

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

The Psi Upsilon Foundation, Inc.

*Years ended June 30, 2015 and 2014
with Report of Independent Auditors*

The Psi Upsilon Foundation, Inc.

Audited Financial Statements
and Supplementary Information

Years ended June 30, 2015 and 2014

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Report of Independent Auditors

To the Board of Directors
The Psi Upsilon Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Psi Upsilon Foundation, Inc., (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014 and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Psi Upsilon Foundation, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Changes in Restricted Funds at June 30, 2015 is presented for purposes of additional analysis and is not a required part of the 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. The information has been subjected to the auditing procedures applied in the audit of the 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 as a whole.

Peterson Buchanan Vincent & Kone

November 6, 2015

The Psi Upsilon Foundation, Inc.

Statements of Financial Position

	As of June 30, 2015				As of June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and cash equivalents	\$ 8,050	\$ -	\$ -	\$ 8,050	\$ 17,716	\$ -	\$ -	\$ 17,716
Investments	273,145	53,143	1,016,723	1,343,011	360,085	46,471	950,965	1,357,521
Pledges receivable	32,657	-	269,337	301,994	49,088	-	353,759	402,847
Property and equipment, net	185,487	-	-	185,487	192,832	-	-	192,832
Accounts receivable	150	-	-	150	3,142	-	-	3,142
Prepaid expenses and other assets	2,661	-	-	2,661	5,661	-	-	5,661
Total assets	\$ 502,150	\$ 53,143	\$ 1,286,060	\$ 1,841,353	\$ 628,524	\$ 46,471	\$ 1,304,724	\$ 1,979,719
Liabilities								
Accounts payable	\$ 11,871	\$ -	\$ -	\$ 11,871	\$ 48,457	\$ -	\$ -	\$ 48,457
Accounts payable - related parties	24,134	-	-	24,134	46,318	-	-	46,318
Scholarships payable	33,600	-	-	33,600	36,154	-	-	36,154
Total liabilities	69,605	-	-	69,605	130,929	-	-	130,929
Net assets								
Unrestricted	432,545	-	-	432,545	496,744	-	-	496,744
Temporarily restricted	-	53,143	-	53,143	-	47,322	-	47,322
Permanently restricted	-	-	1,286,060	1,286,060	-	-	1,304,724	1,304,724
Total net assets	432,545	53,143	1,286,060	1,771,748	496,744	47,322	1,304,724	1,848,790
Total liabilities and net assets	\$ 502,150	\$ 53,143	\$ 1,286,060	\$ 1,841,353	\$ 627,673	\$ 47,322	\$ 1,304,724	\$ 1,979,719

See accompanying notes and report of independent auditors.

The Psi Upsilon Foundation, Inc.
Statements of Activities and Net Assets

	For the Year Ended June 30, 2015				For the Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	\$ 209,081	\$ 5,005	\$ 27,067	\$ 241,153	\$ 178,969	\$ 39,232	\$ 270,651	\$ 488,852
Realized gains on investments, dividends and interest	12,500	1,379	31,576	45,455	15,210	1,301	22,302	38,813
Unrealized gain/losses	-	506	5,186	5,692	45,686	3,885	73,195	122,766
Rental income	25,000	-	-	25,000	25,000	-	-	25,000
Forfeited scholarships	1,000	-	-	1,000	-	-	-	-
Miscellaneous	56	-	-	56	35	-	-	35
Total revenues	247,637	6,890	63,829	318,356	264,900	44,418	366,148	675,466
Revenue released from restrictions	83,562	(1,069)	(82,493)	-	111,988	(112,989)	1,001	-
Total revenue and other support	331,199	5,821	(18,664)	318,356	376,888	(68,571)	367,149	675,466
Expenses:								
Scholarships	37,984	-	-	37,984	36,485	-	-	36,485
Grants	19,781	-	-	19,781	27,495	-	-	27,495
Programs	139,644	-	-	139,644	150,906	-	-	150,906
Total educational programming	197,409	-	-	197,409	214,886	-	-	214,886
Support services	89,951	-	-	89,951	67,839	-	-	67,839
Fundraising expenses	108,038	-	-	108,038	136,379	-	-	136,379
Total expenses	395,398	-	-	395,398	419,104	-	-	419,104
Change in net assets	(64,199)	5,821	(18,664)	(77,042)	(42,216)	(68,571)	367,149	256,362
Net assets at beginning of year	496,744	47,322	1,304,724	1,848,790	538,960	115,893	937,575	1,592,428
Net assets at end of year	\$ 432,545	\$ 53,143	\$ 1,286,060	\$ 1,771,748	\$ 496,744	\$ 47,322	\$ 1,304,724	\$ 1,848,790

