

PHI SIGMA KAPPA FOUNDATION, INC.

Financial Statements

June 30, 2021

PHI SIGMA KAPPA FOUNDATION, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-19

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Phi Sigma Kappa Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Phi Sigma Kappa Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit 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 the 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 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 Phi Sigma Kappa Foundation, Inc. as of June 30, 2021, and the results of its operations, its cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes, Givens & Barnes, Ltd.

Mount Prospect, Illinois
January 25, 2022

PHI SIGMA KAPPA FOUNDATION, INC.

Statement of Financial Position

June 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 131,345
Restricted cash	231
Accounts receivable	-
Contributions receivable, net	34,494
Investments	1,937,916
Prepaid expenses	-

Total Current Assets 2,103,986

Property

Land	46,900
Building	564,467
Equipment	7,333
Less: accumulated depreciation	<u>(528,405)</u>

Total Property 90,295

Total Assets \$ 2,194,281

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	<u>\$ 1,646</u>
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Total Liabilities 1,646

Net Assets

Net assets without donor restrictions	
Undesignated	448,124
Board Designated Chapter Eternal Education Fund	133,609
Net assets with donor restrictions	<u>1,610,902</u>

Total Net Assets 2,192,635

Total Liabilities and Net Assets \$ 2,194,281

See Accompanying Notes to Financial Statements

PHI SIGMA KAPPA FOUNDATION, INC.

Statement of Activities
For the Year Ended June 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 310,749	\$ 267,536	\$ 578,285
Investment return, net	128,033	306,499	434,532
Other income	-	-	-
Rent	51,000	-	51,000
	<u>489,782</u>	<u>574,035</u>	<u>1,063,817</u>
Net assets released from restrictions	<u>378,136</u>	<u>(378,136)</u>	<u>-</u>
Total Support and Revenues	<u>867,918</u>	<u>195,899</u>	<u>1,063,817</u>
Expenses			
Programs	510,188	-	510,188
Administration	104,358	-	104,358
Fundraising	94,343	-	94,343
	<u>708,889</u>	<u>-</u>	<u>708,889</u>
Change in Net Assets	159,029	195,899	354,928
Net Assets, Beginning of Year	<u>422,704</u>	<u>1,415,003</u>	<u>1,837,707</u>
Net Assets, End of Year	<u>\$ 581,733</u>	<u>\$ 1,610,902</u>	<u>\$ 2,192,635</u>

See Accompanying Notes to Financial Statements

PHI SIGMA KAPPA FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Programs	Administration	Fundraising	Total
Grants	\$ 485,625	\$ -	\$ -	\$ 485,625
Management fee	24,563	55,674	50,763	131,000
Depreciation	-	18,524	-	18,524
Professional services	-	21,715	-	21,715
Bank fees	-	8,445	-	8,445
Direct mail	-	-	13,255	13,255
Fundraising	-	-	28,646	28,646
Travel	-	-	1,679	1,679
Total Functional Expenses	\$ 510,188	\$ 104,358	\$ 94,343	\$ 708,889

See Accompanying Notes to Financial Statements

PHI SIGMA KAPPA FOUNDATION, INC.

Statement of Cash Flows
For the Year Ended June 30, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 354,928
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-	
Depreciation	18,524
Change in allowance for doubtful accounts	(1,692)
Unrealized (gain) on investments	(397,590)
(Increase) decrease in assets-	
Accounts receivable	621
Contributions receivable, net	33,264
Prepaid expenses	-
Increase (decrease) in liabilities-	
Accounts payable	(73,110)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	(65,055)
Cash Flows from Investing Activities	
Purchase of investments	(897,131)
Proceeds from sale of investments	972,462
	<hr/>
Net Cash Provided by (Used in) Investing Activities	75,331
	<hr/>
Net Increase in Cash and Cash Equivalents	10,276
Cash and Cash Equivalents - Beginning of Year	121,300
	<hr/>
Cash and Cash Equivalents - End of Year	<u>\$ 131,576</u>

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Supplemental Disclosure of Cash Flow Information-

Cash paid during the year for:

Interest	\$ -
Income taxes	\$ -

See Accompanying Notes to Financial Statements

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note A – Organization and Nature of Activities

The Phi Sigma Kappa Foundation (the “Foundation”) is organized to promote educational, literary and charitable purposes by promoting scholarships, student aid and assistance to needy and deserving students and other charitable purposes as may be determined by the Foundation’s trustees. The Foundation achieves these purposes by receiving, holding and administering money and property, by gift, devise, bequest or otherwise absolutely in trust, using the principal or income therefrom to promote educational and charitable purposes.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are considered to be highly liquid depository accounts with a maturity of less than one year. Deposits held in all non-interest bearing transactional bank accounts and interest-bearing accounts with each banking institution are aggregated by entity and are fully insured up to \$250,000 per bank.

Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability). A fair value measurement assumes that the transaction to sell an asset or to transfer a liability occurs either in the principal market (or in its absence, the most advantageous market) for the asset or liability.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note B – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information may not be available. When a price for an identical asset or liability is not observable, the Foundation measures fair value using other valuation techniques which maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, the Foundation's intent to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized customer obligations. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance or, if unspecified, investigated to identify the appropriate invoice to which to apply the payment.

Management reviews all individual customer accounts receivable balances that exceed ninety (90) days from invoice date and based on the assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Based upon these reviews management believed all accounts receivable to be fully collectible and, accordingly, no allowance for uncollectible accounts receivable is reflected in the accompanying financial statements.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and the current risk-free investment interest rate.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note B – Summary of Significant Accounting Policies (continued)

Unconditional Promises to Give (continued)

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made, and based upon these reviews, management believes that a portion of the Foundation's contributions receivable are deemed uncollectible and, accordingly, an allowance for uncollectible contributions receivable of \$1,818 is reflected in the accompanying financial statements.

Land, Building and Equipment

Land, building and equipment are reported on the statement of financial position at cost, if purchased, and fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a useful life, when acquired, of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Useful Lives</u>
Building and improvements	10-39 years
Brick plaza	10 years
Office equipment	5-7 years
Computer equipment	3-5 years

Land, buildings and equipment are reviewed for impairment when significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

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. If the governing board were to designate from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, those funds would also fall under this category.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note B – Summary of Significant Accounting Policies (continued)

Net Assets (continued)

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses have been allocated to the program and supporting services benefited based on time devoted by the Foundation staff or the square footage allocated to the functional area.

New Accounting Standards

In February 2016, FASB issued ASU No. 2016-02, *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. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2019-10, is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 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 No. 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 retained earnings in the period of adoption. Management is currently assessing the impact of this new standard.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note B – Summary of Significant Accounting Policies (continued)

COVID-19 Impact

The Trustees and management evaluated the impact of the COVID-19 pandemic and have concluded that the overall net effect on the Foundation's financial position resulted in no significant deterioration of its operations and cash flows. During the initial phases of the global COVID-19 pandemic, the Foundation saw an increase of participation in our annual giving program. Overall, Management believes the donor and volunteer base values the strength of the fraternity, allowing them to remain steadfast and dedicated. This support allows the Foundation to continuously adapt and manage as the COVID-19 pandemic continues.

Note C - Income Taxes

The Foundation is a not-for-profit organization exempt from paying corporate federal income tax under Section 501 (c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

The Foundation files Form 990, Return of Organization Exempt from Income Tax with the Federal government. The Foundation also files Form NP-20, Indiana Nonprofit Organization's Annual Report with the Indiana Department of Revenue. Management has determined that the Foundation has no income tax liability as of June 30, 2021. The Foundation has evaluated its tax positions and determined it has no uncertain tax positions at June 30, 2021. The Foundation's 2018-2020 tax years are open for examination by the IRS and State of Indiana. Should the Foundation's tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS.

Note D – Fair Value of Investments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell an asset or paid to transfer a liability regardless of whether an observable liquid marked price exist (exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note D – Fair Value of Investments (continued)

- Level 2 Inputs to the valuation methodology include:
 - o Quoted prices for similar assets or liabilities in active markets;
 - o Quoted prices for identical or similar assets or liabilities in inactive markets;
 - o Inputs other than quoted prices which are observable for the asset or liability;
 - o Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially for full term of the asset or liability.

