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**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**

**COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 and 2009**

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A Professional Accounting Corporation

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**AND PHI KAPPA PHI FOUNDATION**

**COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 and 2009**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Honor Society of Phi Kappa Phi  
and Phi Kappa Phi Foundation  
Baton Rouge, Louisiana

We have audited the accompanying combined statements of financial position of The Honor Society of Phi Kappa Phi and Phi Kappa Phi Foundation as of June 30, 2010 and 2009, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Honor Society of Phi Kappa Phi and Phi Kappa Phi Foundation as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information included in the schedules on pages 15 and 16 is presented for the purpose of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.



Baton Rouge, Louisiana  
September 30, 2010

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 1,585,239	\$ 1,475,544
Investments - marketable securities	28,941,363	25,578,807
Accrued interest receivable	43,349	55,733
Inventory	101,838	169,761
Accounts receivable and other assets	<u>121,110</u>	<u>135,395</u>
Total current assets	<u>30,792,899</u>	<u>27,415,240</u>
<b><u>PROPERTY AND EQUIPMENT:</u></b>		
Land	114,000	114,000
Building	766,136	760,669
Furniture and equipment	1,056,881	1,009,729
Less: accumulated depreciation	<u>(1,005,438)</u>	<u>(924,510)</u>
Property and equipment-net	<u>931,579</u>	<u>959,888</u>
<b><u>OTHER ASSETS:</u></b>		
Investments-marketable securities-restricted	<u>2,064,094</u>	<u>2,063,249</u>
Total assets	<u>\$ 33,788,572</u>	<u>\$ 30,438,377</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>		
Advance payment of dues	\$ 1,404,260	\$ 1,346,584
Advance payment - convention	24,412	-
Accounts payable and accrued expenses	186,205	256,460
Due to chapters	<u>160,880</u>	<u>129,228</u>
Total current liabilities	1,775,757	1,732,272
<b><u>LONG TERM LIABILITIES:</u></b>		
Advance payment of dues	<u>379,653</u>	<u>363,199</u>
Total liabilities	<u>2,155,410</u>	<u>2,095,471</u>
<b><u>NET ASSETS:</u></b>		
Unrestricted	29,569,068	26,279,657
Permanently restricted	<u>2,064,094</u>	<u>2,063,249</u>
Total net assets	<u>31,633,162</u>	<u>28,342,906</u>
Total liabilities and net assets	<u>\$ 33,788,572</u>	<u>\$ 30,438,377</u>

The accompanying notes are an integral part of these combined financial statements.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**COMBINED STATEMENT OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2010**

	2010		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions	\$ 214,091	\$ 845	\$ 214,936
Annual membership dues	1,900,419	-	1,900,419
Initiation fees	614,565	-	614,565
Active-for-life memberships	453,055	-	453,055
Dividends and interest	825,224	-	825,224
Net unrealized and realized losses on investments	2,296,225	-	2,296,225
Sales of emblems, certificates, etc.	220,544	-	220,544
Royalty income	132,175	-	132,175
Other	11,231	-	11,231
<b>Total revenues, gains, and other support</b>	<b>6,667,529</b>	<b>845</b>	<b>6,668,374</b>
Expenses:			
Fellowships Program	369,573	-	369,573
Literacy Grants	29,955	-	29,955
Study Abroad Program	50,000	-	50,000
Love of learning award	24,500	-	24,500
Emerging scholar award	15,000	-	15,000
New Initiatives	54,432	-	54,432
Commemoratives	1,014	-	1,014
Society headquarters salaries	1,016,543	-	1,016,543
Society headquarters office fringe benefits	308,699	-	308,699
Society headquarters office facilities and operations	195,178	-	195,178
Resale items	325,741	-	325,741
Board of directors travel	40,943	-	40,943
Depreciation	86,433	-	86,433
Fundraising	14,283	-	14,283
Chapter support	21,220	-	21,220
Committee meetings	15,056	-	15,056
Marketing and Communications	250,946	-	250,946
Publications	314,624	-	314,624
Investment expense	64,643	-	64,643
Other society headquarters expenses	179,335	-	179,335
Convention expense	-	-	-
<b>Total expenses</b>	<b>3,378,118</b>	<b>-</b>	<b>3,378,118</b>
<b>Change in net assets</b>	<b>3,289,411</b>	<b>845</b>	<b>3,290,256</b>
Net assets at beginning of year	26,279,657	2,063,249	28,342,906
Net assets at end of year	<u>\$ 29,569,068</u>	<u>\$ 2,064,094</u>	<u>\$ 31,633,162</u>

The accompanying notes are an integral part of these combined financial statements.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**COMBINED STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEARS ENDED JUNE 30, 2009**

