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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, 2016 AND 2015

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GREENWALT<sup>CPAs</sup>

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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, 2016 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 fraud or error.

### 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, 2016, 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 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

June 29, 2017

*Greenwalt CPAs, Inc.*

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>		
	<u>2016</u>	<u>2015</u>
Cash	\$ 876,614	\$ 650,959
Contributions receivable, net of allowance	1,232,505	1,621,172
Related party receivable	44,757	96,507
Notes receivable	4,092,564	4,188,291
Other receivables	599	1,000
Investments	17,587,615	16,254,787
Cash surrender value of life insurance	6,031,769	5,892,245
Property held as an investment, net	585,187	610,857
Property and equipment, net	1,899,479	2,026,963
Beneficial interest in perpetual trusts	495,327	556,300
Prepaid expenses	54,883	37,623
	<u>                    </u>	<u>                    </u>
<i>Total assets</i>	<u>\$ 32,901,299</u>	<u>\$ 31,936,704</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<b>LIABILITIES</b>		
Line of credit	\$ 3,275,000	\$ -
Accounts payable and accrued expenses	273,530	155,835
Gift annuity payable	8,105	9,355
Mortgage payable	371,167	380,624
Customer deposits	37,000	23,550
	<u>                    </u>	<u>                    </u>
<i>Total liabilities</i>	<u>3,964,802</u>	<u>569,364</u>
 <b>COMMITMENT (NOTE 13)</b> 		
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	3,003,090	349,115
Designated	7,278,597	12,098,416
	<u>                    </u>	<u>                    </u>
<i>Total unrestricted net assets</i>	10,281,687	12,447,531
Temporarily restricted	17,447,001	17,651,027
Permanently restricted	1,207,809	1,268,782
	<u>                    </u>	<u>                    </u>
<i>Total net assets</i>	<u>28,936,497</u>	<u>31,367,340</u>
	<u>                    </u>	<u>                    </u>
<i>Total liabilities and net assets</i>	<u>\$ 32,901,299</u>	<u>\$ 31,936,704</u>

See accompanying notes to consolidated financial statements.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
Member support and other contributions	\$ 511,435	\$ 1,512,753	\$ -	\$ 2,024,188	\$ 2,893,343
Endowed operating fund grant	21,341	-	-	21,341	23,663
Investment income (loss), net of fees	155,323	733,174	-	888,497	(641,140)
Change in beneficial interest in perpetual trusts	-	-	(60,973)	(60,973)	(70,514)
Change in value of gift annuity	101	-	-	101	(836)
Interest income on notes receivable	20,314	221,695	-	242,009	247,443
Rental income	155,135	-	-	155,135	131,825
Increase in cash value of life insurance	139,523	-	-	139,523	228,271
Designated fund investment/management fee	330,500	-	-	330,500	260,387
Events income	262,212	-	-	262,212	170,701
Net assets released from restrictions	2,671,648	(2,671,648)	-	-	-
<i>Total revenues, gains and other support</i>	<u>4,267,532</u>	<u>(204,026)</u>	<u>(60,973)</u>	<u>4,002,533</u>	<u>3,243,143</u>
<b>EXPENSES</b>					
Program	3,218,494	-	-	3,218,494	2,993,282
Management and general	737,160	-	-	737,160	668,010
Fundraising	744,656	-	-	744,656	796,541
<i>Total functional expenses</i>	<u>4,700,310</u>	<u>-</u>	<u>-</u>	<u>4,700,310</u>	<u>4,457,833</u>
<b>LIFE INSURANCE PREMIUMS (NOTE 12)</b>					
<i>Total expenses</i>	<u>1,733,066</u>	<u>-</u>	<u>-</u>	<u>1,733,066</u>	<u>1,733,066</u>
	<u>6,433,376</u>	<u>-</u>	<u>-</u>	<u>6,433,376</u>	<u>6,190,899</u>
<b>CHANGE IN NET ASSETS</b>	(2,165,844)	(204,026)	(60,973)	(2,430,843)	(2,947,756)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>12,447,531</u>	<u>17,651,027</u>	<u>1,268,782</u>	<u>31,367,340</u>	<u>34,315,096</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 10,281,687</u>	<u>\$ 17,447,001</u>	<u>\$ 1,207,809</u>	<u>\$ 28,936,497</u>	<u>\$ 31,367,340</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Educational program grants (Phi Kappa Psi Fraternity grants, etc.)	\$ 229,774	\$ -	\$ -	\$ 229,774	\$ 90,877
Grants, fellowships and scholarships	613,207	-	-	613,207	588,801
Educational area grants	1,186,638	-	-	1,186,638	1,434,825
Endowed operating fund grant	-	21,341	-	21,341	23,663
Salary, wages, taxes and benefits	198,172	184,018	356,223	738,413	668,458
Travel, lodging, meals and entertainment	16,510	92,678	60,548	169,736	199,752
Conferences and professional development	4,147	7,364	5,986	17,497	9,639
Gifted policy insurance premiums	-	-	2,662	2,662	2,662
Professional services (accounting, legal, consulting, etc.)	62,144	128,646	75,177	265,967	273,242
Designated fund and LLC investment management fee	357,104	-	-	357,104	280,283
Supplies	5,186	9,220	6,476	20,882	13,425
Dues, licenses and subscriptions	2,325	2,394	10,135	14,854	12,569
Postage and delivery	8,021	14,337	22,591	44,949	30,228
Advertising, creative, printing and reproduction	39,454	28,827	108,730	177,011	157,597
Depreciation	84,185	55,794	21,773	161,752	179,897
Mortgage interest, banking and financial fees	24,473	62,298	-	86,771	43,366
Investment manager fees	39,304	-	-	39,304	29,872
Property and liability insurance	274	12,357	2,354	14,985	23,724
Utilities	16,994	14,969	7,831	39,794	41,198
Maintenance and repairs	35,471	33,821	13,199	82,491	101,020
Facility services	31,449	29,987	11,702	73,138	63,914
Equipment rental	-	9,461	-	9,461	2,955
Vehicle insurance, maintenance and repairs	-	130	16,679	16,809	15,657
Bad debt expense (unfulfilled pledges)	41,953	500	22,590	65,043	137,264
In-kind expense (Note 14)	221,709	29,018	-	250,727	32,945
	<u>\$ 3,218,494</u>	<u>\$ 737,160</u>	<u>\$ 744,656</u>	<u>\$ 4,700,310</u>	<u>\$ 4,457,833</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, 2016 AND 2015

