



Phi Kappa Psi Fraternity

May 31, 2022

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

Opinion

We have audited the accompanying consolidated financial statements of Phi Kappa Psi Fraternity and The PKP Permanent, Scholastic, Educational, Charitable and Fraternal Fund, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of May 31, 2022 and 2021, 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.

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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Phi Kappa Psi Fraternity and The PKP Permanent, Scholastic, Educational, Charitable and Fraternal Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Phi Kappa Psi Fraternity and The PKP Permanent, Scholastic, Educational, Charitable and Fraternal Fund, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Phi Kappa Psi Fraternity and The PKP Permanent, Scholastic, Educational, Charitable and Fraternal Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Phi Kappa Psi Fraternity and The PKP Permanent, Scholastic, Educational, Charitable and Fraternal Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 basic 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 audit 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.

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

ASSETS

	May 31,	
	2022	2021
Assets		
Cash	\$ 1,497,492	\$ 1,059,742
Chapter Accounts Receivable, Net	304,522	280,106
Accounts Receivable - Related Party	10,056	7,301
Employee Retention Credit Receivable	243,507	-
Inventory	9,743	13,302
Prepaid Expenses	694,011	349,626
Investments - PKP	285,224	250,201
Property Held by PFI	5,720,073	6,367,283
Property and Equipment, Net	115,357	104,180
Total Assets	\$ 8,879,985	\$ 8,431,741

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable and Accrued Expenses	\$ 187,071	\$ 169,175
Accounts Payable - Related Party	29,222	18,105
Accrued Payroll	22,783	15,136
Accrued Interest Expense	7,651	-
Deferred Revenue	78,564	-
SBA Loan	150,000	150,000
Notes Payable	293,112	79,780
Deferred Rent	16,616	17,955
Funds Held for Closed Chapters	26,390	26,390
Total Liabilities	811,409	476,541
Net Assets		
Without Donor Restrictions - PKP	2,131,309	1,357,535
Without Donor Restrictions - Assets Held by PFI	5,793,750	6,454,148
Total Without Donor Restrictions	7,925,059	7,811,683
With Donor Restrictions	143,517	143,517
Total Net Assets	8,068,576	7,955,200
Total Liabilities and Net Assets	\$ 8,879,985	\$ 8,431,741

See accompanying notes.

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

Years Ended May 31,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	Revenues, Support, and Gains					
Contributions	\$ 9,744	\$ -	\$ 9,744	\$ 14,195	\$ -	\$ 14,195
Alumni Dues	9,750	-	9,750	10,000	-	10,000
Chapter Dues	1,569,383	-	1,569,383	1,452,900	-	1,452,900
Initiation Fees	629,000	-	629,000	319,300	-	319,300
New Member Fees	114,550	-	114,550	89,800	-	89,800
Chapter Insurance Premium Fees	1,066,128	-	1,066,128	-	-	-
Royalty Income	59,096	-	59,096	91,901	-	91,901
Merchandise Sales	7,976	-	7,976	6,582	-	6,582
Chapter Finance Charges	132,390	-	132,390	2,477	-	2,477
Net Investment Return	(481,051)	-	(481,051)	1,913,849	-	1,913,849
Employee Retention Credit	243,507	-	243,507	-	-	-
Other	28,665	-	28,665	32,942	-	32,942
Total Revenues, Support, and Gains	3,389,138	-	3,389,138	3,933,946	-	3,933,946
Expenses						
Program Expenses	2,407,700	-	2,407,700	1,927,711	-	1,927,711
Management and General Expenses	868,062	-	868,062	657,227	-	657,227
Total Expenses	3,275,762	-	3,275,762	2,584,938	-	2,584,938
Change in Net Assets	113,376	-	113,376	1,349,008	-	1,349,008
Net Assets, Beginning of Year	7,811,683	143,517	7,955,200	6,462,675	143,517	6,606,192
Net Assets, End of Year	\$ 7,925,059	\$ 143,517	\$ 8,068,576	\$ 7,811,683	\$ 143,517	\$ 7,955,200

See accompanying notes.