	2009		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions	\$ 145,272	\$ 10,200	\$ 155,472
Annual membership dues	1,919,617	-	1,919,617
Initiation fees	468,270	-	468,270
Active-for-life memberships	423,125	-	423,125
Dividends and interest	1,007,242	-	1,007,242
Net unrealized and realized losses on investments	(4,868,036)	-	(4,868,036)
Sales of emblems, certificates, etc.	210,699	-	210,699
Royalty income	162,821	-	162,821
Other	13,640	-	13,640
	<u>(517,350)</u>	<u>10,200</u>	<u>(507,150)</u>
Total revenues, losses, and other support			
Expenses:			
Fellowships Program	392,753	-	392,753
Literacy Grants	27,202	-	27,202
Study Abroad Program	50,000	-	50,000
Love of learning award	25,000	-	25,000
Emerging scholar award	15,000	-	15,000
Commemoratives	3,835	-	3,835
Society headquarters salaries	991,583	-	991,583
Society headquarters office fringe benefits	284,608	-	284,608
Society headquarters office facilities and operations	250,487	-	250,487
Resale items	333,188	-	333,188
Board of directors travel	54,252	-	54,252
Depreciation	89,039	-	89,039
Fundraising	13,892	-	13,892
Chapter support	49,116	-	49,116
Committee meetings	21,547	-	21,547
Marketing and Communications	283,037	-	283,037
Publications	317,456	-	317,456
Investment expense	60,250	-	60,250
Other society headquarters expenses	179,948	-	179,948
Convention expense	368	-	368
	<u>3,442,561</u>	<u>-</u>	<u>3,442,561</u>
Total expenses			
Change in net assets	(3,959,911)	10,200	(3,949,711)
Net assets at beginning of year	<u>30,239,568</u>	<u>2,053,049</u>	<u>32,292,617</u>
Net assets at end of year	<u>\$ 26,279,657</u>	<u>\$ 2,063,249</u>	<u>\$ 28,342,906</u>

The accompanying notes are an integral part of these combined financial statements.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**  
**(A NOT-FOR-PROFIT ORGANIZATION)**

**COMBINED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 3,290,256	\$ (3,949,711)
Less Foundation donor-restricted contributions-study abroad program	(225)	(200)
Less Society donor-restricted contributions- staff contributions to building campaign	(620)	(10,000)
	<u>3,289,411</u>	<u>(3,959,911)</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	86,433	89,040
Amortization and accretion of bond discount/premium	6,929	16,416
Losses on sales of marketable securities	73,217	75,658
Unrealized appreciation/depreciation of marketable securities	(2,349,458)	4,821,233
Changes in operating assets and liabilities:		
Accrued interest receivable	12,384	(43,395)
Inventory	67,923	(31,423)
Accounts receivable and other assets	14,285	5,171
Advance payment of dues	74,130	171,103
Advance payment-convention	24,412	-
Accounts payable and accrued expenses	(70,255)	78,211
Due to chapters	31,652	64,085
Net cash provided by operating activities	<u>1,261,063</u>	<u>1,286,188</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of marketable securities	(4,298,190)	(2,633,243)
Proceeds from sales and maturities of marketable securities	3,204,101	1,769,281
Purchases of property and equipment	(58,124)	(78,817)
Net cash used in investing activities	<u>(1,152,213)</u>	<u>(942,779)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Donor-restricted contributions	<u>845</u>	<u>10,200</u>
Net cash provided by financing activities	<u>845</u>	<u>10,200</u>
Net increase in cash and cash equivalents	109,695	353,609
Cash and cash equivalents at beginning of year	<u>1,475,544</u>	<u>1,121,935</u>
Cash and cash equivalents at end of year	<u>\$ 1,585,239</u>	<u>\$ 1,475,544</u>

The accompanying notes are an integral part of these combined financial statements.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

The combined financial statements as of and for the years ended June 30, 2010 and 2009 include the accounts of The Honor Society of Phi Kappa Phi (Society) and the Phi Kappa Phi Foundation (Foundation, and together with the Society, Phi Kappa Phi), which are affiliated through common management. The accounting policies which materially affect the determination of financial position and results of activities are summarized below. All intercompany revenues and expenses and all intercompany receivables and payables have been eliminated in combination.

**Objectives of Phi Kappa Phi**

The primary objectives of Phi Kappa Phi are to promote the pursuit of excellence in all fields of higher education, to recognize outstanding achievement by students, faculty, and others through election to membership and through various other awards for distinguished achievement, and to engage the community of scholars in service to others.

**Basis of Combined Financial Statements**

The accompanying combined financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

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

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Phi Kappa Phi and/or passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations require that they be maintained permanently by Phi Kappa Phi. Contributions to the Foundation may be donor restricted to one of five programs. These programs are the Fellowship Program, the Promotion of Excellence Grant Program, the Scholar and Artist Program, the Literacy Program, and the Study Abroad Program. Contributions to the Society may be donor restricted if funds are exclusively for the Building Fund. The Foundation and Society records these donations as permanently restricted.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

**Basis of Combined Financial Statements (continued)**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as net assets released from restriction. According to the Foundation's Bylaws, the Foundation is empowered to solicit, collect, and manage monetary and other fiscal resource contributions. The value of each contribution, at time of acquisition, is to be added to the permanent fund. The corpus of these additions is to be maintained throughout the life of the Foundation. Earnings from the corpus in the form of interest, dividends, annual net realized gains from sales or exchanges, and other forms of return on investments may be used to meet the objectives of the Foundation. Investment income is recorded in the unrestricted fund.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the condition on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

**Cash and Cash Equivalents**

Phi Kappa Phi considers cash in banks, cash held in trust funds, and commercial paper due on demand to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair market value.

