

**THE HONOR SOCIETY OF
PHI KAPPA PHI**

Audited Financial Statements

June 30, 2026 and 2025

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Honor Society of Phi Kappa Phi (the Organization), which comprise the statement of financial position as of June 30, 2026, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2026, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Organization, as of and for the year ended June 30, 2025, were audited by other auditors, whose report, dated September 23, 2025, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Mauldin & Jenkins, LLC

Baton Rouge, Louisiana
September 18, 2026

THE HONOR SOCIETY OF PHI KAPPA PHI
Statements of Financial Position
June 30, 2026 and 2025

	2026	2025
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 306,080	\$ 287,781
Investments	79,286,876	70,037,359
Accounts Receivable	19,259	20,936
Unconditional Promises to Give, Net, Current Portion	2,765	-
Other Current Assets	193,193	131,482
Total Current Assets	79,808,173	70,477,558
Property and Equipment, Net	1,190,814	1,258,872
Other Assets		
Unconditional Promises to Give, Net	2,646	-
Other Non-Current Assets	63,911	279,551
Operating Right-of-Use Assets	6,904	4,635
Investments - Donor-Restricted	4,731,948	4,078,737
Investments - Board-Designated	1,934,587	1,720,646
Total Assets	\$ 87,738,983	\$ 77,819,999

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

THE HONOR SOCIETY OF PHI KAPPA PHI
Statements of Financial Position (Continued)
June 30, 2026 and 2025

	2026	2025
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 429,688	\$ 581,716
Advanced Payment of Dues, Current Portion	1,446,504	1,366,696
Due to Chapters	192,859	132,779
Operating Lease Right-of-Use Liabilities, Current Portion	1,268	3,079
Total Current Liabilities	2,070,319	2,084,270
Long-Term Liabilities		
Advanced Payment of Dues, Net of Current Portion	9,895,264	9,633,266
Operating Lease Right-of-Use Liabilities	5,636	1,556
Total Long-Term Liabilities	9,900,900	9,634,822
Total Liabilities	11,971,219	11,719,092
Net Assets		
Net Assets Without Donor Restrictions		
Designated by the Board for:		
Sherrill Carlson Fellowship	1,434,587	1,220,646
Contingency	500,000	500,000
Undesignated	69,043,427	60,243,722
Total Net Assets Without Donor Restrictions	70,978,014	61,964,368
Net Assets With Donor Restrictions	4,789,750	4,136,539
Total Net Assets	75,767,764	66,100,907
Total Liabilities and Net Assets	\$ 87,738,983	\$ 77,819,999

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

THE HONOR SOCIETY OF PHI KAPPA PHI
Statements of Activities
For the Years Ended June 30, 2026 and 2025

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ 212,482	\$ 56,000	\$ 268,482	\$ 159,647	\$ 75,562	\$ 235,209
Annual Membership Dues	1,497,905	-	1,497,905	1,676,198	-	1,676,198
Initiation Fees	710,605	-	710,605	599,970	-	599,970
Life Memberships	279,864	-	279,864	262,657	-	262,657
Convention Revenue	-	-	-	17,500	-	17,500
Investment Return, Net	11,372,835	678,943	12,051,778	7,518,026	471,041	7,989,067
Sales of Jewelry, Certificate Frames, Apparel, and Other Items	-	-	-	500	-	500
Royalty Income	119,052	-	119,052	107,683	-	107,683
Other Revenues	29,594	-	29,594	18,520	-	18,520
Release of Restrictions	81,732	(81,732)	-	5,410	(5,410)	-
Total Revenues, Gains, and Other Support	14,304,069	653,211	14,957,280	10,366,111	541,193	10,907,304
Expenses						
National Office - Salaries	2,042,034	-	2,042,034	2,013,780	-	2,013,780
Awards, Fellowships, and Grants	950,548	-	950,548	1,201,375	-	1,201,375
National Office - Fringe Benefits	518,020	-	518,020	483,678	-	483,678
Information Technology	489,491	-	489,491	671,460	-	671,460
Other National Office Expense	272,459	-	272,459	327,559	-	327,559
Publications	251,436	-	251,436	384,232	-	384,232
National Office - Facilities and Operations	204,293	-	204,293	179,409	-	179,409
Marketing and Communications	179,139	-	179,139	294,468	-	294,468
Board of Directors	144,031	-	144,031	187,520	-	187,520
Resale Items	75,412	-	75,412	62,937	-	62,937
Depreciation	68,057	-	68,057	69,064	-	69,064
Chapter Growth	65,661	-	65,661	72,342	-	72,342
Development	29,842	-	29,842	80,439	-	80,439
Convention Expense	-	-	-	53,005	-	53,005
Total Expenses	5,290,423	-	5,290,423	6,081,268	-	6,081,268
Change in Net Assets	9,013,646	653,211	9,666,857	4,284,843	541,193	4,826,036
Net Assets, Beginning of Year	61,964,368	4,136,539	66,100,907	57,679,525	3,595,346	61,274,871
Net Assets, End of Year	\$ 70,978,014	\$ 4,789,750	\$ 75,767,764	\$ 61,964,368	\$ 4,136,539	\$ 66,100,907