PHI KAPPA PSI FRATERNITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2022

	Program			Total	Management and General	Total Expenses
	Fraternity Activities	Publications and Communications	Convention/ Leadership Activities			
Automobile	\$ 6,409	\$ -	\$ -	\$ 6,409	\$ 712	\$ 7,121
Awards	3,296	-	-	3,296	366	3,662
Conferences and Meetings	5,352	-	-	5,352	5,351	10,703
Contributions	2,780	-	-	2,780	-	2,780
Travel and Entertainment	49,066	-	-	49,066	114,486	163,552
<i>The Shield</i>	-	91,276	-	91,276	-	91,276
Other Program Expense	71,446	-	-	71,446	-	71,446
Membership Dues	10,320	-	-	10,320	24,079	34,399
Cost of Supply Sales	42,440	-	-	42,440	-	42,440
Bank Service Charges	-	-	-	-	9,189	9,189
Online Service and Website	37,583	5,597	6,397	49,577	30,387	79,964
Miscellaneous Expense	-	-	-	-	17,218	17,218
Office Staff Salaries	392,279	58,425	66,771	517,475	317,162	834,637
Payroll Tax	32,867	4,895	5,594	43,356	26,573	69,929
Health Insurance	69,540	10,357	11,836	91,733	56,223	147,956
401(k) Contributions	16,435	2,448	2,797	21,680	13,288	34,968
Interest Expense	-	-	-	-	24,651	24,651
Building and Equipment	-	-	-	-	13,607	13,607
Depreciation	-	-	-	-	17,237	17,237
Property Taxes	-	-	-	-	320	320
Postage, Printing, and Supplies	19,949	2,971	3,396	26,316	16,128	42,444
Telephone	8,630	1,285	1,469	11,384	6,977	18,361
Headquarters Rent and Utilities	50,814	7,568	8,649	67,031	41,083	108,114
Insurance Expenses	1,172,768	-	-	1,172,768	15,828	1,188,596
Professional Fees	-	-	28,943	28,943	114,294	143,237
Bad Debt Expense	90,936	-	-	90,936	-	90,936
Materials	3,120	465	531	4,116	2,903	7,019
Total Expenses by Function	\$ 2,086,030	\$ 185,287	\$ 136,383	\$ 2,407,700	\$ 868,062	\$ 3,275,762

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
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	93,790	134,233
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 STATEMENTS OF CASH FLOWS**

	Years Ended May 31,	
	2022	2021
Cash Flows From Operating Activities		
Change in Net Assets	\$ 113,376	\$ 1,349,008
Adjustments to Reconcile Change in Net Assets with Cash Flows From Operations		
Depreciation	17,237	46,818
Net Investment Return	481,051	(1,913,849)
(Gain) Loss on Disposal of Property and Equipment	(1,965)	31,414
Changes in		
Accounts Receivable	(27,171)	80,430
Employee Retention Credit Receivable	(243,507)	-
Inventory	3,559	2,612
Prepaid Expenses	(344,385)	24,329
Accounts Payable and Accrued Expenses	29,013	(134,010)
Accrued Payroll	7,647	4,926
Accrued Interest	7,651	-
Deferred Revenue	78,564	-
Deferred Rent	(1,339)	122
	<u>119,731</u>	<u>(508,200)</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities		
Purchases of Investments - PKP	(71,634)	(94,652)
Purchases of Property Held by PFI	(42,388)	(4,706,617)
Proceeds From Sales and Maturities of Investments - PKP	19,482	234,335
Proceeds From Sales of Property Held by PFI	225,676	5,055,805
Purchases of Property and Equipment	(56,949)	(2,555)
Proceeds From Sales of Property and Equipment	30,500	-
	<u>104,687</u>	<u>486,316</u>
Net Cash Provided by Investing Activities		
Cash Flows From Financing Activities		
Payments on Notes Payable and Capital Lease Obligation	(736,599)	(818,360)
Proceeds From Notes Payable	949,931	857,851
	<u>213,332</u>	<u>39,491</u>
Net Cash Provided by Financing Activities		
Net Change in Cash	437,750	17,607
Cash, Beginning of Year	<u>1,059,742</u>	<u>1,042,135</u>
Cash, End of Year	<u>\$ 1,497,492</u>	<u>\$ 1,059,742</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. PKP engages men of integrity, further develops their intellect, and enhances community involvement. With a legacy built on acceptance and trust, each brother realizes his highest potential through a lifelong experience of service and excellence. In fulfillment of its mission, PKP focuses its efforts in three primary programs – fraternity activities, publications and communications, and convention and leadership activities. Through these programs, PKP provides educational and leadership development programming, administrative support, and property and liability insurance programs for the chapters and colonies.

