

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

Audits of Combined Financial Statements

June 30, 2019 and 2018



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## **Independent Auditor's Report**

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

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of The Honor Society of Phi Kappa Phi and The Phi Kappa Phi Foundation, which comprise the combined statements of financial position as of June 30, 2019 and 2018, and the combined statements of activities and cash flows, for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 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 audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

#### **LOUISIANA • TEXAS**

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**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Honor Society of Phi Kappa Phi and The Phi Kappa Phi Foundation as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2018, the Honor Society of Phi Kappa Phi and The Phi Kappa Phi Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Baton Rouge, LA  
September 25, 2019

**THE HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION  
Combined Statements of Financial Position  
June 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 122,299	\$ 172,141
Investments	55,249,170	54,513,455
Inventory	25,734	83,804
Accounts Receivable	68,560	74,549
Contribution Receivable	26,998	-
Other Current Assets	223,570	106,207
<b>Total Current Assets</b>	<b>55,716,331</b>	<b>54,950,156</b>
<b>Property and Equipment, Net</b>	<b>1,577,200</b>	<b>1,429,484</b>
<b>Other Assets</b>		
Deposits	12,708	12,708
Investments - Donor Restricted	2,970,962	2,896,803
Investments - Board Designated	1,275,908	3,207,002
<b>Total Assets</b>	<b>\$ 61,553,109</b>	<b>\$ 59,599,350</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 313,014	\$ 386,583
Advanced Payment of Dues, Current Portion	1,274,291	1,325,081
Advanced Payment - Convention and Conference	11,750	67,950
Notes Payable, Current Portion	-	84,468
Due to Chapters	63,353	62,881
<b>Total Current Liabilities</b>	<b>1,662,408</b>	<b>1,926,963</b>
<b>Long-Term Liabilities</b>		
Advanced Payment of Dues, Net of Current Portion	332,988	335,846
<b>Total Liabilities</b>	<b>1,995,396</b>	<b>2,262,809</b>
<b>Net Assets</b>		
<b>Without Donor Restrictions</b>		
Designated by Board for:		
Sherrill Carlson Fellowship	1,012,394	-
Contingency	263,514	318,115
Undesignated	55,310,843	54,121,623
	<b>56,586,751</b>	<b>54,439,738</b>
<b>With Donor Restrictions</b>	<b>2,970,962</b>	<b>2,896,803</b>
<b>Total Net Assets</b>	<b>59,557,713</b>	<b>57,336,541</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 61,553,109</b>	<b>\$ 59,599,350</b>

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

**THE HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION  
Combined Statements of Activities  
For the Years Ended June 30, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Contributions	\$ 348,011	\$ 8,212	\$ 356,223	\$ 978,161	\$ 6,979	\$ 985,140
Annual Membership Dues	1,821,777	-	1,821,777	1,864,220	-	1,864,220
Initiation Fees	551,080	-	551,080	593,360	-	593,360
Life Memberships	320,300	-	320,300	379,600	-	379,600
Convention Revenue	81,050	-	81,050	-	-	-
Investment Return, Net	3,605,411	185,424	3,790,835	3,401,692	200,056	3,601,748
Sales of Jewelry, Certificate Frames, Apparel, and Other Items	18,108	-	18,108	37,705	-	37,705
Royalty Income	224,496	-	224,496	210,486	-	210,486
Other Revenues	26,474	-	26,474	71,209	-	71,209
Release of Restrictions	119,477	(119,477)	-	299,270	(299,270)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>7,116,184</b>	<b>74,159</b>	<b>7,190,343</b>	<b>7,835,703</b>	<b>(92,235)</b>	<b>7,743,468</b>
<b>Expenses</b>						
Fellowship Program	374,355	-	374,355	317,540	-	317,540
Literacy Grants	26,413	-	26,413	29,953	-	29,953
Study Abroad Program	100,000	-	100,000	74,000	-	74,000
Scholar/Artist/Service Awards	3,000	-	3,000	-	-	-
Dissertation Fellowships	100,000	-	100,000	100,000	-	100,000
Love of Learning Award	50,000	-	50,000	100,000	-	100,000
Excellence in Innovation Award	100,000	-	100,000	-	-	-
National Office - Salaries	1,459,649	-	1,459,649	1,447,669	-	1,447,669
National Office - Fringe Benefits	448,188	-	448,188	435,291	-	435,291
National Office - Facilities and Operations	226,501	-	226,501	203,476	-	203,476
Resale Items	130,019	-	130,019	110,124	-	110,124
Board of Directors	44,504	-	44,504	52,837	-	52,837
Depreciation	123,622	-	123,622	134,648	-	134,648
Development	24,252	-	24,252	14,281	-	14,281
Chapter Growth	93,562	-	93,562	151,947	-	151,947
Committee Meetings	25,507	-	25,507	23,666	-	23,666
Marketing and Communications	546,909	-	546,909	633,293	-	633,293
Publications	268,151	-	268,151	279,286	-	279,286
Interest Expense	1,398	-	1,398	4,159	-	4,159
Information Technology	84,804	-	84,804	127,465	-	127,465
Other National Office Expense	251,708	-	251,708	276,420	-	276,420
Professional Fees	48,586	-	48,586	25,863	-	25,863
Convention Expense	438,043	-	438,043	-	-	-
<b>Total Expenses</b>	<b>4,969,171</b>	<b>-</b>	<b>4,969,171</b>	<b>4,541,918</b>	<b>-</b>	<b>4,541,918</b>
<b>Change in Net Assets</b>	<b>2,147,013</b>	<b>74,159</b>	<b>2,221,172</b>	<b>3,293,785</b>	<b>(92,235)</b>	<b>3,201,550</b>
<b>Net Assets at Beginning of Year</b>	<b>54,439,738</b>	<b>2,896,803</b>	<b>57,336,541</b>	<b>51,145,953</b>	<b>2,989,038</b>	<b>54,134,991</b>
<b>Net Assets at End of Year</b>	<b>\$ 56,586,751</b>	<b>\$ 2,970,962</b>	<b>\$ 59,557,713</b>	<b>\$ 54,439,738</b>	<b>\$ 2,896,803</b>	<b>\$ 57,336,541</b>

