

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

Audits of Consolidated Financial Statements

June 30, 2020 and 2019



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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 Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of The Honor Society of Phi Kappa Phi and its subsidiary, The Phi Kappa Phi Foundation, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Honor Society of Phi Kappa Phi and its subsidiary, The Phi Kappa Phi Foundation as of June 30, 2020 and 2019, 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 2020, the Honor Society of Phi Kappa Phi and The Phi Kappa Phi Foundation adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*. 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 24, 2020

**THE HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION**  
Consolidated Statements of Financial Position  
June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 299,449	\$ 122,299
Investments	56,538,594	55,249,170
Inventory	38,883	25,734
Accounts Receivable	85,026	68,560
Contribution Receivable	-	26,998
Other Current Assets	200,820	223,570
<b>Total Current Assets</b>	<b>57,162,772</b>	<b>55,716,331</b>
<b>Property and Equipment, Net</b>	<b>1,622,692</b>	<b>1,577,200</b>
<b>Other Assets</b>		
Deposits	19,708	12,708
Investments - Donor Restricted	3,044,160	2,970,962
Investments - Board Designated	1,259,294	1,275,908
<b>Total Assets</b>	<b>\$ 63,108,626</b>	<b>\$ 61,553,109</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 449,989	\$ 313,014
Advanced Payment of Dues, Current Portion	1,388,778	1,274,291
Advanced Payment - Convention and Conference	-	11,750
Notes Payable, Current Portion	328,890	-
Due to Chapters	130,483	63,353
<b>Total Current Liabilities</b>	<b>2,298,140</b>	<b>1,662,408</b>
<b>Long-Term Liabilities</b>		
Advanced Payment of Dues, Net of Current Portion	9,016,729	332,988
<b>Total Liabilities</b>	<b>11,314,869</b>	<b>1,995,396</b>
<b>Net Assets</b>		
<b>Without Donor Restrictions</b>		
Designated by Board for:		
Sherrill Carlson Fellowship	1,074,719	1,012,394
Contingency	184,575	263,514
Undesignated	47,490,303	55,310,843
	<b>48,749,597</b>	<b>56,586,751</b>
<b>With Donor Restrictions</b>	<b>3,044,160</b>	<b>2,970,962</b>
<b>Total Net Assets</b>	<b>51,793,757</b>	<b>59,557,713</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 63,108,626</b>	<b>\$ 61,553,109</b>

