

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

The Psi Upsilon Foundation, Inc.

*Years ended June 30, 2016 and 2015
with Report of Independent Auditors*

The Psi Upsilon Foundation, Inc.
Audited Financial Statements
Years ended June 30, 2016 and 2015

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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, 2016 and 2015 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 audit 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.

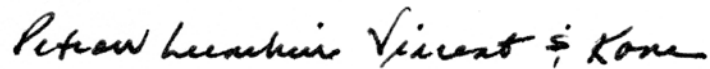
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and 2015, 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 for the year ending June 30, 2016 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.



November 8, 2016

The Psi Upsilon Foundation, Inc.

Statements of Financial Position

	As of June 30, 2016				As of June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and cash equivalents	\$ 47,063	\$ -	\$ -	\$ 47,063	\$ 70,507	\$ -	\$ -	\$ 70,507
Investments	165,727	77,311	1,071,103	1,314,141	210,688	53,143	1,016,723	1,280,554
Pledges receivable	37,123	-	198,411	235,534	32,657	-	269,337	301,994
Property and equipment, net	177,882	-	-	177,882	185,487	-	-	185,487
Accounts receivable	540	-	-	540	150	-	-	150
Prepaid expenses and other assets	4,155	-	-	4,155	2,661	-	-	2,661
Total assets	\$ 432,490	\$ 77,311	\$ 1,269,514	\$ 1,779,315	\$ 502,150	\$ 53,143	\$ 1,286,060	\$ 1,841,353
Liabilities								
Accounts payable	\$ 11,978	\$ -	\$ -	\$ 11,978	\$ 11,871	\$ -	\$ -	\$ 11,871
Accounts payable - related parties	9,547	-	-	9,547	24,134	-	-	24,134
Scholarships payable	30,000	-	-	30,000	33,600	-	-	33,600
Total liabilities	51,525	-	-	51,525	69,605	-	-	69,605
Net assets								
Unrestricted	380,965	-	-	380,965	432,545	-	-	432,545
Temporarily restricted	-	77,311	-	77,311	-	53,143	-	53,143
Permanently restricted	-	-	1,269,514	1,269,514	-	-	1,286,060	1,286,060
Total net assets	380,965	77,311	1,269,514	1,727,790	432,545	53,143	1,286,060	1,771,748
Total liabilities and net assets	\$ 432,490	\$ 77,311	\$ 1,269,514	\$ 1,779,315	\$ 502,150	\$ 53,143	\$ 1,286,060	\$ 1,841,353

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, 2016				For the Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	\$ 222,295	\$ 24,700	\$ 58,361	\$ 305,356	\$ 209,081	\$ 5,005	\$ 27,067	\$ 241,153
Realized gains on investments, dividends and interest	6,948	1,973	31,831	40,752	12,500	1,379	31,576	45,455
Unrealized gain (losses)	29,464	78	(44,104)	(14,562)	-	506	5,186	5,692
Rental income	25,000	-	-	25,000	25,000	-	-	25,000
Forfeited scholarships	2,500	-	-	2,500	1,000	-	-	1,000
Miscellaneous	437	-	-	437	56	-	-	56
Total revenues	<u>286,644</u>	<u>26,751</u>	<u>46,088</u>	<u>359,483</u>	<u>247,637</u>	<u>6,890</u>	<u>63,829</u>	<u>318,356</u>
Revenue released from restrictions	65,217	(2,583)	(62,634)	-	83,562	(1,069)	(82,493)	-
Total revenue and other support	<u>351,861</u>	<u>24,168</u>	<u>(16,546)</u>	<u>359,483</u>	<u>331,199</u>	<u>5,821</u>	<u>(18,664)</u>	<u>318,356</u>
Expenses:								
Scholarships	33,584	-	-	33,584	37,984	-	-	37,984
Grants	24,112	-	-	24,112	19,781	-	-	19,781
Programs	172,017	-	-	172,017	139,644	-	-	139,644
Total educational programming	<u>229,713</u>	<u>-</u>	<u>-</u>	<u>229,713</u>	<u>197,409</u>	<u>-</u>	<u>-</u>	<u>197,409</u>
Support services	74,279	-	-	74,279	89,951	-	-	89,951
Fundraising expenses	99,449	-	-	99,449	108,038	-	-	108,038
Total expenses	<u>403,441</u>	<u>-</u>	<u>-</u>	<u>403,441</u>	<u>395,398</u>	<u>-</u>	<u>-</u>	<u>395,398</u>
Change in net assets	(51,580)	24,168	(16,546)	(43,958)	(64,199)	5,821	(18,664)	(77,042)
Net assets at beginning of year	<u>432,545</u>	<u>53,143</u>	<u>1,286,060</u>	<u>1,771,748</u>	<u>496,744</u>	<u>47,322</u>	<u>1,304,724</u>	<u>1,848,790</u>
Net assets at end of year	<u>\$ 380,965</u>	<u>\$ 77,311</u>	<u>\$ 1,269,514</u>	<u>\$ 1,727,790</u>	<u>\$ 432,545</u>	<u>\$ 53,143</u>	<u>\$ 1,286,060</u>	<u>\$ 1,771,748</u>

