

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

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019

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 statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

REPORT OF INDEPENDENT AUDITORS
(Continued)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 supplementary information has been subjected to the auditing procedures applied in the audits 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blue & Co., LLC

Carmel, Indiana
July 15, 2021

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash	\$ 1,113,997	\$ 1,380,792
Contributions receivable, net	751,264	810,968
Related party receivable	21,496	14,938
Notes receivable	2,314,493	2,389,138
Other receivables	237,003	171,418
Investments	16,712,257	18,087,352
Cash surrender value of life insurance	130,201	189,082
Property held as an investment, net	374,053	508,177
Property and equipment, net	1,417,532	1,508,449
Beneficial interest in perpetual trusts	465,624	454,982
Prepaid expenses and other assets	70,721	144,826
	\$ 23,608,641	\$ 25,660,122

LIABILITIES AND NET ASSETS

Liabilities		
Line of credit	\$ 6,500,000	\$ 6,500,000
Accounts payable, other payables and accrued expenses	140,125	170,648
Deferred revenue	399,075	331,156
Mortgage payable	322,900	335,387
Customer deposits	66,975	56,894
Total liabilities	7,429,075	7,394,085
Net assets		
Without donor restrictions		
Undesignated	1,211,629	1,757,307
Board designated - Finance Engine	(3,869,609)	(2,528,720)
	(2,657,980)	(771,413)
With donor restrictions		
Time and purpose	17,380,377	17,654,884
Perpetual	1,457,169	1,382,566
	18,837,546	19,037,450
Total net assets	16,179,566	18,266,037
	\$ 23,608,641	\$ 25,660,122

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, 2020

(With Comparative Total for the Year Ended December 31, 2019)

	2020				2019
	Without Donor Restrictions	With Donor Restrictions		Total	Total
		Time and Purpose	Perpetual		
Support and revenues					
Member support and other contributions	\$ 658,492	\$ 1,324,625	\$ 3,600	\$ 1,986,717	\$ 2,000,424
Endowed operating fund grant	19,334	-0-	-0-	19,334	19,720
PPP grant income	232,854	-0-	-0-	232,854	-0-
Investment return, net	(467,121)	724,700	24,236	281,815	1,819,840
Change in beneficial interest in perpetual trusts	-0-	-0-	10,642	10,642	56,392
Change in value of gift annuity	2,133	-0-	-0-	2,133	3,390
Interest income on notes receivable	13,643	84,522	34,748	132,913	150,242
Rental income	160,128	-0-	-0-	160,128	171,716
Decrease in cash value of life insurance	(58,881)	-0-	-0-	(58,881)	(2,327,537)
Events revenue	269,874	-0-	-0-	269,874	221,338
Transfers	-0-	(22,500)	22,500	-0-	-0-
Net assets released from restrictions	2,406,977	(2,385,854)	(21,123)	-0-	-0-
Total support and revenues	3,237,433	(274,507)	74,603	3,037,529	2,115,525
Expenses					
Programs	2,732,392	-0-	-0-	2,732,392	3,517,133
Management and general	1,370,520	-0-	-0-	1,370,520	1,544,854
Fundraising	1,021,088	-0-	-0-	1,021,088	1,451,063
Total expenses	5,124,000	-0-	-0-	5,124,000	6,513,050
Change in net assets	(1,886,567)	(274,507)	74,603	(2,086,471)	(4,397,525)
Net assets, beginning of year	(771,413)	17,654,884	1,382,566	18,266,037	22,663,562
Net assets, end of year	\$ (2,657,980)	\$ 17,380,377	\$ 1,457,169	\$ 16,179,566	\$ 18,266,037

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetual	
Support and revenues				
Member support and other contributions	\$ 706,780	\$ 1,292,235	\$ 1,409	\$ 2,000,424
Endowed operating fund grant	19,720	-0-	-0-	19,720
Investment return, net	168,938	1,613,560	37,342	1,819,840
Change in beneficial interest in perpetual trusts	-0-	-0-	56,392	56,392
Change in value of gift annuity	3,390	-0-	-0-	3,390
Interest income on notes receivable	17,890	92,095	40,257	150,242
Rental income	171,716	-0-	-0-	171,716
Decrease in cash value of life insurance	(2,327,537)	-0-	-0-	(2,327,537)
Events revenue	221,338	-0-	-0-	221,338
Net assets released from restrictions	<u>2,600,319</u>	<u>(2,580,072)</u>	<u>(20,247)</u>	<u>-0-</u>
Total support and revenues	1,582,554	417,818	115,153	2,115,525
Expenses				
Programs	3,517,133	-0-	-0-	3,517,133
Management and general	1,544,854	-0-	-0-	1,544,854
Fundraising	<u>1,451,063</u>	<u>-0-</u>	<u>-0-</u>	<u>1,451,063</u>
Total expenses	<u>6,513,050</u>	<u>-0-</u>	<u>-0-</u>	<u>6,513,050</u>
Change in net assets	(4,930,496)	417,818	115,153	(4,397,525)
Net assets, beginning of year	<u>4,159,083</u>	<u>17,237,066</u>	<u>1,267,413</u>	<u>22,663,562</u>
Net assets, end of year	<u>\$ (771,413)</u>	<u>\$ 17,654,884</u>	<u>\$ 1,382,566</u>	<u>\$ 18,266,037</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, 2020

(With Comparative Total for the Year Ended December 31, 2019)