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

**THE HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION  
Consolidated Statements of Activities  
For the Years Ended June 30, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Contributions	\$ 189,478	\$ 11,927	\$ 201,405	\$ 348,011	\$ 8,212	\$ 356,223
Annual Membership Dues	1,735,958	-	1,735,958	1,821,777	-	1,821,777
Initiation Fees	626,480	-	626,480	551,080	-	551,080
Life Memberships	222,860	-	222,860	320,300	-	320,300
Convention Revenue	-	-	-	81,050	-	81,050.00
Investment Return, Net	2,724,067	153,005	2,877,072	3,605,411	185,424	3,790,835
Sales of Jewelry, Certificate Frames, Apparel, and Other Items	-	-	-	18,108	-	18,108
Royalty Income	195,430	-	195,430	224,496	-	224,496
Other Revenues	33,036	-	33,036	26,474	-	26,474
Release of Restrictions	91,734	(91,734)	-	119,477	(119,477)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>5,819,043</b>	<b>73,198</b>	<b>5,892,241</b>	<b>7,116,184</b>	<b>74,159</b>	<b>7,190,343</b>
<b>Expenses</b>						
Awards, Fellowships, and Grants	826,423	-	826,423	753,768	-	753,768
National Office - Salaries	1,505,040	-	1,505,040	1,459,649	-	1,459,649
National Office - Fringe Benefits	472,279	-	472,279	448,188	-	448,188
National Office - Facilities and Operations	256,424	-	256,424	226,501	-	226,501
Resale Items	59,960	-	59,960	130,019	-	130,019
Board of Directors	24,281	-	24,281	44,504	-	44,504
Depreciation	122,855	-	122,855	123,622	-	123,622
Development	32,628	-	32,628	24,252	-	24,252
Chapter Growth	148,073	-	148,073	93,562	-	93,562
Convention Expense	23,052	-	23,052	438,043	-	438,043
Committee Meetings	26,670	-	26,670	25,507	-	25,507
Marketing and Communications	552,070	-	552,070	546,909	-	546,909
Publications	294,522	-	294,522	268,151	-	268,151
Information Technology	65,382	-	65,382	84,804	-	84,804
Interest Expense	494	-	494	1,398	-	1,398
Other National Office Expense	393,197	-	393,197	300,294	-	300,294
<b>Total Expenses</b>	<b>4,803,350</b>	<b>-</b>	<b>4,803,350</b>	<b>4,969,171</b>	<b>-</b>	<b>4,969,171</b>
<b>Change in Net Assets</b>	<b>1,015,693</b>	<b>73,198</b>	<b>1,088,891</b>	<b>2,147,013</b>	<b>74,159</b>	<b>2,221,172</b>
<b>Net Assets, June 30, 2019 at Beginning 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>
<b>Cumulative-Effect Adjustment - Change in Accounting Principle</b>	<b>(8,852,847)</b>	<b>-</b>	<b>(8,852,847)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, July 1, 2019, as Adjusted</b>	<b>47,733,904</b>	<b>2,970,962</b>	<b>50,704,866</b>	<b>54,439,738</b>	<b>2,896,803</b>	<b>57,336,541</b>
<b>Net Assets at End of Year</b>	<b>\$ 48,749,597</b>	<b>\$ 3,044,160</b>	<b>\$ 51,793,757</b>	<b>\$ 56,586,751</b>	<b>\$ 2,970,962</b>	<b>\$ 59,557,713</b>

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

**THE HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2020**

	Program Services											Total	Management and General	Fundraising	Total
	Fellowship Program	Literacy Program	Study Abroad Program	Scholar/Artist/ Services Program	Dissertation Fellowships	Love of Learning Award	Excellence in Innovation Award	Publications	Chapt. Dev.	Marketing and Communication Initiatives	Total				
Awards, Fellowships, and Grants	\$ 606,925	\$ 29,998	\$ -	\$ -	\$ 90,000	\$ 99,500	\$ -	\$ -	\$ -	\$ -	\$ 826,423	\$ -	\$ -	\$ 826,423	
National Office-Salaries	15,388	7,770	12,848	5,230	7,770	12,848	9,115	98,029	319,145	340,150	828,293	639,542	37,205	1,505,040	
National Office-Fringe Benefits	5,838	2,748	4,808	1,719	2,748	4,808	3,093	29,076	107,718	117,080	279,636	180,863	11,780	472,279	
National Office-Facilities and Operations	-	-	-	-	-	-	-	-	34,904	58,844	93,748	160,978	1,698	256,424	
Resale Items	-	-	-	-	-	-	-	-	-	59,960	59,960	-	-	59,960	
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	24,281	-	24,281	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	122,855	-	122,855	
Development	-	-	-	-	-	-	-	-	-	-	-	-	32,628	32,628	
Chapter Growth	-	-	-	-	-	-	-	-	148,073	-	148,073	-	-	148,073	
Convention Expense	-	-	-	-	-	-	-	-	23,052	-	23,052	-	-	23,052	
Committee Meetings	-	-	-	-	-	-	-	-	-	-	-	26,670	-	26,670	
Marketing and Communications	6,495	-	-	-	3,995	-	39,083	-	-	362,161	411,734	10,499	129,837	552,070	
Publications	-	-	-	-	-	-	-	286,717	-	-	286,717	7,805	-	294,522	
Information Technology	-	-	-	-	-	-	-	-	16,344	16,345	32,689	32,693	-	65,382	
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	494	-	494	
Other Society National Office Expense	-	-	-	-	-	-	-	-	-	20,679	20,679	365,332	7,186	393,197	
<b>Total</b>	<b>\$ 634,646</b>	<b>\$ 40,516</b>	<b>\$ 17,656</b>	<b>\$ 6,949</b>	<b>\$ 104,513</b>	<b>\$ 117,156</b>	<b>\$ 51,291</b>	<b>\$ 413,822</b>	<b>\$ 649,236</b>	<b>\$ 975,219</b>	<b>\$ 3,011,004</b>	<b>\$ 1,572,012</b>	<b>\$ 220,334</b>	<b>\$ 4,803,350</b>	

