THE CANONSBURG CORPORATION

May 31, 2021

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

THE CANONSBURG CORPORATION
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VonLehman
CPA & ADVISORY FIRM

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees
The Canonsburg Corporation
Indianapolis, Indiana

We have reviewed the accompanying financial statements of The Canonsburg Corporation (a nonprofit organization) which comprise the statement of financial position as of May 31, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying reviewed financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2020 Financial Statements

The May 31, 2020 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated December 4, 2020. We have not performed any auditing procedures since that date.

VonLehman & Company Inc.

Indianapolis, Indiana
August 30, 2021

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THE CANONSBURG CORPORATION
STATEMENTS OF FINANCIAL POSITION

	May 31,	
	2021 (Reviewed)	2020 (Audited)
ASSETS		
Cash and Cash Equivalents	$ 1,052,187	$ 429,326
Loans and Interest Receivable, Net	1,033,777	1,536,588
Accounts Receivable - Related Party	-	48,850
Prepaid Expenses	116	-
Investments	180,883	240,795
Total Assets	$ 2,266,963	$ 2,255,559
LIABILITIES AND NET ASSETS		
Liabilities		
Guarantee Liability	$ 31,073	$ 34,693
Net Assets		
Without Donor Restrictions	2,235,890	2,220,866
Total Liabilities and Net Assets	$ 2,266,963	$ 2,255,559

See accountants' report and accompanying notes.

THE CANONSBURG CORPORATION
STATEMENTS OF ACTIVITIES

	Years Ended May 31,	
	2021	**2020**
	(Reviewed)	**(Audited)**
Revenues and Gains		
Member Assessments	$ -	$ 94,590
Interest Income - Loans	58,786	76,997
Interest Income - Bank Accounts	4,235	-
Net Investment Return	9,486	7,694
Miscellaneous Income	-	460
Total Revenues and Gains	72,507	179,741
Expenses		
Program Services	26,632	38,414
Management and General	31,215	17,567
Total Expenses	57,847	55,981
Excess of Revenue and Gains Over Expenses	14,660	123,760
Other Income (Expense)		
Change in Loan Loss Allowance	-	366,952
Changes in Guarantee Risk	3,620	1,508
Provision for Income Taxes	(3,256)	(2,962)
Total Other Income (Expense)	364	365,498
Change in Net Assets	15,024	489,258
Net Assets, Beginning of Year	2,220,866	1,731,608
Net Assets, End of Year	$ 2,235,890	$ 2,220,866

See accountants' report and accompanying notes.

THE CANONSBURG CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended May 31, 2021 (Reviewed)			Year Ended May 31, 2020 (Audited)		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Bank Service Charges	$ -	$ 458	$ 458	$ -	$ -	$ -
Contribution Expense	25,984	-	25,984	36,201	-	36,201
Office Supplies	-	-	-	-	58	58
Professional Fees	-	30,541	30,541	1,000	17,105	18,105
Salaries and Wages	648	216	864	1,213	404	1,617
Total Expenses by Function	$ 26,632	$ 31,215	$ 57,847	$ 38,414	$ 17,567	$ 55,981

See accountants' report and accompanying notes.

THE CANONSBURG CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended May 31, 2021 (Reviewed)	Years Ended May 31, 2020 (Audited)
Cash Flows From Operating Activities		
Change in Net Assets	$ 15,024	$ 489,258
Reconciliation of Change in Net Assets with Cash Flows from Operations		
Unrealized Loss on Investments	(9,486)	(7,694)
Guarantee Liability	-	36,201
Change in Guarantee Risk	(3,620)	(1,508)
Changes in Operating Assets and Liabilities		
Loans and Interest Receivable, Net	502,811	(363,128)
Accounts Receivable - Related Party	48,850	2,660
Prepaid Expenses	(116)	-
Accounts Payable - Related Party	-	(11,091)
Net Cash Provided by Operating Activities	553,463	144,698
Cash Flows From Investing Activities		
Purchases of Investments	-	(15,201)
Proceeds from Sale / Maturity of Investments	69,398	15,000
Net Cash Provided (Used) by Investing Activities	69,398	(201)
Net Change in Cash and Cash Equivalents	622,861	144,497
Cash and Cash Equivalents, Beginning of Year	429,326	284,829
Cash and Cash Equivalents, End of Year	$ 1,052,187	$ 429,326

See accountants' report and accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Canonsburg Corporation (the Organization) provides housing, financing, and related services to local chapters and housing corporations affiliated with Phi Kappa Psi Fraternity.