	2020			2019	
	Programs	Management and General	Fundraising	Total	Total
Educational program grants (Phi Kappa Psi Fraternity grants, etc.)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 353,835
Grants, fellowships, and scholarships	400,854	-0-	-0-	400,854	540,409
Educational area grants	1,280,906	-0-	-0-	1,280,906	1,285,283
Endowed operating fund grant	-0-	19,334	-0-	19,334	19,720
Salaries, wages, taxes, and benefits	350,987	336,586	689,633	1,377,206	1,461,932
Travel, lodging, meals and entertainment	163,535	25,295	27,205	216,035	663,356
Conferences and professional development	1,413	2,907	1,258	5,578	23,050
Professional services (accounting, legal, consulting, etc.)	94,911	95,866	33,717	224,494	321,798
Supplies	1,381	6,917	193	8,491	20,257
Dues, licenses and subscriptions	9,248	11,508	12,071	32,827	48,150
Postage and delivery	2,096	6,163	14,864	23,123	26,499
Advertising, creative, printing, and reproduction	13,987	7,331	69,128	90,446	138,022
Depreciation	83,476	55,340	21,596	160,412	158,995
Mortgage interest, banking and financial fees	21,449	171,862	-0-	193,311	178,353
Property and liability insurance	-0-	30,039	-0-	30,039	38,560
Utilities	17,097	16,265	6,362	39,724	43,994
Maintenance and repairs	37,192	35,462	13,839	86,493	98,010
Facility services	31,777	30,299	11,824	73,900	76,413
Equipment rental	3,121	8,567	3,670	15,358	16,810
Vehicle insurance, maintenance and repairs	5,937	2,629	37,186	45,752	43,308
Bad debt expense	-0-	-0-	75,880	75,880	158,987
In-kind expense	335	22,200	-0-	22,535	24,666
Taxes on investment income/loss	-0-	38,264	-0-	38,264	118,427
Loss on disposal of property and equipment	-0-	10,376	-0-	10,376	-0-
Total expenses before gifted policy insurance premiums	<u>2,519,702</u>	<u>933,210</u>	<u>1,018,426</u>	<u>4,471,338</u>	<u>5,858,834</u>
Gifted policy insurance premiums	<u>212,690</u>	<u>437,310</u>	<u>2,662</u>	<u>652,662</u>	<u>654,216</u>
Total expenses	<u>\$ 2,732,392</u>	<u>\$ 1,370,520</u>	<u>\$ 1,021,088</u>	<u>\$ 5,124,000</u>	<u>\$ 6,513,050</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

	Programs	Management and General	Fundraising	Total
Educational program grants				
(Phi Kappa Psi Fraternity grants, etc.)	\$ 353,835	\$ -0-	\$ -0-	\$ 353,835
Grants, fellowships, and scholarships	540,409	-0-	-0-	540,409
Educational area grants	1,285,283	-0-	-0-	1,285,283
Endowed operating fund grant	-0-	19,720	-0-	19,720
Salaries, wages, taxes, and benefits	322,840	301,489	837,603	1,461,932
Travel, lodging, meals and entertainment	384,083	141,976	137,297	663,356
Conferences and professional development	2,594	13,989	6,467	23,050
Professional services (accounting, legal, consulting, etc.)	152,292	88,564	80,942	321,798
Supplies	5,444	12,431	2,382	20,257
Dues, licenses and subscriptions	4,250	16,331	27,569	48,150
Postage and delivery	4,361	3,906	18,232	26,499
Advertising, creative, printing, and reproduction	35,356	17,114	85,552	138,022
Depreciation	82,739	54,851	21,405	158,995
Mortgage interest, banking and financial fees	22,216	156,137	-0-	178,353
Property and liability insurance	-0-	38,560	-0-	38,560
Utilities	18,917	18,038	7,039	43,994
Maintenance and repairs	42,144	40,184	15,682	98,010
Facility services	32,857	31,329	12,227	76,413
Equipment rental	2,055	4,983	9,772	16,810
Vehicle insurance, maintenance and repairs	9,752	1,877	31,679	43,308
Bad debt expense	-0-	5,988	152,999	158,987
In-kind expense	3,016	21,650	-0-	24,666
Taxes on investment income/loss	-0-	118,427	-0-	118,427
Total expenses before gifted policy insurance premiums	<u>3,304,443</u>	<u>1,107,544</u>	<u>1,446,847</u>	<u>5,858,834</u>
Gifted policy insurance premiums	<u>212,690</u>	<u>437,310</u>	<u>4,216</u>	<u>654,216</u>
Total expenses	<u>\$ 3,517,133</u>	<u>\$ 1,544,854</u>	<u>\$ 1,451,063</u>	<u>\$ 6,513,050</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, 2020 AND 2019

	2020	2019
Operating activities		
Change in net assets	\$ (2,086,471)	\$ (4,397,525)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Realized and unrealized losses (gains) on investments, net	37,374	(1,458,888)
Bad debt expense	75,880	158,987
Depreciation	160,412	158,995
Loss on disposal of property and equipment	10,376	-0-
Write off of construction in process	-0-	28,035
Change in cash surrender value of life insurance	58,881	2,327,537
Change in beneficial interest in perpetual trusts	(10,642)	(56,392)
Investment in life insurance premium	650,000	650,000
Changes in assets and liabilities:		
Contributions receivable	(16,176)	323,646
Related party receivable	(6,558)	49,550
Other receivables	(65,585)	(154,250)
Prepaid expenses and other assets	74,105	62,822
Accounts payable, other payables and accrued expenses	(30,523)	(94,950)
Deferred revenue	67,919	331,156
Customer deposits	10,081	(23,606)
Net cash flows from operating activities	(1,070,927)	(2,094,883)
Investing activities		
Purchase of investments	(1,582,174)	(3,176,745)
Proceeds from sales and maturities of investments	2,919,895	2,813,914
Life insurance premium paid on investment contract	(650,000)	(650,000)
Purchase of property and equipment	(45,747)	-0-
Proceeds from sale of property and equipment, net	100,000	-0-
Net decrease in notes receivable	74,645	347,143
Net cash flows from investing activities	816,619	(665,688)
Financing activities		
Net borrowings under line of credit	-0-	2,825,000
Payments on mortgage	(12,487)	(11,703)
Net cash flows from financing activities	(12,487)	2,813,297
Net change in cash	(266,795)	52,726
Cash, beginning of year	1,380,792	1,328,066
Cash, end of year	\$ 1,113,997	\$ 1,380,792
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 143,468	\$ 156,532
Cash paid for income taxes, net	\$ -0-	\$ 80,000

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, 2020 AND 2019

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.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Included in this classification are endowment funds, which are subject to the restrictions of 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 which are included in investments. There are no cash equivalents at December 31, 2020 and 2019.

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, 2020 and 2019, rates used ranged from 0.17% to 1.62%. 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, 2020 AND 2019

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

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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, 2020 and 2019 of \$399,075 and \$331,156, respectively. There was no deferred revenue recorded at January 1, 2019.