**Investments – Marketable Securities**

Investments in marketable securities include debt and equity securities to be held for indefinite periods of time and not necessarily intended to be held to maturity or on a long-term basis. Securities held for indefinite periods of time include securities that management intends to use as part of its overall investment strategy and that may be sold in response to changes in interest rates, prepayment rates, liquidity needs, or other reasons.

Investments in marketable securities are carried at fair value. Unrealized holding gains and losses for marketable securities are included in the accompanying combined statements of activities.

Interest and dividends earned on marketable securities are recognized on the accrual basis of accounting and are included in return on investments in the accompanying combined statements of activities. Also included in return on investments are amortization of premiums and accretion of discounts on securities, which are computed on a level yield basis and unrealized gains and losses. Dividend income is recognized on the ex-dividend date.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

**Investments – Marketable Securities (continued)**

Purchases and sales of marketable securities are recorded on a trade date basis. The adjusted cost of each specific security is used to determine gains or losses on sales of marketable securities. See Note 5 for discussion of fair value measurements.

**Inventories**

Inventories include Phi Kappa Phi emblems, certificates, tie tacks, clothing and other materials sold to members. Inventories are stated at lower of cost or market using the first-in, first-out method.

**Property and Equipment**

It is the policy of Phi Kappa Phi to capitalize all expenditures for equipment and property in excess of \$750. Those items with a cost of less than \$750 are expensed in the year of acquisition. All property and equipment are stated at cost if purchased or, if donated, at fair market value at the date of the gift, less accumulated depreciation.

Repairs and maintenance expenses are charged to operations when incurred and major betterment and replacements are capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives, which range from 3 to 7 years for furniture and equipment and 39 years for building. Depreciation expense is \$86,433 and \$89,039, respectively, for the years ended June 30, 2010 and 2009.

**Membership Dues and Initiation Fees**

Membership dues are deferred and recognized as revenue over the applicable membership period. Active-for-life membership dues are recognized as revenue in the period when payment is received. Initiation fees are recorded as revenue in the period when the fees are due.

**Tax Status**

Phi Kappa Phi is exempt from federal income taxes on its related income under Section 501 (a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501 (c)(3). Accordingly, no provision for income taxes has been made; however, should Phi Kappa Phi engage in activities unrelated to the purpose for which it was created, taxable income could result. Phi Kappa Phi had no material unrelated business income for the fiscal years ended June 30, 2010 and 2009.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

**Tax Status (continued)**

On January 1, 2009, the Phi Kappa Phi adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. Phi Kappa Phi's administration has evaluated its position regarding the accounting for uncertain income tax positions. Phi Kappa Phi administration recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. Phi Kappa Phi administration does not believe that it has any material uncertain tax positions. With few exceptions, Phi Kappa Phi is no longer subject to federal, state, or local tax examinations by tax authorities for years before 2006.

**Estimates**

The preparation of Combined Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the Combined Financial Statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Recent accounting pronouncements**

Effective July 1, 2009, Phi Kappa Phi adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP). All guidance in the Codification carries an equal level of authority. After the effective date of the Codification, all nongrandfathered accounting literature not included in the Codification is superseded and deemed nonauthoritative. FASB will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP.

**2. Cash and Cash Equivalents**

Phi Kappa Phi maintains deposit accounts with a commercial bank which may, periodically, exceed the federally insured amount. Cash and cash equivalents at June 30:

	<u>2010</u>	<u>2009</u>
Cash in banks	\$ 206,654	\$ 116,528
Money market mutual funds	1,378,585	1,359,016
Total cash and cash equivalents	<u>\$ 1,585,239</u>	<u>\$ 1,475,544</u>

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**3. Investments – Marketable Securities**

The following is a summary of investments held at fair value at June 30:

	<u>2010</u>	<u>2009</u>
Debt securities:		
U.S. government obligations	\$ 208,916	\$ 241,174
Corporate obligations	<u>92,215</u>	<u>219,342</u>
Total debt securities	301,131	460,516
Equity mutual funds	15,826,887	13,064,617
Fixed income mutual funds	<u>14,877,439</u>	<u>14,116,923</u>
Total marketable securities	<u>\$ 31,005,457</u>	<u>\$ 27,642,056</u>

**4. Return on Investments**

The following is a summary of the return on investments for the years ended June 30:

	<u>Society</u>	<u>Foundation</u>	<u>2010 Combined</u>	<u>2009 Combined</u>
Dividends and interest	\$ 384,142	\$ 441,082	\$ 825,224	\$ 1,007,242
Net realized and unrealized gains (losses)	<u>925,781</u>	<u>1,370,444</u>	<u>2,296,225</u>	<u>( 4,868,036)</u>
Total return on investments	<u>\$ 1,309,923</u>	<u>\$ 1,811,526</u>	<u>\$ 3,121,449</u>	<u>(\$ 3,860,794)</u>

**5. Fair Value Measurements**

FASB ASC provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the framework 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 entity has the ability to access.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
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**BATON ROUGE, LOUISIANA**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**5. Fair Value Measurements (continued)**

- Level 2 – Inputs are based upon quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

*Mutual funds:* Valued at the net asset value (NAV) of shares held at year end.

*Corporate obligations and U.S. government obligations:* Valued using estimated using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads.