See accompanying notes and report of independent auditors.

The Psi Upsilon Foundation, Inc.

Statements of Functional Expenses

	For the Year Ended June 30, 2016				For the Year Ended June 30, 2015			
	Educational Programming	Support Services	Fundraising	Total	Educational Programming	Support Services	Fundraising	Total
Personnel	\$ 95,578	\$ 47,787	\$ 47,787	\$ 191,152	\$ 76,248	\$ 57,187	\$ 57,187	\$ 190,622
Scholarships	32,500	-	-	32,500	36,100	-	-	36,100
Kaiser Scholarship program	1,084	-	-	1,084	1,884	-	-	1,884
Chapter Leadership grant	24,112	-	-	24,112	19,781	-	-	19,781
Insurance	2,829	2,136	2,209	7,174	2,816	2,123	2,202	7,141
Telephone	512	497	497	1,506	467	453	453	1,373
Postage	1,184	1,184	5,964	8,332	939	939	4,371	6,249
Direct Mail Solicitation	-	-	14,973	14,973	-	-	7,029	7,029
Publications	1,986	1,986	-	3,972	6,450	2,532	-	8,982
Newsletter	10,822	-	-	10,822	13,989	-	-	13,989
Alumni relations	20,462	-	6,821	27,283	7,432	-	7,432	14,864
State registration and fees	4,597	2,758	1,838	9,193	3,735	2,241	1,494	7,470
Legal and professional fees	6,013	4,834	1,403	12,250	5,305	10,611	6,567	22,483
Meeting expense	729	547	547	1,823	227	170	170	567
Travel	6,602	2,201	2,201	11,004	6,721	2,240	2,240	11,201
Awards and recognition	434	-	639	1,073	412	-	834	1,246
Major Gifts Fundraising expenses	-	-	3,648	3,648	-	-	6,429	6,429
Building maintenance	6,256	3,129	3,129	12,514	4,721	3,541	3,541	11,803
Utilities	7,551	2,762	2,762	13,075	4,801	2,657	2,657	10,115
Depreciation	3,041	2,282	2,282	7,605	2,938	2,203	2,203	7,344
Miscellaneous	3,421	2,176	2,749	8,346	2,443	3,054	3,229	8,726
Total expenses	\$ 229,713	\$ 74,279	\$ 99,449	\$ 403,441	\$ 197,409	\$ 89,951	\$ 108,038	\$ 395,398

See accompanying notes and report of independent auditors.

The Psi Upsilon Foundation, Inc.

