KDP

TEACHING EXCELLENCE
FROM CAMPUS TO CLASSROOM

# FINANCIAL STATEMENTS

## JUNE 30, 2023 AND 2022

CPAs / ADVISORS

blue

# KAPPA DELTA PI, INC.

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CPAS / ADVISORS

blue

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Kappa Delta Pi, Inc.
Indianapolis, Indiana

### Opinion

We have audited the accompanying financial statements of Kappa Delta Pi, Inc. (KDP), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows 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 financial position of KDP as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 KDP 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.

### Change in Accounting Principle

As discussed in Note 3 to the financial statements, KDP adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### Prior Period Financial Statements

The financial statements as of June 30, 2022, were audited by Alerding CPA Group, who merged with Blue & Co., LLC, as of December 1, 2022, and whose report dated November 8, 2022, expressed an unmodified opinion on those statements.

### Responsibilities of Management 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; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KDP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

<u>Auditor's Responsibilities for the Audit of the Financial Statements</u>

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 KDP'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 substantial doubt about KDP'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.

Blue & Co., LLC

Carmel, Indiana
December 14, 2023

## KAPPA DELTA PI, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

### ASSETS

| | 2023 | 2022 |
|---|---|---|
| Cash | $ 90,390 | $ 17,993 |
| Investments | 6,825,976 | 6,148,644 |
| Accounts receivable | 5,622 | 11,276 |
| Inventory | 125,279 | 89,648 |
| Prepaid expenses and other assets | 103,280 | 70,284 |
| Property and equipment, net | 314,823 | 1,083,055 |
| Right-of-use assets under operating leases, net | 771,443 | -0- |
| | $ 8,236,813 | $ 7,420,900 |

### LIABILITIES AND NET ASSETS

| | 2023 | 2022 |
|---|---|---|
| Liabilities | | |
| Accounts payable | $ 93,754 | $ 93,162 |
| Funds due to chapters | 80,557 | 49,097 |
| Accrued expenses and other liabilities | 71,810 | 65,990 |
| Deferred revenue | 737,456 | 883,754 |
| Operating lease liabilities | 771,443 | -0- |
| Total liabilities | 1,755,020 | 1,092,003 |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 4,368,958 | 4,234,549 |
| Board designated | 753,942 | 720,892 |
| | 5,122,900 | 4,955,441 |
| With donor restrictions | 1,358,893 | 1,373,456 |
| Total net assets | 6,481,793 | 6,328,897 |
| | $ 8,236,813 | $ 7,420,900 |

*See accompanying notes to financial statements.*

# KAPPA DELTA PI, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

| | 2023 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | 2022 Total |
| **Support and revenue** | | | | |
| Membership dues | $ 1,420,905 | $ -0- | $ 1,420,905 | $ 1,245,270 |
| Royalties | 38,902 | -0- | 38,902 | 74,181 |
| Publications | 48,965 | -0- | 48,965 | 14,367 |
| Convocations | 980 | -0- | 980 | 53,090 |
| Chapter supplies and installations | 53,140 | -0- | 53,140 | 53,669 |
| Sales | | | | |
| Accessories | 193,080 | -0- | 193,080 | 205,501 |
| Jewelry | 18,075 | -0- | 18,075 | 8,295 |
| Clothing | 32,752 | -0- | 32,752 | 51,794 |
| Gain on sale of land and building | 511,422 | -0- | 511,422 | -0- |
| Contributions | 67,003 | 16,965 | 83,968 | 98,204 |
| Other | 70,710 | -0- | 70,710 | 48,467 |
| Net assets released from donor restrictions | 31,528 | (31,528) | -0- | -0- |
| Total support and revenue | 2,487,462 | (14,563) | 2,472,899 | 1,852,838 |
| **Expenses** | | | | |
| Program services | | | | |
| Membership | 878,469 | -0- | 878,469 | 804,643 |
| Publications | 332,999 | -0- | 332,999 | 450,713 |
| KDP Store | 251,814 | -0- | 251,814 | 291,899 |
| Convocation | 13,021 | -0- | 13,021 | 90,015 |
| Advancement | 152,555 | -0- | 152,555 | 141,472 |
| Total program services | 1,628,858 | -0- | 1,628,858 | 1,778,742 |
| Supporting services | | | | |
| Management and general | 1,305,826 | -0- | 1,305,826 | 1,140,341 |
| Fundraising | 73,114 | -0- | 73,114 | 71,800 |
| Total expenses | 3,007,798 | -0- | 3,007,798 | 2,990,883 |
| **Change in net assets from operations** | (520,336) | (14,563) | (534,899) | (1,138,045) |
| **Interest and investment return, net** | 687,795 | -0- | 687,795 | (221,868) |
| **Change in net assets** | 167,459 | (14,563) | 152,896 | (1,359,913) |
| **Net assets, beginning of year** | 4,955,441 | 1,373,456 | 6,328,897 | 7,688,810 |
| **Net assets, end of year** | $ 5,122,900 | $ 1,358,893 | $ 6,481,793 | $ 6,328,897 |

