

**CHI PHI EDUCATIONAL TRUST**

**ATLANTA, GEORGIA**

**REPORT ON REVIEW OF  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

**CHI PHI EDUCATIONAL TRUST**  
**INDEX TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**Jones and Kolb**  
**Certified Public Accountants**  
**Atlanta, Georgia**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees  
Chi Phi Educational Trust  
Atlanta, Georgia

We have reviewed the accompanying statement of financial position of the Chi Phi Educational Trust (the "Trust") as of June 30, 2009, and the related statements of activities and net assets and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Trust.

A review consists principally of inquiries of Trust personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2009 financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

The prior year summarized information has been derived from the Trust's financial statements for the year ended June 30, 2008, which were reviewed by us.

*Jones and Kolb*

March 26, 2010

**CHI PHI EDUCATIONAL TRUST**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2009 AND 2008**

	<b><u>ASSETS</u></b>			<b>2009</b>	<b>2008</b>
	<b><u>General</u></b>	<b><u>Endowment</u></b>	<b><u>Ramsaur</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>		<b><u>(Memo Only)</u></b>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1,573
Prepaid expenses and other assets	7,548			7,548	33,065
Notes receivable, net	8,617	344,401		353,018	362,844
Investments		3,461,723	191,069	3,652,792	4,885,189
Property and equipment, net	1,058,421			1,058,421	1,097,671
Cash surrender value of life insurance		65,933		65,933	61,731
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,074,586</u>	<u>\$ 3,872,057</u>	<u>\$ 191,069</u>	<u>\$ 5,137,712</u>	<u>\$ 6,442,073</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 12,234	\$ 109	\$ -	\$ 12,343	\$ 63,453
Excess of outstanding checks over bank balance	22,455			22,455	
Liability under split-interest agreement		3,539		3,539	9,178
Deferred lease income	14,907			14,907	5,353
Due to Chi Phi National Fraternity	28,285			28,285	82,537
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>77,881</u>	<u>3,648</u>	<u></u>	<u>81,529</u>	<u>160,521</u>
<b>NET ASSETS</b>					
Unrestricted	984,463	2,032,183	(8,555)	3,008,091	3,831,636
Temporarily restricted	12,242	1,678,888		1,691,130	2,092,954
Permanently restricted		157,338	199,624	356,962	356,962
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	<u>996,705</u>	<u>3,868,409</u>	<u>191,069</u>	<u>5,056,183</u>	<u>6,281,552</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,074,586</u>	<u>\$ 3,872,057</u>	<u>\$ 191,069</u>	<u>\$ 5,137,712</u>	<u>\$ 6,442,073</u>

See Independent Accountants' Review Report  
and Notes to Financial Statements.

**CHI PHI EDUCATIONAL TRUST**  
**STATEMENTS OF ACTIVITIES AND NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Ramsaur Fund</u>	<u>2009 Total</u>	<u>2008 Total (Memo Only)</u>
<b>UNRESTRICTED SUPPORT AND REVENUES</b>					
Support					
Annual fund contributions	\$ 108,653	\$ -	\$ -	\$ 108,653	\$ 128,137
Memorials, gifts and other	20,299			20,299	29,769
Interfund grants and allocations	333,000	(333,000)			
Total support	461,952	(333,000)		128,952	157,906
Chronicles					25
Investment income	70,976	(490,058)	195	(418,887)	(202,057)
Total unrestricted support and revenues	532,928	(823,058)	195	(289,935)	(44,126)
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	7,660	111,226		118,886	150,101
<b>EXPENSES</b>					
Awards and grants	159,913	63,432	8,780	232,125	303,021
Leadership and educational programs	96,629			96,629	15,617
Administrative services	31,975			31,975	22,550
Publications	56,739			56,739	60,327
Other operating expenses	148,107	625		148,732	190,946
Fundraising	47,046			47,046	73,743
Depreciation	39,250			39,250	37,221
Total expenses	579,659	64,057	8,780	652,496	703,425
Change in unrestricted net assets	(39,071)	(775,889)	(8,585)	(823,545)	(597,450)

See Independent Accountants' Review Report  
and Notes to Financial Statements.

