

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

The Psi Upsilon Foundation, Inc.

*Years ended June 30, 2018 and 2017  
with Independent Auditors' Report*

The Psi Upsilon Foundation, Inc.  
Audited Financial Statements  
Years ended June 30, 2018 and 2017

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## Independent Auditors' Report

Board of Directors  
The Psi Upsilon Foundation, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of The Psi Upsilon Foundation, Inc., (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Psi Upsilon Foundation, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of changes in restricted funds for the year ending June 30, 2018 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Petrow Kane Leenhuis*

May 10, 2019

The Psi Upsilon Foundation, Inc.

Statements of Financial Position

	June 30, 2018				June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Assets</b>								
Cash and cash equivalents	\$ 16,935	\$ -	\$ -	\$ 16,935	\$ 15,779	\$ -	\$ -	\$ 15,779
Investments	32,519	116,681	1,289,226	1,438,426	96,774	98,217	1,199,949	1,394,940
Promises to give	-	-	115,481	115,481	35,244	-	138,248	173,492
Property and equipment, net	162,777	-	-	162,777	170,582	-	-	170,582
Accounts receivable	35,179	-	-	35,179	77	-	-	77
Accounts receivable - related parties	-	-	-	-	3,008	-	-	3,008
Prepaid expenses and other assets	2,661	-	-	2,661	2,661	-	-	2,661
<b>Total assets</b>	<b>\$ 250,071</b>	<b>\$ 116,681</b>	<b>\$ 1,404,707</b>	<b>\$ 1,771,459</b>	<b>\$ 324,125</b>	<b>\$ 98,217</b>	<b>\$ 1,338,197</b>	<b>\$ 1,760,539</b>
<b>Liabilities</b>								
Accounts payable	\$ 16,879	\$ -	\$ -	\$ 16,879	\$ 4,510	\$ -	\$ -	\$ 4,510
Accounts payable - related parties	51,887	-	-	51,887	30,325	-	-	30,325
Scholarships payable	36,500	-	-	36,500	27,500	-	-	27,500
<b>Total liabilities</b>	<b>105,266</b>	<b>-</b>	<b>-</b>	<b>105,266</b>	<b>62,335</b>	<b>-</b>	<b>-</b>	<b>62,335</b>
<b>Net assets</b>								
Unrestricted	144,805	-	-	144,805	261,790	-	-	261,790
Temporarily restricted	-	116,681	-	116,681	-	98,217	-	98,217
Permanently restricted	-	-	1,404,707	1,404,707	-	-	1,338,197	1,338,197
<b>Total net assets</b>	<b>144,805</b>	<b>116,681</b>	<b>1,404,707</b>	<b>1,666,193</b>	<b>261,790</b>	<b>98,217</b>	<b>1,338,197</b>	<b>1,698,204</b>
<b>Total liabilities and net assets</b>	<b>\$ 250,071</b>	<b>\$ 116,681</b>	<b>\$ 1,404,707</b>	<b>\$ 1,771,459</b>	<b>\$ 324,125</b>	<b>\$ 98,217</b>	<b>\$ 1,338,197</b>	<b>\$ 1,760,539</b>

See accompanying notes and independent auditors' report.