Statements of Cash Flows

	For the Years Ended June 30	
	2016	2015
Operating activities		
Change in net assets	\$ (43,958)	\$ (77,042)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Permanently restricted contributions	(58,361)	(23,893)
Contribution of stock	(6,864)	(20,850)
Realized and unrealized gain on investments	14,562	(5,692)
Depreciation	7,605	7,344
Changes in operating assets and liabilities:		
Pledges receivable	66,460	100,853
Accounts receivable	(390)	2,992
Prepaid expenses	(1,494)	3,000
Accounts payable	107	(36,586)
Accounts payable - related party	(14,587)	(22,184)
Scholarships payable	(3,600)	(2,554)
Net cash used by operating activities	<u>(40,520)</u>	<u>(74,612)</u>
Investing activities		
Proceeds from sales and maturities of investments	186,269	152,629
Purchases of investments	(227,554)	(136,715)
Net cash used by investing activities	<u>(41,285)</u>	<u>15,914</u>
Financing activities		
Permanently restricted contributions	58,361	111,489
Net cash provided by financing activities	<u>58,361</u>	<u>111,489</u>
Net increase in cash and cash equivalents	(23,444)	52,791
Cash and cash equivalents at beginning of year	70,507	17,716
Cash and cash equivalents at end of year	<u>\$ 47,063</u>	<u>\$ 70,507</u>
Noncash transactions:		
Donation of stock	<u>\$ 6,864</u>	<u>\$ 33,521</u>

See accompanying notes and report of independent auditors.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

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

The 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, 2016 and 2015

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 an initial 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 statements of activities and net assets. 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 and net assets. 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, 2016 or 2015.

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

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

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 and three-year Annual Fund pledges 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 and net assets.

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.

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, 2015, 2014 and 2013 are subject to examination by the Internal Revenue Service.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

1. Organization and Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

2. Investments

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Stocks	\$ 324,342	\$ 480,997	\$ 331,687	\$ 459,773
Mutual Funds	807,316	833,144	764,973	820,781
Cash Equivalents	43,236	43,236	62,457	62,457
Total Investments	\$ 1,174,894	\$ 1,357,377	\$ 1,159,117	\$ 1,343,011

ASC Section 820-10-35 *Fair Value Measurements* 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.

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 Psi Upsilon Foundation, Inc.

Notes to Financial Statements

June 30, 2016 and 2015

2. Investments (continued)

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:

	2016			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 480,997	\$ -	\$ -	\$ 480,997
Mutual Funds	-	833,144	-	833,144
Cash Equivalents	43,236	-	-	43,236
	\$ 524,233	\$ 833,144	\$ -	\$ 1,357,377

	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
	\$ 522,230	\$ 820,781	\$ -	\$ 1,343,011

3. 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:

	2016		
	Leadership Initiative	OOTO	Total
Cumulative pledges - beginning of year	\$ 277,091	\$ 33,218	\$ 310,309
Pledges made during the year	-	25,000	25,000
Received	(74,101)	(20,538)	(94,639)
Unamortized discount	(4,579)	(557)	(5,136)
	\$ 198,411	\$ 37,123	\$ 235,534

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

3. Pledges Receivable (continued)

	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)
	<u>\$ 269,337</u>	<u>\$ 32,657</u>	<u>\$ 301,994</u>

Pledges receivable as June 30, 2016 consists of the following:

	Leadership		
	Initiative	OOTO	Total
Pledges receivable	\$ 202,990	\$ 37,680	\$ 240,670
Less: unamortized discount	(4,579)	(557)	(5,136)
Net unconditional promise to give	<u>\$ 198,411</u>	<u>\$ 37,123</u>	<u>\$ 235,534</u>
Amounts due in:			
Less than one year	\$ 44,143	\$ 10,700	\$ 54,843
One to five years	154,268	26,423	180,691
Total	<u>\$ 198,411</u>	<u>\$ 37,123</u>	<u>\$ 235,534</u>

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>

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

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

4. Property and Equipment

As of June 30, 2016 property and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 86,933	\$ -	\$ 86,933
Building	428,013	337,207	90,806
Equipment	45,041	44,898	143
Total	<u>\$ 559,987</u>	<u>\$ 382,105</u>	<u>\$ 177,882</u>

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	<u>\$ 559,987</u>	<u>\$ 374,500</u>	<u>\$ 185,487</u>

Depreciation expense for the year ended June 30, 2016 and 2015 totaled \$7,605 and \$7,344, respectively.