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

**THE HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION  
Combined Schedule of Functional Expenses  
For the Year Ended June 30, 2019**

	Program Services											Total	Management and General		Total
	Fellowship Program	Literacy Program	Study Abroad Program	Scholar/Artist/Serv Program	Dissertation Fellowships	Love of Learning Award	Excellence in Innovation Award	Graduate Research Grants	Publications	Chapt. Dev.	Marketing and Communication Initiatives		Management and General	Fundraising	
Awards, Fellowships and Grants	\$ 374,355	\$ 26,413	\$ 100,000	\$ 3,000	\$ 100,000	\$ 50,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 753,768	\$ -	\$ -	\$ 753,768
National Office-Salaries	13,968	7,109	11,682	4,823	7,109	11,682	8,377	-	117,403	292,962	285,037	760,152	664,589	34,908	1,459,649
National Office-Fringe Benefits	5,494	2,646	4,544	1,696	2,646	4,544	3,019	-	34,482	104,425	67,238	230,734	180,323	37,131	448,188
National Office-Facilities and Operations	-	-	-	-	-	-	-	-	-	-	-	-	226,501	-	226,501
Resale Items	-	-	-	-	-	-	-	-	-	-	130,019	130,019	-	-	130,019
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-	44,504	-	44,504
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	123,622	-	123,622
Development	-	-	-	-	-	-	-	-	-	-	-	-	-	24,252	24,252
Chapter Support	-	-	-	-	-	-	-	-	-	86,866	-	86,866	6,696	-	93,562
Convention Expense	12,634	-	-	13,408	-	-	15,169	-	-	341,275	-	382,486	55,557	-	438,043
Committee Meetings	-	-	-	-	-	-	-	-	-	-	-	-	25,507	-	25,507
Marketing and Communications	4,945	-	-	-	-	-	-	15,000	-	-	348,857	368,802	98,717	79,390	546,909
Publications	-	-	-	-	-	-	-	-	268,151	-	-	268,151	-	-	268,151
Information Technology	-	-	-	-	-	-	-	-	-	20,314	20,314	40,628	44,176	-	84,804
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	1,398	-	1,398
Other Society National Office Expense	388	198	325	134	198	325	233	-	3,264	33,613	13,450	52,128	247,197	969	300,294
<b>Total</b>	<b>\$ 411,784</b>	<b>\$ 36,366</b>	<b>\$ 116,551</b>	<b>\$ 23,061</b>	<b>\$ 109,953</b>	<b>\$ 66,551</b>	<b>\$ 126,798</b>	<b>\$ 15,000</b>	<b>\$ 423,300</b>	<b>\$ 879,455</b>	<b>\$ 864,915</b>	<b>\$ 3,073,734</b>	<b>\$ 1,718,787</b>	<b>\$ 176,650</b>	<b>\$ 4,969,171</b>