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

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

	Program Services													Management and General	Fundraising	Total
	Fellowship Program	Literacy Program	Study Abroad Program	Scholar/Artist/ Services Program	Dissertation Fellowships	Love of Learning Award	Excellence in Innovation Award	Graduate Research Grants	Publications	Chapt. Dev.	Marketing and Communication Initiatives	Total				
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 Growth	-	-	-	-	-	-	-	-	-	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 consolidated financial statements.



**THE HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION  
Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 1,088,891	\$ 2,221,172
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities		
Depreciation	122,855	123,622
Net Realized and Unrealized Gain on Investment Securities	(1,456,367)	(2,309,594)
Write-off of Obsolete Inventory	-	40,640
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Inventory	(13,149)	17,430
Decrease (Increase) in Accounts Receivable and Other Assets	26,282	(138,372)
Decrease in Advanced Payment of Dues	(54,619)	(53,648)
Decrease in Advanced Payment - Convention and Conference	(11,750)	(56,200)
Increase (Decrease) in Accounts Payable and Accrued Expenses	136,975	(73,569)
Increase in Due to Chapters	67,130	472
<b>Net Cash Used in Operating Activities</b>	<b>(93,752)</b>	<b>(228,047)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Investment Securities	(8,933,017)	(5,514,728)
Proceeds from Sales and Maturities of Investment Securities	9,043,376	6,048,739
Purchases of Property and Equipment	(168,347)	(271,338)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(57,988)</b>	<b>262,673</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Borrowing	328,890	-
Payments on Notes Payable	-	(84,468)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>328,890</b>	<b>(84,468)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>177,150</b>	<b>(49,842)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>122,299</b>	<b>172,141</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 299,449</b>	<b>\$ 122,299</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest Paid	\$ -	\$ 1,398

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

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

## Notes to Consolidated Financial Statements

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

#### **Organization**

The consolidated financial statements include the accounts of The Honor Society of Phi Kappa Phi (the Society) and its subsidiary, The Phi Kappa Phi Foundation (the Foundation), (collectively, Phi Kappa Phi). The accounting policies which materially affect the determination of financial position and results of activities are summarized below. All intercompany transactions have been eliminated in consolidation.

#### **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 consolidated 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 consolidated 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 consolidated 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, 2020 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 Consolidated 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 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.

**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, 2020 or 2019.

**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 receivable totaled \$-0- and \$26,998 at June 30, 2020 and 2019, 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 Consolidated 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, 2020 and 2019 totaled \$122,855 and \$123,622, 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, 2020 and 2019.

**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, 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. The Foundation recognizes contributions when cash, securities or other assets; and 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, 2020 and 2019.

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

**Notes to Consolidated Financial Statements**

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

**Revenue Recognition (Continued)**

Membership dues are comprised of an exchange element based on the benefits provided over a period of time. Phi Kappa Phi recognizes revenue member dues as follows: annual - over the one year membership period; lifetime - over the estimated life expectancy of the members, determined by the 2016 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, Phi Kappa Phi 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.