**CHI PHI EDUCATIONAL TRUST**  
**STATEMENTS OF ACTIVITIES AND NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Ramsaur Fund</u>	<u>2009 Total</u>	<u>2008 Total (Memo Only)</u>
<b>TEMPORARILY RESTRICTED</b>					
<b>NET ASSETS</b>					
Contributions	3,174	98,815		101,989	72,361
Investment income		(376,284)	(8,643)	(384,927)	(104,526)
Net assets released from restrictions	<u>(7,660)</u>	<u>(111,226)</u>		<u>(118,886)</u>	<u>(150,101)</u>
Change in temporarily restricted net assets	<u>(4,486)</u>	<u>(388,695)</u>	<u>(8,643)</u>	<u>(401,824)</u>	<u>(182,266)</u>
<b>PERMANENTLY RESTRICTED</b>					
<b>NET ASSETS</b>					
Investment income					<u>12,465</u>
Change in permanently restricted net assets					<u>12,465</u>
<b>CHANGE IN NET ASSETS</b>	(43,557)	(1,164,584)	(17,228)	(1,225,369)	(767,251)
<b>NET ASSETS</b>					
Beginning of year	984,692	5,088,593	208,267	6,281,552	7,048,803
<b>TRANSFERS BETWEEN FUNDS</b>	<u>55,570</u>	<u>(55,600)</u>	<u>30</u>		
<b>NET ASSETS</b>					
End of year	<u>\$ 996,705</u>	<u>\$ 3,868,409</u>	<u>\$ 191,069</u>	<u>\$ 5,056,183</u>	<u>\$ 6,281,552</u>

See Independent Accountants' Review Report  
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**CHI PHI EDUCATIONAL TRUST**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u> <u>(Memo Only)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,225,369)	\$ (767,251)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation	39,250	37,221
(Gain) loss on investments	1,065,523	781,432
Loss on sale of investment in land and building		6,334
Increase (decrease) in allowance for doubtful accounts	6,401	
(Increase) decrease in prepaid expenses and other assets	25,517	(23,485)
(Increase) decrease in cash surrender value of life insurance	(4,202)	(4,270)
Increase (decrease) in accounts payable and accrued expenses	(51,110)	13,035
Increase (decrease) in excess of outstanding checks over bank balance	22,455	
Increase (decrease) in accrued pension expense	4,201	(1,115)
Increase (decrease) in deferred lease income	5,353	5,353
Increase (decrease) in due to Chi Phi National Fraternity	(54,252)	(51,547)
Total adjustments	<u>1,059,136</u>	<u>762,958</u>
Net cash provided by (used in) operating activities	<u>(166,233)</u>	<u>(4,293)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments collected on notes receivable	10,400	93,615
Advances on notes receivable	(6,975)	(5,000)
Payments for the purchase of property		(63,566)
Proceeds from sales of investments	718,859	370,869
Purchases of investments	(551,985)	(485,607)
Net cash provided by (used in) investing activities	<u>170,299</u>	<u>(89,689)</u>

See Independent Accountants' Review Report  
and Notes to Financial Statements.

**CHI PHI EDUCATIONAL TRUST**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u> <u>(Memo Only)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments under split-interest agreement	(5,639)	(5,169)
Net cash provided by (used in) financing activities	(5,639)	(5,169)
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,573)	(99,151)
<b>CASH</b>		
Beginning of year	1,573	100,724
<b>CASH</b>		
End of year	<u>\$ -</u>	<u>\$ 1,573</u>

**SUPPLEMENTAL NONCASH INVESTING AND FINANCING  
ACTIVITIES DISCLOSURE**

During the year ended June 30, 2008, investment in land and building was sold in exchange for a note receivable in the amount of \$279,000.

See Independent Accountants' Review Report  
and Notes to Financial Statements.

**CHI PHI EDUCATIONAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. The Chi Phi Educational Trust (the "Trust") is a publicly supported 501(c)(3) tax-exempt organization established in 1930 for the purpose of (1) assisting and supplementing the work of universities in promotion of scholarship and development of character and morality of students, (2) providing improved educational facilities, (3) making donations and loaning funds to universities and (4) assisting needy and deserving students in completing their education. The Trust is located in Atlanta, Georgia and it supports educational activities throughout the United States.