Page 1 of 2

CHANGE IN CASH

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grantors, contributors and others	\$ 3,078,422	\$ 2,942,956
Cash paid for scholarships and grants	(2,029,619)	(2,114,503)
Cash paid to vendors and employees	(2,276,174)	(1,980,217)
Interest paid	(67,287)	(25,057)
Cash investment income, net of fees	154,479	86,487
Interest income on notes receivable	242,009	247,443
	<u>(898,170)</u>	<u>(842,891)</u>
<i>Net cash used in operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(17,234,497)	(13,556,767)
Proceeds from sales and maturities of investments	16,739,966	15,992,955
Life insurance premium paid on investment contract	(1,733,066)	(1,733,066)
Receipt (payment) of gift annuity	(1,250)	9,355
Purchase of property and equipment	(8,598)	(11,007)
Net decrease in notes receivable	95,727	124,125
	<u>(2,141,718)</u>	<u>825,595</u>
<i>Net cash provided by (used in) investing activities</i>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from line of credit	3,275,000	-
Payments on mortgage	(9,457)	(8,888)
	<u>3,265,543</u>	<u>(8,888)</u>
<i>Net cash provided by (used in) financing activities</i>		
<b>CHANGE IN CASH</b>	225,655	(26,184)
<b>CASH, BEGINNING OF YEAR</b>	<u>650,959</u>	<u>677,143</u>
<b>CASH, END OF YEAR</b>	<u>\$ 876,614</u>	<u>\$ 650,959</u>
<b>SCHEDULE OF NON-CASH INVESTING ACTIVITY</b>		
Donated stock	<u>\$ 105,014</u>	<u>\$ 192,455</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH USED IN OPERATING ACTIVITIES

	<u>2016</u>	<u>2015</u>
CHANGE IN NET ASSETS	\$ (2,430,843)	\$ (2,947,756)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	161,752	179,897
Realized gain on sale of investments	(1,661,119)	(1,734,949)
Unrealized loss on investments	927,101	2,462,576
Change in value of gift annuity	735	836
Change in beneficial interest in perpetual trusts	60,973	70,515
Increase in cash value of life insurance	(139,524)	(228,271)
Investment in life insurance premium	1,733,066	1,733,066
Non-cash contributions	(105,014)	(192,455)
<i>(Increase) decrease in operating assets:</i>		
Contributions receivable	388,667	(132,405)
Related party receivable	51,750	(96,507)
Other receivables	401	25,217
Prepaid expenses	(17,260)	(3,717)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable and accrued expenses	117,695	24,612
Customer deposits	13,450	(3,550)
<i>Total adjustments</i>	<u>1,532,673</u>	<u>2,104,865</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (898,170)</u>	<u>\$ (842,891)</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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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, Oneonta-Maple, LLC, Hammer Street Properties, LLC, and Nelson Leadership Institute, 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.

Nelson Leadership Institute, LLC (the "Institute") is a single member LLC of which the Foundation is the sole member. The Institute was formed to provide dynamic leadership training and education to empower, develop and affirm undergraduate members of the Phi Kappa Psi Fraternity in their quest to become ethical, mission-driven leaders of influence and high moral character.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

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, 2015, 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, 2016 AND 2015

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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, 2016 and 2015. Cash held in investment accounts is reported in investments on the statement of financial position. See Note 5. At December 31, 2016 the Foundation maintained cash balances in excess of FDIC limits.

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 12.4% and 13.1% of total assets at December 31, 2016 and 2015, 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 Leadership Funds, Chapter Housing Funds, Chapter House 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.

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.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 \$161,752 and \$179,897 for 2016 and 2015, respectively.

CUSTOMER DEPOSITS

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

GIFT ANNUITY

The Foundation has a charitable gift annuity program in which donors make irrevocable gifts to the Foundation and receive an annuity payment for their lifetime, their named beneficiary's lifetime, or jointly. Assets are invested, and payments are made in accordance with the respective agreements. Contribution revenue is recognized at the date the agreement is established. In addition, the present values of the estimated future payments to be made under these agreements, calculated using discount rates which present risk adjusted rates in existence at the date of the gift, are recorded as liabilities.

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 Leadership Funds, Chapter Housing Funds, Chapter House 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.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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. However, if income was generated from certain activities not directly related to the Foundation's tax-exempt purposes, such income would be subject to taxation as unrelated business income. The Foundation is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

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 2016.