*See accompanying notes to financial statements.*

## KAPPA DELTA PI, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Support and revenue** | | | |
| Membership dues | $ 1,245,270 | $ -0- | $ 1,245,270 |
| Royalties | 74,181 | -0- | 74,181 |
| Publications | 14,367 | -0- | 14,367 |
| Convocations | 53,090 | -0- | 53,090 |
| Chapter supplies and installations | 53,669 | -0- | 53,669 |
| Sales | | | |
| Accessories | 205,501 | -0- | 205,501 |
| Jewelry | 8,295 | -0- | 8,295 |
| Clothing | 51,794 | -0- | 51,794 |
| Contributions | 84,501 | 13,703 | 98,204 |
| Other | 48,467 | -0- | 48,467 |
| Net assets released from donor restrictions | 26,710 | (26,710) | -0- |
| Total support and revenue | 1,865,845 | (13,007) | 1,852,838 |
| **Expenses** | | | |
| Program services | | | |
| Membership | 804,643 | -0- | 804,643 |
| Publications | 450,713 | -0- | 450,713 |
| KDP Store | 291,899 | -0- | 291,899 |
| Convocation | 90,015 | -0- | 90,015 |
| Advancement | 141,472 | -0- | 141,472 |
| Total program services | 1,778,742 | -0- | 1,778,742 |
| Supporting services | | | |
| Management and general | 1,140,341 | -0- | 1,140,341 |
| Fundraising | 71,800 | -0- | 71,800 |
| Total expenses | 2,990,883 | -0- | 2,990,883 |
| **Change in net assets from operations** | (1,125,038) | (13,007) | (1,138,045) |
| **Interest and investment return, net** | (221,868) | -0- | (221,868) |
| **Change in net assets** | (1,346,906) | (13,007) | (1,359,913) |
| **Net assets, beginning of year** | 6,302,347 | 1,386,463 | 7,688,810 |
| **Net assets, end of year** | $ 4,955,441 | $ 1,373,456 | $ 6,328,897 |

*See accompanying notes to financial statements.*

# KAPPA DELTA PI, INC.

## STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED JUNE 30, 2023
## (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

