
Gamma Phi Beta Foundation

Financial Report
July 31, 2021

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Independent Auditor's Report

To the Board of Trustees
Gamma Phi Beta Foundation

We have audited the accompanying financial statements of Gamma Phi Beta Foundation (the "Foundation"), which comprise the statement of financial position as of July 31, 2021 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gamma Phi Beta Foundation as of July 31, 2021 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Gamma Phi Beta Foundation's 2020 financial statements and expressed an unmodified audit opinion on those audited financial statements in a report dated February 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

December 8, 2021

Gamma Phi Beta Foundation

Statement of Financial Position

July 31, 2021
(with summarized comparative totals for July 31, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash	\$ 689,534	\$ 702,304
Other receivables	8,855	4,627
Accrued life insurance receivable	10,516	10,516
Contributions receivable - Net	380,816	667,585
Security deposit	5,010	5,010
Prepaid expenses	2,217	7,386
Investments	14,131,176	10,926,482
Property and Equipment - Net	<u>7,483</u>	<u>16,967</u>
Total assets	<u>\$ 15,235,607</u>	<u>\$ 12,340,877</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 306,131	\$ 5,360
Accounts payable - Sorority	50,208	25,343
Liability under split-interest agreement	<u>4,003</u>	<u>4,003</u>
Total liabilities	360,342	34,706
Net Assets		
Without donor restrictions	620,241	582,437
With donor restrictions	<u>14,255,024</u>	<u>11,723,734</u>
Total net assets	<u>14,875,265</u>	<u>12,306,171</u>
Total liabilities and net assets	<u>\$ 15,235,607</u>	<u>\$ 12,340,877</u>

Gamma Phi Beta Foundation

Statement of Activities and Changes in Net Assets

Year Ended July 31, 2021
(with summarized comparative totals for the year ended July 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, Gains, and Other Support				
Contributions	\$ 272,117	\$ 1,127,036	\$ 1,399,153	\$ 3,672,098
Contributions for Girls on the Run	329,874	-	329,874	515,905
Investment return - Net	23,253	2,261,886	2,285,139	475,508
Other revenue	22,460	-	22,460	30,352
Rental income	50,902	-	50,902	31,068
Net assets released from restrictions	857,632	(857,632)	-	-
Total revenue, gains, and other support	1,556,238	2,531,290	4,087,528	4,724,931
Expenses				
Program services:				
Philanthropy	394,831	-	394,831	581,542
Financial aid	142,315	-	142,315	102,884
Educational and leadership development	512,904	-	512,904	1,234,888
Total program services	1,050,050	-	1,050,050	1,919,314
Support services:				
General administration	274,844	-	274,844	424,841
Development	193,540	-	193,540	342,397
Total support services	468,384	-	468,384	767,238
Total expenses	1,518,434	-	1,518,434	2,686,552
Increase in Net Assets	37,804	2,531,290	2,569,094	2,038,379
Net Assets - Beginning of year	582,437	11,723,734	12,306,171	10,267,792
Net Assets - End of year	\$ 620,241	\$ 14,255,024	\$ 14,875,265	\$ 12,306,171

Statement of Functional Expenses

Year Ended July 31, 2021
(with summarized comparative totals for the year ended July 31, 2020)

	Program Services				Support Services			Total	2020
	Philanthropy	Financial Aid	Educational and Leadership Development	Total	General Administration	Development	Total		
Personnel	\$ 16,756	\$ 16,756	\$ 133,471	\$ 166,983	\$ 123,769	\$ 134,371	\$ 258,140	\$ 425,123	\$ 500,211
Supplies	-	-	-	-	941	144	1,085	1,085	5,026
Postage and shipping	-	-	10,816	10,816	819	11,285	12,104	22,920	12,846
Stationary and copying	-	-	-	-	-	65	65	65	386
Dues and subscriptions	-	-	-	-	1,000	1,650	2,650	2,650	1,950
Meals and food allowance	-	-	100	100	70	552	622	722	3,129
Web-based software subscriptions	7,959	7,959	7,959	23,877	8,299	7,959	16,258	40,135	10,132
Professional services	3,886	3,886	20,227	27,999	27,678	36,477	64,155	92,154	106,597
Insurance	-	-	-	-	10,147	-	10,147	10,147	7,939
Grants	348,692	113,714	227,183	689,589	-	-	-	689,589	1,839,682
Bank and finance charges	-	-	88	88	9,299	-	9,299	9,387	10,164
Administration fees	14,529	-	5,271	19,800	-	-	-	19,800	27,134
Filing fees	-	-	-	-	5,964	-	5,964	5,964	4,216
Other taxes	-	-	-	-	90	-	90	90	-
Rent	-	-	-	-	61,804	-	61,804	61,804	77,495
Marketing	-	-	709	709	-	-	-	709	-
Events	-	-	-	-	184	962	1,146	1,146	2,237
Travel	-	-	-	-	-	75	75	75	12,301
Bad debt	3,009	-	106,903	109,912	14,604	-	14,604	124,516	39,205
Depreciation	-	-	-	-	9,484	-	9,484	9,484	9,756
Giveaways	-	-	177	177	692	-	692	869	-
Equipment rental	-	-	-	-	-	-	-	-	10,115
Repairs and maintenance	-	-	-	-	-	-	-	-	2,550
Publications	-	-	-	-	-	-	-	-	1,411
Interest - Loan	-	-	-	-	-	-	-	-	2,070
Total functional expenses	\$ 394,831	\$ 142,315	\$ 512,904	\$ 1,050,050	\$ 274,844	\$ 193,540	\$ 468,384	\$ 1,518,434	\$ 2,686,552

