

PHI KAPPA PSI FRATERNITY

May 31, 2020

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



**PHI KAPPA PSI FRATERNITY
TABLE OF CONTENTS**

	PAGE
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Statements of Financial Position	1
Consolidated Statements of Activities	2
Consolidated Statements of Functional Expenses	3
Consolidated Statements of Cash Flows.....	5
Notes to the Consolidated Financial Statements.....	6
Supplementary Information	
Consolidating Statements of Financial Position	19
Consolidating Statements of Activities	20
Consolidating Statements of Functional Expenses	22

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, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, 2020 and 2019, 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 Matters

As discussed in the notes to the consolidated financial statements, on June 1, 2019, Phi Kappa Psi Fraternity and The PKP Permanent, Scholastic, Educational, Charitable and Fraternal Fund, Inc. adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) and ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. Our opinion is not modified with respect to these matters.

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
October 6, 2020

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

ASSETS

	May 31,	
	2020	2019
Cash	\$ 1,042,135	\$ 323,526
Chapter Accounts Receivable, Net	365,181	440,145
Accounts Receivable - Related Party	2,656	11,091
Grants Receivable - Related Party	-	138,501
Inventory	15,914	20,049
Prepaid Expenses	373,955	749,432
Investments - PKP	358,396	387,920
Property Held by PFI	4,834,110	4,826,839
Property and Equipment, Net	179,857	256,946
Total Assets	\$ 7,172,204	\$ 7,154,449

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	\$ 252,753	\$ 386,641
Accounts Payable - Related Party	77,419	84,926
Capital Lease Obligation	27,193	53,453
Line of Credit	-	200,000
Note Payable	163,096	-
Deferred Rent	17,833	16,251
Deferred Revenue	-	457,673
Funds Held for Closed Chapters	27,718	22,692
Total Liabilities	566,012	1,221,636

Net Assets

Without Donor Restrictions - PKP	1,555,085	909,451
Without Donor Restrictions - Assets Held by PFI	4,907,590	4,879,845
Total Without Donor Restrictions	6,462,675	5,789,296
With Donor Restrictions	143,517	143,517
Total Net Assets	6,606,192	5,932,813
Total Liabilities and Net Assets	\$ 7,172,204	\$ 7,154,449

See accompanying notes.

PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended May 31,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	Revenues, Support, and Gains					
Grants	\$ -	\$ 21,503	\$ 21,503	\$ -	\$ 529,682	\$ 529,682
Contributions	23,417	-	23,417	41,491	5,000	46,491
Alumni Dues	10,250	-	10,250	13,500	-	13,500
Chapter Dues	1,683,899	-	1,683,899	1,674,324	-	1,674,324
Initiation Fees	472,435	-	472,435	582,500	-	582,500
New Member Fees	108,600	-	108,600	106,000	-	106,000
Chapter Insurance Premium Fees	1,543,686	-	1,543,686	1,393,627	-	1,393,627
Conventions and Conferences	8,280	-	8,280	222,345	-	222,345
Royalty Income	42,275	-	42,275	82,587	-	82,587
Merchandise Sales	12,255	-	12,255	10,855	-	10,855
Chapter Finance Charges	164,673	-	164,673	82,895	-	82,895
Net Investment Return (Loss)	142,309	-	142,309	(52,334)	-	(52,334)
Other	18,683	-	18,683	8,682	-	8,682
Total Revenues, Support, and Gains	4,230,762	21,503	4,252,265	4,166,472	534,682	4,701,154
Net Assets Released From Restrictions	21,503	(21,503)	-	563,866	(563,866)	-
Total Revenues, Support, Gains, and Reclassifications	4,252,265	-	4,252,265	4,730,338	(29,184)	4,701,154
Expenses						
Program Expenses	2,555,711	-	2,555,711	3,562,668	-	3,562,668
Management and General Expenses	1,023,175	-	1,023,175	1,583,863	-	1,583,863
Total Expenses	3,578,886	-	3,578,886	5,146,531	-	5,146,531
Change in Net Assets	673,379	-	673,379	(416,193)	(29,184)	(445,377)
Net Assets, Beginning of Year	5,789,296	143,517	5,932,813	6,205,489	172,701	6,378,190
Net Assets, End of Year	\$ 6,462,675	\$ 143,517	\$ 6,606,192	\$ 5,789,296	\$ 143,517	\$ 5,932,813

