

BETA UPSILON CHI, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JULY 31, 2021



INDEPENDENT AUDITORS' REPORT

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, 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.

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, 2021, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Saville, Dodgen & Co.

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

March 24, 2022

BETA UPSILON CHI, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2021

ASSETS

ASSETS	
Cash and cash equivalents	\$ 619,013
Investments	282,593
Prepaid expenses	3,248
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TOTAL ASSETS	<u>\$ 904,854</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accrued expenses	\$ 63,731
	<hr/>
TOTAL LIABILITIES	<u>63,731</u>
NET ASSETS	
Without donor restriction	483,857
With donor restriction	357,266
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TOTAL NET ASSETS	<u>841,123</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 904,854</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, 2021

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE			
Donations	\$ 407,185	\$ 169,107	\$ 576,292
Chapter dues and fees	545,702	-	545,702
PPP grant	99,550	-	99,550
Interest and dividends	-	4,151	4,151
Realized and unrealized net gain on investments	-	36,471	36,471
Merchandise sales	10,449	-	10,449
Net assets released from restrictions	112,987	(112,987)	-
Total revenue and public support	<u>1,175,873</u>	<u>96,742</u>	<u>1,272,615</u>
EXPENSES			
Program expenses	714,611	-	714,611
Fundraising expenses	55,514	-	55,514
General and administrative	282,817	-	282,817
Total expenses	<u>1,052,942</u>	<u>-</u>	<u>1,052,942</u>
CHANGES IN NET ASSETS	122,931	96,742	219,673
NET ASSETS, beginning of year	<u>360,926</u>	<u>260,524</u>	<u>621,450</u>
NET ASSETS, end of year	<u>\$ 483,857</u>	<u>\$ 357,266</u>	<u>\$ 841,123</u>

See accompanying independent auditors' report and notes.

BETA UPSILON CHI, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2021

	Program Expenses	Fundraising Expenses	General and Administrative	Total
Administration	\$ 500	\$ -	\$ 251,606	\$ 252,106
Leadership consultants	44,711	-	-	44,711
National leadership development	126,108	-	4,661	130,769
Payroll	444,773	52,326	26,163	523,262
Travel expenses	30,676	3,188	387	34,251
Chapter expenses	34,633	-	-	34,633
Scholarships	33,210	-	-	33,210
Total expenses	\$ 714,611	\$ 55,514	\$ 282,817	\$ 1,052,942

See accompanying independent auditors' report and notes.

BETA UPSILON CHI, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 219,673
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized net gain on investments	(36,471)
Reinvested interest and dividends	(4,151)
Changes in operating account balances:	
Prepaid expenses	7,309
Accrued expenses	35,364
Net cash provided by operating activities	<u>221,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	<u>(36,003)</u>
Net cash used by investing activities	<u>(36,003)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	185,721
CASH AND CASH EQUIVALENTS, beginning of year	<u>433,292</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 619,013</u>

See accompanying independent auditors' report and notes.

BETA UPSILON CHI, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021

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 18 states, creating 39 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") is the management level entity for all BYX chapters. All local chapters consolidate into a related entity, Beta Upsilon Chi, Operational. In 2018, BYX created a new entity, Beta Upsilon Chi Housing, LLC. The does not have any employees and the purpose of this entity is to serve for risk management purposes. It is used to pay rent expenses of those chapters that rent traditional houses or rent space from the universities. 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.

The entities do not have the ability to control any aspect of the other. The Board of each entity are comprised of different appointed individual's with different overall functions, and the individuals are also non-voting members. Therefore, consolidation of the entities is not necessary.

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:

Net assets without donor restriction – Assets that are not subject to donor-imposed stipulations.

Net assets with donor restriction – Assets subject to donor-imposed stipulations that expire through the passage of time, through actions of the Organization, or are maintained in perpetuity.

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.

See accompanying independent auditors' report.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

Management has considered the impact of the global COVID-19 pandemic on the financial statements. In addition to the COVID-19 impacts already experienced, and continue to experience, there are likely to be future impacts, the ultimate extent of which is uncertain and largely subject to whether the severity worsens or duration lengthens. These impacts could include but may not be limited to risks and uncertainty related to staff availability, the availability of donated funds, and the fluctuation of investment balances due to market changes.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, (Topic 606). The FASB has subsequently amended this update by issuing additional ASU's that provide clarification and further guidance around areas identified as potential implementation issues. These updates provide a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. These updates also require additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. The organization implemented the new standard for the current year. The adoption of this new standard has not had a material impact on the Organization's financial statements.

