

**BETA UPSILON CHI FOUNDATION**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**JULY 31, 2023**



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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the financial statements of Beta Upsilon Chi Foundation (the "Foundation"), which comprise the statement of financial position as of July 31, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of July 31, 2023, and the results of its operations 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 the Foundation'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 the Foundation'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.

*Saville CPAs and Advisors, LLC*

Saville CPAs and Advisors, LLC  
Dallas, Texas

March 25, 2024

BETA UPSILON CHI FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
JULY 31, 2023

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ASSETS

ASSETS	
Cash and cash equivalents	\$ 279,810
Investments	298,665
Related party receivable	3,394
Prepaid expenses	<u>1,023</u>
 TOTAL ASSETS	 <u><u>\$ 582,892</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accrued expenses	<u>\$ 76,064</u>
 TOTAL LIABILITIES	 <u>76,064</u>
 NET ASSETS	
Without donor restriction	90,650
With donor restriction	<u>416,178</u>
 TOTAL NET ASSETS	 <u>506,828</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 582,892</u></u>

See accompanying independent auditors' report and notes.

BETA UPSILON CHI FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JULY 31, 2023

	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUE</b>			
Donations	\$ 588,036	\$ 31,000	\$ 619,036
Insurance	10,000	-	10,000
Interest and dividends	-	7,460	7,460
Realized and unrealized net gain on investments	-	9,007	9,007
Merchandise sales	33,816	-	33,816
Event fees	2,614	-	2,614
Excellence	-	155,452	155,452
Net assets released from restrictions	123,481	(123,481)	-
Total revenue and support	757,947	79,438	837,385
<b>EXPENSES</b>			
Program expenses	679,149	-	679,149
General and administrative	348,471	-	348,471
Fundraising expenses	25,272	-	25,272
Total expenses	1,052,892	-	1,052,892
<b>CHANGES IN NET ASSETS</b>	(294,945)	79,438	(215,507)
<b>NET ASSETS, beginning of year</b>	385,595	336,740	722,335
<b>NET ASSETS, end of year</b>	\$ 90,650	\$ 416,178	\$ 506,828

See accompanying independent auditors' report and notes.

BETA UPSILON CHI FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2023

	Program Expenses	General and Administrative	Fundraising Expenses	Total
Administration	\$ 2,614	\$ 335,979	\$ -	\$ 338,593
National leadership development	315,340	-	-	315,340
Payroll	212,364	12,492	25,272	250,128
Travel expenses	31,923	-	-	31,923
Scholarships	116,908	-	-	116,908
Total expenses	\$ 679,149	\$ 348,471	\$ 25,272	\$ 1,052,892

See accompanying independent auditors' report and notes.

BETA UPSILON CHI FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JULY 31, 2023

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CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (215,507)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized and unrealized net gain on investments	(9,007)
Reinvested interest and dividends	(7,457)
Changes in operating account balances:	
Prepaid expenses	5,205
Related party receivable	(501)
Accrued expenses	7,759
Net cash used in operating activities	<u>(219,508)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(55,571)
Redemption of investment cash	36,141
Net cash used in investing activities	<u>(19,430)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(238,938)
CASH AND CASH EQUIVALENTS, beginning of year	<u>518,748</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 279,810</u>

See accompanying independent auditors' report and notes.

BETA UPSILON CHI FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2023

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1. 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.

On August 1, 2021, Beta Upsilon Chi, Inc. was renamed Beta Upsilon Chi Foundation (the “Foundation”), and Beta Upsilon Chi, Operational was renamed Beta Upsilon Chi, Fraternity (the “Fraternity”). The Fraternity had previously been combined with the Foundation and, as such, all membership dues and national fraternity employees remained with the Fraternity entity. All contributions from donors and employees assigned to work for the entity remained with Foundation. Control of the Foundation and Fraternity lies with each separate board, neither having the ability to control any aspect of the other.

The Foundation hosts events annually, including leadership retreats and national summits for all members and alumni. Through the collection of third-party donations, the Foundation helps fund scholarships and chapter related expenses.

2. 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 Foundation 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 Foundation, or are maintained in perpetuity.

BETA UPSILON CHI FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contributions

The Foundation 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 Foundation 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 (FDIC). The Foundation has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk related to cash. As of July 31, 2023, cash equivalents consisted primarily of money market accounts.

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 or losses are recorded at the difference between amortized cost and the sales proceeds. Unrealized gains or losses are recorded at the difference between amortized cost and the fair value of the investment.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year, and the amounts ultimately realized could differ materially.

See accompanying independent auditors' report.

BETA UPSILON CHI FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

As of July 31, 2023, the Foundation's cash accounts exceeded federally insured limits by approximately \$26,280.

