



# Phi Kappa Psi Fraternity

May 31, 2023

Consolidated Financial Statements and Independent Auditors' Report  
Including Supplementary Information

**PHI KAPPA PSI FRATERNITY  
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## 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, 2023 and 2022, 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, 2023 and 2022, and the changes in their net assets and their 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.

### Other Matter

As described in the notes to the consolidated financial statements, during 2023, Phi Kappa Psi Fraternity and The PKP Permanent, Scholastic, Educational, Charitable and Fraternal Fund, Inc. adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter.

### 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 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**

	<b>May 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash	\$ 1,676,195	\$ 1,497,492
Chapter Accounts Receivable, Net	355,689	304,522
Accounts Receivable - Related Party	11,859	10,056
Employee Retention Credit Receivable	-	243,507
Inventory	6,681	9,743
Prepaid Expenses	544,744	694,011
Investments - PKP	369,259	285,224
Property Held by PFI	5,621,771	5,720,073
Property and Equipment, Net	132,353	115,357
Right of Use Asset - Operating Lease	759,883	-
	<u>\$ 9,478,434</u>	<u>\$ 8,879,985</u>
<b>Total Assets</b>	<b>\$ 9,478,434</b>	<b>\$ 8,879,985</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 216,280	\$ 187,071
Accounts Payable - Related Party	8,654	29,222
Accrued Payroll	33,791	22,783
Accrued Interest Expense	-	7,651
Deferred Revenue	-	78,564
SBA Loan	-	150,000
Notes Payable	253,701	293,112
Deferred Rent	-	16,616
Operating Lease Liability	777,529	-
Funds Held for Closed Chapters	32,448	26,390
	<u>1,322,403</u>	<u>811,409</u>
<b>Total Liabilities</b>	<b>1,322,403</b>	<b>811,409</b>
<b>Net Assets</b>		
Without Donor Restrictions - PKP	2,390,743	2,131,309
Without Donor Restrictions - Assets Held by PFI	5,621,771	5,793,750
	<u>8,012,514</u>	<u>7,925,059</u>
<b>Total Without Donor Restrictions</b>	<b>8,012,514</b>	<b>7,925,059</b>
With Donor Restrictions	143,517	143,517
	<u>143,517</u>	<u>143,517</u>
<b>Total Net Assets</b>	<b>8,156,031</b>	<b>8,068,576</b>
	<u>\$ 9,478,434</u>	<u>\$ 8,879,985</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,478,434</b>	<b>\$ 8,879,985</b>

See accompanying notes.

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

Years Ended May 31,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	<b>Revenues, Support, and Gains</b>					
Contributions	\$ 17,439	\$ -	\$ 17,439	\$ 9,744	\$ -	\$ 9,744
Alumni Association Dues	10,000	-	10,000	9,750	-	9,750
Chapter Dues	1,674,968	-	1,674,968	1,569,383	-	1,569,383
Initiation Fees	524,250	-	524,250	629,000	-	629,000
New Member Fees	117,250	-	117,250	114,550	-	114,550
Chapter Insurance Premium Fees	1,088,624	-	1,088,624	1,066,128	-	1,066,128
Grand Arch Council Conference	166,419	-	166,419	-	-	-
Royalty Income	57,634	-	57,634	59,096	-	59,096
Merchandise Sales	8,417	-	8,417	7,976	-	7,976
Chapter Finance Charges	147,391	-	147,391	132,390	-	132,390
Net Investment Return	(118,315)	-	(118,315)	(481,051)	-	(481,051)
Employee Retention Credit	-	-	-	243,507	-	243,507
Other	9,854	-	9,854	28,665	-	28,665
<b>Total Revenues, Support, and Gains</b>	<b>3,703,931</b>	<b>-</b>	<b>3,703,931</b>	<b>3,389,138</b>	<b>-</b>	<b>3,389,138</b>
<b>Expenses</b>						
Program Expenses	2,446,619	-	2,446,619	2,407,700	-	2,407,700
Management and General Expenses	1,169,857	-	1,169,857	868,062	-	868,062
<b>Total Expenses</b>	<b>3,616,476</b>	<b>-</b>	<b>3,616,476</b>	<b>3,275,762</b>	<b>-</b>	<b>3,275,762</b>
Change in Net Assets	87,455	-	87,455	113,376	-	113,376
<b>Net Assets, Beginning of Year</b>	<b>7,925,059</b>	<b>143,517</b>	<b>8,068,576</b>	<b>7,811,683</b>	<b>143,517</b>	<b>7,955,200</b>
<b>Net Assets, End of Year</b>	<b>\$ 8,012,514</b>	<b>\$ 143,517</b>	<b>\$ 8,156,031</b>	<b>\$ 7,925,059</b>	<b>\$ 143,517</b>	<b>\$ 8,068,576</b>