| | 2023 | | | | | | | | | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | | | Management | | Total | Total |
| | Membership | Publications | KDP Store | Convocation | Advancement | Total | and General | Fundraising | Expenses | Expenses |
| **Labor and Benefits:** | | | | | | | | | | |
| Salaries | $ 399,917 | $ 163,278 | $ 67,495 | $ -0- | $ 38,979 | $ 669,669 | $ 607,906 | $ 38,979 | $ 1,316,554 | $ 1,231,885 |
| Payroll taxes and benefits | 107,464 | 45,442 | 13,238 | -0- | 9,982 | 176,126 | 137,682 | 9,982 | 323,790 | 299,237 |
| Total labor and benefits | 507,381 | 208,720 | 80,733 | -0- | 48,961 | 845,795 | 745,588 | 48,961 | 1,640,344 | 1,531,122 |
| **Other Expenses:** | | | | | | | | | | |
| Advertising and promotion | -0- | -0- | -0- | -0- | -0- | -0- | 9,944 | -0- | 9,944 | 12,570 |
| Member services | 163,512 | 320 | -0- | -0- | -0- | 163,832 | 428 | -0- | 164,260 | 72,239 |
| Cost of goods sold | 7,247 | -0- | 157,807 | -0- | -0- | 165,054 | -0- | -0- | 165,054 | 192,578 |
| Contract labor | 36,734 | 35,148 | 3,251 | 12,069 | 1,358 | 88,560 | 127,951 | 1,358 | 217,869 | 290,888 |
| Processing fees | 6,417 | 44,511 | -0- | -0- | -0- | 50,928 | -0- | -0- | 50,928 | 127,634 |
| Bank fees | -0- | -0- | -0- | -0- | 1,144 | 1,144 | 32,446 | 1,144 | 34,734 | 38,511 |
| Printing, postage, and photography | 32,260 | 88 | 41 | 10 | 1,210 | 33,609 | 22,089 | 1,210 | 56,908 | 38,042 |
| Professional fees | -0- | 286 | -0- | -0- | -0- | 286 | 118,792 | -0- | 119,078 | 29,920 |
| Professional development | 1,243 | -0- | -0- | -0- | 38 | 1,281 | 9,058 | 38 | 10,377 | 16,930 |
| Supplies | 2,015 | 449 | 133 | 179 | 98 | 2,874 | 5,863 | 98 | 8,835 | 6,494 |
| Telecommunications | 11,097 | 2,351 | 716 | 46 | 925 | 15,135 | 8,817 | 925 | 24,877 | 32,202 |
| Event expense | 3,057 | 6 | 12 | 1 | 37,708 | 40,784 | 5,122 | 6,181 | 52,087 | 80,729 |
| Travel | 10,263 | 399 | -0- | 420 | 295 | 11,377 | 17,233 | 295 | 28,905 | 14,433 |
| Repairs and maintenance | 1,528 | 887 | 14 | 7 | 191 | 2,627 | 13,690 | 191 | 16,508 | 26,772 |
| Scholarships, grants and miscellaneous funding | -0- | -0- | -0- | -0- | 47,914 | 47,914 | -0- | -0- | 47,914 | 50,711 |
| Utilities | 6,655 | 3,972 | 7 | -0- | 407 | 11,041 | 15,143 | 407 | 26,591 | 19,716 |
| Insurance | 5,590 | 3,354 | -0- | -0- | 335 | 9,279 | 17,585 | 335 | 27,199 | 22,140 |
| Depreciation | 25,785 | 10,492 | 2,922 | -0- | 4,108 | 43,307 | 28,213 | 4,108 | 75,628 | 97,790 |
| Leases and rentals | 1,240 | 451 | 140 | 1 | 193 | 2,025 | 3,105 | 193 | 5,323 | 9,336 |
| Maintenance agreements | 47,310 | 17,122 | 5,256 | 165 | 6,949 | 76,802 | 68,683 | 6,949 | 152,434 | 188,520 |
| Occupancy expenses | 6,807 | 3,570 | 240 | 90 | 433 | 11,140 | 12,701 | 433 | 24,274 | 30,217 |
| Executive Council designated fund | -0- | -0- | -0- | -0- | -0- | -0- | 544 | -0- | 544 | 27,423 |
| Bad debt expense | -0- | -0- | 31 | -0- | -0- | 31 | -0- | -0- | 31 | 718 |
| Miscellaneous | 2,328 | 873 | 511 | 33 | 288 | 4,033 | 42,831 | 288 | 47,152 | 33,248 |
| Total expenses | $ 878,469 | $ 332,999 | $ 251,814 | $ 13,021 | $ 152,555 | $ 1,628,858 | $ 1,305,826 | $ 73,114 | $ 3,007,798 | $ 2,990,883 |