The Psi Upsilon Foundation, Inc.  
Statements of Activities and Net Assets

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:								
Contributions	\$ 207,751	\$ 10,950	\$ 2,075	\$ 220,776	\$ 214,243	\$ 16,703	\$ 10,886	\$ 241,832
Realized gains on investments, dividends and interest	9,042	3,350	39,672	52,064	11,385	1,974	29,562	42,921
Unrealized gain (losses)	40,608	4,164	68,380	113,152	(45,805)	6,959	103,744	64,898
Rental income	25,000	-	-	25,000	25,000	-	-	25,000
Forfeited scholarships	-	-	-	-	1,500	-	-	1,500
Miscellaneous	6,396	-	-	6,396	634	-	-	634
Total revenues	<u>288,797</u>	<u>18,464</u>	<u>110,127</u>	<u>417,388</u>	<u>206,957</u>	<u>25,636</u>	<u>144,192</u>	<u>376,785</u>
Revenue released from restrictions	43,617	-	(43,617)	-	80,239	(4,730)	(75,509)	-
Total revenue and other support	<u>332,414</u>	<u>18,464</u>	<u>66,510</u>	<u>417,388</u>	<u>287,196</u>	<u>20,906</u>	<u>68,683</u>	<u>376,785</u>
Expenses:								
Scholarships	36,500	-	-	36,500	32,556	-	-	32,556
Grants	40,000	-	-	40,000	30,000	-	-	30,000
Programs	154,211	-	-	154,211	142,408	-	-	142,408
Total educational programming	<u>230,711</u>	<u>-</u>	<u>-</u>	<u>230,711</u>	<u>204,964</u>	<u>-</u>	<u>-</u>	<u>204,964</u>
Support services	122,146	-	-	122,146	114,058	-	-	114,058
Fundraising expenses	96,542	-	-	96,542	87,349	-	-	87,349
Total expenses	<u>449,399</u>	<u>-</u>	<u>-</u>	<u>449,399</u>	<u>406,371</u>	<u>-</u>	<u>-</u>	<u>406,371</u>
Change in net assets	<u>(116,985)</u>	<u>18,464</u>	<u>66,510</u>	<u>(32,011)</u>	<u>(119,175)</u>	<u>20,906</u>	<u>68,683</u>	<u>(29,586)</u>
Net assets at beginning of year	<u>261,790</u>	<u>98,217</u>	<u>1,338,197</u>	<u>1,698,204</u>	<u>380,965</u>	<u>77,311</u>	<u>1,269,514</u>	<u>1,727,790</u>
Net assets at end of year	<u>\$ 144,805</u>	<u>\$ 116,681</u>	<u>\$ 1,404,707</u>	<u>\$ 1,666,193</u>	<u>\$ 261,790</u>	<u>\$ 98,217</u>	<u>\$ 1,338,197</u>	<u>\$ 1,698,204</u>

See accompanying notes and independent auditors' report.

The Psi Upsilon Foundation, Inc.

Statements of Functional Expenses

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Educational Programming	Support Services	Fundraising	Total	Educational Programming	Support Services	Fundraising	Total
Personnel	\$ 80,580	\$ 40,288	\$ 40,288	\$ 161,156	\$ 83,136	\$ 41,567	\$ 41,567	\$ 166,270
Scholarships	36,500	-	-	36,500	27,500	-	-	27,500
Kaiser program expenses	653	-	-	653	5,056	-	-	5,056
Chapter Leadership grant	40,000	-	-	40,000	30,000	-	-	30,000
Insurance	3,777	2,812	2,854	9,443	2,796	2,127	2,172	7,095
Telephone	370	359	359	1,088	394	382	382	1,158
Postage	348	348	1,244	1,940	795	795	3,325	4,915
Direct mail solicitation	-	-	24,858	24,858	-	-	15,741	15,741
Publications	-	-	-	-	1,305	1,304	-	2,609
Newsletter	5,241	-	-	5,241	13,592	-	-	13,592
Alumni relations	1,431	-	477	1,908	423	-	141	564
State registration and fees	988	593	395	1,976	4,600	2,760	1,840	9,200
Legal and professional fees	16,013	13,791	4,990	34,794	10,941	8,268	9,209	28,418
Meeting expense	39	29	29	97	(16)	(12)	(12)	(40)
Travel	14,682	4,894	4,894	24,470	3,979	1,326	1,326	6,631
Major Gifts fundraising expenses	-	-	77	77	-	-	475	475
Building maintenance	6,593	3,296	3,296	13,185	7,732	3,866	3,866	15,464
Utilities	8,978	3,110	3,110	15,198	6,351	2,340	2,339	11,030
Depreciation	3,122	2,342	2,342	7,806	2,920	2,190	2,190	7,300
Bad debt expense	-	43,052	-	43,052	-	45,000	-	45,000
Miscellaneous	11,396	7,232	7,329	25,957	3,460	2,145	2,788	8,393
<b>Total expenses</b>	<b>\$ 230,711</b>	<b>\$ 122,146</b>	<b>\$ 96,542</b>	<b>\$ 449,399</b>	<b>\$ 204,964</b>	<b>\$ 114,058</b>	<b>\$ 87,349</b>	<b>\$ 406,371</b>

See accompanying notes and independent auditors' report.

The Psi Upsilon Foundation, Inc.