See accompanying notes.

**PHI KAPPA PSI FRATERNITY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2023**

	Program			Total	Management and General	Total Expenses
	Fraternity Activities	Publications and Communications	Convention/ Leadership Activities			
Automobile	\$ 7,051	\$ -	\$ -	\$ 7,051	\$ 783	\$ 7,834
Awards	1,820	-	-	1,820	202	2,022
Conferences and Meetings	129,289	-	-	129,289	129,288	258,577
Travel and Entertainment	54,579	-	-	54,579	127,350	181,929
<i>The Shield</i>	-	126,045	-	126,045	-	126,045
Other Program Expense	17,565	-	-	17,565	-	17,565
Membership Dues	13,672	-	-	13,672	31,900	45,572
Cost of Supply Sales	51,764	-	-	51,764	-	51,764
Bank Service Charges	-	-	-	-	12,599	12,599
Online Service and Website	40,559	6,041	6,904	53,504	32,792	86,296
Miscellaneous Expense	-	-	-	-	10,804	10,804
Office Staff Salaries	430,452	64,110	73,268	567,830	348,026	915,856
Payroll Tax	36,185	5,389	6,159	47,733	29,257	76,990
Health Insurance	78,539	11,697	13,368	103,604	63,498	167,102
401(k) Contributions	15,312	2,281	2,606	20,199	12,380	32,579
Interest Expense	-	-	-	-	31,127	31,127
Building and Equipment	-	-	-	-	12,407	12,407
Depreciation	-	-	-	-	16,718	16,718
Property Taxes	-	-	-	-	474	474
Postage, Printing, and Supplies	26,173	3,898	4,455	34,526	21,162	55,688
Telephone	9,201	1,370	1,566	12,137	7,440	19,577
Headquarters Rent	52,614	7,836	8,956	69,406	42,538	111,944
Insurance Expenses	1,027,809	-	-	1,027,809	15,973	1,043,782
Professional Fees	-	-	-	-	218,182	218,182
Bad Debt Expense	100,000	-	-	100,000	-	100,000
Materials	6,130	913	1,043	8,086	4,957	13,043
<b>Total Expenses by Function</b>	<b>\$ 2,098,714</b>	<b>\$ 229,580</b>	<b>\$ 118,325</b>	<b>\$ 2,446,619</b>	<b>\$ 1,169,857</b>	<b>\$ 3,616,476</b>

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	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
<b>Total Expenses by Function</b>	<b>\$ 2,086,030</b>	<b>\$ 185,287</b>	<b>\$ 136,383</b>	<b>\$ 2,407,700</b>	<b>\$ 868,062</b>	<b>\$ 3,275,762</b>

See accompanying notes.



