

PHI KAPPA PSI FRATERNITY

May 31, 2019

*CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT INCLUDING SUPPLEMENTARY
INFORMATION*



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INDEPENDENT AUDITORS' REPORT

To the Executive Council
Phi Kappa Psi Fraternity
Indianapolis, Indiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Phi Kappa Psi Fraternity (a nonprofit organization) which comprise the consolidated statements of financial position as of May 31, 2019 and 2018, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 Phi Kappa Psi Fraternity as of May 31, 2019 and 2018, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the notes to the consolidated financial statements, during 2019, Phi Kappa Psi Fraternity adopted Accounting Standards Update (ASU) No 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed in the table of contents 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

VonLehman & Company Inc.

Indianapolis, Indiana
March 30, 2020

**PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

ASSETS

	May 31,	
	2019	2018
Cash	\$ 323,526	\$ 254,691
Chapter Accounts Receivable, Net	440,145	393,700
Accounts Receivable - Related Party	11,091	1,144
Grants Receivable - Related Party	138,501	145,305
Inventory	20,049	26,076
Prepaid Expenses	749,432	957,851
Investments - PKP	387,920	5,702,683
Investment Assets Held by PFI	4,826,839	-
Property and Equipment, Net	256,946	315,944
Total Assets	\$ 7,154,449	\$ 7,797,394

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	\$ 386,641	\$ 678,791
Accounts Payable - Related Party	84,926	108,035
Capital Lease Obligation	53,453	75,074
Line of Credit	200,000	-
Deferred Rent	16,251	13,208
Deferred Revenue	457,673	521,404
Funds Held for Closed Chapters	22,692	22,692
Total Liabilities	1,221,636	1,419,204

Net Assets

Without Donor Restrictions - PKP	909,451	6,205,489
Without Donor Restrictions - Assets Held by PFI	4,879,845	-
Total Without Donor Restrictions	5,789,296	6,205,489
With Donor Restrictions	143,517	172,701
Total Net Assets	5,932,813	6,378,190
Total Liabilities and Net Assets	\$ 7,154,449	\$ 7,797,394

See accompanying notes.

**PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Years Ended May 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support, and Gains						
Grant Revenue	\$ -	\$ 529,682	\$ 529,682	\$ -	\$ 791,395	\$ 791,395
Alumni Dues	13,500	-	13,500	12,750	-	12,750
Order of the SC Dues	18,530	-	18,530	-	-	-
Initiation Fees	582,500	-	582,500	574,000	-	574,000
Pledge Fees	106,000	-	106,000	169,991	-	169,991
Chapter Service Fees	956,958	-	956,958	921,486	-	921,486
Insurance Revenues	1,363,219	-	1,363,219	1,254,487	-	1,254,487
Risk Management and Wellness Fee	478,244	-	478,244	485,760	-	485,760
Conference Fees	239,122	-	239,122	240,606	-	240,606
Administrative Fees - Endowment and Insurance	30,408	-	30,408	43,386	-	43,386
Net Investment Return	(52,334)	-	(52,334)	479,147	-	479,147
Merchandise Sales	10,855	-	10,855	6,359	-	6,359
Chapter Finance Charges	82,895	-	82,895	106,415	-	106,415
Woodrow Wilson Leadership School Income	222,345	-	222,345	19,050	-	19,050
Royalty Income	82,587	-	82,587	90,204	-	90,204
Contributions	22,961	5,000	27,961	27,456	-	27,456
Other	8,682	-	8,682	1,207	-	1,207
	<u>4,166,472</u>	<u>534,682</u>	<u>4,701,154</u>	<u>4,432,304</u>	<u>791,395</u>	<u>5,223,699</u>
Net Assets Released from Restrictions	<u>563,866</u>	<u>(563,866)</u>	<u>-</u>	<u>757,211</u>	<u>(757,211)</u>	<u>-</u>
Total Revenues, Support, Gains and Reclassifications	<u>4,730,338</u>	<u>(29,184)</u>	<u>4,701,154</u>	<u>5,189,515</u>	<u>34,184</u>	<u>5,223,699</u>
Expenses						
Program Expenses	3,562,668	-	3,562,668	3,896,134	-	3,896,134
Management and General Expenses	1,583,863	-	1,583,863	1,614,673	-	1,614,673
	<u>5,146,531</u>	<u>-</u>	<u>5,146,531</u>	<u>5,510,807</u>	<u>-</u>	<u>5,510,807</u>
Change in Net Assets	(416,193)	(29,184)	(445,377)	(321,292)	34,184	(287,108)
Net Assets, Beginning of Year	<u>6,205,489</u>	<u>172,701</u>	<u>6,378,190</u>	<u>6,526,781</u>	<u>138,517</u>	<u>6,665,298</u>
Net Assets, End of Year	<u>\$ 5,789,296</u>	<u>\$ 143,517</u>	<u>\$ 5,932,813</u>	<u>\$ 6,205,489</u>	<u>\$ 172,701</u>	<u>\$ 6,378,190</u>

See accompanying notes.

PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2019

	<u>Program</u>			<u>Total</u>	<u>Management and General</u>	<u>Total Expenses</u>
	<u>Fraternity Activities</u>	<u>Publications and Communications</u>	<u>Convention/ Leadership Activities</u>			
Automobile	\$ -	\$ -	\$ -	\$ -	27,365	\$ 27,365
Awards	-	-	3,863	3,863	-	3,863
Conferences and Organizations	10,472	-	-	10,472	-	10,472
Travel and Entertainment	72,825	10,846	12,396	96,067	58,879	154,946
Colony Scholarships	(400)	-	-	(400)	-	(400)
Grand Arch Council	-	-	372,655	372,655	-	372,655
<i>The Shield</i>	-	74,071	-	74,071	-	74,071
ELC Program	-	-	69,019	69,019	-	69,019
ROT Program	-	-	145,670	145,670	-	145,670
Professional Development Conference	-	-	206,613	206,613	-	206,613
Elevate Program	-	-	57,311	57,311	-	57,311
Wellness Program	8,462	-	-	8,462	-	8,462
Other Program Expense	-	-	439	439	-	439
Attorney Fees	-	-	-	-	380	380
Accounting and Audit	-	-	-	-	50,735	50,735
Club Dues	-	-	-	-	48,388	48,388
Cost of Supply Sales	-	-	-	-	60,623	60,623
Bank Service Charges	-	-	-	-	7,525	7,525
Online Service and Website	-	-	-	-	44,115	44,115
Miscellaneous Expense	-	-	-	-	15,308	15,308
Office Staff Salaries	682,630	101,668	116,192	900,490	551,914	1,452,404
Payroll Tax	54,489	8,116	9,275	71,880	44,056	115,936
Health Insurance	123,075	18,330	20,949	162,354	99,508	261,862
401(k) Contributions	12,243	1,823	2,084	16,150	9,899	26,049
Interest Expense	-	-	-	-	26,644	26,644
Building and Equipment	-	-	-	-	37,305	37,305
Depreciation	-	-	-	-	62,628	62,628
Property Taxes	-	-	-	-	3,761	3,761
Postage, Printing, and Supplies	-	-	-	-	56,621	56,621
Telephone	-	-	-	-	45,107	45,107
Headquarters Rent and Utilities	-	-	-	-	108,114	108,114
Insurance Expenses	1,323,564	-	-	1,323,564	18,182	1,341,746
Professional Fees	-	-	-	-	170,869	170,869
Contributions	-	-	-	-	23,200	23,200
Bad Debt Expense	43,988	-	-	43,988	-	43,988
Materials	-	-	-	-	12,737	12,737
Total Expenses by Function	\$ 2,331,348	\$ 214,854	\$ 1,016,466	\$ 3,562,668	\$ 1,583,863	\$ 5,146,531

See accompanying notes.

PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2018

	Program			Total	Management and General	Total Expenses
	Fraternity Activities	Publications and Communications	Convention/ Leadership Activities			
Automobile	\$ -	\$ -	\$ -	\$ -	29,603	\$ 29,603
Conferences and Organizations	52,755	-	-	52,755	-	52,755
Travel and Entertainment	109,057	16,243	18,563	143,863	88,173	232,036
Colony Scholarships	4,000	-	-	4,000	-	4,000
Woodrow Wilson Leadership School	-	-	172,601	172,601	-	172,601
<i>The Shield</i>	-	113,275	-	113,275	-	113,275
ELC Program	-	-	96,666	96,666	-	96,666
ROT Program	-	-	131,459	131,459	-	131,459
Professional Development Conference	-	-	232,868	232,868	-	232,868
Elevate Program	-	-	56,095	56,095	-	56,095
Wellness Program	4,189	-	-	4,189	-	4,189
Other Program Expense	-	-	46,126	46,126	-	46,126
Attorney Fees	-	-	-	-	44,190	44,190
Accounting and Audit	-	-	-	-	35,355	35,355
Club Dues	-	-	-	-	81,974	81,974
Cost of Supply Sales	-	-	-	-	51,804	51,804
Bank Service Charges	-	-	-	-	18,768	18,768
Miscellaneous Expense	-	-	-	-	6,173	6,173
Office Staff Salaries	687,212	102,351	116,972	906,535	555,618	1,462,153
Payroll Tax	55,217	8,224	9,399	72,840	44,643	117,483
Health Insurance	121,824	18,144	20,736	160,704	98,496	259,200
401(k) Contributions	15,326	2,283	2,609	20,218	12,393	32,611
Interest Expense	-	-	-	-	15,179	15,179
Building and Equipment	-	-	-	-	42,057	42,057
Depreciation	-	-	-	-	62,075	62,075
Property Taxes	-	-	-	-	3,037	3,037
Postage, Printing, and Supplies	-	-	-	-	55,250	55,250
Telephone	-	-	-	-	41,606	41,606
Headquarters Rent and Utilities	-	-	-	-	116,818	116,818
Insurance Expenses	1,681,940	-	-	1,681,940	16,135	1,698,075
Professional Fees	-	-	-	-	171,057	171,057
Bad Debt Expense	-	-	-	-	12,000	12,000
Materials	-	-	-	-	12,269	12,269
	\$ 2,731,520	\$ 260,520	\$ 904,094	\$ 3,896,134	\$ 1,614,673	\$ 5,510,807
Total Expenses by Function	\$ 2,731,520	\$ 260,520	\$ 904,094	\$ 3,896,134	\$ 1,614,673	\$ 5,510,807

See accompanying notes.

PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended May 31,	
	2019	2018
Cash Flows From Operating Activities		
Change in Net Assets	\$ (445,377)	\$ (287,108)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities		
Depreciation	62,628	62,075
Bad Debt Expense	43,988	12,000
Net Realized and Unrealized Loss (Gains) on Investments	173,189	(389,945)
Changes in		
Chapter Accounts Receivable, Net	(90,433)	(200,198)
Accounts Receivable - Related Party	(9,947)	16,075
Grants Receivable - Related Party	6,804	(145,305)
Inventory	6,027	6,516
Prepaid Expenses	208,419	(417,714)
Accounts Payable and Accrued Expenses	(292,150)	600,461
Accounts Payable - Related Party	(20,529)	53,945
Deferred Rent	3,043	13,208
Deferred Revenue	(63,731)	513,004
	<u>(418,069)</u>	<u>(162,986)</u>
Net Cash Used by Operating Activities		
Cash Flows From Investing Activities		
Proceeds from Sales and Maturities of Investments - PKP	295,023	1,641,938
Proceeds from Sales and Maturities of Investments - PFI	2,442,661	-
Purchases of Investments - PKP	(301,788)	(1,404,199)
Purchases of Investments - PFI	(2,121,161)	-
Purchases of Property and Equipment	(3,630)	(40,214)
	<u>311,105</u>	<u>197,525</u>
Net Cash Provided by Investing Activities		
Cash Flows from Financing Activities		
Payments on Capital Lease Obligation	(21,621)	(24,487)
Net Proceeds from Short-Term Debt	200,000	-
Net Change in Pass-through Funds Due to Related Party	(2,580)	54,090
	<u>175,799</u>	<u>29,603</u>
Net Cash Provided by Financing Activities		
Net Change in Cash	68,835	64,142
Cash, Beginning of Year	<u>254,691</u>	<u>190,549</u>
Cash, End of Year	<u>\$ 323,526</u>	<u>\$ 254,691</u>

See accompanying notes.

**PHI KAPPA PSI FRATERNITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Phi Kappa Psi Fraternity (PKP) is a national college fraternity with headquarters in Indianapolis, Indiana. At May 31, 2019, the Fraternity had 100 chapters and colonies located throughout the United States. The Fraternity provides administrative support, educational services and insurance programs for these chapters and colonies.

Each chapter and colony is an independently governed and managed entity and, accordingly, the financial position, revenues and expenses of the chapters and colonies are not combined in the accompanying consolidated financial statements of the national fraternity.

The PKP Permanent, Scholastic, Educational, Charitable and Fraternal Fund, Inc. (PFI) was formed to hold certain non-operating property of PKP on July 31, 2018.

The consolidated financial statements include the accounts of PKP and non-operating property held by PFI, collectively referred to as the Fraternity. All significant inter-organization balances and transactions have been eliminated in consolidation.

Use of Estimates

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Other estimates relate to the assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Chapter Accounts Receivable

Chapter accounts receivable are stated at contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The Fraternity begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Fraternity's collection history, the financial stability and recent payment history of the chapters, and other pertinent factors. Based on these criteria, the Fraternity has estimated an allowance for doubtful accounts of \$63,347 and \$19,359 at May 31, 2019 and 2018, respectively.

Finance charges of 1-10% per month are charged on account balances not paid by the due date unless negotiated otherwise.

Inventory

Inventory is stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value, and consists of member paraphernalia such as buttons, pins, manuals, robes, books, etc. that are held for resale.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment return (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents and other securities and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value at the date of donation, and depreciated over the estimated useful lives of the related assets. Works of art and antiques are preserved in a museum-like setting and are not depreciated due to their historical nature. Depreciation is computed using the straight-line method for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized for items in excess of \$1,000.

The useful lives of property and equipment for purposes of computing depreciation are:

Furniture	10 Years
Equipment	5-10 Years
Computer Software	3 Years
Computer Equipment	3-10 Years
Vehicles	5-10 Years

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during the years ended May 31, 2019 and 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – PKP’s and PFI’s net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board of PKP has designated from net assets without donor restrictions net assets for specific purposes (see Board Designated Net Assets note).

Net Assets With Donor Restrictions – PKP’s net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PFI does not accept contributions or donations, nor does it make contributions or donations. PFI is a title holding corporation that manages assets to produce dividends, interest, and capital gains from property it holds. Therefore, PFI does not have any net assets with donor restrictions.

PKP's donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable grants received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services, Equipment, and In-Kind Contributions

Donations of equipment and in-kind contributions are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Fraternity.

The Fraternity has significant time contributed to its mission through volunteers, however, the consolidated statements of activities do not reflect the value of these services as they do not meet recognition criteria required under U.S. GAAP.

Retirement Plan

The Fraternity offers an employee savings and retirement plan to all eligible employees who are at least 21 years of age and have a minimum of one year (1,000 hours) of full-time service. Each year, the Fraternity may make a discretionary contribution based upon a percentage set by the Fraternity prior to the end of the plan year. By its nature, the plan is fully funded.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include travel and entertainment, office staff salaries, payroll tax, health insurance, and 401(k) contributions, which are allocated on the basis of estimates of time and effort. Insurance expense is allocated based on coverage type.

Income Tax Status

PKP is a nonprofit organization as described in Section 501(c)(7) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to the Internal Revenue Code.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PFI is a nonprofit corporation as described in Section 501(c)(2) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to the Internal Revenue Code. All income and realized gains are passed through to PKP.

The Fraternity has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Fraternity recognized no interest or penalties in the consolidated statements of activities and change in net assets for the years ended May 31, 2019 and 2018. If the situation arose in which the Fraternity would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Fraternity is not currently under audit nor has the Fraternity been contacted by these jurisdictions.