Statements of Cash Flows

	<b>Years Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Change in net assets	\$ (32,011)	\$ (29,586)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Permanently restricted contributions	(2,075)	(10,886)
Contribution of stock	-	(18,563)
Realized and unrealized gain on investments	(113,152)	(64,898)
Bad debt expense	43,052	45,000
Depreciation	7,806	7,300
Changes in operating assets and liabilities:		
Promises to give	58,011	62,042
Accounts receivable	(35,102)	463
Accounts receivable - related party	3,008	(3,008)
Prepaid expenses	-	1,494
Accounts payable	12,369	(7,468)
Accounts payable - related party	21,562	20,778
Scholarships payable	9,000	(2,500)
Net cash (used) provided by operating activities	<u>(27,532)</u>	168
<b>Investing activities</b>		
Proceeds from sales and maturities of investments	68,755	62,665
Purchases of investments	(42,142)	(105,003)
Net cash provided (used) by investing activities	<u>26,613</u>	(42,338)
<b>Financing activities</b>		
Permanently restricted contributions	2,075	10,886
Net cash provided by financing activities	<u>2,075</u>	10,886
Net increase (decrease) in cash and cash equivalents	1,156	(31,284)
Cash and cash equivalents at beginning of year	15,779	47,063
Cash and cash equivalents at end of year	<u>\$ 16,935</u>	<u>\$ 15,779</u>
Noncash transactions:		
Donation of stock	<u>\$ -</u>	<u>\$ 18,563</u>

See accompanying notes and independent auditors' report.

The Psi Upsilon Foundation, Inc.  
Notes to Financial Statements  
June 30, 2018 and 2017

**1. Organization and Significant Accounting Policies**

**Organization**

The Psi Upsilon Foundation, Inc. (the “Foundation”) is a Rhode Island not-for-profit organization organized in 1958, whose primary responsibilities include supporting various educational programs of the Psi Upsilon Fraternity (the “Fraternity”) and awarding scholarships.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of financial statements prepared in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

**Net Assets**

The Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 958-210-45 *Not-for-Profit Entities* requires not-for-profit organizations to report information regarding its financial position and operations according to three classes of net asset categories established according to their nature and purpose:

Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors for the Foundation to utilize in any of its programs or supporting services. Unrestricted net assets can be either undesignated or Board designated for specific activities or programs and events.

Temporarily restricted net assets are composed of funds which are restricted by donors for specific purposes either as to use or timing. The restrictions are satisfied either by the passage of time or by actions of the Foundation. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets.

The Psi Upsilon Foundation, Inc.  
Notes to Financial Statements  
June 30, 2018 and 2017

**1. Organization and Significant Accounting Policies (continued)**

**Net Assets (continued)**

Permanently restricted net assets are composed of funds with permanent donor-imposed stipulations, which require the assets to be maintained in perpetuity but permit the Foundation to expend all or part of the income derived from the donated assets. The stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

**Cash and Cash Equivalents**

Cash and cash equivalents includes deposits with an initial maturity of three months or less at the date of deposit.

The Foundation maintains its cash in bank accounts which, at times, may exceed the federally insured limits. The Foundation has not experienced any losses in its deposit accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**Investments**

Investments in money market funds and equity income mutual funds with readily determinable fair values are stated at their fair values based on quoted prices in active markets. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and net assets. Investment income is recognized as earned and reported net of advisory fees.

Property and equipment consists of land, building and improvements and office equipment and are recorded at cost, net of accumulated depreciation. Depreciation is provided on a straight line basis over the estimated useful lives of the assets. Building and building improvements are depreciated over useful lives of 39 years and 15 years, respectively. Equipment is depreciated over 5 years. Assets sold or otherwise retired are removed from the accounts, and any gain or loss on disposal is reflected in the accompanying statements of activities and net assets. The Foundation reviews its investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized during the years ended June 30, 2018 or 2017.

The Foundation expenses asset purchases that are less than \$1,000.

The Psi Upsilon Foundation, Inc.  
Notes to Financial Statements  
June 30, 2018 and 2017

**1. Organization and Significant Accounting Policies (continued)**

**Support and Revenue Recognition**

Contributions that include unconditional promises to give are recognized as support in the year the contribution is received or promise is made. If a restriction on the contribution expires in the reporting year in which the revenue is recognized, the revenue is recognized as an increase in unrestricted net assets. Contributions not restricted by the donor are reported as an increase in unrestricted net assets. All other donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Endowment fund pledges and three-year Annual Fund pledges are accounted for as unconditional promises to give. Amounts expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at net present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the amounts are to be received. Amortization of the discounts is included in contribution revenue in the accompanying statements of activities and net assets.

