

Phi Upsilon Omicron, Inc.

Report on Audit of Financial Statements

For the Year Ended July 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the National Council
Phi Upsilon Omicron, Inc.

Opinion

We have audited the accompanying financial statements of Phi Upsilon Omicron, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of July 31, 2023, and the related statements of receipts and disbursements – modified cash basis, and statement of functional disbursements – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Phi Upsilon Omicron, Inc. as of July 31, 2023, and its receipts and disbursements for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Phi Upsilon Omicron, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Phi Upsilon Omicron, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise a substantial doubt about Phi Upsilon Omicron, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of fund activity – modified cash basis 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 schedule of fund activity – modified cash basis is fairly stated, in all material respects, in relation to the financial statements as a whole.

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
February 9, 2024

PHI UPSILON OMICRON, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS
July 31, 2023

ASSETS:

Current assets	
Cash and cash equivalents	\$ 5,150
Total current assets	5,150
Noncurrent assets	
Investments	
Certificates of deposit	26,371
Other investments	928,128
Property and equipment	
Office equipment and fixtures	17,815
Less accumulated depreciation	(16,463)
Net property and equipment	1,352
Total Noncurrent assets	955,851
TOTAL ASSETS	\$ 961,001

LIABILITIES AND NET ASSETS:

Current liabilities	
Payroll liabilities	\$ 84
Total current liabilities	84
Total liabilities	84
Net assets without donor restrictions	
Unrestricted operating fund	5,867
Conclave fund	233,460
Professional development fund	65,963
Candle fund	273,138
Board restricted	
Lifetime alumni fund	380,893
Community impact grant fund	1,596
Total net assets without donor restrictions	960,917
TOTAL LIABILITIES AND NET ASSETS	\$ 961,001

The accompanying notes are an integral
part of the financial statements.

PHI UPSILON OMICRON, INC.
STATEMENT OF RECEIPTS AND DISBURSEMENTS – MODIFIED CASH BASIS
For the Year Ended July 31, 2023

Receipts	
PHIU Foundation management fee	\$ 40,027
Initiation fees	29,081
Honor cords and stoles	9,306
Contributions	3,744
Alumni fees	4,466
Chapter supplies	1,776
Investment income	15,926
Conclave	<u>12,221</u>
Total receipts	<u>116,547</u>
Disbursements	
Program activities	86,874
Supporting activities	
Management and general	50,775
Fundraising	<u>5,789</u>
Total disbursements	<u>143,438</u>
Increase (Decrease) in	
Net assets without donor restrictions	(26,891)
Net assets without donor restrictions	
Beginning of the year	<u>987,808</u>
End of the year	<u>\$ 960,917</u>

The accompanying notes are an integral
part of the financial statements.

PHI UPSILON OMICRON, INC.
STATEMENT OF FUNCTIONAL DISBURSEMENTS – MODIFIED CASH BASIS
For the Year Ended July 31, 2023

	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 50,991	\$ 14,669	\$ 4,191	\$ 69,851
Publication expense	4,892	-	-	4,892
Honor cords and stoles	4,392	-	-	4,392
Office rent	4,380	1,260	360	6,000
Payroll taxes	4,095	1,178	336	5,609
Council and conclave meetings	-	15,343	-	15,343
Contract labor	5,000	-	-	5,000
Professional fees	-	7,986	-	7,986
Initiation pins and awards	414	-	-	414
Membership and dues	-	5,361	-	5,361
Office supplies and expense	2,060	593	168	2,822
Annual mailing expense	1,473	-	-	1,473
Postage	861	248	70	1,179
Bank and merchant service fees	-	1,479	-	1,479
Telephone and internet	1,359	391	112	1,862
Equipment	748	215	62	1,025
Website expense	5,958	1,714	490	8,162
Community impact grant awarded	250	-	-	250
Total disbursements before depreciation	<u>86,874</u>	<u>50,437</u>	<u>5,789</u>	<u>143,100</u>
Depreciation	<u>-</u>	<u>338</u>	<u>-</u>	<u>338</u>
Total	<u>\$ 86,874</u>	<u>\$ 50,775</u>	<u>\$ 5,789</u>	<u>\$ 143,438</u>

The accompanying notes are an integral
part of the financial statements.

PHI UPSILON OMICRON, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended July 31, 2023

1. Summary of Significant Accounting Policies:

Nature of operations:

Phi Upsilon Omicron, Inc. (the "Organization") is an honor society in the integrated field of family and consumer sciences. The Organization was formed to recognize and encourage academic excellence, develop qualities of professional and personal leadership, provide opportunities for service to the profession, and encourage lifelong learning and professional and personal commitment to advance family and consumer sciences and related areas.

Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under the method, with the exception of capitalized cost of property and equipment, related depreciation, and payroll liabilities, revenues are recognized when received rather than earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred. These statements do not present transactions that would be included in the financial statements of the Organization if presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles.