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2016 AND 2015

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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, 2016 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	\$ 916,447	\$ 916,447	\$ -	\$ -
Equity	4,020,959	4,020,959	-	-
Equity securities	1,430,671	1,430,671	-	-
US Treasury Bills	2,478,591	2,478,591	-	-
Hedge funds:				
Gas and oil royalty funds	8,682,130			
Annuity	24,265	24,265		
Beneficial interest in perpetual trusts	495,327	-	495,327	-
Contributions receivable	1,232,505	-	-	1,232,505
	<u>\$ 19,280,895</u>	<u>\$ 8,870,933</u>	<u>\$ 495,327</u>	<u>\$ 1,232,505</u>

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

	<b>Contributions receivable</b>
Balances, December 31, 2015	\$ 1,661,172
Realized gain	-
Unrealized loss	-
Proceeds	-
Contributions received, net	(454,445)
Change in discount to present value	(24,522)
Change in allowance	50,300
Balances, December 31, 2016	<u>\$ 1,232,505</u>

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES  
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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, 2015 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	\$ 796,899	\$ 796,899	\$ -	\$ -
Equity	1,950,864	1,950,864	-	-
Equity securities	452,701	452,701	-	-
US Treasury Bills	2,799,507	2,799,507	-	-
Hedge funds:				
Gas and oil royalty funds	10,219,562			
Annuity	24,164	24,164	-	-
Beneficial interest in perpetual trusts	556,300	-	556,300	-
Contributions receivable	1,621,172	-	-	1,621,172
	<u>\$ 18,421,169</u>	<u>\$ 6,024,135</u>	<u>\$ 556,300</u>	<u>\$ 1,621,172</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 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, 2016 and 2015 had it liquidated its interests. See Note 5.

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

During 2016, the Foundation early adopted Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. As such, certain investments that were measured at net asset value per share have not been classified in the fair value hierarchy table. The 2015 fair value measurement disclosures have been restated for this change.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through June 29, 2017, which is the date the financial statements were available to be issued.

2. ENDOWMENT FUNDS

The Foundation's endowment includes some permanently restricted contributions from donors 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

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2. ENDOWMENT FUNDS, CONTINUED

INTERPRETATION OF RELEVANT LAW, CONTINUED

- (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

Changes in Endowment Net Assets for the Year Ended December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 94,262	\$ 1,268,782
Change in value of beneficial interest in perpetual trusts		(60,973)
Contributions	23	
Net investment income	30,696	
Appropriated for spending	(40,944)	
Endowment net assets, end of year	<u>\$ 84,037</u>	<u>\$ 1,207,809</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 89,611	\$ 1,339,296
Change in value of beneficial interest in perpetual trusts		(70,514)
Contributions	22,950	
Net investment income	20,026	
Appropriated for spending	(38,325)	
Endowment net assets, end of year	<u>\$ 94,262</u>	<u>\$ 1,268,782</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.



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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>2016</u>	<u>2015</u>
Due within one year	\$ 551,888	\$ 606,652
Due in one to five years	819,838	1,179,311
Due in more than five years	<u>35,512</u>	<u>84,764</u>
	1,407,238	1,870,727
Allowance for uncollectible contributions	(140,700)	(191,000)
Unamortized discount	<u>(34,033)</u>	<u>(58,555)</u>
	<u>\$ 1,232,505</u>	<u>\$ 1,621,172</u>

4. NOTES RECEIVABLE

The value of the notes receivable at December 31, 2016 and 2015 was \$4,092,564 and \$4,188,291. The notes accrue interest annually at rates ranging from 5.34% to 7.00% and have various maturity lengths ranging from 10 years to 33 years.

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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, 2016 had it liquidated its interests. Hedge funds may be redeemed semi-annually with 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>2016</u>	<u>2015</u>
Cash	\$ 34,552	\$ 11,090
Gift annuity	24,265	24,164
US Treasury Bills	2,478,591	2,799,507
Equity securities	1,430,671	452,701
Mutual funds	4,937,406	2,747,763
Hedge funds:		
Gas and oil royalty funds	<u>8,682,130</u>	<u>10,219,562</u>
	<u>\$ 17,587,615</u>	<u>\$ 16,254,787</u>

Investments had a cost basis of \$11,644,040 and \$9,384,214 at December 31, 2016 and 2015, respectively.

Investment income (loss) detail at December 31:

	<u>2016</u>	<u>2015</u>
Realized gain	\$ 1,661,119	\$ 1,734,949
Unrealized loss	(927,101)	(2,462,576)
Investment income *	<u>154,479</u>	<u>86,487</u>
	<u>\$ 888,497</u>	<u>\$ (641,140)</u>

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

6. PROPERTY HELD AS AN INVESTMENT

	<u>2016</u>	<u>2015</u>
Land, buildings and improvements	\$ 844,250	\$ 844,250
Less accumulated depreciation and amortization	<u>(259,063)</u>	<u>(233,393)</u>
	<u>\$ 585,187</u>	<u>\$ 610,857</u>

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6. PROPERTY HELD AS AN INVESTMENT, CONTINUED

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 10). The properties are being depreciated using the straight-line method over 25 years.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	<u>2016</u>	<u>2015</u>
Land, buildings and improvements	\$ 3,117,726	\$ 3,117,726
Furnishings and equipment	671,495	671,495
Antiques and works of art	113,951	113,951
Construction in progress	<u>36,633</u>	<u>28,035</u>
	3,939,805	3,931,207
Less accumulated depreciation and amortization	<u>(2,040,326)</u>	<u>(1,904,244)</u>
	<u>\$ 1,899,479</u>	<u>\$ 2,026,963</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 \$482,000 and \$543,000 at December 31, 2016 and 2015, respectively. The other trust is valued at the fair market value of the underlying assets as reported by the trustee, which was \$13,327 and \$13,300 at December 31, 2016 and 2015, respectively.