5. 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 in collaboration with 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.

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.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

6. 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 directly fund its portion.

The Foundation's portion of the contributions to the plans totaled \$14,779 for the years ended June 30, 2016 and 2015, respectively.

7. 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:

	2016	2015
Reimbursement of shared payroll costs	\$ 44,550	\$ 44,550
Annual fund expenses	2,183	2,775
	\$ 46,733	\$ 47,325

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

	2016	2015
Reimbursement of health insurance costs	\$ 17,624	\$ 17,321
Use of equipment and administrative expenses	2,454	3,047
Reimbursement of publication expenses	-	4,353
Reimbursement of liability insurance	3,000	3,000
	\$ 23,078	\$ 27,721

The Foundation has provided the Fraternity grants to underwrite its educational initiatives in the amount of \$24,112 and \$19,781 for the years ended June 30, 2016 and 2015, respectively.

The Psi Upsilon Foundation, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

7. Related Parties (continued)

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

	2016	2015
Grants payable to Fraternity	\$ -	\$ 19,781
Magazine expenses payable to Fraternity	-	4,353
Convention expenses payable to Fraternity	9,547	-
	\$ 9,547	\$ 24,134

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 income totaling \$25,000 was paid by the Fraternity to the Foundation for the years ended June 30, 2016 and 2015. Future minimum payments required under this lease total \$25,000 for the years ending June 30, 2017 and 2018, and \$2,083 for the year ending June 30, 2019.

8. Endowments

The Foundation maintains three endowments – the Leadership Initiative Fund, the Henry B. Poor Scholarship Fund, and the 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.

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Notes to Financial Statements
June 30, 2016 and 2015

8. Endowments (continued)

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

- o The duration and preservation of the endowment fund;
- o The purposes of the Foundation and the donor-restricted endowment fund;
- o General economic conditions;
- o The possible effects of inflation or deflation;
- o The expected total return from income and the appreciation of investments; and
- o 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, 2016 or June 30, 2015.

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.

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, 2016 and 2015 which results in an appropriation of \$39,056 and \$44,260 respectively. These appropriations were transferred to unrestricted net assets for the years then ended.

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9. Subsequent Events

In accordance with ASC 855 Subsequent Events, the Foundation has evaluated subsequent events through November 8, 2016, 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
Statement of Changes in Restricted Funds

Year Ended June 30, 2016

	Temporarily Restricted				Permanently Restricted			
	Kaiser Fund	Omega Fund	Dunn Fund	Total	Major Gifts Initiative Fund	Henry Poor Scholarship Fund	Persky Scholarship Fund	Total
Contributions and pledges	\$ 7,200	\$ -	\$ 17,500	\$ 24,700	\$ -	\$ 5,186	\$ 50,000	\$ 55,186
Investment income:								
Interest, dividends and realized gains (losses)	1,285	541	147	1,973	23,859	5,804	2,168	31,831
Change in unrealized gains (losses)	(465)	(270)	813	78	(41,132)	(2,915)	(56)	(44,103)
Amortization of discount on pledges receivable	-	-	-	-	3,175	-	-	3,175
Scholarships and grants	(1,084)	-	-	(1,084)	(24,112)	(5,500)	(2,000)	(31,612)
Appropriation for scholarships and grants	-	-	-	-	-	(6,400)	(2,600)	(9,000)
Administrative fees	(846)	(315)	(339)	(1,500)	(16,647)	(3,423)	(1,953)	(22,023)
Net change	6,090	(44)	18,121	24,167	(54,857)	(7,248)	45,559	(16,546)
Balance at beginning of year	36,767	16,377	-	53,144	1,060,382	174,580	51,098	1,286,060
Balance at end of year	\$ 42,857	\$ 16,333	\$ 18,121	\$ 77,311	\$ 1,005,525	\$ 167,332	\$ 96,657	\$ 1,269,514

See accompanying notes and report of independent auditors.