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, wages, taxes, and benefits, depreciation and facility services, travel, lodging, meals and entertainment, 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, 2020 and 2019, 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, 2020 AND 2019

The Foundation has filed its federal and state income tax returns for periods through December 31, 2019. 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, 2022, 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 2019 have been reclassified herein in order to conform to the 2020 presentation. These reclassifications had no effect on total assets, the change in net assets, or net cash flows.

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 15, 2021, which is the date the consolidated financial statements were available to be issued.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

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3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	2020	2019
Time and purpose	\$ 823,935	\$ 918,985
Endowment	<u>14,400</u>	<u>13,050</u>
	838,335	932,035
Less unamortized discount	(3,238)	(27,864)
Less allowance for uncollectible contributions	<u>(83,833)</u>	<u>(93,203)</u>
Contributions receivable, net	<u>\$ 751,264</u>	<u>\$ 810,968</u>
Amounts due in:		
Due within one year	\$ 275,410	\$ 331,330
Due in one to five years	521,945	569,023
Due in more than five years	<u>40,980</u>	<u>31,682</u>
	<u>\$ 838,335</u>	<u>\$ 932,035</u>

4. NOTES RECEIVABLE

Notes receivable have an outstanding balance of \$2,314,493 and \$2,389,138 at December 31, 2020 and 2019, respectively. The notes accrue interest at rates ranging from 4.50% to 6.50% and have terms ranging from 10 to 33 years.

5. INVESTMENTS

Investments consist of the following at December 31:

	2020	2019
Money market mutual fund	\$ 803,255	\$ 880,600
U.S. Treasury obligations	288,288	687,164
Equity securities	-0-	5,286
Mutual funds	11,783,106	11,754,683
Certificates of deposit	2,500,430	2,228,118
Hedge fund - Gas and oil royalty fund	<u>1,337,178</u>	<u>2,531,501</u>
	<u>\$ 16,712,257</u>	<u>\$ 18,087,352</u>

At December 31, 2020 and 2019 one investment account with a balance of \$14,589,148 and \$14,687,709, respectively, serves as collateral for the Foundation's line of credit (Note 9).

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 346,234	\$ 387,550
Realized gains on sale of investments, net	381,622	1,186,007
Unrealized gains (losses) on investments, net	(418,996)	272,881
Investment fees	<u>(27,045)</u>	<u>(26,598)</u>
	<u>\$ 281,815</u>	<u>\$ 1,819,840</u>

6. PROPERTY HELD AS AN INVESTMENT

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

	<u>2020</u>	<u>2019</u>
Land, buildings and improvements	\$ 559,000	\$ 844,250
Accumulated depreciation	<u>(184,947)</u>	<u>(336,073)</u>
	<u>\$ 374,053</u>	<u>\$ 508,177</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 property was sold during the year ended December 31, 2020. The other property has a mortgage payable (Note 10). The properties are being depreciated using the straight-line method over 25 years.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land, buildings and improvements	\$ 3,159,292	\$ 3,123,976
Furnishings and equipment	515,820	713,716
Antiques and works of art	<u>113,951</u>	<u>113,951</u>
	3,789,063	3,951,643
Accumulated depreciation	<u>(2,371,531)</u>	<u>(2,443,194)</u>
	<u>\$ 1,417,532</u>	<u>\$ 1,508,449</u>

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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 \$451,000 and \$441,000 at December 31, 2020 and 2019, respectively. The other trust is valued at the fair market value of the underlying assets as reported by the trustee, which was \$14,624 and \$13,982 at December 31, 2020 and 2019, respectively.

9. 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% (1.50% at December 31, 2020) 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 \$61,020 at December 31, 2019. The policy had no cash surrender value at December 31, 2020. Under the renewed agreement, the line of credit is also secured by an investment account held by the Foundation, with a balance of \$14,589,148 and \$14,687,709 at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the outstanding balance on the line of credit is \$6,500,000.

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.

10. 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, 2020 and 2019 are \$322,900 and \$335,387, respectively. The net book value of the property securing the mortgage is \$374,053 at December 31, 2020.

Scheduled maturities of the mortgage payable are as follows as of December 31, 2020:

Year Ending December 31,	
2021	\$ 13,005
2022	13,875
2023	14,805
2024	15,796
2025	16,854
Thereafter	<u>248,565</u>
	<u>\$ 322,900</u>

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11. PAYCHECK PROTECTION PROGRAM

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 (SBA). 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.

On February 4, 2021, the Foundation was released from its creditor and notified by the SBA its loan had been forgiven. The total loan amount of \$232,854 was noted as PPP grant income on the consolidated statement of activities for the year ended December 31, 2020 based on qualifying expenses being incurred and the aforementioned conditions being substantially met during the year, as the Foundation utilized the grant accounting model.

On March 16, 2021, the Foundation received a second low interest loan in the amount of \$249,728 under the PPP administered by the SBA. 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.

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 (\$3,869,609) and (\$2,528,720) at December 31, 2020 and 2019, respectively.

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Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Time restricted		
Contributions receivable	\$ 94,321	\$ 97,482
Purpose restricted		
Chapter specific funds and donor named funds	16,871,984	17,134,312
Ruth Lilly Fund (Laurel Hall Operating Fund)	<u>414,072</u>	<u>423,090</u>
	<u>17,286,056</u>	<u>17,557,402</u>
Total time and purpose restricted	17,380,377	17,654,884
Perpetual		
Beneficial interest in perpetual trusts	465,624	454,982
Endowment		
Scholarships and grants	<u>991,545</u>	<u>927,584</u>
Total perpetual	<u>1,457,169</u>	<u>1,382,566</u>
	<u>\$ 18,837,546</u>	<u>\$ 19,037,450</u>

Net Assets 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:

	<u>2020</u>	<u>2019</u>
Scholarships, grants and program expenses	\$ 2,095,023	\$ 2,261,692
Administrative fees	<u>311,954</u>	<u>338,627</u>
	<u>\$ 2,406,977</u>	<u>\$ 2,600,319</u>

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.

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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, 2020 and 2019.

