

PanHellenic Scholarship Foundation

Financial Statements

September 30, 2021 and 2020

PanHellenic Scholarship Foundation
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September 30, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors of
PanHellenic Scholarship Foundation
Chicago, Illinois

We have audited the accompanying financial statements of PanHellenic Scholarship Foundation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, 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.

Auditor's 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
PanHellenic Scholarship Foundation
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PanHellenic Scholarship Foundation as of September 30, 2021, 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.

Prior Period Financial Statements

The financial statements of PanHellenic Scholarship Foundation as of September 30, 2020, were audited by other auditors whose report dated February 10, 2021, expressed an unmodified opinion on those statements.

Klerman & Company, P.C.

Palos Heights, Illinois
January 4, 2022

PanHellenic Scholarship Foundation
 Statements of Financial Position
 September 30, 2021 and 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 206,130	\$ 99,454
Investments, at fair value	5,628,256	4,942,799
Contributions receivable	-	4,325
Employee Retention Tax Credit refunds receivable	22,003	-
Prepaid expenses	<u>11,500</u>	<u>11,605</u>
Total current assets	5,867,889	5,058,183
Property and equipment, net	5,529	3,899
Deposits	<u>1,485</u>	<u>1,485</u>
Total assets	<u>\$ 5,874,903</u>	<u>\$ 5,063,567</u>
	<u>Liabilities and Net Assets</u>	
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,865	\$ 85
Credit card payable	2,038	16
Conditional contribution	<u>23,667</u>	<u>20,898</u>
Total current liabilities	<u>27,570</u>	<u>20,999</u>
Net assets:		
Without donor restrictions	5,015,252	4,552,865
With donor restrictions	<u>832,081</u>	<u>489,703</u>
Total net assets	<u>5,847,333</u>	<u>5,042,568</u>
Total liabilities and net assets	<u>\$ 5,874,903</u>	<u>\$ 5,063,567</u>

The accompanying notes to financial statements are
 an integral part of this statement.

PanHellenic Scholarship Foundation
Statement of Activities
For the Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
<u>Contributed</u>			
Individuals	\$ 256,151	\$ -	\$ 256,151
Corporations	69,783	-	69,783
Foundations	60,000	250,000	310,000
Other organizations	49,575	-	49,575
In-kind	-	-	-
<u>Other</u>			
Net investment income	560,128	132,379	692,507
Other income – COVID relief	46,699	-	46,699
<u>Net Assets Released from Restrictions</u>			
Expiration of time and program satisfaction	<u>40,001</u>	<u>(40,001)</u>	<u>-</u>
Total support and revenues	<u>1,082,337</u>	<u>342,378</u>	<u>1,424,715</u>
Expenses:			
Program services	524,875	-	524,875
<u>Support services:</u>			
General and Administrative	52,999	-	52,999
Fundraising and development	<u>42,076</u>	<u>-</u>	<u>42,076</u>
Total expenses	<u>619,950</u>	<u>-</u>	<u>619,950</u>
Change in net assets	462,387	342,378	804,765
Net assets, beginning of year	<u>4,552,865</u>	<u>489,703</u>	<u>5,042,568</u>
Net assets, end of year	<u>\$ 5,015,252</u>	<u>\$ 832,081</u>	<u>\$ 5,847,333</u>

The accompanying notes to financial statements are
an integral part of this statement.

PanHellenic Scholarship Foundation
Statement of Activities
For the Year Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
<u>Contributed</u>			
Individuals	\$ 272,585	\$ -	\$ 272,585
Corporations	8,322	-	8,322
Foundations	50,000	-	50,000
Other organizations	10,250	-	10,250
In-kind	34,509	-	34,509
<u>Other</u>			
Net investment income	245,373	53,697	299,070
<u>Net Assets Released from Restrictions</u>			
Expiration of time and program satisfaction	<u>40,306</u>	<u>(40,306)</u>	<u>-</u>
Total support and revenues	<u>661,345</u>	<u>13,391</u>	<u>674,736</u>
Expenses:			
Program services	529,354	-	529,354
<u>Support services:</u>			
General and Administrative	44,365	-	44,365
Fundraising and development	<u>37,075</u>	<u>-</u>	<u>37,075</u>
Total expenses	<u>610,794</u>	<u>-</u>	<u>610,794</u>
Change in net assets	50,551	13,391	63,942
Net assets, beginning of year	<u>4,502,314</u>	<u>476,312</u>	<u>4,978,626</u>
Net assets, end of year	<u>\$ 4,552,865</u>	<u>\$ 489,703</u>	<u>\$ 5,042,568</u>

The accompanying notes to financial statements are
an integral part of this statement.