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

THE HONOR SOCIETY OF PHI KAPPA PHI
Statement of Functional Expenses
For the Year Ended June 30, 2026

	Program Services												Supporting Services		
	Fellowship Program	Literacy Program	Study Abroad Program	Scholar/Artist/ Services Program	Dissertation Fellowships	Love of Learning Award	Mary Todd Sabbatical	Graduate Research Grants	Pioneer	Chapter Development	Marketing and Communication Initiatives	Total	Management and General	Fundraising	Total
National Office - Salaries	\$ 27,139	\$ 14,862	\$ 18,955	\$ 10,770	\$ 14,862	\$ 23,047	\$ 10,770	\$ 10,770	\$ 10,770	\$ 458,662	\$ 576,621	\$ 1,177,228	\$ 563,920	\$ 300,886	\$ 2,042,034
Awards, Fellowships, and Grants	456,500	16,048	73,000	-	120,000	155,000	50,000	30,000	50,000	-	-	950,548	-	-	950,548
National Office - Fringe Benefits	6,770	3,707	4,728	2,687	3,707	5,749	2,687	2,687	2,687	114,416	143,841	293,666	149,296	75,058	518,020
Information Technology	-	-	-	-	-	-	-	-	-	-	-	-	489,491	-	489,491
Other National Office Expense	-	-	-	-	-	-	-	-	-	-	-	-	272,459	-	272,459
Publications	-	-	-	-	-	-	-	-	-	-	251,436	251,436	-	-	251,436
National Office - Facilities and Operations	-	-	-	-	-	-	-	-	-	-	-	-	204,293	-	204,293
Marketing and Communications	-	-	-	-	-	-	-	-	-	-	179,139	179,139	-	-	179,139
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-	123,406	20,625	144,031
Resale Items	-	-	-	-	-	-	-	-	-	-	75,412	75,412	-	-	75,412
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	68,057	-	68,057
Chapter Growth	-	-	-	-	-	-	-	-	-	65,661	-	65,661	-	-	65,661
Development	-	-	-	-	-	-	-	-	-	-	-	-	-	29,842	29,842
Total	\$ 490,409	\$ 34,617	\$ 96,683	\$ 13,457	\$ 138,569	\$ 183,796	\$ 63,457	\$ 43,457	\$ 63,457	\$ 638,739	\$ 1,226,449	\$ 2,993,090	\$ 1,870,922	\$ 426,411	\$ 5,290,423

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

THE HONOR SOCIETY OF PHI KAPPA PHI
Statement of Functional Expenses
For the Year Ended June 30, 2025

