

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

The Psi Upsilon Foundation, Inc.

*Years ended June 30, 2019 and 2018
with Independent Auditors' Report*

The Psi Upsilon Foundation, Inc.
Audited Financial Statements
Years ended June 30, 2019 and 2018

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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, 2019 and 2018 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, 2019 and 2018, 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

Supplementary Information

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, 2019 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.

Adoption of New Reporting Standard

As discussed in Note 2 to the financial statements, The Psi Upsilon Foundation, Inc. has adopted the provisions of Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. The new standard affects the presentation of certain items in the financial statements, requires the presentation of functional expenses and requires qualitative and quantitative disclosures in the notes to the financial statements regarding The Psi Upsilon Foundation, Inc.'s ability to meet future cash flow needs. Our opinion is not modified with respect to this matter.

Petrow Kane Leenhuis

November 2, 2019

The Psi Upsilon Foundation, Inc.

Statements of Financial Position

| | June 30, 2019 | | | June 30, 2018 | | |
|------------------------------------|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 45,570 | \$ - | \$ 45,570 | \$ 16,935 | \$ - | \$ 16,935 |
| Investments | 1,000 | 1,400,972 | 1,401,972 | 32,519 | 1,405,907 | 1,438,426 |
| Promises to give | - | 63,215 | 63,215 | - | 115,481 | 115,481 |
| Property and equipment, net | 184,877 | - | 184,877 | 162,777 | - | 162,777 |
| Accounts receivable | 31,495 | - | 31,495 | 35,179 | - | 35,179 |
| Prepaid expenses and other assets | - | - | - | 2,661 | - | 2,661 |
| Total assets | <u>\$ 262,942</u> | <u>\$ 1,464,187</u> | <u>\$ 1,727,129</u> | <u>\$ 250,071</u> | <u>\$ 1,521,388</u> | <u>\$ 1,771,459</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 16,707 | \$ - | \$ 16,707 | \$ 16,879 | \$ - | \$ 16,879 |
| Accounts payable - related parties | 47,750 | - | 47,750 | 51,887 | - | 51,887 |
| Scholarships payable | 35,000 | - | 35,000 | 36,500 | - | 36,500 |
| Total liabilities | <u>99,457</u> | <u>-</u> | <u>99,457</u> | <u>105,266</u> | <u>-</u> | <u>105,266</u> |
| Net assets | | | | | | |
| Without donor restrictions | 163,485 | - | 163,485 | 144,805 | - | 144,805 |
| With donor restrictions | - | 1,464,187 | 1,464,187 | - | 1,521,388 | 1,521,388 |
| Total net assets | <u>163,485</u> | <u>1,464,187</u> | <u>1,627,672</u> | <u>144,805</u> | <u>1,521,388</u> | <u>1,666,193</u> |
| Total liabilities and net assets | <u>\$ 262,942</u> | <u>\$ 1,464,187</u> | <u>\$ 1,727,129</u> | <u>\$ 250,071</u> | <u>\$ 1,521,388</u> | <u>\$ 1,771,459</u> |

See accompanying notes and independent auditors' report.