B. The accompanying financial statements have been prepared using the accrual basis of accounting.

C. The financial statements have been prepared in accordance with the AICPA Audit and Accounting Guide "Not-for-Profit Organizations" and Statements of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made," and No. 117, "Financial Statements of Not-for-Profit Organizations." Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Trust records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as temporarily restricted revenue if donor restrictions exist. Accordingly, net assets of the Trust and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Trust. Generally, the donors of these assets permit the Trust to use all or part of the income earned on related investments for general or specific purposes.

D. The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient information to constitute a presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

**CHI PHI EDUCATIONAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

E. Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions are recorded at estimated fair value as of the date of the gift.

F. Notes receivable, net of allowance for doubtful accounts, are recorded at the amount of cash estimated as realizable. The Trust provides an allowance for doubtful accounts when specific accounts are deemed uncollectible based on the past due payments of the notes receivable. Notes receivable balances are considered delinquent after thirty days from the due date of the payment. Interest income is recognized monthly for all current notes receivable.

G. Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. The cost assigned to investments received by gift is the market value at the date the gift is received. The net realized and unrealized gains (losses) on investments are reflected in the Statements of Activities and Net Assets.

H. Property and equipment are stated at cost. The policy of the Trust is to capitalize, at cost, all expenditures for property and equipment in excess of \$500. Depreciation, including amortization of a capital lease, is calculated using the straight-line method over the estimated useful life of the asset, which is estimated to be 30 years for real property and between three and seven years for equipment.

I. The Trust considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

J. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions relating to the reporting and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

K. Subsequent events have been evaluated by management through March 26, 2010, the date these financial statements were issued.

L. Certain amounts from the June 30, 2008 financial statements have been reclassified to conform to the June 30, 2009 presentation.

**CHI PHI EDUCATIONAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

**2. NOTES RECEIVABLE**

As of June 30, 2009 and 2008, the Trust had the following notes receivable:

	<u>2009</u>	<u>2008</u> <u>(Memo Only)</u>
Notes and mortgages	\$ 360,263	\$ 362,801
Student loans	11,480	12,367
Allowance for doubtful accounts	<u>(18,725)</u>	<u>(12,324)</u>
Total	<u>\$ 353,018</u>	<u>\$ 362,844</u>

**3. INVESTMENT IN LAND AND BUILDING**

During the year ended June 30, 2008, the land and building was sold for \$279,000 to an affiliated organization.

**4. FAIR VALUE OF INVESTMENTS**

Generally accepted accounting principles considers unadjusted quoted market prices for identical assets and liabilities as a Level 1 input for measuring fair value. Market values of investments, which are based on quoted market prices (Level 1), at June 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u> <u>(Memo Only)</u>
Cash equivalents	\$ 138,753	\$ 98,897
Mutual funds	<u>3,514,039</u>	<u>4,786,292</u>
Total	<u>\$ 3,652,792</u>	<u>\$ 4,885,189</u>

**CHI PHI EDUCATIONAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

Investment income during the years ended June 30, 2009 and 2008 consisted of the following:

	<b>2009</b>			<b>Total</b>	<b>2008</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>		<b>Total Memo Only</b>
Security interest and dividends	\$ 97,403	\$ 81,831	\$ -	\$ 179,234	\$ 413,661
Note interest	12,204			12,204	5,034
Realized/unrealized gains/(losses) from securities	(598,765)	(466,758)		(1,065,523)	(781,432)
Realized/unrealized gains/losses from land and building					(6,334)
Rental income	70,271			70,271	74,953
<b>Total</b>	<b>\$ (418,887)</b>	<b>\$ (384,927)</b>	<b>\$ -</b>	<b>\$ (803,814)</b>	<b>\$ (294,118)</b>

**5. PROPERTY AND EQUIPMENT**

The Trust constructed a new facility that was placed in service during 2008. Property and equipment are shown net of accumulated depreciation of \$109,109 and \$69,859 at June 30, 2009 and 2008, respectively.