See accompanying notes and report of independent auditors.

The Psi Upsilon Foundation, Inc.

Statements of Functional Expenses

	For the Year Ended June 30, 2015				For the Year Ended June 30, 2014			
	Educational Programming	Support Services	Fundraising	Total	Educational Programming	Support Services	Fundraising	Total
Personnel	\$ 76,248	\$ 57,186	\$ 57,186	\$ 190,619	\$ 75,945	\$ 37,972	\$ 75,945	\$ 189,862
Scholarships	36,100	-	-	36,100	35,029	-	-	35,029
Kaiser Scholarship program	1,884	-	-	1,884	1,456	-	-	1,456
Chapter Leadership grant	19,781	-	-	19,781	27,495	-	-	27,495
Insurance	2,816	2,123	2,202	7,142	3,034	2,306	2,347	7,687
Telephone	467	453	453	1,374	437	424	424	1,285
Postage	939	939	4,371	6,248	1,184	1,184	3,201	5,569
Publications	6,450	2,532	4,408	13,390	6,656	1,932	8,430	17,018
Newsletter	13,989	-	2,621	16,610	14,140	-	3,257	17,397
Alumni relations	7,432	-	7,432	14,864	7,065	-	7,065	14,130
State registration and fees	3,735	2,241	1,494	7,469	3,648	1,459	2,189	7,296
Legal and professional fees	5,304	10,611	6,567	22,482	12,427	8,067	10,983	31,477
Meeting expense	227	170	170	567	948	379	569	1,896
Travel	6,721	2,240	2,240	11,202	8,065	2,688	2,688	13,441
Awards and recognition	412	-	-	412	378	-	-	378
Founders' Society pins	-	-	834	834	-	-	322	322
Fundraising expenses	-	-	6,429	6,429	-	-	7,022	7,022
Building maintenance	4,721	3,541	3,541	11,802	3,879	2,909	2,909	9,697
Utilities	4,801	2,657	2,657	10,116	5,027	2,553	3,248	10,828
Depreciation	2,938	2,203	2,203	7,344	3,094	2,321	2,321	7,736
Miscellaneous	2,445	3,055	3,229	8,729	4,979	3,645	3,459	12,083
Total expenses	\$ 197,409	\$ 89,951	\$ 108,038	\$ 395,398	\$ 214,886	\$ 67,839	\$ 136,379	\$ 419,104

See accompanying notes and report of independent auditors.

The Psi Upsilon Foundation, Inc.

Statements of Cash Flows

	For the Years Ended June 30	
	2015	2014
Operating activities		
Change in net assets	\$ (77,042)	\$ 256,362
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Contributions to Henry B. Poor Scholarship Fund	(23,893)	(15,265)
Contributions to Leadership Initiative Fund	-	(255,386)
Contributions to Jonathan Persky Scholarship Fund	-	-
Contribution of stock	(20,850)	(6,748)
Realized and unrealized gain on investments	(5,692)	(130,019)
Depreciation	7,344	7,736
Changes in operating assets and liabilities:		
Pledges receivable	100,853	(38,546)
Bequest receivable	-	49,518
Accounts receivable	2,992	6,257
Prepaid expenses	3,000	(3,000)
Accounts payable	(36,586)	27,963
Accounts payable - related party	(22,184)	3,318
Accrued expenses	-	(18,809)
Scholarships payable	(2,554)	2,154
Net cash used by operating activities	<u>(74,612)</u>	<u>(114,465)</u>
Investing activities		
Proceeds from sales and maturities of investments	90,172	132,044
Purchases of investments	(136,715)	(270,301)
Net cash used by investing activities	<u>(46,543)</u>	<u>(138,257)</u>
Financing activities		
Payments received for Leadership Initiative Fund	87,596	242,846
Contributions to Henry B. Poor Scholarship Fund	23,893	15,265
Net cash provided by financing activities	<u>111,489</u>	<u>258,111</u>
Net increase in cash and cash equivalents	(9,666)	5,388
Cash and cash equivalents at beginning of year	17,716	12,328
Cash and cash equivalents at end of year	<u>\$ 8,050</u>	<u>\$ 17,716</u>
Noncash transactions:		
Donation of stock	<u>\$ 33,521</u>	<u>\$ 6,748</u>