**PHI KAPPA PSI FRATERNITY  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended May 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 87,455	\$ 113,376
Adjustments to Reconcile Change in Net Assets with Cash Flows From Operations		
Depreciation	16,718	17,237
Net Investment Return	118,315	481,051
(Gain) Loss on Disposal of Property and Equipment	-	(1,965)
Changes in		
Accounts Receivable	(52,970)	(27,171)
Employee Retention Credit Receivable	243,507	(243,507)
Inventory	3,062	3,559
Prepaid Expenses	149,267	(344,385)
Right of Use Asset - Operating Lease	87,960	-
Accounts Payable and Accrued Expenses	8,641	29,013
Accrued Payroll	11,008	7,647
Accrued Interest	(7,651)	7,651
Deferred Revenue	(78,564)	78,564
Deferred Rent	-	(1,339)
Operating Lease Liabilities	(86,930)	-
Funds Held for Closed Chapters	6,058	-
	<u>505,876</u>	<u>119,731</u>
Net Cash Provided by Operating Activities		
	<u>505,876</u>	<u>119,731</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of Investments - PKP	(104,261)	(71,634)
Purchases of Property Held by PFI	(1,811,557)	(42,388)
Proceeds From Sales and Maturities of Investments - PKP	24,636	19,482
Proceeds From Sales of Property Held by PFI	1,787,134	225,676
Purchases of Property and Equipment	(33,714)	(56,949)
Proceeds From Sales of Property and Equipment	-	30,500
	<u>-</u>	<u>30,500</u>
Net Cash (Used) Provided by Investing Activities		
	<u>(137,762)</u>	<u>104,687</u>
<b>Cash Flows From Financing Activities</b>		
Payments on SBA Loan	(150,000)	-
Payments on Notes Payable	(949,887)	(736,599)
Proceeds From Notes Payable	910,476	949,931
	<u>910,476</u>	<u>949,931</u>
Net Cash (Used) Provided by Financing Activities		
	<u>(189,411)</u>	<u>213,332</u>
Net Change in Cash	178,703	437,750
<b>Cash, Beginning of Year</b>	<u>1,497,492</u>	<u>1,059,742</u>
<b>Cash, End of Year</b>	<u>\$ 1,676,195</u>	<u>\$ 1,497,492</u>

See accompanying notes.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations and Principles of Consolidation**

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, 2023, 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 \$116,302 and \$200,000 at May 31, 2023 and 2022, 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, 2023 and 2022.

**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.

Alumni association dues, chapter dues, chapter insurance premium fees, and new member fees are received in exchange for services provided to alumni associations and collegiate members during the fall and spring semesters spanning from June 1 through May 31<sup>st</sup>. 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, 2023 and 2022, the Fraternity recorded revenue of \$-0- and \$243,507, respectively, related to the CARES Employee Retention Credit on the Fraternity's consolidated statements of activities. As of May 31, 2023 and 2022, the Fraternity has an employee retention credit receivable of \$-0- and \$243,507, respectively, due from the United States government related to the CARES Act, which is recorded 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.

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

**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, 2023 and 2022. 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, 2023 and 2022.

**Adoption of New Accounting Standards***Lease Accounting Standard*

Effective June 1, 2022, the Fraternity adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized in the changes in net assets on a straight-line basis over the lease term.

The Fraternity elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Fraternity to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the financial reporting for the comparative period presented in the consolidated financial statements is in accordance with FASB ASC 840.

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

The Fraternity elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Fraternity also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The adoption of FASB ASC 842, *Leases*, resulted in a right of use asset of \$847,843 and lease liability of \$864,459 at June 1, 2022.

**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,	
	2023	2022
Financial Assets, End of Year		
Cash	\$ 1,695,605	\$ 1,497,492
Chapter Accounts Receivable, Net	355,689	304,522
Accounts Receivable - Related Party	11,859	10,056
Employee Retention Receivable	-	243,507
Investments - PKP	369,259	285,224
Property Held by PFI	<u>5,621,771</u>	<u>5,720,073</u>
 Total Financial Assets	 8,054,183	 8,060,874
 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	436,608	429,970
Investments Restricted for Self Insured Retention	214,411	215,423
Net Assets Held by PFI	<u>5,621,771</u>	<u>5,793,750</u>
 Total Financial Assets Available	 <u>\$ 1,637,876</u>	 <u>\$ 1,478,214</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. 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, 2023 and 2022 was \$38,778 and \$17,000, respectively.

The Fraternity had noncash operating activities related to right of use assets obtained through operating lease liabilities of \$864,459 for the year ended May 31, 2023.