Statement of Cash Flows

Year Ended July 31, 2021
(with summarized comparative totals for the year ended July 31, 2020)

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,569,094	\$ 2,038,379
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	9,484	9,756
Net realized and unrealized gain on investments	(2,120,346)	(306,160)
Contributions restricted for long-term purposes	(1,127,036)	(2,631,348)
Changes in operating assets and liabilities that (used) provided cash:		
Other receivables	(4,228)	163,060
Contributions receivable	286,769	32,696
Prepaid expenses	5,169	(5,253)
Accounts payable and accrued expenses	300,771	(7,629)
Accounts payable - Sorority	24,865	(245,810)
Net cash used in operating activities	(55,458)	(952,309)
Cash Flows from Investing Activities		
Proceeds from sale of investments	2,036,706	116,160
Purchase of investments	(3,121,054)	(1,405,552)
Purchases of property and equipment	-	(1,267)
Net cash used in investing activities	(1,084,348)	(1,290,659)
Cash Flows Provided by Financing Activities - Proceeds from contributions restricted for long-term investment	1,127,036	2,631,348
Net (Decrease) Increase in Cash	(12,770)	388,380
Cash - Beginning of year	702,304	313,924
Cash - End of year	\$ 689,534	\$ 702,304

July 31, 2021

Note 1 - Nature of Business

Gamma Phi Beta Foundation (the "Foundation"), established in 1959, is a nonprofit 501(c)(3) organization whose mission is to support Gamma Phi Beta and her members who have scholarship, leadership, philanthropic, and emergency needs through successful fundraising and stewardship. The Foundation provides charitable and educational funding for leadership development provided through Gamma Phi Beta Sorority, Inc. (the "Sorority"); financial aid for members in the form of graduate fellowships, undergraduate scholarships, and emergency loyalty grants; and philanthropic opportunities that inspire the female leaders of tomorrow. The majority of the Foundation's support and revenue is derived from member contributions and investment income. The International Council of the Sorority appoints the chair of the Foundation's board of trustees. Two representatives of the International Council, including the international president, serve as trustees.

Description of Program and Support Activities

The Foundation's activities include the following program and support services:

Building Strong Girls (Philanthropy)

The Foundation supports the fundraising efforts of the Sorority's collegiate and alumnae chapters, which give to the Sorority's philanthropic focus, Building Strong Girls. The Foundation grants fund donations to the Sorority's national nonprofit partners and local nonprofit organizations that align with the Sorority's philanthropic focus and mission to provide experiences and resources that build spiritual, mental, and social resiliency in girls.

Financial Aid

Based on scholastic achievement, financial need, and commitment to the community and the Sorority, the Foundation provides scholarships to young women for undergraduate study, fellowships for graduate study, and loyalty grants for women who are experiencing unforeseen, extreme financial challenges created by a health crisis, natural disaster, or other unexpected life circumstances.

Educational and Leadership Development

The Foundation is building tomorrow's leaders by making grants for educational and leadership training to build self-esteem, confidence, and life skills in women. The Foundation also makes grants to collegiate chapters and house corporations to support the educational portion of chapter housing.

Convention and Conferences

During the Sorority's biennial convention and annual leadership conferences, the Foundation educates sorority members about the Foundation's purposes, goals, and services.

Development

The Foundation raises funds to provide resources for the Sorority's leadership programs, international philanthropy, and financial aid and loyalty grants to members.

General Administration

The Foundation provides overall direction, general bookkeeping, business management, general public relations, and more.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash

The Foundation considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The Foundation maintains cash balances in multiple bank accounts. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Investments and Investment Return

Investments in equity and debt securities are reported at fair value. Investment return includes dividend, interest, investment management fees, and unrealized and realized gains and losses.