*Fair Value of Assets Measured on a Recurring Basis*

The Organizations' securities are measured on a recurring basis through a model used by its investment custodian. The following table sets forth by level, within the fair value hierarchy, the Phi Kappa Phi's assets at fair value as of June 30, 2010 and 2009:

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
U.S. government obligations	\$ -	\$ 208,916	\$ -	\$ 208,916
Corporate obligations	-	92,215	-	92,215
Equity mutual funds	15,826,887	-	-	15,826,887
Fixed income mutual funds	14,877,439	-	-	14,877,439
	<u>\$ 30,704,326</u>	<u>\$ 301,131</u>	<u>\$ -</u>	<u>\$ 31,005,457</u>
	June 30, 2009			
	Level 1	Level 2	Level 3	Total
U.S. government obligations	\$ -	\$ 241,174	\$ -	\$ 241,174
Corporate obligations	-	219,342	-	219,342
Equity mutual funds	13,064,617	-	-	13,064,617
Fixed income mutual funds	14,116,923	-	-	14,116,923
	<u>\$ 27,181,540</u>	<u>\$ 460,516</u>	<u>\$ -</u>	<u>\$ 27,642,056</u>

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**5. Fair Value Measurements (continued)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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.

**6. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Accounts payable – trade	\$ 20,958	\$ 108,020
Accrued sick and leave time	163,235	146,031
Other accrued expenses	<u>2,012</u>	<u>2,409</u>
	<u>\$ 186,205</u>	<u>\$ 256,460</u>

**7. Benefit Plan**

Phi Kappa Phi has a defined contribution pension plan that covers all full-time employees. Phi Kappa Phi contributes an amount equal to 11% of employees' salaries. Employees make no contributions and are immediately vested in the employer contribution. Pension expense charged to operations for the years ended June 30, 2010 and 2009 was \$107,279 and \$87,075 respectively.

**8. Net Assets**

The primary objective of Phi Kappa Phi's investment and spending policies for its endowed assets was for the investment of donor contributions. These donations are used to meet the mission statement of Phi Kappa Phi. Its endowment includes donor- restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Phi Kappa Phi has interpreted the Louisiana State 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 donor stipulations to the contrary. This Act is not effective until July 1, 2010. Upon implementation, Phi Kappa Phi will classify as permanently restricted net assets (a) the original value of 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 accumulation is added to the fund.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**8. Net Assets (continued)**

As of June 30, 2010 and 2009, all interest and dividend income and unrealized gains were classified as unrestricted. Permanently restricted net assets consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Fellowship Program	\$ 1,630,163	\$ 1,630,163
Promotion of Excellence Grant Program	6,612	6,612
Scholar and Artist Program	10,978	10,978
Literacy Program	790	790
Study Abroad Program	33,616	33,391
Building Fund	<u>381,935</u>	<u>381,315</u>
	<u>\$ 2,064,094</u>	<u>\$ 2,063,249</u>

Interest, dividends, capital gains or other earnings of the permanently restricted net assets are to be utilized at the discretion of the Board of Directors, until the implementation of UPMIFA, and in compliance with the policies and procedures of the Board designated holder of the endowment. This policy, with the exception of the inviolate nature of the endowment that may not be altered, may only be changed by a two-thirds majority vote of the elected, voting members of the Board of Directors.

Changes in endowment net assets were as follows as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2008	\$ -	\$ -	\$ 2,053,049	2,053,049
Investment Return:				
Investment income	64,866	-	-	64,866
Net depreciation	(340,953)	-	-	(340,953)
Contributions	-	-	10,200	10,200
Amounts used from unrestricted assets to cover expenses	<u>276,087</u>	<u>-</u>	<u>-</u>	<u>276,087</u>
Endowment net assets, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,063,249</u>	<u>\$ 2,063,249</u>

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**8. Net Assets (continued)**

Changes in endowment net assets were as follows as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ -	\$ -	\$ 2,063,249	\$ 2,063,249
Investment Return:				
Investment income	43,950	-	-	43,950
Net appreciation	155,116	-	-	155,116
Contributions	-	-	845	845
Appropriation of endowment assets for expenditure	<u>(199,066)</u>	<u>-</u>	<u>-</u>	<u>(199,066)</u>
Endowment net assets, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,064,094</u>	<u>\$ 2,064,094</u>

**9. Reclassifications**

Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no impact on the change in net assets.

**10. Subsequent Event**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 30, 2010, and determined that no additional disclosures are necessary.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**COMBINING SCHEDULE - FINANCIAL POSITION INFORMATION**  
**YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)**