The endowments of the Foundation are invested in mutual funds and equity securities held at one primary broker. These investments are not FDIC insured and are subject to market and credit risk. Management regularly monitors and reviews investment strategies, asset preservation, market, and credit risk.

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, 2023.

Accrued Expenses

Accrued expenses consist primarily of accrued event expenses, salaries, and wages as of July 31, 2023.

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 realized and unrealized gains and losses on investments. All operating expenses are allocated to functional areas in an amount proportionate to the benefit received.

Federal Income Taxes

The Foundation 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 2020.

See accompanying independent auditors' report.

BETA UPSILON CHI FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 3. INVESTMENTS

Investments of the Foundation are stated at fair value. The following describes the components of the Foundation's investments as of July 31 2023:

Investment cash	\$ 34,983
Equity securities	121,683
Mutual funds	<u>141,999</u>
Total investments	<u>\$ 298,665</u>

### 4. 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 Foundation. Unobservable inputs reflect the Foundation'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 Foundation 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 Foundation in determining fair value is greatest for fair value measurements categorized in Level 3.

See accompanying independent auditors' report.

BETA UPSILON CHI FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. FAIR VALUE MEASUREMENTS (Continued)

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

Description	Fair Value Measurements as of July 31, 2023 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	\$ 34,983	\$ -	\$ -	\$ 34,983
Equity securities	121,683	-	-	121,683
Mutual funds	141,999	-	-	141,999
<b>Total investments</b>	<b>\$ 298,665</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 298,665</b>

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 Foundation 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.

5. ENDOWMENTS

The Foundation'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 Foundation 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 Foundation'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 Foundation 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 FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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5. ENDOWMENTS (Continued)

Investment income and appreciation (depreciation) 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 Foundation 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 Foundation and the restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. Other resources of the Foundation
6. The investment policies of the Foundation

A summary of the Foundation's endowment funds by net asset class as of July 31, 2023 are as follows:

Endowment Fund Type	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 298,665	\$ 298,665
Total endowment funds	\$ -	\$ 298,665	\$ 298,665

See accompanying independent auditors' report.

BETA UPSILON CHI FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. ENDOWMENTS (Continued)

Changes in endowment funds for the year ended July 31, 2023 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment funds, August 1, 2022	\$ -	\$ 262,771	\$ 262,771
Investment return:			
Investment gain	-	16,467	16,467
Total investment gain	-	16,467	16,467
Contributions	-	26,000	26,000
Expenditure of endowment funds	-	(6,573)	(6,573)
Subtotal	-	19,427	19,427
Endowment funds, July 31, 2023	\$ -	\$ 298,665	\$ 298,665

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, 2023.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported 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 FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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5. ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives

To satisfy long-term return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (depreciation) (realized and unrealized) and current yield (interest and dividends). The Foundation 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 Foundation has a policy of appropriating its scholarships and leadership development costs. In monitoring this policy, the Foundation considers the long-term expected return on its endowments. Accordingly, over the long-term, the Foundation 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.

6. NET ASSETS

As of July 31, 2023, net assets with and without donor restrictions consisted of contributions to be used for the following purposes:

Without donor restriction	\$ 90,650
With donor restriction:	
Member relief	1,611
Excellence fund	115,902
Endowment	298,665
Total with donor restriction	<u>416,178</u>
Total net assets	<u>\$ 506,828</u>

See accompanying independent auditors' report.

BETA UPSILON CHI FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation'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 as of July 31, 2023, include cash and cash equivalents and investments.

Financial assets, as of year-end	\$ 578,475
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor for purpose restrictions	<u>416,178</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 162,297</u>

As of July 31, 2023, the Foundation has \$162,297 of financial assets that are available within one year to meet cash needs for general expenditures. Historically, the Foundation has been funded substantially enough by receipts from chapters and donors to cover all general expenditures when they become due.

8. SIGNIFICANT RISKS, UNCERTAINTIES, CONTINGENCIES, AND CONCENTRATIONS

The Foundation is highly dependent on contributions and donations. Therefore, the Foundation's programs and activities are affected by the level of donations and related factors, including general economic conditions. Based on these factors, the Foundation may experience substantial period-to-period fluctuations.

9. RELATED PARTY TRANSACTIONS

The Foundation also obtains donations from third parties which are used towards expenses, scholarships, and related events.

The Foundation had a related party receivable of \$3,394 from the Fraternity related to payroll disbursements.

10. SUBSEQUENT EVENTS

The Foundation evaluated events that occurred after the statement of financial position date through March 25, 2024, which is the date these financial statements were available to be issued noting no items which required disclosure.

See accompanying independent auditors' report.