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). The Organization is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor restrictions. The Organization's net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for a specific use.

Net assets without donor restrictions, Board restricted: Represent net assets not limited or restricted by donors but restricted by the Board for the purpose of assuring long-term stability and sustainability, while allowing for planning and implementation of long-term initiatives.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets to be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

Contributions received are recorded as net assets with or without donor restrictions depending on the existence or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions expire in the same reporting period in which the support is received. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of receipts and disbursements – modified cash basis as net assets released from restrictions.

PHI UPSILON OMICRON, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended July 31, 2023

1. Summary of Significant Accounting Policies, Continued:

Contributions:

Contributions of long-lived assets are reported as unrestricted support unless donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how those long-lived assets are to be used, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cash equivalents:

Cash consists of cash in a checking account and a business deposit account. The Organization considers all highly liquid investments with an initial maturity date of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents held by investment managers in investment accounts are considered investments and are presented accordingly in the statement of assets, liabilities, and net assets – modified cash basis.

Donated services:

In accordance with ASC 905.605, donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the year ending July 31, 2023, no services were received that met the criteria for recognition as donated services.

Functional disbursements:

The cost of providing program and supporting activities has been presented on a functional basis in the statement of functional disbursements – modified cash basis and is summarized in the statement of receipts and disbursements – modified cash basis. Disbursements are charged to program or supporting activities as incurred or are allocated using a statistical basis.

Income taxes:

For federal tax purposes, the Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and was determined not to be a private foundation by the Internal Revenue Service; however, the Organization remains subject to tax on any business income unrelated to its tax-exempt purpose.

The Organization follows FASB Codification Section 740 *Accounting for Uncertainty in Income Taxes*. This guidance provides a recognition threshold and measurement process for uncertain tax positions, including any estimated penalties and interest associated with those uncertain tax positions. For the year ended July 31, 2023, there were no uncertain tax positions requiring accrual.

The Organization's 2021 through 2023 tax years remain open and subject to examination.

PHI Upsilon Omicron, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended July 31, 2023

1. Summary of Significant Accounting Policies, Concluded:

Use of estimates:

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Liquidity:

The following reflects the Organization's financial assets as of July 31, 2023, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions.

Financial assets at end of year		\$ 959,649
Less: Board designated restrictions		<u>(382,489)</u>
Financial assets available to meet cash needs		
for general expenditures within one year		<u>\$ 577,160</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Organization does not intend to spend from its Board designated restricted amounts, amounts could be made available if necessary.

3. Fair Value Measurement:

FASB Codification Section ASC 825 – *Financial Instruments* permits an entity to elect fair value as the initial and subsequent measurement attribute for certain financial statement assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value earnings. The adjustment to reflect the difference between fair value and the carrying amount is accounted for as a cumulative effect adjustment to net assets as of the date of the adoption. The adoption of this pronouncement did not have an effect on the Organization's financial statements. The Organization did not elect the fair value methodology permitted under ASC 825 for any financial instrument or other item that is not currently required to be measured at fair value.

FASB Codification Section ASC 820 – *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Under ASC 820, various inputs are used in determining the fair value of assets and liabilities. These inputs are summarized in a hierarchy that segregate fair value measurement in three levels (levels 1, 2, and 3), determined by the nature of inputs as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted market price in an active market provides the most reliable evidence of fair value.
- Level 2 – Other significant observable inputs, including quoted prices of similar securities in active markets, quoted prices for identical securities in markets that are not active, and other market-corroborated inputs.
- Level 3 – Significant unobservable inputs, including the Organization's own assumptions in determining the fair value of investments, based on the best information available in the circumstances.

PHI UPSILON OMICRON, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended July 31, 2023

3. Fair Value Measurement, Concluded:

The Organization carries its investments at historical cost. All investments are evaluated, using Level 1 or Level 2 inputs, as appropriate, for impairment and adjusted for any other-than-temporary impairments. The Organization does not hold any investments that are evaluated using Level 3 inputs.

The Organization holds equity and bond mutual funds. The individual funds are professionally managed and evaluated for the near-term and long-term prospects of the individual issuers. Based on that evaluation and the Organization's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Organization does not consider those investments to be other-than-temporarily impaired at July 31, 2023.

The contractual terms of the individual bonds held by the Organization do not permit the issuers to recover their amortized cost basis, which may be maturity: the Organization does not consider those investments to be other-than-temporarily impaired at July 31, 2023.

No adjustment for other-than-temporary impairments were made during the year ended July 31, 2023.