Phi Kappa Psi Fraternity (the Fraternity), an affiliated organization, is a legally separate entity organized to provide administrative support and educational services for chapters and colonies located throughout the United States. Accordingly, the accounts of the Fraternity have not been combined with the Organization in the accompanying financial statements.

The Organization's viability is dependent on the success of the Fraternity's ability to maintain a collegiate membership base and the Organization's ability to collect on notes receivables to local chapters and housing corporations of the Fraternity.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans. In connection with the determination of the allowances for losses on loans, management obtains appraisals for significant properties.

Substantially, all of the Organization's loans are secured by real estate or rental income. Accordingly, the ultimate collectability of a portion of the Organization's loan portfolio is susceptible to changes in real estate market conditions. While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in economic conditions.

Loans and Interest Receivable and Loan Loss Allowance

Loans and interest receivable are stated at contractual outstanding principal and interest balances, net of any allowance for loan losses. Interest on loans is recognized monthly over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loans receivable are charged against the allowance for loan losses when they are deemed uncollectible. Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past loan-loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowances for loan losses. The ultimate outcome of this estimate is not known. Due to this uncertainty, it is at least reasonably possible that actual losses may be significantly different.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual of interest on a loan is discontinued when management believes, after considering economics, business conditions, and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. Uncollectible interest previously accrued is charged off to the allowance for loan losses. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

The loans are secured by some form of collateral, usually a real estate mortgage or assignment of rental income. The risk of loss on the loans is the difference between the outstanding balance of the loan and the market value of the collateral at time of default. Such collateral is usually accessible only through foreclosure or other legal proceedings. The Organization monitors its collateral and the collateral value related to the loan balance on an ongoing basis. At May 31, 2021, management is not aware of impaired collateral on outstanding loans receivable.

Investments

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents and other securities and investments 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.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions.

The Organization does not have any Net Assets With Donor Restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue from Contracts with Customers

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing service. The Organization recognizes contract revenue for financial reporting purposes over time. Contracts with customers may include multiple performance obligations for which the consideration is allocated between performance obligations. Depending on the terms of the contract, the Organization may defer the recognition of revenue and record a contract liability when a future performance obligation has not yet occurred.

Member assessments are received in exchange for services provided to the Fraternity's local chapters and housing corporations during the fall and spring semesters spanning from June 1 through May 31st. The Organization's performance obligations under these contracts include housing, financing, and related services to the local chapter and housing corporations. The Organization recognizes revenue from these contracts over time using an output method based on the time that has passed from the start of the contract. The Board of Directors elected to waive the collection of member assessments for the Fall of 2020 and Spring of 2021 due to COVID-19. Member assessment collections will resume in Fall of 2021.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and wages, which are allocated on the basis of estimates of time and effort.

Income Tax Status

The Organization is an Indiana nonprofit organization as described in Section 501(c)(7) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to the Internal Revenue Code. However, the Organization is subject to income taxes on amounts generated from certain investment income, net of allocable expenses.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for either of the years ended May 31, 2021 or 2020. If the situation arose in which the Organization would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for either of the years ended May 31, 2021 or 2020.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in the current year. The reclassifications had no impact on previously reported net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Significant Accounting Standards

Lease Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2021.

The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through August 30, 2021, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY

Financial assets available for general use and without donor or other restrictions or designations limiting their use, within one year of the statements of financial position are comprised of the following:

	May 31, 2021	May 31, 2020
Cash and Cash Equivalents	$ 1,052,187	$ 429,326
Accounts Receivable - Related Party	-	48,850
Loans and Interest Receivable	329,252	164,435
Investments	180,883	240,795
Total Financial Assets Available	$ 1,562,322	$ 883,406

The Organization’s cash flow is dependent on repayment of loans and collection of member assessments from affiliated Phi Kappa Psi chapters and colonies. As part of the Organization’s liquidity management, the Organization invests excess cash in short-term investments and utilizes budgeting techniques to help forecast cash disbursements and collections to assess cash needs and the availability of funds for potential lending activities.

NOTE 3 - CASH AND CASH FLOWS

For purposes of the cash flow statements, cash and cash equivalents include cash held in checking and money market accounts.

At various times throughout the year, the Organization may have cash in financial institutions in excess of the federally-insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to $250,000 for each business depositor.

Cash paid for income taxes during the years ended May 31, 2021 and 2020 was $3,256 and $2,962, respectively.

NOTE 4 - LOANS AND INTEREST RECEIVABLE

The Organization lends funds to local chapters and colonies for chapter housing. Loan balances range from approximately $20,000 to $450,000 and interest rates range from 5.0% to 6.25%.