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

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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 had 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:

	2020		
	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-	\$ 809,273	\$ 809,273
Accumulated investment gains	<u>-0-</u>	<u>182,272</u>	<u>182,272</u>
	<u>\$ -0-</u>	<u>\$ 991,545</u>	<u>\$ 991,545</u>
	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	<u>-0-</u>	<u>161,608</u>	<u>161,608</u>
	<u>\$ -0-</u>	<u>\$ 927,584</u>	<u>\$ 927,584</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -0-	\$ 927,584	\$ 927,584
Contributions	-0-	3,600	3,600
Investment return, net	-0-	58,984	58,984
Transfers	-0-	22,500	22,500
Distributions	-0-	(21,123)	(21,123)
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 991,545</u>	<u>\$ 991,545</u>

	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	-0-	(20,247)	(20,247)
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 927,584</u>	<u>\$ 927,584</u>

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.

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- 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, 2020 and 2019.

- *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.
- *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.

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

	2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market mutual fund	\$ -0-	\$ 803,255	\$ -0-	\$ 803,255
U.S. Treasury obligations	-0-	288,288	-0-	288,288
Mutual funds				
Equity				
Large value	992,535	-0-	-0-	992,535
Large blend	3,319,029	-0-	-0-	3,319,029
Mid cap	935,242	-0-	-0-	935,242
Small cap	3,554,318	-0-	-0-	3,554,318
International	1,126,193	-0-	-0-	1,126,193
Alternative strategies	1,855,789	-0-	-0-	1,855,789
	<u>11,783,106</u>	<u>-0-</u>	<u>-0-</u>	<u>11,783,106</u>
Total investments in the fair value hierarchy	<u>\$ 11,783,106</u>	<u>\$ 1,091,543</u>	<u>\$ -0-</u>	12,874,649
Certificates of deposit				2,500,430
Hedge fund				
Gas and oil royalty fund (a)				<u>1,337,178</u>
Total investments				<u>\$ 16,712,257</u>
Beneficial interest in perpetual trusts	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 465,624</u>	<u>\$ 465,624</u>

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	2019			
	Level 1	Level 2	Level 3	Total
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 cap	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
Alternative strategies	<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>

(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 following table sets forth the change in beneficial interest in perpetual trusts measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

	2020	2019
Balance, beginning of year	\$ 454,982	\$ 398,590
Change in value for the year	<u>10,642</u>	<u>56,392</u>
Balance, end of year	<u>\$ 465,624</u>	<u>\$ 454,982</u>

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The following table summarizes investments measured at fair value based on the net asset value (NAV) per share as of December 31, 2020 and 2019:

December 31, 2020	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Gas and oil royalty fund	\$ 1,337,178	None	Semi-annually	Monthly

December 31, 2019	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Gas and oil royalty fund	\$ 2,531,501	None	Semi-annually	Monthly

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
- 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.

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The following table reflects the Foundation's financial assets, 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 at December 31:

	2020	2019
Cash	\$ 1,113,997	\$ 1,380,792
Contributions receivable, net	751,264	810,968
Related party receivable	21,496	14,938
Notes receivable	2,314,493	2,389,138
Other receivables	237,003	171,418
Investments	16,712,257	18,087,352
Cash surrender value of life insurance	130,201	189,082
Beneficial interest in perpetual trusts	465,624	454,982
Total financial assets	21,746,335	23,498,670
Notes receivable due beyond one year	(215,259)	(234,762)
Cash surrender value of life insurance	(130,201)	(189,082)
Net assets with donor restrictions		
Time and purpose restricted	(17,380,377)	(17,654,884)
Perpetual	(1,457,169)	(1,382,566)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 2,563,329	\$ 4,037,376

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. AFFILIATED AND SUBSIDIARY ORGANIZATION 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 significant transactions and balances between the affiliated and subsidiary organizations are as follows for the years ended December 31, 2020 and 2019.

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During 2019, the Foundation granted \$353,835 to the Fraternity for educational purposes. Grants are paid when proper documentation is received and approved. No such grants were awarded to the Fraternity during 2020.

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, 2025. The Foundation recognized rental income for the years ended December 31, 2020 and 2019 from the Fraternity of \$107,384 and \$105,923, respectively.

Future minimum lease payments due from the Fraternity under its lease agreement are as follows as of December 31, 2020:

Year Ending December 31,	
2021	\$ 108,844
2022	110,305
2023	111,766
2024	113,227
2025	<u>114,687</u>
	<u>\$ 558,829</u>

The Fraternity reimbursed the Foundation \$119,234 and \$107,090 during the years ended December 31, 2020 and 2019, respectively, for its proportionate share of personnel costs, janitorial services, voice and data usage, IT services, and other operating expenses.

Accounts receivable of \$21,496 and \$14,938 are due from the Fraternity at December 31, 2020 and 2019, 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. At December 31, 2019, the policy had a cash surrender value of \$61,020 that is included in cash surrender value of life insurance on the consolidated statements of financial position. There was no cash surrender value associated with this policy at December 31, 2020.

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

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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, which amounted to \$650,000 per year in both 2020 and 2019. The policy had no cash surrender value at December 31, 2020 and 2019.

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 statutory limits. The Foundation matches employee contributions 100% up to 6% of pay and also offers discretionary profit-sharing contributions. The Foundation's contributions for 2020 and 2019 were \$57,029 and \$58,446, respectively.

18. OPERATING LEASES

The Foundation leases equipment and software under operating leases with expiration dates ranging from August 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 \$59,772 and \$56,538 for the year ended December 31, 2020 and 2019, respectively.

Future minimum lease payments are as follows as of December 31:

Year Ending December 31,	
2021	\$ 23,875
2022	12,775
2023	<u>853</u>
	<u>\$ 37,503</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 2020 and 2019, 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.

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 differences relate to unrealized gains and losses on debt-financed investments.

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

	<u>2020</u>	<u>2019</u>
Federal	\$ 6,991	\$ 19,422
State	<u>1,806</u>	<u>3,455</u>
	8,797	22,877
Deferred tax	<u>29,467</u>	<u>95,550</u>
	<u>\$ 38,264</u>	<u>\$ 118,427</u>

20. RISKS AND UNCERTAINTIES

The Foundation's investments (Note 5) and beneficial interest in perpetual trusts (Note 8) 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.

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. 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.

