



**THE PSI UPSILON FOUNDATION, INC.**

**AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Years Ended June 30, 2022 and 2021**

The background of the lower half of the page is a grayscale image of a modern building's interior, showing a complex grid of lines and structural elements. The image is overlaid with a teal-colored banner at the top and a dark orange banner at the bottom right.

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**THE PSI UPSILON FOUNDATION, INC.**  
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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The Psi Upsilon Foundation, Inc.

### **Opinion**

We have audited the accompanying financial statements of The Psi Upsilon Foundation, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and net assets, functional expenses and cash flows for the year 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 Psi Upsilon Foundation, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with 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 Psi Upsilon Foundation, Inc. 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.

### **Prior Period Financial Statements**

The June 30, 2021 financial statements were audited by Petrow Kane Leemhuis, PC who were acquired by Sikich, LLP on June 30, 2022 and whose report dated October 19, 2021 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 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 Psi Upsilon Foundation, Inc.'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 Psi Upsilon Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of 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 Psi Upsilon Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming and opinion on the financial statements as a whole. The Supplementary Information listed in the table of contents 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.

*Sikich LLP*

Indianapolis, Indiana  
March 6, 2023

## **FINANCIAL STATEMENTS**

**THE PSI UPSILON FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2022 and 2021

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	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,742	\$ 26,860
Investments - operating	507,651	-
Contributions receivable	53,993	105,245
Accounts receivable - related party	5,786	6,725
Digital assets	24,604	-
Property and equipment, net	4,463	146,605
Other assets	8,616	-
Investments - endowment	1,681,914	1,868,069
<b>TOTAL ASSETS</b>	<b>\$ 2,291,769</b>	<b>\$ 2,153,504</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 12,143	\$ 18,902
Accounts payable - related party	11,077	1,286
Scholarships payable - related party	42,000	22,508
Total liabilities	65,220	42,696
<b>NET ASSETS</b>		
Net assets without donor restrictions	453,316	118,929
Net assets with donor restrictions	1,773,233	1,991,879
Total net assets	2,226,549	2,110,808
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,291,769</b>	<b>\$ 2,153,504</b>

See accompanying notes to financial statements.

**THE PSI UPSILON FOUNDATION, INC.**

STATEMENTS OF ACTIVITIES AND NET ASSETS

For the Year Ended June 30, 2022

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 254,580	\$ 127,096	\$ 381,676
Rental income	14,250	-	14,250
Investment losses, net	(69,651)	(190,883)	(260,534)
Realized gain on disposition of building	605,846	-	605,846
Revenue released from restrictions	154,859	(154,859)	-
Total revenues and support	959,884	(218,646)	741,238
<b>EXPENSES</b>			
Educational programming	258,649	-	258,649
Support services	175,872	-	175,872
Fundraising expenses	190,976	-	190,976
Total expenses	625,497	-	625,497
CHANGE IN NET ASSETS	334,387	(218,646)	115,741
NET ASSETS, BEGINNING OF YEAR	118,929	1,991,879	2,110,808
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 453,316</b>	<b>\$ 1,773,233</b>	<b>\$ 2,226,549</b>

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See accompanying notes to financial statements.



**THE PSI UPSILON FOUNDATION, INC.**

STATEMENTS OF ACTIVITIES AND NET ASSETS

For the Year Ended June 30, 2021

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 273,611	\$ 216,183	\$ 489,794
Rental income	28,500	-	28,500
Investment return, net	-	366,731	366,731
Revenue released from restrictions	127,930	(127,930)	-
Total revenue and other support	430,041	454,984	885,025
<b>EXPENSES</b>			
Educational programming	141,137	-	141,137
Support services	165,382	-	165,382
Fundraising expenses	117,137	-	117,137
Total expenses	423,656	-	423,656
CHANGE IN NET ASSETS	6,385	454,984	461,369
NET ASSETS, BEGINNING OF YEAR	112,544	1,536,895	1,649,439
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 118,929</b>	<b>\$ 1,991,879</b>	<b>\$ 2,110,808</b>

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See accompanying notes to financial statements.