*See accompanying notes to financial statements.*

## KAPPA DELTA PI, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

| | Program Services | | | | | | Management and General | Fundraising | Total Expenses |
|---|---|---|---|---|---|---|---|---|---|
| | Membership | Publications | KDP Store | Convocation | Advancement | Total | | | |
| **Labor and Benefits:** | | | | | | | | | |
| Salaries | $ 380,048 | $ 181,783 | $ 66,964 | $ 13,094 | $ 31,990 | $ 673,879 | $ 526,016 | $ 31,990 | $ 1,231,885 |
| Payroll taxes and benefits | 106,150 | 46,097 | 13,437 | 1,303 | 8,487 | 175,474 | 115,277 | 8,486 | 299,237 |
| Total labor and benefits | 486,198 | 227,880 | 80,401 | 14,397 | 40,477 | 849,353 | 641,293 | 40,476 | 1,531,122 |
| **Other Expenses:** | | | | | | | | | |
| Advertising and promotion | -0- | -0- | -0- | -0- | 1,500 | 1,500 | 9,570 | 1,500 | 12,570 |
| Member services | 71,805 | 32 | 10 | -0- | -0- | 71,847 | 392 | -0- | 72,239 |
| Cost of goods sold | -0- | -0- | 192,578 | -0- | -0- | 192,578 | -0- | -0- | 192,578 |
| Contract labor | 68,954 | 45,094 | 8,644 | 36,850 | 2,814 | 162,356 | 125,718 | 2,814 | 290,888 |
| Processing fees | -0- | 127,634 | -0- | -0- | -0- | 127,634 | -0- | -0- | 127,634 |
| Bank fees | 76 | 43 | 2 | 1 | 10,552 | 10,674 | 17,285 | 10,552 | 38,511 |
| Printing, postage, and photography | 28,856 | -0- | 25 | 1,509 | 2,191 | 32,581 | 3,270 | 2,191 | 38,042 |
| Professional fees | 488 | 1,993 | -0- | -0- | -0- | 2,481 | 27,439 | -0- | 29,920 |
| Professional development | 1,497 | 214 | 16 | 8 | -0- | 1,735 | 15,195 | -0- | 16,930 |
| Supplies | 2,682 | 349 | 183 | 30 | 49 | 3,293 | 3,152 | 49 | 6,494 |
| Telecommunications | 13,962 | 3,641 | 689 | 192 | 890 | 19,374 | 11,938 | 890 | 32,202 |
| Event expense | 20,451 | 241 | 100 | 28,875 | 21,491 | 71,158 | 7,040 | 2,531 | 80,729 |
| Travel | 3,381 | -0- | -0- | -0- | -0- | 3,381 | 11,052 | -0- | 14,433 |
| Repairs and maintenance | 5,551 | 3,511 | 185 | 56 | 583 | 9,886 | 16,303 | 583 | 26,772 |
| Scholarships, grants and miscellaneous funding | -0- | -0- | -0- | -0- | 50,711 | 50,711 | -0- | -0- | 50,711 |
| Utilities | 4,868 | 2,937 | -0- | -0- | 296 | 8,101 | 11,319 | 296 | 19,716 |
| Insurance | 11,041 | 1,308 | -0- | -0- | 132 | 12,481 | 9,527 | 132 | 22,140 |
| Depreciation | 33,716 | 13,684 | 3,940 | 569 | 5,145 | 57,054 | 35,591 | 5,145 | 97,790 |
| Leases and rentals | 2,143 | 897 | 170 | -0- | 132 | 3,342 | 5,862 | 132 | 9,336 |
| Maintenance agreements | 37,737 | 15,526 | 3,663 | 1,049 | 3,527 | 61,502 | 123,491 | 3,527 | 188,520 |
| Occupancy expenses | 8,258 | 4,473 | 273 | 92 | 574 | 13,670 | 15,973 | 574 | 30,217 |
| Executive Council designated fund | -0- | -0- | -0- | -0- | -0- | -0- | 27,423 | -0- | 27,423 |
| Bad debt expense | -0- | -0- | 718 | -0- | -0- | 718 | -0- | -0- | 718 |
| Miscellaneous | 2,979 | 1,256 | 302 | 6,387 | 408 | 11,332 | 21,508 | 408 | 33,248 |
| Total expenses | $ 804,643 | $ 450,713 | $ 291,899 | $ 90,015 | $ 141,472 | $ 1,778,742 | $ 1,140,341 | $ 71,800 | $ 2,990,883 |

*See accompanying notes to financial statements.*

## KAPPA DELTA PI, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **Operating activities** | | |
| Change in net assets | $ 152,896 | $ (1,359,913) |
| Adjustments to reconcile change in net assets | | |
| to net cash flows from operating activities: | | |
| Depreciation | 75,628 | 97,790 |
| Realized and unrealized (gains) losses on investments, net | (593,827) | 286,976 |
| Gain on sale of land and building | (511,422) | -0- |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 5,654 | (1,732) |
| Inventory | (35,631) | 14,474 |
| Prepaid expenses and other assets | (32,996) | 41,367 |
| Right-of-use assets under operating lease, net | (771,443) | -0- |
| Accounts payable | 592 | (32,467) |
| Funds due to chapters | 31,460 | 3,134 |
| Accrued expenses and other liabilities | 5,820 | 16,565 |
| Deferred revenue | (146,298) | (132,627) |
| Operating lease liabilities | 771,443 | -0- |
| Net cash flows from operating activities | (1,048,124) | (1,066,433) |
| **Investing activities** | | |
| Proceeds from sale of land and building | 1,500,000 | -0- |
| Capital expenditures | (295,974) | (9,456) |
| Purchase of investments | (1,500,406) | (114,072) |
| Proceeds from sale of investments | 1,416,901 | 898,964 |
| Net cash flows from investing activities | 1,120,521 | 775,436 |
| Net change in cash | 72,397 | (290,997) |
| **Cash, beginning of year** | 17,993 | 308,990 |
| **Cash, end of year** | $ 90,390 | $ 17,993 |

*See accompanying notes to financial statements.*

## 1. NATURE OF ACTIVITIES

Kappa Delta Pi, Inc. (KDP) is a nonprofit that inspires and equips future and new teachers to thrive. The vision for KDP is "Excellent teachers build thriving communities and create lifelong opportunities by providing quality, equitable education for all."