Revenue Recognition

The Organization recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization has identified chapter fees and merchandise sales as revenue categories subject to ASC 606.

The Organization recognizes revenue from chapter dues over the membership period, which is generally on a month-to-month basis. The performance obligation consists of providing members continuous access to organization resources and events and is recognized ratably as services are simultaneously received and consumed by the members. The dues are used to cover the costs of operating the Organization, maintaining the common elements and improvements, and providing for facility repair and replacement.

The Organization also receives revenues from chapter dues and fees that are due twice a year from each member of the 39 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.

See accompanying independent auditors' report.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization recognizes contributions when cash, securities, or other assets are received including a promise to give. 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.

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.

Investments

Investments in equity and other marketable securities are recorded at fair value with realized and unrealized gains and losses included in the statements of activities. Realized gains are recorded at the difference between amortized cost and the sales proceeds.

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, 2021.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist primarily of credit card expenses and salaries and wages as of July 31, 2021.

See accompanying independent auditors' report.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PPP Grant

On February 24, 2021, the Organization entered into a Paycheck Protection Program Promissory Note and Agreement (“PPP Loan”) with JPMorgan Chase Bank, N.A. under the Paycheck Protection Program (“PPP”) established under the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) to receive loan proceeds of \$99,550. The stated maturity date and interest rate for the PPP Loan was February 24, 2022 and 0.98% per annum (fixed), respectively. Under the CARES Act and terms of the PPP loan, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, and covered utilities during the 24-week period beginning on the date of first disbursement of the PPP Loan. For purposes of the CARES Act, payroll costs exclude cash compensation of an individual employee in excess of \$100,000, prorated annually. Not more than 40% of the forgiven amount can be attributable to non-payroll costs. The Organization fully believes that its use of the PPP Loan has met the conditions for the forgiveness of the PPP Loan before July 31, 2021. Therefore, the full PPP Loan amount has been recorded in the statement of activities and changes in net assets, as of July 31, 2021.

Functional Allocation of Expenses

The costs of providing various activities have been summarized on a functional basis in the Statement of Functional Expenses. The allocation of expenses on a functional basis excludes gains and losses. All operating expenses are allocated to functional areas in an amount proportionate to the benefit received.

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 Organization is no longer subject to U.S. federal examinations by tax authorities for fiscal years before 2018.

INVESTMENTS

Investments of the Organization are stated at fair value. The following describes the components of the Organization’s investments at July 31 2021:

Investment cash	\$ 65,823
Equity securities	104,906
Mutual funds	<u>111,864</u>
Total investments	<u>\$ 282,593</u>

See accompanying independent auditors’ report.

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

FAIR VALUE MEASUREMENTS

In accordance with GAAP, fair value standards (“FV Standards”) define fair value, establish a framework for measuring fair value, and require certain enhanced disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

The FV Standards established a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs used in measuring fair value, as follows:

- *Level 1* - Inputs based on unadjusted quoted prices in active markets for identical assets or liabilities the Organization has the ability to access. Since inputs are based on quoted prices that are readily and regularly available in an active market, Level 1 inputs require the least judgment.
- *Level 2* - Inputs based on quoted prices for similar instruments in active markets, or are observable either directly or indirectly. Inputs are obtained from various sources including financial institutions and brokers.
- *Level 3* - Inputs that are unobservable and significant to the overall fair value measurement. The degree of judgment exercised by the Organization in determining fair value is greatest for fair value measurements categorized in Level 3.

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

FAIR VALUE MEASUREMENTS (Continued)

The following is a summary of the categorization within the fair value hierarchy of the Organization's financial assets and liabilities measured at fair value:

Description	Fair Value Measurements at July 31, 2021 Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investment cash	\$ 65,823	\$ -	\$ -	\$ 65,823
Equity securities	104,906	-	-	104,906
Mutual funds	111,864	-	-	111,864
Total investments	\$ 282,593	\$ -	\$ -	\$ 282,593

The methods described herein used to estimate fair value may not be realized or incurred in the future due to changes in events and circumstances that are not known as of the measurement date, or estimates included in calculating the fair values may not be achieved. While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

ENDOWMENTS

The Organization's endowment assets consist of funds established for collegiate scholarship purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has determined that it would be desirable for the Organization to preserve, on a long-term basis, the original value of a contribution of a donor-restricted endowment fund as of the gift date, subject to any express language in the applicable endowment agreement indicating otherwise and pursuant to the Uniform Prudent Management of Institutional Funds Act (UPMIFA or "Act"). Notwithstanding the foregoing, this determination is not intended to, and shall not, affect the Organization's authority under the Act to spend amounts from an endowment fund on a short-term basis, even if the market value of the endowment fund is below the original value of the contributions by the donors. As a result of this determination, the Organization classifies as assets with restrictions (a) the original value of gifts contributed to a donor-restricted endowment fund and (b) the original value of subsequent gifts to a donor-restricted endowment fund.