See accompanying notes and report of independent auditors.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

1. Organization and Significant Accounting Policies

Organization

The Psi Upsilon Foundation, Inc. (the "Foundation"), is a Rhode Island not-for-profit organization organized in 1958, whose primary responsibilities include supporting various educational programs of the Psi Upsilon Fraternity (the "Fraternity") and awarding scholarships.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

Preparation of financial statements prepared in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Net Assets

The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-210-45 *Not-for-Profit Entities* requires not-for-profit organizations to report information regarding its financial position and operations according to three classes of net asset categories established according to their nature and purpose:

Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for the Foundation to utilize in any of its programs or supporting services. Unrestricted net assets can be either undesignated or Board designated for specific activities or programs and events.

Temporarily restricted net assets are composed of funds which are restricted by donors for specific purposes either as to use or timing. The restrictions are satisfied either by the passage of time or by actions of the Foundation. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

1. Organization and Significant Accounting Policies (continued)

Net Assets (continued)

Permanently restricted net assets are composed of funds with permanent donor-imposed stipulations, which require the assets to be maintained in perpetuity but permit the Foundation to expend all or part of the income derived from the donated assets. The stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Cash and Cash Equivalents

Cash and cash equivalents includes deposits with a remaining maturity of three months or less at the date of deposit.

The Foundation maintains its cash in bank accounts which, at times, may exceed the federally insured limits. The Foundation has not experienced any losses in its deposit accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Investments

Investments in money market funds and equity income mutual funds with readily determinable fair values are stated at their fair values based on quoted prices in active markets. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income is recognized as earned and reported net of advisory fees.

Property and Equipment

Property and equipment consists of land, building and improvements and office equipment and are recorded at cost, net of accumulated depreciation. Depreciation is provided on a straight line basis over the estimated useful lives of the assets. Building and building improvements are depreciated over useful lives of 39 years and 15 years, respectively. Equipment is depreciated over 5 years. Assets sold or otherwise retired are removed from the accounts, and any gain or loss on disposal is reflected in the accompanying statements of activities. The Foundation reviews its investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized during the years ended June 30, 2015 or 2014.

The Foundation expenses asset purchases that are less than \$1,000.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

1. Organization and Significant Accounting Policies (continued)

Support and Revenue Recognition

Contributions that include unconditional promises to give are recognized as support in the period the contribution is received or promise is made. If a restriction on the contribution expires in the reporting period in which the revenue is recognized, the revenue is recognized as an increase in unrestricted net assets. Contributions not restricted by the donor are reported as an increase in unrestricted net assets. All other donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Endowment fund pledges, three-year Annual Fund pledges and the bequest receivable are accounted for as unconditional promises to give. Amounts expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at net present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the amounts are to be received. Amortization of the discounts is included in contribution revenue in the accompanying statements of activities.

Life insurance policies in which the Foundation is named as owner and beneficiary are reflected at their cash surrender values. Premiums for these policies are paid by the contributor. Upon death, proceeds in excess of the cash surrender value are recognized as revenue.

Expense Allocations

Functional expenses which are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors.