**6. SPLIT-INTEREST AGREEMENT**

During 1995, the Trust received a contribution in the form of an agreement whereby it received \$95,000 in securities in exchange for a quarterly payment of \$1,566 to the donor and his spouse over their remaining lives. The term of this agreement was estimated to be 18 years, and the payments were discounted at 8.8%. A portion of the payment made under this agreement is applied to reduce this obligation with the remainder charged to expense.

**CHI PHI EDUCATIONAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

**7. COMMITMENTS AND CONTINGENCIES**

During the year ended June 30, 2008, the Trust entered into a new lease for office space with Chi Phi National Fraternity, Inc. (the "Fraternity") for a term of 10 years with an annual rent of \$55,000, which escalates to \$67,080 and \$76,148 upon the 37<sup>th</sup> and 73<sup>rd</sup> month, respectively. Both parties agreed to review the rental rate at the 37<sup>th</sup> and 73<sup>rd</sup> month to determine if it needs to be changed to reflect prevailing market rental rates and use of the building by the parties. During the year ended June 30, 2008, the Trust entered into a lease for office space with an unrelated party for a term of 4 years with an annual rent of \$23,870, increasing 4% each year. Rental income derived from these leases totaled \$70,271 and \$74,953 for the years ended June 30, 2009 and 2008, respectively.

Future minimum payments under these lease agreements are as follows:

<b>Year ending</b>		<b>Amount</b>
<b>June 30,</b>		
2010	\$	80,818
2011		91,917
2012		67,080
2013		67,080
2014		74,640
Thereafter		<u>241,136</u>
Total	\$	<u><u>622,671</u></u>

The Trust was a guarantor for up to one third of a mortgage loan to an affiliated housing association. The Trust is not aware of a delinquency on the loan. The approximate balance on the mortgage at June 30, 2009 is \$250,000.

The Trust has authorized future grants to designated recipients contingent upon certain performance by recipients and associated entities.

Certain individuals have donated life insurance policies that the Trust now owns and has been designated as the beneficiary. Generally, the premiums on these policies are paid from policy dividends. The Trust recognizes as an asset only the guaranteed cash surrender values of the policies. The face value of the policies is approximately \$325,000.

**CHI PHI EDUCATIONAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

**8. RESTRICTED NET ASSETS**

Restricted net assets at June 30, 2009 and 2008 are available for the following purposes:

	2009		2008 (Memo Only)	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Restricted for use by the Fraternity				
Spaur	\$ 480,723	\$ -	\$ 635,716	\$ -
Restricted for use by chapters and affiliates of the Fraternity				
Alpha	81,266		81,071	
Alpha Chi	3,192	25,000	3,097	25,000
Alpha Delta	1,047			
Alpha Tau	7,973		2,961	
Alpha Theta Chi	1,419		1,124	
Alpha Zeta	4,374		5,489	
Appel		1,500		1,500
Beta	69,494		103,997	
Bisz		5,000		5,000
Brown Scholarship	12,242		16,728	
Craft	7,510		7,260	
Davis	22,860		28,689	
Delta Pi	2,715		3,145	
Delta Zeta	184		187	
Denning		2,500		2,500
Eta	35,070		17,738	
Episilon Delta	2,726		949	
Gamma	76,417		98,154	
Grand Cayman	6,281		7,882	
Hageman	16,510	38,338	14,883	38,338
Heinlein	49,822	20,000	44,474	20,000
Hutchinson		50,000		50,000
Iota	605		614	
Iota Delta	3,651		260	
Kappa	464		471	
Kappa Delta	7,939		6,127	
Kappa Zeta	5,617		7,047	
Krannert		15,000		15,000
Lambda	5,365		6,733	
Mu Delta	5,271		6,615	
Mu Zeta	1,004		963	
Nu	561,685		747,084	
Nu Delta	9,867		9,840	
Nu Zeta	1,281		1,607	