	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>2010 Combined</u>	<u>2009 Combined</u>
Current assets:					
Cash and cash equivalents	\$ 741,060	\$ 844,179	\$ -	\$ 1,585,239	\$ 1,475,544
Investments - marketable securities	13,713,477	15,227,886	-	28,941,363	25,578,807
Accrued interest receivable	23,658	19,691	-	43,349	55,733
Inventory	101,838	-	-	101,838	169,761
Accounts receivable and other assets	121,110	-	-	121,110	135,395
Receivable from Foundation/Society	-	4,750	(4,750)	-	-
Total current assets	<u>14,701,143</u>	<u>16,096,506</u>	<u>(4,750)</u>	<u>30,792,899</u>	<u>27,415,240</u>
Property, plant, and equipment:					
Land	114,000	-	-	114,000	114,000
Building	766,136	-	-	766,136	760,669
Furniture and equipment	1,056,881	-	-	1,056,881	1,009,729
Less: accumulated depreciation	<u>(1,005,438)</u>	<u>-</u>	<u>-</u>	<u>(1,005,438)</u>	<u>(924,510)</u>
Total property, plant, and equipment	<u>931,579</u>	<u>-</u>	<u>-</u>	<u>931,579</u>	<u>959,888</u>
Other assets:					
Investments - marketable securities - restricted	<u>381,935</u>	<u>1,682,159</u>	<u>-</u>	<u>2,064,094</u>	<u>2,063,249</u>
Total assets	<u>\$ 16,014,657</u>	<u>\$ 17,778,665</u>	<u>\$ (4,750)</u>	<u>\$ 33,788,572</u>	<u>\$ 30,438,377</u>
Current liabilities:					
Advance payment - dues	\$ 1,404,260	\$ -	\$ -	\$ 1,404,260	1,346,584
Advance payment - convention	24,412	-	-	24,412	-
Accounts payable and accrued expenses	186,205	-	-	186,205	256,460
Due to chapters	160,880	-	-	160,880	129,228
Due to Foundation/Society	4,750	-	(4,750)	-	-
Total current liabilities	<u>1,780,507</u>	<u>-</u>	<u>(4,750)</u>	<u>1,775,757</u>	<u>1,732,272</u>
Long-term liabilities:					
Advance payment of dues	<u>379,653</u>	<u>-</u>	<u>-</u>	<u>379,653</u>	<u>363,199</u>
Total liabilities	<u>2,160,160</u>	<u>-</u>	<u>(4,750)</u>	<u>2,155,410</u>	<u>2,095,471</u>
Net assets - unrestricted	13,472,562	16,096,506	-	29,569,068	26,279,657
Net assets - permanently restricted	<u>381,935</u>	<u>1,682,159</u>	<u>-</u>	<u>2,064,094</u>	<u>2,063,249</u>
Total net assets	<u>13,854,497</u>	<u>17,778,665</u>	<u>-</u>	<u>31,633,162</u>	<u>28,342,906</u>
Total liabilities and net assets	<u>\$ 16,014,657</u>	<u>\$ 17,778,665</u>	<u>\$ (4,750)</u>	<u>\$ 33,788,572</u>	<u>\$ 30,438,377</u>

See accompanying auditors' report.

**THE HONOR SOCIETY OF PHI KAPPA PHI**  
**AND PHI KAPPA PHI FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**COMBINING SCHEDULE - ACTIVITIES INFORMATION**  
**YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)**

	<u>Society</u>	<u>Foundation</u>	<u>2010 Combined</u>	<u>2009 Combined</u>
Revenues, gains and other support:				
Contributions	\$ 7,870	\$ 207,066	\$ 214,936	\$ 155,472
Annual membership dues	1,900,419	-	1,900,419	1,919,617
Initiation fees	614,565	-	614,565	468,270
Active-for-life memberships	453,055	-	453,055	423,125
Dividends and interest	384,142	441,082	825,224	1,007,242
Net unrealized and realized losses on investments	925,781	1,370,444	2,296,225	(4,868,036)
Sales of emblems, certificates, etc.	220,544	-	220,544	210,699
Royalty income	11,683	120,492	132,175	162,821
Other	11,231	-	11,231	13,640
	<u>4,529,290</u>	<u>2,139,084</u>	<u>6,668,374</u>	<u>(507,150)</u>
Total revenues, gains, (losses) and other support				
Expenses:				
Fellowships Program	-	369,573	369,573	392,753
Literacy Grants	-	29,955	29,955	27,202
Study Abroad Program	-	50,000	50,000	50,000
Love of learning award	-	24,500	24,500	25,000
Emerging scholar award	-	15,000	15,000	15,000
New Initiatives	54,432	-	54,432	-
Commemoratives	1,014	-	1,014	3,835
Society headquarters salaries	874,227	142,316	1,016,543	991,583
Society headquarters office fringe benefits	265,769	42,930	308,699	284,608
Society headquarters office facilities and operations	185,260	9,918	195,178	250,487
Resale items	325,741	-	325,741	333,188
Board of directors travel	38,224	2,719	40,943	54,252
Depreciation	86,433	-	86,433	89,039
Fundraising	-	14,283	14,283	13,892
Chapter support	21,220	-	21,220	49,116
Committee meetings	13,657	1,399	15,056	21,547
Marketing and Communications	250,647	299	250,946	283,037
Publications	314,624	-	314,624	317,456
Investment expense	29,011	35,632	64,643	60,250
Other society headquarters office expenses	168,818	10,517	179,335	179,948
Convention expense	-	-	-	368
	<u>2,629,077</u>	<u>749,041</u>	<u>3,378,118</u>	<u>3,442,561</u>
Total expenses				
Change in net assets	1,900,213	1,390,043	3,290,256	(3,949,711)
Net assets at beginning of year	12,454,284	15,888,622	28,342,906	32,292,617
Transfer of net assets	(500,000)	500,000	-	-
Net assets at end of year	<u>\$ 13,854,497</u>	<u>\$ 17,778,665</u>	<u>\$ 31,633,162</u>	<u>\$ 28,342,906</u>

See accompanying auditors' report.