Endowed funds use an investment pool approach, under which each restricted-purpose endowment has a specific unit interest based on its capital contributions to the pool. Income earned in the pool is allocated to unrestricted funds for general operations and to the individual endowments in proportion to the unit interests. Gains and losses from the sale of pooled investments and unrealized gains and losses on investments held are allocated in the same manner.

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair value at the time of transfer. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. Costs of maintenance, repairs, and minor replacements are charged to operations, and expenditures for major replacements and betterments in excess of \$1,000 are capitalized.

The estimated useful life for each major depreciable classification of property and equipment is as follows:

	Depreciable Life - Years
Sisterhood Plaza	5 - 10
Furniture and equipment	5 - 10
Computer hardware and software	3 - 5

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

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Note 2 - Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

The Foundation's policy specifies a minimum threshold of \$25,000, which must be met by donors in order to establish an endowment fund. Endowment funds of less than \$25,000 will be considered net assets with donor restrictions for time. When the endowment fund balances reach \$25,000, the fund will be considered net assets with donor restrictions to be held in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the gift is received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The majority of costs are charged directly to the program or support service benefited by the activity. Personnel costs have been allocated based on the time and effort expended on each activity. If not charged directly, facility costs are allocated based on the use of the space. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 2 - Significant Accounting Policies (Continued)

Summarized Comparative Information

The financial information presented for comparative purposes for the year ended July 31, 2020 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's 2020 financial statements, from which the summarized information was derived.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 8, 2021, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Foundation has \$698,389 of financial assets available within one year of July 31, 2021 to meet cash needs for general expenditure consisting of cash of \$689,534 and other receivables of \$8,855. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Foundation's primary purpose is to support the Sorority and its philanthropic activity; therefore, the majority of the Foundation's assets are restricted for that purpose.

The Foundation has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$78,000 at July 31, 2021. Operating expenses consist primarily of administrative and development costs. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 4 - Contributions Receivable

Contributions receivable consisted of the following at July 31, 2021:

Amounts due in:	
Less than one year	\$ 342,593
One to five years	64,191
Less allowance for uncollectible accounts and unamortized discount	<u>(25,968)</u>
Total	<u>\$ 380,816</u>

Note 5 - Investments and Investment Return

Investments at July 31, 2021 consisted of the following:

Money market mutual funds	\$ 334,640
Equity securities:	
Fixed income	3,140,885
Foreign stocks	3,114,915
Large-cap stocks	1,530,357
Mid-cap stocks	1,219,044
Bond funds	4,436,869
Alternative investments	<u>354,466</u>
Total	<u>\$ 14,131,176</u>

July 31, 2021

Note 5 - Investments and Investment Return (Continued)

Total investment return is composed of the following:

Interest and dividend income	\$ 214,377
Net realized and unrealized gains	2,120,346
Less investment fees	<u>(49,584)</u>
Total	<u>\$ 2,285,139</u>

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the Foundation’s assets measured at fair value on a recurring basis at July 31, 2021 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Alternative investments are carried at net asset value (NAV) per share as reported by investment managers.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

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Note 6 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at July 31, 2021			
	Quoted Prices in			Balance at July 31, 2021
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Money market mutual funds	\$ 334,640	\$ -	\$ -	\$ 334,640
Equities:				
Fixed income	3,140,885	-	-	3,140,885
Foreign stocks	3,114,915	-	-	3,114,915
Large-cap stocks	1,530,357	-	-	1,530,357
Mid-cap stocks	1,219,044	-	-	1,219,044
Total equities	9,005,201	-	-	9,005,201
Bond funds	4,436,869	-	-	4,436,869
Total	\$ 13,776,710	\$ -	\$ -	13,776,710
Alternative investments				354,466
Total assets				\$ 14,131,176

Note 7 - Property and Equipment

Property and equipment at July 31, 2021 are summarized as follows:

Sisterhood Plaza	\$ 125,979
Furniture and equipment	115,845
Computer hardware and software	73,006
Total cost	314,830
Less accumulated depreciation and amortization	307,347
Net property and equipment	\$ 7,483

Depreciation expense for 2021 was \$9,484.

Note 8 - Margin Loan

A margin loan was established with an investment broker during 2018. The Foundation has available borrowings up to 50 percent of the total value of the investments held with the investment broker. There is no maturity or payoff requirement. At July 31, 2021, there was \$0 drawn on this loan. Interest varies with the bank's prime rate less 0.75 percent, which was 2.5 percent at July 31, 2021 and is payable monthly. There were no borrowings on the margin loan during the year ended July 31, 2021.

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Note 9 - Liability Under Split-interest Agreement

During the year ended July 31, 2000, the Foundation received equities with a fair value of \$41,250 under a charity gift annuity agreement. As a condition of accepting the gift, the Foundation is required to pay a specified amount each quarter to the donor under a joint annuity agreement based upon an annuity rate of 6.7 percent of the initial fair market value of the equities, or \$690 per quarter. The Foundation has recorded a liability of \$4,003 at July 31, 2021, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 7.2 percent and the applicable mortality tables.