Loans and interest receivable consisted of:

	May 31, 2021	May 31, 2020
First Mortgage Loans	$ 556,888	$ 860,703
Lines of Credit	123,637	142,038
Promissory Notes	364,068	512,923
Non-Performing Loans and Interest Receivable	53,217	64,217
	1,097,810	1,579,881
Interest Receivable	184	20,924
	1,097,994	1,600,805
Less Allowance for Loan Losses	(64,217)	(64,217)
Loans and Interest Receivable, Net	$ 1,033,777	$ 1,536,588

The credit risk associated with the loans receivable may be affected by the membership levels at each chapter as well as university policies and procedures relating to social organizations.

The change in allowance for loan losses is as follows for the years ended May 31, 2021 and 2020:

	2021	2020
Balance, January 1	$ 64,217	$ 431,169
Change in Loan Loss Allowance	-	(366,952)
Balance, December 31	$ 64,217	$ 64,217

As of May 31, 2021 and 2020, the Organization’s recorded investment in receivables ninety days or more past due and still accruing interest was $-0- and $347,835, respectively.

NOTE 4 - LOANS AND INTEREST RECEIVABLE (Continued)

At May 31, 2021 and 2020 the following amounts included in loans and interest receivable were past due:

	May 31, 2021	May 31, 2020
Current	$ 181,721	$ 802,451
Less than 90 Days Past Due	9,510	14,917
90 - 364 Days Past Due	7,500	29,657
365 Days Or Greater Past Due	-	5,606
Total Past Due Loans and Interest Receivable	$ 198,731	$ 852,631

NOTE 5 - INVESTMENTS

Investments consisted of the following:

	2021	2020
Cash and Cash Equivalents	$ 19,855	$ 38,750
Corporate Bonds	71,484	70,327
Municipal Bonds	89,544	131,718
Total Investments	$ 180,883	$ 240,795

NOTE 6 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

LEVEL 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

LEVEL 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

LEVEL 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for marketable securities measured at fair value. There have been no changes in the methodologies used at May 31, 2021 and 2020.

Cash and Cash Equivalents – Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Corporate and Municipal Bonds – Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

At May 31, 2021 and 2020, all investments held by the Organization were valued using inputs from Level 2 within the fair value hierarchy, with the exception of cash and cash equivalents, which were valued using inputs from Level 1.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the statements of financial position.

NOTE 7 - TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

The Phi Kappa Psi Fraternity collects the member assessments charged by the Organization from the affiliated chapters and colonies and remits them to the Organization annually. During the years ended May 31, 2021 and 2020, the Organization recognized income of $-0- and $94,590, respectively, for assessment fees collected by the Fraternity. At May 31, 2021 and 2020, $-0- and $48,850, respectively, was due from the Fraternity.

The Organization utilized office space and administrative services donated by the Fraternity. For the year ended May 31, 2021 and 2020, no amounts were recorded for these donated facilities and services.

The Organization leases staff from the Fraternity. For the year ended May 31, 2021 and 2020, the Organization incurred $864 and $1,617 of expenses, respectively. At May 31, 2021 and 2020, no amounts were due to the Fraternity.

NOTE 8 - GUARANTEE LIABILITY

On December 19, 2019, the Organization guaranteed a $300,000 promissory note of Phi Kappa Psi Alumni Corporation of the California Eta Chapter (California Eta). This guarantee would require payment of unpaid principal and interest by the Organization in the event of default by California Eta. The promissory note requires monthly payments that include interest at 4.62% through December 20, 2024 at which point the interest rate charged changes to the 5-year Treasury rate plus 3.2%. The final payment is due December 20, 2029. California Eta is current on payments of the promissory note as of May 31, 2021. The fair value of the interest and principal payments due to the bank as of May 31, 2021 is approximately $265,000.

NOTE 8 - GUARANTEE LIABILITY (Continued)

On this same date, the Organization recorded a guarantee liability of $36,201. This liability represents the difference in the interest rate charged on the guaranteed indebtedness and the interest rate California Eta would have otherwise been charged without the Organization's guarantee. The Organization has elected to amortize the liability over 10 years, the course of the loan. For the years ended May 31, 2021 and 2020, the Organization recognized $3,620 and $1,508, respectively, of amortization on the statements of financial position for changes in guarantee risks.

Years Ending May 31,		
2022	$	3,620
2023		3,620
2024		3,620
2025		3,620
2026		3,620
Thereafter		12,973
	$	31,073

NOTE 9 - RISKS AND UNCERTAINTIES

In 2020, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response has impacted financial economic markets across the World and within the United States of America. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the Organization.