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

Each asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input which is significant to the fair value measurement. Valuation techniques utilized should maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

Mutual Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-ended mutual funds which are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The methods described above could produce fair value calculations which may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation's management believes that the valuation methods used are appropriate and consistent with those utilized by other market participants, the implementation of different methodologies or assumptions to determine the fair value of the Foundation's investment portfolio might result in different fair value measurements at report date.

The Foundation invests in various types of investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of the portfolio will occur in the near term (1 year) and such changes could materially affect the Foundation's investments and the amounts reported in the accompanying statement of financial position.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note D – Fair Value of Investments (continued)

The following table set forth, by level within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021.

Assets	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 196,876	\$ -	\$ -	\$ 196,876
U.S. Equity Mutual Funds	-	1,298,021	-	1,298,021
Intl. Blended Mutual Funds	-	286,756	-	286,756
U.S. Real Estate Mutual Funds	-	156,263	-	156,263
Total	<u>\$ 196,876</u>	<u>\$ 1,741,040</u>	<u>\$ -</u>	<u>\$ 1,937,916</u>

Investments are composed of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 196,876	\$ 196,876
U.S. Equity Mutual Funds	1,065,871	1,298,021
Intl. Blended Mutual Funds	244,303	286,756
U.S. Real Estate Mutual Funds	123,277	156,263
Total	<u>\$ 1,630,327</u>	<u>\$ 1,937,916</u>
<u>Investment Income (Loss)</u>		
Dividends and interest	\$ 36,942	
Net realized and unrealized gain	397,590	
Advisory fees	-	
Total	<u>\$ 434,532</u>	

Note E – Board Designated Chapter Eternal Education Fund

Board Designated Chapter Eternal Educational Funds are funds received through bequests that are without donor restrictions and will be utilized at the discretion of the Board of Trustees with a balance of \$133,609 at June 30, 2021. These funds are primarily to be used for educational purposes such as scholarships and leadership training, sustained operations, and capacity building.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note F – Net Assets with Donor Restrictions

The following summaries sets forth the activity in net assets with donor restrictions for the year ended June 30, 2021, which are available for the following purposes:

	2020	Increase	Decrease	2021
Endowed Assets:				
Scholarship and grants				
Chapter educational funds	\$ 76,721	\$ 16,299	\$ 1,188	\$ 91,832
RT Simpson/Whitfield	38,509	-	-	38,509
McMaster	398,555	-	-	398,555
Delta Pentaton	239,465	53,690	1,129	292,026
Ronald Nish	99,760	22,633	-	122,393
Total endowed assets	853,010	92,622	2,317	943,315
Restricted by purpose:				
Scholarship and grants				
Chapter educational funds	274,073	240,689	215,877	298,885
RT Simpson/Whitfield	3,377	10,544	-	13,921
Zillgitt Estate	10,345	3,811	-	14,156
Delta Pentaton	7,368	6,231	8,871	4,728
Ronald Nish	58,023	17,085	-	75,108
Earl Christensen	25,675	6,463	-	32,138
Zeta	88,961	21,137	69,000	41,098
McMaster	-	100,328	-	100,328
Total scholarship and grants	467,822	406,288	293,748	580,362
Qualifying housing grants				
Kappa Deuteron house renovation	16,281	4,098	-	20,379
Kappa Tetarton housing fund	6,709	(192)	(4,485)	11,002
Ferris St housing fund	4,900	38,804	22,616	21,088
Total housing grants	27,890	42,710	18,131	52,469
Other				
Alpha Epsilon - recolonization	215	47	-	262
Total restricted by purpose	495,927	449,045	311,879	633,093
Restricted by time	66,066	32,368	63,940	34,494
Total	\$ 1,415,003	\$ 574,035	\$ 378,136	\$ 1,610,902

Endowment

The Foundation's endowment consists of 13 donor restricted funds. All 13 funds have been established to support scholarships and educational grants. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note F – Net Assets with Donor Restrictions (continued)

Management has interpreted the Uniform Prudent Management 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 donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund.