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

| | Year Ended June 30, 2019 | | | Year Ended June 30, 2018 | | |
|---|----------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenues: | | | | | | |
| Contributions | \$ 212,191 | \$ 4,075 | \$ 216,266 | \$ 207,751 | \$ 13,025 | \$ 220,776 |
| Rental income | 25,000 | - | 25,000 | 25,000 | - | 25,000 |
| Realized gains on investments, dividends and interest | 314 | 48,782 | 49,096 | 9,042 | 43,022 | 52,064 |
| Unrealized gain (losses) | 2,595 | 49,083 | 51,678 | 40,608 | 72,544 | 113,152 |
| Miscellaneous | 3,656 | - | 3,656 | 6,396 | - | 6,396 |
| Total revenues | <u>243,756</u> | <u>101,940</u> | <u>345,696</u> | <u>288,797</u> | <u>128,591</u> | <u>417,388</u> |
| Revenue released from restrictions | <u>159,141</u> | <u>(159,141)</u> | <u>-</u> | <u>43,617</u> | <u>(43,617)</u> | <u>-</u> |
| Total revenue and other support | <u>402,897</u> | <u>(57,201)</u> | <u>345,696</u> | <u>332,414</u> | <u>84,974</u> | <u>417,388</u> |
| Expenses: | | | | | | |
| Educational programming | 182,857 | - | 182,857 | 230,711 | - | 230,711 |
| Support services | 119,741 | - | 119,741 | 122,146 | - | 122,146 |
| Fundraising expenses | 81,619 | - | 81,619 | 96,542 | - | 96,542 |
| Total expenses | <u>384,217</u> | <u>-</u> | <u>384,217</u> | <u>449,399</u> | <u>-</u> | <u>449,399</u> |
| Change in net assets | <u>18,680</u> | <u>(57,201)</u> | <u>(38,521)</u> | <u>(116,985)</u> | <u>84,974</u> | <u>(32,011)</u> |
| Net assets at beginning of year | <u>144,805</u> | <u>1,521,388</u> | <u>1,666,193</u> | <u>261,790</u> | <u>1,436,414</u> | <u>1,698,204</u> |
| Net assets at end of year | <u>\$ 163,485</u> | <u>\$ 1,464,187</u> | <u>\$ 1,627,672</u> | <u>\$ 144,805</u> | <u>\$ 1,521,388</u> | <u>\$ 1,666,193</u> |

See accompanying notes and independent auditors' report.

The Psi Upsilon Foundation, Inc.

Statements of Functional Expenses

| | Year Ended June 30, 2019 | | | | Year Ended June 30, 2018 | | | |
|----------------------------------|----------------------------|---------------------|------------------|-------------------|----------------------------|---------------------|------------------|-------------------|
| | Educational Programming | Support Services | Fundraising | Total | Educational Programming | Support Services | Fundraising | Total |
| Personnel | \$ 45,672 | \$ 22,836 | \$ 22,836 | \$ 91,344 | \$ 80,580 | \$ 40,288 | \$ 40,288 | \$ 161,156 |
| Scholarships | 37,500 | - | - | 37,500 | 36,500 | - | - | 36,500 |
| Kaiser program expenses | 1,177 | - | - | 1,177 | 653 | - | - | 653 |
| Chapter Leadership grant | 40,000 | - | - | 40,000 | 40,000 | - | - | 40,000 |
| Insurance | 1,073 | 805 | 805 | 2,683 | 3,777 | 2,812 | 2,854 | 9,443 |
| Telephone | 257 | 249 | 249 | 755 | 370 | 359 | 359 | 1,088 |
| Postage | - | - | 529 | 529 | 348 | 348 | 1,244 | 1,940 |
| Direct mail solicitation | - | - | 30,150 | 30,150 | - | - | 24,858 | 24,858 |
| Publications | 3,834 | 3,084 | - | 6,918 | - | - | - | - |
| Newsletter | 142 | - | - | 142 | 5,241 | - | - | 5,241 |
| Alumni relations | - | - | - | - | 1,431 | - | 477 | 1,908 |
| State registration and fees | - | - | - | - | 988 | 593 | 395 | 1,976 |
| Legal and professional fees | 16,978 | 16,904 | 5,640 | 39,522 | 16,013 | 13,791 | 4,990 | 34,794 |
| Meeting expense | 353 | 265 | 265 | 883 | 39 | 29 | 29 | 97 |
| Travel | 11,812 | 3,937 | 3,937 | 19,686 | 14,682 | 4,894 | 4,894 | 24,470 |
| Major Gifts fundraising expenses | - | - | - | - | - | - | 77 | 77 |
| Building maintenance | 4,745 | 2,372 | 2,372 | 9,489 | 6,593 | 3,296 | 3,296 | 13,185 |
| Utilities | 8,125 | 3,528 | 3,528 | 15,180 | 8,978 | 3,110 | 3,110 | 15,198 |
| Depreciation | 3,776 | 2,832 | 2,832 | 9,439 | 3,122 | 2,342 | 2,342 | 7,806 |
| Bad debt expense | - | 52,266 | - | 52,266 | - | 43,052 | - | 43,052 |
| Miscellaneous | 7,414 | 10,664 | 8,476 | 26,554 | 11,396 | 7,232 | 7,329 | 25,957 |
| Total expenses | \$ 182,857 | \$ 119,741 | \$ 81,619 | \$ 384,217 | \$ 230,711 | \$ 122,146 | \$ 96,542 | \$ 449,399 |

