

# **THE PHI KAPPA PHI FOUNDATION**

Audited Financial Statements

June 30, 2020 and 2019



## Contents

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<b>Independent Auditor's Report</b>	1 - 2
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### **Financial Statements**

Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 16

## **Independent Auditor's Report**

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

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

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

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Phi Kappa Phi Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

A Professional Accounting Corporation

Baton Rouge, LA  
September 24, 2020

**THE PHI KAPPA PHI FOUNDATION**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 20,475	\$ 41,974
Investments	31,181,280	30,557,623
Accounts Receivable	-	2,000
Contribution Receivable	-	26,998
Other Current Assets	-	1,816
<b>Total Current Assets</b>	<b>31,201,755</b>	<b>30,630,411</b>
<b>Other Assets</b>		
Investments - Donor Restricted	2,611,184	2,551,641
Investments - Board Designated	1,074,719	1,012,394
<b>Total Assets</b>	<b>\$ 34,887,658</b>	<b>\$ 34,194,446</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 40,675	\$ 13,676
Due to Related Party	120,538	184,720
<b>Total Current Liabilities</b>	<b>161,213</b>	<b>198,396</b>
<b>Total Liabilities</b>	<b>161,213</b>	<b>198,396</b>
<b>Net Assets</b>		
<b>Without Donor Restrictions</b>		
Designated by Board for Sherrill Carlson Fellowship	1,074,719	1,012,394
Undesignated	31,040,542	30,432,015
	<b>32,115,261</b>	<b>31,444,409</b>
<b>With Donor Restrictions</b>	<b>2,611,184</b>	<b>2,551,641</b>
<b>Total Net Assets</b>	<b>34,726,445</b>	<b>33,996,050</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 34,887,658</b>	<b>\$ 34,194,446</b>

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

**THE PHI KAPPA PHI FOUNDATION**  
**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	\$ 439,478	\$ 11,927	\$ 451,405	\$ 848,011	\$ 8,212	\$ 856,223
Investment Return, Net	1,502,051	126,421	1,628,472	2,001,465	158,661	2,160,126
Other Revenues	2	-	2	1,061	-	1,061
Release of Restrictions	78,805	(78,805)	-	121,508	(121,508)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>2,020,336</b>	<b>59,543</b>	<b>2,079,879</b>	<b>2,972,045</b>	<b>45,365</b>	<b>3,017,410</b>
<b>Expenses</b>						
Awards, Fellowships, and Grants	826,423	-	826,423	753,768	-	753,768
National Office - Salaries	255,249	-	255,249	248,140	-	248,140
National Office - Fringe Benefits	80,069	-	80,069	75,800	-	75,800
National Office - Facilities and Operations	21,664	-	21,664	16,206	-	16,206
Board of Directors	2,344	-	2,344	6,054	-	6,054
Development	32,628	-	32,628	24,252	-	24,252
Convention Expense	-	-	-	41,211	-	41,211
Committee Meetings	5,810	-	5,810	2,834	-	2,834
Marketing and Communications	60,072	-	60,072	29,933	-	29,933
Publications	7,805	-	7,805	-	-	-
Information Technology	4,567	-	4,567	3,550	-	3,550
Other Society National Office Expense	52,853	-	52,853	36,410	-	36,410
<b>Total Expenses</b>	<b>1,349,484</b>	<b>-</b>	<b>1,349,484</b>	<b>1,238,158</b>	<b>-</b>	<b>1,238,158</b>
<b>Change in Net Assets</b>	<b>670,852</b>	<b>59,543</b>	<b>730,395</b>	<b>1,733,887</b>	<b>45,365</b>	<b>1,779,252</b>
<b>Net Assets at Beginning of Year</b>	<b>31,444,409</b>	<b>2,551,641</b>	<b>33,996,050</b>	<b>29,710,522</b>	<b>2,506,276</b>	<b>32,216,798</b>
<b>Net Assets at End of Year</b>	<b>\$ 32,115,261</b>	<b>\$ 2,611,184</b>	<b>\$ 34,726,445</b>	<b>\$ 31,444,409</b>	<b>\$ 2,551,641</b>	<b>\$ 33,996,050</b>

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

**THE PHI KAPPA PHI FOUNDATION**  
**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	Excellence in Innovation				
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	70,969	150,580	33,700	255,249
National Office - Fringe Benefits	5,838	2,748	4,808	1,719	2,748	4,808	3,093	25,762	43,876	10,431	80,069
National Office - Facilities and Operations	-	-	-	-	-	-	-	-	21,664	-	21,664
Board of Directors	-	-	-	-	-	-	-	-	2,344	-	2,344
Development	-	-	-	-	-	-	-	-	-	32,628	32,628
Committee Meetings	-	-	-	-	-	-	-	-	5,810	-	5,810
Marketing and Communications	6,495	-	-	-	3,995	-	39,083	49,573	10,499	-	60,072
Publications	-	-	-	-	-	-	-	-	7,805	-	7,805
Information Technology	-	-	-	-	-	-	-	-	4,567	-	4,567
Other Society National Office Expense	-	-	-	-	-	-	-	-	52,853	-	52,853
<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>\$ 972,727</b>	<b>\$ 299,998</b>	<b>\$ 76,759</b>	<b>\$ 1,349,484</b>