At May 31, 2022, PKP had approximately 100 chapters and colonies located throughout the United States. Each chapter and colony are 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 \$200,000 and \$125,330 at May 31, 2022 and 2021, respectively.

Contract Liabilities

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Property Held

Investments and property held 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.

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.

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. The Fraternity holds historical treasures that have indefinite or extraordinarily long useful lives and are therefore not depreciated. 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, 2022 and 2021.

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).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 is 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Employee Retention Credits

The CARES Act provided an employee retention credit (CARES Employee Retention Credit), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Fraternity has determined that they meet the criteria to qualify for this tax credit under the CARES Act for certain quarters in 2020 and 2021. During the years ended May 31, 2022 and 2021, the Fraternity recorded \$243,507 and \$-0-, respectively, related to the CARES Employee Retention Credit on the Fraternity's consolidated statements of activities. As of May 31, 2022, the Fraternity has a \$243,507 employee retention credit receivable balance from the United States government related to the CARES Act, which is record on the consolidated statements of financial position.

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 on the basis of 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 for the years ended May 31, 2022 and 2021. 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, 2022 and 2021.

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 its 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,	
	2022	2021
Financial Assets, End of Year		
Cash	\$ 1,497,492	\$ 1,059,742
Chapter Accounts Receivable, Net	304,522	280,106
Accounts Receivable - Related Party	10,056	7,301
Employee Retention Receivable	243,507	-
Investments - PKP	285,224	250,201
Investment Assets Held by PFI	5,720,073	6,367,283
Total Financial Assets	8,060,874	7,964,633
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	429,970	485,111
Investments Restricted for Self Insured Retention	215,423	180,424
Net Assets Held by PFI	5,793,750	6,454,148
Total Financial Assets Available	\$ 1,478,214	\$ 701,433

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, 2022 and 2021 was \$17,000 and \$15,040, respectively.

NOTE 4 - INVESTMENTS AND PROPERTY HELD

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

	May 31,			
	2022		2021	
	PKP	PFI	PKP	PFI
Money Market	\$ 75,640	\$ 46,084	\$ 73,158	\$ 25,936
Mutual Funds	209,584	5,673,989	177,043	6,341,347
Total Investments	\$ 285,224	\$ 5,720,073	\$ 250,201	\$ 6,367,283

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, 2022 and 2021.

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. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Fraternity are deemed to be actively traded.

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, 2022 and 2021 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.

NOTE 6 - PROPERTY AND EQUIPMENT

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

	May 31,	
	2022	2021
Furniture	\$ 184,425	\$ 184,425
Equipment	42,380	42,410
Computer Software	203,388	203,388
Computer Equipment	56,243	43,115
Vehicles	42,870	39,422
	529,306	512,760
Less Accumulated Depreciation	479,922	474,553
	49,384	38,207
Non-Depreciable Historical Treasures	65,973	65,973
Property and Equipment, Net	\$ 115,357	\$ 104,180

NOTE 7 - CONTRACT BALANCES

Receivables and contract balances from contracts with customers were as follows:

Accounts Receivable, Net			
Beginning of Year	\$ 280,106	\$ 365,181	
End of Year	\$ 304,522	\$ 280,106	
Deferred Revenue			
Beginning of Year	\$ -	\$ -	
End of Year	\$ 78,564	\$ -	

NOTE 8 - 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, 2022 and 2021, the self-insured retention limit was \$200,000 and \$150,000, respectively. At both May 31, 2022 and 2021, PKP accrued expenses on unsettled claims of \$156,000. This is included in accounts payable and accrued expenses on the consolidated statements of financial position.