PanHellenic Scholarship Foundation
Statement of Functional Expenses
For the Year ended September 30, 2021

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Program Expenses</u>	<u>General and Administrative Expenses</u>	<u>Fundraising and Development Expenses</u>	
Scholarship grants	\$ 255,000	\$ -	\$ -	\$ 255,000
Bank and credit card processing charges	-	769	-	769
Computer expense	14,918	877	1,755	17,550
Contributions	-	193	-	193
Depreciation expense	-	1,581	-	1,581
Dues and subscriptions	-	839	-	839
Employee benefits	10,925	643	1,285	12,853
Equipment leasing	-	5,844	-	5,844
Graphic design	300	-	300	600
Insurance	-	1,185	-	1,185
Internet expense	1,948	1,948	-	3,896
Interest expense	-	37	-	37
Marketing and publicity	7,355	-	7,355	14,710
Meetings and conferences	111	24	111	246
Office supplies	-	4,358	-	4,358
Payroll processing fees	3,155	186	371	3,712
Postage and mailings	3,443	-	3,443	6,886
Printing	4,453	-	4,453	8,906
Professional services	-	27,616	9,205	36,821
Rent	24,495	1,441	2,882	28,818
Salaries	89,664	5,274	10,549	105,487
Telephone	486	29	57	572
Utilities	795	47	94	936
Virtual gala	105,991	-	-	105,991
Web development and maintenance	<u>1,836</u>	<u>108</u>	<u>216</u>	<u>2,160</u>
 Total functional expenses	 <u>\$ 524,875</u>	 <u>\$ 52,999</u>	 <u>\$ 42,076</u>	 <u>\$ 619,950</u>

The accompanying notes to financial statements are
an integral part of this statement.

PanHellenic Scholarship Foundation
Statement of Functional Expenses
For the Year ended September 30, 2020

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Program Expenses</u>	<u>General and Administrative Expenses</u>	<u>Fundraising and Development Expenses</u>	
Scholarship grants	\$ 250,000	\$ -	\$ -	\$ 250,000
Bank and credit card processing charges	-	530	-	530
Computer expense	9,560	562	1,125	11,247
Contributions	-	3,450	-	3,450
Depreciation expense	-	1,169	-	1,169
Dues and subscriptions	-	7,603	-	7,603
Employee benefits	8,043	473	946	9,462
Equipment leasing	-	7,241	-	7,241
Graphic design	1,080	-	1,080	2,160
Insurance	-	1,705	-	1,705
Internet expense	1,056	1,055	-	2,111
Marketing and publicity	3,707	-	3,706	7,413
Meetings and conferences	832	186	832	1,850
Office supplies	-	1,608	-	1,608
Payroll processing fees	2,406	142	283	2,831
Postage and mailings	5,654	-	5,654	11,308
Printing	4,464	-	4,464	8,928
Professional services	-	9,562	3,188	12,750
Rent	31,075	1,828	3,656	36,559
Salaries	101,351	5,962	11,924	119,237
Telephone	586	35	69	690
Utilities	750	44	88	882
Virtual gala	108,276	-	-	108,276
Web development and maintenance	514	30	60	604
Karlov building janitorial services	-	1,180	-	1,180
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 529,354</u>	<u>\$ 44,365</u>	<u>\$ 37,075</u>	<u>\$ 610,794</u>

The accompanying notes to financial statements are
an integral part of this statement.