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

**THE HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION  
Combined Schedule of Functional Expenses (Continued)  
For the Year Ended June 30, 2018**

	Program Services											Total	Management and General	Fundraising	Total
	Fellowship Program	Literacy Program	Study Abroad Program	Scholar/Artist/ Serv Program	Dissertation Fellowships	Love of Learning Award	Excellence in Innovation Award	Graduate Research Grants	Publications	Chapt. Dev.	Marketing and Communication Initiatives				
Awards, Fellowships and Grants	\$ 317,540	\$ 29,953	\$ 74,000	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 621,493	\$ -	\$ -	\$ 621,493
National Office-Salaries	17,219	10,211	15,419	-	10,211	12,815	-	-	120,327	303,878	327,815	817,895	599,188	30,586	1,447,669
National Office-Fringe Benefits	5,288	3,406	5,288	-	3,406	4,347	-	-	36,776	101,196	104,595	264,302	162,807	8,182	435,291
National Office-Facilities and Operations	-	-	-	-	-	-	-	-	-	11,971	-	11,971	191,505	-	203,476
Resale Items	-	-	-	-	-	-	-	-	-	-	110,124	110,124	-	-	110,124
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-	52,837	-	52,837
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	134,648	-	134,648
Development	-	-	-	-	-	-	-	-	-	-	-	-	-	14,281	14,281
Chapter Growth	-	-	-	-	-	-	-	-	-	140,496	-	140,496	11,451	-	151,947
Committee Meetings	-	-	-	-	-	-	-	-	-	-	-	-	23,666	-	23,666
Marketing and Communications	737	737	737	737	737	737	48,658	-	-	-	511,400	564,480	-	68,813	633,293
Publications	-	-	-	-	-	-	-	-	271,812	-	-	271,812	7,474	-	279,286
Information Technology	-	-	-	-	-	-	-	-	-	31,866	31,867	63,733	63,732	-	127,465
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	4,159	-	4,159
Other Society National Office Expense	-	-	-	-	-	-	-	-	-	89,730	9,731	99,461	194,217	8,605	302,283
<b>Total</b>	<b>\$ 340,784</b>	<b>\$ 44,307</b>	<b>\$ 95,444</b>	<b>\$ 737</b>	<b>\$ 114,354</b>	<b>\$ 117,899</b>	<b>\$ 48,658</b>	<b>\$ -</b>	<b>\$ 428,915</b>	<b>\$ 679,137</b>	<b>\$ 1,095,532</b>	<b>\$ 2,965,767</b>	<b>\$ 1,445,684</b>	<b>\$ 130,467</b>	<b>\$ 4,541,918</b>

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



**THE HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION  
Combined Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 2,221,172	\$ 3,201,550
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided by Operating Activities		
Depreciation	123,622	134,648
Net Realized and Unrealized Gain on Investment Securities	(2,309,594)	(2,270,709)
Loss on Disposal of Property and Equipment	-	1,544
Write-off of Obsolete Inventory	40,640	-
Changes in Operating Assets and Liabilities		
Decrease in Inventory	17,430	29,149
(Increase) Decrease in Accounts Receivable and Other Assets	(138,372)	5,367
(Decrease) Increase in Advanced Payment of Dues	(53,648)	29,579
(Decrease) Increase in Advanced Payment - Convention and Conference	(56,200)	52,800
(Decrease) Increase in Accounts Payable and Accrued Expenses	(73,569)	68,196
Increase (Decrease) in Due to Chapters	472	(29,349)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(228,047)</b>	<b>1,222,775</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Investment Securities	(5,514,728)	(5,169,053)
Proceeds from Sales and Maturities of Investment Securities	6,048,739	4,285,728
Purchases of Property and Equipment	(271,338)	(202,645)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>262,673</b>	<b>(1,085,970)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on Notes Payable	(84,468)	(89,607)
<b>Net Cash Used in Financing Activities</b>	<b>(84,468)</b>	<b>(89,607)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(49,842)</b>	<b>47,198</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>172,141</b>	<b>124,943</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 122,299</b>	<b>\$ 172,141</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest Paid	\$ 1,398	\$ 4,159

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

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

## Notes to Combined Financial Statements

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### Note 1. Organization and Summary of Significant Accounting Policies

#### Organization

The combined financial statements include the accounts of The Honor Society of Phi Kappa Phi (Society) and The Phi Kappa Phi Foundation (Foundation) (collectively, 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 Accounting

The organizations maintain their accounting records and prepare their combined financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues, gains, and other support are recognized when earned, and expenses and losses are recognized when incurred.

#### Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

#### Tax Status

As organizations described in Internal Revenue Code (IRC) Section 501(c)(3), Phi Kappa Phi is exempt from federal income taxes on their related income under Section 501(a) of the IRC. 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, 2019 or 2018.

#### Cash and Cash Equivalents

For the purposes of the statements of cash flows, Phi Kappa Phi considers cash in banks, cash held in trust funds, commercial paper due on demand, and all unrestricted, highly liquid investments with an original maturity of three-months or less to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair market value.

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

**Notes to Combined Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. For those investments where quoted market prices are unavailable, management estimates fair value based on information provided by the fund managers or the general partners. Dividend, interest, and other investment income is recorded as an increase in net assets with donor restrictions or without donor restrictions depending on donor stipulations.

Donated investments are recorded at their fair value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. Realized gains and losses are recognized in the current operations.

**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.

**Accounts Receivable**

Phi Kappa Phi determines past due accounts based on contractual terms and does not charge interest on the past due accounts. Accounts receivable consists primarily of amounts due from chapters related to inventory items. Phi Kappa Phi charges off receivables if management considers the collection of the outstanding balance to be doubtful. Management does not believe an allowance for doubtful accounts is necessary at either June 30, 2019 or 2018.

**Contributions Receivable**

Contributions receivable consist of unconditional promises to give to Phi Kappa Phi. Unconditional promises to give are recognized as contribution revenue in the period received and are recorded at their net realizable value. Contributions totaled \$26,998 and \$-0- at June 30, 2019 and 2018, respectively.

**Property and Equipment**

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. It is the policy of Phi Kappa Phi to capitalize all expenditures for equipment and property in excess of \$750. Items with a cost of less than \$750 are expensed in the year of acquisition.

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

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

**Notes to Combined Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Property and Equipment (Continued)**

Depreciation is provided using the straight-line method over the estimated useful lives, which range from 3 to 10 years for furniture and equipment, 5 to 39 years for buildings and improvements, and 25 to 30 years for land improvements. Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$123,622 and \$134,648, respectively.

**Impairment of Long-Lived Assets**

Phi Kappa Phi reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that the undiscounted cash flows resulting from the use of the asset group is less than the carrying amount, an impairment loss equal to the excess of the asset's carrying amount over its fair value is recorded. Phi Kappa Phi did not record any impairment loss during the years ended June 30, 2019 and 2018.

**Contributed Support**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Phi Kappa Phi reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions include those net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for contingency that may be drawn upon in the event of financial distress or an immediate liquidity need in line with Phi Kappa Phi's mission. The governing board has also designated, from net assets without donor restrictions, net assets from a bequest to fund the Sherrill Carlson Fellowship. Net assets with donor restrictions are those net assets subject to donor-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.

**Revenue Recognition**

Gains and losses on investments and other assets are reported, net of investment expenses, as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. According to the Foundation's bylaws, the Foundation is empowered to solicit, collect, and manage monetary and other fiscal resource contributions.

Membership dues are deferred and recognized as revenue over the applicable membership period. 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.

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

**Notes to Combined Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expenses charged to operations for the years ended June 30, 2019 and 2018 were \$131,909 and \$105,184, respectively.

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) to supersede nearly all existing revenue recognition under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09 is effective for Phi Kappa Phi's annual reporting period beginning July 1, 2019, and for its interim reporting periods beginning July 1, 2020. Phi Kappa Phi may use one of two methods for applying ASU 2014-09: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the scope of ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined within ASU 2014-09. Phi Kappa Phi has substantially completed its assessment of the new standard and anticipates this standard will have a material impact on the combined financial statements. The most significant impact relates to the accounting for lifetime memberships. Phi Kappa Phi will adopt the new revenue recognition guidance effective July 1, 2019, by recognizing the cumulative effect of initially applying the new standard as a decrease to the opening balance of net assets. Phi Kappa Phi expects this adjustment to be approximately \$8.8 million, with an immaterial impact to the change in net assets on an ongoing basis. Revenue recognition related to other revenue streams is expected to remain substantially unchanged. Phi Kappa Phi continues to evaluate the disclosure requirements related to the new standard.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize and measure lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 will be effective for Phi Kappa Phi beginning in the year ending June 30, 2021. Management is currently evaluating the impact ASU 2016-02 will have on its combined financial statements.

