

PHI KAPPA PSI FRATERNITY

May 31, 2021

*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 and The PKP Permanent, Scholastic, Educational, Charitable and Fraternal Fund, Inc. (nonprofit organizations) which comprise the consolidated statements of financial position as of May 31, 2021 and 2020, 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 and the PKP Permanent, Scholastic, Educational, Charitable, and Fraternal Fund, Inc. as of May 31, 2021 and 2020, 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.

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
November 15, 2021

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

ASSETS

	May 31,	
	2021	2020
Assets		
Cash	\$ 1,059,742	\$ 1,042,135
Chapter Accounts Receivable, Net	280,106	365,181
Accounts Receivable - Related Party	7,301	2,656
Inventory	13,302	15,914
Prepaid Expenses	349,626	373,955
Investments - PKP	250,201	358,396
Property Held by PFI	6,367,283	4,834,110
Property and Equipment, Net	104,180	179,857
	<u>8,431,741</u>	<u>7,172,204</u>
Total Assets	\$ <u>8,431,741</u>	\$ <u>7,172,204</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable and Accrued Expenses	\$ 184,311	\$ 252,753
Accounts Payable - Related Party	18,105	77,419
Capital Lease Obligation	-	27,193
Notes Payable	229,780	163,096
Deferred Rent	17,955	17,833
Funds Held for Closed Chapters	26,390	27,718
	<u>476,541</u>	<u>566,012</u>
Total Liabilities	<u>476,541</u>	<u>566,012</u>
Net Assets		
Without Donor Restrictions - PKP	1,357,535	1,555,085
Without Donor Restrictions - Assets Held by PFI	6,454,148	4,907,590
	<u>7,811,683</u>	<u>6,462,675</u>
Total Without Donor Restrictions	<u>7,811,683</u>	<u>6,462,675</u>
With Donor Restrictions	143,517	143,517
	<u>143,517</u>	<u>143,517</u>
Total Net Assets	<u>7,955,200</u>	<u>6,606,192</u>
Total Liabilities and Net Assets	\$ <u>8,431,741</u>	\$ <u>7,172,204</u>

See accompanying notes.

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

Years Ended May 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support, and Gains						
Grants	\$ -	\$ -	\$ -	\$ -	\$ 21,503	\$ 21,503
Contributions	14,195	-	14,195	24,672	-	24,672
Alumni Dues	10,000	-	10,000	10,250	-	10,250
Chapter Dues	1,452,900	-	1,452,900	1,683,899	-	1,683,899
Initiation Fees	319,300	-	319,300	472,435	-	472,435
New Member Fees	89,800	-	89,800	108,600	-	108,600
Chapter Insurance Premium Fees	-	-	-	1,543,686	-	1,543,686
Conventions and Conferences	-	-	-	8,280	-	8,280
Royalty Income	91,901	-	91,901	42,275	-	42,275
Merchandise Sales	6,582	-	6,582	12,255	-	12,255
Chapter Finance Charges	2,477	-	2,477	164,673	-	164,673
Net Investment Return	1,913,849	-	1,913,849	141,741	-	141,741
Other	32,942	-	32,942	17,996	-	17,996
 Total Revenues, Support, and Gains	 3,933,946	 -	 3,933,946	 4,230,762	 21,503	 4,252,265
 Net Assets Released From Restrictions	 -	 -	 -	 21,503	 (21,503)	 -
 Total Revenues, Support, Gains, and Reclassifications	 3,933,946	 -	 3,933,946	 4,252,265	 -	 4,252,265
 Expenses						
Program Expenses	1,927,711	-	1,927,711	2,639,619	-	2,639,619
Management and General Expenses	657,227	-	657,227	939,267	-	939,267
 Total Expenses	 2,584,938	 -	 2,584,938	 3,578,886	 -	 3,578,886
 Change in Net Assets	 1,349,008	 -	 1,349,008	 673,379	 -	 673,379
 Net Assets, Beginning of Year	 6,462,675	 143,517	 6,606,192	 5,789,296	 143,517	 5,932,813
 Net Assets, End of Year	 \$ 7,811,683	 \$ 143,517	 \$ 7,955,200	 \$ 6,462,675	 \$ 143,517	 \$ 6,606,192

See accompanying notes.

PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2021

	Program			Total	Management and General	Total Expenses
	Fraternity Activities	Publications and Communications	Convention/ Leadership Activities			
Automobile	\$ 8,896	\$ -	\$ -	\$ 8,896	\$ 988	\$ 9,884
Conferences and Meetings	5,449	-	-	5,449	5,448	10,897
Travel and Entertainment	4,593	-	-	4,593	10,717	15,310
<i>The Shield</i>	-	606	-	606	-	606
Other Program Expense	441	-	-	441	-	441
Attorney Fees	-	-	-	-	3,735	3,735
Membership Dues	6,685	-	-	6,685	15,598	22,283
Cost of Supply Sales	28,917	-	-	28,917	-	28,917
Bank Service Charges	-	-	-	-	5,325	5,325
Online Service and Website	39,356	5,862	6,699	51,917	31,819	83,736
Miscellaneous Expense	-	-	-	-	2,026	2,026
Office Staff Salaries	320,191	47,688	54,501	422,380	258,877	681,257
Payroll Tax	26,583	3,959	4,525	35,067	21,492	56,559
Health Insurance	66,381	9,886	11,299	87,566	53,669	141,235
401(k) Contributions	11,857	1,766	2,018	15,641	9,586	25,227
Interest Expense	-	-	-	-	15,040	15,040
Building and Equipment	-	-	-	-	9,260	9,260
Depreciation	-	-	-	-	46,818	46,818
Property Taxes	-	-	-	-	3,084	3,084
Postage, Printing, and Supplies	13,235	1,971	2,253	17,459	10,714	28,173
Telephone	8,407	1,252	1,431	11,090	6,797	17,887
Headquarters Rent and Utilities	50,814	7,568	8,649	67,031	41,083	108,114
Insurance Expenses	1,122,997	-	-	1,122,997	14,500	1,137,497
Professional Fees	-	-	40,443	40,443	90,055	130,498
Materials	404	60	69	533	596	1,129
Total Expenses by Function	\$ 1,715,206	\$ 80,618	\$ 131,887	\$ 1,927,711	\$ 657,227	\$ 2,584,938

See accompanying notes.

PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2020

	Program			Total	Management and General	Total Expenses
	Fraternity Activities	Publications and Communications	Convention/ Leadership Activities			
Automobile	\$ 17,378	\$ -	\$ -	\$ 17,378	\$ 1,931	\$ 19,309
Conferences and Meetings	6,043	-	-	6,043	6,043	12,086
Travel and Entertainment	77,394	-	20,638	98,032	164,154	262,186
<i>The Shield</i>	-	43,602	-	43,602	-	43,602
Other Program Expense	606	-	-	606	-	606
Attorney Fees	-	-	-	-	1,814	1,814
Membership Dues	15,979	-	-	15,979	37,284	53,263
Cost of Supply Sales	39,244	-	-	39,244	-	39,244
Bank Service Charges	-	-	-	-	7,571	7,571
Online Service and Website	5,798	864	987	7,649	4,687	12,336
Miscellaneous Expense	-	-	-	-	10,160	10,160
Office Staff Salaries	370,350	55,158	63,038	488,546	299,432	787,978
Payroll Tax	31,232	4,652	5,316	41,200	25,252	66,452
Health Insurance	61,364	9,139	10,445	80,948	49,611	130,559
401(k) Contributions	13,904	2,071	2,367	18,342	11,241	29,583
Interest Expense	-	-	-	-	20,977	20,977
Building and Equipment	-	-	-	-	20,232	20,232
Depreciation	-	-	-	-	55,299	55,299
Property Taxes	-	-	-	-	3,901	3,901
Postage, Printing, and Supplies	16,595	2,472	2,825	21,892	13,479	35,371
Telephone	11,444	1,704	1,948	15,096	9,253	24,349
Headquarters Rent and Utilities	50,814	7,568	8,649	67,031	41,083	108,114
Insurance Expenses	1,414,721	-	-	1,414,721	16,726	1,431,447
Professional Fees	-	-	63,793	63,793	135,812	199,605
Contributions	-	-	-	-	75	75
Bad Debt Expense	194,948	-	-	194,948	-	194,948
Materials	3,463	516	590	4,569	3,250	7,819
Total Expenses by Function	\$ 2,331,277	\$ 127,746	\$ 180,596	\$ 2,639,619	\$ 939,267	\$ 3,578,886

See accompanying notes.

PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended May 31,	
	2021	2020
Cash Flows From Operating Activities		
Change in Net Assets	\$ 1,349,008	\$ 673,379
Adjustments to Reconcile Change in Net Assets with		
Cash Flows From Operations		
Depreciation	46,818	55,299
Bad Debt Expense	-	194,948
Net Investment Return	(1,913,849)	(141,741)
Loss (Gain) on Sale of Property and Equipment	31,414	(4,810)
Changes in		
Accounts Receivable	80,430	(111,549)
Grants Receivable - Related Party	-	138,501
Inventory	2,612	4,135
Prepaid Expenses	24,329	375,477
Accounts Payable and Accrued Expenses	(126,424)	(133,709)
Deferred Rent	122	1,582
Deferred Revenue	-	(457,673)
	(505,540)	593,839
Net Cash (Used) Provided by Operating Activities		
Cash Flows From Investing Activities		
Purchases of Investments - PKP	(94,652)	(135,373)
Purchases of Property Held by PFI	(4,706,617)	(8,618,730)
Proceeds From Sales and Maturities of Investments - PKP	234,335	162,402
Proceeds From Sales of Property Held by PFI	5,055,805	8,755,695
Purchases of Property and Equipment	(2,555)	(39,400)
Proceeds From Sales of Property and Equipment	-	66,000
	486,316	190,594
Net Cash Provided by Investing Activities		
Cash Flows From Financing Activities		
Change in Line of Credit	-	(200,000)
Payments on Notes Payable and Capital Lease Obligation	(818,360)	(597,230)
Proceeds From Notes Payable	857,851	734,066
Net Change in Pass-through Funds Due to Related Party	(2,660)	(2,660)
	36,831	(65,824)
Net Cash Provided (Used) by Financing Activities		
Net Change in Cash	17,607	718,609
Cash, Beginning of Year	1,042,135	323,526
Cash, End of Year	\$ 1,059,742	\$ 1,042,135

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, 2021, PKP had approximately 100 chapters and colonies located throughout the United States. PKP 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 on July 31, 2018 to hold certain non-operating property of PKP.

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

The Fraternity's viability is dependent on the success of program services and maintaining its collegiate membership base and its ability to collect on its contracts with customers.

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 \$125,330 and \$169,358 at May 31, 2021 and 2020, respectively.

Contract Liabilities

Contract liabilities are reported as deferred revenue in the accompanying consolidated statements of financial position.

Inventory

Inventory is stated at the lower of cost, determined by 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 and Property Held

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Property held by PFI includes investments in money market funds and mutual funds. Thereafter, investments are reported at their fair values in the consolidated statements 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, 2021 and 2020.

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 – 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 held by PFI are considered to be without donor restrictions as no donor has restricted the use of the assets. PFI's Bylaws require an annual distribution to PKP in an amount equal to the net realized interest, dividends and capital gains less administrative, managerial and operating expenses. While special distributions in excess of the annual distribution can be made, the PFI Board must first approve the request before the transfer is made.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions – 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.

All 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 From Contracts with Customers

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing service. The Fraternity recognizes contract revenue for financial reporting purposes over time and at a point in time. Contracts with customers may include multiple performance obligations for which the consideration is allocated between performance obligations. Depending on the terms of the contract, the Fraternity may defer the recognition of revenue and record a contract liability when a future performance obligation has not yet occurred.

Chapter dues, chapter insurance premium fees, alumni dues, and new member fees are received in exchange for services provided to members during the fall and spring semesters spanning from June 1 through May 31st. The Fraternity's performance obligations under these contracts include providing access to member only events and information, educational and leadership enhancement opportunities, on-line forums, property and general liability insurance coverage and a subscription to the publication, *The Shield*. These fees are non-refundable. The transaction price is allocated across the Fraternity's obligations based on the relative share of the cost to perform the services. The Fraternity recognizes revenue from these contracts over time using an output method based on the value of these services delivered during the fall and spring semesters.

Initiation fees are received in exchange for services provided during the members' initiation and revenue is recognized upon the members' initiation ceremony.

Conventions and conferences event revenue is recognized when obligations under the terms of a contract with the customer are satisfied, which generally occurs at the date of the events. Payment from the customers are received in advance and deferred until all performance obligations are met.

Revenue from the sale of merchandise is recognized when obligations under the terms of a contract with the customer are satisfied, which generally occurs with the transfer of the merchandise sold. Determining when control transfers requires management to make judgments that affect the timing of revenue recognized. The Fraternity believes that this method provides a faithful depiction of the transfer of control of the merchandise. Payment from the customer is typically received as the products are transferred.

Royalty income is received from a third party and is recognized in the period in which the underlying sale occurs. Royalty income earned but not received is recorded as accounts receivable.