**THE PSI UPSILON FOUNDATION, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2022

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	<b>Educational Programming</b>	<b>Support Services</b>	<b>Fundraising</b>	<b>Total</b>
Personnel	\$ 94,712	\$ 28,414	\$ 66,299	\$ 189,425
Scholarships	43,500	-	-	43,500
Kaiser program expenses	304	-	-	304
Chapter leadership grant	45,580	-	-	45,580
Insurance	-	4,264	-	4,264
Telephone	-	922	-	922
Direct mail solicitation	-	-	96,578	96,578
Publications	3,396	4,059	4,045	11,500
Alumni relations	8,286	-	-	8,286
Legal and professional fees	-	44,028	-	44,028
Meeting expense	7,197	246	1,738	9,181
Travel	55,146	595	780	56,521
Building maintenance	-	20,841	-	20,841
Utilities	-	6,571	-	6,571
Rent	-	16,607	-	16,607
Depreciation	-	992	-	992
Bad debt expense	-	33,006	-	33,006
Miscellaneous	528	15,327	21,536	37,391
<b>TOTAL EXPENSES</b>	<b>\$ 258,649</b>	<b>\$ 175,872</b>	<b>\$ 190,976</b>	<b>\$ 625,497</b>

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See accompanying notes to financial statements.

**THE PSI UPSILON FOUNDATION, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2021

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	<b>Educational Programming</b>	<b>Support Services</b>	<b>Fundraising</b>	<b>Total</b>
Personnel	\$ 81,137	\$ 40,569	\$ 40,569	\$ 162,275
Kaiser program expenses	640	-	-	640
Chapter leadership grant	42,000	-	-	42,000
Insurance	-	4,492	-	4,492
Telephone	-	1,330	-	1,330
Direct mail solicitation	-	-	64,051	64,051
Publications	6,047	1,797	-	7,844
Legal and professional fees	-	45,494	-	45,494
Meeting expense	285	214	214	713
Travel	742	247	247	1,236
Building maintenance	-	10,367	-	10,367
Utilities	-	9,833	-	9,833
Depreciation	-	7,578	-	7,578
Bad debt expense	-	33,083	-	33,083
Miscellaneous	10,286	10,378	12,056	32,720
<b>TOTAL EXPENSES</b>	<b>\$ 141,137</b>	<b>\$ 165,382</b>	<b>\$ 117,137</b>	<b>\$ 423,656</b>

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See accompanying notes to financial statements.

**THE PSI UPSILON FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 115,741	\$ 461,369
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Contributions received restricted for long-term investments	(127,096)	(171,183)
Investment losses (gains), net	260,534	(366,731)
(Gain) on disposition of building	(605,846)	-
Bad debt expense	33,006	33,083
Contribution of cryptocurrency	(24,604)	-
Depreciation expense	992	7,578
(Increase) decrease in:		
Contributions receivable	18,246	(62,463)
Accounts receivable - related party	939	(4,613)
Other assets	(8,616)	-
Increase (decrease) in:		
Accounts payable	(6,759)	12,429
Accounts payable - related party	9,791	(14,100)
Scholarships payable - related party	19,492	(42,750)
Net cash from operating activities	<u>(314,180)</u>	<u>(147,381)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	219,516	387,334
Purchases of investments	(799,204)	(415,524)
Purchase of property and equipment	(3,004)	(1,971)
Proceeds from sale of building	747,658	-
Net cash from investing activities	<u>164,966</u>	<u>(30,161)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for long-term investments	<u>127,096</u>	<u>164,901</u>
Net cash from financing activities	<u>127,096</u>	<u>164,901</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(22,118)	(12,641)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>26,860</u>	<u>39,501</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,742</u>	<u>\$ 26,860</u>

See accompanying notes to financial statements.

# THE PSI UPSILON FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of 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 Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (USGAAP).

#### Use of Estimates

The preparation of financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### Net Assets

Net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

##### Without Donor Restrictions:

Net assets without donor restrictions 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. The funds can be either undesignated or Board designated for specific activities or programs and events.

##### With Donor Restrictions:

Net assets subject to donor restrictions that either expire by the passage of time or by actions of the Foundation pursuant to those restrictions or are required to be held in perpetuity. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions.

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Foundation maintains its operating bank accounts at one financial institution, which at times may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of June 30, 2022, and 2021, the Foundation did not have cash balances in excess of FDIC limits. The Foundation has not experienced any losses in such accounts and management of the Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contributions Receivable

All contributions receivable are unconditional gifts reported at their net realizable value. Long-term contributions are considered immaterial and have not been discounted. The Foundation believes that all contributions receivable at June 30, 2022 and 2021 will be fully collected. Accordingly, no allowance for doubtful accounts is necessary.

Digital Assets

Digital assets consist of cryptocurrency (Ethereum) and are recorded as indefinite-lived intangible assets at historical cost. Digital assets are subject to impairment and are not amortized as there is no limit on a digital asset's useful life. The market price of digital assets is volatile, resulting in risks and uncertainties in future financial results when digital assets are held.

Property and Equipment

Property and equipment consist of land, building, building improvements, computers, and furniture and fixtures 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. Computers and furniture and fixtures are depreciated over 5 - 10 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 expenses asset purchases that are less than \$1,000.