See accompanying notes and independent auditors' report.

The Psi Upsilon Foundation, Inc.

Statements of Cash Flows

| | Years Ended June 30 | |
|---|----------------------------|------------------|
| | 2019 | 2018 |
| Operating activities | | |
| Change in net assets | \$ (38,521) | \$ (32,011) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Permanently restricted contributions | (4,075) | (2,075) |
| Realized and unrealized gain on investments | (51,678) | (113,152) |
| Bad debt expense | 52,266 | 43,052 |
| Depreciation | 9,439 | 7,806 |
| Changes in operating assets and liabilities: | | |
| Promises to give | - | 58,011 |
| Accounts receivable | 3,684 | (35,102) |
| Accounts receivable - related party | - | 3,008 |
| Prepaid expenses | 2,661 | - |
| Accounts payable | (172) | 12,369 |
| Accounts payable - related party | (4,137) | 21,562 |
| Scholarships payable | (1,500) | 9,000 |
| Net used used by operating activities | <u>(32,033)</u> | <u>(27,532)</u> |
| Investing activities | | |
| Proceeds from sales and maturities of investments | 137,938 | 68,755 |
| Purchases of investments | (49,805) | (42,142) |
| Purchase of property and equipment | (31,540) | - |
| Net cash provided by investing activities | <u>56,593</u> | <u>26,613</u> |
| Financing activities | | |
| Contributions with donor restrictions | 4,075 | 2,075 |
| Net cash provided by financing activities | <u>4,075</u> | <u>2,075</u> |
| Net increase in cash and cash equivalents | 28,635 | 1,156 |
| Cash and cash equivalents at beginning of year | 16,935 | 15,779 |
| Cash and cash equivalents at end of year | <u>\$ 45,570</u> | <u>\$ 16,935</u> |

See accompanying notes and independent auditors' report.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

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

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.

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.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

1. Organization and Significant Accounting Policies (continued)

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

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, 2019 or 2018.

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

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. The reclassifications did not affect total assets, liabilities or net assets.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

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 donor restriction on the contribution expires in the reporting year in which the revenue is recognized, the revenue is recognized as an increase in net assets without donor restrictions. Contributions not restricted by the donor are reported as an increase in net assets without donor restrictions. All other donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

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, 2019 and 2018

2. New Accounting Guidance

In August 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. The standard replaces the existing three classes of net assets with two classes; net assets with donor restrictions (combination of temporarily and permanently restricted net assets) and net assets without donor restrictions. The standard also gives the Foundation the option of presenting the statement of cash flows using the direct method, without presenting the indirect method reconciliation, and requires all not-for-profits to present operating expenses by both nature and function. Additional requirements include improved disclosures related to board-designated net assets, under-water endowments, cost allocation methods, management and general activities and quantitative and qualitative disclosures related to liquidity and the Foundation's ability to meet future cash flow needs from one year of the statement of financial position date. The Foundation adopted ASU 2016-14 for the year ended June 30, 2019. The newly adopted standard did not have an effect on the change in net assets; however the presentation of the financial statements has changed. The Foundation also added enhanced disclosures about the liquidity of the Foundation.