KDP is the champion for future and new teachers from campus to classroom. KDP delivers guidance and solutions to the particular issues facing teachers across the United States, while maintaining a global perspective. Above all, KDP is a reliable and research-based source of best practices for the teaching field as a whole. KDP represents approximately 19,000 members.

KDP exists to serve the following core audiences:

Teacher Candidates

KDP is honored to act as a mentor and guide to future teachers by preparing them to leave campus and enter the classroom. KDP works to set teachers up for successful careers, and celebrate excellence and achievement through the honor society.

New Teachers

KDP provides new teachers with the support needed to transition into service from their preparation program and through the first three years of their careers. KDP aims to help new teachers, break down barriers, and grow beyond all expectations. KDP empowers and equips new teachers to navigate the changing education landscape and mentors them through shifting tides.

KDP Chapters

KDP Chapter counselors and officers are not just a part of KDP's story – they are the storytellers: a living embodiment of the KDP brand and values. KDP Chapters are a resource, champion, and advocate for members, and KDP is the same to the Chapters.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets, support, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of KDP, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The governing board has designated, from net assets without donor restrictions, net asset funds to protect KDP's long-term viability due to volatility in funding resources.

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

When a donor's restriction is satisfied, either by using the resource in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the statements of activities by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, and expense during the reporting period. Actual results could differ from those estimates.

Investments and Investment Return

Investments are recorded at fair value. Changes in unrealized appreciation or depreciation of investments are recorded in the period the changes occur. Realized gains and losses are recorded based on the costs of the specific investments sold. Interest and dividend income is recorded when earned.

Accounts Receivable

Accounts receivable (contract receivables) represent amounts due from members or chapters for dues, fees, insurance and services. Accounts receivable are stated at the amount billed. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the member or chapter. Accounts receivable have a balance at June 30, 2023 and 2022 and July 1, 2021 of $5,622, $11,276 and $9,544, respectively.

Management estimates an allowance for doubtful accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to its member base. Management has determined that no allowance for doubtful accounts receivable is required at June 30, 2023 and 2022.

Inventory

Inventory consist of accessories, logo wear, and other logo items. Inventory is stated at the lower of cost or net realizable value. Cost is determined on the average cost basis.

Property and Equipment

KDP capitalizes all significant purchases of property and equipment at cost, including expenditures that substantially increase the useful lives of existing assets. Costs of ordinary maintenance and repairs are expensed as incurred. KDP depreciates the costs of property and equipment using the straight-line method over their estimated useful lives ranging from 3 to 10 years.

Funds Due to Chapters

Chapter dues and subscriptions collected from members are remitted to their respective chapter on a semi-annual basis.

Support and Revenue Recognition

Membership dues represent exchange transactions with the members where performance obligations (general member benefits) are met evenly throughout the year. Deferred revenue (contract liabilities) related to these revenues as of the end of each fiscal year relate to the remaining portion of the annual membership and for memberships paid in advance of the fiscal year. Deferred revenue for membership dues has a balance of $737,456, $883,754 and $1,016,381 at June 30, 2023 and 2022 and July 1, 2021.

Publication revenue is earned upon the mailing of the publication.

Convocation revenues are earned upon the completion of the Convocation programs.

Merchandise is sold at various times throughout the year. Sales are considered earned when payment is received, and the member takes possession of the merchandise.

Contributions (including grant income) are recognized as support in the period when the cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

All other revenue is recorded when earned.

Functional Allocation of Expenses

The costs of providing the programs and services of KDP have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited based on the actual direct expenses and an allocation of indirect expenses based on estimates of time and usage by personnel and programs. Expenses allocated include salaries, payroll taxes and benefits, contract labor, printing, postage, and photography, professional development, supplies, telecommunications, event expenses, travel, repairs and maintenance, utilities, insurance, depreciation, leases and rentals, maintenance agreements, and occupancy expenses. Although the method used was appropriate, other methods could produce different results.

Income Taxes

KDP is organized as a not-for-profit corporation and is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code and similar state law and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. As such, KDP is generally exempt from income taxes. However, KDP is required to file Federal Form 990 – Return of Organization Exempt from Income Tax and a corresponding state return, which are informational returns only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by KDP and recognize a tax liability if KDP has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by KDP, and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. KDP is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

KDP has filed its federal and state income tax returns for periods through June 30, 2022. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Reclassifications

Certain amounts in the fiscal 2022 financial statements have been reclassified herein to conform to the fiscal 2023 presentation. Total net assets and change in net assets were unchanged due to these reclassifications.

Subsequent Events

KDP evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 14, 2023, which is the date the financial statements were available to be issued.