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

Investments

Investments in exchange traded funds, common stock and mutual funds having a readily determinable fair value are carried at fair value. Cash and cash equivalents are valued at cost. Investment related income is reported net in the statements of activities and net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Investment related income is reflected in the statements of activities and net assets as income with or without donor restrictions based upon the existence or absence of any donor restrictions. Investment income received with donor restrictions whose purpose is met in the same year is recorded as without donor restrictions.

Revenue Recognition

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no conditional contributions as of June 30, 2022 and 2021.

Contributions received are recorded as increases in net assets, based on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without restrictions and are reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same year in which the support is recognized are reported as without donor restriction.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation is not a private foundation.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The allocated expenses include personnel (salaries, employee benefits, payroll taxes and health insurance). The expenses are allocated based on estimates of time and effort. Expenses that are specifically identifiable with a program are charged to that program.

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

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts and requires additional disclosures about leasing arrangements. ASU 2016-02, as amended by ASU 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU 2018-11, *Leases, Topic 842: Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Foundation is currently assessing the impacts of this new standard, including the two optional transition methods.

**2. LIQUIDITY AND AVAILABILITY**

The information below reflects the Foundation's financial assets as of June 30. Financial assets consist of cash and cash equivalents, investments, digital assets, accounts receivable - related party and contributions receivables, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of that date.

FINANCIAL ASSETS	<u>2022</u>	<u>2021</u>
Financial assets, at year-end	\$ 2,278,690	\$ 2,006,899
Less those unavailable for general expenditures within one year:		
Contractual or donor imposed restrictions	<u>(1,773,233)</u>	<u>(1,991,879)</u>
 TOTAL FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 505,457</u>	 <u>\$ 15,020</u>



**2. LIQUIDITY AND AVAILABILITY (Continued)**

The Psi Upsilon Foundation, Inc. is funded by contributions from donors that do not contain restrictions and contributions that do contain restrictions. Contributions that do contain restrictions require that resources be expended 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.

**3. CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of June 30, 2022 and 2021, consisted of the following unconditional promises to give. Management has not established a discount rate due to the short-term nature of the pledges and insignificance of the long-term pledges.

	<b>2022</b>	<b>2021</b>
Due within one year	\$ 51,743	\$ 95,072
Due in one to five years	2,250	10,173
	<u>\$ 53,993</u>	<u>\$ 105,245</u>

Management assumes that all contributions receivable are fully collectible, therefore no allowance for uncollectible contributions has been established.

**THE PSI UPSILON FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ -	\$ 86,933
Building	-	435,528
Building improvements	-	45,041
Computers	1,971	1,971
Furniture and fixtures	3,004	-
	<hr/>	<hr/>
Subtotal	4,975	569,473
Accumulated depreciation	(512)	(422,868)
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Net Property and Equipment	<u>\$ 4,463</u>	<u>\$ 146,605</u>

Depreciation expense was \$992 and \$7,578 for the years ended June 30, 2022, and 2021, respectively. On July 19, 2021, the Foundation sold the building and land, and disposed of all remaining equipment related to the building.

**5. FAIR VALUE MEASUREMENTS**

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the Foundation to maximize the use of observable inputs when measuring fair value.

The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

**THE PSI UPSILON FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**5. FAIR VALUE MEASUREMENTS (Continued)**

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2, or 3, but are separately reported.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2022 and 2021.

- *Exchange traded funds and common stocks:* Valued at the closing quoted price in an active market.
- *Mutual funds:* Valued at the NAV of shares on the last trading day of the fiscal year.

Recurring Measurements

Assets measured at fair value on a recurring basis as of June 30, 2022 are as follows:

<b>2022</b>				
<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Exchange traded funds	\$ 1,067,819	\$ -	\$ -	\$ 1,067,819
Common stock	23,631	-	-	23,631
Mutual funds	1,096,811	-	-	1,096,811
TOTAL ASSETS AT FAIR VALUE	\$ 2,188,261	\$ -	\$ -	2,188,261
Cash and cash equivalents*				1,304
TOTAL INVESTMENTS				\$ 2,189,565

**THE PSI UPSILON FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**5. FAIR VALUE MEASUREMENTS (Continued)**

Assets measured at fair value on a recurring basis as of June 30, 2021 are as follows:

<b>2021</b>				
<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Exchange traded funds	\$ 923,485	\$ -	\$ -	\$ 923,485
Common stock	33,459	-	-	33,459
Mutual funds	803,680	-	-	803,680
<b>TOTAL ASSETS AT</b>				
<b>FAIR VALUE</b>	<b>\$ 1,760,624</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,760,624</b>
Cash and cash equivalents*				107,445
<b>TOTAL INVESTMENTS</b>				<b>\$ 1,868,069</b>

\*Cash and cash equivalents are recorded at cost and are not based on Level 1, 2 or 3 inputs.