The following table provides information about significant changes in the contract liabilities for the years ended June 30, 2020 and 2019:

Deferred Membership Dues, July 1, 2018	\$ 1,728,887
Revenue Recognized that was Included in Deferred Membership Dues	(1,821,777)
Increase in Deferred Revenue due to Cash Received during the Period	<u>1,700,169</u>
Deferred Membership Dues, June 30, 2019	<u>\$ 1,607,279</u>
Transition Adjustment	<u>8,852,847</u>
Deferred Membership Dues, July 1, 2019	<u>\$ 10,460,126</u>
Revenue Recognized that was Included in Deferred Membership Dues	(1,958,818)
Increase in Deferred Revenue due to Cash Received during the Period	<u>\$ 1,904,199</u>
<b>Deferred Membership Dues, June 30, 2020</b>	<b><u>\$ 10,405,507</u></b>

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expenses charged to operations for the years ended June 30, 2020 and 2019 were \$125,781 and \$131,909, respectively.

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

**Notes to Consolidated Financial Statements**

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

**Recent Accounting Pronouncements - Adopted**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount to which an entity expects to be entitled when products are transferred to customers. ASU 2014-09 was adopted July 1, 2019 under the modified retrospective approach by completing its overall assessment of revenue streams and, based on this assessment, recorded the cumulative effect to net assets without donor restrictions of \$8,852,847.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. During the year ended June 30, 2020, Phi Kappa Phi adopted ASU 2018-08. This ASU has been applied retrospectively to all periods presented which did not have a material effect on the financial statement balances for the years ended June 30, 2020 or 2019.

**Recent Accounting Pronouncements - Not Yet Adopted**

In February 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 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. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* which provided a limited deferral of the effective dates of ASU 2016-02 for certain entities in the "all other category". Therefore ASU 2016-02 will be effective for Phi Kappa Phi beginning in the year ending June 30, 2023. Management is currently evaluating the impact ASU 2016-02 will have on the financial statements.

**Reclassifications**

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

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

**Notes to Consolidated Financial Statements**

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**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:

	2020	2019
Cash and Cash Equivalents	\$ 299,449	\$ 122,299
Investments	56,538,594	55,249,170
Inventory	38,883	25,734
Accounts Receivable	85,026	68,560
Contribution Receivable	-	26,998
<b>Total</b>	<b>\$ 56,961,952</b>	<b>\$ 55,492,761</b>

As part of Phi Kappa Phi's liquidity management plan, Phi Kappa Phi invests balances in excess of daily requirements in domestic equities mutual funds, international equities mutual funds, investment grade bonds mutual funds, and domestic real estate investment trust mutual funds 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, 2020 and 2019.

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

**Notes to Consolidated Financial Statements**

**Note 4. Investments**

The following is a summary of investments held at June 30, 2020 and 2019:

	2020	2019
Mutual Funds		
Domestic Company Stock Funds	\$ 20,528,035	\$ 20,508,276
International Company Stock Funds	13,693,804	13,226,858
Domestic Real Estate Investment Trust (REIT) Funds	3,380,829	3,417,489
Investment Grade Bond Funds	23,239,380	22,343,417
	<u>60,842,048</u>	59,496,040
Less: Donor Restricted and Board Designated Securities	<u>(4,303,454)</u>	<u>(4,246,870)</u>
<b>Total Unrestricted Securities</b>	<b><u>\$ 56,538,594</u></b>	<b><u>\$ 55,249,170</u></b>

**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.



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

**Notes to Consolidated Financial Statements**

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

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, 2020 and 2019.