PanHellenic Scholarship Foundation
 Statements of Cash Flows
 For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 804,765	\$ 63,942
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,581	1,169
Dividends and interest earned on investments	(102,218)	(92,648)
Net realized and unrealized (gain) loss on investments	(642,757)	(248,633)
Investment fees	52,468	42,211
(Increase) decrease in assets:		
Contributions receivable	4,325	(4,325)
Tax credit refunds receivable	(22,003)	-
Prepaid expenses	105	(6,105)
Increase (decrease) in liabilities:		
Accounts payable	1,780	(87)
Credit card payable	2,022	(224)
Conditional contribution	<u>2,769</u>	<u>20,898</u>
Net cash provided by (used in) operating activities	<u>102,837</u>	<u>(223,802)</u>
Cash flows from investing activities:		
Purchase of investments	(1,627,419)	(2,603,678)
Proceeds from sale of investments	1,634,469	-
Purchase of property and equipment	<u>(3,211)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>3,839</u>	<u>(2,603,678)</u>
Net change in cash, cash equivalents and restricted cash	106,676	(2,827,480)
Cash, cash equivalents and restricted cash, beginning of year	<u>99,454</u>	<u>2,926,934</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 206,130</u>	<u>\$ 99,454</u>

The accompanying notes to financial statements are
 an integral part of this statement.

PanHellenic Scholarship Foundation
Notes to Financial Statements
September 30, 2021 and 2020

Note 1. Summary of significant accounting policies

Description of the Organization and nature of activities

PanHellenic Scholarship Foundation (the "Foundation") is a not-for-profit corporation whose purpose is the furthering of higher education among Greek Americans by awarding scholarships to students demonstrating high academic and leadership skills. The Foundation's support is derived from voluntary donations, a significant portion of which comes from an annual fundraising gala, and the Foundation is governed by a Board of Directors.

Basis of accounting and presentation

The Foundation maintains its books in accordance with the accrual basis method of accounting. Under this method, income is recognized when earned and expenses are recognized when incurred. Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. The Foundation reports gifts of cash and other assets as with donor restrictions if the gifts are received with donor stipulations that limit the use of the donated assets.

Net assets

Net assets, revenues, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue recognition and contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received are recorded as support with or without donor restrictions, depending on the absence or existence and nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

PanHellenic Scholarship Foundation
Notes to Financial Statements
September 30, 2021 and 2020

Note 1. Summary of significant accounting policies (continued)

Expense allocation

Directly identifiable expenses are charged to the scholarship program and support services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense estimates. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts or revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash in demand deposit accounts, money market accounts at banks and investment brokerage companies, and all highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Investments

Investments primarily consist of cash, equities, exchange traded funds, mutual funds, corporate bonds, and government securities, and are recorded at fair value. The Foundation maintains a diversified portfolio of investments to manage market and interest rate risks.

Net investment income, including realized and unrealized gains and losses, is included in the accompanying statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment income with respect to restricted investments is reported as an increase in net assets with donor restrictions until the restrictions are met by their use.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could be material to the amounts reported in the financial statements.

PanHellenic Scholarship Foundation
Notes to Financial Statements
September 30, 2021 and 2020

Note 1. Summary of significant accounting policies (continued)

Property and equipment

Purchased fixed assets are stated at cost, less an allowance for depreciation. Donations of fixed assets are recorded as contributions at their estimated fair value at the donation date. It is the Foundation's policy to capitalize fixed asset additions in excess of \$1,000. Lesser amounts are expensed. Depreciation of fixed assets is computed using the straight-line method based upon the estimated useful lives of the assets which are 3 years or more.

Income taxes

The Foundation is a not-for-profit corporation described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes pursuant to Section 501(a) of the Code. The Foundation is not classified as a private foundation. During the years ended September 30, 2021 and 2020, the Foundation did not incur any income taxes. In addition, there were no penalties or interest associated with income taxes recognized in the accompanying financial statements.

