

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
LEXINGTON, KENTUCKY

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

June 30, 2009 and 2008

For On-Line Posting

OMICRON DELTA KAPPA FOUNDATION, INC.  
LEXINGTON, KENTUCKY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Omicron Delta Kappa Foundation, Inc.  
Lexington, Kentucky

We have audited the accompanying statements of financial position of Omicron Delta Kappa Foundation, Inc. (the Foundation), (an affiliate of Omicron Delta Kappa Society, Inc.) as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Omicron Delta Kappa Foundation, Inc., as of June 30, 2009 and 2008, and the changes in its net assets, cash flows and functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Potter & Company, LLP*

POTTER & COMPANY, LLP  
October 22, 2009

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>A S S E T S</u>		
Cash and cash equivalents	\$ 66,803	\$ 47,267
Pledges receivable	96,282	300
Other assets	3,268	9,611
Investments	676,238	873,346
Equipment, net	<u>72</u>	<u>287</u>
Total assets	<u>\$ 842,663</u>	<u>\$ 930,811</u>

L I A B I L I T I E S   A N D   N E T   A S S E T S

Liabilities:		
Accounts payable	\$ 13,046	\$ 2,584
Deferred revenue	15,000	15,000
Total liabilities	<u>28,046</u>	<u>17,584</u>
Net assets:		
Unrestricted net assets:		
Board designated for Building Fund	28,071	22,413
Other unrestricted	<u>533,735</u>	<u>681,686</u>
	561,806	704,099
Temporarily restricted net assets	91,787	88,244
Permanently restricted net assets	<u>161,024</u>	<u>120,884</u>
Total net assets	<u>814,617</u>	<u>913,227</u>
Total liabilities and net assets	<u>\$ 842,663</u>	<u>\$ 930,811</u>

**OMICRON DELTA KAPPA FOUNDATION, INC**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 290,738	\$ 17,709	\$ 40,140	\$ 348,587
Contributions in-kind	27,960			27,960
Investment income	19,737			19,737
Net realized and unrealized losses	(177,408)			(177,408)
Royalty income	20,275			20,275
Other revenue	2,100			2,100
Net assets released from restrictions:				
Satisfaction of program restrictions	14,166	(14,166)		0
Total revenue and support	<u>197,568</u>	<u>3,543</u>	<u>40,140</u>	<u>241,251</u>
Expenses:				
Program support	213,603			213,603
Management and general	36,059			36,059
Fundraising expenses	90,199			90,199
Total expenses	<u>339,861</u>	<u>0</u>	<u>0</u>	<u>339,861</u>
Change in net assets	(142,293)	3,543	40,140	(98,610)
Net assets, beginning of year	<u>704,099</u>	<u>88,244</u>	<u>120,884</u>	<u>913,227</u>
Net assets, end of year	<u>\$ 561,806</u>	<u>\$ 91,787</u>	<u>\$ 161,024</u>	<u>\$ 814,617</u>

**OMICRON DELTA KAPPA FOUNDATION, INC**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 221,928	\$ 47,107	\$	\$ 269,035
Contributions in-kind	9,440			9,440
Investment income	52,322			52,322
Net realized and unrealized losses	(111,109)			(111,109)
Royalty income	20,551			20,551
Other revenue	1,743			1,743
Net assets released from restrictions:				
Satisfaction of program restrictions	33,365	(33,365)		0
Total revenue and support	<u>228,240</u>	<u>13,742</u>	<u>0</u>	<u>241,982</u>
Expenses:				
Program support	261,944			261,944
Management and general	31,404			31,404
Fundraising expenses	85,612			85,612
Total expenses	<u>378,960</u>	<u>0</u>	<u>0</u>	<u>378,960</u>
Change in net assets	(150,720)	13,742	0	(136,978)
Net assets, beginning of year	<u>854,819</u>	<u>74,502</u>	<u>120,884</u>	<u>1,050,205</u>
Net assets, end of year	<u>\$ 704,099</u>	<u>\$ 88,244</u>	<u>\$ 120,884</u>	<u>\$ 913,227</u>

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (98,610)	\$ (136,978)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	215	215
Donations of investments	0	(3,051)
Net realized and unrealized losses	177,408	111,109
Changes in operating assets and liabilities:		
Pledges receivable	(95,982)	12,924
Other assets	6,343	(6,916)
Accounts payable	10,462	(38,531)
Accrued expenses	0	(4,977)
Cash flows from operating activities	<u>(164)</u>	<u>(66,205)</u>
Cash flows from investing activities:		
Purchases of investments	(580,753)	(468,981)
Sales of investments	600,453	467,996
Cash flows from investing activities	<u>19,700</u>	<u>(985)</u>
Change in cash and cash equivalents	19,536	(67,190)
Cash and cash equivalents, beginning of year	<u>47,267</u>	<u>114,457</u>
Cash and cash equivalents, end of year	<u>\$ 66,803</u>	<u>\$ 47,267</u>