**CHI PHI EDUCATIONAL TRUST**  
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	<u>2009</u>		<u>2008 (Memo Only)</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Omega	4,693		6,031	
Omega Zeta	6,858		8,606	
Omicron Delta	756		949	
Pi	138		139	
Price			2,471	
Rho Delta	5,000		5,000	
Theta	9,675		2,662	
Theta Delta	126,637		132,495	
Theta Zeta	3,790		4,746	
Tolleson	37,035		44,693	
Upsilon	835		1,166	
Xi Delta	10,023		13,133	
Zeta	372		378	
Zeta Delta	744		937	
Subtotal	1,691,130	157,338	2,084,311	157,338
Ramsaur		199,624	8,643	199,624
Total	<u>\$ 1,691,130</u>	<u>\$ 356,962</u>	<u>\$ 2,092,954</u>	<u>\$ 356,962</u>

**9. ENDOWMENT**

The Trust's endowment consists of nine donor-restricted individual funds established for a variety of purposes at June 30, 2009 and 2008. Endowment assets of these donor-restricted funds are to be held in perpetuity for a donor-specified period. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Trustees of the Trust has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Trustees will appropriate funds

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from the endowment funds based on the terms of the restricted fund agreements, specific needs and budgeting requirements from year to year.

In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The composition of and changes in endowment net assets for the year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 71,097	\$ 356,962	\$ 428,059
Investment return:				
Investment income	2,444	12,708		15,152
Net realized and unrealized gain	(10,999)	(2,686)		(13,685)
Amounts appropriated for expenditure		(11,695)		(11,695)
Endowment net assets, end of year	<u>\$ (8,555)</u>	<u>\$ 69,424</u>	<u>\$ 356,962</u>	<u>\$ 417,831</u>

**CHI PHI EDUCATIONAL TRUST**  
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The composition of and changes in endowment net assets for the year ended June 30, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 64,552	\$ 345,635	\$ 410,187
Investment return:				
Investment income		21,765		21,765
Net realized and unrealized loss		1,457		1,457
Amounts appropriated for expenditure		(5,350)		(5,350)
Transfer, per agreement		(11,327)	11,327	
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 71,097</u>	<u>\$ 356,962</u>	<u>\$ 428,059</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Trust to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported as reductions in unrestricted net assets. At June 30, 2009, unrestricted net assets have been reduced by \$8,555, relating to one endowment fund. These deficiencies resulted from unfavorable market fluctuations.

The Trust has adopted investment and spending policies that attempt to preserve endowment assets by using funding only when operating cash is insufficient. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed common benchmarks for a balanced portfolio, while assuming a moderate level of risk.

To satisfy its long-term rate-of-return objectives, the Trust 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 Trust targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**CHI PHI EDUCATIONAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

**10. RELATED PARTY TRANSACTIONS**

The Trust makes a number of grants to the Fraternity to assist it in carrying out its exempt functions. Grants totaling approximately \$165,000 and \$250,000 were made during the years ended June 30, 2009 and 2008, respectively, for leadership, educational and administrative purposes. In addition, the Trust shared certain operating costs for facilities and has allocated other costs for meetings, travel, insurance and other direct administrative expenses. The Trust owes certain amounts to the Fraternity totaling \$28,285 and \$82,537 as of June 30, 2009 and 2008, respectively.

**11. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Trust's programs and supporting services has been summarized on a functional basis; accordingly, certain costs have been allocated among the programs and services benefited.

	<u>2009</u>	<u>2008</u>
Scholarship grants	\$ 232,126	\$ 303,021
Leadership and educational	27,234	12,731
Publications	56,739	60,327
Educational assistance	<u>31,174</u>	<u>36,365</u>
Total program expenses	347,273	412,444
Management and general	112,091	125,283
Fundraising	<u>193,132</u>	<u>165,698</u>
Total expenses	<u>\$ 652,496</u>	<u>\$ 703,425</u>

**12. RISKS AND UNCERTANTIES**

The capital markets are currently experiencing unprecedented volatility that is causing significant fluctuations in the market value of investments. These conditions could impact the classification, liquidity and valuation of cash, cash equivalents and investments. Investments and cash equivalents are subject to interest rate risk, credit risk and market risk. Due to the level of risk associated with certain investments and cash equivalents, it is likely that the market volatility in the near term will affect the amounts reported in the accompanying financial statements. It is possible such trends will continue.