9. LINE OF CREDIT

In March 2016, the PKP McMahan Finance Engine, LLC obtained a line of credit that provides maximum borrowings of \$4,000,000 at an interest rate of prime minus 1.75% (2.0% at December 31, 2016) through March 2020. The line is secured by a \$33,000,000 life insurance policy that had a cash surrender value of \$5,241,252 at December 31, 2016. At December 31, 2016, the outstanding balance on the line of credit was \$3,275,000.

The PKP McMahan Finance Engine, LLC gifted the proceeds from the loan to the Foundation.

10. MORTGAGE PAYABLE

Long term debt of 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, 2016 and 2015 was \$371,167 and \$380,624, respectively.

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10. MORTGAGE PAYABLE, CONTINUED

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

2017	\$	10,034
2018		10,706
2019		11,423
2020		12,188
2021		13,005
Thereafter		<u>313,811</u>
	\$	<u>371,167</u>

11. NET ASSETS

DESIGNATED NET ASSETS

The board has designated net assets of \$7,278,597 and \$12,098,416 at December 31, 2016 and 2015, 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, 2016 and 2015.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$17,447,001 and \$17,651,027 at December 31, 2016 and 2015, respectively, are available for the following:

	<u>2016</u>	<u>2015</u>
Chapter specific funds and donor named funds	\$ 17,019,962	\$ 17,224,207
Ruth Lilly Fund (Laurel Hall Operating Fund)	427,039	426,820

PERMANENTLY RESTRICTED NET ASSETS

As described in Note 8, \$495,327 and \$556,300 of permanently restricted net assets represent a beneficial interest in perpetual trusts at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, permanently restricted net assets also include \$712,482 for two endowments established as scholarship funds.

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11. NET ASSETS, CONTINUED

NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were \$2,671,648 and \$2,282,825 for the years ended December 31, 2016 and 2015, respectively.

12. RELATED PARTY TRANSACTIONS

The Foundation and the Fraternity are related parties that are not financially interrelated organizations. During 2016 and 2015, the Foundation granted \$229,774 and \$90,887, respectively, to the Fraternity for educational purposes. Grants are paid when proper documentation is received and approved.

The Foundation has invested in a hedge fund related to a board trustee whom passed away in 2017. While the Caritas Royalties Fund is not related to the trustee, he owned 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, 2016 and 2015, the Foundation's Caritas investments were valued at \$8,682,130 and \$10,219,562 respectively. The Caritas investments represented 40.1% and 50.1% of the Foundation's investment portfolio, which includes notes receivable at December 31, 2016 and 2015, respectively.

For 2016 and 2015, the fund had a total return after performance and management fees as follows:

	<u>2016</u>	<u>2015</u>
Caritas Royalties Fund	2.9%	(5.0)%

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 the Nelson Leadership Institute, LLC, \$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 \$13.1 million is to revert to the unrestricted funds of the Foundation. The policy required annual premium payments of approximately \$1,200,000 through 2016 and was generated from earnings on the Caritas investment. At December 31, 2016 and 2015, the policy had a cash surrender value of \$5,241,252 and \$5,122,419, 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 (one of whom passed away in 2017). 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 \$13.1 million is to revert to the unrestricted funds of the Foundation. The policy, according to the current in-force illustration, requires fluctuating annual premium payments of \$734,000 to \$2,200,000. The policy had no cash surrender value at December 31, 2016 and 2015.

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13. OPERATING LEASES

The Foundation leases office space to the Fraternity under an agreement which began January 1, 2006 and was extended through December 31, 2025. Oneonta-Maple, LLC leases housing space under an agreement which ended October 8, 2012. Hammer Street Properties, LLC leases housing space under an agreement which began November 2007 and ended May 31, 2016. A formal extension has not been put in place for these leases, but the leases continue on a month-to-month basis.

Future minimum lease receipts are as follows for the years ending December 31:

2017	\$	103,001
2018		104,462
2019		105,923
2020		107,384
2021		108,844
Thereafter		<u>449,985</u>
	\$	<u>979,599</u>

The Foundation leases equipment and software under operating leases with expiration dates ranging from August 31, 2019 to July 2021. The Foundation also leases two vehicles under an agreement which began May 1, 2013 and ends April 2017. Future minimum lease payments are as follows for the years ending December 31:

2017	\$	8,606
2018		6,240
2019		4,684
2020		1,572
2021		<u>917</u>
	\$	<u>22,019</u>

14. NON-CASH CONTRIBUTIONS

The Foundation received non-cash contributions of stock of \$105,014 and \$192,455 during 2016 and 2015, respectively. The contributions have been reflected at the fair market value on the date of donation in the statement of activities. In 2016, the Foundation received and made a donation of land to a chapter housing corporation. The donation is included in contributions on the statement of activities and in-kind expense in the statement of functional expenses. These transactions have been treated as non-cash transactions for statement of cash flow purposes.



## 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, 2016 and our report thereon dated June 29, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated 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 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. Exhibit I has been subjected to the auditing procedures applied in the audit 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 is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole. Information for the year ended December 31, 2015 was extracted from the consolidated financial statements for that year, on which an unmodified opinion dated June 29, 2016, was expressed.