Based on the evaluation of the Fraternity's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for either of the years ended May 31, 2019 and 2018.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

Recently Issued Significant Accounting Standards*Revenue Recognition Standard*

In May, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the 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 to in exchange for those goods or services. This standard may have an impact on the timing of when an entity recognizes certain revenue. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

In June, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The core principle of the guidance is to clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The ASU is effective for nonpublic entities for years beginning after December 15, 2018.

Lease Accounting Standard

In February, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2020.

The Fraternity is currently in the process of evaluating the impact of adoption of these ASUs on their consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (Topic 958). The core principles of the guidance are a reduction in the number of net asset categories from three to two, reporting investment return net of external and internal investment expenses, the placed-in-service approach for reporting expirations of restrictions on donated assets and enhanced disclosures regarding designations and donor restrictions, qualitative and quantitative liquidity information, expense allocation methods, expenses by natural classification and function, and underwater endowments. The Fraternity implemented ASU 2016-14 and adjusted presentation in these consolidated statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 - LIQUIDITY

Financial assets available for general use and without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position were comprised of the following:

	May 31, 2019
Financial Assets, End of Year	
Cash and Cash Equivalents	\$ 323,526
Chapter Accounts Receivable, Net	440,145
Accounts Receivable - Related Party	11,091
Grants Receivable - Related Party	138,501
Investments - PKP	387,920
Investment Assets Held by PFI	4,826,839
	<hr/>
Total Financial Assets	6,128,022
Less Amounts Not Available to be Used for General Expenditures within One Year	
Net Assets With Donor Restrictions	143,517
Board Designated Net Assets - PKP	384,008
Net Assets Held by PFI	4,879,845
	<hr/>
Total Financial Assets Available	\$ <u>720,652</u>

The Fraternity is funded primarily through chapter and member dues and fees, grants, and other program service fees. As part of the Fraternity's liquidity management, the Fraternity invests cash in excess of operating requirements in short-term investments and money market funds.

NOTE 3 - CASH AND CASH FLOWS

For the purposes of the consolidated statements of cash flows, cash includes cash held in checking and saving accounts.

At various time throughout the year, the Fraternity may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 for each business depositor.

Cash paid for interest for the years ended May 31, 2019 and 2018 was \$26,644 and \$15,179, respectively.

NOTE 4 - INVESTMENTS

Investments consisted of the following:

	May 31,		
	2019		2018
	PKP	PFI	
Money Market	\$ 169,512	\$ 2,291	\$ 100,222
Equity Securities	59,959	-	100,163
Fixed Income	118,354	-	155,148
Mutual Funds	40,095	4,824,548	5,347,150
Total Investments	<u>\$ 387,920</u>	<u>\$ 4,826,839</u>	<u>\$ 5,702,683</u>

NOTE 5 - 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 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 Fraternity 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, and 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's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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.

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

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

Equity Securities - Valued at the closing price reported in the active market in which the individual securities are traded.

Fixed Income, Money Market and Mutual Funds - Valued at the net asset value (NAV) of shares held by the Fraternity at year end.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fraternity 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 a different fair value measurement at the reporting date. All investments held by the Fraternity at May 31, 2019 and 2018 were measured using Level 1 inputs.

Risks and Uncertainties

The Fraternity invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credits risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the consolidated statements of financial position.

The Fraternity has evaluated events and conditions related to the valuation of investments held by PKP and PFI to determine if an impairment exists. In order to determine if an impairment is other-than-temporary, the Fraternity considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts. Evidence considered in this assessment includes the reasons for the decline in value, the severity of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry in which the investee operates. Based on the above criteria, management has determined that an other-than-temporary impairment does not exist as of the date these consolidated financial statements were available to be issued.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consisted of the following:

	May 31,	
	2019	2018
Furniture	\$ 184,425	\$ 184,425
Equipment	41,341	41,341
Computer Software	203,388	199,758
Computer Equipment	41,592	107,344
Vehicles	259,156	259,156
	<u>729,902</u>	<u>792,024</u>
Less Accumulated Depreciation	538,929	542,053
	<u>190,973</u>	<u>249,971</u>
Non-Depreciable Collections	65,973	65,973
Property and Equipment, Net	<u>\$ 256,946</u>	<u>\$ 315,944</u>

NOTE 7 - ACCRUED INSURANCE CLAIMS

The Fraternity is a defendant in various lawsuits and potential lawsuits relating to accidents involving personal injury and property damage at its chapters. The Fraternity is liable for losses on claims and any costs associated with defending itself up to \$2,500 per claim and the aggregate self-insured retention limit in the related policy year. For the years ended May 31, 2019 and 2018, the self-insured retention limit was \$250,000. At May 31, 2019 and 2018, the Fraternity accrued expenses on unsettled claims of \$289,230 and \$474,623, respectively. This is included in accounts payable and accrued expenses on the consolidated statements of financial position.

NOTE 8 - CAPITAL LEASE OBLIGATION

The Fraternity has a capital lease obligation, collateralized by the furnishings purchased, that bears interest at 3.5%. This capital lease obligation expires May 15, 2021. At the conclusion of the capital lease obligation, the Fraternity can purchase the furnishings for \$1. Depreciation expense for furnishings held under the capital lease obligation was \$25,453, and \$25,452 for the years ended May 31, 2019 and 2018, respectively.