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2009

	<u>Program support</u>	<u>Management and general</u>	<u>Fundraising expenses</u>	<u>Total</u>
Occupancy expense	\$	\$ 6,200	\$	\$ 6,200
Postage and delivery		570	8,597	9,167
Printing		338	40,766	41,104
Management fees	127,001			127,001
Grants and allocations	20,702			20,702
Professional services		9,310		9,310
Depreciation		215		215
Office supplies and expense	30		2,421	2,451
Consulting services			35,127	35,127
Travel		16,644		16,644
Dinners			3,288	3,288
Bank service fees		2,302		2,302
CLT2	65,870			65,870
Miscellaneous		480		480
		<u>480</u>		<u>480</u>
Total expenses	<u>\$ 213,603</u>	<u>\$ 36,059</u>	<u>\$ 90,199</u>	<u>\$ 339,861</u>

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2008

	<u>Program support</u>	<u>Management and general</u>	<u>Fundraising expenses</u>	<u>Total</u>
Occupancy expense	\$	\$ 6,200	\$	\$ 6,200
Postage and delivery		976	19,687	20,663
Printing		164	10,515	10,679
Management fees	138,224			138,224
Grants and allocations	24,495			24,495
Professional services		8,540		8,540
Depreciation		215		215
Office supplies and expense	27		1,709	1,736
Consulting services			37,227	37,227
Travel		12,239		12,239
Dinners			16,474	16,474
Bank service fees		2,097		2,097
CLT2	99,198			99,198
Miscellaneous		973		973
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	\$ <u>261,944</u>	\$ <u>31,404</u>	\$ <u>85,612</u>	\$ <u>378,960</u>

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009 and 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Omicron Delta Kappa Foundation, Inc. (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of Activities:**

The Foundation is an academic not-for-profit organization whose major function is to raise money for scholarships and support, as needed for the operations of the Omicron Delta Kappa Society, Inc. (the Society). Scholarships provided by the Foundation go to students who exemplify the scholastic and leadership qualities representative of the Foundation's purpose. Most of the Foundation's revenue is derived from member donations and investment income.

**Basis of Accounting:**

The Foundation prepares its financial statements using the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized when they are incurred.

**Basis of Presentation:**

The financial statements of the Foundation have been prepared following the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standard (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities under three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets represent net assets that are not subject to any donor-imposed stipulations. Temporarily restricted net assets represent net assets subject to donor-imposed stipulations, which may be satisfied by fulfillment of actions or the passage of time. Permanently restricted net assets represent net assets subject to donor-imposed restrictions, whereby the Foundation is only permitted to use the income earned on such assets.

The Board of Trustees for the Foundation is approved by the Society. Additionally, the Society maintains an ongoing economic interest in the net assets of the Foundation. Generally accepted accounting principles require that the financial statements of the Society and Foundation be consolidated. The accompanying separately issued financial statements of the Foundation do not include the assets, liabilities, and net assets of the Society and are not to be considered the financial statements of the primary reporting entity. Consolidated financial statements including the assets, liabilities and net assets of both the Society and the Foundation have been issued as the financial statements of the primary reporting entity.

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For purposes of reporting cash flows, the Foundation considers all certificates of deposit with a maturity of three months or less to be cash equivalents.

Investments:

The Foundation carries investments in marketable securities with readily determinable fair values established by quoted market prices and all investments in debt securities at their fair values. Money market accounts are carried at cost, which approximates fair value. Unrealized gains and losses are included in the determination of the change in net assets in the statements of activities.

Equipment:

Equipment is stated at cost. The capitalization threshold is \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Depreciation expense for the years ended June 30, 2009 and 2008 was \$215.

Allocation of Expenses:

Directly identifiable expenses are charged to the functional area to which they relate.

Reclassifications:

Certain amounts as originally presented in the prior year have been reclassified to conform to current year presentation. The reclassifications had no effect on previously reported total assets, liabilities, net assets, revenues, or expenses.

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009 and 2008

**NOTE 2 - PLEDGES RECEIVABLE**

As of June 30, 2009, net pledges receivable consist of the following:

Receivable in one year or less	\$ 34,682
Receivable in one to five years	61,600
Pledges receivable	<u>\$ 96,282</u>

The risk-free rate of return, the rate for 3-month treasury bills, for pledges received in fiscal year 2009 was less than 1 percent at the time the respective pledges were made. The discount for such pledges is deemed to be immaterial. Pledges receivable are carried at fair value on a recurring basis using unobservable inputs (Level 3 inputs). Following is a reconciliation of activity for pledges receivable for years ending June 30:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 300	\$ 400
Pledges	125,550	0
Less collections	29,568	100
Ending balance	<u>\$ 96,282</u>	<u>\$ 300</u>

**NOTE 3 - INVESTMENTS**

The composition of investments consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Money market funds	\$ 45,367	\$ 48,306
Equity securities	464,757	602,227
Fixed income securities	166,114	222,813
Total	<u>\$ 676,238</u>	<u>\$ 873,346</u>

Investments in money market funds are carried at cost which approximates fair value. Investments in debt securities and equity securities are carried at fair value based on quoted prices in active markets (Level 1 inputs).

