

Financial Statements for
THE CANONSBURG CORPORATION
Years Ended May 31, 2025 and 2024
With Independent Auditor's Report

**THE CANONSBURG CORPORATION
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Canonsburg Corporation
Indianapolis, Indiana

We have audited the accompanying financial statements of The Canonsburg Corporation (a nonprofit organization), which comprise the statements of financial position as of May 31, 2025 and 2024, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Canonsburg Corporation as of May 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Canonsburg Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Canonsburg Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 The Canonsburg Corporation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Canonsburg Corporation'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.

Dean Dotson Allen Ford, PLLC

Indianapolis, Indiana
August 11, 2025

THE CANONSBURG CORPORATION
STATEMENTS OF FINANCIAL POSITION

ASSETS

	May 31,	
	2025	2024
Cash and Cash Equivalents	\$ 781,128	\$ 978,083
Prepaid Income Taxes	5,223	-
Loans Receivable	1,914,946	1,582,209
Investments	<u>191,022</u>	<u>181,715</u>
Total Assets	\$ <u>2,892,319</u>	\$ <u>2,742,007</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable - Related Party	\$ 13,724	\$ -
Guarantee Liability	16,291	19,911
Income Taxes Payable	-	2,121
Funds Held for Closed Chapters	<u>35,000</u>	<u>-</u>
Total Liabilities	65,015	22,032

Net Assets

Without Donor Restrictions	<u>2,827,304</u>	<u>2,719,975</u>
Total Liabilities and Net Assets	\$ <u>2,892,319</u>	\$ <u>2,742,007</u>

See accompanying notes.

THE CANONSBURG CORPORATION
STATEMENTS OF ACTIVITIES

	Years Ended May 31,	
	2025	2024
Revenues and Gains		
Member Assessments	\$ 97,730	\$ 92,570
Interest Income - Loans	97,806	73,436
Interest Income - Bank Accounts	28,755	49,386
Net Investment Return	<u>9,307</u>	<u>4,177</u>
Total Revenues and Gains	<u>233,598</u>	<u>219,569</u>
Expenses		
Program Services	62,950	5,706
Management and General	<u>61,067</u>	<u>29,683</u>
Total Expenses	<u>124,017</u>	<u>35,389</u>
Excess of Revenues and Gains Over Expenses	<u>109,581</u>	<u>184,180</u>
Other Income (Expense)		
Changes in Guarantee Risk	3,620	3,620
Provision for Income Taxes	<u>(5,872)</u>	<u>(10,440)</u>
Total Other Income (Expense)	<u>(2,252)</u>	<u>(6,820)</u>
Change in Net Assets	107,329	177,360
Net Assets, Beginning of Year	<u>2,719,975</u>	<u>2,542,615</u>
Net Assets, End of Year	<u><u>\$ 2,827,304</u></u>	<u><u>\$ 2,719,975</u></u>

See accompanying notes.

THE CANONSBURG CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended May 31,						
2025			2024			
Program Services	Management and General	Total	Program Services	Management and General	Total	
Professional Fees	\$ -	\$ 41,092	\$ -	\$ 27,722	\$ 27,722	
Personnel	56,544	18,848	5,706	1,902	7,608	
Conference and Travel	6,406	-	-	-	-	
Administrative Expenses	-	1,127	-	59	59	
Total Expenses by Function	\$ 62,950	\$ 61,067	\$ 5,706	\$ 29,683	\$ 35,389	

See accompanying notes.

THE CANONSBURG CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended May 31,	
	2025	2024
Cash Flows From Operating Activities		
Change in Net Assets	\$ 107,329	\$ 177,360
Reconciliation of Change in Net Assets with Cash Flows from Operations		
Net Investment Return	(9,307)	(4,177)
Change in Guarantee Risk	(3,620)	(3,620)
Changes in Operating Assets and Liabilities		
Accounts Receivable - Related Party	-	90,640
Prepaid Income Taxes	(5,223)	-
Loans and Interest Receivable	(332,737)	(528,041)
Accounts Payable - Related Party	13,724	-
Income Taxes Payable	(2,121)	(8,038)
Funds Held for Closed Chapters	35,000	-
Net Cash Used by Operating Activities	(196,955)	(275,876)
Cash and Cash Equivalents, Beginning of Year	<u>978,083</u>	<u>1,253,959</u>
Cash and Cash Equivalents, End of Year	<u>\$ 781,128</u>	<u>\$ 978,083</u>

See accompanying notes.

THE CANONSBURG CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Canonsburg Corporation (the Organization) provides housing, financing, and related services to local chapters and housing corporations affiliated with Phi Kappa Psi Fraternity.

Phi Kappa Psi Fraternity (the Fraternity), an affiliated organization, is a legally separate entity organized to provide administrative support and educational services for chapters and colonies located throughout the United States. Accordingly, the accounts of the Fraternity have not been consolidated with the Organization in the accompanying financial statements.