The following is a summary of furniture at cost less accumulated depreciation held under the capital lease obligation:

	May 31,	
	2019	2018
Furniture	\$ 127,263	\$ 127,263
Less Accumulated Depreciation	<u>72,116</u>	<u>46,663</u>
Capital Lease Obligation Property, Net	<u>\$ 55,147</u>	<u>\$ 80,600</u>

The following is a summary of the remaining future minimum capital lease payments and the associated interest expense:

Years Ending May 31,		
2020	\$ 27,712	
2021	<u>27,712</u>	
Total Future Payments	55,424	\$ 79,398
Less Interest Portion	<u>1,971</u>	<u>4,324</u>
Capital Lease Obligation, Net	<u>\$ 53,453</u>	<u>\$ 75,074</u>

NOTE 9 - LINE OF CREDIT

PKP has available a \$200,000 revolving line of credit agreement with a bank. This line of credit is collateralized by a lien on all PKP's general business assets and bears interest at the daily LIBOR (2.35% at May 31, 2019) plus 2.50%. The line matures on December 31, 2019.

NOTE 10 - FUNDS HELD FOR CLOSED CHAPTERS

The Fraternity holds certain funds in a trust for chapters that are dissolved or closed. If the chapter reopens within 21 years, the funds are returned to the chapter. If the chapter is not reestablished, the funds become available for general use by the Fraternity. The following amounts were held in trust at both May 31, 2019 and 2018:

		Year Funds Will be Released
Texas Delta	\$ 16,870	2030
Arizona Beta	5,500	2028
Arizona Alpha	322	2032
Total Funds Held for Closed Chapters	\$ 22,692	

NOTE 11 - BOARD DESIGNATED NET ASSETS

The Board designated net assets for the following purposes:

	May 31,	
	2019	2018
Insurance Fund	\$ 384,008	\$ 383,793

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	May 31,	
	2019	2018
Subject to Expenditure for Specified Purpose:		
Chapter Financial Assistance	\$ 131,017	\$ 131,017
AA Post Card Fund	6,000	6,000
Mississippi Alpha Extension - Scholarships	1,500	1,500
Elevate Health & Wellness Education Program	-	34,184
Archive Fund	5,000	-
Total Net Assets with Donor Restrictions	\$ 143,517	\$ 172,701

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

	Years Ended May 31,	
	2019	2018
Satisfaction of Purpose Restrictions and Appropriations		
Educational Programming	\$ 563,866	\$ 757,211

NOTE 13 - OPERATING LEASES

Equipment

The Fraternity leases equipment from third parties under operating lease agreements with expiration dates through August, 2021. The Fraternity incurred lease expense related to these leases of \$10,532 and \$10,909 for the years ended May 31, 2019 and 2018, respectively.

Residential Space

The Fraternity leased an apartment from a third party. This lease was terminated during the year ended May 31, 2019. The Fraternity incurred lease expense related to this lease of \$13,540 and \$13,040 for the years ended May 31, 2019 and 2018, respectively.

Office Space

The Fraternity leases a parking lot and a substantial portion of the headquarters building from the Endowment Fund of the Phi Kappa Psi Fraternity, an affiliated organization. The Fraternity pays all real estate taxes and insurance. The current lease expires on December 31, 2026. Lease expense under the agreement was \$108,114 and \$116,618 for the years ended May 31, 2019 and 2018, respectively. Deferred rent liability under this lease was \$16,251 and \$13,208 at May 31, 2019 and 2018, respectively.

The following are the net minimum lease payments for the remainder of these leases:

Years Ending May 31,	
2020	\$ 107,600
2021	108,170
2022	109,453
2023	110,914
2024	112,375
Thereafter	180,736
	\$ 729,248

NOTE 14 - TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

Endowment Fund of the Phi Kappa Psi Fraternity

The Endowment Fund of the Phi Kappa Psi Fraternity (Endowment Fund), an affiliated organization, is a legally separate entity organized to solicit contributions and disburse funds in the form of educational grants, scholarships, and loans. Solicitations are made in its name and all funds are used by the Endowment Fund in fulfilling its educational objectives. Accordingly, the accounts of the Endowment Fund have not been combined with the Fraternity in the accompanying consolidated financial statements.

The Fraternity had the following transactions with the Endowment Fund:

- The Fraternity leases a parking lot and a substantial portion of the headquarters building from the Endowment Fund. See the Operating Leases note for additional information.
- The Fraternity reimburses the Endowment Fund for costs associated with its allocable share of administrative costs including janitorial services, telecommunications, software, office supplies, and computer support.
- The Endowment Fund provides educational grants to the Fraternity for numerous educational programs.
- The Endowment Fund reimburses the Fraternity for an allocable share of the salary, wages, and benefits paid to Fraternity employees.

Following is a summary of transactions and balances with the Endowment Fund:

	Years Ended May 31,	
	2019	2018
Activity During the Year		
Grant Income	\$ 517,182	\$ 791,395
Administrative Costs	80,699	100,849
Rent Expense	108,114	116,818
Employee Reimbursement	-	9,733
Balances at May 31,		
Grant Receivable	\$ 138,501	\$ 145,305
Due to the Endowment Fund	33,416	53,945
Deferred Rent	16,251	13,208

Phi Kappa Psi Fraternity Educational Foundation

Phi Kappa Psi Fraternity Educational Foundation (the Foundation) was formed to provide support to the Fraternity. The Fraternity's consolidated financial statements do not include the activities of the Foundation, a separate legal entity.

The Fraternity had accounts receivable from the Foundation of \$-0- and \$1,144 as of May 31, 2019 and 2018, respectively. The Fraternity contributed a \$23,000 and \$12,000 to the Foundation during the years ended May 31, 2019 and 2018, respectively.