3. Investments

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

| | 2019 | | 2018 | |
|-------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Stocks | \$ 334,834 | \$ 601,480 | \$ 322,671 | \$ 609,047 |
| Mutual funds | 746,392 | 800,492 | 770,928 | 829,379 |
| Total Investments | <u>\$ 1,081,226</u> | <u>\$ 1,401,972</u> | <u>\$ 1,093,599</u> | <u>\$ 1,438,426</u> |

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.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

3. Investments (continued)

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 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:

| | | 2019 | | | |
|--------------|-----------|----------------|-------------------|----------------|---------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Stocks | \$ | 601,480 | \$ - | \$ - | \$ 601,480 |
| Mutual funds | | - | 800,492 | - | 800,492 |
| | \$ | 601,480 | \$ 800,492 | \$ - | \$ 1,401,972 |
| | | 2018 | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Stocks | \$ | 609,047 | \$ - | \$ - | \$ 609,047 |
| Mutual funds | | - | 829,379 | - | 829,379 |
| | \$ | 609,047 | \$ 829,379 | \$ - | \$ 1,438,426 |

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

4. 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:

| | 2019 | | |
|---|------------------------------|-------------|------------------|
| | Leadership Initiative | OOTO | Total |
| Cumulative promises to give - beginning of year | \$ 115,481 | \$ - | \$ 115,481 |
| Received | - | - | - |
| Write-off of promises to give | (52,266) | - | (52,266) |
| | <u>\$ 63,215</u> | <u>\$ -</u> | <u>\$ 63,215</u> |

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

| | 2018 | | |
|---|------------------------------|-------------|-------------------|
| | Leadership Initiative | OOTO | Total |
| 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) |
| | <u>\$ 115,481</u> | <u>\$ -</u> | <u>\$ 115,481</u> |

Promises to give as of June 30, 2019 consists of the following:

| | Leadership Initiative | | |
|-----------------------------------|------------------------------|-------------|------------------|
| | Leadership Initiative | OOTO | Total |
| Promises to give | \$ 63,215 | \$ - | \$ 63,215 |
| Less: unamortized discount | - | - | - |
| Net unconditional promise to give | <u>\$ 63,215</u> | <u>\$ -</u> | <u>\$ 63,215</u> |
| Amounts due in: | | | |
| Less than one year | \$ 25,500 | \$ - | \$ 25,500 |
| One to five years | 37,715 | - | 37,715 |
| Total | <u>\$ 63,215</u> | <u>\$ -</u> | <u>\$ 63,215</u> |

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

4. Promises to Give (continued)

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

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

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

5. Property and Equipment

As of June 30, 2019 property and equipment consisted of the following:

| | Cost | Accumulated Depreciation | Net Book Value |
|-----------|-------------------|-------------------------------------|---------------------------|
| Land | \$ 86,933 | \$ - | \$ 86,933 |
| Building | 459,553 | 361,609 | 97,944 |
| Equipment | 45,041 | 45,041 | - |
| Total | <u>\$ 591,527</u> | <u>\$ 406,650</u> | <u>\$ 184,877</u> |

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

| | Cost | Accumulated Depreciation | Net Book Value |
|-----------|-------------------|-------------------------------------|---------------------------|
| 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> |

Depreciation expense for the year ended June 30, 2019 and 2018 totaled \$9,439 and \$7,806, respectively.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

6. Net Assets with Donor Restrictions

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 net assets with donor restrictions 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 revenue without donor restrictions.

Contributions made to the Henry B. Poor Scholarship Fund and the Jonathan Persky Scholarship Fund are treated as additions to net assets with donor restrictions 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 revenue without donor restrictions.

7. 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 \$0 and \$2,356 for the years ended June 30, 2019 and 2018, respectively.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

8. 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:

| | 2019 | 2018 |
|---------------------------------------|-------------|------------------|
| Reimbursement of shared payroll costs | <u>\$ -</u> | <u>\$ 25,697</u> |
| | <u>\$ -</u> | <u>\$ 25,697</u> |

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

| | 2019 | 2018 |
|--|------------------|------------------|
| Reimbursement of health insurance costs | \$ 2,726 | \$ 10,051 |
| Use of equipment and administrative expenses | 6,608 | - |
| Reimbursement of liability insurance | 3,500 | 3,500 |
| | <u>\$ 12,834</u> | <u>\$ 13,551</u> |

The Foundation had provided the Fraternity grants to underwrite its educational initiative in the amount of \$40,000 for the years ended June 30, 2019 and 2018, respectively.

