Financial Statements for

THE CANONSBURG CORPORATION

Years Ended May 31, 2024 and 2023

With Independent Auditor's Report

DEANDORTON

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Canonsburg Corporation
Indianapolis, Indiana

We have audited the accompanying financial statements of The Canonsburg Corporation (a nonprofit organization), which comprise the statement of financial position as of May 31, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Canonsburg Corporation as of May 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with the 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Canonsburg Corporation 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 these 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 the 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 Canonsburg Corporation’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Canonsburg Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the 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 Canonsburg Corporation'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.

Prior Period Financial Statements

The financial statements as of and for the year ended May 31, 2023 were reviewed by VonLehman & Company Inc., who merged with Dean Dorton Allen Ford, PLLC as of January 1, 2024. 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 did not express such an opinion.

Dean Dorton Allen Ford, PLLC

Indianapolis, Indiana
November 22, 2024

THE CANONSBURG CORPORATION
STATEMENTS OF FINANCIAL POSITION

ASSETS

	May 31, 2024 (Audited)	May 31, 2023 (Reviewed)
Cash and Cash Equivalents	$ 978,083	$ 1,253,959
Accounts Receivable - Related Party	-	90,640
Loans and Interest Receivable	1,582,209	1,054,168
Investments	181,715	177,538
Total Assets	$ 2,742,007	$ 2,576,305

LIABILITIES AND NET ASSETS

	2024 (Audited)	2023 (Reviewed)
Liabilities		
Guarantee Liability	$ 19,911	$ 23,531
Taxes Payable	2,121	10,159
Total Liabilities	22,032	33,690
Net Assets		
Without Donor Restrictions	2,719,975	2,542,615
Total Liabilities and Net Assets	$ 2,742,007	$ 2,576,305

See accompanying notes.

THE CANONSBURG CORPORATION
STATEMENTS OF ACTIVITIES

	Years Ended May 31,	
	2024 (Audited)	**2023 (Reviewed)**
Revenues and Gains		
Member Assessments	$ 92,570	$ 90,640
Interest Income - Loans	73,436	51,799
Interest Income - Bank Accounts	49,386	43,239
Net Investment Return	4,177	3,261
Total Revenues and Gains	219,569	188,939
Expenses		
Program Services	5,706	7,310
Management and General	29,683	23,666
Total Expenses	35,389	30,976
Excess of Revenues and Gains Over Expenses	184,180	157,963
Other Income (Expense)		
Credit Loss Recovery	-	16,218
Changes in Guarantee Risk	3,620	3,922
Provision for Income Taxes	(10,440)	(13,108)
Total Other Income (Expense)	(6,820)	7,032
Change in Net Assets	177,360	164,995
Net Assets, Beginning of Year	2,542,615	2,377,620
Net Assets, End of Year	$ 2,719,975	$ 2,542,615

See accompanying notes.

THE CANONSBURG CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES

	Years Ended May 31,					
	2024 (Audited)			2023 (Reviewed)		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Bank Service Charges	$ -	$ 59	$ 59	$ -	$ 135	$ 135
Professional Fees	-	27,722	27,722	2,754	21,585	24,339
Salaries and Wages	5,706	1,902	7,608	4,556	1,519	6,075
Meals and Entertainment	-	-	-	-	157	157
Office Supplies	-	-	-	-	270	270
Total Expenses by Function	$ 5,706	$ 29,683	$ 35,389	$ 7,310	$ 23,666	$ 30,976

See accompanying notes.

THE CANONSBURG CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended May 31, 2024 (Audited)	Years Ended May 31, 2023 (Reviewed)
Cash Flows From Operating Activities		
Change in Net Assets	$ 177,360	$ 164,995
Reconciliation of Change in Net Assets with Cash Flows from Operations		
Net Investment Return	(4,177)	(3,261)
Change in Guarantee Risk	(3,620)	(3,922)
Changes in Operating Assets and Liabilities		
Accounts Receivable - Related Party	90,640	(90,640)
Loans and Interest Receivable	(528,041)	(177,167)
Accounts Payable - Related Party	-	(1,315)
Taxes Payable	(8,038)	10,159
Net Cash Used by Operating Activities	(275,876)	(101,151)
Cash and Cash Equivalents, Beginning of Year	1,253,959	1,355,110
Cash and Cash Equivalents, End of Year	$ 978,083	$ 1,253,959

See 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 outstanding notes receivables from 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.

Loans and Interest Receivable and Allowance for Credit Losses

Loans and interest receivable are stated at contractual outstanding principal and interest balances, net of any allowance for credit 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.

An allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to credit loss expense. The expected credit loss model is based on management's best estimate of lifetime expected credit losses inherent in the Organization's relevant financial assets. For loans, expected credit losses are typically estimated using quantitative methods that consider a variety of factors such as payment status, historical loss experience, collateral value, and the current credit quality of the portfolio as well as supportable forecasts of the economic outlook over the life of the loan. In connection with the determination of the allowances for losses on loans, management obtains appraisals for significant properties

When management determines that foreclosure is probable, any additional expected credit losses are accrued based on the differences between the loan value and 1) the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, 2) the present value of future cash flows, or 3) the loan's value as observable in the secondary market. Adjustments are made for selling costs, as appropriate. When management believes the loan is not collectible, the loan is charged off against the allowance. Subsequent recoveries, if any, are credited to the allowance.

Allowance factors and overall size of the allowance may change from period to period based on management's assessment and the relative weights given to each factor. 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)

The Organization includes accrued interest when estimating credit losses. 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. 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, 2024 and 2023, 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 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.

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, 2024 or 2023. 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, 2024 or 2023.

Adoption of New Accounting Standards

Effective June 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* and associated amendments. This standard creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, accounts receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change.

The adoption of the new standard did not result in a cumulative-effect adjustment to the opening balance of net assets.

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, 2024	May 31, 2023
Cash and Cash Equivalents	$ 978,083	$ 1,253,959
Accounts Receivable - Related Party	-	90,640
Loans and Interest Receivable, Current Portion	161,023	98,051
Investments	181,715	177,538
Total Financial Assets Available	$ 1,320,821	$ 1,620,188

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 flows statements, cash and cash equivalents include cash held in checking, sweep, 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, 2024 and 2023 was $18,478 and $2,949, respectively.

NOTE 4 - LOANS AND INTEREST RECEIVABLE

The Organization lends funds to local chapters and colonies for chapter housing. Loan balances range depending on the needs of the borrower and are generally less than $450,000. Interest rates charged on the loans range from 4.5% to 6%.

Loans and interest receivable consisted of:

First Mortgage Loans	$ 416,780	$ 438,591
Lines of Credit	186,682	189,277
Promissory Notes	978,747	426,030
	1,582,209	1,053,898
Interest Receivable	-	270
	$ 1,582,209	$ 1,054,168

NOTE 4 - LOANS AND INTEREST RECEIVABLE (Continued)

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 credit losses is as follows for the years ended May 31, 2024 and 2023:

	May 31, 2024	May 31, 2023
Balance, June 1	$ -	$ 16,218
Recovery of Credit Loss	-	(16,218)
Balance, May 31	$ -	$ -

As of both May 31, 2024 and 2023, the Organization had no loans nor interest receivable that were past due.

NOTE 5 - INVESTMENTS

Investments consisted of the following:

	2024	2023
Cash and Cash Equivalents	$ 56,279	$ 37,149
Corporate Bonds	58,885	62,261
Municipal Bonds	66,551	78,128
Total Investments	$ 181,715	$ 177,538

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.

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

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.

Following are the descriptions of the valuation methodologies used for marketable securities measured at fair value. There have been no changes in the methodologies used at May 31, 2024 and 2023.

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, 2024 and 2023, all corporate and municipal bonds held by the Organization were valued using inputs from Level 2 within the fair value hierarchy, and all cash and cash equivalents 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.

The Organization has evaluated events and conditions related to the valuation of the investment portfolio to determine if an impairment exists. To determine if an impairment is other-than-temporary, the Organization considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts. Evidence considered in this assessment includes the reason for decline in the value, severity of the impairment, changes in value subsequent to year end, forecasted performance of the investee, and the general market condition in the geographic area or industry in which the investee operates. Based on the above criteria and the Organization's intent and ability to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value, management has determined that an other-than-temporary impairment does not exist as of May 31, 2024 or 2023.

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, 2024 and 2023, the Organization recognized income of $92,570 and $90,640, respectively, for fees assessed on the chapters and colonies and remitted by the Fraternity. At May 31, 2024 and 2023, $-0- and $90,640 were due from the Fraternity, respectively.

The Organization utilizes staff from the Fraternity. For the years ended May 31, 2024 and 2023, the Organization incurred $7,608 and $6,075 of expenses, respectively. At May 31, 2024 and 2023, no amounts were due to the Fraternity, respectively.

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, 2024. The fair value of the interest and principal payments due to the bank as of May 31, 2024 is approximately $183,000.

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, 2024 and 2023, the Organization recognized $3,620 and $3,922, respectively, of amortization on the statements of activities for changes in guarantee risks. Future amortization is as follows:

Years Ending May 31,	
2025	$ 3,620
2026	3,620
2027	3,620
2028	3,620
2029	3,620
Thereafter	1,811
	$ 19,911

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 22, 2024, which is the date the financial statements were available to be issued.

Subsequent to year end, the Organization issued a promissory note for $60,000 with terms similar to those of the other promissory notes.