NOTE 9 - NOTES PAYABLE AND SBA LOAN

PKP finances its annual insurance premiums. The promissory notes are generally for a term of less than 12 months, charge interest at approximately 4.3%, and are collateralized by the underlying insurance policy for which the notes finances. Promissory notes payable outstanding at May 31, 2022 and 2021 totaled \$293,112 and \$79,780, respectively. The final payment on the notes payable is due on November 5, 2023. Interest paid on the notes during the years ended May 31, 2022 and 2021 was \$17,000 and \$15,040, respectively.

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 are deferred until January 2023 and the loan is due in full in July 2051. The loan is collateralized by the business assets of PKP. At May 31, 2022 the outstanding liability on the note payable was \$150,000. Interest charged on this note during the year ended May 31, 2022 totaled \$7,651. In September 2022, the EIDL was paid in full.

The remaining maturities on the notes payable and SBA loan are as follows:

Years Ending May 31,	
2023	\$ 293,112
2024	-
2025	2,519
2026	3,682
2027	3,785
Thereafter	<u>140,014</u>
	<u>\$ 443,112</u>

NOTE 10 - 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, 2022 and 2021, respectively.

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

	May 31,	
	2022	2021
Furniture	\$ 127,263	\$ 127,263
Less Accumulated Depreciation	127,263	127,263
Capital Lease Obligation Property, Net	\$ -	\$ -

NOTE 11 - FUNDS HELD FOR CLOSED CHAPTERS

PKP holds certain funds in a trust for chapters that are dissolved or closed. If the chapter reopens within 20 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
	2022	2021	
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	4,172	2041
Total Funds Held for Closed Chapters	\$ 26,390	\$ 26,390	

NOTE 12 - BOARD DESIGNATED NET ASSETS

The Board designated net assets for the following purposes:

Insurance Fund	\$ 429,970	\$ 485,111
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NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	May 31,	
	2022	2021
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

NOTE 14 - 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 both the years ended May 31, 2022 and 2021.

Office Space

PKP leases parking spaces 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, 2022 and 2021. Deferred rent liability under this lease was \$16,616 and \$17,955 at May 31, 2022 and 2021, respectively.

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

Years Ending May 31,	
2023	\$ 119,173
2024	119,872
2025	116,800
2026	66,901
	\$ 422,746

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.

NOTE 15 - TRANSACTIONS WITH AFFILIATED ORGANIZATIONS (Continued)

The Fraternity had the following transactions with the Endowment Fund:

- PKP leases parking spaces 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 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,	
	2022	2021
Activity During the Year		
Rent Paid to Endowment Fund	\$ 108,114	\$ 108,114
Administrative Costs Reimbursed to Endowment Fund	56,260	56,287
Employee Costs Reimbursed to Endowment Fund	109,919	57,378
Employee Costs Reimbursed by Endowment Fund	31,273	28,380
Balances at May 31,		
Due from the Endowment Fund	\$ 1,860	\$ 7,249
Due to the Endowment Fund	29,222	18,105
Deferred Rent	16,616	17,955

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 either of the years ended May 31, 2022 or 2021. The Foundation was dissolved on August 12, 2020, pursuant to the directives of the 2018 Grand Arch Council.

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 its chapters and colonies and remits them to Canonsburg annually. PKP collected \$85,080 and \$-0- in assessed Canonsburg fees from its members and remitted \$85,080 and \$48,850 during the years ended May 31, 2022 and 2021, respectively. At both May 31, 2022 and 2021, \$-0- was due to Canonsburg.

PKP leases staff to Canonsburg. For the years ended May 31, 2022 and 2021, Canonsburg reimbursed PKP \$726 and \$916 for shared employee related expenses, respectively.

Oregon Alpha Housing Corporation

Oregon Alpha Housing Corporation (Oregon Alpha), an affiliated organization, is a legally separate entity organized to provide housing to the Oregon Alpha chapter of Phi Kappa Psi Fraternity. PKP leases staff to Oregon Alpha. For the years ended May 31, 2022 and 2021, PKP invoiced Oregon Alpha \$8,196 and \$-0- for shared employee related expenses, respectively. At May 31, 2022 and 2021, \$8,196 and \$-0- was due from Oregon Alpha, respectively.

