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THE ENDOWMENT FUND OF THE  
PHI KAPPA PSI FRATERNITY  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
Together with Independent Auditors' Report  
DECEMBER 31, 2013

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
The Endowment Fund of the Phi Kappa Psi Fraternity:

We have audited the accompanying consolidated financial statements of The Endowment Fund of the Phi Kappa Psi Fraternity (d/b/a Phi Kappa Psi Foundation; Phi Psi Foundation), an Illinois not-for-profit corporation, and Subsidiaries (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2013 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to error or fraud.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the 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 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 Foundation as of December 31, 2013, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Foundation's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 20, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

June 25, 2014

*Greenwalt CPAs, Inc.*

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012

<u>ASSETS</u>		
	<u>2013</u>	<u>2012</u>
Cash	\$ 534,935	\$ 962,198
Contributions receivable, net of allowance	1,733,769	2,489,536
Notes receivable	4,459,233	4,598,902
Other receivables	26,860	11,619
Investments	19,686,361	20,107,482
Cash surrender value of life insurance	5,353,067	5,036,849
Property held as an investment, net	662,198	687,868
Property and equipment, net	2,357,579	2,537,318
Beneficial interest in perpetual trusts	499,940	436,107
Prepaid expenses	34,077	13,549
	<u>35,348,019</u>	<u>36,881,428</u>
<i>Total assets</i>	<u>\$ 35,348,019</u>	<u>\$ 36,881,428</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 145,828	\$ 105,355
Related party payable	59,269	5,000
Mortgages payable	397,818	405,602
Customer deposits	20,957	19,750
	<u>623,872</u>	<u>535,707</u>
<i>Total liabilities</i>	<u>623,872</u>	<u>535,707</u>
 <b>NET ASSETS</b>		
Unrestricted		
Undesignated	1,119,060	2,275,028
Designated	13,307,381	13,872,068
	<u>14,426,441</u>	<u>16,147,096</u>
<i>Total unrestricted net assets</i>	<u>14,426,441</u>	<u>16,147,096</u>
Temporarily restricted	19,085,285	19,050,038
Permanently restricted	1,212,421	1,148,587
	<u>34,724,147</u>	<u>36,345,721</u>
<i>Total net assets</i>	<u>34,724,147</u>	<u>36,345,721</u>
	<u>\$ 35,348,019</u>	<u>\$ 36,881,428</u>
<i>Total liabilities and net assets</i>	<u>\$ 35,348,019</u>	<u>\$ 36,881,428</u>

**THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
Member support and other contributions	\$ 847,776	\$ 1,910,740	\$ -	\$ 2,758,516	\$ 5,395,306
Endowed operating fund grant	20,771	-	-	20,771	18,874
Investment income, net of fees	872,472	912,146	-	1,784,618	965,538
Change in beneficial interest in perpetual trusts	-	-	63,834	63,834	(592,692)
Interest income on notes receivable	22,283	239,605	-	261,888	264,158
Rental income	126,288	-	-	126,288	153,439
Increase in cash value of life insurance	316,218	-	-	316,218	403,701
Designated fund investment/management fee	259,095	-	-	259,095	224,674
Events income	147,947	-	-	147,947	138,914
Other revenue	3,232	10,809	-	14,041	16,978
Loss on disposal of assets	(5,158)	-	-	(5,158)	(93,191)
Net assets released from restrictions	3,038,053	(3,038,053)	-	-	-
<i>Total revenues, gains and other support</i>	<u>5,648,977</u>	<u>35,247</u>	<u>63,834</u>	<u>5,748,058</u>	<u>6,895,699</u>
<b>EXPENSES</b>					
Program	4,101,917	-	-	4,101,917	3,525,502
Management and general	673,006	-	-	673,006	654,195
Fundraising	864,643	-	-	864,643	1,011,980
<i>Total functional expenses</i>	<u>5,639,566</u>	<u>-</u>	<u>-</u>	<u>5,639,566</u>	<u>5,191,677</u>
<b>LIFE INSURANCE PREMIUMS (NOTE 11)</b>					
<i>Total expenses</i>	<u>1,730,066</u>	<u>-</u>	<u>-</u>	<u>1,730,066</u>	<u>2,110,066</u>
	<u>7,369,632</u>	<u>-</u>	<u>-</u>	<u>7,369,632</u>	<u>7,301,743</u>
<b>CHANGE IN NET ASSETS</b>	(1,720,655)	35,247	63,834	(1,621,574)	(406,044)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>16,147,096</u>	<u>19,050,038</u>	<u>1,148,587</u>	<u>36,345,721</u>	<u>36,751,765</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 14,426,441</u>	<u>\$ 19,085,285</u>	<u>\$ 1,212,421</u>	<u>\$ 34,724,147</u>	<u>\$ 36,345,721</u>

See accompanying notes to consolidated financial statements.

**THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Educational program grants (Phi Kappa Psi Fraternity grants, etc.)	\$ 110,271	\$ -	\$ -	\$ 110,271	\$ 111,434
Grants, fellowships, scholarships and educational area grants	3,224,578	-	-	3,224,578	2,478,506
Endowed operating fund grant	-	20,771	-	20,771	18,874
Salary, wages, taxes and benefits	125,048	165,393	396,141	686,582	810,290
Travel, lodging, meals and entertainment	15,776	119,555	34,975	170,306	144,221
Conferences and professional development	-	12,384	7,475	19,859	4,359
Gifted policy insurance premiums	-	-	2,662	2,662	2,662
Professional services (accounting, legal, consulting, etc.)	30,138	92,634	172,067	294,839	278,502
Designated fund investment management fee	259,095	-	-	259,095	224,674
Supplies	773	12,171	8,413	21,357	17,832
Dues, licenses and subscriptions	45	5,547	5,353	10,945	16,932
Postage and delivery	2,274	7,095	33,380	42,749	38,368
Advertising, creative, printing and reproduction	1,214	17,866	98,081	117,161	148,993
Depreciation	113,313	83,566	32,611	229,490	234,092
Mortgage interest, banking and financial fees	26,245	21,560	-	47,805	70,887
Investment manager fees	28,767	-	-	28,767	25,845
Property and liability insurance	5,097	4,860	1,896	11,853	3,262
Utilities	17,385	16,716	8,454	42,555	43,726
Maintenance and repairs	32,045	30,554	11,924	74,523	110,192
Facility services	20,279	19,336	7,545	47,160	55,693
Equipment rental	440	6,433	-	6,873	6,953
Vehicle insurance, maintenance and repairs	-	2,565	8,582	11,147	3,520
Bad debt expense (unfulfilled pledges)	63,745	-	35,084	98,829	273,801
In-kind expense	-	34,000	-	34,000	20,000
Other	25,389	-	-	25,389	48,059
	<u>\$ 4,101,917</u>	<u>\$ 673,006</u>	<u>\$ 864,643</u>	<u>\$ 5,639,566</u>	<u>\$ 5,191,677</u>

See accompanying notes to consolidated financial statements.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Page 1 of 2

DECREASE IN CASH

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grantors, contributors and others	\$ 3,336,167	\$ 5,315,992
Cash paid for scholarships and grants	(3,334,849)	(2,589,940)
Cash paid to vendors and employees	(1,883,009)	(2,000,060)
Interest paid	(26,135)	(44,127)
Cash investment income, net of fees	166,209	188,169
Interest income on notes receivable	261,888	264,158
	<u>                    </u>	<u>                    </u>
<i>Net cash provided by (used in) operating activities</i>	<u>(1,479,729)</u>	<u>1,134,192</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(15,424,636)	(10,610,886)
Proceeds from sales and maturities of investments	18,097,562	10,828,151
Life insurance premium paid on investment contract	(1,730,066)	(2,110,066)
Purchase of property and equipment	(22,279)	(107,150)
Proceeds from sale of property	-	450,170
Net (increase) decrease in notes receivable	139,669	(7,892)
	<u>                    </u>	<u>                    </u>
<i>Net cash provided by (used in) investing activities</i>	<u>1,060,250</u>	<u>(1,557,673)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payments on mortgages	<u>(7,784)</u>	<u>(348,353)</u>
<b>CHANGE IN CASH</b>	(427,263)	(771,834)
<b>CASH, BEGINNING OF YEAR</b>	<u>962,198</u>	<u>1,734,032</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 534,935</u></u>	<u><u>\$ 962,198</u></u>
<b>SCHEDULE OF NON-CASH INVESTING ACTIVITY</b>		
Property and equipment in accounts payable	\$ 28,035	\$ -
Trade-in credit applied to vehicle leases	\$ 21,075	\$ -
Receivable transferred with sale of property	\$ -	\$ 21,436
Donated stock	\$ 633,395	\$ 547,919

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (1,621,574)</b>	<b>\$ (406,044)</b>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS          TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Depreciation	229,490	234,092
Realized gain on sale of investments	(1,288,780)	(2,889,624)
Unrealized (gain) loss on investments	(329,629)	2,112,255
Change in beneficial interest in perpetual trusts	(63,834)	592,692
Increase in cash value of life insurance	(316,218)	(403,701)
Investment in life insurance premium	1,730,066	2,110,066
Loss on disposal of assets	5,158	93,191
Noncash contributions	(633,395)	(547,919)
<i>(Increase) decrease in operating assets:</i>		
Contributions receivable	755,767	192,138
Other receivables	(15,241)	3,889
Prepaid expenses	547	(10,495)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable and accrued expenses	12,438	55,152
Related party payable	54,269	5,000
Customer deposits	1,207	(6,500)
	<u>141,845</u>	<u>1,540,236</u>
<i>Total adjustments</i>		
	<u>\$ (1,479,729)</u>	<u>\$ 1,134,192</u>

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### NATURE OF OPERATIONS

The Endowment Fund of the Phi Kappa Psi Fraternity (d/b/a Phi Kappa Psi Foundation; Phi Psi Foundation) (the "Foundation") is a not-for-profit organization whose mission and principal activities are to foster the development of leaders and to promote academic excellence in higher education by providing students with scholarships and awards and by supporting educational projects and programs for their benefit. The Foundation's revenues and other support are derived principally from contributions and investment returns.

#### PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Foundation and its subsidiaries, PKP McMahan Finance Engine, LLC, Property Preservation, LLC, Athens-South Milledge Property, LLC (through October 2012), Oneonta-Maple, LLC, and Hammer Street Properties, LLC. All intercompany transactions have been eliminated in consolidation.

PKP McMahan Finance Engine, LLC (the "Finance Engine") is a single member LLC of which the Foundation is the sole member. The Finance Engine was formed to receive and maintain gifts of life insurance.

Property Preservation, LLC is a single member LLC owned by the Foundation. Oneonta-Maple, LLC and Hammer Street Properties, LLC are single member LLCs owned by Property Preservation, LLC. These limited liability companies own properties currently occupied by house corporations of the Phi Kappa Psi Fraternity, Inc. (the "Fraternity") and are held as investments. In October 2012, the Athens-South Milledge Property, LLC was dissolved.