Carrying value, market value, and net unrealized gains and losses on investments for the year ended and as of July 31, 2023, are summarized as follows:

	Carrying Value (Cost)	Market Value	Unrealized Gains/(Losses)
Certificates of deposit	\$ 26,371	\$ 26,371	\$ -
Money market and depository	170,767	170,767	-
Equity mutual funds	241,936	347,119	105,183
Bonds and bond mutual funds	383,717	372,499	(11,218)
Mixed assets	131,708	150,141	18,433
Total	\$ 954,499	\$ 1,066,897	\$ 112,398

4. Investments:

Investments are recorded and carried at cost. Realized gains and losses are recorded as the difference between historical cost and fair value when an investment is sold. Unrealized gains and losses, the change in fair value of investments, are not considered for these financial statements. For the year ended July 31, 2023, investments return and its classification on the statement of receipts and disbursements – modified cash basis is summarized as follows:

Interest and dividends	\$ 20,680
Capital gain distributions	13,950
Proceeds from sale	89,045
Less: cost of investments	<u>(99,877)</u>
Realized gains (losses)	(10,832)
Less: advisory fees	<u>(7,872)</u>
Total	\$ 15,926

PHI UPSILON OMICRON, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended July 31, 2023

5. Concentration of Risk:

At year end, the carrying amount of the Organization's cash deposits were \$5,150 and the bank balance was \$7,184. The difference between the book and bank balances primarily represents checks that have been issued, but have not cleared the bank as of July 31, 2023. All funds are insured by the Federal Deposit Insurance Corporation (FDIC).

The Organization receives a significant amount of support from the initiation fees, alumni fees, and investment income. A loss or substantial reduction in this funding may have a significant impact on the Organization.

6. Property and Equipment:

Purchases of property and equipment greater than \$500 with useful lives greater than one year are capitalized at cost. Donated assets are capitalized at the estimated fair value at the date of receipt. The Organization capitalizes individual items of property and equipment based on an analysis of cost and expected useful life.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures, and equipment	5-7 years
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7. Related Party Transactions:

During fiscal year ended July 31, 2023, the Organization transferred \$5,572 from its annual mailer receipts to the Phi Upsilon Omicron Educational Foundation, Inc. (the "Foundation") for support. The Organization shares certain management personnel and office facilities with the Foundation. During fiscal year ended July 31, 2023, the Foundation paid the Organization \$40,027 in management fees for these services.

During fiscal year ended July 31, 2023, the Organization leased office space from the executive director in the amount of \$500 per month for a total of \$6,000. The lease term ends on January 31, 2025.

8. Subsequent Events:

The Organization has evaluated subsequent events through February 9, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PHI UPSILON OMICRON, INC.
SCHEDULE OF FUND ACTIVITY – MODIFIED CASH BASIS
Year Ended July 31, 2023

	Operating Fund	Conclave Fund	Professional Development Fund	Candle Fund	Lifetime Alumni Fund	Community Impact Grant Fund	Total
Receipts							
Initiation fees	\$ 18,018	\$ 5,532	\$ 481	\$ 5,050	\$ -	\$ -	\$ 29,081
PHIU Foundation management fee	40,027	-	-	-	-	-	40,027
Allocated investment income	473	3,664	1,123	4,523	6,114	29	15,926
Honor cords and stoles	9,306	-	-	-	-	-	9,306
Contributions	3,294	450	-	-	-	-	3,744
Alumni fees	1,704	264	96	752	1,650	-	4,466
Chapter supplies	1,752	-	-	-	24	-	1,776
Conclave	-	12,221	-	-	-	-	12,221
Total receipts	74,574	22,131	1,700	10,325	7,788	29	116,547
Disbursements							
Salaries and wages	69,851	-	-	5,000	-	-	74,851
Publication expense	-	-	-	4,892	-	-	4,892
Honor cords and stoles	4,392	-	-	-	-	-	4,392
Office rent	6,000	-	-	-	-	-	6,000
Payroll taxes	5,609	-	-	-	-	-	5,609
Council & conclave meetings	-	15,343	-	-	-	-	15,343
Professional fees	7,986	-	-	-	-	-	7,986
Jewelry	-	603	-	-	-	-	603
Initiation pins and awards	414	-	-	-	-	-	414
Membership and dues	-	-	5,361	-	-	-	5,361
Office supplies and expense	3,244	-	-	-	-	-	3,244
Annual mailing expense	1,473	-	-	-	-	-	1,473
Postage	1,179	-	-	-	-	-	1,179
Bank service fees	1,479	-	-	-	-	-	1,479
Telephone and internet	1,862	-	-	-	-	-	1,862
Depreciation	338	-	-	-	-	-	338
Website expense	350	-	-	7,812	-	-	8,162
Community impact grant	-	-	-	-	-	250	250
Total disbursements	104,177	15,946	5,361	17,704	-	250	143,438
Transfers between funds	6,114	-	-	-	(6,114)	-	-
Change in net assets	(23,489)	6,185	(3,661)	(7,379)	1,674	(221)	(26,891)
Fund balance, beginning of year	29,356	227,275	69,624	280,517	379,219	1,817	987,808
Fund balance, end of year	\$ 5,867	\$ 233,460	\$ 65,963	\$ 273,138	\$ 380,893	\$ 1,596	\$ 960,917