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

- (1) The duration and preservation of the fund
- (2) The purpose of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Management has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021, the Foundation did not have and underwater endowments.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchase power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return in the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principle over time.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note F – Net Assets with Donor Restrictions (continued)

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the Board of Trustees, is applied to the rolling average fair value of the Endowment investments for the prior 3 years at June 30 of each year to determine the spending amount for the upcoming year. During 2021, the spending rate maximum was 4 percent. In establishing this policy, management considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchase power of the Endowment over time. The board considers all contributions received with permanent donor restrictions to be endowed assets.

The change in investments functioning as endowment is as follows for the year ended June 30, 2021:

Endowment net assets, beginning of year	\$ 853,011
Contributions, net	-
Investment return, net	92,621
Distributions and transfers	<u>(2,317)</u>
 Endowment net assets, end of year	 <u>\$ 943,315</u>

Note G – Transactions with Affiliated Organizations

The Grand Chapter of Phi Sigma Kappa

The Grand Chapter of Phi Sigma Kappa (the “Fraternity”), an affiliated organization, is a legal separate entity organized to operate as an international college fraternity. The accounts of the Fraternity have not been combined with the Foundation in the accompanying financial statements.

The Foundation awarded scholarship and educational grants to the Fraternity in the amount of \$150,000 and to other affiliated organizations in the amount of \$314,196 during the year ended June 30, 2021.

The Foundation reimbursed the Fraternity \$131,000 for personnel and office services provided during the year ended June 30, 2021. The reimbursements were allocated to program, fundraising and general and administrative expenses on the statement of functional expenses.

PHI SIGMA KAPPA FOUNDATION, INC.
Notes to the Financial Statements
June 30, 2021

Note G – Transactions with Affiliated Organizations (continued)

The Foundation charged the Fraternity \$51,000 for office rent during the year ended June 30, 2021. On July 1, 2020, the Foundation signed a new lease for a 10-year term. The following is a schedule, by years, of future minimum rental income:

<u>Year Ended June 30,</u>	
2022	\$ 52,020
2023	53,064
2024	54,120
2025	55,200
2026	56,304
Thereafter	<u>236,724</u>
Total	<u>\$ 507,432</u>

The Signet magazine is published and funded jointly by the Foundation and the Fraternity and is governed by the Signet Publishing Board comprised of appointees of both the Foundation and the Fraternity. The Foundation's funding of the Signet for qualifying expenses was \$21,429 for the year ended June 30, 2021.

Phi Sigma Kappa Properties, Inc.

Phi Sigma Kappa Properties, Inc. ("Properties"), an affiliated organization, facilitates ownership and improvement of housing for active chapters of the Fraternity. Properties is a legally separate entity and the accounts of Properties have not been combined with the Foundation in the accompanying financial statements.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note H—Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts with donor-imposed purpose and time restrictions.

	<u>2021</u>
Financial assets, at year-end:	
Cash and cash equivalents	\$ 131,345
Restricted cash	231
Contributions receivable, net	34,494
Investments	1,937,916
Less contractual or donor-imposed restrictions:	
Endowed net assets	(943,315)
Donor restrictions for specific purposes	(633,093)
Time-restricted for future periods	<u>(34,494)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 493,084</u>

Note I – Donated Services

No amounts have been reflected in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Foundation's program and support service.

Note J – Subsequent Events

The Foundation's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19), which was declared a pandemic by the World Health Foundation in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in disruption to the Foundation's members and revenue streams (including attendance of future events), and a decline in value of the Foundation's marketable securities.

PHI SIGMA KAPPA FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2021

Note J – Subsequent Events (continued)

On November 12, 2021, the Foundation sold the building and land to Phi Sigma Kappa Properties, Inc. for \$700,000. The Fraternity will continue its ten-year lease through June 30, 2030 with Properties continuing as the lessor.

Other than the matters noted above, the Foundation has determined that no material events or transactions occurred subsequent to June 30, 2021 and through the date of the independent auditor's report, the date the financial statements were available for issuance, that would require adjustments to and/or additional disclosure to the financial statements.