#### BASIS OF ACCOUNTING AND PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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. Actual results could differ from those estimates.

The financial statements include certain prior year summarized comparative information in total, but not by net asset class and functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2012, from which the summarized information was derived.



# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### CASH

For purposes of the statements of cash flows, the Foundation considers cash held in a money market account and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2013 and 2012. Cash held in investment accounts is reported in investments on the statement of financial position. See Note 5.

#### CONTRIBUTIONS RECEIVABLE

Unconditional gifts to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

The Foundation uses the allowance method to estimate uncollectible pledges receivable. The allowance is based on historical experience and management's analysis of specific promises made.

#### NOTES RECEIVABLE

Notes receivable represent outstanding mortgages from various house corporations. Notes receivable are reported at their carrying value. No allowance for doubtful accounts has been recorded against these loans based on their collateralization and prior collection history. Notes receivable represent 12.6% and 12.5% of total assets at December 31, 2013 and 2012, respectively.

#### INVESTMENTS AND INVESTMENT RETURN

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investments in open-ended mutual funds are carried at their estimated fair values. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

The Foundation maintains pooled investment accounts for its endowments, Chapter Scholarship Funds, Chapter Campaign Funds, Educational Operating Funds, Mentor Scholarship Funds, and Individual or Named Funds. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual funds based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### CASH SURRENDER VALUE OF LIFE INSURANCE

Donated life insurance policies that are owned by the Foundation have been presented at their realizable value, net of surrender charges.

#### PROPERTY AND EQUIPMENT

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost and expenditures for normal maintenance and repairs are expensed as incurred. Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Depreciation expense was \$229,490 and \$234,092 for 2013 and 2012, respectively.

#### CUSTOMER DEPOSITS

Deposits for the rental of Laurel Hall for future events have been collected in advance. The revenue from the rental will be recognized when the events occur.

#### NET ASSETS

Unrestricted net assets include revenue and expenses from the regular operations of the Foundation, the uses of which are at the discretion of management and the Board of Trustees.

Designated net assets are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects or investments.

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific use or time period. Temporarily restricted net assets primarily represent funds that have been given by donors for Chapter Scholarship Funds, Chapter Campaign Funds, Chapter Educational Operating Funds and Mentor Scholarship Funds.

Permanently restricted net assets include assets of the Foundation for which the donor has stipulated that the contribution be maintained in perpetuity. Donor imposed restrictions limiting the use of assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. See Note 2.

#### CONTRIBUTIONS

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### TAX STATUS

The Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. Accordingly, no provision is made for federal or state income taxes or income tax effects. The Foundation is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

Accounting Standards for Income Taxes provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an enterprise's financial statements. The Foundation individually evaluates its activities to determine that they are in compliance with its tax-exempt purposes. Management does not believe it is engaged in any activities that would create uncertain tax positions. All tax periods prior to 2010 are no longer subject to examination.

### FUNCTIONAL ALLOCATION OF EXPENSES

Expenses have been classified as program, management and general, and fundraising based on the actual direct expenditures and cost allocation based on estimates of time and usage by organization personnel and programs.

### FAIR VALUE MEASUREMENTS

Accounting Standards for Fair Value define fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. These standards also establish a three-level fair value hierarchy for disclosure that prioritizes valuations based on whether the significant inputs used to estimate fair value are observable, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to valuations primarily based on unobservable inputs (level 3 measurements). The methods for determining fair value have not changed in 2013.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2013 AND 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

Fair values measured on a recurring basis at December 31, 2013 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Fixed Income	\$ 1,465,938	\$ 1,465,938	\$ -	\$ -
Equity	1,709,047	1,709,047	-	-
Equity securities	572,709	572,709	-	-
US Treasury Bills	3,199,680	3,199,680	-	-
Hedge funds:				
Gas and oil royalty funds	11,272,984	-	-	11,272,984
Hard assets	2,444	-	-	2,444
Beneficial interest in perpetual trusts	499,940	-	499,940	-
Contributions receivable	<u>1,733,769</u>	<u>-</u>	<u>-</u>	<u>1,733,769</u>
	<u>\$ 20,456,511</u>	<u>\$ 6,947,374</u>	<u>\$ 499,940</u>	<u>\$ 13,009,197</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2013 AND 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) are as follows:

	<u>Gas and oil royalty funds</u>	<u>Hard assets</u>	<u>Contributions receivable</u>
Balances, December 31, 2012	\$ 11,859,022	\$ 2,444	\$ 2,489,536
Realized gain	1,148,765	-	-
Unrealized (loss)	(34,218)	-	-
Purchases	-	-	-
Proceeds	(1,700,585)	-	-
Contributions received, net	-	-	(851,431)
Change in discount to present value	-	-	10,521
Change in allowance	-	-	85,143
Balances, December 31, 2013	<u>\$ 11,272,984</u>	<u>\$ 2,444</u>	<u>\$ 1,733,769</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2013 AND 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

Fair values measured on a recurring basis at December 31, 2012 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Fixed Income	\$ 2,757,983	\$ 2,757,983	\$ -	\$ -
Equity	1,368,804	1,368,804	-	-
Equity securities	589,992	589,992	-	-
US Treasury Bills	2,524,933	2,524,933	-	-
Hedge funds:				
Gas and oil royalty funds	11,859,022	-	-	11,859,022
Hard assets	2,444	-	-	2,444
Beneficial interest in perpetual trusts	436,107	-	436,107	-
Contributions receivable	<u>2,489,536</u>	<u>-</u>	<u>-</u>	<u>2,489,536</u>
	<u>\$ 22,028,821</u>	<u>\$ 7,241,712</u>	<u>\$ 436,107</u>	<u>\$ 14,351,002</u>

Following is a description of the valuation methodologies used for assets measured at fair market value:

Mutual funds - Valued at the net asset value of shares held by the Foundation at year-end quoted in active markets and are classified within Level 1 of the valuation hierarchy.