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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, 2020, one donor made up 11% of gross contributions receivable. At December 31, 2019, two donors made up 22% of gross contributions receivable, with individual percentages of 11% each.

At December 31, 2020 and 2019, three borrowers represent 84% of notes receivable, with individual percentages ranging from 10% to 40% and 10% to 41%, respectively.

The Foundation's investments (Note 5) 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, 2020 and 2019, two mutual funds represent 29% and 27% of total investments, with individual percentages of 14% and 15% and 13% and 14%, respectively. At December 31, 2020 and 2019, the oil and gas royalty hedge fund investment represents 8% and 14% of total investments, respectively.

SUPPLEMENTARY INFORMATION

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	2020	2019
Alabama Alpha Chapter Scholarship Fund	\$ 20,185	\$ 24,608
Alabama Beta Chapter Scholarship Fund	1,935	1,865
Arizona Alpha Chapter Scholarship Fund	269,357	268,088
Arizona Beta Endowed Chapter OneFund	44,250	42,660
California Delta Endowed Chapter OneFund	1,878,320	1,804,123
California Epsilon Endowed Chapter OneFund	1,321,918	1,347,989
California Eta Endowed Chapter OneFund	41,074	40,944
California Gamma Endowed Chapter OneFund	81,796	71,923
California Iota Endowed Chapter OneFund	17,713	17,078
California Kappa (J. Robert Meserve) Scholarship Fund	25,283	24,375
California Lambda Endowed Chapter OneFund	287,799	291,415
California Mu Endowed Chapter OneFund	5,654	5,451
California Nu Chapter Scholarship Fund	27,722	26,726
California Theta Endowed Chapter OneFund	11,009	9,774
California Xi Endowed Chapter OneFund	13,233	7,775
California Zeta Chapter Scholarship Fund	1,120	1,080
Colorado Alpha Endowed Chapter OneFund	118,669	115,533
District of Columbia Alpha Chapter Scholarship Fund	3,878	3,739
Florida Alpha (Robert "Bob" L. Foss) Scholarship Fund	8,047	8,122
Florida Beta Endowed Chapter OneFund	177	171
Georgia Alpha Endowed Chapter OneFund	11,687	11,249
Georgia Beta Endowed Chapter OneFund	22,617	21,770
Houston Alumni Association Chapter Scholarship Fund	22,310	21,362
Illinois Alpha Chapter Scholarship Fund	24,293	24,616
Illinois Beta Endowed Chapter OneFund	27,525	29,134
Illinois Eta Endowed Chapter OneFund	15,703	15,147
Illinois Epsilon Endowed Chapter OneFund	46,009	44,190
Illinois Iota Chapter Scholarship Fund	4,552	4,389
Illinois Theta Endowed Chapter OneFund	20,454	19,221
Illinois Zeta (Carlos Navarro) Chapter Scholarship Fund	53,648	53,381
Indiana Alpha Endowed Chapter OneFund	200,973	210,706
Indiana Beta Chapter Scholarship Fund	120,060	122,379
Indiana Delta Chapter Scholarship Fund	180,830	174,033
Indiana Epsilon Endowed Chapter OneFund	130,516	131,508
Indiana Eta Endowed Chapter OneFund	17,408	17,378
Indiana Gamma Endowed Chapter OneFund	58,492	56,331
Indiana Theta Endowed Chapter OneFund	7,150	6,819
Indiana Zeta Endowed Chapter OneFund	73,238	70,109
Iowa Alpha Endowed Chapter OneFund	66,144	67,830

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Iowa Beta Endowed Chapter OneFund	69,789	66,469
Kansas Alpha Chapter Scholarship Fund	16,621	16,025
Kentucky Beta Endowed Chapter OneFund	38,458	37,080
Louisiana Alpha Chapter Scholarship Fund	39,932	37,902
Louisiana Beta Endowed Chapter OneFund	24,770	23,880
Louisiana Gamma Chapter Scholarship Fund	17,833	17,194
Maryland Alpha Endowed Chapter OneFund	436,504	441,698
Maryland Gamma Endowed Chapter OneFund	5,233	5,045
Massachusetts Beta Endowed Chapter OneFund	24,510	23,631
Michigan Alpha (Wolverine) Endowed Chapter OneFund	69,880	64,710
Michigan Beta Endowed Chapter OneFund	70,997	67,511
Minnesota Beta Endowed Chapter OneFund	342,608	340,920
Minnesota Delta Endowed Chapter OneFund	21,262	20,949
Minnesota Gamma Endowed Chapter OneFund	11,024	10,086
Mississippi Alpha Endowed Chapter OneFund	15,382	14,831
Missouri Alpha Chapter Scholarship Fund	180,817	180,043
Nebraska Alpha Endowed Chapter OneFund	31,855	31,763
Nebraska Beta (Theodore J. Urban) Scholarship Fund	22,608	23,373
New Jersey Alpha Endowed Chapter OneFund	413	399
New Jersey Beta Endowed Chapter OneFund	7,249	6,988
New Jersey Delta Endowed Chapter OneFund	15,846	14,694
New Jersey Epsilon Chapter Scholarship Fund	20,859	19,531
New Jersey Gamma Endowed Chapter OneFund	5,749	5,543
New Mexico Alpha Endowed Chapter OneFund	2,158	2,080
New York Alpha Chapter Scholarship Fund	72,947	74,256
New York Beta Chapter Scholarship Fund	14,562	14,041
New York Epsilon Endowed Chapter OneFund	350	338
New York Eta Endowed Chapter OneFund	45,733	46,285
New York Iota Chapter Scholarship Fund	2,319	2,236
New York Kappa Endowed Chapter OneFund	51,282	51,732
New York Theta Endowed Chapter OneFund	81,366	80,352
North Carolina Alpha Endowed Chapter OneFund	30,988	31,594
North Carolina Beta Endowed Chapter OneFund	11,586	11,170
Ohio Alpha Endowed Chapter OneFund	37,099	35,769
Ohio Beta Endowed Chapter OneFund	302,577	291,701
Ohio Epsilon Endowed Chapter OneFund	181,450	184,241
Ohio Eta Chapter Scholarship Fund	12,011	11,580
Ohio Iota Endowed Chapter OneFund	6,931	2,902
Ohio Lambda Endowed Chapter OneFund	64,799	62,476
Ohio Mu Endowed Chapter OneFund	61,288	59,088