*Greenwalt CPAs, Inc.*

June 29, 2017

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

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	<u>2016</u>	<u>2015</u>
	<u>Total</u>	<u>Total</u>
AL Alpha - Chapter Leadership Fund	\$ 143	\$ -
AL Alpha - Chapter Scholarship Fund	19,463	19,440
AL Beta - Chapter Leadership Fund	189	-
AL Beta - Chapter Scholarship Fund	1,524	1,470
AL Gamma - Chapter Leadership Fund	398	-
AR Alumni Association - Chapter Scholarship Fund	10,269	9,346
AZ Alpha - Chapter Scholarship Fund	287,419	291,643
AZ Beta - Chapter Leadership Fund	90	-
AZ Beta - Judd Shulak Scholarship Fund	42,614	41,079
CA Beta - Chapter Leadership Fund	6,456	-
CA Beta - Endowed Chapter Leadership Fund	25,313	-
CA Beta - Chapter Scholarship Fund	73,146	72,477
CA Delta* - Chapter Scholarship Fund	1,728,608	1,687,614
CA Delta - Chapter Leadership Fund	536	-
CA Delta - Lamson Scholarship Fund	36,323	35,551
CA Epsilon - Chapter Leadership Fund	135	-
CA Epsilon* - Chapter Scholarship Fund	1,351,337	1,390,336
CA Epsilon - Chapter Housing Fund	485,380	597,635
CA Epsilon - Scott Thomas Scholarship Fund	42,976	41,462
CA Epsilon - James L. Tigner Jr. Scholarship Fund	195,851	189,089
CA Eta - Chapter Leadership Fund	221	-
CA Eta - Chapter Scholarship Fund	39,158	36,864
CA Gamma - Chapter Leadership Fund	3,787	-
CA Gamma - Chapter Scholarship Fund	66,021	68,387
CA Gamma - Chapter Housing Fund	465,221	589,961
CA Iota - Chapter Leadership Fund	33	-
CA Iota - Chapter Scholarship Fund	16,496	15,656
CA Kappa - J. Robert Meserve Memorial Scholarship Fund	23,859	22,992
CA Kappa - Chapter Housing Fund	42,418	41,889
CA Kappa - Chapter Leadership Fund	161	-
CA Lambda - Chapter Leadership Fund	174	-
CA Lambda* - Robert W. Bailey Scholarship Fund	302,680	300,001
CA Mu - Chapter Leadership Fund	17	-
CA Mu - Chapter Scholarship Fund	5,009	4,726
CA Nu - Chapter Scholarship Fund	26,345	15,543
CA Theta - Chapter Leadership Fund	460	-
CA Theta - Chapter Scholarship Fund	5,909	5,416

\* Balance includes assets invested in loan to chapter



THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

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	<u>2016</u>	<u>2015</u>
	<u>Total</u>	<u>Total</u>
CA Xi - Chapter Leadership Fund	\$ 3,857	\$ -
CA Xi - Chapter Scholarship Fund	2,884	1,867
CA Zeta - Chapter Scholarship Fund	999	964
CO Alpha - Chapter Leadership Fund	69	-
CO Alpha - Chapter Scholarship Fund	118,033	119,584
DC Alpha - Chapter Scholarship Fund	3,459	3,337
DC Alpha - Chapter Leadership Fund	225	-
DE Alpha - Chapter Leadership Fund	32	-
DE Alpha - Chapter Scholarship Fund	5,228	5,011
FL Alpha - Chapter Leadership Fund	92	-
FL Alpha - Bob Foss Memorial Scholarship Fund	7,064	6,792
FL Beta - Chapter Scholarship Fund	158	153
GA Alpha - Chapter Scholarship Fund	11,870	12,122
GA Alpha - Chapter Housing Fund	1,851	584
GA Beta - Chapter Leadership Fund	271	-
GA Beta - Chapter Scholarship Fund	19,010	17,859
Houston Alumni - Chapter Scholarship Fund	19,436	19,773
IA Alpha - Chapter Leadership Fund	495	-
IA Alpha - Chapter Scholarship Fund	69,855	70,889
IA Alpha - Junker Scholarship Fund	30,735	30,485
IA Beta - Chapter Leadership Fund	1,283	-
IA Beta - Chapter Scholarship Fund	55,612	53,382
IA Beta - Chapter House Operating Fund	136,568	147,266
IA Beta - Bill & Lindy Good Scholarship Fund	95,273	87,888
IL Alpha - Chapter Leadership Fund	362	-
IL Alpha - Chapter Scholarship Fund	23,509	22,131
IL Beta - Chapter Scholarship Fund	31,422	32,078
IL Delta - Stephen W. Acheson Scholarship Fund	52,177	51,862
IL Delta - C.F. "Dab" Williams Scholarship Fund	93,278	95,235
IL Delta - Chapter Housing Fund	484,855	483,403
IL Delta - Chapter Leadership Fund	141	-
IL Epsilon - Chapter Leadership Fund	125	-
IL Epsilon - Chapter Scholarship Fund	39,934	38,182
IL Eta - Chapter Leadership Fund	64	-
IL Eta - Chapter Scholarship Fund	14,754	14,019
IL Iota - Chapter Leadership Fund	17	-
IL Iota - Chapter Scholarship Fund	4,060	3,898