Equity securities and US Treasuries - Valued at the closing price reported on a publicly traded market and classified within Level 1 of the valuation hierarchy.

Hedge funds - Valued based on amounts the Foundation would have received at December 31, 2013 and 2012 had it liquidated its interests. See Note 5.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### FAIR VALUE MEASUREMENTS, CONTINUED

Beneficial interest in perpetual trusts – The Foundation has an interest in two trusts. One is valued based on the estimated present value of the future cash flows of the interest, and the other is valued at the fair value of the underlying trust assets as reported by the trustee. See Note 8.

Contributions receivable - Valued at their gross amount less an estimated allowance and less an estimated discount to present value as described in Note 3.

#### SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through June 25, 2014, which is the date the financial statements were available to be issued.

### 2. ENDOWMENT FUNDS

The Foundation's endowment includes donor permanently restricted contributions that were made to provide a source of income for scholarships. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### INTERPRETATION OF RELEVANT LAW

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the purchasing power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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2. ENDOWMENT FUNDS, CONTINUED

Changes in endowment Net Assets for the Year Ended December 31, 2013:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 87,880	\$ 1,148,587
Change in value of beneficial interest in perpetual trusts	-	63,834
Net investment income	48,422	-
Appropriated for spending	<u>(50,063)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 86,239</u>	<u>\$ 1,212,421</u>

Changes in endowment Net Assets for the Year Ended December 31, 2012:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 85,650	\$ 1,741,279
Change in value of beneficial interest in perpetual trusts	-	(592,692)
Net investment income	46,493	-
Contributions	47	-
Appropriated for spending	<u>(44,310)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 87,880</u>	<u>\$ 1,148,587</u>

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity.



# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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## 2. ENDOWMENT FUNDS, CONTINUED

### STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy administered in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on long-term growth and a reasonable return. Under this policy, the endowment assets are invested to preserve capital and focus on the long-term growth of assets with the objective of producing a minimum return of 5% plus the rate of inflation annualized over a market cycle.

### SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation has a policy whereby disbursements may be made up to 5% of the endowment's previous year fund balance for scholarships and grants with the exception of endowed funds governed by fund specific gift agreements. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

## 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>
Due within one year	\$ 935,705	\$ 264,184
Due in one to five years	839,483	2,257,443
Due in more than five years	<u>186,239</u>	<u>291,231</u>
	1,961,427	2,812,858
Allowance for uncollectible contributions	(196,143)	(281,286)
Unamortized discount	<u>(31,515)</u>	<u>(42,036)</u>
	<u>\$ 1,733,769</u>	<u>\$ 2,489,536</u>

## 4. NOTES RECEIVABLE

The value of the notes receivable at December 31, 2013 and 2012 was \$4,459,233 and \$4,598,902. The notes accrue interest annually at rates ranging from 4.0% to 7.0% and have various maturity lengths ranging from 10 years to 33 years.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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### 5. INVESTMENTS

The Foundation's investments are stated at fair value in the statement of financial position. Fair market value of equity securities, mutual funds, and Treasury Bills is the value of the security, fund, or bill at market close on the date of valuation. The fair value of the hedge fund investments is based on the amount that the Foundation would have received at December 31, 2013 had it liquidated its interests. Hedge funds may be redeemed in periods ranging from quarterly to semi-annually with 90 days to 6 months advance written notice. Unrealized gains and losses are reported in the statement of activities.

Investments at December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash	\$ 1,463,559	\$ 1,004,304
US Treasury Bills	3,199,680	2,524,933
Equity securities	572,709	589,992
Mutual funds	3,174,985	4,126,787
Hedge funds:		
Gas and oil royalty funds	11,272,984	11,859,022
Hard assets	<u>2,444</u>	<u>2,444</u>
	<u>\$ 19,686,361</u>	<u>\$ 20,107,482</u>

Investments had a cost basis of \$12,004,569 and \$12,755,157 at December 31, 2013 and 2012, respectively.

Investment income (loss) detail at December 31:

	<u>2013</u>	<u>2012</u>
Realized gain	\$ 1,288,780	\$ 2,889,624
Unrealized gain (loss)	329,629	(2,112,255)
Investment income *	<u>166,209</u>	<u>188,169</u>
	<u>\$ 1,784,618</u>	<u>\$ 965,538</u>

\*Investment income consists of interest, dividends and other investment income.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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### 6. PROPERTY HELD AS AN INVESTMENT

	<u>2013</u>	<u>2012</u>
Land, buildings and improvements	\$ 844,250	\$ 844,250
Less accumulated depreciation and amortization	<u>(182,052)</u>	<u>(156,382)</u>
	<u>\$ 662,198</u>	<u>\$ 687,868</u>

Property Preservation, LLC is the sole member of two limited liability companies that own and actively rent properties. The properties are occupied by house corporations. One of the properties has a mortgage (Note 9). The properties are being depreciated using the straight line method over 25 years. In April 2012, the Athens-South Milledge Property, LLC property was sold for \$455,732. The proceeds from the sale were used to pay off a loan on this property.