**NOTE 4 - INVESTMENTS AND PROPERTY HELD**

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

	May 31,			
	2023		2022	
	PKP	PFI	PKP	PFI
Money Market	\$ 79,668	\$ 339,974	\$ 75,640	\$ 46,084
Mutual Funds	289,591	5,262,387	209,584	5,673,989
Total Investments	<u>\$ 369,259</u>	<u>\$ 5,602,361</u>	<u>\$ 285,224</u>	<u>\$ 5,720,073</u>

**NOTE 5 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**LEVEL 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fraternity has the ability to access.

**LEVEL 2** - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**LEVEL 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



**NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)**

Following is a description of the valuation methodology used for marketable securities measured at fair value. There have been no changes in the methodology used at May 31, 2023 and 2022.

*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, 2023 and 2022 were measured using Level 1 inputs.

**Risks and Uncertainties**

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

**NOTE 6 - PROPERTY AND EQUIPMENT**

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

	May 31,	
	2023	2022
Furniture	\$ 185,006	\$ 184,425
Equipment	43,690	42,380
Computer Software	202,988	203,388
Computer Equipment	52,343	56,243
Vehicles	69,745	42,870
	<u>553,772</u>	<u>529,306</u>
Less Accumulated Depreciation	487,392	479,922
	66,380	49,384
Non-Depreciable Historical Treasures	<u>65,973</u>	<u>65,973</u>
Property and Equipment, Net	<u>\$ 132,353</u>	<u>\$ 115,357</u>

**NOTE 7 - CONTRACT BALANCES**

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

	May 31,	
	2023	2022
Accounts Receivable, Net		
Beginning of Year	\$ 304,522	\$ 280,106
End of Year	\$ 355,689	\$ 304,522
Deferred Revenue		
Beginning of Year	\$ 78,564	\$ -
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. At both May 31, 2023 and 2022, 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, 2023 and 2022 totaled \$253,701 and \$293,112, 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, 2023 and 2022 was \$29,703 and \$17,000, respectively.

PKP obtained an Economic Injury Disaster Loan (EIDL) with the Small Business Administration for \$150,000 in July 2020. The loan charged interest at a rate of 2.75% per annum. Monthly principal and interest payments of \$641 were deferred until January 2023 and the loan was due in full in July 2051. The loan was collateralized by the business assets of PKP. In September 2022, the EIDL was paid in full. At May 31, 2023 and 2022 the outstanding liability on the note payable was \$-0- and \$150,000, respectively. Interest charged on this note during the years ended May 31, 2023 and 2022 totaled \$1,424 and \$7,651, respectively.

**NOTE 10 - FUNDS HELD FOR CLOSED CHAPTERS**

PKP holds certain funds in a trust for chapters that are dissolved or closed. If the chapter reopens within 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
	2023	2022	
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
Virginia Eta	6,058	-	2043
	<b>\$ 32,448</b>	<b>\$ 26,390</b>	

**NOTE 11 - NET ASSETS**

The Board designated net assets for the following purposes:

Insurance Fund	<b>\$ 436,608</b>	<b>\$ 429,970</b>
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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
	<b>\$ 143,517</b>	<b>\$ 143,517</b>

The Chapter Financial Assistance fund is to be used to support the development of new chapters and to support house corporations.

The AA Post Card Fund is to be used to assist Alumni Associations in printing and mailing communications to members and prospective members.

The Mississippi Alpha Extension – Scholarships fund is to support the Mississippi Alpha chapter’s extension efforts.

The Archive fund is to support and enhance the Fraternity’s collection of historical items.

**NOTE 12 - LEASES**

PKP has one operating lease for a substantial portion of the headquarters building from the Endowment Fund of the Phi Kappa Psi Fraternity, an affiliated organization. A right of use asset was recorded on the consolidated statements of financial position for this lease. The lease expires on December 31, 2025 and automatically renews for a period of 5 years extending the expiration to December 31, 2030. Operating lease expense included in the consolidated statements of activities for the year ended May 31, 2023 totaled \$111,944.