	Program Services												Supporting Services		
	Fellowship Program	Literacy Program	Study Abroad Program	Scholar/Artist/ Services Program	Dissertation Fellowships	Love of Learning Award	Mary Todd Sabbatical	Graduate Research Grants	Pioneer	Chapter Development	Marketing and Communication Initiatives	Total	Management and General	Fundraising	Total
National Office - Salaries	\$ 24,732	\$ 13,146	\$ 17,008	\$ 9,284	\$ 13,146	\$ 20,870	\$ 9,284	\$ 9,284	\$ 9,284	\$ 478,834	\$ 560,246	\$ 1,165,118	\$ 562,787	\$ 285,875	\$ 2,013,780
Awards, Fellowships, and Grants	649,000	29,375	74,000	-	120,000	199,000	50,000	30,000	50,000	-	-	1,201,375	-	-	1,201,375
Information Technology	-	-	-	-	-	-	-	-	-	-	-	-	671,460	-	671,460
National Office - Fringe Benefits	5,860	3,114	4,029	2,199	3,114	4,945	2,199	2,199	2,199	113,444	132,732	276,034	139,915	67,729	483,678
Publications	-	-	-	-	-	-	-	-	-	-	384,232	384,232	-	-	384,232
Other National Office Expense	-	-	-	-	-	-	-	-	-	-	-	-	327,559	-	327,559
Marketing and Communications	-	-	-	-	-	-	-	-	-	-	294,468	294,468	-	-	294,468
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-	140,841	46,679	187,520
National Office - Facilities and Operations	-	-	-	-	-	-	-	-	-	-	-	-	179,409	-	179,409
Development	-	-	-	-	-	-	-	-	-	-	-	-	-	80,439	80,439
Chapter Growth	-	-	-	-	-	-	-	-	-	72,342	-	72,342	-	-	72,342
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	69,064	-	69,064
Resale Items	-	-	-	-	-	-	-	-	-	-	62,937	62,937	-	-	62,937
Convention Expense	-	-	-	-	-	-	-	-	-	53,005	-	53,005	-	-	53,005
Total	\$ 679,592	\$ 45,635	\$ 95,037	\$ 11,483	\$ 136,260	\$ 224,815	\$ 61,483	\$ 41,483	\$ 61,483	\$ 717,625	\$ 1,434,615	\$ 3,509,511	\$ 2,091,035	\$ 480,722	\$ 6,081,268

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

THE HONOR SOCIETY OF PHI KAPPA PHI
Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows from Operating Activities		
Change in Net Assets	\$ 9,666,857	\$ 4,826,036
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	68,057	69,064
Net Realized and Unrealized Gain on Investment Securities	(9,971,935)	(6,097,109)
Change in Allowance for Uncollectible Accounts	240	-
Amortization of Operating Right of Use Assets	4,635	3,038
Contributions Restricted for Endowment	(56,000)	(75,562)
Changes in Operating Assets and Liabilities		
Decrease in Inventory	-	13,597
Decrease in Accounts Receivable	1,677	12,030
Increase in Unconditional Promises to Give	(5,651)	-
(Increase) Decrease in Other Current Assets	(61,711)	11,420
Decrease in Other Non-Current Assets	215,640	72,034
Increase in Advanced Payment of Dues	341,806	96,820
(Decrease) Increase in Accounts Payable and Accrued Expenses	(152,028)	119,952
Increase in Due to Chapters	60,080	34,944
Decrease in Operating Lease Liabilities	(4,635)	(3,038)
Net Cash Provided by (Used in) Operating Activities	107,032	(916,774)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(17,736,470)	(22,771,846)
Proceeds from Sales and Maturities of Investment Securities	17,591,737	23,789,887
Purchases of Property and Equipment	-	(14,382)
Net Cash (Used in) Provided by Investing Activities	(144,733)	1,003,659
Cash Flows from Financing Activities		
Contributions Restricted for Endowment	56,000	75,562
Net Cash Provided by Financing Activities	56,000	75,562
Net Increase in Cash and Cash Equivalents	18,299	162,447
Cash and Cash Equivalents, Beginning of Year	287,781	125,334
Cash and Cash Equivalents, End of Year	\$ 306,080	\$ 287,781
Supplemental Disclosures of Cash Flow Information		
Operating Lease Liabilities Arising from Obtaining Right-of-Use Assets	\$ 6,904	\$ -

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

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

The Honor Society of Phi Kappa Phi (the Organization), a 501(c)(3) organization, is a community that celebrates and advances the love of learning, with core values of excellence, community, service, and inclusivity. The Organization is the nation's oldest and most selective multidisciplinary collegiate honor society, maintains a membership of approximately 100,000 individuals, initiates over 17,000 new members a year, and maintains a presence on more than 300 campuses across the United States and its territories.