### 7. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	<u>2013</u>	<u>2012</u>
Land, buildings and improvements	\$ 3,145,761	\$ 3,117,726
Furnishings and equipment	646,008	623,728
Antiques and works of art	113,951	113,951
Vehicles	<u>-</u>	<u>37,476</u>
	3,905,720	3,892,881
Less accumulated depreciation and amortization	<u>(1,548,141)</u>	<u>(1,355,563)</u>
	<u>\$ 2,357,579</u>	<u>\$ 2,537,318</u>

### 8. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Foundation is the irrevocable beneficiary of a portion of the income earned on the assets held by two perpetual trusts. The estimated present value of future cash flows of one is \$486,000 and \$423,000 at December 31, 2013 and 2012, respectively. The other trust is valued at the fair market value of the underlying assets as reported by the trustee, which was \$13,940 and \$13,107 at December 31, 2013 and 2012, respectively.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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### 9. LONG-TERM DEBT

Long term debt for the Foundation consists of a mortgage payable on Hammer Street Properties, LLC. The mortgage requires monthly payments of \$2,827 including interest at 6.5% through March 1, 2036. The debt outstanding on the mortgage at December 31, 2013 and 2012 was \$397,818 and \$405,602, respectively.

Aggregate maturities of the mortgage payable are as follows for the years ending December 31:

2014	\$	8,261
2015		8,814
2016		9,405
2017		10,034
2018		10,706
Thereafter		<u>350,598</u>
	\$	<u>397,818</u>

### 10. NET ASSETS

#### DESIGNATED NET ASSETS

The board has designated net assets of \$13,307,381 and \$13,872,068 at December 31, 2013 and 2012, respectively. The Foundation's investment in the PKP McMahan Finance Engine, LLC (its wholly owned subsidiary) is included in designated net assets at December 31, 2013 and 2012.

#### TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$19,085,285 and \$19,050,038 at December 31, 2013 and 2012, respectively, are available for the following:

	<u>2013</u>	<u>2012</u>
Chapter specific funds and donor named funds	\$ 18,615,204	\$ 18,634,618
Ruth Lilly Fund (Laurel Hall Operating Fund)	470,081	415,420

#### PERMANENTLY RESTRICTED NET ASSETS

As described in Note 8, \$499,940 and \$436,107 of permanently restricted net assets represent a beneficial interest in perpetual trusts at December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, permanently restricted net assets also include \$712,480 for two endowments established as scholarship funds.

#### NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$3,038,053 and \$2,823,440 for 2013 and 2012, respectively, were released due to chapter scholarships, grants and awards.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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### 11. RELATED PARTY TRANSACTIONS

The Foundation and the Fraternity are related parties that are not financially interrelated organizations. During 2013 and 2012, the Foundation granted \$110,271 and \$111,434, respectively, to the Fraternity for educational purposes. The Foundation owed the Fraternity \$59,269 and \$5,000 at December 31, 2013 and 2012, respectively, for a grant payable.

The Foundation has invested in two different funds related to a board trustee. The first is the Centaur Commercial Materials Fund. The trustee is President and CEO of this fund. At December 31, 2013 and 2012, the Foundation's investment was valued at \$2,444 and \$228,029, respectively. The Centaur Commercial Materials Fund investment represented 0.01% and 0.9% of the Foundation's investment portfolio, which includes notes receivable, at December 31, 2013 and 2012, respectively. The other is the Caritas Royalties Fund. While the Caritas Royalties Fund is not related to the trustee, he owns Cornerstone Acquisition and Management Company, the investment consultant to the fund. The investment consultant agreement provides for a 20% semi-annual performance fee (if there is a loss, the performance fee is not earned until the loss is recouped in full). At December 31, 2013 and 2012, the Foundation's Caritas investments were valued at \$11,272,984 and \$11,859,022 respectively. The Caritas investments represented 46.7% and 47.1% of the Foundation's investment portfolio, which includes notes receivable, respectively.

For 2013 and 2012, the funds had a total return after performance and management fees as follows:

	<u>2013</u>	<u>2012</u>
Centaur Commercial Materials Fund - Class A Shares	-	15.21%
Centaur Commercial Materials Fund – Special Purpose Investment Shares	-	2.78%
Caritas Royalties Fund	10.2%	4.10%

The PKP McMahan Finance Engine, LLC is owner and beneficiary of a \$33,000,000 life insurance policy on a board trustee. The policy and gift agreement provide that the proceeds are to be disbursed as follows: \$6 million is to be distributed to a named beneficiary, \$2 million will be distributed among all existing Foundation Chapter Scholarship Funds, \$2 million for educational spaces within Phi Kappa Psi facilities, \$9.9 million will be retained by the Finance Engine and the remaining funds are to revert to the unrestricted funds of the Foundation. The policy requires annual premium payments of approximately \$1,200,000 through 2016 and are generated from earnings on the Caritas investment. At December 31, 2013 and 2012, the policy had a cash surrender value of \$4,631,797 and \$4,331,623, respectively that is included in cash surrender value of life insurance on the statements of financial position. The PKP McMahan Finance Engine, LLC is also the owner and beneficiary of a \$23,000,000 life insurance policy on two board trustees. The policy and gift agreement provide that the proceeds are to be disbursed as follows: \$3 million is to be distributed to a named beneficiary, \$6.9 million will be retained by the Finance Engine and the remaining funds are to revert to the unrestricted funds of the Foundation. The policy, according to the current in-force illustration, requires fluctuating annual premium payments of \$540,000 to \$1,400,000. The policy had no cash surrender value at December 31, 2013 and 2012.

# THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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### 12. OPERATING LEASES

The Foundation leases office space to the Fraternity under an agreement which began January 1, 2006 and ends December 31, 2015. Oneonta-Maple, LLC leases housing space under an agreement which began October 9, 2007 and ended October 8, 2012. A formal extension has not been put in place, but the lease continues on a month-to-month basis. Hammer Street Properties, LLC leases housing space under an agreement which began November 2007 and ends May 31, 2016. Future minimum lease receipts are as follows for the years ending December 31:

2014	\$	121,118
2015		122,447
2016		<u>18,333</u>
	\$	<u>261,898</u>

### 13. NON-CASH CONTRIBUTIONS

The Foundation received non-cash contributions of stock of \$633,395 and \$547,919 during 2013 and 2012, respectively. The contributions have been reflected at the fair market value on the date of donation in the statement of activities. Non-cash contributions have been treated as non-cash transactions for statement of cash flow purposes.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of  
The Endowment Fund of the Phi Kappa Psi Fraternity:

We have audited the consolidated financial statements of The Endowment Fund of the Phi Kappa Psi Fraternity (d/b/a Phi Kappa Psi Foundation; Phi Psi Foundation) and Subsidiaries (the "Foundation") as of and for the year ended December 31, 2013 and our report thereon dated June 25, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown in Exhibit I is presented for the purpose of additional analysis and is not a required part of the basic 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 financial statements. Exhibit I has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements taken as a whole. Information for the year ended December 31, 2012 was extracted from the consolidated financial statements for that year, on which an unmodified opinion dated August 20, 2013, was expressed.

*Greenwalt CPAs, Inc.*

June 25, 2014

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF DESIGNATED FUND NET ASSETS

DECEMBER 31, 2013 AND 2012

Exhibit I

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	<u>2013</u>	<u>2012</u>
	<u>Total</u>	<u>Total</u>
AL Alpha - Chapter Scholarship Fund	\$ 18,060	\$ 15,700
AL Beta - Chapter Scholarship Fund	1,150	852
AZ Alpha - Chapter Scholarship Fund	289,175	264,436
AZ Beta - Judd Shulak Scholarship Fund	42,302	37,556
CA Beta - Chapter Scholarship Fund	64,141	56,245
CA Delta* - Chapter Scholarship Fund	1,701,714	1,683,973
CA Delta - Lamson Scholarship Fund	30,026	27,677
CA Delta - Benton Lamson Mentor Scholarship Fund	1,266	44,464
CA Epsilon* - Chapter Scholarship Fund	1,411,714	1,362,378
CA Epsilon - Campaign Fund	2,132,609	1,386,201
CA Epsilon - Scott Thomas Scholarship Fund	40,773	36,429
CA Epsilon - James L. Tigner Jr. Scholarship Fund	187,557	169,423
CA Eta - Chapter Scholarship Fund	33,661	30,232
CA Gamma - Chapter Scholarship Fund	64,306	60,206
CA Gamma - Campaign Fund	500,753	572,196
CA Iota - Chapter Scholarship Fund	14,881	13,078
CA Kappa - J. Robert Meserve Memorial Scholarship Fund	21,830	19,260
CA Kappa - Campaign Fund	41,198	41,259
CA Lambda* - Robert W. Bailey Scholarship Fund	305,992	300,286
CA Mu - Chapter Scholarship Fund	4,414	3,814
CA Nu - Chapter Scholarship Fund	677	549
CA Theta - Chapter Scholarship Fund	4,853	3,759
CA Xi - Chapter Scholarship Fund	48	-
CA Zeta - Chapter Scholarship Fund	888	792
CO Alpha - Chapter Scholarship Fund	127,224	111,411
DC Alpha - Chapter Scholarship Fund	3,126	2,694
FL Alpha - Bob Foss Memorial Scholarship Fund	6,459	5,352
FL Beta - Chapter Scholarship Fund	145	130
GA Alpha - Chapter Scholarship Fund	11,487	10,161
GA Beta - Chapter Scholarship Fund	16,290	14,073
Houston Alumni - Chapter Scholarship Fund	19,111	16,316
IA Alpha - Chapter Scholarship Fund	66,911	59,448
IA Alpha - Junker Scholarship Fund	28,013	24,512
IA Beta - Chapter Scholarship Fund	49,258	44,671
IA Beta - Educational Operating Fund	179,939	193,920
IL Alpha - Chapter Scholarship Fund	20,483	16,888
IL Beta - Chapter Scholarship Fund	33,319	31,044
IL Delta - Stephen W. Acheson Scholarship Fund	61,689	48,155
IL Delta - C.F. "Dab" Williams Scholarship Fund	98,768	91,742

\* Balance reflects assets allocated for loans



THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF DESIGNATED FUND NET ASSETS