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	\$ -	\$ -	\$ -	\$ -	\$ 19,309	\$ 19,309
Conferences and Organizations	2,200	-	-	2,200	-	2,200
Travel and Entertainment	54,947	8,184	9,353	72,484	48,631	121,115
Woodrow Wilson Leadership School	-	-	7,756	7,756	-	7,756
<i>The Shield</i>	-	43,602	-	43,602	-	43,602
ELC Program	-	-	4,369	4,369	-	4,369
ROT Program	-	-	73,208	73,208	-	73,208
Professional Development Conference	-	-	104,278	104,278	-	104,278
Elevate Program	-	-	11,250	11,250	-	11,250
Wellness Program	(22)	-	-	(22)	-	(22)
Other Program Expense	-	-	606	606	-	606
Attorney Fees	-	-	-	-	1,814	1,814
Accounting and Audit	-	-	-	-	55,580	55,580
Club Dues	-	-	-	-	53,263	53,263
Cost of Supply Sales	-	-	-	-	39,244	39,244
Bank Service Charges	-	-	-	-	7,571	7,571
Online Service and Website	-	-	-	-	11,935	11,935
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	61,352	9,137	10,443	80,932	49,603	130,535
401(k) Contributions	11,851	1,765	2,017	15,633	9,581	25,214
Interest Expense	-	-	-	-	20,977	20,977
Building and Equipment Depreciation	-	-	-	-	20,232	20,232
Property Taxes	-	-	-	-	55,299	55,299
Postage, Printing, and Supplies	-	-	-	-	3,901	3,901
Telephone	-	-	-	-	27,728	27,728
Headquarters Rent and Utilities	-	-	-	-	24,396	24,396
Insurance Expenses	1,414,721	-	-	1,414,721	108,114	108,114
Professional Fees	-	-	-	-	16,726	1,431,447
Contributions	-	-	-	-	108,565	108,565
Bad Debt Expense	194,948	-	-	194,948	75	75
Materials	-	-	-	-	-	194,948
	-	-	-	-	5,787	5,787
Total Expenses by Function	\$ 2,141,579	\$ 122,498	\$ 291,634	\$ 2,555,711	\$ 1,023,175	\$ 3,578,886

See accompanying notes.

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

	Program			Total	Management and General	Total Expenses
	Fraternity Activities	Publications and Communications	Convention/ Leadership Activities			
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 STATEMENTS OF CASH FLOWS

	Years Ended May 31,	
	2020	2019
Cash Flows From Operating Activities		
Change in Net Assets	\$ 673,379	\$ (445,377)
Adjustments to Reconcile Change in Net Assets with		
Cash Flows From Operations		
Depreciation	55,299	62,628
Bad Debt Expense	194,948	43,988
Net Investment Return	(146,856)	173,189
Gain on Sale of Property and Equipment	(4,810)	-
Changes in		
Accounts Receivable	(111,549)	(100,380)
Grants Receivable - Related Party	138,501	6,804
Inventory	4,135	6,027
Prepaid Expenses	375,477	208,419
Accounts Payable and Accrued Expenses	(133,709)	(312,679)
Deferred Rent	1,582	3,043
Deferred Revenue	(457,673)	(63,731)
	<u>588,724</u>	<u>(418,069)</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities		
Purchases of Investments - PKP	(130,258)	(301,788)
Purchases of Investments - PFI	(8,618,730)	(2,121,161)
Proceeds From Sales and Maturities of Investments - PKP	162,402	295,023
Proceeds From Sales and Maturities of Investments - PFI	8,755,695	2,442,661
Purchases of Property and Equipment	(39,400)	(3,630)
Proceeds From Sales of Property and Equipment	66,000	-
	<u>195,709</u>	<u>311,105</u>
Net Cash Provided by Investing Activities		
Cash Flows From Financing Activities		
Change in Line of Credit	(200,000)	200,000
Payments on Notes Payable and Capital Lease Obligation	(597,230)	(21,621)
Proceeds From Notes Payable	734,066	-
Net Change in Pass-through Funds Due to Related Party	(2,660)	(2,580)
	<u>(65,824)</u>	<u>175,799</u>
Net Cash (Used) Provided by Financing Activities		
Net Change in Cash	718,609	68,835
Cash, Beginning of Year	<u>323,526</u>	<u>254,691</u>
Cash, End of Year	<u>\$ 1,042,135</u>	<u>\$ 323,526</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, 2020, 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 \$169,358 and \$63,347 at May 31, 2020 and 2019, respectively.