See accompanying independent auditors' report.

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

ENDOWMENTS (Continued)

Investment income and appreciation related to the restricted endowment funds and any other amounts of the endowment fund not classified as restricted are classified as unrestricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The preservation of the endowment fund
2. The purposes of the Organization and the restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. Other resources of the Organization
6. The investment policies of the Organization

A summary of the Organization's endowment funds by net asset class at July 31, 2021 are as follows:

<u>Endowment Fund Type</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 282,593	\$ 282,593
Total endowment funds	<u>\$ -</u>	<u>\$ 282,593</u>	<u>\$ 282,593</u>

See accompanying independent auditors' report.

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

ENDOWMENTS (Continued)

Changes in endowment funds for the year ended July 31, 2021 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment funds, August 1, 2020	\$ -	\$ 205,970	\$ 205,970
Investment return:			
Investment income	-	40,623	40,623
Total investment return	-	40,623	40,623
Contributions	-	36,000	36,000
Expenditure of endowment funds	-	-	-
Subtotal	-	36,000	36,000
Endowment funds, July 31, 2021	<u>\$ -</u>	<u>\$ 282,593</u>	<u>\$ 282,593</u>

Funds with Deficiencies

It is possible the fair value of endowment assets may fall below the level the donor or Act requires. Deficiencies of this nature would first reduce temporarily restricted net assets associated with the respective endowment and then unrestricted net assets. Subsequent gains that restore the fair value of the endowment assets to the required level would be classified as an increase in unrestricted net assets and then temporarily restricted net assets. As a result of overall market appreciation, there was no deficiency as of July 31, 2021.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, endowment assets are to be invested in a manner that, over a long-term investment horizon, is intended to produce results that at a minimum equal inflation, annual distributions, administrative costs, and management fees, while assuming a moderate level of investment risk.

See accompanying independent auditors' report.

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

ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives

To satisfy long-term return objectives, the Organization 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 Organization targets a diversified asset allocation that places emphasis on investments in growth, income, and inflation protection assets to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating its scholarships and leadership development costs. In monitoring this policy, the Organization considers the long-term expected return on its endowments. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowments to preserve asset value by growing at a rate equal to or greater than annual distributions, administrative costs, management fees, and inflation.

NET ASSETS

At July 31, 2021, net assets with and without donor restrictions consisted of contributions to be used for the following purposes:

Without donor restriction	\$ 483,857
With donor restriction:	
Scholarship funds	73,061
Member relief	1,612
Endowment	282,593
Total with donor restriction	<u>357,266</u>
Total net assets	<u>\$ 841,123</u>

See accompanying independent auditors' report.

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

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position sheet date. Financial assets at July 31, 2021, include cash and cash equivalents and investments.

Financial assets, at year-end	\$ 901,606
Less those unavailable for general expenditures within one year, due	
Restricted by donor for purpose restrictions	<u>357,266</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 544,340</u></u>

As of July 31, 2021, the Organization has \$544,340 of financial assets that are available within one year to meet cash needs for general expenditures. Historically, the Organization has been funded substantially enough by receipts from chapters and donors to cover all general expenditures when they become due.

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.

RELATED PARTY TRANSACTIONS

The Organization collects revenue from the related party identified above, which houses local chapters, in the form of chapter dues and fees. The organization is the management level entity for the related party. 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.

SUBSEQUENT EVENTS

The Organization evaluated events that occurred after the statement of financial position date through March 24, 2022, which is the date these financial statements were available to be issued. The Organization noted the following item, which required disclosure.

On August 1, 2021, Beta Upsilon Chi, Inc. was re-named Beta Upsilon Chi Foundation, and Beta Upsilon Chi, Operational was re-named Beta Upsilon Chi, Fraternity. All membership dues and national fraternity employees will be contained in the Beta Upsilon Chi, Fraternity entity. All contributions from donors and employees assigned to work for the entity will remain with Beta Upsilon Chi Foundation. This information will be included in the Organization's financial statements for the year ended July 31, 2022.

See accompanying independent auditors' report.