DECEMBER 31, 2013 AND 2012

Exhibit I

Page 2 of 5

	<u>2013</u>	<u>2012</u>
	<u>Total</u>	<u>Total</u>
IL Epsilon - Chapter Scholarship Fund	\$ 35,149	\$ 30,962
IL Eta - Chapter Scholarship Fund	12,578	10,797
IL Iota - Chapter Scholarship Fund	3,708	3,308
IL Theta - Chapter Scholarship Fund	14,801	12,820
IL Zeta - Chapter Scholarship Fund	46,446	41,298
IN Alpha - Chapter Scholarship Fund	199,056	184,725
IN Alpha - Campaign Fund	162,391	152,441
IN Beta - Chapter Scholarship Fund	117,773	110,023
IN Beta - Campaign Fund	485,153	2,083,188
IN Beta - Bradley Henninger Scholarship Fund	97,786	91,227
IN Beta - Reach for Excellence Scholarship Fund	13,338	10,035
IN Delta* - Chapter Scholarship Fund	160,490	152,818
IN Delta - Campaign Fund	114,714	212,424
IN Epsilon - Chapter Scholarship Fund	132,129	117,525
IN Epsilon - Donald V. Fites Mentor Scholarship Fund	57,007	50,818
IN Eta - Chapter Scholarship Fund	13,922	12,660
IN Gamma - Edward H. Knight Scholarship Fund	49,117	43,340
IN Iota - Chapter Scholarship Fund	548	351
IN Theta - Chapter Scholarship Fund	4,849	3,966
IN Zeta - Chapter Scholarship Fund	53,983	47,296
KS Alpha - Chapter Scholarship Fund	12,659	11,184
KS Alpha - Riley Scholarship Fund	20,433	18,231
KY Beta - Chapter Scholarship Fund	32,920	29,090
LA Alpha - Chapter Scholarship Fund	26,348	22,692
LA Beta - Chapter Scholarship Fund	21,790	20,325
LA Gamma - Chapter Scholarship Fund	14,860	13,838
MA Beta - Chapter Scholarship Fund	16,471	12,074
MD Alpha* - Chapter Scholarship Fund	457,813	446,237
MD Gamma - Chapter Scholarship Fund	3,174	3,185
MI Alpha - Campaign Fund	12,168	36,106
MI Alpha - Wolverine Scholarship Fund	61,013	56,277
MI Beta - Chapter Scholarship Fund	59,446	51,550
MI Beta* - Charles and Estelle Williams Scholarship Fund	400,814	376,564
MN Beta - Chapter Scholarship Fund	206,179	189,823
MN Delta - Chapter Scholarship Fund	12,475	9,980
MN Gamma - Chapter Scholarship Fund	7,013	5,551
MO Alpha - Chapter Scholarship Fund	164,057	144,502
MS Alpha - Chapter Scholarship Fund	13,760	12,034
NC Alpha - Chapter Scholarship Fund	34,837	32,440
NC Beta - Chapter Scholarship Fund	8,598	7,892

\* Balance reflects assets allocated for loans

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF DESIGNATED FUND NET ASSETS

DECEMBER 31, 2013 AND 2012

Exhibit I

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	<u>2013</u>	<u>2012</u>
	<u>Total</u>	<u>Total</u>
NE Alpha - Chapter Scholarship Fund	\$ 27,067	\$ 24,103
NE Alpha - Dan Cook Campaign Fund	131,010	126,618
NE Alpha - Robert Hamilton Scholarship Fund	38,341	34,206
NE Alpha - Walter and Virginia Henrion Fellowship Fund	96,919	89,796
NE Alpha - Western Nebraska Scholarship Fund	14,782	13,199
NE Beta - Theodore J. Urban Scholarship Fund	19,948	18,297
NJ Alpha - Chapter Scholarship Fund	339	302
NJ Beta - Chapter Scholarship Fund	6,414	5,955
NJ Delta - Member Excellence Scholarship Fund	10,004	8,114
NJ Epsilon - Chapter Scholarship Fund	13,974	10,619
NJ Gamma - Chapter Scholarship Fund	4,325	3,263
NM Alpha - Chapter Scholarship Fund	1,766	1,578
NY Alpha - Chapter Scholarship Fund	72,331	64,191
NY Beta - Chapter Scholarship Fund	10,100	9,002
NY Epsilon - Chapter Scholarship Fund	287	256
NY Eta - Chapter Scholarship Fund	48,070	44,758
NY Iota - Chapter Scholarship Fund	1,898	1,662
NY Kappa - Chapter Scholarship Fund	53,635	27,670
NY Theta - Brian D. Bauer Scholarship Fund	27,209	10,016
NY Theta - Chapter Scholarship Fund	74,951	66,247
OH Alpha - Chapter Scholarship Fund	30,582	26,784
OH Beta - Chapter Scholarship Fund	324,762	301,655
OH Delta* - Norman "Norm" M. Spain Scholarship Fund	35,877	34,138
OH Delta* - J. Gilbert Reese Scholarship Fund	741,692	744,578
OH Delta* - Mil Batten Scholarship Fund	36,204	34,387
OH Delta* - Howard L. Hamilton Scholarship Fund	37,589	33,859
OH Delta* - Manning Webster Scholarship Fund	50,600	48,099
OH Delta - Honors Lodge Educational Operating Fund	99,000	152,274
OH Delta* - Robert Frost Scholarship Fund	1,075,422	1,012,741
OH Delta - Chapter House Educational Operating Fund	258,380	270,156
OH Epsilon - Chapter Scholarship Fund	189,449	172,498
OH Epsilon - Medical Education Scholarship Fund	644	578
OH Eta - Chapter Scholarship Fund	10,058	8,724
OH Iota - Chapter Scholarship Fund	559	378
OH Lambda* - Chapter Scholarship Fund	49,127	45,178
OH Mu - Chapter Scholarship Fund	56,005	27,155
OH Mu - Campaign Fund	-	24,341
OH Nu - Chapter Scholarship Fund	1,368	862

\* Balance reflects assets allocated for loans

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF DESIGNATED FUND NET ASSETS