\* Balance includes assets invested in loan to chapter

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	<u>2016</u>	<u>2015</u>
	<u>Total</u>	<u>Total</u>
IL Theta - Chapter Scholarship Fund	\$ 16,857	\$ 16,131
IL Theta - Chapter Leadership Fund	48	-
IL Zeta - Chapter Leadership Fund	239	-
IL Zeta - Chapter Scholarship Fund	47,885	47,511
IN Alpha - Chapter Leadership Fund	284	-
IN Alpha - Chapter Scholarship Fund	210,230	201,604
IN Alpha - Chapter Housing Fund	176,091	169,598
IN Beta - Chapter Scholarship Fund	124,409	119,303
IN Beta - Chapter Housing Fund	68,106	141,716
IN Beta - Bradley Henninger Scholarship Fund	100,971	97,401
IN Beta - Reach for Excellence Scholarship Fund	17,631	15,923
IN Beta - William E. Young Trust Scholarship Fund	13,327	-
IN Delta - Chapter Leadership Fund	16,743	-
IN Delta* - Chapter Scholarship Fund	168,193	167,326
IN Delta - Chapter House Operating Fund	15,308	41,939
IN Delta - Chapter Housing Fund	51,161	32,498
IN Epsilon - Chapter Leadership Fund	19,661	-
IN Epsilon - Chapter Scholarship Fund	134,766	139,222
IN Epsilon - Donald V. Fites Mentor Scholarship Fund	62,554	60,213
IN Eta - Chapter Leadership Fund	210	-
IN Eta - Chapter Scholarship Fund	15,152	14,618
IN Gamma - Chapter Leadership Fund	667	-
IN Gamma - Edward H. Knight Scholarship Fund	51,765	52,304
IN Iota - Chapter Leadership Fund	175	-
IN Iota - Chapter Scholarship Fund	1,094	934
IN Theta - Chapter Leadership Fund	538	-
IN Theta - Chapter Scholarship Fund	6,101	5,544
IN Zeta - Chapter Leadership Fund	521	-
IN Zeta - Chapter Scholarship Fund	63,326	60,524
KS Alpha - Chapter Scholarship Fund	14,088	13,505
KS Alpha - Chapter Leadership Fund	539	-
KS Alpha - Riley Scholarship Fund	22,265	21,481
KY Beta - Chapter Leadership Fund	47	-
KY Beta - Chapter Scholarship Fund	34,302	33,095
LA Alpha - Chapter Leadership Fund	178	-
LA Alpha - Chapter Scholarship Fund	33,555	30,555
LA Beta - Chapter Leadership Fund	322	-
LA Beta - Chapter Scholarship Fund	24,876	23,844

\* Balance includes assets invested in loan to chapter

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

SCHEDULE OF RESTRICTED FUND NET ASSETS

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	<u>2016</u>	<u>2015</u>
	<u>Total</u>	<u>Total</u>
LA Gamma - Chapter Leadership Fund	\$ 364	\$ -
LA Gamma - Chapter Scholarship Fund	16,258	15,685
MA Beta - Chapter Leadership Fund	19	-
MA Beta - Chapter Scholarship Fund	20,960	19,290
MD Alpha - Chapter Leadership Fund	92	-
MD Alpha* - Chapter Scholarship Fund	437,978	466,173
MD Gamma - Chapter Leadership Fund	69	-
MD Gamma - Chapter Scholarship Fund	4,247	3,462
MI Alpha - Chapter Housing Fund	28,479	20,746
MI Alpha - Chapter Leadership Fund	46	-
MI Alpha - Wolverine Scholarship Fund	58,037	58,668
MI Beta - Chapter Leadership Fund	1,901	-
MI Beta - Chapter Scholarship Fund	67,078	62,858
MI Beta* - Charles and Estelle Williams Scholarship Fund	393,097	397,572
MN Beta - Chapter Leadership Fund	5,444	-
MN Beta - Chapter Scholarship Fund	199,485	199,661
MN Delta - Chapter Leadership Fund	571	-
MN Delta - Chapter Scholarship Fund	16,637	15,075
MN Gamma - Chapter Leadership Fund	94	-
MN Gamma - Chapter Scholarship Fund	9,193	8,654
MO Alpha - Chapter Leadership Fund	184	-
MO Alpha - Chapter Scholarship Fund	182,518	174,923
MS Alpha - Chapter Leadership Fund	-	-
MS Alpha - Chapter Scholarship Fund	14,406	14,530
MS Alpha - Christopher J. Grimaud Scholarship Fund	28,913	29,594
NC Alpha - Chapter Scholarship Fund	32,678	33,367
NC Beta - Chapter Leadership Fund	253	-
NC Beta - Chapter Scholarship Fund	10,249	9,694
NE Alpha - Chapter Leadership Fund	-	-
NE Alpha - Chapter Scholarship Fund	28,321	27,105
NE Alpha - Dan Cook Campaign Fund	40,143	38,897
NE Alpha - Robert Hamilton Scholarship Fund	38,815	39,002
NE Alpha - Walter and Virginia Henrion Fellowship Fund	92,177	93,895
NE Alpha - Western Nebraska Scholarship Fund	16,108	15,541
NE Beta - Chapter Leadership Fund	19	-
NE Beta - Theodore J. Urban Scholarship Fund	21,622	20,843
NJ Alpha - Chapter Scholarship Fund	369	356
NJ Beta - Chapter Scholarship Fund	7,025	6,743