The following summarizes the cash flow information, weighted average lease term, and discount rate related to operating leases as of and for the year ended May 31, 2023:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows from Operating Lease	\$ 110,914
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 864,459
Weighted-Average Remaining Lease Term in Years for Operating Lease	7.58
Weighted-Average Discount Rate for Operating Lease	2.94%

The maturities of the operating lease liability are as follows:

Years Ending May 31,	
2024	\$ 112,375
2025	113,835
2026	114,687
2027	114,687
2028	114,687
Thereafter	<u>296,275</u>
Total Undiscounted Cash Flows	866,546
Less Present Value Discount	<u>89,017</u>
Total Operating Lease Liability	<u>\$ 777,529</u>

**Lease Under ASC 840, Leases**

PKP leased a substantial portion of the headquarters building from the Endowment Fund of the Phi Kappa Psi Fraternity, an affiliated organization. Total lease expense incurred for the year ended May 31, 2022 was \$108,114. Deferred rent liability under this lease was \$16,616 at May 31, 2022.

**NOTE 13 - 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 13 - TRANSACTIONS WITH AFFILIATED ORGANIZATIONS (Continued)**

The Fraternity had the following transactions with the Endowment Fund:

- PKP leases a substantial portion of the headquarters building from the Endowment Fund. See the Leases note for additional information.
- PKP reimburses the Endowment Fund for certain costs associated with 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:

Activity During the Year	Years Ended May 31,	
	2023	2022
Rent Paid to Endowment Fund	\$ 111,944	\$ 108,114
Administrative Costs Reimbursed to Endowment Fund	56,260	56,260
Employee Costs Reimbursed to Endowment Fund	85,113	109,919
Employee Costs Reimbursed by Endowment Fund	39,570	31,273
Balances at May 31,		
Due from the Endowment Fund	\$ 5,614	\$ 1,860
Due to the Endowment Fund	8,654	29,222
Deferred Rent	-	16,616

**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 \$90,640 and \$85,080 in assessed Canonsburg fees from its members and remitted \$90,640 and \$85,080 during the years ended May 31, 2023 and 2022, respectively. At both May 31, 2023 and 2022, \$-0- was due to Canonsburg.

PKP leases staff to Canonsburg. For the years ended May 31, 2023 and 2022, Canonsburg reimbursed PKP \$6,075 and \$3,242 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. For the years ended May 31, 2023 and 2022, PKP invoiced Oregon Alpha \$42,388 and \$8,196 for shared employee related expenses, respectively. At May 31, 2023 and 2022, \$6,245 and \$8,196 was due from Oregon Alpha, respectively.

**NOTE 14 - 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, 2023 and 2022 was \$214,411 and \$215,423, respectively.

**NOTE 15 - 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 16 - SUBSEQUENT EVENTS**

In October 2023, the Fraternity entered into a financing agreement for the annual insurance premiums for the 2023-2024 policy period which total \$382,245. The note charges interest at 9.5% and is payable over 11 months beginning in November 2023.