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

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

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, 2020 and 2019.

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 has designated from net assets without donor restrictions net assets for specific purposes (see Board Designated Net Assets note).

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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, 2020 and 2019. 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, 2020 and 2019.

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.

Change in Accounting Principle

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Fraternity has implemented Topic 606 and has adjusted the presentation in these consolidated financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Fraternity has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements.

Collectively, the new Topic 606 and 958 will be referred to as the “new guidance”.

The Fraternity adopted the requirements of the new guidance as of June 1, 2019, utilizing the modified retrospective method of transition. However, the adoption of this new guidance did not result in the Fraternity changing its policies for recognizing revenue and thus no cumulative adjustment to the Fraternity’s net assets as of June 1, 2019 was necessary. The amounts reported in the consolidated financial statements for 2020 are the same amounts that would have been reported under the former guidance. The Fraternity did apply the new guidance using the practical expedient provided in Topic 606 and 958 that allows the guidance to be applied only to contracts and contributions that weren’t complete as of June 1, 2019. The effects of applying this practical expedient were not significant to the 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,	
	2020	2019
Financial Assets, End of Year		
Cash	\$ 1,042,135	\$ 323,526
Chapter Accounts Receivable, Net	365,181	440,145
Accounts Receivable - Related Party	2,656	11,091
Grants Receivable - Related Party	-	138,501
Investments - PKP	358,396	387,920
Investment Assets Held by PFI	4,834,110	4,826,839
	<hr/>	<hr/>
Total Financial Assets	6,602,478	6,128,022
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	773,601	384,008
Net Assets Held by PFI	4,907,590	4,879,845
	<hr/>	<hr/>
Total Financial Assets Available	\$ <u>777,770</u>	\$ <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. 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.

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, 2020 and 2019 was \$20,977 and \$26,644, respectively.

NOTE 4 - INVESTMENTS

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

	May 31,			
	2020		2019	
	PKP	PFI	PKP	PFI
Money Market	\$ 86,205	\$ 65,539	\$ 169,512	\$ 2,291
Mutual Funds	272,191	4,768,571	218,408	4,824,548
Total Investments	\$ 358,396	\$ 4,834,110	\$ 387,920	\$ 4,826,839

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.

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, 2020 and 2019.

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

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, 2020 and 2019 were measured using Level 1 inputs.

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

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,	
	2020	2019
Furniture	\$ 184,425	\$ 184,425
Equipment	41,341	41,341
Computer Software	203,388	203,388
Computer Equipment	41,628	41,592
Vehicles	111,740	259,156
	<u>582,522</u>	<u>729,902</u>
Less Accumulated Depreciation	468,638	538,929
	113,884	190,973
Non-Depreciable Collections	<u>65,973</u>	<u>65,973</u>
Property and Equipment, Net	<u>\$ 179,857</u>	<u>\$ 256,946</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, 2020 and 2019, the self-insured retention limit was \$250,000. At May 31, 2020 and 2019, the Fraternity accrued expenses on unsettled claims of \$222,797 and \$289,230, 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 \$25,452, and \$25,453 for the years ended May 31, 2020 and 2019, respectively.