One of the primary ways Phi Kappa Phi promotes and recognizes academic excellence is through its competitive awards program. Since 1932, Phi Kappa Phi has supported the educational pursuits of its members through robust award and grant programs. The Organization awards over \$1 million each year to outstanding students, members, chapters and institutions to further their academic interests. Phi Kappa Phi supports its chapters by providing training to strengthen chapters and promotes its mission by developing leadership strategies and outreach opportunities for its chapters and members.

The accounting policies which materially affect the determination of financial position and results of activities are summarized below.

Basis of Accounting

The Organization maintains its accounting records and prepares the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), 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 financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

Tax Status

As an organization described in Internal Revenue Code (IRC) Section 501(c)(3), the Organization is exempt from federal income taxes on its related income under Section 501(a) of the IRC. Accordingly, no provision for income taxes has been made; however, should the Organization engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization had no material unrelated business income for the fiscal years ended June 30, 2026 or 2025.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization 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.

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 are 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.

Accounts Receivable

The Organization 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 membership recognition materials and chapter-paid national memberships. The Organization writes off receivables if management considers the collection of the outstanding balance to be doubtful. Management evaluated expected credit losses and determined that no allowance for credit losses was necessary as of June 30, 2026 and 2025. The opening balance of accounts receivable on July 1, 2024 was \$32,966.

Unconditional Promises to Give, Net

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. The promises to give are recognized as assets and revenues, net of an allowance for uncollectible amounts. The allowance is based on historical experience and management's analysis of specific promises made. Management's estimate for the allowance for uncollectible accounts at June 30, 2026 totaled \$240. Promises to give in subsequent years are recorded at net present value of estimated future cash flows using an appropriate discount rate. As of June 30, 2026, the discount rate ranged between 3.98% and 4.14%. Unconditional promises to give that are due to be received within one year are classified as current assets on the statements of financial position. There were no unconditional promises to give at June 30, 2025.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

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

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 the Organization 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 betterments and replacements are capitalized. 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.

Impairment of Long-Lived Assets

The Organization 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. The Organization did not record any impairment loss during the years ended June 30, 2026 and 2025.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization 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 the Organization's mission. The governing board has also designated, from net assets without donor restrictions, 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.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

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

Revenue Recognition (Continued)

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There were no conditional promises to give at June 30, 2026 and 2025.

Membership dues are comprised of an exchange element based on the benefits provided over a period of time. The Organization recognizes revenue from membership dues as follows: annual - over the one-year membership period; and lifetime - over the estimated life expectancy of the members, determined by the 2024 National Health Center Statistics Report, all races and origins - both sexes estimated life expectancy at birth, less the age that membership can start. As a practical expedient, the Organization uses the portfolio approach for annual membership dues paid by month and for lifetime membership dues paid by year. Initiation fees are recorded as revenue in the period when the fees are due. Payments are required at the start of the membership period. Amounts received in advance of the membership period are deferred to the applicable period. The opening balance of advanced payment dues on July 1, 2024 was \$10,903,142.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses charged to operations for the years ended June 30, 2026 and 2025 were \$102,219 and \$96,428, respectively, and are included in marketing and communications on the statements of activities.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of activities.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

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

Leases (Continued)

The Organization made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, which are variable in nature and recorded in variable lease expense in the period incurred.

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 at June 30, 2026 and 2025:

	2026	2025
Cash and Cash Equivalents	\$ 306,080	\$ 287,781
Investments	79,286,876	70,037,359
Accounts Receivable	19,259	20,936
Unconditional Promises to Give, Net	2,765	-
Total	\$ 79,614,980	\$ 70,346,076

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 2. Liquidity and Availability (Continued)

As part of the Organization's liquidity management plan, the Organization invests balances in excess of daily requirements in money market accounts, mutual funds, and alternative investments with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual income 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. The Organization can request the money management company to process sales of securities to cover any temporary cash needs. The Organization 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 investment fund, a bequest to fund the Sherrill Carlson Fellowship.