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, 2020 and 2019, is as follows:

<b>June 30, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Mutual Funds</b>				
Domestic Company Stock Funds	\$ 20,528,035	\$ -	\$ -	\$ 20,528,035
International Company Stock Funds	13,693,804	-	-	13,693,804
Domestic REIT Funds	3,380,829	-	-	3,380,829
Investment Grade Bond Funds	23,239,380	-	-	23,239,380
<b>Total</b>	<b>\$ 60,842,048</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,842,048</b>
<b>June 30, 2019</b>				
<b>Mutual Funds</b>				
Domestic Company Stock Funds	\$ 20,508,276	\$ -	\$ -	\$ 20,508,276
International Company Stock Funds	13,226,858	-	-	13,226,858
Domestic REIT Funds	3,417,489	-	-	3,417,489
Investment Grade Bond Funds	22,343,417	-	-	22,343,417
<b>Total</b>	<b>\$ 59,496,040</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,496,040</b>

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

**Notes to Consolidated Financial Statements**

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

Property and equipment, net, at June 30, 2020 and 2019, consisted of the following:

	<b>2020</b>	2019
Land	<b>\$ 114,000</b>	\$ 114,000
Land Improvements	<b>418,371</b>	418,371
Building and Improvements	<b>1,435,942</b>	1,357,003
Furniture and Equipment	<b>1,574,691</b>	1,570,674
	<b>3,543,004</b>	3,460,048
Less: Accumulated Depreciation	<b>(1,979,442)</b>	(1,882,848)
	<b>1,563,562</b>	1,577,200
Construction in Progress	<b>59,130</b>	-
<b>Property and Equipment, Net</b>	<b>\$ 1,622,692</b>	\$ 1,577,200

**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 \$130,483 and \$63,353 at June 30, 2020 and 2019, 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 \$4,864 and \$10,452 for the years ended June 30, 2020 and 2019, respectively.

**Note 8. Notes Payable**

On May 5, 2020, Phi Kappa phi qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the PPP Lender), for an aggregate principal amount of approximately \$328,890 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration.

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

**Notes to Consolidated Financial Statements**

**Note 8. Notes Payable (Continued)**

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Phi Kappa Phi's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by Phi Kappa Phi. Phi Kappa Phi intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, Phi Kappa Phi will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in December 2020 principal and interest payments will be required through the maturity date in December 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

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

Net assets with donor restrictions consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Endowments		
Subject to Phi Kappa Phi's Spending Policy and Appropriation		
Investment in Pertuity (Including Amounts Above Original		
Investment of \$424,723 and \$363,452 at June 30, 2020 and 2019,		
Respectively), which, Once Appropriated, is Expendable to Support		
Fellowship Program	\$ 1,924,470	\$ 1,885,699
Building Fund	424,734	411,237
True Foundation Fellowship	352,277	345,567
Yeakel Fellowship	118,385	116,675
Agatha Burnet Fellowship	104,504	103,170
Study Abroad Program	59,766	56,266
Scholar and Artist Program	15,360	14,679
Love of Learning	10,280	9,018
Drs. Diane G. and Webb M. Smathers, Jr.	8,242	8,084
Promotion of Excellence Grant Program	7,135	7,284
Excellence in Innovation	6,501	3,749
Dissertation Fellowship	5,906	4,434
Literacy Program	4,737	4,132
Ray Sylvester Distinguished Service	1,863	968
<b>Total Net Assets With Donor Restrictions</b>	<b>\$ 3,044,160</b>	<b>\$ 2,970,962</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 HONOR SOCIETY OF PHI KAPPA PHI  
AND THE PHI KAPPA PHI FOUNDATION**

**Notes to Consolidated Financial Statements**

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

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.

Changes in endowment net assets for the years ended June 30, 2020 and 2019, were as follows:

	<b>With Donor Restrictions</b>
Balance at June 30, 2018	\$ 2,896,803
Investment Return, Net	185,424
Contributions	8,212
Appropriation for Expenditure	<u>(119,477)</u>
Balance at June 30, 2019	2,970,962
Investment Return, Net	153,005
Contributions	11,927
Appropriation for Expenditure	<u>(91,734)</u>
<b>Balance at June 30, 2020</b>	<b><u>\$ 3,044,160</u></b>

**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 \$147,270 and \$154,410 for the years ended June 30, 2020 and 2019, respectively.