**6. ENDOWMENTS**

The Foundation maintains eleven endowment funds – the Leadership Initiative Fund, the Henry B. Poor Scholarship Fund, the Jonathan Persky Scholarship Fund, the Donald F. Dunn Scholarship fund, the Epsilon Nu Chapter fund, the Lewis R. Finkelstein Scholarship fund, the Fish Scholarship Fund, the Robert and Evelyn Kaiser Education Fund, the Omega Book Fund, the Social Impact Scholarship fund, and the Brayboy fund. The Foundation’s endowments consist of donor-restricted 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 preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

## **6. 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 Expected total return from investment income and the appreciation or depreciation
- o Other resources of the Foundation.
- o Investment policies of the Foundation

### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce the highest level of return while assuming a moderate level of investment risk.

### 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-year average fair value 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 5% and 4% for the years ended June 30, 2022 and 2021, respectively which results in an appropriation of \$89,603 and \$94,847, respectively. These appropriations were transferred to net assets without donor restrictions for the years then ended.

**6. ENDOWMENTS (Continued)**

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. The Foundation's policy is that it can expend funds from underwater endowment funds as the spending amount is calculated over a three-year rolling average which factors in market gains and losses over that period. Accordingly, at June 30, 2022 the Foundation had funds that were underwater due to adverse market conditions. The fair value of these underwater funds at June 30, 2022 was \$1,197,838 while the original gift value was \$1,248,011, leading to a deficiency of \$50,173 at June 30, 2022. In accordance with USGAAP, These losses have been reported as a component of net assets with donor restrictions. Management expects the market depreciation of this fund is expected to make a full recovery. There were no deficiencies of this nature as of June 30, 2021.

Endowment funds consist of all donor-restricted funds at June 30, 2022 and 2021. Total endowment funds as of June 30, 2022 and 2021 were \$1,757,983 and \$1,946,879, respectively.

Changes in endowment net assets for the year ended June 30 were:

	<u>With Donor Restrictions</u>	
	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 1,946,879	\$ 1,536,895
Contributions	114,596	171,183
Investment (losses) returns, net	(190,883)	366,731
Write-off uncollectible contributions	(23,006)	(33,083)
Appropriation of endowment assets for expenditure	(89,603)	(94,847)
Endowment net assets, end of year	<u>\$ 1,757,983</u>	<u>\$ 1,946,879</u>

**THE PSI UPSILON FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions that can be removed by the passage of time or by actions of the Foundation are available for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Fiske fund	\$ 15,250	\$ 25,000
Fish fund	-	20,000
Endowment funds - scholarships	37,681	318,898
Endowment funds - leadership development	-	6,675
Total	<u>\$ 52,931</u>	<u>\$ 370,573</u>

Net assets with donor restrictions that are restricted to investment in perpetuity, the income of which is to be used for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Endowment funds - scholarships	\$ 1,632,311	\$ 1,528,084
Endowment funds - leadership development	87,991	93,222
Total	<u>\$ 1,720,302</u>	<u>\$ 1,621,306</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,773,233</u>	<u>\$ 1,991,879</u>

**8. PENSION PLAN**

The Foundation offers a SIMPLE IRA plan where the Foundation will match eligible employee contributions up to 3% of employee contributions made. The Foundation made \$2,105 and \$0 in contributions to the plan for the years ended June 30, 2022 and 2021, respectively.

**THE PSI UPSILON FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**9. RELATED PARTY TRANSACTIONS**

Psi Upsilon Fraternity

The Foundation engages in various transactions with the Fraternity, an affiliated organization. All expenses reimbursed to the Foundation are netted with the applicable incurred expense.

The following resources were used by the Fraternity and reimbursed the cost of the resources to the Foundation for the year ended June 30:

	<b>2022</b>	<b>2021</b>
Reimbursement of shared payroll costs	\$ 26,100	\$ 25,722
Reimbursement of rent expense	10,052	-
	<u>\$ 36,152</u>	<u>\$ 25,722</u>

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

	<b>2022</b>	<b>2021</b>
Reimbursement of health insurance costs	\$ 14,127	\$ 14,127
Use of equipment and administrative expenses	976	8,944
Reimbursement of liability insurance	750	4,250
	<u>\$ 15,853</u>	<u>\$ 27,321</u>

The Foundation had provided the Fraternity grants to underwrite its educational initiative in the amount of \$42,000 for each of the years ended June 30, 2022 and 2021, respectively.