The Organization's viability is dependent on the success of the Fraternity's ability to maintain a collegiate membership base and the Organization's ability to collect outstanding notes receivables from local chapters and housing corporations of the Fraternity.

Use of Estimates

The process of preparing 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 financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Loans and Interest Receivable and Allowance for Credit Losses

Loans and interest receivable are stated at contractual outstanding principal and interest balances, net of any allowance for credit losses. Interest on loans is recognized monthly over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

An allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to credit loss expense. The expected credit loss model is based on management's best estimate of lifetime expected credit losses inherent in the Organization's relevant financial assets. For loans, expected credit losses are typically estimated using quantitative methods that consider a variety of factors such as payment status, historical loss experience, collateral value, and the current credit quality of the portfolio as well as supportable forecasts of the economic outlook over the life of the loan. In connection with the determination of the allowances for losses on loans, management obtains appraisals for significant properties.

When management determines that foreclosure is probable, any additional expected credit losses are accrued based on the differences between the loan value and 1) the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, 2) the present value of future cash flows, or 3) the loan's value as observable in the secondary market. Adjustments are made for selling costs, as appropriate. When management believes the loan is not collectible, the loan is charged off against the allowance. Subsequent recoveries, if any, are credited to the allowance.

Allowance factors and overall size of the allowance may change from period to period based on management's assessment and the relative weights given to each factor. The ultimate outcome of this estimate is not known. Due to this uncertainty, it is at least reasonably possible that actual losses may be significantly different.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization includes accrued interest when estimating credit losses. Accrual of interest on a loan is discontinued when management believes, after considering economics, business conditions, and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. Uncollectible interest previously accrued is charged off to the allowance. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments are back to normal, in which case the loan is returned to accrual status.

The loans are secured by some form of collateral, usually a real estate mortgage or assignment of rental income. The risk of loss on the loans is the difference between the outstanding balance of the loan and the market value of the collateral at time of default. Such collateral is usually accessible only through foreclosure or other legal proceedings. The Organization monitors its collateral, and the collateral value related to the loan balance on an ongoing basis. At May 31, 2025 and 2024, management is not aware of impaired collateral on outstanding loans receivable. Management has not recorded an allowance for credit losses at May 31, 2025 and 2024 as they expect no material losses on the loans receivable.

Investments

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the 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.

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 restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other 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 statements of activities as net assets released from restrictions.

The Organization does not have any Net Assets With Donor Restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue and Revenue Recognition***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 Organization recognizes contract revenue for financial reporting purposes over time. Contracts with customers may include multiple performance obligations for which consideration is allocated between performance obligations. Depending on the terms of the contract, the Organization may defer the recognition of revenue and record a contract liability when a future performance obligation has not yet occurred.

Member assessments are received in exchange for services provided to the Fraternity's local chapters and housing corporations during the fall and spring semesters spanning from June 1 through May 31st. The Organization's performance obligations under these contracts include housing, financing, and related services to the local chapter and housing corporations. The Organization recognizes revenue from these contracts over time using an output method based on the time that has passed from the start of the contract.

Functional Allocation of Expenses

The costs of program activities and supporting services activities have been summarized on a functional basis in the statements of activities. The 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 personnel, which are allocated on the basis of estimates of time and effort.

Income Tax Status

The Organization is an Indiana 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. However, the Organization is subject to income taxes on amounts generated from certain investment income, net of allocable expenses.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for either of the years ended May 31, 2025 or 2024. If the situation arose in which the Organization 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 Organization is not currently under audit, nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization'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, 2025 or 2024.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current year. The reclassifications had no impact on previously reported net assets.

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 statements of financial position are comprised of the following:

	May 31,	
	2025	2024
Financial Assets, End of Year		
Cash and Cash Equivalents	\$ 781,128	\$ 978,083
Loan Payments Expected within One Year	551,445	161,023
Investments	191,022	181,715
Total Financial Assets	1,523,595	1,320,821
Less Amounts Not Available to be Used for		
General Expenditures within One Year		
Funds Held for Closed Chapters	35,000	-
Total Financial Assets Available	\$ 1,488,595	\$ 1,320,821

The Organization's cash flow is dependent on repayment of loans and collection of member assessments from affiliated Phi Kappa Psi chapters and colonies. As part of the Organization's liquidity management, the Organization invests excess cash in short-term investments and utilizes budgeting techniques to help forecast cash disbursements and collections to assess cash needs and the availability of funds for potential lending activities.

NOTE 3 - CASH AND CASH FLOWS

For purposes of the statements of cash flows, cash and cash equivalents include cash held in checking, sweep, and money market accounts.

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

Cash paid for income taxes during the years ended May 31, 2025 and 2024 was \$13,216 and \$18,478, respectively.

NOTE 4 - LOANS AND INTEREST RECEIVABLE

The Organization lends funds to local chapters and colonies for chapter housing. Loan balances range depending on the needs of the borrower and are generally less than \$450,000. Interest rates charged on the loans range from 4.5% to 6%.