NOTE 16 - 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, 2022 and 2021 was \$215,423 and \$180,424, respectively.

NOTE 17 - 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 18 - 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 19 - SUBSEQUENT EVENTS

In September 2022, the Fraternity entered into a financing agreement for the annual insurance premiums for the 2022-2023 policy period which total \$910,476. The note charges interest at 6.5% and is payable over 11 months beginning in November 2022.

The Fraternity has evaluated subsequent events through October 15, 2022, 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,

	2022			2021		
	PKP	PFI	Total	PKP	PFI	Total
Assets						
Cash	\$ 1,423,815	\$ 73,677	\$ 1,497,492	\$ 972,877	\$ 86,865	\$ 1,059,742
Chapter Accounts Receivable, Net	304,522	-	304,522	280,106	-	280,106
Accounts Receivable - Related Party	10,056	-	10,056	7,301	-	7,301
Employee Retention Credit Receivable	243,507	-	243,507	-	-	-
Inventory	9,743	-	9,743	13,302	-	13,302
Prepaid Expenses	694,011	-	694,011	349,626	-	349,626
Investments - PKP	285,224	-	285,224	250,201	-	250,201
Property Held by PFI	-	5,720,073	5,720,073	-	6,367,283	6,367,283
Property and Equipment, Net	115,357	-	115,357	104,180	-	104,180
Total Assets	\$ 3,086,235	\$ 5,793,750	\$ 8,879,985	\$ 1,977,593	\$ 6,454,148	\$ 8,431,741

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	\$ 187,071	\$ -	\$ 187,071	\$ 169,175	\$ -	\$ 169,175
Accounts Payable - Related Party	29,222	-	29,222	18,105	-	18,105
Accrued Payroll	22,783	-	22,783	15,136	-	15,136
Accrued Interest Expense	7,651	-	7,651	-	-	-
Deferred Revenue	78,564	-	78,564	-	-	-
SBA Loan	150,000	-	150,000	150,000	-	150,000
Notes Payable	293,112	-	293,112	79,780	-	79,780
Deferred Rent	16,616	-	16,616	17,955	-	17,955
Funds Held for Closed Chapters	26,390	-	26,390	26,390	-	26,390
Total Liabilities	811,409	-	811,409	476,541	-	476,541

Net Assets

Without Donor Restrictions	2,131,309	5,793,750	7,925,059	1,357,535	6,454,148	7,811,683
With Donor Restrictions	143,517	-	143,517	143,517	-	143,517
Total Net Assets	2,274,826	5,793,750	8,068,576	1,501,052	6,454,148	7,955,200
Total Liabilities and Net Assets	\$ 3,086,235	\$ 5,793,750	\$ 8,879,985	\$ 1,977,593	\$ 6,454,148	\$ 8,431,741

PHI KAPPA PSI FRATERNITY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2022

	PKP		PFI		Total
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Without Donor Restrictions	
Revenues, Support, and Gains					
Contributions	\$ 9,744	\$ -	\$ 9,744	\$ -	\$ 9,744
Alumni Dues	9,750	-	9,750	-	9,750
Chapter Dues	1,569,383	-	1,569,383	-	1,569,383
Initiation Fees	629,000	-	629,000	-	629,000
New Member Fees	114,550	-	114,550	-	114,550
Chapter Insurance Premium Fees	1,066,128	-	1,066,128	-	1,066,128
Royalty Income	59,096	-	59,096	-	59,096
Merchandise Sales	7,976	-	7,976	-	7,976
Chapter Finance Charges	132,390	-	132,390	-	132,390
Net Investment Return	(17,129)	-	(17,129)	(463,922)	(481,051)
Employee Retention Credit Revenue	243,507	-	243,507	-	243,507
Other	4,057	-	4,057	24,608	28,665
	<u>3,828,452</u>	<u>-</u>	<u>3,828,452</u>	<u>(439,314)</u>	<u>3,389,138</u>
Total Revenues, Support, and Gains					
	<u>3,828,452</u>	<u>-</u>	<u>3,828,452</u>	<u>(439,314)</u>	<u>3,389,138</u>
Expenses					
Program Expenses	2,407,700	-	2,407,700	-	2,407,700
Management and General Expenses	854,874	-	854,874	13,188	868,062
	<u>3,262,574</u>	<u>-</u>	<u>3,262,574</u>	<u>13,188</u>	<u>3,275,762</u>
Total Expenses					
	<u>3,262,574</u>	<u>-</u>	<u>3,262,574</u>	<u>13,188</u>	<u>3,275,762</u>
Change in Net Assets	565,878	-	565,878	(452,502)	113,376
Transfer	207,896	-	207,896	(207,896)	-
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 2,131,309</u>	<u>\$ 143,517</u>	<u>\$ 2,274,826</u>	<u>\$ 5,793,750</u>	<u>\$ 8,068,576</u>