## 3. CHANGE IN ACCOUNTING PRINCIPLE

On July 1, 2022, KDP adopted the new lease accounting standard issued by the Financial Accounting Standards Board (FASB) and codified in the Accounting Standards Codification (ASC) as Topic 842 (ASC 842). The lease standard in ASC 842 intended to improve financial reporting about leasing transactions by requiring entities to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in ASC 842) of twelve months or less are not required to be reflected on an entity's statement of financial position.

KDP applied the modified retrospective approach to all lease agreements when adopting ASC 842. ASC 842 was applied retrospectively to the beginning of the period of adoption through a cumulative-effect adjustment recognized as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance in ASC 840. The adoption of ASC 842 did not have a significant impact on the statement of financial position, statement of activities and the statement of cash flows. As of July 1, 2022, KDP's total assets and total liabilities increased by $10,538 as a result of ASC 842. The most significant impact was the recognition of right-of-use (ROU) assets under operating leases and operating lease liabilities for the operating leases.

KDP elected the available practical expedients to account for its existing operating leases under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, KDP elected the hindsight practical expedient to determine the lease term for existing leases.

## 4. INVESTMENTS

Investments consist of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Cash | $ 2,127,366 | $ 804,871 |
| Money market mutual funds | -0- | 745,591 |
| Common stocks | 2,918,471 | 3,234,920 |
| Exchange traded funds | 1,344,037 | 1,363,262 |
| Bonds | 436,102 | -0- |
| | $ 6,825,976 | $ 6,148,644 |

Investment return consists of the following for the years ended June 30:

| | 2023 | 2022 |
|---|---|---|
| Dividends and interest | $ 133,869 | $ 114,072 |
| Less investment fees | (39,901) | (48,964) |
| | 93,968 | 65,108 |
| Realized gains (losses) on investments, net | (99,853) | 908,031 |
| Unrealized gains (losses) on investments, net | 693,680 | (1,195,007) |
| | $ 687,795 | $ (221,868) |

## 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Land | $ -0- | $ 118,645 |
| Building and improvements | -0- | 1,905,832 |
| Leasehold improvements | 150,343 | -0- |
| Furniture and equipment | 222,393 | 76,761 |
| Software | 399,237 | 399,237 |
| | 771,973 | 2,500,475 |
| Accumulated depreciation | (457,150) | (1,417,420) |
| | $ 314,823 | $ 1,083,055 |

## 6. LEASES

KDP recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

KDP has operating leases for its national office facility and equipment. Leasing arrangements required fixed payments and also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. KDP's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of 2 to 11 years.

KDP's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. KDP utilizes the risk-free rate commensurate to the lease term as the discount rate for its leases unless KDP can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. KDP has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its right-of-use assets and lease liabilities. The operations lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. KDP did not have any short-term leases for the year ended June 30, 2023.

In evaluating contracts to determine if they qualify as a lease, KDP considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if KDP can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, KDP assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgment.

KDP's total lease expense for the year ended June 30, 2023 was $5,323. Total lease expense for the year ended June 30, 2022 was $9,336 under previous accounting guidance ASC 840.

KDP's right-of-use assets and lease liabilities as of and for the year ended June 30, 2023, are as follows:

| | |
|---|---|
| Right-of-use assets | |
| Operating lease assets | $ 771,443 |
| Lease liabilities | |
| Operating lease liabilities | $ 771,443 |

Additional information regarding cash payments under KDP's operating leases during fiscal 2023, as well as the inputs used in determining the ROU assets and liabilities at June 30, 2023, is as follows:

| | |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | $ 5,323 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | $ 759,974 |
| Weighted-average remaining lease term - operating leases | 10.4 years |
| Weighted-average discount rate - operating leases | 3.58% |

Future payments of operating lease liabilities at June 30, 2023 are as follows:

| Year Ending December 31, | | |
|---|---|---|
| 2024 | $ | 47,626 |
| 2025 | | 91,355 |
| 2026 | | 89,375 |
| 2027 | | 90,625 |
| 2028 | | 91,875 |
| Thereafter | | 527,500 |
| Total lease payments | | 938,356 |
| Less: interest | | (166,913) |
| Present value of lease liabilities | $ | 771,443 |

Future minimum lease payments under operating leases having initial terms in excess of one year at June 30, 2022, under previous accounting guidance under ASC 840, are as follows:

| Year Ending December 31, | | |
|---|---|---|
| 2023 | $ | 3,876 |
| 2024 | | 3,876 |
| 2025 | | 2,907 |
| | $ | 10,659 |