Revenue from Contributions

The Fraternity recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest 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 substantially met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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

PKP 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, PKP may make a discretionary contribution based upon a percentage set by PKP 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 automobile, conferences and meetings, travel and entertainment, membership dues, office staff salaries, payroll tax, health insurance, 401(k) contributions, postage, printing, and supplies, telephone, headquarters rent and utilities, and materials, which are allocated since estimates of time and effort. Insurance expense is allocated based on coverage type. Certain costs directly attributable to one program or supporting function are charged directly to that function.

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.

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, 2021 and 2020. 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, 2021 and 2020.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2021.

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

NOTE 2 - LIQUIDITY

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

	May 31,	
	2021	2020
Financial Assets, End of Year		
Cash	\$ 1,059,742	\$ 1,042,135
Chapter Accounts Receivable, Net	280,106	365,181
Accounts Receivable - Related Party	7,301	2,656
Investments - PKP	250,201	358,396
Investment Assets Held by PFI	<u>6,367,283</u>	<u>4,834,110</u>
Total Financial Assets	7,964,633	6,602,478
Less Amounts Not Available to be Used for General Expenditures within One Year		
Net Assets With Donor Restrictions	143,517	143,517
Board Designated Net Assets - PKP	485,111	484,975
Investments Restricted for Self Insured Retention	180,424	288,626
Net Assets Held by PFI	<u>6,454,148</u>	<u>4,907,590</u>
Total Financial Assets Available	<u>\$ 701,433</u>	<u>\$ 777,770</u>

NOTE 2 - LIQUIDITY (Continued)

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. Although the Fraternity does not plan to spend from the board designated net assets fund for general use, these amounts could be made available if necessary. Net assets held by PFI are not available for general use as they are subject to a limited distribution policy.

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 times 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, 2021 and 2020 was \$15,040 and \$20,977, respectively.

NOTE 4 - INVESTMENTS AND PROPERTY HELD

Investments and property held by PKP and PFI consisted of the following:

	May 31,			
	2021		2020	
	PKP	PFI	PKP	PFI
Money Market	\$ 73,158	\$ 25,936	\$ 86,205	\$ 65,539
Mutual Funds	177,043	6,341,347	272,191	4,768,571
Total Investments	<u>\$ 250,201</u>	<u>\$ 6,367,283</u>	<u>\$ 358,396</u>	<u>\$ 4,834,110</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.

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

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.

Following is a description of the valuation methodology used for marketable securities measured at fair value. There have been no changes in the methodology used at May 31, 2021 and 2020.

Mutual Funds (Including Money Market Funds) - Valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the SEC.

The preceding method 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 method is 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, 2021 and 2020 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.

NOTE 6 - PROPERTY AND EQUIPMENT

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

	May 31,	
	2021	2020
Furniture	\$ 184,425	\$ 184,425
Equipment	42,410	41,341
Computer Software	203,388	203,388
Computer Equipment	43,115	41,628
Vehicles	39,422	111,740
	<u>512,760</u>	<u>582,522</u>
Less Accumulated Depreciation	474,553	468,638
	38,207	113,884
Non-Depreciable Collections	<u>65,973</u>	<u>65,973</u>
Property and Equipment, Net	<u>\$ 104,180</u>	<u>\$ 179,857</u>

NOTE 7 - ACCRUED INSURANCE CLAIMS

PKP is a defendant in various lawsuits and potential lawsuits relating to accidents involving personal injury and property damage at its chapters. PKP 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, 2021 and 2020, the self-insured retention limit was \$150,000 and \$250,000, respectively. At May 31, 2021 and 2020, PKP accrued expenses on unsettled claims of \$156,000 and \$222,797, respectively. This is included in accounts payable and accrued expenses on the consolidated statements of financial position.

NOTE 8 - CAPITAL LEASE OBLIGATION

PKP had a capital lease obligation, collateralized by the furnishings purchased, that charged interest at 3.5%. This capital lease obligation expired May 15, 2021. At the conclusion of the capital lease obligation, PKP elected the bargain purchase option. Depreciation expense for furnishings held under the capital lease obligation was included with depreciation expense related to owned assets for the years ended May 31, 2021 and 2020, respectively.

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

	May 31,	
	2021	2020
Furniture	\$ 127,263	\$ 127,263
Less Accumulated Depreciation	127,263	97,568
Capital Lease Obligation Property, Net	\$ -	\$ 29,695

NOTE 9 - NOTES PAYABLE

During the year ended May 31, 2020 PKP entered into a note payable that charged interest at 5.3% and required monthly interest and principal payments of \$83,735. The note was collateralized by the underlying insurance policy for which the note financed. The note matured on August 1, 2020. Interest paid on this note during the years ended May 31, 2021 and 2020 totaled \$4,374 and \$15,174, respectively. At May 31, 2021 and 2020 the outstanding liability on the note payable was \$-0- and \$163,096, respectively.