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Ohio Nu Endowed Chapter OneFund	2,771	2,672
Ohio Theta Endowed Chapter OneFund	13,016	12,550
Ohio Xi Endowed Chapter OneFund	19,539	18,538
Ohio Zeta Endowed Chapter OneFund	36,993	35,667
Oklahoma Alpha Endowed Chapter OneFund	33,042	32,327
Oklahoma Beta Endowed Chapter OneFund	601	579
Oregon Alpha Chapter Scholarship Fund	27,172	26,198
Oregon Beta Endowed Chapter OneFund	189,365	190,809
Pennsylvania Alpha Chapter Scholarship Fund	9,522	9,081
Pennsylvania Beta Endowed Chapter OneFund	55,446	53,456
Pennsylvania Epsilon Endowed Chapter OneFund	87,140	87,099
Pennsylvania Eta Chapter Scholarship Fund	29,243	28,197
Pennsylvania Gamma Endowed Chapter OneFund	61,078	58,888
Pennsylvania Iota Chapter Scholarship Fund	41,581	42,311
Pennsylvania Lambda Endowed Chapter OneFund	30,120	29,897
Pennsylvania Nu Chapter Scholarship Fund	33,032	32,935
Pennsylvania Phi Chapter Scholarship Fund	4,765	4,594
Pennsylvania Pi Endowed Chapter OneFund	172	166
Pennsylvania Rho Endowed Chapter OneFund	8,487	8,183
Pennsylvania Sigma Chapter Scholarship Fund	4,278	4,125
Pennsylvania Tau Endowed Chapter OneFund	1,930	1,861
Pennsylvania Theta Chapter Scholarship Fund	2,154	-0-
Pennsylvania Upsilon Endowed Chapter OneFund	6,905	6,657
Pennsylvania Xi Endowed Chapter OneFund	1,963	1,893
Pennsylvania Zeta Endowed Chapter OneFund	2,321	2,238
Rhode Island Alpha Chapter Scholarship Fund	31,536	32,019
Rhode Island Beta Chapter Scholarship Fund	120,776	116,440
Tennessee Delta (Graham G. Stone Memorial) Scholarship Fund	22,009	21,220
Tennessee Epsilon Chapter Scholarship Fund	54,419	52,465
Texas Beta (Bill Collins) Scholarship Fund	122,625	124,573
Texas Delta Endowed Chapter OneFund	2,580	2,487
Texas Epsilon Endowed Chapter OneFund	11,296	11,372
Texas Gamma Chapter Scholarship Fund	11,066	10,670
Texas Zeta Endowed Chapter OneFund	7,542	7,272
Virginia Alpha Endowed Chapter OneFund	8,610	8,301
Virginia Zeta Endowed Chapter OneFund	9,556	9,214
Washington Alpha Endowed Chapter OneFund	431,625	441,822
West Virginia Alpha Endowed Chapter OneFund	53,675	36,569
Wisconsin Gamma Chapter Scholarship Fund	86,040	82,957
Ohio Omicron Chapter Scholarship Fund	2,494	2,164

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Virginia Eta Endowed Chapter OneFund	3,541	3,414
Indiana Iota Endowed Chapter OneFund	2,281	2,020
Delaware Alpha Chapter Scholarship Fund	5,873	5,662
Arkansas Alumni Association Chapter Scholarship Fund	38,269	31,349
Alabama Gamma Endowed Chapter OneFund	86	19
Ohio Kappa Chapter Scholarship Fund	76	73
Maryland Delta Endowed Chapter OneFund	98	94
California Epsilon Chapter Housing Fund	358,670	367,412
California Gamma Chapter Housing Fund	25,955	22,251
California Kappa Chapter Housing Fund	40,404	41,160
Indiana Alpha Chapter Housing Fund	187,444	192,927
Indiana Beta Chapter Housing Fund	54,385	54,901
Indiana Delta Chapter Housing Fund	607	-0-
Oregon Beta Chapter Housing Fund	4,107	5,563
Tennessee Delta Chapter Housing Fund	40,524	41,282
California Eta Chapter Housing Fund	(188)	-0-
Michigan Alpha Chapter Housing Fund	(1,102)	-0-
Illinois Delta Chapter Housing Fund	35,701	50,827
Ohio Nu Chapter Housing Fund	6,170	6,013
Texas Gamma Chapter Housing Fund	20,154	19,457
Georgia Alpha Chapter Housing Fund	3,840	911
Indiana Epsilon Chapter Housing Fund	376,243	958,045
Ohio Lambda Chapter Housing Fund	35,385	44,550
Louisiana Alpha Chapter Housing Fund	86,926	116,534
Mississippi Alpha Chapter Housing Fund	3,598	-0-
West Virginia Alpha Chapter Housing Fund	87,400	-0-
Oklahoma Alpha Chapter Housing Fund	(1,012)	-0-
Iowa Beta Chapter House Operating Fund	11,050	36,117
Ohio Delta (Honors Lodge) Chapter House Operating Fund	25	3,103
Pennsylvania Theta Chapter House Operating Fund	172,341	166,713
Ohio Delta (Chapter House) Chapter House Operating Fund	5,662	5,938
Indiana Delta Chapter House Operating Fund	69,613	42,055
Virginia Beta (1855) Chapter House Operating Fund	15,336	14,806
Tennessee Delta Chapter House Operating Fund	1,028	992
Washington Alpha Chapter House Operating Fund	(6,634)	(6,724)
Ohio Lambda Chapter House Operating Fund	357	344
Michigan Alpha Chapter House Operating Fund	971	33,509
Indiana Alpha (Dorothy "Mom" Brown) Chapter OneFund	625	603
California Delta Chapter House Operating Fund	44,265	45,093