The Fraternity has evaluated subsequent events through December 19, 2023, 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,					
	2023			2022		
	PKP	PFI	Total	PKP	PFI	Total
<b>Assets</b>						
Cash	\$ 1,676,195	\$ -	\$ 1,676,195	\$ 1,423,815	\$ 73,677	\$ 1,497,492
Chapter Accounts Receivable, Net	355,689	-	355,689	304,522	-	304,522
Accounts Receivable - Related Party	11,859	-	11,859	10,056	-	10,056
Employee Retention Credit Receivable	-	-	-	243,507	-	243,507
Inventory	6,681	-	6,681	9,743	-	9,743
Prepaid Expenses	544,744	-	544,744	694,011	-	694,011
Investments - PKP	369,259	-	369,259	285,224	-	285,224
Property Held by PFI	-	5,621,771	5,621,771	-	5,720,073	5,720,073
Property and Equipment, Net	132,353	-	132,353	115,357	-	115,357
Right of Use Asset - Operating Lease	759,883	-	759,883	-	-	-
<b>Total Assets</b>	<b>\$ 3,856,663</b>	<b>\$ 5,621,771</b>	<b>\$ 9,478,434</b>	<b>\$ 3,086,235</b>	<b>\$ 5,793,750</b>	<b>\$ 8,879,985</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>						
Accounts Payable and Accrued Expenses	\$ 216,280	\$ -	\$ 216,280	\$ 187,071	\$ -	\$ 187,071
Accounts Payable - Related Party	8,654	-	8,654	29,222	-	29,222
Accrued Payroll	33,791	-	33,791	22,783	-	22,783
Accrued Interest Expense	-	-	-	7,651	-	7,651
Deferred Revenue	-	-	-	78,564	-	78,564
SBA Loan	-	-	-	150,000	-	150,000
Notes Payable	253,701	-	253,701	293,112	-	293,112
Deferred Rent	-	-	-	16,616	-	16,616
Operating Lease Liability	777,529	-	777,529	-	-	-
Funds Held for Closed Chapters	32,448	-	32,448	26,390	-	26,390
<b>Total Liabilities</b>	<b>1,322,403</b>	<b>-</b>	<b>1,322,403</b>	<b>811,409</b>	<b>-</b>	<b>811,409</b>
<b>Net Assets</b>						
Without Donor Restrictions	2,390,743	5,621,771	8,012,514	2,131,309	5,793,750	7,925,059
With Donor Restrictions	143,517	-	143,517	143,517	-	143,517
<b>Total Net Assets</b>	<b>2,534,260</b>	<b>5,621,771</b>	<b>8,156,031</b>	<b>2,274,826</b>	<b>5,793,750</b>	<b>8,068,576</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,856,663</b>	<b>\$ 5,621,771</b>	<b>\$ 9,478,434</b>	<b>\$ 3,086,235</b>	<b>\$ 5,793,750</b>	<b>\$ 8,879,985</b>



**PHI KAPPA PSI FRATERNITY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED MAY 31, 2023**

	<b>PKP</b>			<b>PFI</b>	
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Subtotal</b>	<b>Without Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Support, and Gains</b>					
Contributions	\$ 17,439	\$ -	\$ 17,439	\$ -	\$ 17,439
Alumni Association Dues	10,000	-	10,000	-	10,000
Chapter Dues	1,674,968	-	1,674,968	-	1,674,968
Initiation Fees	524,250	-	524,250	-	524,250
New Member Fees	117,250	-	117,250	-	117,250
Chapter Insurance Premium Fees	1,088,624	-	1,088,624	-	1,088,624
Grand Arch Council Conference	166,419	-	166,419	-	166,419
Royalty Income	57,634	-	57,634	-	57,634
Merchandise Sales	8,417	-	8,417	-	8,417
Chapter Finance Charges	147,391	-	147,391	-	147,391
Net Investment Return	4,410	-	4,410	(122,725)	(118,315)
Other	9,854	-	9,854	-	9,854
	<u>3,826,656</u>	<u>-</u>	<u>3,826,656</u>	<u>(122,725)</u>	<u>3,703,931</u>
Total Revenues, Support, and Gains					
	<u>3,826,656</u>	<u>-</u>	<u>3,826,656</u>	<u>(122,725)</u>	<u>3,703,931</u>
<b>Expenses</b>					
Program Expenses	2,446,619	-	2,446,619	-	2,446,619
Management and General Expenses	1,163,257	-	1,163,257	6,600	1,169,857
	<u>3,609,876</u>	<u>-</u>	<u>3,609,876</u>	<u>6,600</u>	<u>3,616,476</u>
Total Expenses					
	<u>3,609,876</u>	<u>-</u>	<u>3,609,876</u>	<u>6,600</u>	<u>3,616,476</u>
Change in Net Assets	216,780	-	216,780	(129,325)	87,455
<b>Transfer</b>	42,654	-	42,654	(42,654)	-
<b>Net Assets, Beginning of Year</b>	<u>2,131,309</u>	<u>143,517</u>	<u>2,274,826</u>	<u>5,793,750</u>	<u>8,068,576</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,390,743</u>	<u>\$ 143,517</u>	<u>\$ 2,534,260</u>	<u>\$ 5,621,771</u>	<u>\$ 8,156,031</u>