THE HONOR  SOCIETY OF  
PHI KAPPA PHI

## WHISTLEBLOWER POLICY & PROCEDURES

### INTRODUCTION

The Society is committed to lawful and ethical behavior in all of its activities and requires all directors, employees and volunteers (“Society Representatives”) to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Each Society Representative must fulfill his/her responsibilities honestly, with integrity and in compliance with applicable laws and policies.

Every Society Representative is responsible for implementing this policy. Every Society Representative shall cooperate with the investigation of any good faith suspicion of illegal, unethical or inappropriate activity.

Any Society Representative who in good faith reports any suspicion of illegal, unethical or inappropriate activity shall not be subject to harassment, threats, discrimination, adverse consequences or retaliation.

### OBJECTIVES

The objectives of the Society’s Whistleblower Policy and Procedures are to establish a method to:

- Prevent or detect and correct improper activities;
- Encourage Society Representatives to report suspicion of illegal, unethical or inappropriate activity;
- Ensure the receipt, documentation, retention of records and resolution of reports received under this policy; and
- Protect Society Representatives who report suspicion of illegal, unethical or inappropriate activity from harassment, threats, discrimination, adverse consequences or retaliation.

### REPORTING RESPONSIBILITY

Every Society Representative has an obligation to report suspicion of illegal, unethical or inappropriate activity by the Society or by any Society Representative. The following are examples of matters which should be reported:

- False or misleading information on the Society's financial documents, grant reports, tax returns or other public documents;
- False information to or withholding material information from the Society's auditors, accountants, lawyers, directors or other representatives responsible for ensuring compliance with fiscal and legal responsibilities;
- Misappropriation of Society funds or Society property;
- Material violation of Society policy including but not limited to confidentiality, conflict of interest, whistleblower, ethics and document retention;
- Discrimination based on race, gender, sexual orientation, ethnicity or disability; and
- Facilitating or concealing any of the above or similar activities.

#### **REPORTING PROCEDURES FOR EMPLOYEES**

Whenever possible, an employee should seek to resolve concerns by reporting suspicions directly to his/her supervisor then to the next level of management as needed until matters are satisfactorily resolved.

If any employee in good faith believes that a policy or practice the Society or of a Society Representative is illegal, unethical or inappropriate, the employee shall report the concern in writing to the employee's immediate supervisor, the Associate Executive Director/CFO, or the Executive Director immediately.

If the employee feels uncomfortable reporting the concern to the employee's immediate supervisor, the Associate Executive Director/CFO and the Executive Director or if the employee does not believe the report was properly addressed, the employee shall report the concern in writing to the Society President.

#### **REPORTING PROCEDURES FOR DIRECTORS AND OTHER VOLUNTEERS**

If any director or other volunteer in good faith believes that a policy or practice of the Society or of a Society Representative is illegal, unethical or inappropriate, the director or other volunteer shall report the concern in writing to the Society President, Executive Director or Associate Executive Director/CFO.

If the director or other volunteer is not comfortable reporting the suspicion to the Society President, Executive Director or Associate Executive Director or if he/she does not believe the concern was properly addressed, the director or other volunteer shall report the concern in writing to any member of the Board of Directors.

Reports may be submitted anonymously to the Society President, Executive Director or Associate Executive Director/CFO; however, in order for a proper investigation to be conducted of an anonymous complaint, the complaint must contain specific information.

### **PROCEDURES FOR HANDLING REPORTS**

The Society will investigate all reports filed in accordance with this policy with due care and promptness. Matters reported internally without initial resolution will be investigated by the Society President, Executive Director or Associate Executive Director/CFO to determine if the allegations are verifiable, whether the policy or practice is a violation of applicable laws or policies and what actions are necessary to correct the concern.

The Society will issue a full report of each concern filed under this policy to its Board of Directors at the Board meeting following the conclusion of the investigation. The Board of Directors may conduct further investigation upon receiving the report.

The Society President, Executive Director or Associate Executive Director/CFO shall have the authority to obtain outside legal counsel, accountants, private investigators and any other resources deemed necessary to conduct a full and complete investigation of the allegations.

### **ACTING IN GOOD FAITH**

Anyone reporting a concern must act in good faith and have reasonable grounds for believing the matter raised is illegal, unethical or inappropriate. Anyone who maliciously, recklessly, negligently or with the foreknowledge reports false information shall be subject to disciplinary action which may include termination of employment or dismissal from a volunteer position. Additionally, the Society may take any legal action appropriate or necessary to protect of the Society, its reputation or resources, employees, directors or other volunteers.

### **CONFIDENTIALITY**

Reports of concerns and investigations pertaining thereto shall be kept confidential to the extent possible; however, where necessary to conduct an adequate investigation, the Society reserves to disclose any information concerning the investigation.

Disclosure of information relating to an investigation under this policy by Society employees, directors or other volunteers involved with an investigation to individuals not involved in the investigation may subject the individual to disciplinary action which may include termination of employment or dismissal from a volunteer position. Additionally, the Society may take any legal action appropriate or necessary to protect the Society, its reputation or resources, employees, directors or other volunteers.