Note 10 - Net Assets

Net assets without donor restrictions consist of the following as of July 31, 2021:

Board-designated endowment net assets:	
Philanthropy	\$ 52,251
Financial aid	8,519
Leadership	68,878
General	<u>104,947</u>
Total board-designated endowment net assets	234,595
Undesignated net assets	<u>385,646</u>
Total net assets without donor restrictions	<u><u>\$ 620,241</u></u>

Net assets with donor restrictions as of July 31, 2021 are available for the following purposes:

Subject to expenditures for a specified purpose:	
Philanthropy	\$ 54,944
Financial aid	238,111
Leadership	88,250
General operations	<u>149,237</u>
Total subject to expenditures for a specified purpose	530,542
Subject to the Foundation's spending policy and appropriation:	
Philanthropy	75,883
Financial aid	1,393,812
Leadership	861,259
General Fund endowment earnings	<u>87,232</u>
Total subject to the Foundation's spending policy and appropriation	2,418,186
Net assets to be held in perpetuity:	
Philanthropy	71,476
Financial aid	7,184,607
Leadership	3,607,825
General endowment	<u>442,388</u>
Total net assets to be held in perpetuity	<u>11,306,296</u>
Total net assets with donor restrictions	<u><u>\$ 14,255,024</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

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Note 11 - Endowments

The Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund
as of July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Accumulated gain on donor-restricted endowments	\$ -	\$ 2,418,186	\$ 2,418,186
Board-designated endowment funds	234,595	-	234,595
Donor-restricted endowment funds - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor - Accumulated investment gains (losses)	-	11,306,296	11,306,296
Total	\$ 234,595	\$ 13,724,482	\$ 13,959,077

July 31, 2021

Note 11 - Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended July 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 105,719	\$ 11,116,261	\$ 11,221,980
Investment return:			
Investment income	-	212,128	212,128
Net appreciation	-	2,049,760	2,049,760
Total investment return	-	2,261,888	2,261,888
Contributions	103,316	1,127,036	1,230,352
Replenishment of deficit funds and release of board designations	23,927	-	23,927
Expenditures	-	(766,022)	(766,022)
Other	1,633	(14,681)	(13,048)
Endowment net assets - End of year	<u>\$ 234,595</u>	<u>\$ 13,724,482</u>	<u>\$ 13,959,077</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no endowment funds with deficiencies of this nature at July 31, 2021.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending 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 or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve a return of 8-10 percent net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark, as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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Note 11 - Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy (the "spending policy") that went into effect on August 20, 2018. The spending policy is based upon a total return investment approach. The allowable distribution from an endowment fund shall be up to 4 percent of the previous five-year rolling average of the fund's fair market value. The Foundation is not required to distribute the maximum amount and may instead accumulate part of the entire amount for investment and use in future periods. The distribution amount is to be determined annually by the Foundation's board of trustees, and, in the absence of a distribution percentage determination by the board of trustees, such percentage shall be 2 percent. An endowment that is less than its original corpus principal value as of July 31 of the prior fiscal year shall not be eligible for granting unless reviewed by the Foundation's finance committee and presented and approved by the board of trustees. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 8 percent to 10 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 12 - Related Party Transactions

The following is a description of the nature of the relationship and significant transactions between the Foundation and the Sorority:

Nature of Relationship

The governing board of the Sorority appoints the chairwoman of the Foundation and approves candidates for the Foundation's board of trustees. Authority to change the Foundation's bylaws is granted to the members of the Foundation, which include the Foundation's trustees.

Other Significant Transactions

For the year ended July 31, 2021, the Foundation incurred operating expenses, including personnel, office, and facility-related expenses of \$461,538. These expenses were paid by the Sorority and were reimbursed by the Foundation. As of July 31, 2021, the Foundation's payable to the Sorority amounted to \$50,208.

Contributions

Contributions totaling \$75,738 were received from board members during the year ended July 31, 2021.

Note 13 - Retirement Plan

The affiliated organizations participate in a professional employer organization-sponsored defined contribution retirement plan (the "Plan") covering substantially all employees. The employer matches 100 percent of each employee's contribution to the Plan up to 4 percent of the respective employee's salary. Contributions to the Plan totaled \$10,156 for the year ended July 31, 2021.

Note 14 - Allocation of Joint Costs

The Foundation conducted activities that included requests for contributions, as well as program and general administration components. Those activities included direct mail campaigns and other publications. The costs of conducting those activities included a total of \$54,314 in joint costs as of July 31, 2021 that are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

Educational and leadership development	\$ 27,157
Development	<u>27,157</u>
Total	<u>\$ 54,314</u>