins Christian Scholarship Fund	107,913	100,547
Schroeder Scholarship Fund	27,750	25,645
Boys & Girls Club of America	599	551
Strategic Plan 2020 Campaign	-0-	4,737
Museum & Archives Fund	575	515
Shane Yates Fellowship Fund	31,690	26,625
Scott Sutton Memorial Fund	259	-0-
Phi Kappa Psi Pride Scholarship Fund	20,868	-0-
Frederick and Sharon Hegele Leadership and Service Fund	26,650	-0-
Ruth Lilly Operating Fund	423,090	394,409
Interest in Summerfield Foundation (perpetual trust)	441,000	385,000