The Foundation provided grants to the Fraternity of \$12,500 and \$-0- during the years ended May 31, 2019 and 2018, respectively.

NOTE 14 - TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

The Fraternity entered into an agreement with the Foundation to reimburse the Foundation for the annual cost of software licenses. During the years ended May 31, 2019 and 2018, the Fraternity reimbursed the Foundation \$-0- and \$79,936, respectively.

The Canonsburg Corporation

The Canonsburg Corporation (Canonsburg), an affiliated organization, is a legally separate entity organized to provide housing, financing, and related goods and services to local chapters and housing corporations affiliated with the Fraternity. The Fraternity collects the member fees assessed by Canonsburg from their chapters and colonies and remits them to Canonsburg annually. The Fraternity collected \$101,600 and \$110,230 in assessed Canonsburg fees from their members and remitted \$104,180 and \$56,140 during the years ended May 31, 2019 and 2018, respectively. At May 31, 2019 and 2018, \$51,510 and \$54,090, respectively, is due to Canonsburg.

Canonsburg utilized donated office space and administrative services of the Fraternity. For the years ended May 31, 2019 and 2018, no amounts were recorded for these donated facilities and services.

The Fraternity leases staff to Canonsburg. For the years ended May 31, 2019 and 2018, Canonsburg reimbursed the Fraternity \$47,865 and \$34,058 for shared employee related expenses, respectively. At May 31, 2019 and 2018, \$11,091 and \$-0- was due from Canonsburg, respectively.

NOTE 15 - SELF INSURED RETENTION

The Fraternity has adopted the Self Insured Retention (SIR) program offered by FRMT, Ltd. The SIR program requires the Fraternity to provide proof of appropriate security, which may be an irrevocable letter of credit to the benefit of FRMT, Ltd., or a deposit in an investment account with UBS of Cincinnati, Ohio. The investment account restricts principal only for use by the FRMT, Ltd., claim administrator for expense and claim payments. Any excess funds available at the plan's year end may be applied to the new plan year SIR obligation or returned to the Fraternity.

The Executive Council has agreed that all interest income received on these funds will remain in this account. The balance in the investment account at May 31, 2019 and 2018 was \$368,239 and \$368,203, respectively.

NOTE 16 - COMMITMENTS

The Fraternity contracts with hotels for future conventions. The contracts carry cancellation policies which would penalize the Fraternity under a set schedule in the event of cancellation. It is the intent of the Fraternity to honor all outstanding contracts.

NOTE 17 - SUBSEQUENT EVENT

In October, 2019, the Fraternity was identified in a potential lawsuit. This claim is managed within the Self Insured Retention program offered by FRMT, Ltd. The Fraternity is liable for losses on claims and costs associated with defending itself in this matter up to the aggregate self-insured retention limit of \$250,000.

NOTE 17 - SUBSEQUENT EVENT (Continued)

Subsequent to the date of these financial statements, the world has been responding to an outbreak of respiratory disease caused by a novel coronavirus. This coronavirus outbreak has been declared a pandemic by the World Health Organization, and declared a national emergency in the United States. The outbreak and response has impacted financial and economic markets across the world and within the United States. While the Fraternity continues to monitor this emergency and adjust accordingly, the impact to the Fraternity is uncertain as of the date of these financial statements, and as such no adjustment has been made to these financial statements as a result.

The Fraternity has evaluated subsequent events through March 30, 2020, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MAY 31, 2019**

ASSETS	PKP	PFI	Total
	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 270,520	\$ 53,006	\$ 323,526
Chapter Accounts Receivable, Net	440,145	-	440,145
Accounts Receivable - Related Party	11,091	-	11,091
Grants Receivable - Related Party	138,501	-	138,501
Inventory	20,049	-	20,049
Prepaid Expenses	749,432	-	749,432
Investments - PKP	387,920	-	387,920
Investment Assets Held by PFI	-	4,826,839	4,826,839
Property and Equipment, Net	256,946	-	256,946
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 2,274,604	\$ 4,879,845	\$ 7,154,449
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 386,641	\$ -	\$ 386,641
Accounts Payable - Related Party	84,926	-	84,926
Capital Lease Obligation	53,453	-	53,453
Line of Credit	200,000	-	200,000
Deferred Rent	16,251	-	16,251
Deferred Revenue	457,673	-	457,673
Funds Held for Closed Chapters	22,692	-	22,692
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,221,636	-	1,221,636
Net Assets			
Without Donor Restrictions	909,451	4,879,845	5,789,296
With Donor Restrictions	143,517	-	143,517
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	1,052,968	4,879,845	5,932,813
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets	\$ 2,274,604	\$ 4,879,845	\$ 7,154,449

**PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2019**

	PKP			PFI	
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Total
Revenues, Support, and Gains					
Grant Revenue	\$ -	\$ 529,682	\$ 529,682	\$ -	\$ 529,682
Alumni Dues	13,500	-	13,500	-	13,500
Order of the SC Dues	18,530	-	18,530	-	18,530
Initiation Fees	582,500	-	582,500	-	582,500
Pledge Fees	106,000	-	106,000	-	106,000
Chapter Service Fees	956,958	-	956,958	-	956,958
Insurance Revenues	1,363,219	-	1,363,219	-	1,363,219
Risk Management and Wellness Fee	478,244	-	478,244	-	478,244
Conference Fees	239,122	-	239,122	-	239,122
Administrative Fees - Endowment and Insurance	30,408	-	30,408	-	30,408
Net Investment Return	117,019	-	117,019	(169,353)	(52,334)
Merchandise Sales	10,855	-	10,855	-	10,855
Chapter Finance Charges	82,895	-	82,895	-	82,895
Grand Arch Council	222,345	-	222,345	-	222,345
Royalty Income	82,587	-	82,587	-	82,587
Contributions	22,961	5,000	27,961	-	27,961
Other	8,682	-	8,682	-	8,682
Total Revenues, Support, and Gains	4,335,825	534,682	4,870,507	(169,353)	4,701,154
Net Assets Released from Restrictions	563,866	(563,866)	-	-	-
Total Revenues, Support, Gains and Reclassifications	4,899,691	(29,184)	4,870,507	(169,353)	4,701,154
Expenses					
Program Expenses	3,562,668	-	3,562,668	-	3,562,668
Management and General Expenses	1,583,469	-	1,583,469	394	1,583,863
Total Expenses	5,146,137	-	5,146,137	394	5,146,531
Change in Net Assets	(246,446)	(29,184)	(275,630)	(169,747)	(445,377)
Transfer	(5,049,592)	-	(5,049,592)	5,049,592	-
Net Assets, Beginning of Year	6,205,489	172,701	6,378,190	-	6,378,190
Net Assets, End of Year	\$ 909,451	\$ 143,517	\$ 1,052,968	\$ 4,879,845	\$ 5,932,813

**PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2019**

	PKP					PFI				
	Program			Management and General	Subtotal	Program Services	Management and General		Subtotal	Total
Fraternity Activities	Publications and Communications	Convention/ Leadership Activities	Total Program				Program Services	General		
Automobile	\$ -	\$ -	\$ -	\$ -	27,365	\$ 27,365	\$ -	\$ -	\$ -	27,365
Awards	-	-	3,863	3,863	-	3,863	-	-	-	3,863
Conferences and Organizations	10,472	-	-	10,472	-	10,472	-	-	-	10,472
Travel and Entertainment	72,825	10,846	12,396	96,067	58,879	154,946	-	-	-	154,946
Colony Scholarships	(400)	-	-	(400)	-	(400)	-	-	-	(400)
Grand Arch Council	-	-	372,655	372,655	-	372,655	-	-	-	372,655
<i>The Shield</i>	-	74,071	-	74,071	-	74,071	-	-	-	74,071
ELC Program	-	-	69,019	69,019	-	69,019	-	-	-	69,019
ROT Program	-	-	145,670	145,670	-	145,670	-	-	-	145,670
Professional Development Conference	-	-	206,613	206,613	-	206,613	-	-	-	206,613
Elevate Program	-	-	57,311	57,311	-	57,311	-	-	-	57,311
Wellness Program	8,462	-	-	8,462	-	8,462	-	-	-	8,462
Other Program Expense	-	-	439	439	-	439	-	-	-	439
Attorney Fees	-	-	-	-	380	380	-	-	-	380
Accounting and Audit	-	-	-	-	50,735	50,735	-	-	-	50,735
Club Dues	-	-	-	-	48,388	48,388	-	-	-	48,388
Cost of Supply Sales	-	-	-	-	60,623	60,623	-	-	-	60,623
Bank Service Charges	-	-	-	-	7,316	7,316	-	209	209	7,525
Online Service and Website	-	-	-	-	44,115	44,115	-	-	-	44,115
Miscellaneous Expense	-	-	-	-	15,308	15,308	-	-	-	15,308
Office Staff Salaries	682,630	101,668	116,192	900,490	551,914	1,452,404	-	-	-	1,452,404
Payroll Tax	54,489	8,116	9,275	71,880	44,056	115,936	-	-	-	115,936
Health Insurance	123,075	18,330	20,949	162,354	99,508	261,862	-	-	-	261,862
401(k) Contributions	12,243	1,823	2,084	16,150	9,899	26,049	-	-	-	26,049
Interest Expense	-	-	-	-	26,644	26,644	-	-	-	26,644
Building and Equipment	-	-	-	-	37,305	37,305	-	-	-	37,305
Depreciation	-	-	-	-	62,628	62,628	-	-	-	62,628
Property Taxes	-	-	-	-	3,761	3,761	-	-	-	3,761
Postage, Printing, and Supplies	-	-	-	-	56,621	56,621	-	-	-	56,621
Telephone	-	-	-	-	45,107	45,107	-	-	-	45,107
Headquarters Rent and Utilities	-	-	-	-	108,114	108,114	-	-	-	108,114
Insurance Expenses	1,323,564	-	-	1,323,564	18,182	1,341,746	-	-	-	1,341,746
Professional Fees	-	-	-	-	170,869	170,869	-	-	-	170,869
Contributions	-	-	-	-	23,200	23,200	-	-	-	23,200
Bad Debt Expense	43,988	-	-	43,988	-	43,988	-	-	-	43,988
Materials	-	-	-	-	12,552	12,552	-	185	185	12,737
Total Expenses by Function	\$ 2,331,348	\$ 214,854	\$ 1,016,466	\$ 3,562,668	\$ 1,583,469	\$ 5,146,137	\$ -	\$ 394	\$ 394	\$ 5,146,531

**PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2018**

	<u>Phi Kappa Psi Fraternity</u>			<u>PKP PFI</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Subtotal</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support, and Gains					
Grant Revenue	\$ -	\$ 791,395	\$ 791,395	\$ -	\$ 791,395
Alumni Dues	12,750	-	12,750	-	12,750
Initiation Fees	574,000	-	574,000	-	574,000
Pledge Fees	169,991	-	169,991	-	169,991
Chapter Service Fees	921,486	-	921,486	-	921,486
Insurance Revenues	1,254,487	-	1,254,487	-	1,254,487
Risk Management and Wellness Fee	485,760	-	485,760	-	485,760
Conference Fees	240,606	-	240,606	-	240,606
Administrative Fees - Endowment and Insurance	43,386	-	43,386	-	43,386
Net Investment Return	479,147	-	479,147	-	479,147
Merchandise Sales	6,359	-	6,359	-	6,359
Chapter Finance Charges	106,415	-	106,415	-	106,415
Woodrow Wilson Leadership School	19,050	-	19,050	-	19,050
Royalty Income	90,204	-	90,204	-	90,204
Contributions	27,456	-	27,456	-	27,456
Other	1,207	-	1,207	-	1,207
	<u>4,432,304</u>	<u>791,395</u>	<u>5,223,699</u>	<u>-</u>	<u>5,223,699</u>
Total Revenues, Support, and Gains					
Net Assets Released from Restrictions	757,211	(757,211)	-	-	-
	<u>5,189,515</u>	<u>34,184</u>	<u>5,223,699</u>	<u>-</u>	<u>5,223,699</u>
Total Revenues, Gains and Other Support and Net Assets Released from Restrictions					
Expenses					
Program Expenses	3,896,134	-	3,896,134	-	3,896,134
Management and General Expenses	1,614,673	-	1,614,673	-	1,614,673
	<u>5,510,807</u>	<u>-</u>	<u>5,510,807</u>	<u>-</u>	<u>5,510,807</u>
Total Expenses					
Change in Net Assets	(321,292)	34,184	(287,108)	-	(287,108)
Net Assets, Beginning of Year	<u>6,526,781</u>	<u>138,517</u>	<u>6,665,298</u>	<u>-</u>	<u>6,665,298</u>
Net Assets, End of Year	<u>\$ 6,205,489</u>	<u>\$ 172,701</u>	<u>\$ 6,378,190</u>	<u>\$ -</u>	<u>\$ 6,378,190</u>

**PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2018**

	Phi Kappa Psi Fraternity						PKP PFI	
	Program						Management and General	Total
	Fraternity Activities	Publications and Communications	Convention/ Leadership Activities	Total Program	Management and General	Subtotal		
Automobile	\$ -	\$ -	\$ -	\$ -	\$ 29,603	\$ 29,603	\$ -	\$ 29,603
Conferences and Organizations	52,755	-	-	52,755	-	52,755	-	52,755
Travel and Entertainment	109,057	16,243	18,563	143,863	88,173	232,036	-	232,036
Colony Scholarships	4,000	-	-	4,000	-	4,000	-	4,000
Woodrow Wilson Leadership School	-	-	172,601	172,601	-	172,601	-	172,601
<i>The Shield</i>	-	113,275	-	113,275	-	113,275	-	113,275
ELC Program	-	-	96,666	96,666	-	96,666	-	96,666
ROT Program	-	-	131,459	131,459	-	131,459	-	131,459
Professional Development Conference	-	-	232,868	232,868	-	232,868	-	232,868
Elevate Program	-	-	56,095	56,095	-	56,095	-	56,095
Wellness Program	4,189	-	-	4,189	-	4,189	-	4,189
Other Program Expense	-	-	46,126	46,126	-	46,126	-	46,126
Attorney Fees	-	-	-	-	44,190	44,190	-	44,190
Accounting and Audit	-	-	-	-	35,355	35,355	-	35,355
Club Dues	-	-	-	-	81,974	81,974	-	81,974
Cost of Supply Sales	-	-	-	-	51,804	51,804	-	51,804
Bank Service Charges	-	-	-	-	18,768	18,768	-	18,768
Miscellaneous Expense	-	-	-	-	6,173	6,173	-	6,173
Office Staff Salaries	687,212	102,351	116,972	906,535	555,618	1,462,153	-	1,462,153
Payroll Tax	55,217	8,224	9,399	72,840	44,643	117,483	-	117,483
Health Insurance	121,824	18,144	20,736	160,704	98,496	259,200	-	259,200
401(k) Contributions	15,326	2,283	2,609	20,218	12,393	32,611	-	32,611
Interest Expense	-	-	-	-	15,179	15,179	-	15,179
Building and Equipment	-	-	-	-	42,057	42,057	-	42,057
Depreciation	-	-	-	-	62,075	62,075	-	62,075
Property Taxes	-	-	-	-	3,037	3,037	-	3,037
Postage, Printing, and Supplies	-	-	-	-	55,250	55,250	-	55,250
Telephone	-	-	-	-	41,606	41,606	-	41,606
Headquarters Rent and Utilities	-	-	-	-	116,818	116,818	-	116,818
Insurance Expenses	1,681,940	-	-	1,681,940	16,135	1,698,075	-	1,698,075
Professional Fees	-	-	-	-	171,057	171,057	-	171,057
Contributions	-	-	-	-	12,000	12,000	-	12,000
Materials	-	-	-	-	12,269	12,269	-	12,269
Total Expenses by Function	\$ 2,731,520	\$ 260,520	\$ 904,094	\$ 3,896,134	\$ 1,614,673	\$ 5,510,807	-	\$ 5,510,807