The Foundation prepares and files annual information tax returns with both the Internal Revenue Service (IRS) and the Office of the Attorney General of the State of Illinois. Generally, tax returns may be examined by the IRS or the State of Illinois for three years after they are filed; however, the Foundation has not been informed of any tax examinations by either the IRS or the State of Illinois. The tax years of 2018, 2019 and 2020 are still subject to examination by both the IRS and the State of Illinois

Marketing and publicity costs

The Foundation expenses marketing and publicity costs as they are incurred. Marketing and publicity expense was \$14,710 and \$7,413 for the years ended September 30, 2021 and 2020, respectively.

Functional allocation of expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification details of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting services benefitted. Such allocations are determined by management on an equitable basis.

Evaluation of subsequent events

The Foundation has evaluated subsequent events through January 4, 2022, the date on which the financial statements were available to be issued.

PanHellenic Scholarship Foundation
Notes to Financial Statements
September 30, 2021 and 2020

Note 2. Availability and liquidity

The following represents the Foundation's financial assets at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 206,130	\$ 99,454
Investments	<u>5,628,256</u>	<u>4,942,799</u>
Total financial assets	<u>5,834,386</u>	<u>5,042,253</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	832,081	489,703
Less net assets with purpose restrictions to be met in less than one year	<u>(30,000)</u>	<u>(29,794)</u>
	<u>802,081</u>	<u>459,909</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,032,305</u>	<u>\$ 4,582,344</u>

In addition to the financial assets available to meet general expenditures described above the Foundation anticipates holding an annual fundraising event. Further, as part of the Foundation's liquidity plan, excess cash is invested in short-term investments.

Note 3. Annual Event

Prior to the COVID-19 pandemic, the Foundation conducted an in-person annual gala event. Because of the pandemic, there were no such large scale in-person events held in either 2021 or 2020. Instead, the Foundation conducted virtual gala events over the internet, accompanied by a small in-person viewing party in 2021. Sales of tickets to the viewing party totaled \$9,526. Direct expenses for the 2021 and 2020 virtual gala events were \$105,991 and \$108,276 as shown under Program Services in the Statement of Functional Expenses.

Note 4. Scholarship Award Program

The following represents information about the Foundation's scholarship awards for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Individual award amount	\$ 10,000	\$ 10,000
Number of awards	20	20
Individual award amount	\$ 2,500	\$ 2,500
Number of awards	22	20

Applications were reviewed and recommendations were made to the Board of Directors by the Foundation's Academic Committee. All awards were approved by the Board.

PanHellenic Scholarship Foundation
Notes to Financial Statements
September 30, 2021 and 2020

Note 5. Investments

At September 30, 2021 and 2020, investments are stated at fair value and consist of the following:

	<u>2021</u>	<u>2020</u>
Cash/currency	\$ 79,608	\$ 114,120
Equities	3,256,308	2,879,361
Mutual Funds	281,482	323,328
Exchange Traded Funds	652,532	390,391
Corporate Bonds	571,175	525,174
Government Securities	<u>787,151</u>	<u>710,425</u>
Total	<u>\$ 5,628,256</u>	<u>\$ 4,942,799</u>

Net investment income for the years ended September 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Dividend and interest income	\$ 102,218	\$ 92,648
Net realized and unrealized gains	<u>642,757</u>	<u>248,633</u>
	744,975	341,281
Less investment fees	<u>(52,468)</u>	<u>(42,211)</u>
Net investment income	<u>\$ 692,507</u>	<u>\$ 299,070</u>

Note 6. Fixed assets, net

Fixed assets at September 30, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 7,508	\$ 4,297
Furniture and fixtures	<u>1,551</u>	<u>1,551</u>
	9,059	5,848
Less accumulated depreciation	<u>(3,530)</u>	<u>(1,949)</u>
Fixed assets, net	<u>\$ 5,529</u>	<u>\$ 3,899</u>

Depreciation expense was \$1,581 and \$1,169 for the years ended September 30, 2021 and 2020, respectively.

PanHellenic Scholarship Foundation
Notes to Financial Statements
September 30, 2021 and 2020

Note 7. Fair value measurements

The Foundation adopted the accounting standard that establishes a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. There were, however, no investments for 2021 or 2020 that were valued using Level 3 inputs.

Following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis. There have been no changes in valuation methodologies.

Level 1: Based upon quoted market prices in active markets.