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Pennsylvania Lambda Chapter House Operating Fund	162,019	156,464
Indiana Epsilon (Donald V. Fites) Endowed Chapter OneFund	70,138	67,623
Virginia Beta (Jerry Nelson) Mentor Scholarship Fund	83,173	80,192
Indiana Beta (Reach For Excellence) Grant Fund	22,532	21,290
Excellence in Advising Grant Fund	44,125	43,747
Gordon S. Letterman Scholarship Fund	6,314	6,089
Nebraska Alpha (Walter & Virginia Henrion) Fellowship Fund	88,303	84,932
Terrence "Terry" G. Harper Fellowship Fund	43,988	42,409
William H. Blanning Scholarship Fund	159,250	162,397
Health & Wellness Fund	266	257
Mississippi Alpha (Christopher J. Grimaud) Scholarship Fund	27,908	28,356
Schroeder Scholarship Fund	27,625	27,750
Shane Yates Fellowship Fund	35,458	31,690
Louisiana Alpha Chapter Fellowship Fund	30,821	39,263
Nebraska Alpha (Dan Cook) Fellowship Fund	42,163	42,462
Scott Sutton Memorial Fund	268	259
California Delta (Brensike - McMahan) Scholarship Fund	29,589	28,557
Phi Kappa Psi Pride Scholarship Fund	22,889	20,868
California Epsilon (James N. Harger) Engineering Sch. Fund	33,205	25,948
Iowa Beta (Paul T. Troupe) Emerging Leaders Scholarship Fund	42,029	39,720
Michigan Alpha (Michael R. Etzioni) Scholarship Fund	30,989	28,700
California Delta (Benton H. Lamson) Scholarship Fund	38,985	37,588
California Epsilon (Scott C. Thomas) Scholarship Fund	41,548	40,056
Illinois Delta (C.F. "Dab" Williams) Scholarship Fund	86,110	86,875
Illinois Delta (Stephen W. Acheson) Scholarship Fund	52,711	49,882
Indiana Beta (Bradley L. Henninger) Scholarship Fund	103,302	105,393
Iowa Alpha (Michael D. Junker) Scholarship Fund	33,189	33,082
Kansas Alpha (Riley) Scholarship Fund	24,420	23,544
Michigan Beta (Charles & Estelle Williams) Scholarship Fund	369,305	369,334
Nebraska Alpha (Robert E. Hamilton) Scholarship Fund	41,525	40,034
Nebraska Alpha (Western Nebraska) Scholarship Fund	17,257	16,637
Ohio Delta (Howard L. Hamilton) Scholarship Fund	58,311	56,046
Ohio Delta (Manning D. Webster) Scholarship Fund	54,367	52,175
Ohio Delta (Norman "Norm" M. Spain) Scholarship Fund	38,999	37,421
Ohio Delta (William "Mil" M. Batten) Scholarship Fund	39,115	37,533
Ohio Epsilon (Medical Education) Scholarship Fund	3,292	2,525
Ohio Theta (Helen B. Smith) Scholarship Fund	10,550	10,172
Ohio Theta (Jerry & Terrie Dunlap) Scholarship Fund	28,694	26,866
Oklahoma Alpha (Wittrock) Scholarship Fund	15,034	13,884
Oregon Alpha (Hugh B. Oliphant) Scholarship Fund	46,281	44,684

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Oregon Alpha (Maurice "Mo" J. Warnock) Scholarship Fund	87,938	84,731
Oregon Alpha (Maurice O'Callaghan) Scholarship Fund	24,779	23,891
Rhode Island Alpha (Clayton C. Dovey III) Scholarship Fund	1,976	1,906
Texas Alpha (Derrick A. Eakin Memorial) Scholarship Fund	15,687	16,839
Texas Alpha (Longview) Scholarship Fund	95,113	95,701
Texas Alpha (Paul A. Cox Memorial) Scholarship Fund	15,084	15,457
Texas Alpha (St. Tacky) Scholarship Fund	65,118	68,500
Virginia Beta (C. Stephen Leonard) Scholarship Fund	117,637	119,450
Virginia Beta (George S. Lantzas) Scholarship Fund	59,904	60,299
Virginia Zeta (Willow Creek/Philpott) Scholarship Fund	1,420	1,369
Ohio Delta (George S. Frost) Scholarship Fund	1,089,417	1,049,978
New York Theta (Brian D. Bauer) Scholarship Fund	30,435	29,343
California Epsilon (James L. Tigner Jr.) Scholarship Fund	185,203	187,325
Pennsylvania Iota (Correia) Scholarship Fund	35,595	29,695
Iowa Beta (Bill & Lindy Good) Chapter Scholarship Fund	119,479	109,529
Washington Alpha (Douglas A. Hora) Chapter Scholarship Fund	25,180	23,705
New York Beta (Hunter Brooks Watson) Scholarship Fund	79,633	88,665
California Beta Chapter Scholarship Fund	78,249	75,995
Pennsylvania Theta Chapter Scholarship Fund	371,885	376,077
Texas Alpha (Centennial) Scholarship Fund	276,840	268,040
Leadership & Member Development Fund	1,973	1,473
Ohio Delta (J. Gilbert Reese) Chapter Scholarship Fund	852,890	819,671
Watkins Christian Scholarship Fund	138,655	107,913
Ohio Lambda Leadership Character Strengthening Fund	30,066	72,906
Indiana Beta (William E. Young Trust) Scholarship Fund	14,624	13,982
Alabama Alpha Chapter Leadership Fund	795	192
Alabama Beta Chapter Leadership Fund	612	591
Alabama Gamma Chapter OneFund	65	481
Arizona Alpha Chapter Leadership Fund	374	274
Arizona Beta Chapter OneFund	(27)	577
California Delta Chapter OneFund	5,693	5,489
California Epsilon Chapter OneFund	619	597
California Eta Chapter OneFund	(1,205)	273
California Gamma Chapter OneFund	6,028	6,172
California Iota Chapter OneFund	576	355
California Kappa Chapter Leadership Fund	427	412
California Lambda Chapter OneFund	472	459
California Mu Chapter OneFund	19	19
California Theta Chapter OneFund	1,034	2,144
California Xi Chapter OneFund	2,114	2,036