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

**THE PHI KAPPA PHI FOUNDATION**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	Program Services								Total	Management and General	Fundraising	Total
	Fellowship Program	Literacy Program	Study Abroad Program	Scholar/Artist/ Services Program	Dissertation Fellowships	Love of Learning	Excellence in Innovation	Graduate Research Grants				
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	-	64,750	156,301	27,089	248,140
National Office - Fringe Benefits	5,494	2,646	4,544	1,696	2,646	4,544	3,019	-	24,589	44,634	6,577	75,800
National Office - Facilities and Operations	-	-	-	-	-	-	-	-	-	16,206	-	16,206
Board of Directors	-	-	-	-	-	-	-	-	-	6,054	-	6,054
Development	-	-	-	-	-	-	-	-	-	-	24,252	24,252
Convention Expense	13,737	-	-	13,737	-	-	13,737	-	41,211	-	-	41,211
Committee Meetings	-	-	-	-	-	-	-	-	-	2,834	-	2,834
Marketing and Communications	4,945	-	-	-	-	-	-	15,000	19,945	9,988	-	29,933
Information Technology	-	-	-	-	-	-	-	-	-	-	3,550	3,550
Other Society National Office Expense	388	198	325	134	198	325	233	-	1,801	31,759	2,850	36,410
<b>Total</b>	<b>\$ 412,887</b>	<b>\$ 36,366</b>	<b>\$ 116,551</b>	<b>\$ 23,390</b>	<b>\$ 109,953</b>	<b>\$ 66,551</b>	<b>\$ 125,366</b>	<b>\$ 15,000</b>	<b>\$ 906,064</b>	<b>\$ 267,776</b>	<b>\$ 64,318</b>	<b>\$ 1,238,158</b>

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



**THE PHI KAPPA PHI FOUNDATION**  
**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	\$ 730,395	\$ 1,779,252
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided by Operating Activities		
Net Realized and Unrealized Gain on Investment Securities	(820,845)	(1,325,158)
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Accounts Receivable and Other Assets	30,814	(28,998)
Increase in Accounts Payable and Accrued Expenses	26,999	1,877
(Decrease) Increase in Due to Related Party	(64,182)	63,232
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(96,819)</b>	490,205
<b>Cash Flows from Investing Activities</b>		
Purchases of Investment Securities	(6,226,286)	(2,679,951)
Proceeds from Sales and Maturities of Investment Securities	6,301,606	2,195,911
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>75,320</b>	(484,040)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(21,499)</b>	6,165
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>41,974</b>	35,809
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 20,475</b>	\$ 41,974

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

# THE PHI KAPPA PHI FOUNDATION

## Notes to Financial Statements

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

#### **Organization**

The financial statements include the accounts of The Phi Kappa Phi Foundation (the Foundation). The Foundation operates to support The Honor Society of Phi Kappa Phi (the Society). The accounting policies which materially affect the determination of financial position and results of activities are summarized below.

#### **Objectives of The Phi Kappa Phi Foundation**

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

#### **Basis of Accounting**

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

#### **Tax Status**

As an organization described in Internal Revenue Code (IRC) Section 501(c)(3), the Foundation 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 Foundation engage in activities unrelated to the purpose for which it was created, taxable income could result. The Foundation had no material unrelated business income for the fiscal years ended June 30, 2020 or 2019.

#### **Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Foundation 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 PHI KAPPA PHI FOUNDATION

## Notes to Financial Statements

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

#### **Investments**

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

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

#### **Contributions Receivable**

Contributions receivable consist of unconditional promises to give to the Foundation. 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.

#### **Contributed Support**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation 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, 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 PHI KAPPA PHI FOUNDATION

## Notes to Financial Statements

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

#### Revenue Recognition (Continued)

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.

#### Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses charged to operations for the years ended June 30, 2020 and 2019 were \$9,481 and \$10,600, respectively.

#### 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. the Foundation completed its overall assessment of revenue streams and, based on this assessment, the Foundation concluded that ASU 2014-09 resulted in no significant changes in the way the Foundation recognizes revenue, and; therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

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, the Foundation 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.