Life insurance policies in which the Foundation is named as owner and beneficiary are reflected at their cash surrender values. Premiums for these policies are paid by the contributor. Upon death, proceeds in excess of the cash surrender value are recognized as revenue.

**Expense Allocations**

Functional expenses which are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors.

**Income Taxes**

The Internal Revenue Service has determined that the Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to federal income tax under present income tax law. The Foundation is also exempt from state and local income taxes, property taxes and sales taxes.

In consideration of ASC 740-10-25 *Accounting for Uncertainties in Income Taxes*, management believes that the Foundation has not taken any uncertain tax positions that should be recognized in the accompanying financial statements.

The Psi Upsilon Foundation, Inc.  
Notes to Financial Statements  
June 30, 2018 and 2017

**1. Organization and Significant Accounting Policies (continued)**

**Reclassifications**

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications did not affect total assets, liabilities or net assets.

**2. Investments**

The following is a summary of investments as of June 30:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Stocks	\$ 322,671	\$ 609,047	\$ 323,785	\$ 519,936
Mutual funds	770,928	829,379	808,538	875,004
Total Investments	\$ 1,093,599	\$ 1,438,426	\$ 1,132,323	\$ 1,394,940

ASC Section 820-10-35 *Fair Value Measurements* establishes a fair value hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value; however, the level of fair value of each financial asset or liability presented below is based on the lower significant input level within this fair value hierarchy.

*Fair value measurements based on Level 1 inputs:* Measurements that are most observable are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

*Fair value measurements based on Level 2 inputs:* Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others.

*Fair value measurements based on Level 3 inputs:* Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

**2. Investments (continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Foundation 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.

The following table sets forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of June 30:

	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Stocks	\$ 609,047	\$ -	\$ -	\$ 609,047
Mutual funds	-	829,379	-	829,379
	<u>\$ 609,047</u>	<u>\$ 829,379</u>	<u>\$ -</u>	<u>\$ 1,438,426</u>

  

	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Stocks	\$ 519,936	\$ -	\$ -	\$ 519,936
Mutual funds	-	875,004	-	875,004
	<u>\$ 519,936</u>	<u>\$ 875,004</u>	<u>\$ -</u>	<u>\$ 1,394,940</u>

**3. Promises to Give**

As a part of the Annual Fund, the Order of the Owl ("OOTO") invites members to make promises to give which are payable over three years. In addition, the Foundation has established the Leadership Initiative Fund to which members have made promises to give that are payable over five years. Promises to give for the year ended June 30, is as follows:

	<b>2018</b>		
	<b>Leadership Initiative</b>	<b>OOTO</b>	<b>Total</b>
Cumulative promises to give - beginning of year	\$ 138,248	\$ 35,244	\$ 173,492
Received	(9,665)	(5,294)	(14,959)
Write-off of promises to give	(13,102)	(29,950)	(43,052)
Unamortized discount	-	-	-
	<u>\$ 115,481</u>	<u>\$ -</u>	<u>\$ 115,481</u>

As of June 30, 2018, management has determined the Order of the Owl pledges to be fully uncollectible.

The Psi Upsilon Foundation, Inc.  
Notes to Financial Statements  
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**3. Promises to Give (continued)**

	<b>2017</b>		
	<b>Leadership Initiative</b>	<b>OOTO</b>	<b>Total</b>
Cumulative promises to give - beginning of year	\$ 198,411	\$ 37,123	\$ 235,534
Promises to give made during the year	-	28,500	28,500
Received	(13,758)	(29,580)	(43,338)
Write-off of promises to give	(45,000)	-	(45,000)
Unamortized discount	(1,405)	(799)	(2,204)
	<u>\$ 138,248</u>	<u>\$ 35,244</u>	<u>\$ 173,492</u>

Promises to give as of June 30, 2018 consists of the following:

	<b>Leadership</b>		
	<b>Initiative</b>	<b>OOTO</b>	<b>Total</b>
Promises to give	<b>\$ 115,481</b>	<b>\$ -</b>	<b>\$ 115,481</b>
Less: unamortized discount	-	-	-
Net unconditional promise to give	<u><b>\$ 115,481</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 115,481</b></u>
Amounts due in:			
Less than one year	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ 5,000</b>
One to five years	<b>110,481</b>	<b>-</b>	<b>110,481</b>
Total	<u><b>\$ 115,481</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 115,481</b></u>

Promises to give as of June 30, 2017 consists of the following:

	<b>Leadership</b>		
	<b>Initiative</b>	<b>OOTO</b>	<b>Total</b>
Promises to give	\$ 139,653	\$ 36,043	\$ 175,696
Less: unamortized discount	(1,405)	(799)	(2,204)
Net unconditional promise to give	<u>\$ 138,248</u>	<u>\$ 35,244</u>	<u>\$ 173,492</u>
Amounts due in:			
Less than one year	\$ 44,143	\$ 14,475	\$ 58,618
One to five years	94,105	20,769	114,874
Total	<u>\$ 138,248</u>	<u>\$ 35,244</u>	<u>\$ 173,492</u>

The discount rate used was 2%. Management assumes that all promises to give are collectible

The Psi Upsilon Foundation, Inc.  
Notes to Financial Statements  
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**4. Property and Equipment**

As of June 30, 2018 property and equipment consisted of the following:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	\$ 86,933	\$ -	\$ 86,933
Building	428,013	352,169	75,844
Equipment	45,041	45,041	-
Total	<u>\$ 559,987</u>	<u>\$ 397,210</u>	<u>\$ 162,777</u>

As of June 30, 2017 property and equipment consisted of the following:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	\$ 86,933	\$ -	\$ 86,933
Building	428,013	344,364	83,649
Equipment	45,041	45,041	-
Total	<u>\$ 559,987</u>	<u>\$ 389,405</u>	<u>\$ 170,582</u>

Depreciation expense for the year ended June 30, 2018 and 2017 totaled \$7,806 and \$7,300, respectively.

**5. Permanently Restricted Net Assets**

Contributions made to the Leadership Initiative Fund in support of the educational and leadership development priorities established by the Foundation and in collaboration with the Fraternity are treated as additions to permanently restricted net assets and are to be held in perpetuity. Investment income is to be allocated to the fund and used to provide educational and leadership development opportunities for members. Under the terms of the agreement with donors, realized and unrealized investment gains and losses are added to, or subtracted from, the corpus. The portion of educational and leadership support, which exceeds investment income, is charged against the Foundation's unrestricted revenue.

Contributions made to the Henry B. Poor Scholarship Fund and the Jonathan Persky Scholarship Fund are treated as additions to permanently restricted net assets and are to be held in perpetuity. Investment income is to be allocated to the fund and used to annually pay one or more scholarships to members of the Fraternity. Realized and unrealized investment gains and losses are added to, or subtracted from, the corpus. The portion of a scholarship which exceeds investment income is charged against the Foundation's unrestricted revenue.

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**6. Pension Plan**

The Foundation maintains a Simplified Employee Pension Plan under which the President and CEO of the Foundation and General Counsel of the Fraternity and the Director of Development and Alumni Services have separate individual retirement accounts. The Foundation expects to make contributions annually in an amount equal to 10% of the employee's eligible compensation and the Fraternity will continue to directly fund its portion.

The Foundation's portion of the contributions to the plans totaled \$2,356 and \$12,133 for the years ended June 30, 2018 and 2017, respectively.

**7. Related Parties**

Psi Upsilon Fraternity

The Foundation engages in various transactions with the Fraternity, an affiliated organization.

The following expenses were incurred by the Fraternity and reimbursed to the Foundation for the year ended June 30:

	<b>2018</b>	<b>2017</b>
Reimbursement of shared payroll costs	<b>\$ 25,697</b>	\$ 35,066
	<b>\$ 25,697</b>	\$ 35,066

The following expenses were incurred by the Fraternity and reimbursed by the Foundation for the year ended June 30:

	<b>2018</b>	<b>2017</b>
Reimbursement of health insurance costs	<b>\$ 10,051</b>	\$ 28,223
Use of equipment and administrative expenses	-	675
Reimbursement of liability insurance	<b>3,500</b>	3,000
	<b>\$ 13,551</b>	\$ 31,898

The Foundation had provided the Fraternity grants to underwrite its educational initiative in the amount of \$40,000 and \$30,000 for the years ended June 30, 2018 and 2017, respectively.

