

**BETA UPSILON CHI, INC.**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**JULY 31, 2017**



## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Beta Upsilon Chi, Inc.  
Fort Worth, Texas

We have audited the accompanying financial statements of Beta Upsilon Chi, Inc. (the "Organization"), which comprise the statement of financial position as of July 31, 2017, and the related statements of activities and changes in net assets, 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.

### Auditors' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of July 31, 2017, 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.



Saville, Dodgen & Company, P.L.L.C.  
Dallas, Texas

April 11, 2018

BETA UPSILON CHI, INC.  
STATEMENT OF FINANCIAL POSITION  
JULY 31, 2017

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ASSETS

ASSETS	
Cash and cash equivalents	\$ 315,756
Prepaid expenses	25,105
Security deposit	1,450
Property and equipment, net	<u>3,109</u>
TOTAL ASSETS	<u><u>\$ 345,420</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Note payable	\$ 3,504
Accrued expenses	<u>42,226</u>
TOTAL LIABILITIES	45,730
NET ASSETS	
Unrestricted	267,553
Temporarily restricted	<u>32,137</u>
TOTAL NET ASSETS	<u>299,690</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 345,420</u></u>

See accompanying independent auditors' report and notes.

BETA UPSILON CHI, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JULY 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Donations	\$ 263,350	\$ 48,865	\$ 312,215
Chapter dues and fees	699,313	-	699,313
Merchandise royalties	27,620	-	27,620
Net assets released from restrictions	16,728	(16,728)	-
Total revenue and public support	<u>1,007,011</u>	<u>32,137</u>	<u>1,039,148</u>
<b>EXPENSES</b>			
Program expenses	233,421	-	233,421
Fundraising expenses	93,405	-	93,405
General and administrative	658,979	-	658,979
Total expenses	<u>985,805</u>	<u>-</u>	<u>985,805</u>
<b>CHANGES IN NET ASSETS</b>	21,206	32,137	53,343
<b>NET ASSETS, beginning of year</b>	<u>246,347</u>	<u>-</u>	<u>246,347</u>
<b>NET ASSETS, end of year</b>	<u>\$ 267,553</u>	<u>\$ 32,137</u>	<u>\$ 299,690</u>

See accompanying independent auditors' report and notes.

BETA UPSILON CHI, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JULY 31, 2017

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CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 53,343
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	970
Changes in operating account balances:	
Prepaid expenses	5,088
Accrued expenses	(3,422)
Net cash provided by operating activities	<u>55,979</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(1,878)
Net cash used by investing activities	<u>(1,878)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note payable	4,336
Payments on note payable	(4,413)
Net cash used by financing activities	<u>(77)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	54,024
CASH AND CASH EQUIVALENTS, beginning of year	<u>261,732</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 315,756</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid for interest	<u>\$ 246</u>

See accompanying independent auditors' report and notes.

BETA UPSILON CHI, INC.  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2017

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## NATURE OF ORGANIZATION

Beta Upsilon Chi is a Christian fraternity founded at the University of Texas in 1985. Since it was founded, it has spread to 39 campuses in 14 states, creating 38 chapters. The fraternity's purpose is to establish brotherhood and unity among college men, based on the common bond of Jesus Christ.

Beta Upsilon Chi, Inc. (the "Organization") represents the managing entity, which oversees operations of each individual chapter. The individual chapters are held under an umbrella entity, not consolidated as part of these financial statements. The Organization hosts events annually, including leadership retreats and national summits for all members and alumni. Through the collection of third-party donations, the Organization helps fund scholarships and chapter related expenses.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

These financial statements have been prepared on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP). Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Assets subject to donor-imposed stipulations that expire through either passage of time or actions of the Organization.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

### Cash and Cash Equivalents

The Organization considers cash and highly liquid investments with an original maturity date of less than three months to be cash equivalents. At times, bank deposits may exceed amounts insured by the Federal Deposit Insurance Corporation.

See accompanying independent auditors' report.