#### Reclassifications

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

## THE PHI KAPPA PHI FOUNDATION

### Notes to 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	\$ 20,475	\$ 41,974
Investments	31,181,280	30,557,623
Accounts Receivable	-	2,000
Contribution Receivable	-	26,998
<b>Total</b>	<b>\$ 31,201,755</b>	<b>\$ 30,628,595</b>

As part of the Foundation's liquidity management plan, the Foundation 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. The Foundation can request the money management company to process sales of securities in order to cover any temporary cash needs. The Foundation 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 has 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

The Foundation periodically maintains cash in bank accounts in excess of insured limits. The Foundation 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 Federal Deposit Insurance Corporation (FDIC) insured limit at June 30, 2020 and 2019.

# THE PHI KAPPA PHI FOUNDATION

## Notes to Financial Statements

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### 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	\$ 12,506,778	\$ 12,491,879
International Company Stock Funds	8,354,119	8,049,317
Domestic Real Estate Investment Trust (REIT) Funds	2,008,912	2,031,694
Investment Grade Bond Funds	11,997,374	11,548,768
	<u>34,867,183</u>	<u>34,121,658</u>
Less: Donor Restricted and Board Designated Securities	<u>(3,685,903)</u>	<u>(3,564,035)</u>
<b>Total Unrestricted Securities</b>	<b><u>\$ 31,181,280</u></b>	<b><u>\$ 30,557,623</u></b>

### Note 5. Fair Value Measurements

The carrying values of The Foundation'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 PHI KAPPA PHI FOUNDATION

## Notes to Financial Statements

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### 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.

The Foundation'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 The Foundation 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 Foundation are deemed to be actively traded. There have been no changes in this method 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 the Foundation'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 the Foundation's assets measured at fair value on a recurring basis at June 30, 2020 and 2019, is as follows:

June 30, 2020	Level 1	Level 2	Level 3	Total
<b>Mutual Funds</b>				
Domestic Company Stock Funds	\$ 12,506,778	\$ -	\$ -	\$ 12,506,778
International Company Stock Funds	8,354,119	-	-	8,354,119
Domestic REIT Funds	2,008,912	-	-	2,008,912
Investment Grade Bond Funds	11,997,374	-	-	11,997,374
<b>Total</b>	<b>\$ 34,867,183</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,867,183</b>
<b>June 30, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Mutual Funds</b>				
Domestic Company Stock Funds	\$ 12,491,879	\$ -	\$ -	\$ 12,491,879
International Company Stock Funds	8,049,317	-	-	8,049,317
Domestic REIT Funds	2,031,694	-	-	2,031,694
Investment Grade Bond Funds	11,548,768	-	-	11,548,768
<b>Total</b>	<b>\$ 34,121,658</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,121,658</b>

# THE PHI KAPPA PHI FOUNDATION

## Notes to Financial Statements

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### Note 6. Net Assets With Donor Restrictions

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

	2020	2019
Endowments		
Subject to the Foundation's Spending Policy and Appropriation		
Investment in Perpetuity (Including Amounts Above Original		
Investment of \$382,274 and \$334,658 at June 30, 2020 and 2019,		
Respectively), which, Once Appropriated, is Expendable to Support		
Fellowship Program	\$ 1,924,470	\$ 1,885,699
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
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>\$ 2,611,184</b>	<b>\$ 2,551,641</b>

The Foundation 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 Foundation. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of The Foundation 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 Foundation 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 Foundation in a manner consistent with the standard of prudence prescribed in UPMIFA, at the discretion of the Board of Directors, and in compliance with the policies and procedures of the board designated holder of the endowment. This policy, with the exception of the inviolate nature of the endowment that may not be altered, may only be changed by a two-thirds majority vote of the elected, voting members of the Board of Directors.



## THE PHI KAPPA PHI FOUNDATION

### Notes to Financial Statements

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#### Note 6. Net Assets With Donor Restrictions (Continued)

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

	<b>With Donor Restrictions</b>
<b>Balance at June 30, 2018</b>	\$ 2,506,276
Investment Return, Net	158,661
Contributions	8,212
Appropriation for Expenditure	<u>(121,508)</u>
<b>Balance at June 30, 2019</b>	2,551,641
Investment Return, Net	126,421
Contributions	11,927
Appropriation for Expenditure	<u>(78,805)</u>
<b>Balance at June 30, 2020</b>	<u><u>\$ 2,611,184</u></u>

#### Note 7. Functional Allocation of Expenses

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

#### Note 8. 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 Foundation believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the combined financial statements.

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

# THE PHI KAPPA PHI FOUNDATION

## Notes to Financial Statements

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### **Note 9. Related Party Transactions**

The Foundation received contributions from the Honor Society of Phi Kappa Phi totaling \$250,000 and \$500,000 for the years ended June 30, 2020 and 2019.

### **Note 10. Commitments and Contingencies**

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 the Foundation operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Foundation. 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 11. Subsequent Events**

Management has evaluated subsequent events through the date that the 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 combined financial statements.