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

	<b>2022</b>	<b>2021</b>
Grants payable to Fraternity	\$ 42,000	\$ 22,508
Admin expenses payable to Fraternity	11,077	1,286
	<u>\$ 53,077</u>	<u>\$ 23,794</u>

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

	<b>2022</b>	<b>2021</b>
Reimbursement of shared payroll	\$ 4,350	\$ 6,725
Admin expenses receivable from Fraternity	1,436	-
	<u>\$ 5,786</u>	<u>\$ 6,725</u>



**THE PSI UPSILON FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**9. RELATED PARTY TRANSACTIONS (Continued)**

Prior to the sale of the building, the Foundation leased office space to the Fraternity under a month-to-month agreement where the Fraternity was charged \$2,375 per month. Rental income totaling \$14,250 and \$28,500 was paid by the Fraternity to the Foundation for the years ended June 30, 2022 and 2021, respectively. After the sale of the building, the Foundation obtained an operating lease as discussed in Note 10. The Fraternity now reimburses half of the rent expense on a monthly basis.

**10. OPERATING LEASE**

In December 2021, the Foundation executed a three and a half-year operating lease agreement with escalating lease payments through May 2025 for 1,900 square foot of office space. The lease comes with a three-year renewal option after May 2025. Rent expense is presented net for any amounts received from the Fraternity for their portion of space, see Note 9.

Additionally, the Foundation rents a storage unit on a month-to-month basis at approximately \$755 per month.

Rent expense for the years ended June 30, 2022 and 2021 was \$16,607 and \$0, respectively.

The total minimum lease obligations at June 30, 2022 under this lease is due as follows:

	Gross Rent Obligations	Expected Reimbursement from Fraternity	Net Rent Obligations
2023	\$ 34,965	\$ 17,482	\$ 17,483
2024	35,833	17,916	17,917
2025	33,638	16,819	16,819
	<u>\$ 104,436</u>	<u>\$ 52,217</u>	<u>\$ 52,219</u>

**11. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, recognized subsequent events).

The Foundation has evaluated subsequent events through March 6, 2023, which was the date that these financial statements were available for issuance.

**SUPPLEMENTARY INFORMATION**

**THE PSI UPSILON FOUNDATION, INC.**

**STATEMENT OF CHANGES IN DONOR RESTRICTED FUNDS**

For the Year Ended June 30, 2022

	Endowed Funds													Total
	Kaiser Fund	Omega Fund	Dunn Fund	Major Gifts Initiative Fund	Henry Poor Scholarship Fund	Persky Scholarship Fund	Lew Finkelstein Fund	Social Impact	Fish Fund Scholarship	Epsilon Nu Fund	Brayboy Fund*	Fish Fund	Fiske Fund	
Contributions and pledges	\$ 1,270	\$ -	\$ 10,000	\$ -	\$ 24,945	\$ -	\$ 350	\$ 16,800	\$ -	\$ 36,627	\$ 24,604	\$ -	\$ 12,500	\$ 127,096
Investment returns (losses), net	(7,075)	(2,406)	(6,216)	(109,751)	(27,916)	(12,956)	(4,190)	(12,370)	(4,571)	(3,432)	-	-	-	(190,883)
Appropriation for expenditures	(2,751)	(943)	(2,070)	(52,616)	(12,274)	(5,118)	(2,500)	(7,500)	(2,000)	(1,831)	-	(20,000)	(22,250)	(131,853)
Uncollectible contributions	-	-	-	(23,006)	-	-	-	-	-	-	-	-	-	(23,006)
Net change	(8,556)	(3,349)	1,714	(185,373)	(15,245)	(18,074)	(6,340)	(3,070)	(6,571)	31,364	24,604	(20,000)	(9,750)	(218,646)
Balance at beginning of year	74,227	25,670	56,330	1,171,125	272,936	138,252	44,364	115,196	48,779	-	-	20,000	25,000	1,991,879
<b>BALANCE AT END OF YEAR</b>	<b>\$ 65,671</b>	<b>\$ 22,321</b>	<b>\$ 58,044</b>	<b>\$ 985,752</b>	<b>\$ 257,691</b>	<b>\$ 120,178</b>	<b>\$ 38,024</b>	<b>\$ 112,126</b>	<b>\$ 42,208</b>	<b>\$ 31,364</b>	<b>\$ 24,604</b>	<b>\$ -</b>	<b>\$ 15,250</b>	<b>\$ 1,773,233</b>

Digital asset\*