Level 2: The fair values of these investments are based on yields currently available on comparable securities of issuers with similar credit ratings, because prices in active markets are not available at the measurement date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes that 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 fair value measurement at the reporting date.

The following table presents the Foundation's investments measured at fair value on a recurring basis and September 30, 2021 and 2020:

	<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>September 30, 2021:</u>			
Cash/currency	\$ 79,608	\$ 79,608	\$ -
Equities	3,256,308	3,256,308	-
Mutual Funds	281,482	281,482	-
Exchange Traded Funds	652,532	652,532	-
Corporate Bonds	571,175	-	571,175
Government Securities	<u>787,151</u>	<u>-</u>	<u>787,151</u>
	<u>\$ 5,628,256</u>	<u>\$ 4,269,930</u>	<u>\$ 1,358,326</u>

PanHellenic Scholarship Foundation
Notes to Financial Statements
September 30, 2021 and 2020

Note 7. Fair value measurements (continued)

	<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>September 30, 2020:</u>			
Cash/currency	\$ 114,120	\$ 114,120	\$ -
Equities	2,879,361	2,879,361	-
Mutual Funds	323,328	323,328	-
Exchange Traded Funds	390,391	390,391	-
Corporate Bonds	525,174	-	525,174
Government Securities	710,425	-	710,425
	<u>\$ 4,942,799</u>	<u>\$ 3,707,200</u>	<u>\$ 1,235,599</u>

Note 8. Scholarship Society

In 2018 the Foundation established the Scholarship Society as a means of encouraging donors to commit to annual contributions. To become a Society member, donors must commit to a \$10,000 per year contribution for either five or ten years. As a member, donors receive a number of benefits, including complimentary tickets to the Foundation's annual gala event along with name and logo recognition on the Foundation's website and media releases. As of September 30, 2021 there were twenty-three Scholarship Society members.

Note 9. Supplemental cash flow information

Cash paid for interest amounted to \$37 and \$0 for the years ended September 30, 2021 and 2020, respectively, and there were no amounts paid for income taxes for either year.

Note 10. COVID-19 outbreak

The COVID-19 pandemic in the United States continues to disrupt businesses, supply chains and consumer demand across a broad range of industries. The extent of the continued impact of COVID-19 on the Foundation's operational and financial performance will depend upon certain developments, including the duration and spread of the outbreak, the impact upon the Foundation's members, employees and vendors, all of which are uncertain and cannot be predicted. Management is carefully monitoring the situation and evaluating its options at this time. Thus far the Foundation has cancelled live fundraising events and reduced operating expenditures. The extent to which COVID-19 will continue to impact the Foundation's financial position or activities is uncertain. No adjustments have been made to these financial statements as a result of this uncertainty.

PanHellenic Scholarship Foundation
Notes to Financial Statements
September 30, 2021 and 2020

Note 11. Conditional contribution and Other Income – COVID Relief

In May 2020, the Foundation was granted a \$20,898 loan under the Paycheck Protection Program (“PPP”). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The PPP loan may be forgiven if the proceeds are used only for certain qualifying expenses, such as payroll costs, utilities, interest on secured debt, and provided the Foundation maintains certain payroll levels as described in the CARES Act.

In accordance with the provisions of FASB Accounting Standards Codification Section 958-605, the Foundation has initially recorded the loan as a refundable advance and will record the subsequent forgiveness in accordance with the accounting guidance for conditional contributions when there is no longer a measurable performance or a right of return of the PPP loan, or when such conditions are explicitly waived. Under the terms of the PPP, the Foundation sought forgiveness of the PPP loan from the Small Business Administration (“SBA”) and, on December 31, 2020 was notified by the SBA that all amounts due under the PPP loan were forgiven. The forgiveness of the PPP loan is included in Other Income – COVID Relief in the accompanying Statement of Activities.

In February 2021, the Foundation requested and received a second draw of PPP funds in the amount of \$23,667. This second draw of PPP funds was obtained under the same terms and conditions as the original PPP loan as described above. It is management’s belief that the Foundation has used the PPP funds in accordance with the program and that full forgiveness will be granted for this loan as well. No contribution revenue has, as yet, been recorded for this second draw of PPP funds during the year ended September 30, 2021.