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

	May 31,	
	2020	2019
Furniture	\$ 127,263	\$ 127,263
Less Accumulated Depreciation	<u>97,568</u>	<u>72,116</u>
Capital Lease Obligation Property, Net	<u>\$ 29,695</u>	<u>\$ 55,147</u>

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

Year Ending May 31,		
2021	\$ <u>27,712</u>	
Total Future Payments	27,712	\$ 55,424
Less Interest Portion	<u>519</u>	<u>1,971</u>
Capital Lease Obligation, Net	<u>\$ 27,193</u>	<u>\$ 53,453</u>

NOTE 9 - LINE OF CREDIT

The Fraternity had a \$200,000 revolving line of credit agreement with a bank. This line of credit was collateralized by a lien on all the Fraternity's general business assets and charged interest at the daily LIBOR rate plus 2.50%. The line matured and was not renewed on December 31, 2019 at which point the LIBOR rate was 1.75%.

NOTE 10 - NOTE PAYABLE

During the year ended May 31, 2020 the Fraternity entered into a note payable that charges interest at 5.3% and requires monthly interest and principal payments of \$83,735. The note is collateralized by the underlying insurance policy for which the note finances. The note matures on August 1, 2020. Interest paid on this note during the year ended May 31, 2020 totaled \$15,174. At May 31, 2020 the outstanding liability on the note payable was \$163,096.

NOTE 11 - 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 as follows:

	May 31,		Year Funds Will be Released
	2020	2019	
Texas Delta	\$ 16,870	\$ 16,870	2030
Arizona Beta	5,500	5,500	2028
Alabama Beta	5,009	-	2039
Arizona Alpha	322	322	2032
Tennessee Delta	17	-	2038
	<u>\$ 27,718</u>	<u>\$ 22,692</u>	

NOTE 12 - BOARD DESIGNATED NET ASSETS

The Board designated net assets for the following purposes:

	May 31,	
	2020	2019
Insurance Fund	<u>\$ 773,601</u>	<u>\$ 384,008</u>

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

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
	<u>\$ 143,517</u>	<u>\$ 143,517</u>

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

	Years Ended May 31,	
	2020	2019
Satisfaction of Purpose Restrictions and Appropriations Educational Programming	<u>\$ 21,503</u>	<u>\$ 563,866</u>

NOTE 14 - OPERATING LEASES

Equipment

The Fraternity leases equipment from third parties under operating lease agreements with expiration dates through November 2024. The Fraternity incurred lease expense related to these leases of \$9,664 and \$10,532 for the years ended May 31, 2020 and 2019, 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 \$3,743 and \$13,540 for the years ended May 31, 2020 and 2019, 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 for both the years ended May 31, 2020 and 2019. Deferred rent liability under this lease was \$17,833 and \$16,251 at May 31, 2020 and 2019, respectively.

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

Years Ending May 31,	
2021	\$ 116,176
2022	116,747
2023	118,030
2024	119,491
2025	116,800
Thereafter	66,901
	\$ 654,145

NOTE 15 - 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 various educational programs.
- The Endowment Fund reimburses the Fraternity for an allocable share of the salary, wages, and benefits paid to Fraternity employees who perform services for the Endowment Fund.

NOTE 15 - TRANSACTIONS WITH AFFILIATED ORGANIZATIONS (Continued)

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

	Years Ended May 31,	
	2020	2019
Activity During the Year		
Grants Received from Endowment Fund	\$ 21,503	\$ 517,182
Rent Paid to Endowment Fund	108,114	108,114
Administrative Costs Reimbursed to Endowment Fund	68,217	80,699
Employee Costs Reimbursed to Endowment Fund	30,185	-
Employee Costs Reimbursed by Endowment Fund	22,849	-
Balances at May 31,		
Grant Receivable	\$ -	\$ 138,501
Due to the Endowment Fund	28,569	33,416
Deferred Rent	17,833	16,251

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, 2020 and 2019, respectively. The Fraternity contributed a \$-0- and \$23,000 to the Foundation during the years ended May 31, 2020 and 2019, respectively.

The Foundation provided grants to the Fraternity of \$-0- and \$12,500 during the years ended May 31, 2020 and 2019, 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 \$94,590 and \$101,600 in assessed Canonsburg fees from their members and remitted \$97,250 and \$104,180 during the years ended May 31, 2020 and 2019, respectively. At May 31, 2020 and 2019, \$48,850 and \$51,510, respectively, is due to Canonsburg.