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

| | 2019 | 2018 |
|---|------------------|------------------|
| Grants payable to Fraternity | \$ 40,000 | \$ 40,000 |
| Admin expenses payable to Fraternity | 5,569 | 7,150 |
| Convention expenses payable to Fraternity | 2,181 | 4,737 |
| | <u>\$ 47,750</u> | <u>\$ 51,887</u> |

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

8. Related Parties (continued)

The Foundation leases office space to the Fraternity under an operating lease agreement through August 1, 2020. 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, 2019 and 2018, respectively. Future minimum payments required under this lease total \$30,875.

9. 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 net assets with donor restricted net assets the original value of gifts donated to the permanent endowment until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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, 2019 or June 30, 2018.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

9. Endowments (continued)

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, 2019 and 2018 which results in an appropriation of \$51,180 and \$47,091, respectively. These appropriations were transferred to net assets without donor restrictions for the years then ended.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

10. Analysis of Cash Flow

The information below reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts that are not available for general use due to contractual, donor-imposed restrictions or Board designations within one year of that date. Amounts that are not available could also include Board designated amounts that could be utilized if the Board of Directors approved the use. However, amounts already appropriated from either the donor-restrictions for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

| | |
|--|-------------------------|
| Financial assets, at year-end | \$ 1,542,252 |
| Less those unavailable for general expenditures within one year, Contractual or donor-imposed restrictions: | <u>(1,464,187)</u> |
| Financial assets (deficit) available to meet cash needs for general expenditures within one year | <u><u>\$ 78,065</u></u> |

The Psi Upsilon Foundation, Inc. is funded by contributions from donors that do not contain restrictions and donors that do contain restrictions. Contributions that do contain restrictions require that resources be used in a certain manner or in a future period. Therefore, the Foundation must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Foundation also invests its cash in excess of its daily needs in short-term investments. The Board of Directors occasionally designates amounts to its investments to receive a better return on investment as opposed to leaving cash in a lower yielding checking account. In the event of an unanticipated liquidity need, the Foundation has the capability to withdraw cash and liquidate investments as needed.

11. Subsequent Events

In accordance with ASC 855 *Subsequent Events*, the Foundation has evaluated subsequent events through November 2, 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 Donor Restricted Funds
Year Ended June 30, 2019

| | Kaiser Fund | Omega Fund | Dunn Fund | Major Gifts Initiative Fund | Henry Poor Scholarship Fund | Persky Scholarship Fund | Total |
|---|----------------|---------------|--------------|-----------------------------------|-----------------------------------|-------------------------------|--------------|
| Contributions and pledges | \$ 500 | \$ - | \$ - | \$ - | \$ 3,575 | \$ - | \$ 4,075 |
| Investment income: | | | | | | | |
| Interest, dividends and realized gains | 1,701 | 584 | 1,200 | 36,021 | 5,941 | 3,335 | 48,782 |
| Change in unrealized gains | 2,222 | 763 | 1,568 | 32,896 | 7,446 | 4,188 | 49,083 |
| Scholarships and grants | - | - | - | (67,500) | (6,500) | (3,500) | (77,500) |
| Uncollectible Promises to give | - | - | - | (52,266) | - | - | (52,266) |
| Administrative fees | (998) | (399) | (599) | (20,793) | (4,391) | (2,195) | (29,375) |
| Net change | 3,424 | 948 | 2,169 | (71,641) | 6,071 | 1,828 | (57,201) |
| Balance at beginning of year | 55,889 | 19,070 | 41,722 | 1,106,255 | 191,311 | 107,141 | 1,521,388 |
| Balance at end of year | \$ 59,313 | \$ 20,018 | \$ 43,891 | \$ 1,034,614 | \$ 197,382 | \$ 108,969 | \$ 1,464,187 |

See accompanying notes and report of independent auditors.