BETA UPSILON CHI, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment are capitalized based on analysis of the cost and expected useful life of the asset. Maintenance and repairs, which do not materially prolong the useful lives of the assets are charged to expense as incurred. Property and equipment are carried at cost or, if donated, at fair value on the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which is generally five years for computers, furniture, and equipment.

Prepaid Expenses

Prepaid expenses primarily consist of amounts paid in advance for insurance and events and conferences that have not taken place as of July 31, 2017.

Deposits

The Organization has a long-term deposit with a building in which they currently have an operating lease for office space.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist primarily of credit card expenses and salaries and wages as of July 31, 2017.

Revenue and Contributions

The Organization records contributions for scholarships and general donations at the date received at fair value. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated asset. When the purpose or time restriction is accomplished, these amounts are reclassified from temporarily restricted net assets to unrestricted net assets.

The Organization also receives revenues from chapter dues and fees that are due twice a year from each member of the 38 chapters, in order to fund leadership retreats, national leadership summits, and other events held by the Organization. Additionally, the Organization receives royalty income for the use of the Beta Upsilon Chi's name on chapter paraphernalia.

BETA UPSILON CHI, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Taxes

The Organization is organized as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from federal income tax on income related to its tax-exempt purpose. Accordingly, no provision has been made for federal income taxes in the accompanying financial statements. The Foundation is no longer subject to U.S. federal examinations by tax authorities for fiscal years before 2014.

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at July 31, 2017:

Computer and other equipment, at cost	\$ 8,150
Less accumulated depreciation	<u>(5,041)</u>
Computer and other equipment, net	<u>\$ 3,109</u>

Depreciation expense for the year ended July 31, 2017 amounted to \$970.

NOTE PAYABLE

The Organization entered into a note payable in May 2016, with a third-party, to pay insurance premiums. The premiums totaled \$5,674, of which \$4,434 was financed. The note incurred interest at a rate of 11.75% annually. Payments of principal and interest became due beginning in June 2016. The final note payment was made at maturity in March 2017.

The Organization entered into a new note payable in May 2017, with a third-party, to pay insurance premiums. The premiums totaled \$5,479, of which \$4,436 was financed. The note incurs interest at a rate of 12.5% annually. Payments of principal and interest became due beginning in June 2017. The final note payment is due at maturity in March 2018.

Total interest expense incurred for the year ended July 31, 2017 was \$246.

See accompanying independent auditors' report.

BETA UPSILON CHI, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NET ASSETS

At July 31, 2017, net assets consisted of unrestricted and temporarily restricted contributions to be used for the following purposes:

Unrestricted	\$ 267,553
Temporarily restricted:	
Scholarship funds	12,397
Chapter donations	<u>19,740</u>
Total temporarily restricted	<u>32,137</u>
Total net assets	<u><u>\$ 299,690</u></u>

LEASE COMMITMENTS

Operating Leases

The Organization leases space from a third-party on a month-to-month basis. Rent is due monthly in the amount of \$1,830. Total rent expense in the year ended July 31, 2017 was \$21,960.

SIGNIFICANT RISKS, UNCERTAINTIES, CONTINGENCIES, AND CONCENTRATIONS

The Organization is highly dependent on contributions and donations. Therefore, the Organization's programs and activities are affected by the level of donations and related factors, including general economic conditions. Based on these factors, the Organization may experience substantial period-to-period fluctuations. The Organization had no significant concentrations in donations during the year ended July 31, 2017.

RELATED PARTY TRANSACTIONS

The Organization collects revenue from a related party, which is comprised of 38 local chapters, in the form of chapter dues and fees. These amounts are used to pay chapter level expenses as well as overall program expenses. The Organization also obtains donations from third-parties which are used towards chapter expenses, scholarships, and related events.

See accompanying independent auditors' report.

BETA UPSILON CHI, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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SUBSEQUENT EVENTS

The Organization evaluated events that occurred after the statement of financial position date through April 11, 2018, which is the date these financial statements were available to be issued, and no subsequent events that met recognition or disclosure criteria were identified.