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

	<b>PKP</b>			<b>PFI</b>	
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Subtotal</b>	<b>Without Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Support, and Gains</b>					
Contributions	\$ 9,744	\$ -	\$ 9,744	\$ -	\$ 9,744
Alumni Association 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>
<b>Expenses</b>					
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
<b>Transfer</b>	207,896	-	207,896	(207,896)	-
<b>Net Assets, Beginning of Year</b>	<u>1,357,535</u>	<u>143,517</u>	<u>1,501,052</u>	<u>6,454,148</u>	<u>7,955,200</u>
<b>Net Assets, End of Year</b>	<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 FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2023**

	PKP				PFI				
	Program			Total Program	Management and General		Subtotal	Management and General	
Fraternity Activities	Publications and Communications	Convention/ Leadership Activities	Management and General		Management and General	Total		Management and General	Total
Automobile	\$ 7,051	\$ -	\$ -	\$ 7,051	\$ 783	\$ 7,834	\$ -	\$ 7,834	
Awards	1,820	-	-	1,820	202	2,022	-	2,022	
Conferences and Meetings	129,289	-	-	129,289	129,288	258,577	-	258,577	
Travel and Entertainment	54,579	-	-	54,579	127,350	181,929	-	181,929	
<i>The Shield</i>	-	126,045	-	126,045	-	126,045	-	126,045	
Other Program Expense	17,565	-	-	17,565	-	17,565	-	17,565	
Membership Dues	13,672	-	-	13,672	31,900	45,572	-	45,572	
Cost of Supply Sales	51,764	-	-	51,764	-	51,764	-	51,764	
Bank Service Charges	-	-	-	-	12,249	12,249	350	12,599	
Online Service and Website	40,559	6,041	6,904	53,504	32,792	86,296	-	86,296	
Miscellaneous Expense	-	-	-	-	10,804	10,804	-	10,804	
Office Staff Salaries	430,452	64,110	73,268	567,830	348,026	915,856	-	915,856	
Payroll Tax	36,185	5,389	6,159	47,733	29,257	76,990	-	76,990	
Health Insurance	78,539	11,697	13,368	103,604	63,498	167,102	-	167,102	
401(k) Contributions	15,312	2,281	2,606	20,199	12,380	32,579	-	32,579	
Interest Expense	-	-	-	-	31,127	31,127	-	31,127	
Building and Equipment	-	-	-	-	12,407	12,407	-	12,407	
Depreciation	-	-	-	-	16,718	16,718	-	16,718	
Property Taxes	-	-	-	-	474	474	-	474	
Postage, Printing, and Supplies	26,173	3,898	4,455	34,526	21,162	55,688	-	55,688	
Telephone	9,201	1,370	1,566	12,137	7,440	19,577	-	19,577	
Headquarters Rent and Utilities	52,614	7,836	8,956	69,406	42,538	111,944	-	111,944	
Insurance Expenses	1,027,809	-	-	1,027,809	15,973	1,043,782	-	1,043,782	
Professional Fees	-	-	-	-	211,932	211,932	6,250	218,182	
Bad Debt Expense	100,000	-	-	100,000	-	100,000	-	100,000	
Materials	6,130	913	1,043	8,086	4,957	13,043	-	13,043	
<b>Total Expenses by Function</b>	<b>\$ 2,098,714</b>	<b>\$ 229,580</b>	<b>\$ 118,325</b>	<b>\$ 2,446,619</b>	<b>\$ 1,163,257</b>	<b>\$ 3,609,876</b>	<b>\$ 6,600</b>	<b>\$ 3,616,476</b>	

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

	PKP				PFI			
	Program			Management and General	Subtotal	Management and General		Total
Fraternity Activities	Publications and Communications	Convention/ Leadership Activities	Total Program			Total	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
<b>Total Expenses by Function</b>	<b>\$ 2,086,030</b>	<b>\$ 185,287</b>	<b>\$ 136,383</b>	<b>\$ 2,407,700</b>	<b>\$ 854,874</b>	<b>\$ 3,262,574</b>	<b>\$ 13,188</b>	<b>\$ 3,275,762</b>