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

**Notes to Combined Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Recent Accounting Pronouncements (Continued)**

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. During the year ended June 30, 2019, Phi Kappa Phi implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which did not have a material effect on the combined financial statement balances for the years ended June 30, 2019 and 2018.

**Reclassifications**

Certain reclassifications have been made to the prior year balances in order to comply with current year presentation.

**Note 2. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<b>2019</b>	2018
Cash and Cash Equivalents	<b>\$ 122,299</b>	\$ 172,141
Investments	<b>55,249,170</b>	54,513,455
Inventory	<b>25,734</b>	83,804
Accounts Receivable	<b>68,560</b>	74,549
Contribution Receivable	<b>26,998</b>	-
<b>Total</b>	<b>\$ 55,492,761</b>	\$ 54,843,949

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

**Notes to Combined Financial Statements**

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**Note 2. Liquidity and Availability (Continued)**

As part of Phi Kappa Phi's liquidity management plan, Phi Kappa Phi invests balances in excess of daily requirements in domestic equities, international equities, domestic investment grade bonds, international bonds, and real estate investment trusts with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the organization. The portfolio is invested to maximize total investment returns, within the constraints of a prudent level of risk and diversification, and to provide funding for present and anticipated future obligations. Phi Kappa Phi can request the money management company to process sales of securities in order to cover any temporary cash needs. Phi Kappa Phi has short-term investment balances that are significantly higher than any expected or unforeseen expenditures that could arise in any given year.

The governing board designates, on a biennial basis, a maximum of \$500,000 from the operating investment fund for contingency purposes. The governing board has also designated, from the foundation investment fund, a bequest to fund the Sherrill Carlson Fellowship.

**Note 3. Concentration of Credit Risk for Cash Held in Bank**

Phi Kappa Phi periodically maintains cash in bank accounts in excess of insured limits. Phi Kappa Phi has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. There were no amounts in excess of the FDIC insured limit at June 30, 2019 and 2018.

**Note 4. Investments**

The following is a summary of investments held at June 30, 2019 and 2018:

	<b>2019</b>		<b>2018</b>
Equity Mutual Funds	<b>\$ 33,735,134</b>	\$	32,224,628
Real Estate Investment Trust Mutual Funds (REIT)	<b>3,417,489</b>		3,518,517
Fixed Income Mutual Funds	<b>22,343,417</b>		21,977,312
	<b>59,496,040</b>		57,720,457
Less: Restricted Securities	<b>(4,246,870)</b>		(3,207,002)
<b>Total Unrestricted Securities</b>	<b>\$ 55,249,170</b>	\$	<b>54,513,455</b>

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

**Notes to Combined Financial Statements**

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**Note 5. Fair Value Measurements**

The carrying values of Phi Kappa Phi's financial instruments including current assets and current liabilities approximate fair value.

The organization follows the provisions of the FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. Under ASC 820 fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets and liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on 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 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The fair values are typically determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Phi Kappa Phi's measurements of fair value are made on a recurring basis, and its valuation technique for assets and liabilities recorded at fair value is as follows:

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by Phi Kappa Phi are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Phi Kappa Phi are deemed to be actively traded. There have been no changes in the methodology used at June 30, 2019 and 2018.



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

**Notes to Combined Financial Statements**

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**Note 5. Fair Value Measurements (Continued)**

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Phi Kappa Phi's management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The valuation of Phi Kappa Phi's assets measured at fair value on a recurring basis at June 30, 2019, is as follows:

<b>June 30, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual Funds				
Domestic Company Stocks	\$ 20,508,276	\$ -	\$ -	\$ 20,508,276
International Company Stocks	13,226,858	-	-	13,226,858
Domestic REITS	3,417,489	-	-	3,417,489
Investment Grade Bonds	22,343,417	-	-	22,343,417
<b>Total</b>	<b>\$ 59,496,040</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,496,040</b>

The valuation of Phi Kappa Phi's assets measured at fair value on a recurring basis at June 30, 2018, is as follows:

<b>June 30, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual Funds				
Domestic Company Stocks	\$ 19,776,487	\$ -	\$ -	\$ 19,776,487
International Company Stocks	12,448,141	-	-	12,448,141
Domestic REITS	3,518,517	-	-	3,518,517
Investment Grade Bonds	21,977,312	-	-	21,977,312
<b>Total</b>	<b>\$ 57,720,457</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 57,720,457</b>

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

**Notes to Combined Financial Statements**

**Note 6. Property and Equipment, Net**

Property and equipment, net, at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Land	\$ 114,000	\$ 114,000
Land Improvements	418,371	-
Building and Improvements	1,357,003	1,333,233
Furniture and Equipment	1,570,674	1,559,591
	<u>3,460,048</u>	<u>3,006,824</u>
Less: Accumulated Depreciation	<u>(1,882,848)</u>	<u>(1,759,225)</u>
	<u>1,577,200</u>	<u>1,247,599</u>
Construction in Progress	-	181,885
<b>Property and Equipment, Net</b>	<b><u>\$ 1,577,200</u></b>	<b><u>\$ 1,429,484</u></b>

**Note 7. Affiliated Chapters**

In accordance with the bylaws of Phi Kappa Phi, the residual assets of any chapter placed on inactive status or whose charter has been withdrawn shall be deposited in a restricted society account. Phi Kappa Phi holds these funds in an unrestricted interest-bearing account and records the funds as amounts due to chapters. The amount due to chapters was \$63,353 and \$62,881, at June 30, 2019 and 2018, respectively. If the chapter has not been restored to active status or reinstated within five years, these assets and any interest thereon will be placed in the Society's operating investment fund. The total amount placed in the Society's operating investment fund was \$10,452 and \$50,823, for the years ended June 30, 2019 and 2018, respectively.

**Note 8. Notes Payable**

Phi Kappa Phi entered into a \$450,000 line of credit agreement in August of 2013 to provide additional funding during the renovation of its headquarters. During the year ended June 30, 2014, the line of credit was converted to an installment loan with an initial principal balance of \$433,961.

The note payable called for interest at 3.00%, and was payable in monthly installments of principal and interest, commencing on June 10, 2014 through its maturity on May 10, 2019. The note was secured by the building.

The balance of the note payable was \$-0- and \$84,468 at June 30, 2019 and 2018, respectively.

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

**Notes to Combined Financial Statements**

**Note 9. Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following as of June 30, 2019 and 2018:

	2019	2018
Endowments:		
Subject to Phi Kappa Phi's spending policy and appropriation		
Investment in Perpetuity (including amounts above original investment of \$355,368 and \$289,589 at June 30, 2019 and 2018, respectively), which, once appropriated, is expendable to support:		
Fellowship Program	\$ 1,885,699	\$ 1,852,626
Building Fund	411,237	393,833
True Foundation Fellowship	345,567	338,081
Yeakel Fellowship	116,675	113,380
Agatha Burnet Fellowship	103,170	99,898
Study Abroad Program	56,266	54,582
Scholar and Artist Program	14,679	13,945
Love of Learning	9,018	6,454
Drs. Diane G. and Webb M. Smathers, Jr.	8,084	7,916
Promotion of Excellence Grant Program	7,284	7,429
Dissertation Fellowship	4,434	1,301
Literacy Program	4,132	3,872
Excellence in Innovation	3,749	3,141
Ray Sylvester Distinguished Service	968	345
<b>Total Net Assets With Donor Restrictions</b>	<b>\$ 2,970,962</b>	<b>\$ 2,896,803</b>

Phi Kappa Phi has established investment and spending policies with the objective of providing funding for future expenditures. 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 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. In accordance with UPMIFA, Phi Kappa Phi classifies as net assets with donor restrictions (a) the original value of gift amounts donated to the endowment, and (b) 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. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Phi Kappa Phi in a manner consistent with the standard of prudence prescribed in UPMIFA, at the discretion of the Board of Directors, 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.

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

**Notes to Combined Financial Statements**

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**Note 9. Net Assets With Donor Restrictions (Continued)**

Changes in endowment net assets for the years ended June 30, 2019 and 2018, were as follows:

	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Balance at June 30, 2017</b>	\$ 2,989,038	\$ 2,989,038
Investment Return, Net	200,056	200,056
Contributions	6,979	6,979
Appropriation for Expenditure	(299,270)	(299,270)
<b>Balance at June 30, 2018</b>	2,896,803	2,896,803
Investment Return, Net	185,424	185,424
Contributions	8,212	8,212
Appropriation for Expenditure	(119,477)	(119,477)
<b>Balance at June 30, 2019</b>	<u>\$ 2,970,962</u>	<u>\$ 2,970,962</u>

**Note 10. 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 the employees' salaries. Employees make no contributions and are immediately vested in the employer contribution. Pension expense totaled \$154,410 and \$155,779, for the years ended June 30, 2019 and 2018, respectively.