Income Taxes

The Internal Revenue Service has determined that the Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to federal income tax under present income tax law. The Foundation is also exempt from state and local income taxes, property taxes and sales taxes.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

1. Organization and Significant Accounting Policies (continued)

Income Taxes (continued)

In consideration of ASC 740-10-25 *Accounting for Uncertainties in Income Taxes*, management believes that the Foundation has not taken any uncertain tax positions that should be recognized in the accompanying financial statements. The Foundation's exempt organization tax returns for the years ended June 30, 2014, 2013 and 2012 are subject to examination by the Internal Revenue Service.

2. Investments

The following is a summary of investments as of June 30:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Stocks	\$ 331,687	\$ 459,773	\$ 296,373	\$ 464,473
Mutual funds	764,973	820,781	751,039	844,049
Cash equivalents	62,457	62,457	48,999	48,999
Total investments	<u>\$ 1,159,117</u>	<u>\$ 1,343,011</u>	<u>\$ 1,096,411</u>	<u>\$ 1,357,521</u>

ASC Section 820-10-35 establishes a fair value hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value; however, the level of fair value of each financial asset or liability presented below is based on the lower significant input level within this fair value hierarchy.

Fair value measurements based on Level 1 inputs: Measurements that are most observable are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Fair value measurements based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

2. Investments (continued)

Fair value measurements based on Level 3 inputs: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of June 30:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 459,773	\$ -	\$ -	\$ 459,773
Mutual funds	-	820,781	-	820,781
Cash equivalents	62,457	-	-	62,457
	<u>\$ 522,230</u>	<u>\$ 820,781</u>	<u>\$ -</u>	<u>\$ 1,343,011</u>

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 464,473	\$ -	\$ -	\$ 464,473
Mutual funds	-	844,049	-	844,049
Cash equivalents	48,999	-	-	48,999
	<u>\$ 513,472</u>	<u>\$ 844,049</u>	<u>\$ -</u>	<u>\$ 1,357,521</u>

3. Bequest Receivable

At June 30, 2013, the Foundation was a beneficiary of the Arthur H. Bowman, Jr. Charitable lead Trust in the amount of \$49,518. The final payment of the bequest was paid to the Foundation in November 2013.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

4. Pledges Receivable

As a part of the Annual Fund, the Order of the Owl ("OOTO") invites members to make pledges which are payable over three years. In addition, the Foundation has established the Leadership Initiative Fund to which members have made pledges that are payable over five years. Pledge activity for the year ended June 30, is as follows:

	2015		
	Leadership Initiative	OOTO	Total
Cumulative pledges - beginning of year	\$ 364,687	\$ 50,647	\$ 415,334
Pledges made during the year	-	14,600	14,600
Received	(87,596)	(32,029)	(119,625)
Unamortized discount	(7,754)	(561)	(8,315)
Net pledges - end of year	<u>\$ 269,337</u>	<u>\$ 32,657</u>	<u>\$ 301,994</u>

	2014		
	Leadership Initiative	OOTO	Total
Cumulative pledges - beginning of year	\$ 321,433	\$ 51,595	\$ 373,028
Pledges made during the year	256,743	36,560	293,303
Received	(213,489)	(37,508)	(250,997)
Unamortized discount	(10,928)	(1,559)	(12,487)
Net pledges - end of year	<u>\$ 353,759</u>	<u>\$ 49,088</u>	<u>\$ 402,847</u>

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

4. Pledges Receivable (continued)

Pledges receivable as June 30, 2015 consists of the following:

	Leadership Initiative	OOTO	Total
Pledges receivable	\$ 277,091	\$ 33,218	\$ 310,309
Less: unamortized discount	(7,754)	(561)	(8,315)
Net unconditional promise to give	<u>\$ 269,337</u>	<u>\$ 32,657</u>	<u>\$ 301,994</u>
Amounts due in:			
Less than one year	\$ 72,161	\$ 19,658	\$ 91,819
One to five years	197,176	12,999	210,175
Total	<u>\$ 269,337</u>	<u>\$ 32,657</u>	<u>\$ 301,994</u>

Pledges receivable as June 30, 2014 consists of the following:

	Leadership Initiative	OOTO	Total
Pledges receivable	\$ 364,687	\$ 50,647	\$ 415,334
Less: unamortized discount	(10,928)	(1,559)	(12,487)
Net unconditional promise to give	<u>\$ 353,759</u>	<u>\$ 49,088</u>	<u>\$ 402,847</u>
Amounts due in:			
Less than one year	\$ 59,217	\$ 23,670	\$ 82,887
One to five years	294,542	25,418	319,960
Total	<u>\$ 353,759</u>	<u>\$ 49,088</u>	<u>\$ 402,847</u>

The discount rate used was 2%. Management assumes that all pledges are collectible.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

5. Property and Equipment

As of June 30, 2015 property and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 86,933	\$ -	\$ 86,933
Building	428,013	329,790	98,223
Equipment	45,041	44,710	331
Total	\$ 559,987	\$ 374,030	\$185,487

As of June 30, 2014 property and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 86,933	\$ -	\$ 86,933
Building	428,013	322,633	105,380
Equipment	45,041	44,522	519
Total	\$ 559,987	\$ 367,155	\$192,832

Depreciation expense for the year ended June 30, 2015 and 2014 totaled \$7,344 and \$7,736, respectively.

7. Permanently Restricted Net Assets

Contributions made to the Leadership Initiative Fund in support of the educational and leadership development priorities established by the Foundation and the Fraternity are treated as additions to permanently restricted net assets and are to be held in perpetuity. Investment income is to be allocated to the fund and used to provide educational and leadership development opportunities for members. Under the terms of the agreement with donors, realized and unrealized investment gains and losses are added to, or subtracted from, the corpus. The portion of educational and leadership support, which exceeds investment income, is charged against the Foundation's unrestricted revenue.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

7. Permanently Restricted Net Assets (continued)

Contributions made to the Henry B. Poor Scholarship Fund and the Jonathan Persky Scholarship Fund are treated as additions to permanently restricted net assets and are to be held in perpetuity. Investment income is to be allocated to the fund and used to annually pay one or more scholarships to members of the Fraternity. Realized and unrealized investment gains and losses are added to, or subtracted from, the corpus. The portion of a scholarship which exceeds investment income is charged against the Foundation's unrestricted revenue.

8. Pension Plan

The Foundation maintains a Simplified Employee Pension Plan under which the President and CEO of the Foundation and General Counsel of the Fraternity and the Director of Development and Alumni Services have separate individual retirement accounts. The Foundation expects to make contributions annually in an amount equal to 10% of the employee's eligible compensation and the Fraternity will continue to reimburse the Foundation for its portion of the contributions.

The Foundation's portion of the contributions to the plans totaled \$14,779 and \$14,489 for the years ended June 30, 2015 and 2014, respectively.

9. Related Parties

Psi Upsilon Fraternity

The Foundation engages in various transactions with the Fraternity, an affiliated organization.

The following expenses were incurred by the Foundation and reimbursed by the Fraternity for the year ended June 30:

	<u>2015</u>	<u>2014</u>
Reimbursement of shared payroll costs	\$44,550	\$46,662
Annual fund expenses	2,775	2,004
	<u>\$47,325</u>	<u>\$48,666</u>

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

9. Related Parties (continued)

The following expenses were incurred by the Fraternity and reimbursed by the Foundation for the year ended June 30:

	<u>2015</u>	<u>2014</u>
Reimbursement of health insurance costs	\$ 17,321	\$ 20,386
Use of equipment and administrative expenses	3,047	4,375
Reimbursement of publication expenses	4,353	4,724
Reimbursement of liability insurance	3,000	3,000
	<u>\$ 27,721</u>	<u>\$ 32,485</u>

The Foundation has provided the Fraternity grants to underwrite its educational initiatives in the amount of \$19,781 and \$27,495 in the years ended June 30, 2015 and 2014, respectively.