*Adopted October 2008*

**ACKNOWLEDGEMENT OF RECEIPT**  
OF THE HONOR SOCIETY OF PHI KAPPA PHI'S  
WHISTLEBLOWER POLICY

I, \_\_\_\_\_, hereby certify that:

1. I have received a copy of the Whistleblower Policy;
2. I have read and understand the policy; and
3. I agree to comply with the policy.

Except as described below, I am not now nor at any time during the past year have I been:

1. A participant, directly or indirectly, in any arrangement, agreement, investment or other activity with any vendor, supplier, or other party doing business with the Society which has resulted or could result in a personal benefit to me or any member of my immediate family.
2. A recipient, directly or indirectly, of any salary payments or loans or gifts of any kind or any free service or discounts or other fees from or on behalf of any person or organization engaged in any transaction with the Society.

Any exceptions to 1 or 2 above are stated below with a full description of the transactions and of any interest, whether direct or indirect, which I have or have had during the past year.

Please list any exceptions to the statements above: \_\_\_\_\_

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Please list any interests, arrangements, agreements or investments which could give rise to a conflict:

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Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

THE HONOR  SOCIETY OF  
PHI KAPPA PHI

## CONFLICT OF INTEREST POLICY

### INTRODUCTION

The purpose of this Conflict of Interest Policy is to protect the Society's tax-exempt status by preventing excess benefit transactions and ensuring that the Society engages primarily in activities which accomplish one or more of its tax-exempt purposes. This policy is intended to supplement applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations as well as the Society Headquarters Personnel Policy.

The Society expects its Directors, employees and other volunteers to conduct business according to the highest ethical standards of conduct. Directors, employees and other volunteers are expected to devote their best efforts to the interests of the Society. Business dealings which create or appear to create a conflict between the interests of a Director, an employee or other volunteer and the interests of the Society are unacceptable.

The Society recognizes that Directors, other volunteers and employees engage in activities which are of a private nature and unrelated to the Society's business.

A potential or actual conflict of interest occurs whenever a Director, employee or other volunteer is in a position to influence a decision which may result in a personal gain for the employee or an immediate family member (i.e., spouse or significant other, children, parents, siblings, in-laws and business associates of any of the foregoing) as a result of the Society's business dealings.

Although it is not possible to specify every action which might create a conflict of interest, this policy sets forth those most frequently presented problems. If a Director, employee or other volunteer has any question whether an action or proposed course of conduct would create a conflict of interest, he/she should immediately contact the Executive Director or the Associate Executive Director/CFO to obtain advise on the issue. The purpose of this policy is to protect Directors, other volunteers and employees from any conflict of interest which might arise.

## **OBJECTIVES**

The objective of the Society's Conflict of Interest Policy is to establish a method for identifying and avoiding potential conflicts of interest.

## **REPORTING RESPONSIBILITY**

Each member of the Board of Directors ("Director") and each Society employee shall disclose in writing any direct or indirect arrangement, agreement, investment or other activity with any vendor, supplier, or other party doing business with the Society. Each Director shall disclose in writing any personal interest which he/she or any member of his/her immediate family has in any matter pending before the Board of Directors prior to any action being taken by the Board on such matter.

Each Director and each Society employee shall annually sign a statement provided by the Society which affirms such person: (1) has received a copy of the conflicts of interest policy; (2) has read and understands the policy; (3) has agreed to comply with the policy and (4) discloses any potential conflicts of interest which the Society should be aware of.

## **PROHIBITED ACTIVITIES**

- No Director who has a personal interest in any matter pending before the Board shall participate in the discussion of or any decision on any matter in which he/she has a personal interest.
- No Director shall participate in the discussion of or any decision on any matter in which an immediate family member has a personal interest.
- No Director who is an officer, board member, committee member, staff member or consultant to a vendor of the Society shall participate in any discussion or decision affecting the vendor.
- No Director who has an immediate family member who is an officer, board member, committee member, staff member or consultant to a vendor of the Society shall participate in any discussion or decision affecting the vendor.
- No Director shall receive directly or indirectly, any salary payments, loans or gifts of any kind, any free service or discount or other fees from or on behalf of any person or organization engaged in any transaction with the Society. This policy shall not prohibit Directors from receiving any free service or discount which is made available to all members of the Society or to the public at large or from obtaining a loan on terms available to all members of the Society or to similarly situated members of the public at large.
- No Director or employee shall be employed by an organizations which is or is seeking to do business with the Society, including actual or potential vendors or customers.
- No Director, employee or other volunteer shall attempt to use the Society's time or facilities to further any personal belief or to convince others of their personal beliefs after they have been asked once to stop.

### **GIFTS, FAVORS, ENTERTAINMENT AND PAYMENTS**

Directors, employees and other volunteers shall not seek or accept for themselves or others any gifts, favors, entertainment or payments from any person or business organization which do or seek to do business with or is a competitor of the Society except common courtesies usually associated with customary business practices.

The following gifts shall not be prohibited by this policy:

- A meal with a vendor which includes the spouse of the Director, other volunteer or employee, as long as the invitation was extended by the vendor.
- Gifts valued at less than \$50 from vendors such as calendars, pens or other items with the vendor's logo.
- Overnight outings if a representative of the vendor is in attendance.
- Holiday gifts of food items valued at less than \$50.
- Day outings such as fishing, hunting, and golf if the vendor is present; however, no member of the employee's family may participate without paying the expenses associated with the outing.