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**7. Related Parties (continued)**

Amounts included in accounts payable - related party at June 30 are as follows:

	<b>2018</b>	<b>2017</b>
Grants payable to Fraternity	\$ 40,000	\$ 30,000
Admin expenses payable to Fraternity	7,150	325
Convention expenses payable to Fraternity	4,737	-
	<u>\$ 51,887</u>	<u>\$ 30,325</u>

Amounts included in accounts receivable - related party at June 30 are as follows:

	<b>2018</b>	<b>2017</b>
Admin expenses due to Foundation	\$ -	\$ 741
Annual fund expenses due to Foundation	-	2,267
	<u>\$ -</u>	<u>\$ 3,008</u>

The Foundation leases office space to the Fraternity under an operating lease agreement through August 1, 2018. The lease calls for monthly lease payments of \$2,083. Rental income totaling \$25,000 was paid by the Fraternity to the Foundation for the years ended June 30, 2018 and 2017. Future minimum payments required under this lease total \$2,083 for the year ending June 30, 2019.

**8. Endowments**

The Foundation maintains three endowments – the Leadership Initiative Fund, the Henry B. Poor Scholarship Fund, and the Jonathan Persky Scholarship Fund. The Foundation’s endowments consist of donor-restricted funds and scholarship funds.

Interpretation of Relevant Law

The Foundation's board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment funds, if any, that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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**8. Endowments (continued)**

In accordance with UPMIFA, the Foundation considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

- o The duration and preservation of the endowment fund;
- o The purposes of the Foundation and the donor-restricted endowment fund;
- o General economic conditions;
- o The possible effects of inflation or deflation;
- o The expected total return from income and the appreciation of investments; and
- o Other resources of the Foundation.

Funds with Deficiencies

From time to time the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There are no deficiencies of this nature as of June 30, 2018 or June 30, 2017.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to promote long-term growth of principal without undue exposure to risk, through a total return strategy. Under this policy the endowment assets are invested in a manner that is focused on preservation and growth of capital as well as preservation of purchasing power.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within the prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 5% of the endowment fund's average fair value. The formula for calculating allowable distributions shall be applied to the three years ending each February 28, and distributions with respect to each February 28 calculation shall be made no earlier than June 1 following each such February 28 calculation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific period of time as well as to provide additional real growth through new gifts and investment return. The Foundation applied the spending policy at 4% for the years ended June 30, 2018 and 2017 which results in an appropriation of \$0 and \$45,199 respectively. These appropriations were transferred to unrestricted net assets for the years then ended.

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**9. Recent Accounting Guidance Not Yet Adopted**

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which affects all nonprofit organizations. The ASU significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. ASU 2016-14 is effective for reporting periods beginning after December 31, 2017. The Foundation does not believe that the new standard will have an effect on its net assets, however the standard will affect the presentation of the statements of financial position, statements of activities and changes in net assets and related footnote disclosures.

**10. Subsequent Events**

In accordance with ASC 855 *Subsequent Events*, the Foundation has evaluated subsequent events through May 10, 2019, the date these financial statements were available for issuance. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

# Supplementary Information

The Psi Upsilon Foundation  
Statement of Changes in Restricted Funds

Year Ended June 30, 2018

	<u>Temporarily Restricted</u>				<u>Permanently Restricted</u>			
	<u>Kaiser Fund</u>	<u>Omega Fund</u>	<u>Dunn Fund</u>	<u>Total</u>	<u>Major Gifts Initiative Fund</u>	<u>Henry Poor Scholarship Fund</u>	<u>Persky Scholarship Fund</u>	<u>Total</u>
Contributions and pledges	\$ 950	\$ -	\$ 10,000	\$ 10,950	\$ -	\$ 2,075	\$ -	\$ 2,075
Investment income:								
Interest, dividends and realized gains	1,649	566	1,135	3,350	30,541	5,849	3,282	39,672
Change in unrealized gains	2,129	731	1,304	4,164	56,590	7,552	4,238	68,380
Scholarships and grants	-	-	-	-	(30,000)	-	-	(30,000)
Amoritzation of discount	-	-	-	-	1,405	-	-	1,405
Uncollectible Promises to give	-	-	-	-	(15,022)	-	-	(15,022)
Net change	4,728	1,297	12,439	18,464	43,514	15,476	7,520	66,510
Balance at beginning of year	51,161	17,773	29,283	98,217	1,062,741	175,835	99,621	1,338,197
Balance at end of year	<u>\$ 55,889</u>	<u>\$ 19,070</u>	<u>\$ 41,722</u>	<u>\$ 116,681</u>	<u>\$ 1,106,255</u>	<u>\$ 191,311</u>	<u>\$ 107,141</u>	<u>\$ 1,404,707</u>

See accompanying notes and report of independent auditors.