Canonsburg utilized donated office space and administrative services of the Fraternity. For the years ended May 31, 2020 and 2019, no amounts were recorded for these donated facilities and services.

The Fraternity leases staff to Canonsburg. For the years ended May 31, 2020 and 2019, Canonsburg reimbursed the Fraternity \$1,617 and \$47,865 for shared employee related expenses, respectively. At May 31, 2020 and 2019, \$-0- and \$11,091 was due from Canonsburg, respectively.

NOTE 16 - 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, 2020 and 2019 was \$288,626 and \$368,239, respectively.

NOTE 17 - 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 18 - SUBSEQUENT EVENT

The Fraternity has evaluated subsequent events through October 6, 2020, which is the date the consolidated financial statements were available to be issued.

Prior to year-end, 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.

PKP obtained a loan for \$150,000 on July 20, 2020. The loan charges interest at a rate of 2.75% per annum. Monthly payments of \$641 will begin on July 20, 2021 and the loan is due in full on July 20, 2050. The loan is collateralized by the business assets of PKP.

SUPPLEMENTARY INFORMATION

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

ASSETS

May 31,

	2020			2019		
	PKP	PFI	Total	PKP	PFI	Total
Assets						
Cash	\$ 968,655	\$ 73,480	\$ 1,042,135	\$ 270,520	\$ 53,006	\$ 323,526
Chapter Accounts Receivable, Net	365,181	-	365,181	440,145	-	440,145
Accounts Receivable - Related Party	2,656	-	2,656	11,091	-	11,091
Grants Receivable - Related Party	-	-	-	138,501	-	138,501
Inventory	15,914	-	15,914	20,049	-	20,049
Prepaid Expenses	373,955	-	373,955	749,432	-	749,432
Investments - PKP	358,396	-	358,396	387,920	-	387,920
Property Held by PFI	-	4,834,110	4,834,110	-	4,826,839	4,826,839
Property and Equipment, Net	179,857	-	179,857	256,946	-	256,946
Total Assets	\$ 2,264,614	\$ 4,907,590	\$ 7,172,204	\$ 2,274,604	\$ 4,879,845	\$ 7,154,449

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	\$ 252,753	\$ -	\$ 252,753	\$ 386,641	\$ -	\$ 386,641
Accounts Payable - Related Party	77,419	-	77,419	84,926	-	84,926
Capital Lease Obligation	27,193	-	27,193	53,453	-	53,453
Line of Credit	-	-	-	200,000	-	200,000
Note Payable	163,096	-	163,096	-	-	-
Deferred Rent	17,833	-	17,833	16,251	-	16,251
Deferred Revenue	-	-	-	457,673	-	457,673
Funds Held for Closed Chapters	27,718	-	27,718	22,692	-	22,692
Total Liabilities	566,012	-	566,012	1,221,636	-	1,221,636

Net Assets

Without Donor Restrictions	1,555,085	4,907,590	6,462,675	909,451	4,879,845	5,789,296
With Donor Restrictions	143,517	-	143,517	143,517	-	143,517
Total Net Assets	1,698,602	4,907,590	6,606,192	1,052,968	4,879,845	5,932,813
Total Liabilities and Net Assets	\$ 2,264,614	\$ 4,907,590	\$ 7,172,204	\$ 2,274,604	\$ 4,879,845	\$ 7,154,449

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	-	23,417
Alumni Dues	10,250	-	10,250	-	10,250
Chapter Dues	1,683,899	-	1,683,899	-	1,683,899
Chapter Service Fees					
Risk Management and Wellness Fee					
Conference Fees					
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)	(1,929)	-	(1,929)	144,238	142,309
Other	17,428	-	17,428	1,255	18,683
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	2,555,711	-	2,555,711	-	2,555,711
Management and General Expenses	1,018,094	-	1,018,094	5,081	1,023,175
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 ACTIVITIES
YEAR ENDED MAY 31, 2019