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

**Notes to Consolidated Financial Statements**

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**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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which Phi Kappa Phi operates. It is unknown how long these conditions will last and what the complete financial effect will be to Phi Kappa Phi. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

**Note 12. Functional Allocation of Expenses**

The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated 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 consolidated financial statements.

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

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

**Notes to Consolidated Financial Statements**

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**Note 15. Subsequent Events**

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, September 24, 2020, and determined that no events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

## **SUPPLEMENTARY INFORMATION**

## 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 consolidated 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, 2020 and 2019, and have issued our report thereon dated September 24, 2020 which expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information as of and for the years ended June 30, 2020 and 2019, has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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, 2020 and 2019, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



A Professional Accounting Corporation

Baton Rouge, LA  
September 24, 2020



**THE HONOR SOCIETY OF PHI KAPPA PHI AND THE PHI KAPPA PHI FOUNDATION**  
**Consolidated Statements of Financial Position**  
**June 30, 2020 (with Comparative Consolidated Totals at June 30, 2019)**

**Schedule I**

	Society	Foundation	Eliminations	2020 Consolidated	2019 Consolidated
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 278,974	\$ 20,475	\$ -	\$ 299,449	\$ 122,299
Investments	25,357,314	31,181,280	-	56,538,594	55,249,170
Inventory	38,883	-	-	38,883	25,734
Accounts Receivable	85,026	-	-	85,026	68,560
Contribution Receivable	-	-	-	-	26,998
Other Current Assets	200,820	-	-	200,820	223,570
Receivable from Foundation	120,538	-	(120,538)	-	-
<b>Total Current Assets</b>	<b>26,081,555</b>	<b>31,201,755</b>	<b>(120,538)</b>	<b>57,162,772</b>	<b>55,716,331</b>
<b>Property and Equipment, Net</b>	<b>1,622,692</b>	<b>-</b>	<b>-</b>	<b>1,622,692</b>	<b>1,577,200</b>
<b>Other Assets</b>					
Deposits	19,708	-	-	19,708	12,708
Investments - Donor Restricted	432,976	2,611,184	-	3,044,160	2,970,962
Investments - Board Designated	184,575	1,074,719	-	1,259,294	1,275,908
<b>Total Assets</b>	<b>\$ 28,341,506</b>	<b>\$ 34,887,658</b>	<b>\$ (120,538)</b>	<b>\$ 63,108,626</b>	<b>\$ 61,553,109</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable and Accrued Expenses	\$ 409,314	\$ 40,675	\$ -	\$ 449,989	\$ 313,014
Advanced Payment of Dues, Current Portion	1,388,778	-	-	1,388,778	1,274,291
Advanced Payment - Convention and Conference	-	-	-	-	11,750
Notes Payable, Current Portion	328,890	-	-	328,890	-
Due to Chapters	130,483	-	-	130,483	63,353
Due to Society	-	120,538	(120,538)	-	-
<b>Total Current Liabilities</b>	<b>2,257,465</b>	<b>161,213</b>	<b>(120,538)</b>	<b>2,298,140</b>	<b>1,662,408</b>
<b>Long-Term Liabilities</b>					
Advance Payment of Dues, Net of Current Portion	9,016,729	-	-	9,016,729	332,988
<b>Total Liabilities</b>	<b>11,274,194</b>	<b>161,213</b>	<b>(120,538)</b>	<b>11,314,869</b>	<b>1,995,396</b>
<b>Net Assets</b>					
<b>Without Donor Restrictions</b>					
Designated by Board for:					
Sherrill Carlson Fellowship	-	1,074,719	-	1,074,719	1,012,394
Contingency	184,575	-	-	184,575	263,514
Undesignated	16,449,761	31,040,542	-	47,490,303	55,310,843
	16,634,336	32,115,261	-	48,749,597	56,586,751
<b>With Donor Restrictions</b>	<b>432,976</b>	<b>2,611,184</b>	<b>-</b>	<b>3,044,160</b>	<b>2,970,962</b>
<b>Total Net Assets</b>	<b>17,067,312</b>	<b>34,726,445</b>	<b>-</b>	<b>51,793,757</b>	<b>59,557,713</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 28,341,506</b>	<b>\$ 34,887,658</b>	<b>\$ (120,538)</b>	<b>\$ 63,108,626</b>	<b>\$ 61,553,109</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**