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Colorado Alpha Chapter OneFund	214	207
Delaware Alpha Chapter Leadership Fund	61	59
District of Columbia Alpha Chapter Leadership Fund	351	338
Florida Alpha Chapter Leadership Fund	663	639
Georgia Alpha Chapter OneFund	9,257	225
Georgia Beta Chapter OneFund	855	608
Illinois Alpha Chapter Leadership Fund	444	1,047
Illinois Delta Chapter Leadership Fund	1,446	635
Illinois Epsilon Chapter OneFund	84	173
Illinois Eta Chapter OneFund	229	221
Illinois Iota Chapter Leadership Fund	45	43
Illinois Theta Chapter OneFund	105	101
Illinois Zeta Chapter Leadership Fund	941	877
Indiana Alpha Chapter OneFund	27,637	1,387
Indiana Beta Chapter Leadership Fund	2,283	1,910
Indiana Delta Chapter Leadership Fund	26,683	20,684
Indiana Epsilon Chapter OneFund	18,576	19,139
Indiana Eta Chapter OneFund	271	262
Indiana Gamma Chapter OneFund	3,157	1,743
Indiana Iota Chapter OneFund	840	630
Indiana Theta Chapter OneFund	672	583
Indiana Zeta Chapter OneFund	633	565
Iowa Alpha Chapter OneFund	1,006	850
Iowa Beta Chapter OneFund	16,432	1,689
Kansas Alpha Chapter Leadership Fund	1,991	706
Kentucky Beta Chapter OneFund	53	51
Louisiana Alpha Chapter Leadership Fund	1,825	1,109
Louisiana Beta Chapter OneFund	106	85
Louisiana Gamma Chapter Leadership Fund	460	444
Maryland Alpha Chapter OneFund	436	334
Maryland Gamma Chapter OneFund	97	93
Massachusetts Beta Chapter OneFund	164	71
Michigan Alpha Chapter OneFund	25,795	1,204
Michigan Beta Chapter OneFund	3,280	2,345
Minnesota Beta Chapter OneFund	4,341	4,488
Minnesota Delta Chapter OneFund	2,175	1,663
Minnesota Gamma Chapter OneFund	15	449
Mississippi Alpha Chapter OneFund	191	76
Missouri Alpha Chapter Leadership Fund	740	497
Nebraska Beta Chapter Leadership Fund	24	19

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New Jersey Beta Chapter OneFund	402	387
New Jersey Delta Chapter OneFund	107	103
New Jersey Epsilon Chapter Leadership Fund	390	376
New Jersey Gamma Chapter OneFund	601	492
New York Alpha Chapter Leadership Fund	124	119
New York Beta Chapter Leadership Fund	8,408	858
New York Eta Chapter OneFund	1,316	1,217
New York Iota Chapter Leadership Fund	55	53
New York Kappa Chapter OneFund	229	221
New York Theta Chapter OneFund	524	145
North Carolina Beta Chapter OneFund	437	513
Ohio Alpha Chapter OneFund	147	142
Ohio Beta Chapter OneFund	1,980	1,119
Ohio Delta Chapter Leadership Fund	45,195	43,158
Ohio Epsilon Chapter OneFund	3,823	3,569
Ohio Eta Chapter Leadership Fund	265	798
Ohio Iota Chapter OneFund	428	253
Ohio Kappa Chapter Leadership Fund	53	51
Ohio Lambda Chapter OneFund	39	32
Ohio Mu Chapter OneFund	159	154
Ohio Nu Chapter OneFund	283	130
Ohio Omicron Chapter Leadership Fund	275	265
Ohio Theta Chapter OneFund	11,129	9,132
Ohio Xi Chapter OneFund	104	100
Ohio Zeta Chapter OneFund	657	547
Oklahoma Alpha Chapter OneFund	14,103	15,205
Oregon Alpha Chapter Leadership Fund	515	497
Oregon Beta Chapter OneFund	828	403
Pennsylvania Alpha Chapter Leadership Fund	118	113
Pennsylvania Beta Chapter OneFund	448	329
Pennsylvania Epsilon Chapter OneFund	441	425
Pennsylvania Eta Chapter Leadership Fund	1,048	1,542
Pennsylvania Iota Chapter Leadership Fund	907	510
Pennsylvania Lambda Chapter OneFund	1,869	1,411
Pennsylvania Nu Chapter Leadership Fund	245	45
Pennsylvania Phi Chapter Leadership Fund	343	331
Pennsylvania Rho Chapter OneFund	468	299
Pennsylvania Upsilon Chapter OneFund	324	313
Pennsylvania Xi Chapter OneFund	516	498
Rhode Island Beta Chapter Leadership Fund	315	386

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Tennessee Delta Chapter Leadership Fund	10,280	4,924
Tennessee Epsilon Chapter Leadership Fund	222	214
Texas Beta Chapter OneFund	1,601	618
Texas Epsilon Chapter OneFund	50	48
Texas Gamma Chapter Leadership Fund	94	91
Texas Zeta Chapter OneFund	294	284
Virginia Alpha Chapter OneFund	2,197	340
Virginia Beta Chapter Leadership Fund	5,015	4,841
Virginia Theta Chapter OneFund	783	531
Virginia Zeta Chapter OneFund	51	49
Washington Alpha Chapter OneFund	3,976	3,572
West Virginia Alpha Chapter OneFund	490	257
Wisconsin Gamma Chapter Leadership Fund	651	471
California Beta Chapter Leadership Fund	9,539	9,197
Pennsylvania Theta Non-Endowed Chapter Leadership Fund	3,712	2,906
Texas Alpha Non-Endowed Chapter Leadership Fund	353	1,116
General Chapter OneFund	384	425
California Beta Endowed Chapter Leadership Fund	39,560	38,364
Ohio Epsilon Endowed Chapter Leadership Fund	43,021	40,655
Pennsylvania Theta Endowed Chapter Leadership Fund	74,334	71,532
Tennessee Delta Endowed Chapter Leadership Fund	27,708	27,000
Jerry Nelson Scholarship Fund	36,771	37,003
Philip M. Cornelius Scholarship Fund	35,089	35,491
Ralph D. Daniel Scholarship Fund	80,104	80,507
Ruddick C. Lawrence Scholarship Fund	105,348	104,246
Boys & Girls Club of America	645	599
Frederick and Sharon Hegele Leadership and Service Fund	41,710	26,650
Museum & Archives Fund	625	575
Phi Psi Friendship Fund	907	-0-
Ruth Lilly Operating Fund	414,072	423,090
Interest in Summerfield Foundation	451,000	441,000

See report of independent auditors on pages 1 and 2.