	PKP			PFI	
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	Total
Revenues, Support, and Gains					
Grants	\$ -	\$ 529,682	\$ 529,682	\$ -	\$ 529,682
Contributions	41,491	5,000	46,491	-	46,491
Alumni Dues	13,500	-	13,500	-	13,500
Chapter Dues	1,674,324	-	1,674,324	-	1,674,324
Initiation Fees	582,500	-	582,500	-	582,500
New Member Fees	106,000	-	106,000	-	106,000
Chapter Insurance Premium Fees	1,393,627	-	1,393,627	-	1,393,627
Conventions and Conferences	222,345	-	222,345	-	222,345
Royalty Income	82,587	-	82,587	-	82,587
Merchandise Sales	10,855	-	10,855	-	10,855
Chapter Finance Charges	82,895	-	82,895	-	82,895
Net Investment Return (Loss)	117,019	-	117,019	(169,353)	(52,334)
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, 2020**

	PKP					PFI			
	Program				Management and General	Subtotal	Management and General	Subtotal	Total
	Fraternity Activities	Publications and Communications	Convention/ Leadership Activities	Total Program					
Automobile	\$ -	\$ -	\$ -	\$ -	\$ 19,309	\$ 19,309	\$ -	\$ -	\$ 19,309
Conferences and Organizations	2,200	-	-	2,200	-	2,200	-	-	2,200
Travel and Entertainment	54,947	8,184	9,353	72,484	44,425	116,909	4,206	4,206	121,115
Woodrow Wilson Leadership School <i>The Shield</i>	-	43,602	7,756	7,756	-	7,756	-	-	7,756
ELC Program	-	-	4,369	4,369	-	4,369	-	-	4,369
ROT Program	-	-	73,208	73,208	-	73,208	-	-	73,208
Professional Development Conference	-	-	104,278	104,278	-	104,278	-	-	104,278
Elevate Program	-	-	11,250	11,250	-	11,250	-	-	11,250
Wellness Program	(22)	-	-	(22)	-	(22)	-	-	(22)
Other Program Expense	-	-	606	606	-	606	-	-	606
Attorney Fees	-	-	-	-	1,814	1,814	-	-	1,814
Accounting and Audit	-	-	-	-	55,580	55,580	-	-	55,580
Club Dues	-	-	-	-	53,263	53,263	-	-	53,263
Cost of Supply Sales	-	-	-	-	39,244	39,244	-	-	39,244
Bank Service Charges	-	-	-	-	7,571	7,571	-	-	7,571
Online Service and Website	-	-	-	-	11,935	11,935	-	-	11,935
Miscellaneous Expense	-	-	-	-	10,138	10,138	22	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	61,352	9,137	10,443	80,932	49,603	130,535	-	-	130,535
401(k) Contributions	11,851	1,765	2,017	15,633	9,581	25,214	-	-	25,214
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	-	-	-	-	27,665	27,665	63	63	27,728
Telephone	-	-	-	-	24,396	24,396	-	-	24,396
Headquarters Rent and Utilities	-	-	-	-	108,114	108,114	-	-	108,114
Insurance Expenses	1,414,721	-	-	1,414,721	16,726	1,431,447	-	-	1,431,447
Professional Fees	-	-	-	-	108,225	108,225	340	340	108,565
Contributions	-	-	-	-	75	75	-	-	75
Bad Debt Expense	194,948	-	-	194,948	-	194,948	-	-	194,948
Materials	-	-	-	-	5,337	5,337	450	450	5,787
Total Expenses by Function	\$ 2,141,579	\$ 122,498	\$ 291,634	\$ 2,555,711	\$ 1,018,094	\$ 3,573,805	\$ 5,081	\$ 5,081	\$ 3,578,886

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

	PKP				PFI			
	Program				Management and General	Subtotal	Management and General	Total
	Fraternity Activities	Publications and Communications	Convention/ Leadership Activities	Total Program				
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	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	12,737
Total Expenses by Function	\$ 2,331,348	\$ 214,854	\$ 1,016,466	\$ 3,562,668	\$ 1,583,469	\$ 5,146,137	\$ 394	\$ 5,146,531