\* Balance includes assets invested in loan to chapter

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	<u>2016</u>	<u>2015</u>
	<u>Total</u>	<u>Total</u>
NJ Delta - Chapter Leadership Fund	\$ 95	\$ -
NJ Delta - Member Excellence Scholarship Fund	12,133	11,620
NJ Epsilon - Chapter Leadership Fund	227	-
NJ Epsilon - Chapter Scholarship Fund	16,395	14,931
NJ Gamma - Chapter Leadership Fund	230	-
NJ Gamma - Chapter Scholarship Fund	5,085	4,579
NM Alpha - Chapter Scholarship Fund	1,924	1,857
NY Alpha - Chapter Leadership Fund	129	-
NY Alpha - Chapter Scholarship Fund	76,074	77,294
NY Beta - Chapter Leadership Fund	257	-
NY Beta - Chapter Scholarship Fund	11,599	11,191
NY Beta - Hunter Brooks Watson Scholarship Fund	91,330	-
NY Epsilon - Chapter Scholarship Fund	313	302
NY Eta - Chapter Leadership Fund	344	-
NY Eta - Chapter Scholarship Fund	47,214	47,056
NY Iota - Chapter Leadership Fund	27	-
NY Iota - Chapter Scholarship Fund	2,068	1,995
NY Kappa - Chapter Leadership Fund	204	-
NY Kappa - Chapter Scholarship Fund	56,927	55,202
NY Theta - Brian D. Bauer Scholarship Fund	28,618	28,337
NY Theta - Chapter Scholarship Fund	80,005	77,249
OH Alpha - Chapter Leadership Fund	131	-
OH Alpha - Chapter Scholarship Fund	33,109	31,772
OH Beta - Chapter Leadership Fund	594	-
OH Beta - Chapter Scholarship Fund	312,551	316,744
OH Delta* - Norman "Norm" M. Spain Scholarship Fund	35,100	35,556
OH Delta* - J. Gilbert Reese Scholarship Fund	742,436	752,128
OH Delta* - Mil Batten Scholarship Fund	35,213	35,680
OH Delta* - Howard L. Hamilton Scholarship Fund	47,323	43,662
OH Delta* - Manning Webster Scholarship Fund	49,092	49,759
OH Delta - Honors Lodge Educational Operating Fund	1,263	47,359
OH Delta* - George S. Frost Scholarship Fund	1,014,521	1,020,447
OH Delta - Chapter Leadership Fund	22,046	-
OH Delta - Chapter House Educational Operating Fund	158,490	175,242
OH Epsilon - Chapter Leadership Fund	4,544	-
OH Epsilon - Endowed Chapter Leadership Fund	25,687	-
OH Epsilon - Chapter Scholarship Fund	191,166	192,848
OH Epsilon - Medical Education Scholarship Fund	884	691
OH Eta - Chapter Leadership Fund	209	-
OH Eta - Chapter Scholarship Fund	11,471	10,868
OH Iota - Chapter Leadership Fund	233	-
OH Iota - Chapter Scholarship Fund	1,008	792
OH Kappa - Chapter Scholarship Fund	45	-
OH Kappa - Chapter Leadership Fund	47	-
OH Lambda* - Chapter Scholarship Fund	58,102	55,752

\* Balance includes assets invested in loan to chapter

THE ENDOWMENT FUND OF THE PHI KAPPA PSI FRATERNITY AND SUBSIDIARIES

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	<u>2016</u>		<u>2015</u>
	<u>Total</u>		<u>Total</u>
OH Lambda - Chapter Leadership Fund	\$ 23	\$	-
OH Lambda - Chapter House Operating Fund	243		18
OH Mu - Chapter Leadership Fund	94		-
OH Mu - Chapter Scholarship Fund	60,010		58,875
OH Nu - Chapter Leadership Fund	120		-
OH Nu - Chapter Scholarship Fund	2,455		1,784
OH Nu - Chapter Housing Fund	8,662		8,433
OH Omicron - Chapter Leadership Fund	164		-
OH Omicron - Chapter Scholarship Fund	1,328		273
OH Theta - Chapter Leadership Fund	627		-
OH Theta - Chapter Scholarship Fund	11,667		11,695
OH Theta - Helen B. Smith Leadership Fund	9,483		9,382
OH Theta - Jerry and Terrie Dunlap Scholarship Fund	24,151		24,191
OH Xi - Chapter Leadership Fund	93		-
OH Xi - Chapter Scholarship Fund	15,863		14,809
OH Zeta - Chapter Leadership Fund	358		-
OH Zeta - Chapter Scholarship Fund	32,129		30,652
OK Alpha - Chapter Leadership Fund	450		-
OK Alpha - Chapter Scholarship Fund	30,004		28,685
OK Alpha - Wittrock Scholarship Fund	12,819		12,332
OK Beta - Chapter Scholarship Fund	536		472
OR Alpha - Chapter Leadership Fund	413		-
OR Alpha - Chapter Scholarship Fund	28,420		26,780
OR Alpha - Maurice O'Callaghan Scholarship Fund	22,406		15,806
OR Alpha - Hugh B. Oliphant Scholarship Fund	34,009		34,257
OR Alpha - Mo Warnock Scholarship Fund	81,436		79,968
OR Beta - Chapter Leadership Fund	695		-
OR Beta - Chapter Scholarship Fund	194,275		193,697
OR Beta - Chapter Housing Fund	8,858		82,375
PA Alpha - Chapter Leadership Fund	323		-
PA Alpha - Chapter Scholarship Fund	8,027		7,522
PA Beta - Chapter Leadership Fund	135		-
PA Beta - Chapter Scholarship Fund	50,004		48,032
PA Epsilon - Chapter Leadership Fund	182		-
PA Epsilon - Chapter Scholarship Fund	90,129		86,877
PA Eta - Chapter Leadership Fund	560		-
PA Eta - Chapter Scholarship Fund	18,845		17,877
PA Gamma - Chapter Scholarship Fund	54,477		52,559
PA Iota - Chapter Leadership Fund	451		-
PA Iota - Chapter Scholarship Fund	42,929		43,045
PA Iota - Correia Scholarship Fund	13,077		10,443
PA Lambda - Chapter Leadership Fund	361		-
PA Lambda - Chapter Scholarship Fund	30,624		31,023
PA Lambda - Chapter Housing Fund	174,758		168,314
PA Nu - Chapter Leadership Fund	121		-