Also included in Other Income – COVID Relief are payroll tax refunds relating to the Employee Retention Tax Credit (“ERTC”). The ERTC is a payroll tax credit for employers who met certain conditions specified in the CARES Act. As of September 30, 2021, the Foundation has requested \$25,801 of ERTC of which \$22,003 has yet to be refunded from the U.S. Treasury Department. The total amount of the ERTC, however, is included in Other Income – COVID Relief in the accompanying statement of activities.

Note 12. Concentrations of Credit Risk

Financial instruments that subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents in financial institutions which, from time to time, may exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance coverage limit of \$250,000. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (“SIPC”) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments. The Foundation has not experienced such losses related to uninsured amounts.

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Note 13. Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Georgia Sfondouris Mitchell Music & Arts Scholarship Fund	\$ 583,807	\$ 489,703
Subject to perpetual restriction:		
The Varlan, Man and Anderson Family Scholarship Fund	<u>248,274</u>	<u>-</u>
Total	<u>\$ 832,081</u>	<u>\$ 489,703</u>

Activity in net assets with donor restrictions, for the years ended September 30, 2021 and 2020, follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 489,703	\$ 476,312
Funds received	250,000	-
Scholarships awarded	(30,000)	(30,000)
Administrative fee	(10,001)	(10,306)
Net investment income:		
Dividend and interest income	5,185	10,334
Net realized and unrealized gains	133,128	46,993
Investment fees	<u>(5,934)</u>	<u>(3,630)</u>
Balance, end of year	<u>\$ 832,081</u>	<u>\$ 489,703</u>

The Georgia Sfondouris Mitchell Music & Arts Scholarship Fund

Funds are to be used for two scholarships per year of \$10,000 each, awarded to students majoring in music or the arts, and an annual allowance for operating expenses not to exceed two percent of the balance remaining after payment of the scholarships. The funds are to be held in a separate professionally managed account, invested in low-to-medium risk investments. The Board of Directors has established a committee for oversight of the fund's management.

The Varlan, Man and Anderson Family Scholarship Fund

Established in 2021, funds are to be used for one scholarship per year of \$10,000, awarded to a student (i) attending college in the Southeast United States, (ii) has demonstrated involvement in the Greek Orthodox Church, and (iii) a preference for a student with some Greek ethnicity by lineage or heritage. The Foundation may also apply an amount of up to two percent of the fund for operating expenses, provided that doing so would not cause the corpus of the fund to fall below \$250,000. The funds are to be invested in diversified investments with a manageable degree of risk. The Board of Directors has established a committee for oversight of the fund's management.

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Note 14. Leasing activities

The Foundation previously moved its offices to a building on Higgins Road in Chicago, and entered into a long-term lease agreement. The initial term of the agreement was to end March 31, 2022; however, an amendment agreement extended the initial lease term until March 31, 2025, with options to further extend the agreement for two additional three-year periods. The Foundation is obligated to pay monthly base rent, along with a pro-rate share of the building's real estate taxes and operating expenses. As of September 30, 2021, monthly base rent under the lease was \$1,116, with increases each January 1st throughout the remaining term of the amended lease. In light of COVID-19's adverse financial effect on businesses, the Foundation negotiated a 50% reduction in base rent for the twelve months ended September 30, 2021. Total payments made under the lease, as amended, were \$28,900 and \$36,559 for the years ended September 30, 2021 and 2020, respectively. In addition, the Foundation leases office equipment under an operating lease that is scheduled to end December 2021.

Future minimum rental payments (base rent) under these leases are as follows:

<u>Year ending</u>	
September 30, 2022	\$ 17,430
September 30, 2023	19,744
September 30, 2024	20,556
September 30, 2025	<u>10,481</u>
	<u>\$ 68,211</u>

Note 15. Reclassifications

Certain amounts for 2020 have been reclassified to conform to the 2021 presentation. The reclassifications, however, had no effect on the change in net assets.