**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					
	<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					
	<u>2,579,653</u>	<u>-</u>	<u>2,579,653</u>	<u>5,285</u>	<u>2,584,938</u>
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 FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2022**

	PKP				PFI				
	Program			Total Program	Management and General		Subtotal	Management and General	
Fraternity Activities	Publications and Communications	Convention/ Leadership Activities	Management and General		Subtotal	Management and General		Total	
Automobile	\$ 6,409	\$ -	\$ -	\$ 6,409	\$ 712	\$ 7,121	\$ -	\$ 7,121	
Awards	3,296	-	-	3,296	366	3,662	-	3,662	
Conferences and Meetings	5,352	-	-	5,352	5,351	10,703	-	10,703	
Contributions	2,780	-	-	2,780	-	2,780	-	2,780	
Travel and Entertainment	49,066	-	-	49,066	114,486	163,552	-	163,552	
<i>The Shield</i>	-	91,276	-	91,276	-	91,276	-	91,276	
Other Program Expense	71,446	-	-	71,446	-	71,446	-	71,446	
Membership Dues	10,320	-	-	10,320	24,079	34,399	-	34,399	
Cost of Supply Sales	42,440	-	-	42,440	-	42,440	-	42,440	
Bank Service Charges	-	-	-	-	9,169	9,169	20	9,189	
Online Service and Website	37,583	5,597	6,397	49,577	30,387	79,964	-	79,964	
Miscellaneous Expense	-	-	-	-	17,218	17,218	-	17,218	
Office Staff Salaries	392,279	58,425	66,771	517,475	317,162	834,637	-	834,637	
Payroll Tax	32,867	4,895	5,594	43,356	26,573	69,929	-	69,929	
Health Insurance	69,540	10,357	11,836	91,733	56,223	147,956	-	147,956	
401(k) Contributions	16,435	2,448	2,797	21,680	13,288	34,968	-	34,968	
Interest Expense	-	-	-	-	24,651	24,651	-	24,651	
Building and Equipment	-	-	-	-	13,607	13,607	-	13,607	
Depreciation	-	-	-	-	17,237	17,237	-	17,237	
Property Taxes	-	-	-	-	320	320	-	320	
Postage, Printing, and Supplies	19,949	2,971	3,396	26,316	16,128	42,444	-	42,444	
Telephone	8,630	1,285	1,469	11,384	6,977	18,361	-	18,361	
Headquarters Rent and Utilities	50,814	7,568	8,649	67,031	41,083	108,114	-	108,114	
Insurance Expenses	1,172,768	-	-	1,172,768	15,828	1,188,596	-	1,188,596	
Professional Fees	-	-	28,943	28,943	101,506	130,449	12,788	143,237	
Bad Debt Expense	90,936	-	-	90,936	-	90,936	-	90,936	
Materials	3,120	465	531	4,116	2,523	6,639	380	7,019	
Total Expenses by Function	\$ 2,086,030	\$ 185,287	\$ 136,383	\$ 2,407,700	\$ 854,874	\$ 3,262,574	\$ 13,188	\$ 3,275,762	

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

	PKP				PFI			
	Program				Management and General	Subtotal	Management and General	Total
Fraternity Activities	Publications and Communications	Convention/ Leadership Activities	Total Program					
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
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	88,790	129,233	5,000	134,233
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