**Consolidated Statements of Activities**

**For the Year Ended June 30, 2020 (with Comparative Consolidated Totals for the Year Ended June 30, 2019)**

	Society	Foundation	Eliminations	2020 Consolidated	2019 Consolidated
<b>Revenue, Gains, and Other Support</b>					
Contributions	\$ -	\$ 451,405	\$ (250,000)	\$ 201,405	\$ 356,223
Annual Membership Dues	1,735,958	-	-	1,735,958	1,821,777
Initiation Fees	626,480	-	-	626,480	551,080
Life Memberships	222,860	-	-	222,860	320,300
Convention Revenue	-	-	-	-	81,050
Investment Return, Net	1,248,600	1,628,472	-	2,877,072	3,790,835
Sales of Jewelry, Certificate Frames, Apparel, and Other Items	-	-	-	-	18,108
Royalty Income	195,430	-	-	195,430	224,496
Other Revenues	33,034	2	-	33,036	26,474
<b>Total Revenue, Gains, and Other Support</b>	<b>4,062,362</b>	<b>2,079,879</b>	<b>(250,000)</b>	<b>5,892,241</b>	<b>7,190,343</b>
<b>Expenses</b>					
Awards, Fellowships, and Grants	-	826,423	-	826,423	753,768
National Office - Salaries	1,249,791	255,249	-	1,505,040	1,459,649
National Office - Fringe Benefits	392,210	80,069	-	472,279	448,188
National Office - Facilities and Operations	234,760	21,664	-	256,424	226,501
Resale Items	59,960	-	-	59,960	130,019
Board of Directors	21,937	2,344	-	24,281	44,504
Depreciation	122,855	-	-	122,855	123,622
Development	-	32,628	-	32,628	24,252
Chapter Growth	148,073	-	-	148,073	93,562
Convention Expense	23,052	-	-	23,052	438,043
Committee Meetings	20,860	5,810	-	26,670	25,507
Marketing and Communications	491,998	60,072	-	552,070	546,909
Publications	286,717	7,805	-	294,522	268,151
Information Technology	60,815	4,567	-	65,382	84,804
Interest Expense	494	-	-	494	1,398
Other National Office Expense	590,344	52,853	(250,000)	393,197	300,294
<b>Total Expenses</b>	<b>3,703,866</b>	<b>1,349,484</b>	<b>(250,000)</b>	<b>4,803,350</b>	<b>4,969,171</b>
<b>Change in Net Assets</b>	<b>358,496</b>	<b>730,395</b>	<b>-</b>	<b>1,088,891</b>	<b>2,221,172</b>
<b>Net Assets, June 30, 2019</b>	<b>25,561,663</b>	<b>33,996,050</b>	<b>-</b>	<b>59,557,713</b>	<b>57,336,541</b>
<b>Cumulative-Effect Adjustment - Change in Accounting Principle</b>	<b>(8,852,847)</b>	<b>-</b>	<b>-</b>	<b>(8,852,847)</b>	<b>-</b>
<b>Net Assets, July 1, 2019, as Adjusted</b>	<b>16,708,816</b>	<b>33,996,050</b>	<b>-</b>	<b>50,704,866</b>	<b>57,336,541</b>
<b>Net Assets at End of Year</b>	<b>\$ 17,067,312</b>	<b>\$ 34,726,445</b>	<b>\$ -</b>	<b>\$ 51,793,757</b>	<b>\$ 59,557,713</b>

See accompanying independent auditor's report on supplementary information.