**Note 11. Commitments and Contingencies**

Phi Kappa Phi entered into a two-year contract on August 20, 2013, with a new provider of inventory resources including membership key pins, cords, and stoles. On December 1, 2015, Phi Kappa Phi entered into a five-year contract with the same inventory provider establishing them as the official and authorized supplier of merchandise. As part of the agreement, the provider will pay a royalty equal to 30% of gross receipts from Phi Kappa Phi Graduation Regalia products and 10% for all other products. Amounts are due to Phi Kappa Phi fifteen days after each calendar month.

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

**Notes to Combined Financial Statements**

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**Note 12. Functional Allocation of Expenses**

The costs of providing various program and supporting activities have been summarized on a functional basis in the combined financial statements. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Those expenses are allocated on the basis of time and effort.

**Note 13. Uncertain Tax Positions**

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Phi Kappa Phi believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the combined financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

**Note 14. Subsequent Events**

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, September 25, 2019, and determined that no events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these combined financial statements.

## **SUPPLEMENTARY INFORMATION**



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## Independent Auditor's Report on Supplementary Information

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

We have audited the combined financial statements of The Honor Society of Phi Kappa Phi and The Phi Kappa Phi Foundation as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated September 25, 2019 which expressed an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information as of and for the years ended June 30, 2019 and 2018, has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 as of and for the years ended June 30, 2019 and 2018, is fairly stated in all material respects in relation to the combined financial statements as a whole.

A Professional Accounting Corporation

Baton Rouge, LA  
September 25, 2019

### LOUISIANA • TEXAS

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**THE HONOR SOCIETY OF PHI KAPPA PHI AND THE PHI KAPPA PHI FOUNDATION**  
**Combined Statements of Financial Position**  
**June 30, 2019 (with Comparative Combined Totals at June 30, 2018)**

**Schedule I**

	Society	Foundation	Eliminations	2019 Combined	2018 Combined
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 80,325	\$ 41,974	\$ -	\$ 122,299	\$ 172,141
Investments	24,691,547	30,557,623	-	55,249,170	54,513,455
Inventory	25,734	-	-	25,734	83,804
Accounts Receivable	66,560	2,000	-	68,560	74,549
Contribution Receivable	-	26,998	-	26,998	-
Other Current Assets	221,754	1,816	-	223,570	106,207
Receivable from Foundation/Society	184,720	-	(184,720)	-	-
<b>Total Current Assets</b>	<b>25,270,640</b>	<b>30,630,411</b>	<b>(184,720)</b>	<b>55,716,331</b>	<b>54,950,156</b>
<b>Property and Equipment, Net</b>	<b>1,577,200</b>	<b>-</b>	<b>-</b>	<b>1,577,200</b>	<b>1,429,484</b>
<b>Other Assets</b>					
Deposits	12,708	-	-	12,708	12,708
Investments - Donor Restricted	419,321	2,551,641	-	2,970,962	2,896,803
Investments - Board Designated	263,514	1,012,394	-	1,275,908	310,199
<b>Total Assets</b>	<b>\$ 27,543,383</b>	<b>\$ 34,194,446</b>	<b>\$ (184,720)</b>	<b>\$ 61,553,109</b>	<b>\$ 59,599,350</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable and Accrued Expenses	\$ 299,338	\$ 13,676	\$ -	\$ 313,014	\$ 386,583
Advanced Payment of Dues, Current Portion	1,274,291	-	-	1,274,291	1,325,081
Advanced Payment - Convention and Conference	11,750	-	-	11,750	67,950
Notes Payable, Current Portion	-	-	-	-	84,468
Due to Chapters	63,353	-	-	63,353	62,881
Due to Foundation/Society	-	184,720	(184,720)	-	-
<b>Total Current Liabilities</b>	<b>1,648,732</b>	<b>198,396</b>	<b>(184,720)</b>	<b>1,662,408</b>	<b>1,926,963</b>
<b>Long-Term Liabilities</b>					
Advance Payment of Dues, Net of Current Portion	332,988	-	-	332,988	335,846
<b>Total Liabilities</b>	<b>1,981,720</b>	<b>198,396</b>	<b>(184,720)</b>	<b>1,995,396</b>	<b>2,262,809</b>
<b>Net Assets</b>					
<b>Without Donor Restrictions</b>					
Designated by Board for:					
Sherrill Carlson Fellowship	-	1,012,394	-	1,012,394	-
Contingency	263,514	-	-	263,514	318,115
Undesignated	24,878,828	30,432,015	-	55,310,843	54,121,623
	25,142,342	31,444,409	-	56,586,751	54,439,738
<b>With Donor Restrictions</b>	<b>419,321</b>	<b>2,551,641</b>	<b>-</b>	<b>2,970,962</b>	<b>2,896,803</b>
<b>Total Net Assets</b>	<b>25,561,663</b>	<b>33,996,050</b>	<b>-</b>	<b>59,557,713</b>	<b>57,336,541</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 27,543,383</b>	<b>\$ 34,194,446</b>	<b>\$ (184,720)</b>	<b>\$ 61,553,109</b>	<b>\$ 59,599,350</b>