During the year ended May 31, 2021 PKP entered into a note payable that charges interest at 4.3% and requires monthly interest and principal payments of \$80,066. The note was collateralized by the underlying insurance policy for which the note finances. The note matures on June 30, 2021. Interest paid on this note during the year ended May 31, 2021 totaled \$12,457. At May 31, 2020 the outstanding liability on the note payable was \$79,780.

PKP obtained an Economic Injury Disaster Loan (EIDL) with the Small Business Administration for \$150,000 in July 2020. The loan charges interest at a rate of 2.75% per annum. Monthly principal and interest payments of \$641 begin in July 2022 and the loan is due in full in July 2051. The loan is collateralized by the business assets of PKP. At May 31, 2021 the outstanding liability on the note payable was \$150,000.

NOTE 9 - NOTES PAYABLE (Continued)

The remaining maturities on the notes payable are as follows:

Years Ending May 31,		
2022	\$	79,780
2023		-
2024		-
2025		2,519
2026		3,682
Thereafter		<u>143,799</u>
	\$	<u><u>229,780</u></u>

NOTE 10 - FUNDS HELD FOR CLOSED CHAPTERS

PKP 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 PKP. The following amounts were held in trust as follows:

	May 31,		Year Funds Will be Released
	2021	2020	
Arizona Beta	\$ -	\$ 5,500	2028
Texas Gamma	16,870	16,870	2030
Arizona Alpha	322	322	2032
Tennessee Delta	17	17	2038
Alabama Beta	5,009	5,009	2039
California Xi	4,172	-	2041
	<u>26,390</u>	<u>27,718</u>	
Total Funds Held for Closed Chapters	\$ <u><u>26,390</u></u>	\$ <u><u>27,718</u></u>	

NOTE 11 - BOARD DESIGNATED NET ASSETS

The Board designated net assets for the following purposes:

Insurance Fund	\$ <u><u>485,111</u></u>	\$ <u><u>484,975</u></u>
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NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	May 31,	
	2021	2020
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
Archive Fund	5,000	5,000
 Total Net Assets with Donor Restrictions	 \$ 143,517	 \$ 143,517

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

	Years Ended May 31,	
	2021	2020
Satisfaction of Purpose Restrictions and Appropriations		
Educational Programming	\$ -	\$ 21,503

NOTE 13 - OPERATING LEASES

Equipment

PKP leases equipment from third parties under operating lease agreements with expiration dates through November 2024. PKP incurred lease expense related to these leases of approximately \$9,000 for the years ended May 31, 2021 and 2020.

Office Space

PKP 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. PKP pays all real estate taxes and insurance. The current lease expires on December 31, 2025. Lease expense under the agreement was \$108,114 for both the years ended May 31, 2021 and 2020. Deferred rent liability under this lease was \$17,955 and \$17,833 at May 31, 2021 and 2020, respectively.

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

Years Ending May 31,	
2022	\$ 116,747
2023	118,030
2024	119,491
2025	116,800
2026	66,901
	\$ 537,969

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:

- PKP leases a parking lot and a substantial portion of the headquarters building from the Endowment Fund. See the Operating Leases note for additional information.
- PKP 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 provided educational grants to PKP for various educational programs. Due to restrictions ancillary to the pandemic, educational programming funded by the Endowment Fund was suspended for the year ended May 31, 2021. Going forward, the Fraternity and the Endowment Fund are pivoting to a new educational delivery model whereby an Endowment Fund subsidiary, Nelson Leadership Institute, will be the provider of educational programming, obviating the need for such educational grants.
- The Endowment Fund and PKP share employees as needed and reimburse each other for an allocable share of the salary, wages, and benefits of the shared employees.

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

	Years Ended May 31,	
	2021	2020
Activity During the Year		
Grants Received from Endowment Fund	\$ -	\$ 21,503
Rent Paid to Endowment Fund	108,114	108,114
Administrative Costs Reimbursed to Endowment Fund	56,287	68,217
Employee Costs Reimbursed to Endowment Fund	57,378	30,185
Employee Costs Reimbursed by Endowment Fund	28,380	22,849
Balances at May 31,		
Due to the Endowment Fund	\$ 18,105	\$ 28,569
Deferred Rent	17,955	17,833

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. There were no transactions between the Fraternity and the Foundation during the years ended May 31, 2021 and 2020. The Foundation was dissolved on August 12, 2020, pursuant to the directives of the 2018 Grand Arch Council.