DECEMBER 31, 2013 AND 2012

Exhibit I

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	<u>2013</u> <u>Total</u>	<u>2012</u> <u>Total</u>
OH Omicron - Chapter Scholarship Fund	\$ 212	\$ 144
OH Theta - Chapter Scholarship Fund	10,877	9,675
OH Theta - Helen B. Smith Leadership Fund	760	675
OH Theta - Jerry and Terrie Dunlap Scholarship Fund	11,216	6,200
OH Xi - Chapter Scholarship Fund	10,809	7,668
OH Zeta - Chapter Scholarship Fund	28,735	25,847
OK Alpha - Chapter Scholarship Fund	26,913	23,721
OK Alpha - Wittrock Scholarship Fund	11,682	9,943
OK Beta - Chapter Scholarship Fund	449	400
OR Alpha - Chapter Scholarship Fund	24,904	19,663
OR Alpha - Maurice O'Callaghan Scholarship Fund	14,106	13,037
OR Alpha - Hugh B. Oliphant Scholarship Fund	33,118	29,409
OR Alpha - Mo Warnock Scholarship Fund	83,200	76,934
OR Beta - Chapter Scholarship Fund	194,982	170,904
OR Beta - Campaign Fund	177,271	256,419
PA Alpha - Chapter Scholarship Fund	5,566	4,886
PA Beta - Chapter Scholarship Fund	47,974	43,689
PA Epsilon - Chapter Scholarship Fund	90,613	84,482
PA Eta - Chapter Scholarship Fund	18,411	16,710
PA Gamma - Chapter Scholarship Fund	49,595	43,893
PA Iota - Chapter Scholarship Fund	40,311	35,920
PA Iota - Corriea Scholarship Fund	2,719	-
PA Lambda - Chapter Scholarship Fund	31,010	28,013
PA Lambda - Campaign Fund	159,683	147,705
PA Nu - Chapter Scholarship Fund	28,657	24,118
PA Phi - Chapter Scholarship Fund	3,667	3,019
PA Pi - Chapter Scholarship Fund	141	126
PA Rho - Chapter Scholarship Fund	5,120	4,214
PA Sigma - Chapter Scholarship Fund	3,472	2,956
PA Tau - Chapter Scholarship Fund	1,580	1,410
PA Theta* - Chapter Scholarship Fund	391,272	372,317
PA Theta - Educational Operating Fund	126,119	118,391
PA Upsilon - Chapter Scholarship Fund	5,189	4,240
PA Xi - Chapter Scholarship Fund	744	674
PA Zeta - Chapter Scholarship Fund	1,890	1,687
RI Alpha - Chapter Scholarship Fund	28,800	25,559
RI Alpha - Dovey Memorial Scholarship Fund	1,618	1,363
RI Beta - Chapter Scholarship Fund	121,627	113,268
TN Delta - Graham Stone Memorial Scholarship Fund	14,653	13,053
TN Delta - Campaign Fund	130,076	191,773

\* Balance reflects assets allocated for loans

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF DESIGNATED FUND NET ASSETS

DECEMBER 31, 2013 AND 2012

Exhibit I

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	<u>2013</u> <u>Total</u>	<u>2012</u> <u>Total</u>
TN Epsilon - Chapter Scholarship Fund	\$ 51,124	\$ 47,130
TX Alpha - Centennial Scholarship Fund	602,698	537,123
TX Alpha - Derrick Eakin Memorial Scholarship Fund	15,262	13,616
TX Alpha - John Dubberley Scholarship Fund	12,309	10,982
TX Alpha - Longview Scholarship Fund	92,865	84,259
TX Alpha - St. Tacky Scholarship Fund	62,096	57,747
TX Alpha - Paul Cox Memorial Scholarship Fund	14,184	12,654
TX Beta* - Bill Collins Scholarship Fund	136,780	148,160
TX Beta - Campaign Fund	40,735	14,764
TX Delta - Chapter Scholarship Fund	2,112	1,884
TX Epsilon - Chapter Scholarship Fund	9,716	4,059
TX Gamma - Chapter Scholarship Fund	8,882	6,579
TX Zeta - Chapter Scholarship Fund	5,574	4,994
VA Alpha - Chapter Scholarship Fund	7,239	6,374
VA Beta - George S. Lantzas Scholarship Fund	54,652	50,276
VA Beta - C. Stephen Leonard Scholarship Fund	112,145	104,696
VA Beta - Jerry Nelson Mentor Scholarship Fund	59,770	53,122
VA Beta - Campaign Fund	151,037	90,224
VA Eta - Chapter Scholarship Fund	1,631	163
VA Zeta - Chapter Scholarship Fund	8,485	7,922
VA Zeta - Willow Creek/Philpott Memorial Scholarship Fund	1,472	1,315
WA Alpha - Campaign Fund	-	5,400
WA Alpha* - Chapter Scholarship Fund	495,383	453,475
WV Alpha - Chapter Scholarship Fund	30,353	26,056
WI Gamma - Chapter Scholarship Fund	70,162	62,202
Philip M. Cornelius Scholarship Fund	37,877	35,099
Excellence in Advising Fund	43,785	42,421
Ralph D. Daniel Leadership Award Fund	86,852	80,609
Ruddick C. Lawrence Scholarship Fund	108,839	101,553
Leadership and Member Development Fund	15,044	12,468
Gordon S. Letterman Scholarship Fund	4,490	4,006
William H. Blanning Scholarship Fund	169,649	-
Wineman International Fellowship Fund	4	1,561
Terry Harper Fellowship Fund	43,663	40,275
Jerry Nelson Scholarship Fund	36,414	33,364
Watkins Christian Scholarship Fund	57,027	55,782
	<u>\$ 19,238,715</u>	<u>\$ 19,317,535</u>

\* Balance reflects assets allocated for loans