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

The Organization maintains its cash and cash equivalent accounts with various institutions. Its operating cash account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The Securities Investor Protection Corporation insures amounts up to \$500,000 per institution (with a limit of \$250,000 for cash). For the years ended June 30, 2026 and June 30, 2025, the Organization had \$809,655 and \$900,598, respectively, in excess of the insured limits related to operating cash and cash held within investment accounts.

Note 4. Unconditional Promises to Give, Net

Unconditional promises to give, net, consisted of the following as of June 30, 2026:

Gross Unconditional Promises to Give	\$ 6,000
Less: Unamortized Discounts	(349)
Less: Allowance for Uncollectible Accounts	<u>(240)</u>
Net Unconditional Promises to Give	<u>\$ 5,411</u>
Amounts Due in:	
Less than One Year	\$ 3,000
One to Five Years	<u>3,000</u>
Total	<u>\$ 6,000</u>

There were no unconditional promises to give at June 30, 2025.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 5. Investments

The following is a summary of investments held at June 30, 2026 and 2025:

	2026	2025
Money Market Accounts	\$ 1,005,821	\$ 1,150,598
Mutual Funds		
Equity Funds	50,183,112	43,178,378
Alternative Funds	4,198,201	3,651,238
Fixed Income Funds	25,176,281	23,047,535
Alternative Investments	5,389,996	4,808,993
	85,953,411	75,836,742
Less: Donor-Restricted and Board-Designated Investments	(6,666,535)	(5,799,383)
Total Unrestricted Investments	\$ 79,286,876	\$ 70,037,359

Note 6. Fair Value Measurements

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

The Organization follows the provisions of the Financial Accounting Standards Board (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.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

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.

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

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization 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 the Organization are deemed to be actively traded.

Money Market Accounts: Valued at quoted market prices that represent the NAV of shares held by the Organization at year-end.

Alternative Investments: Valued at net asset value per share owned by the Organization. The net asset value is based on the fair value of the underlying investments held by the portfolio fund less its liabilities.

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, while the Organization's 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. There have been no changes in the methodologies used at June 30, 2026 and 2025.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

The valuation of the Organization's assets measured at fair value on a recurring basis at June 30, 2026 and 2025 is as follows:

June 30, 2026	Level 1	Level 2	Level 3	Total
Money Market Accounts	\$ 1,005,821	\$ -	\$ -	\$ 1,005,821
Mutual Funds				
Equity Funds	50,183,112	-	-	50,183,112
Alternative Funds	4,198,201	-	-	4,198,201
Fixed Income Funds	25,176,281	-	-	25,176,281
Investments at NAV per share*	-	-	-	5,389,996
Total	\$ 80,563,415	\$ -	\$ -	\$ 85,953,411

June 30, 2025	Level 1	Level 2	Level 3	Total
Money Market Accounts	\$ 1,150,598	\$ -	\$ -	\$ 1,150,598
Mutual Funds				
Equity Funds	43,178,378	-	-	43,178,378
Alternative Funds	3,651,238	-	-	3,651,238
Fixed Income Funds	23,047,535	-	-	23,047,535
Investments at NAV per share*	-	-	-	4,808,993
Total	\$ 71,027,749	\$ -	\$ -	\$ 75,836,742

*Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Fair Value of Investments that Calculate Net Asset Value per Share

The FASB issued a standards update pertaining to fair value measurements and disclosures for investments in certain entities that calculate NAV per share. Fair values are determined by the use of calculated NAV per ownership share.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

The following tables summarize investments measured at fair value based on NAV per share as of June 30, 2026 and 2025:

June 30, 2026		Fair Value	Unfunded Commitments
HPS Corporate Lending Fund	A)	\$ 1,950,696	None
Clarion Private Investors, LLC	B)	1,893,469	None
PEG Global Private Equity XI SCSp	C)	1,372,093	1,402,342
PEG Global Private Equity XII SCSp	D)	173,738	2,326,261
		<u>\$ 5,389,996</u>	

June 30, 2025		Fair Value	Unfunded Commitments
HPS Corporate Lending Fund	A)	\$ 2,008,748	None
Clarion Private Investors, LLC	B)	1,870,470	None
PEG Global Private Equity XI SCSp	C)	929,775	1,695,311
		<u>\$ 4,808,993</u>	

- A) HPS Corporate Lending Fund invests in private debt including first and second lien and unsecured loans to upper middle market companies on a global basis. The fund also holds equity of some of those companies, structured finance investments, and uses derivatives. The fund has a share repurchase program under which the fund intends, but is not required, to offer to repurchase up to 5% of shares each quarter at the previous quarter's NAV per share. Shares held less than one year will be purchased at 98% of NAV per share.
- B) Clarion Private Investors, LLC invests through Clarion Lion Properties Fund in United States real estate. Withdrawals may be requested at quarter-end with at least 95 days' notice. Payment of share redemptions was indefinitely suspended by the fund on September 30, 2022, and remains suspended as of June 30, 2026.
- C) PEG Global Private Equity XI SCSp invests through PEG Global Private Equity XI, LP in direct or pooled investments in venture capital, management buy-in, management buy-out, and leveraged buyout transactions. The fund's investment period will continue to December 31, 2026, with an expected fund termination date of January 4, 2033 (an estimated remaining life of 10.5 years as of June 30, 2026). Withdrawals are not permitted.
- D) PEG Global Private Equity XII SCSp invests through PEG Global Private Equity XII, LP in direct or pooled investments in venture capital, management buy-in, management buy-out, and leveraged buyout transactions. The fund's investment period will continue to December 31, 2026, with an expected fund termination date of June 21, 2039 (an estimated remaining life of 13 years as of June 30, 2026). Withdrawals are not permitted.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 7. Property and Equipment, Net

Property and equipment, net, at June 30, 2026 and 2025 consisted of the following:

	2026	2025
Land	114,000	\$ 114,000
Land Improvements	418,371	418,371
Building and Improvements	1,438,395	1,438,395
Furniture and Equipment	154,625	270,286
	<u>2,125,391</u>	<u>2,241,052</u>
Less: Accumulated Depreciation	<u>(934,577)</u>	<u>(982,180)</u>
Property and Equipment, Net	\$ 1,190,814	\$ 1,258,872

Depreciation expense was \$68,057 and \$69,064 for the years ended June 30, 2026 and 2025, respectively.

Note 8. Leases

Operating Leases

The Organization leases equipment under noncancelable operating leases. Monthly rentals range from \$54 to \$261, expiring through June 2031.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended June 30, 2026 and 2025:

	2026	2025
Lease Cost:		
Operating Lease Cost	\$ 2,357	\$ 3,127
Short-Term Lease Cost	<u>9,035</u>	<u>8,679</u>
Total Lease Cost	\$ 11,392	\$ 11,806

All Leases

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 8. Leases (Continued)

All Leases (Continued)

Supplemental information related to leases is as follows as of June 30, 2026 and 2025:

	2026	2025
Other Information:		
Weighted-Average Remaining Lease Term (in Years):		
Operating Leases	4.9	1.5
Weighted-Average Discount Rate Applied (%):		
Operating Leases	4.19	1.37

Future undiscounted cash flows for each of the next five years and a reconciliation to the lease liabilities recognized on the statements of financial position are as follows:

Years Ending June 30,	Operating Leases
2027	\$ 1,528
2028	1,528
2029	1,528
2030	1,528
2031	1,528
Total Lease Payments	7,640
Less: Imputed Interest	(736)
Less: Lease Liabilities, Current Portion	(1,268)
Lease Liabilities, Net of Current Portion	<u>\$ 5,636</u>