## 7. ENDOWMENT

KDP's endowment consists of donor-restricted contributions, to be held in perpetuity, that were made to provide a source of income for scholarships and funds designated by the Board of Directors to increase the size of the endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of KDP has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the purchasing power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, KDP classifies as net assets with donor restrictions, the original value of any gifts donated to the perpetual endowment and accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining earnings of the perpetual endowment fund that is not classified as perpetually restricted net assets is classified as Board of Directors designated net assets until those amounts are appropriated for expenditure by KDP is a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, KDP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of KDP and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of KDP
(7) The investment policies of KDP

Underwater Endowment Funds

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires KDP to retain as a fund of perpetual duration. There were no deficiencies at June 30, 2023 and 2022.

Return Objectives and Risk Parameters

KDP has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal of the endowment assets. Endowment assets include those assets of donor-restricted funds that KDP must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, KDP relies on a total return strategy administered in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). KDP targets a diversified asset allocation that places a greater emphasis on long-term growth and a reasonable return. Under this policy, the endowment assets are invested to:

(1) Achieve a rate of return that is plus or minus 4% of the Consumer Price Index and allows for the distribution of earnings for the purpose outlined above.
(2) Grow principal through a total return (capital appreciation, interest, and dividends) approach to investing while maintaining reasonable levels of risk and volatility.
(3) Preserve the corpus of the funds.
(4) Provide a portfolio that offers both common stock and exchange traded fund investments that are diversified among asset classes and investment styles, thus minimizing the risk of large losses over a considerable length of time.
(5) Invest in securities that are readily marketable.
(6) Control and account for investment expenses.

Spending Policy and How the Investment Objective Relates to Spending Policy

KDP has a policy whereby disbursements can be made up to 3% for scholarships and 5% for chapter grants of the perpetual endowment fund's previous year fund balance for KDP scholarships and chapter grants. This is consistent with KDP's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return. KDP's policy also stipulates that disbursements are disallowed from underwater funds or until the funds become whole again; however, KDP had no underwater funds at June 30, 2023 and 2022.

The change in endowment net assets is as follows for the year ended June 30:

| | 2023 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | $ 720,892 | $ 1,317,968 | $ 2,038,860 |
| Contributions | 90,839 | 11,295 | 102,134 |
| Appropriation of endowment assets pursuant to spending rate policy | (57,789) | -0- | (57,789) |
| Endowment net assets, end of year | $ 753,942 | $ 1,329,263 | $ 2,083,205 |

| | 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | $ 788,211 | $ 1,310,315 | $ 2,098,526 |
| Contributions | 84,252 | 7,653 | 91,905 |
| Appropriation of endowment assets pursuant to spending rate policy | (151,571) | -0- | (151,571) |
| Endowment net assets, end of year | $ 720,892 | $ 1,317,968 | $ 2,038,860 |

## 8. NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2023:

| | 2023 | 2022 |
|---|---|---|
| Subject to Expenditure for Specific Purpose: | | |
| Other scholarships | $ 25,668 | $ 46,077 |
| Teacher grants | 3,962 | 8,820 |
| Special projects | -0- | 491 |
| Literary Alive! | -0- | 100 |
| Endowment: | | |
| Scholarships | 1,063,905 | 1,057,824 |
| Grants | 265,358 | 260,144 |
| | $ 1,358,893 | $ 1,373,456 |

Net Assets Released from Restrictions

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows during the years ended June 30:

| | 2023 | 2022 |
|---|---|---|
| Subject to Expenditure for Specific Purpose: | | |
| Other scholarships | $ 23,437 | $ 5,828 |
| Teacher grants | 7,500 | 15,000 |
| Special projects | 491 | -0- |
| Literary Alive! | 100 | -0- |
| John Dewey | -0- | 5,882 |
| | $ 31,528 | $ 26,710 |

## 9. LIQUIDITY AND AVAILABILITY

The following table reflects KDP's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the financial position date; that is, amounts that are without donor restrictions limiting their use at June 30:

| | 2023 | 2022 |
|---|---|---|
| Financial assets | | |
| Cash | $ 90,390 | $ 17,993 |
| Investments | 6,825,976 | 6,148,644 |
| Accounts receivable | 5,622 | 11,276 |
| Total financial assets | 6,921,988 | 6,177,913 |
| Donor-imposed restrictions | | |
| Purpose and time restrictions | (29,630) | (55,488) |
| Endowment funds | (1,329,263) | (1,317,968) |
| Board designated endowment funds | (753,942) | (720,892) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 4,809,153 | $ 4,083,565 |

KDP received significant membership dues which are ongoing, major and central to its annual operations that are available to meet cash needs for general operations. As part of KDP's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they become due.