See accompanying independent auditor's report on supplementary information.



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

**Schedule II**

**Combined Statements of Activities**

**For the Year Ended June 30, 2019 (with Comparative Combined Totals for the Year Ended June 30, 2018)**

	Society	Foundation	2019 Combined	2018 Combined
<b>Revenue, Gains, and Other Support</b>				
Contributions	\$ -	\$ 356,223	\$ 356,223	\$ 985,140
Annual Membership Dues	1,821,777	-	1,821,777	1,864,220
Initiation Fees	551,080	-	551,080	593,360
Life Memberships	320,300	-	320,300	379,600
Convention Revenue	81,050	-	81,050	-
Investment Return, Net	1,630,709	2,160,126	3,790,835	3,601,748
Sales of Jewelry, Certificate Frames, Apparel, and Other Items	18,108	-	18,108	37,705
Royalty Income	224,496	-	224,496	210,486
Other Revenues	25,413	1,061	26,474	71,209
<b>Total Revenue, Gains, and Other Support</b>	<b>4,672,933</b>	<b>2,517,410</b>	<b>7,190,343</b>	<b>7,743,468</b>
<b>Expenses</b>				
Fellowship Program	-	374,355	374,355	317,540
Literacy Grants	-	26,413	26,413	29,953
Study Abroad Program	-	100,000	100,000	74,000
Scholar/Artist/Service Awards	-	3,000	3,000	-
Dissertation Fellowships	-	100,000	100,000	100,000
Love of Learning Award	-	50,000	50,000	100,000
Excellence in Innovation Award	-	100,000	100,000	-
National Office - Salaries	1,211,509	248,140	1,459,649	1,447,669
National Office - Fringe Benefits	372,388	75,800	448,188	435,291
National Office - Facilities and Operations	210,295	16,206	226,501	203,476
Resale Items	130,019	-	130,019	110,124
Board of Directors	38,450	6,054	44,504	52,837
Depreciation	123,622	-	123,622	134,648
Development	-	24,252	24,252	14,281
Chapter Growth	93,562	-	93,562	151,947
Committee Meetings	22,673	2,834	25,507	23,666
Marketing and Communications	516,976	29,933	546,909	633,293
Publications	268,151	-	268,151	279,286
Interest Expense	1,398	-	1,398	4,159
Information Technology	81,254	3,550	84,804	127,465
Other National Office Expense	231,818	19,890	251,708	276,420
Professional Fees	32,066	16,520	48,586	25,863
Convention Expense	396,832	41,211	438,043	-
<b>Total Expenses</b>	<b>3,731,013</b>	<b>1,238,158</b>	<b>4,969,171</b>	<b>4,541,918</b>
<b>Change in Net Assets</b>	<b>941,920</b>	<b>1,279,252</b>	<b>2,221,172</b>	<b>3,201,550</b>
<b>Net Assets at Beginning of Year</b>	<b>25,119,743</b>	<b>32,216,798</b>	<b>57,336,541</b>	<b>54,134,991</b>
<b>Transfer of Net Assets</b>	<b>(500,000)</b>	<b>500,000</b>	<b>-</b>	<b>-</b>
<b>Net Assets at End of Year</b>	<b>\$ 25,561,663</b>	<b>\$ 33,996,050</b>	<b>\$ 59,557,713</b>	<b>\$ 57,336,541</b>

See accompanying independent auditor's report on supplementary information.