The following gifts are not acceptable:

- Alcoholic beverages.
- Participation by a family member in a day outing such as fishing, hunting or golf at the expense of a vendor.
- Use of vendors' facilities (vacation homes, etc.) by associates or families for personal use.
- Cash or cash equivalents, such as stocks, gift cards or other forms of marketable securities of any amount from any member, vendor or other individual which does business with the Society.

### **PROCEDURES FOR HANDLING POTENTIAL CONFLICTS OF INTEREST**

Upon receipt of a disclosure pursuant to this policy, the Board of Directors shall determine whether the Society can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity which would not give rise to a potential conflict of interest.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a potential conflict of interest, the Board of Directors shall determine by majority vote of the disinterested directors whether the transaction or arrangement is in the Society's best interest, for its own benefit and whether the transaction is fair and reasonable.

The minutes of any meeting in which a potential conflict of interest arises shall include a copy of the disclosure and the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including and alternatives to the proposed

transaction or arrangement and a record of any votes taken in connection with the proceedings. This policy shall not prevent a Director from making a presentation to the Board of Directors; however, after the presentation, he/she shall leave the meeting during the discussion or and the vote on the any proposed transaction or arrangement involving the possible conflict of interest.

**VIOLATIONS OF THIS POLICY**

If the Board of Directors determines that a Director or an employee failed to disclose an actual or a possible conflict of interest, it shall inform the member or employee of the basis for such determination and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the Director's or employee's response and conducting such other investigation as is warranted by the circumstances, the Board of Directors determines the member or employee has failed to disclose an actual or possible conflict of interest, it shall take appropriate action which may include termination of employment or dismissal from a volunteer position.

*Adopted October 2008*

**ACKNOWLEDGEMENT OF RECEIPT**  
OF THE HONOR SOCIETY OF PHI KAPPA PHI'S  
CONFLICT OF INTEREST POLICY

I, \_\_\_\_\_, hereby certify that:

1. I have received a copy of the Conflict of Interest Policy;
2. I have read and understand the policy; and
3. I agree to comply with the policy.

Except as described below, I am not now nor at any time during the past year have I been:

1. A participant, directly or indirectly, in any arrangement, agreement, investment or other activity with any vendor, supplier, or other party doing business with the Society which has resulted or could result in a personal benefit to me or any member of my immediate family.
2. A recipient, directly or indirectly, of any salary payments or loans or gifts of any kind or any free service or discounts or other fees from or on behalf of any person or organization engaged in any transaction with the Society.

Any exceptions to 1 or 2 above are stated below with a full description of the transactions and of any interest, whether direct or indirect, which I have or have had during the past year.

Please list any exceptions to the statements above: \_\_\_\_\_

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Please list any interests, arrangements, agreements or investments which could give rise to a conflict:

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Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

# Records Retention Schedule



## THE HONOR SOCIETY OF PHI KAPPA PHI

The Society follows the accompanying guidelines for maintaining records.

<u>Document</u>	<u>Retention Period</u>
Accident reports/claims ( <i>settled cases</i> ).....	7 years
Accounts payable ledgers and schedules .....	7 years
Accounts receivable ledgers and schedules .....	8 years
Audit reports .....	Permanently
Bank statements.....	3 years
Capital stock and bond records.....	Permanently
Cash books .....	Permanently
Charts of accounts .....	Permanently
Checks ( <i>anceled checks for important payments, special contracts, purchase of assets, payment of taxes, etc. Checks should be filed with the papers pertaining to the underlying transaction</i> ).....	Permanently
Checks ( <i>anceled except those noted above</i> ).....	7 years
Contracts and leases ( <i>expired</i> ) .....	7 years
Correspondence, general .....	2 years
Correspondence ( <i>legal and tax related</i> ) .....	Permanently
Deeds, mortgages and bills of sale.....	Permanently
Deposit slips .....	3 years
Depreciation schedules.....	Permanently
Employee personnel records ( <i>after termination</i> ).....	7 years
Employee applications .....	3 years
Expense reports.....	7 years

<u>Document</u>	<u>Retention Period</u>
Financial statements ( <i>year-end</i> ).....	Permanently
General ledgers, year-end trial balance.....	Permanently
Insurance policies ( <i>expired</i> ).....	3 years
Insurance records, accident reports, claims, policies, etc. ....	Permanently
Internal audit reports ( <i>miscellaneous</i> ).....	3 years
Inventory records .....	7 years
Invoices to customers or from vendors.....	7 years
IRA/Keogh plan contributions, rollovers, transfers, and distributions .....	Permanently
Minute books of directors, stockholders, bylaws and charter .....	Permanently
Payroll records, summaries and tax returns.....	7 years
Petty cash vouchers.....	3 years
Purchase orders.....	3 years
Receiving sheets.....	1 year
Retirement plan records .....	Permanently
Safety records .....	6 years
Sales records .....	7 years
Subsidiary ledgers.....	7 years
Tax returns, revenue agents' reports, and other documents relating to determination of income tax liability.....	Permanently
Time cards and daily reports.....	7 years
Trademark registration, patents and copyrights.....	Permanently
Trial balances ( <i>monthly</i> ) .....	3 years
W-2 Forms .....	7 years

Note: Guidelines for maintaining records are based on a taxing authority's statutory power and limitations on auditing these records.