Through regular discussions between the Executive Director and the Investment Manager, as well as part of the annual budgeting process, the amount of liquid funds needed to offset operating deficiencies will be determined. In the event of harsh economic times or emergency circumstances, allowable expenditures will be limited to 20% of the fund's total value. Proposed expenditures, whether utilizing principal or interest earned, must be approved by the Board of Directors. The Board of Directors may also approve the use of Board designated funds to be used in operations when needed.

Because endowments exist into perpetuity, KDP may only spend from its endowment in accordance with its spending policy (Note 7).

## 10. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that KDP has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the assets or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes to the methodologies used at June 30, 2023 and 2022.

- *Money market mutual funds:* Generally transact subscription and redemption activity at a $1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *Common stocks and exchange-traded funds:* Valued at the closing price reported in the active market on which the individual securities are traded.
- *Bonds (U.S. government):* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basis value on yields currently available on comparable securities of issuers with similar credit ratings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although KDP 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 different fair value measurements at the reporting date.

The following tables set forth by level, within the hierarchy, KDP's assets measured at fair value on a recurring basis as of June 30:

| | 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Common stocks | | | | |
| Healthcare | $ 613,553 | $ -0- | $ -0- | $ 613,553 |
| Retail | 470,266 | -0- | -0- | 470,266 |
| Energy | 421,605 | -0- | -0- | 421,605 |
| Technology | 343,069 | -0- | -0- | 343,069 |
| Financial services | 320,423 | -0- | -0- | 320,423 |
| Communication services | 279,192 | -0- | -0- | 279,192 |
| Consumer defensive | 252,264 | -0- | -0- | 252,264 |
| Industrials | 218,099 | -0- | -0- | 218,099 |
| Exchange-traded funds | | | | |
| Mid-cap value | 663,366 | -0- | -0- | 663,366 |
| Large blend | 478,299 | -0- | -0- | 478,299 |
| Foreign large value | 202,372 | -0- | -0- | 202,372 |
| Bonds | -0- | 436,102 | -0- | 436,102 |
| | $ 4,262,508 | $ 436,102 | $ -0- | 4,698,610 |
| Cash | | | | 2,127,366 |
| | | | | $ 6,825,976 |

| | 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market mutual funds | $ -0- | $ 745,591 | $ -0- | $ 745,591 |
| Common stocks | | | | |
| Healthcare | 583,553 | -0- | -0- | 583,553 |
| Retail | 218,442 | -0- | -0- | 218,442 |
| Energy | 342,845 | -0- | -0- | 342,845 |
| Technology | 69,454 | -0- | -0- | 69,454 |
| Financial services | 631,656 | -0- | -0- | 631,656 |
| Communication services | 176,939 | -0- | -0- | 176,939 |
| Consumer defensive | 547,083 | -0- | -0- | 547,083 |
| Industrials | 373,216 | -0- | -0- | 373,216 |
| Basic materials | 205,025 | -0- | -0- | 205,025 |
| Other | 86,707 | -0- | -0- | 86,707 |
| Exchange-traded funds | | | | |
| Mid-cap value | 362,873 | -0- | -0- | 362,873 |
| Large blend | 365,555 | -0- | -0- | 365,555 |
| Short-term government | 430,342 | -0- | -0- | 430,342 |
| Short-term bond | 204,492 | -0- | -0- | 204,492 |
| | $ 4,598,182 | $ 745,591 | $ -0- | 5,343,773 |
| Cash | | | | 804,871 |
| | | | | $ 6,148,644 |

## 11. RELATED PARTY TRANSACTIONS

For the years ended June 30, 2023 and 2022, KDP paid $350 and $141,125, respectively, for services from a marketing firm. The owner and CEO of the marketing firm is a member of KDP's Board of Directors.

## 12. EMPLOYEE BENEFIT PLAN

KDP contributes to the Teachers Insurance and Annuity Association of America and College Retirement Equities Fund Retirement Program covering full-time employees who have been employed for three months. KDP contributes up to 6% of eligible compensation for eligible employees. KDP contributes 4% without regard to employee contributions and up to 2% additional match based on employee contributions. KDP contributed $62,737 and $57,868 for the years ended June 30, 2023 and 2022, respectively.

## 13. CONCENTRATION

KDP maintains its cash primarily in two banks which, at times, may exceed federally insured limits. KDP has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

KDP's investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with these assets and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

At June 30, 2023 and 2022, investments are held in four accounts, with one broker. At June 30, 2022, 12% of KDP's investments were held in one money market mutual fund.