NOTE 14 - TRANSACTIONS WITH AFFILIATED ORGANIZATIONS (Continued)

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. PKP collects the member fees assessed by Canonsburg from their chapters and colonies and remits them to Canonsburg annually. PKP collected \$-0- and \$94,590 in assessed Canonsburg fees from their members and remitted \$48,850 and \$97,250 during the years ended May 31, 2021 and 2020, respectively. At May 31, 2021 and 2020, \$-0- and \$48,850, respectively, was due to Canonsburg.

PKP leases staff to Canonsburg. For the years ended May 31, 2021 and 2020, Canonsburg reimbursed PKP \$916 and \$1,617 for shared employee related expenses, respectively.

NOTE 15 - SELF INSURED RETENTION

PKP has adopted the Self Insured Retention (SIR) program offered by FRMT, Ltd. The SIR program requires PKP 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 PKP.

The balance in the investment account at May 31, 2021 and 2020 was \$180,424 and \$288,626, respectively.

NOTE 16 - COMMITMENTS

From time to time the Fraternity contracts with hotels for future events. 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 - RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

In 2020, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response has impacted financial and economic markets across the World and within the United States of America. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the Fraternity's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the Fraternity.

NOTE 18 - SUBSEQUENT EVENTS

Subsequent to year end, PKP entered into a note payable that charges interest at 4.3% and require monthly interest and principal payments of \$94,455. The note is collateralized by the underlying insurance policy for which the note finances. The note matures on July 1, 2022.

The Fraternity has evaluated subsequent events through November 15, 2021, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

ASSETS

	May 31,					
	2021			2020		
	PKP	PFI	Total	PKP	PFI	Total
Assets						
Cash	\$ 972,877	\$ 86,865	\$ 1,059,742	\$ 968,655	\$ 73,480	\$ 1,042,135
Chapter Accounts Receivable, Net	280,106	-	280,106	365,181	-	365,181
Accounts Receivable - Related Party	7,301	-	7,301	2,656	-	2,656
Inventory	13,302	-	13,302	15,914	-	15,914
Prepaid Expenses	349,626	-	349,626	373,955	-	373,955
Investments - PKP	250,201	-	250,201	358,396	-	358,396
Property Held by PFI	-	6,367,283	6,367,283	-	4,834,110	4,834,110
Property and Equipment, Net	104,180	-	104,180	179,857	-	179,857
Total Assets	\$ 1,977,593	\$ 6,454,148	\$ 8,431,741	\$ 2,264,614	\$ 4,907,590	\$ 7,172,204

LIABILITIES AND NET ASSETS

Liabilities						
Accounts Payable and Accrued Expenses	\$ 184,311	\$ -	\$ 184,311	\$ 252,753	\$ -	\$ 252,753
Accounts Payable - Related Party	18,105	-	18,105	77,419	-	77,419
Capital Lease Obligation	-	-	-	27,193	-	27,193
Notes Payable	229,780	-	229,780	163,096	-	163,096
Deferred Rent	17,955	-	17,955	17,833	-	17,833
Funds Held for Closed Chapters	26,390	-	26,390	27,718	-	27,718
Total Liabilities	476,541	-	476,541	566,012	-	566,012
Net Assets						
Without Donor Restrictions	1,357,535	6,454,148	7,811,683	1,555,085	4,907,590	6,462,675
With Donor Restrictions	143,517	-	143,517	143,517	-	143,517
Total Net Assets	1,501,052	6,454,148	7,955,200	1,698,602	4,907,590	6,606,192
Total Liabilities and Net Assets	\$ 1,977,593	\$ 6,454,148	\$ 8,431,741	\$ 2,264,614	\$ 4,907,590	\$ 7,172,204

PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2021

	PKP			PFI	
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Total
Revenues, Support, and Gains					
Contributions	\$ 14,195	\$ -	\$ 14,195	\$ -	\$ 14,195
Alumni Dues	10,000	-	10,000	-	10,000
Chapter Dues	1,452,900	-	1,452,900	-	1,452,900
Initiation Fees	319,300	-	319,300	-	319,300
New Member Fees	89,800	-	89,800	-	89,800
Royalty Income	91,901	-	91,901	-	91,901
Merchandise Sales	6,582	-	6,582	-	6,582
Chapter Finance Charges	2,477	-	2,477	-	2,477
Net Investment Return	31,488	-	31,488	1,882,361	1,913,849
Other	5,578	-	5,578	27,364	32,942
	<u>2,024,221</u>	<u>-</u>	<u>2,024,221</u>	<u>1,909,725</u>	<u>3,933,946</u>
Total Revenues, Support, and Gains	2,024,221	-	2,024,221	1,909,725	3,933,946
Net Assets Released From Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Support, Gains, and Reclassifications	<u>2,024,221</u>	<u>-</u>	<u>2,024,221</u>	<u>1,909,725</u>	<u>3,933,946</u>
Expenses					
Program Expenses	1,927,711	-	1,927,711	-	1,927,711
Management and General Expenses	651,942	-	651,942	5,285	657,227
	<u>2,579,653</u>	<u>-</u>	<u>2,579,653</u>	<u>5,285</u>	<u>2,584,938</u>
Total Expenses	2,579,653	-	2,579,653	5,285	2,584,938
Change in Net Assets	(555,432)	-	(555,432)	1,904,440	1,349,008
Transfer	357,882	-	357,882	(357,882)	-
Net Assets, Beginning of Year	<u>1,555,085</u>	<u>143,517</u>	<u>1,698,602</u>	<u>4,907,590</u>	<u>6,606,192</u>
Net Assets, End of Year	<u>\$ 1,357,535</u>	<u>\$ 143,517</u>	<u>\$ 1,501,052</u>	<u>\$ 6,454,148</u>	<u>\$ 7,955,200</u>

**PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2020**

	PKP			PFI	
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Total
Revenues, Support, and Gains					
Grants	\$ -	\$ 21,503	\$ 21,503	\$ -	\$ 21,503
Contributions	23,417	-	23,417	1,255	24,672
Alumni Dues	10,250	-	10,250	-	10,250
Chapter Dues	1,683,899	-	1,683,899	-	1,683,899
Initiation Fees	472,435	-	472,435	-	472,435
New Member Fees	108,600	-	108,600	-	108,600
Chapter Insurance Premium Fees	1,543,686	-	1,543,686	-	1,543,686
Conventions and Conferences	8,280	-	8,280	-	8,280
Royalty Income	42,275	-	42,275	-	42,275
Merchandise Sales	12,255	-	12,255	-	12,255
Chapter Finance Charges	164,673	-	164,673	-	164,673
Net Investment Return (Loss)	(2,497)	-	(2,497)	144,238	141,741
Other	17,996	-	17,996	-	17,996
Total Revenues, Support, and Gains	4,085,269	21,503	4,106,772	145,493	4,252,265
Net Assets Released From Restrictions	<u>21,503</u>	<u>(21,503)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Support, Gains, and Reclassifications	<u>4,106,772</u>	<u>-</u>	<u>4,106,772</u>	<u>145,493</u>	<u>4,252,265</u>
Expenses					
Program Expenses	2,639,619	-	2,639,619	-	2,639,619
Management and General Expenses	934,186	-	934,186	5,081	939,267
Total Expenses	<u>3,573,805</u>	<u>-</u>	<u>3,573,805</u>	<u>5,081</u>	<u>3,578,886</u>
Change in Net Assets	532,967	-	532,967	140,412	673,379
Transfer	112,667	-	112,667	(112,667)	-
Net Assets, Beginning of Year	<u>909,451</u>	<u>143,517</u>	<u>1,052,968</u>	<u>4,879,845</u>	<u>5,932,813</u>
Net Assets, End of Year	<u>\$ 1,555,085</u>	<u>\$ 143,517</u>	<u>\$ 1,698,602</u>	<u>\$ 4,907,590</u>	<u>\$ 6,606,192</u>

**PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2021**

	PKP				PFI			
	Program			Total Program	Management and General	Subtotal	Management and General	Total
	Chapter Operations	Publications and Communications	Leadership and Development					
Automobile	\$ 8,896	\$ -	\$ -	\$ 8,896	\$ 988	\$ 9,884	\$ -	\$ 9,884
Conferences and Meetings	5,449	-	-	5,449	5,448	10,897	-	10,897
Travel and Entertainment	4,593	-	-	4,593	10,717	15,310	-	15,310
<i>The Shield</i>	-	606	-	606	-	606	-	606
Other Program Expense	441	-	-	441	-	441	-	441
Attorney Fees	-	-	-	-	3,735	3,735	-	3,735
Membership Dues	6,685	-	-	6,685	15,598	22,283	-	22,283
Cost of Supply Sales	28,917	-	-	28,917	-	28,917	-	28,917
Bank Service Charges	-	-	-	-	5,324	5,324	1	5,325
Online Service and Website	39,356	5,862	6,699	51,917	31,819	83,736	-	83,736
Miscellaneous Expense	-	-	-	-	2,026	2,026	-	2,026
Office Staff Salaries	320,191	47,688	54,501	422,380	258,877	681,257	-	681,257
Payroll Tax	26,583	3,959	4,525	35,067	21,492	56,559	-	56,559
Health Insurance	66,381	9,886	11,299	87,566	53,669	141,235	-	141,235
401(k) Contributions	11,857	1,766	2,018	15,641	9,586	25,227	-	25,227
Interest Expense	-	-	-	-	15,040	15,040	-	15,040
Building and Equipment	-	-	-	-	9,260	9,260	-	9,260
Depreciation	-	-	-	-	46,818	46,818	-	46,818
Property Taxes	-	-	-	-	3,084	3,084	-	3,084
Postage, Printing, and Supplies	13,235	1,971	2,253	17,459	10,700	28,159	14	28,173
Telephone	8,407	1,252	1,431	11,090	6,797	17,887	-	17,887
Headquarters Rent and Utilities	50,814	7,568	8,649	67,031	41,083	108,114	-	108,114
Insurance Expenses	1,122,997	-	-	1,122,997	14,500	1,137,497	-	1,137,497
Professional Fees	-	-	40,443	40,443	85,055	125,498	5,000	130,498
Materials	404	60	69	533	326	859	270	1,129
Total Expenses by Function	\$ 1,715,206	\$ 80,618	\$ 131,887	\$ 1,927,711	\$ 651,942	\$ 2,579,653	\$ 5,285	\$ 2,584,938

**PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2020**

	PKP				PFI				
	Program			Total Program	Management and General		Subtotal	Management and General	
Chapter Operations	Publications and Communications	Leadership and Development	Management and General		Subtotal	Management and General		Total	
Automobile	\$ 17,378	\$ -	\$ -	\$ 17,378	\$ 1,931	\$ 19,309	\$ -	\$ 19,309	
Conferences and Meetings	6,043	-	-	6,043	6,043	12,086	-	12,086	
Travel and Entertainment	77,394	-	20,638	98,032	159,948	257,980	4,206	262,186	
<i>The Shield</i>	-	43,602	-	43,602	-	43,602	-	43,602	
Other Program Expense	606	-	-	606	-	606	-	606	
Attorney Fees	-	-	-	-	1,814	1,814	-	1,814	
Membership Dues	15,979	-	-	15,979	37,284	53,263	-	53,263	
Cost of Supply Sales	39,244	-	-	39,244	-	39,244	-	39,244	
Bank Service Charges	-	-	-	-	7,571	7,571	-	7,571	
Online Service and Website	5,798	864	987	7,649	4,687	12,336	-	12,336	
Miscellaneous Expense	-	-	-	-	10,138	10,138	22	10,160	
Office Staff Salaries	370,350	55,158	63,038	488,546	299,432	787,978	-	787,978	
Payroll Tax	31,232	4,652	5,316	41,200	25,252	66,452	-	66,452	
Health Insurance	61,364	9,139	10,445	80,948	49,611	130,559	-	130,559	
401(k) Contributions	13,904	2,071	2,367	18,342	11,241	29,583	-	29,583	
Interest Expense	-	-	-	-	20,977	20,977	-	20,977	
Building and Equipment	-	-	-	-	20,232	20,232	-	20,232	
Depreciation	-	-	-	-	55,299	55,299	-	55,299	
Property Taxes	-	-	-	-	3,901	3,901	-	3,901	
Postage, Printing, and Supplies	16,595	2,472	2,825	21,892	13,416	35,308	63	35,371	
Telephone	11,444	1,704	1,948	15,096	9,253	24,349	-	24,349	
Headquarters Rent and Utilities	50,814	7,568	8,649	67,031	41,083	108,114	-	108,114	
Insurance Expenses	1,414,721	-	-	1,414,721	16,726	1,431,447	-	1,431,447	
Professional Fees	-	-	63,793	63,793	135,472	199,265	340	199,605	
Contributions	-	-	-	-	75	75	-	75	
Bad Debt Expense	194,948	-	-	194,948	-	194,948	-	194,948	
Materials	3,463	516	590	4,569	2,800	7,369	450	7,819	
Total Expenses by Function	\$ 2,331,277	\$ 127,746	\$ 180,596	\$ 2,639,619	\$ 934,186	\$ 3,573,805	\$ 5,081	\$ 3,578,886	