Loans and interest receivable consisted of:

First Mortgage Loans	\$ 380,177	\$ 416,780
Lines of Credit	250,667	186,682
Promissory Notes	1,284,102	978,747
	<u>\$ 1,914,946</u>	<u>\$ 1,582,209</u>

The credit risk associated with the loans receivable may be affected by the membership levels at each chapter as well as university policies and procedures relating to social organizations.

As of both May 31, 2025 and 2024, the Organization had no loans nor interest receivable that were past due.

NOTE 5 - INVESTMENTS

Investments consisted of the following:

	May 31,	
	2025	2024
Cash and Cash Equivalents	\$ 69,730	\$ 56,279
Corporate Bonds	59,733	58,885
Municipal Bonds	61,559	66,551
Total Investments	\$ 191,022	\$ 181,715

NOTE 6 - 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 Organization 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. The following are descriptions of the valuation methodologies used for marketable securities measured at fair value. There have been no changes in the methodologies used at May 31, 2025 and 2024.

Cash and Cash Equivalents – Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Corporate and Municipal Bonds – Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At May 31, 2025 and 2024, all corporate and municipal bonds held by the Organization were valued using inputs from Level 2 within the fair value hierarchy, and all cash and cash equivalents were valued using inputs from Level 1.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit 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 statements of financial position.

The Organization has evaluated events and conditions related to the valuation of the investment portfolio to determine if an impairment exists. To determine if an impairment is other-than-temporary, the Organization considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts. Evidence considered in this assessment includes the reason for decline in the value, severity of the impairment, changes in value subsequent to year end, forecasted performance of the investee, and the general market condition in the geographic area or industry in which the investee operates. Based on the above criteria and the Organization's intent and ability to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value, management has determined that an other-than-temporary impairment does not exist as of either May 31, 2025 or 2024.

NOTE 7 - TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

The Phi Kappa Psi Fraternity collects the member assessments charged by the Organization from the affiliated chapters and colonies and remits them to the Organization annually. During the years ended May 31, 2025 and 2024, the Organization recognized income of \$97,730 and \$92,570, respectively, for fees assessed on the chapters and colonies and remitted by the Fraternity. At both May 31, 2025 and 2024, no amount was due from the Fraternity.

The Organization utilizes staff from the Fraternity. For the years ended May 31, 2025 and 2024, the Organization incurred \$75,392 and \$7,608, respectively, in expenses. At both May 31, 2025 and 2024, \$13,724 and \$-0-, respectively, was due to the Fraternity.

NOTE 8 - GUARANTEE LIABILITY

On December 19, 2019, the Organization guaranteed a \$300,000 promissory note of Phi Kappa Psi Alumni Corporation of the California Eta Chapter (California Eta). This guarantee would require payment of unpaid principal and interest by the Organization in the event of default by California Eta. The promissory note requires monthly payments that include interest at 4.62% through December 20, 2024 at which point the interest rate charged changes to the 5-year Treasury rate plus 3.2%. The final payment is due December 20, 2029. California Eta is current on payments of the promissory note as of May 31, 2025. The fair value of the interest and principal payments due to the bank as of May 31, 2025 is approximately \$183,000.

NOTE 8 - GUARANTEE LIABILITY (Continued)

On this same date, the Organization recorded a guarantee liability of \$36,201. This liability represents the difference in the interest rate charged on the guaranteed indebtedness and the interest rate California Eta would have otherwise been charged without the Organization's guarantee. The Organization has elected to amortize the liability over 10 years, the course of the loan. For both the years ended May 31, 2025 and 2024, the Organization recognized \$3,620 of amortization on the statements of activities for changes in guarantee risks. Future amortization is as follows:

Years Ending May 31,	
2026	\$ 3,620
2027	3,620
2028	3,620
2029	3,620
2030	1,811
	<u>\$ 16,291</u>

NOTE 9 - FUNDS HELD FOR CLOSED CHAPTERS

The Organization received funds from a closed chapter's house corporation. In accordance with their policy, the Organization deposited the funds in a named account with a financial institution for the benefit of the house corporation. The Organization assesses a 1% maintenance fee based on the value of the account at May 31st of each year. The funds will be held for a period of up to 21 years from the date of the chapter closure, subject to the By-Laws of the Phi Kappa Psi Fraternity. If the chapter is re-established within this period, the corpus, plus accrued interest, shall be returned to the house corporation. If the chapter does not return to campus within the period of 21 years from the date of chapter closure, all monies will be transferred into the Organization's operating account to be used to assist other house corporations as deemed fit. At May 31, 2025 and 2024, \$35,000 and \$-0-, respectively, were held in trust.

NOTE 10 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 11, 2025, which is the date the financial statements were available to be issued.

Subsequent to year end, the Organization issued an amended and restated a promissory note to extend the maturity date of an existing note by five years. The balance of the receivable at May 31, 2025 was approximately \$380,000. In June 2025, the Organization issued a promissory note for \$185,000 with terms similar to those of the other issued and outstanding promissory notes.