Amounts included in accounts payable - related party at June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Grants payable to Fraternity	\$ 19,781	\$ 27,495
Magazine expenses payable to Fraternity	4,353	4,724
Other expenses payable to Fraternity	-	3,599
Payable to Tau Chapter (see note below)	-	10,500
	<u>\$ 24,134</u>	<u>\$ 46,318</u>

Tau Chapter

In a prior year, a fundraising agreement was executed to benefit the Tau Chapter. Under terms of the agreement, one-half of the contributions received will go to the Foundation and the other half will go to the chapter. At June 30, 2015 and 2014, the Foundation owes the Tau Chapter \$0 and \$10,500 respectively for its share of a prior year contribution. Such amounts are included in accounts payable-related party.

The Foundation leases office space to the Fraternity under an operating lease agreement through August 1, 2018. The lease calls for monthly lease payments of \$2,083. Rent totaling \$25,000 was paid by the Fraternity to the Foundation for the years ended June 30, 2015 and 2014. Future minimum payments required under this lease total \$25,000 for the years ending June 30, 2016, 2017 and 2018, and \$2,083 for the year ending June 30, 2019.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

10. Endowments

The Foundation maintains three endowments – Leadership Initiative Fund, Henry B. Poor Scholarship Fund, and Jonathan Persky Scholarship Fund. The Foundation’s endowments consist of donor-restricted funds and scholarship funds.

Interpretation of Relevant Law

The Foundation's board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment funds, if any, that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effects of inflation or deflation;
- The expected total return from income and the appreciation of investments; and
- Other resources of the Foundation.

Funds with Deficiencies

From time to time the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There are no deficiencies of this nature as of June 30, 2015 or June 30, 2014.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to promote long-term growth of principal without undue exposure to risk, through a total return strategy. Under this policy the endowment assets are invested in a manner that is focused on preservation and growth of capital as well as preservation of purchasing power.

The Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

10. Endowments (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy 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 to achieve its long-term return objectives within the prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 5% of the endowment fund's average fair value. The formula for calculating allowable distributions shall be applied to the three years ending each February 28, and distributions with respect to each February 28 calculation shall be made no earlier than June 1 following each such February 28 calculation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific period of time as well as to provide additional real growth through new gifts and investment return. The Foundation applied the spending policy at 4% for the years ended June 30, 2015 and 2014 which results in an appropriation of \$44,260 and \$17,352 respectively. These appropriations were transferred to unrestricted net assets for the years then ended.

11. Subsequent Events

In accordance with ASC 855 *Subsequent Events*, the Foundation has evaluated subsequent events through November 6, 2015, the date these financial statements were available for issuance. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Supplementary Information

The Psi Upsilon Foundation, Inc.
Statement of Changes in Restricted Net Assets

Year Ended June 30, 2015

	Temporarily Restricted			Permanently Restricted			
	Kaiser Fund	Omega Fund	Total	Leadership Initiative Fund	Henry Poor Scholarship Fund	Persky Scholarship Fund	Total
Contributions and pledges	\$ 5,005	\$ -	\$ 5,005	\$ -	\$ 23,893	\$ -	\$ 23,893
Investment income:							
Interest, dividends and realized gains/losses	933	446	1,379	25,387	4,714	1,475	31,576
Change in unrealized gains/losses	341	166	506	2,981	1,651	554	5,186
Amortization of discount on pledges receivable	-	-	-	3,174	-	-	3,174
Scholarships and grants paid	-	-	-	(47,276)	(4,154)	(2,000)	(53,430)
Appropriation for scholarships and grants	-	-	-	-	(5,500)	(2,000)	(7,500)
Administrative fees	(730)	(339)	(1,069)	(16,722)	(3,741)	(1,099)	(21,562)
Net change	5,549	272	5,821	(32,456)	16,862	(3,070)	(18,664)
Balance at beginning of year	31,218	16,104	47,322	1,092,838	157,718	54,168	1,304,724
Balance at end of year	<u>\$ 36,767</u>	<u>\$ 16,377</u>	<u>\$ 53,143</u>	<u>\$ 1,060,382</u>	<u>\$ 174,580</u>	<u>\$ 51,098</u>	<u>\$ 1,286,060</u>