Note 9. Affiliated Chapters

In accordance with the bylaws of the Organization, the residual assets of any chapter placed on inactive status shall be deposited in a restricted society account. The Organization holds these funds in a restricted interest-bearing account and records the funds as amounts due to chapters. The amount due to chapters was \$192,859 and \$132,779 at June 30, 2026 and 2025, respectively. If the chapter has not been restored to active status and the Board of Directors has voted to withdraw the chapter's charter, these assets and any interest thereon will be placed in the Organization's operating investment fund. The total amount placed in the Organization's operating investment fund was \$6,960 and \$7,931 for the years ended June 30, 2026 and 2025, respectively.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2026 and 2025:

	2026	2025
Endowments		
Subject to Phi Kappa Phi's Spending Policy and Appropriation		
Fellowship Program	\$ 2,358,640	\$ 2,056,175
Bond Fellowships	975,499	829,888
Building Fund	432,356	403,418
True Foundation Fellowship	414,838	352,908
Yeakel Fellowship	139,286	118,492
Agatha Burnet Fellowship	122,941	104,588
Ruth E. Brasher Fellowships	97,141	86,743
Study Abroad Program	84,345	72,833
Love of Learning	67,663	33,061
Student Opportunity Fund	28,789	-
Scholar and Artist Program	22,025	18,762
Literacy Program	13,066	11,165
Dissertation Fellowship	11,945	10,190
Graduate Research Grant	8,653	7,362
Drs. Diane G. and Webb M. Smathers, Jr.	8,174	7,625
Ray Sylvester Distinguished Service	4,095	3,495
Pioneer	294	251
Excellence in Innovation	-	12,710
Promotion of Excellence Grant Program	-	6,873
Total Net Assets With Donor Restrictions	\$ 4,789,750	\$ 4,136,539

The Organization 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 the Organization. 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 HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions (Continued)

The Board of Directors of the Organization 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, the Organization 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 the Organization 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.

As of June 30, 2026 and 2025, the Organization had the following endowment net asset composition by fund type:

June 30, 2026	With Donor Restrictions	Total
Donor-Restricted Endowment Funds		
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ 3,588,973	\$ 3,588,973
Accumulated Investment Gains	1,200,777	1,200,777
Total	\$ 4,789,750	\$ 4,789,750
June 30, 2025	With Donor Restrictions	Total
Donor-Restricted Endowment Funds		
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ 3,550,405	\$ 3,550,405
Accumulated Investment Gains	586,134	586,134
Total	\$ 4,136,539	\$ 4,136,539

As of June 30, 2026 and 2025, the endowment included a donor-restricted cash surrender value of life insurance policy to be held in perpetuity in the amount of \$57,802, which is included in other non-current assets on the statements of financial position.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions (Continued)

Changes in endowment net assets for the years ended June 30, 2026 and 2025 were as follows:

	With Donor Restrictions
Balance at July 1, 2024	\$ 3,595,346
Investment Return, Net	471,041
Contributions	75,562
Appropriation for Expenditure	<u>(5,410)</u>
Balance at June 30, 2025	4,136,539
Investment Return, Net	678,943
Contributions	56,000
Appropriation for Expenditure	<u>(81,732)</u>
Balance at June 30, 2026	<u><u>\$ 4,789,750</u></u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2026 and 2025, there were no underwater endowments.

Note 11. Benefit Plan

The Organization sponsors a defined contribution 401(k) plan that covers all full-time employees. The Organization provides a matching contribution of up to 4% of eligible employee compensation upon hire. In addition, beginning on the January 1 or July 1 following six months of employment, the Organization makes a non-elective contribution of 7% of eligible employee compensation. Participants are immediately vested in employer contributions. Total employer contributions to the plan totaled \$205,477 and \$184,874 for the years ended June 30, 2026 and 2025, respectively.

THE HONOR SOCIETY OF PHI KAPPA PHI

Notes to Financial Statements

Note 12. Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the financial statements. Directly identifiable expenses are charged to the related program or supporting service. 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. Salaries and related benefits 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. The Organization 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 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 financial statements were available to be issued, September 18, 2026, and determined that no subsequent events have occurred that require disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.