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	<u>2016</u>		<u>2015</u>
	<u>Total</u>		<u>Total</u>
PA Nu - Chapter Scholarship Fund	\$ 31,425	\$	30,295
PA Phi - Chapter Leadership Fund	306		-
PA Phi - Chapter Scholarship Fund	4,250		4,092
PA Pi- Chapter Scholarship Fund	154		148
PA Rho - Chapter Leadership Fund	231		-
PA Rho - Chapter Scholarship Fund	7,570		7,245
PA Sigma - Chapter Scholarship Fund	3,816		3,682
PA Tau - Chapter Scholarship Fund	1,722		1,661
PA Theta - Chapter Leadership Fund	1,153		-
PA Theta* - Chapter Scholarship Fund	381,487		384,493
PA Theta - Chapter House Operating Fund	137,139		131,716
PA Thea - Endowment Chapter Leadership Fund	36,000		-
PA Upsilon - Chapter Leadership Fund	206		-
PA Upsilon - Chapter Scholarship Fund	6,001		5,709
PA Xi - Chapter Leadership Fund	460		-
PA Xi - Chapter Scholarship Fund	1,463		783
PA Zeta - Chapter Scholarship Fund	2,070		1,997
RI Alpha - Chapter Scholarship Fund	31,381		30,275
RI Alpha - Dovey Memorial Scholarship Fund	1,763		1,701
RI Beta - Chapter Leadership Fund	356		-
RI Beta - Chapter Scholarship Fund	118,799		118,476
TN Delta - Graham Stone Memorial Scholarship Fund	19,730		18,902
TN Delta - Chapter Housing Fund	53,013		52,450
TN Delta - Chapter Leadership Fund	2,504		-
TN Delta - Chapter House Operating Fund	732		238
TN Epsilon - Chapter Leadership Fund	65		-
TN Epsilon - Chapter Scholarship Fund	53,676		54,605
TX Alpha - Centennial Scholarship Fund	288,231		306,869
TX Alpha - Derrick Eakin Memorial Scholarship Fund	16,458		16,264
TX Alpha - John Dubberley Scholarship Fund	-		12,940
TX Alpha - Longview Scholarship Fund	94,594		92,897
TX Alpha - St. Tacky Scholarship Fund	67,214		65,460
TX Alpha - Paul Cox Memorial Scholarship Fund	15,106		14,911
TX Alpha - Chapter Leadership Fund	912		879
TX Beta - Bill Collins Scholarship Fund	120,418		116,278
TX Beta - (Library) Chapter Housing Fund	11,217		11,168
TX Beta - Chapter Leadership Fund	274		-
TX Delta - Chapter Scholarship Fund	2,301		2,220
TX Epsilon - Chapter Leadership Fund	-		-
TX Epsilon - Chapter Scholarship Fund	10,771		10,226
TX Gamma - Chapter Scholarship Fund	9,870		9,524
TX Gamma - Chapter Housing Fund	108,707		104,918

\* Balance includes assets invested in loan to chapter

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

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	<u>2016</u>	<u>2015</u>
	<u>Total</u>	<u>Total</u>
TX Zeta - Chapter Leadership Fund	\$ 139	\$ -
TX Zeta - Chapter Scholarship Fund	6,309	5,884
VA Alpha - Chapter Scholarship Fund	7,911	7,632
VA Beta - George S. Lantzas Scholarship Fund	57,811	55,552
VA Beta - C. Stephen Leonard Scholarship Fund	116,757	112,629
VA Beta - Jerry Nelson Mentor Scholarship Fund	74,185	71,580
VA Beta - Chapter House Operating Fund	13,514	13,016
VA Eta - Chapter Scholarship Fund	2,874	2,730
VA Zeta - Chapter Scholarship Fund	9,065	8,519
VA Zeta - Willow Creek/Philpott Memorial Scholarship Fund	1,266	1,221
WA Alpha - Chapter Leadership Fund	1,565	-
WA Alpha* - Chapter Scholarship Fund	467,975	476,316
WA Alpha - Douglas A. Hora Chapter Scholarship Fund	15,679	-
WA Alpha - Chapter House Operating Fund	82,077	74,718
WV Alpha - Chapter Scholarship Fund	32,898	31,353
WV Alpha - Chapter Leadership Fund	1,065	-
WI Gamma - Chapter Leadership Fund	161	-
WI Gamma - Chapter Scholarship Fund	75,793	73,010
Philip M. Cornelius Scholarship Fund	37,672	38,126
Excellence in Advising Grant Fund	44,567	43,764
Ralph D. Daniel Leadership Award Fund	86,207	83,807
Ruddick C. Lawrence Scholarship Fund	110,855	111,989
Leadership and Member Development Fund	1,294	1,528
Health and Wellness Fund	2,013	93,613
Pledge Smart, Keep Smart Tony Horton Scholarship Fund	39,084	247,458
Gordon S. Letterman Scholarship Fund	4,892	4,720
William H. Blanning Scholarship Fund	173,301	173,322
Wineman International Fellowship Fund	1,891	460
American Leadership Academy Fellowship Fund	457	-
Terrence "Terry" G. Harper Fellowship Fund	43,086	43,873
Jerry Nelson Scholarship Fund	39,715	40,083
Watkins Christian Scholarship Fund	54,081	54,614
Schroeder Scholarship Fund	28,820	29,639
Boys and Girls Club of America	567	18
Strategic Plan 2020 Campaign	156,180	177,585
Museum & Archives Fund	87	40
Shane Yates Fellowship Fund	20,022	-

\* Balance includes assets invested in loan to chapter