**NOTE 4 - INCOME TAX STATUS**

The Foundation is a not-for-profit corporation, other than a private foundation, organized under Section 501(c)(3) of the Internal Revenue Code and is thus exempt from federal and state income taxes. Accordingly, no income tax expense is reflected in the accompanying financial statements.

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009 and 2008

**NOTE 5 - CONCENTRATIONS**

For the year ended June 30, 2009, the Foundation received approximately 40% of its total donations from five donors. For the year ended June 30, 2008, the Foundation received approximately 20% of its total donations from four donors.

The Foundation maintains its cash balances at financial institutions in Lexington, Kentucky. The Federal Deposit Insurance Corporation insures up to \$250,000 at each institution. During the year, the balances at these financial institutions may exceed the FDIC insured amount.

At June 30, 2009, \$75,000, or approximately 78%, of the amount for pledges receivable was due from one donor.

**NOTE 6 - CONTRIBUTIONS IN-KIND**

For the years ended June 30, 2009 and 2008, the Foundation received donated legal services by professional counsel and donated accounting services. These services pertained to corporate matters, such as review of amendments to existing documents, attendance to teleconferences, and attendance to the National Convention held on behalf of the Foundation. Had the Foundation not received these services as a contribution, they would have incurred expenses of \$4,309 and \$4,040, respectively. Pursuant to Statement of Financial Accounting Standards No. 116, these amounts are reflected in the accompanying statements of activities. In addition, the Foundation received in-kind contributions of office rent of \$5,400 in 2009 and 2008, respectively. See discussion at Note 10.

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Dougherty Leadership	\$ 61,824	\$ 62,215
Maurice A. Clay Leadership Fund	9,006	8,313
Vukovich Scholarship Fund	1,500	0
Blount Scholarship Fund	100	0
ODK Leadership Lecture Series	10,307	12,566
Other	9,050	5,150
Total	<u>\$ 91,787</u>	<u>\$ 88,244</u>

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009 and 2008

**NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Maurice A. Clay Leadership Fund	\$ 45,509	\$ 45,509
Vukovich Scholarship Fund	25,375	25,375
Blount Scholarship Fund	25,000	25,000
Chellgren Family Scholarship	26,000	25,000
John D. Morgan Endowment	39,140	0
Total	<u>\$ 161,024</u>	<u>\$ 120,884</u>

**NOTE 9 - ENDOWMENT NET ASSETS**

The Foundation has adopted the enhanced disclosure provisions of Financial Accounting Standards Board's Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1) effective July 1, 2008. The adoption of FSP 117-1 did not have a material impact on the Foundation's financial statements. FSP 117-1 provides for improved disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The state of Kentucky has not adopted UPMIFA.

All endowment funds are designated as such by the respective donors. Investment income from endowment funds is considered unrestricted unless specified by the donor. The Foundation maintains an investment policy for all investments, including endowment funds. The policy is to invest in a diversified growth and income portfolio of mutual funds or common trust funds, with an approximate asset mix. The policy has ranges and limits for the Foundation's asset mix including equities, currently 65 percent to 75 percent, and fixed income securities, currently 25 percent to 35 percent. Responsibility for the Foundation's investments rests with the Board of Trustees and is delegated to the Executive Director.

Following is a detail of activity for endowment funds for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets,				
beginning of year	\$ 87,477	\$ 70,528	\$ 120,884	\$ 278,889
Contributions		4,604	40,140	44,744
Investment return		5,571		5,571
Net depreciation	(69,442)	(5,572)		(75,014)
Release from restriction	<u>                    </u>	<u>(2,701)</u>	<u>                    </u>	<u>(2,701)</u>
Endowment net assets,				
end of year	<u>\$ 18,035</u>	<u>\$ 72,430</u>	<u>\$ 161,024</u>	<u>\$ 251,489</u>

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009 and 2008

**NOTE 9 - ENDOWMENT NET ASSETS (CONTINUED)**

Following is a detail of activity for endowment funds for the year ended June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 106,734	\$ 71,042	\$ 120,884	\$ 298,660
Investment return		5,778		5,778
Net depreciation	(25,549)			(25,549)
Release from restriction	6,292	(6,292)		0
Endowment net assets, end of year	<u>\$ 87,477</u>	<u>\$ 70,528</u>	<u>\$ 120,884</u>	<u>\$ 278,889</u>

**NOTE 10 - CONTRIBUTION OF INVESTMENTS**

During the years ended June 30, 2009 and 2008, the Foundation received gifts of equity securities from the Foundation's Trustees and other members. Contribution of investments totaled \$0 and \$3,051 respectively for the years then ended.

**NOTE 11 - LEASE**

The Foundation shares office space and related expenses with the Society. The Foundation signed a five-year lease for office space at Transylvania University (the University) that began on August 1, 2006. The lease may be canceled with prior written notice per the terms of the agreement. In return for the privilege of functioning as the national headquarters for one of the most prestigious college honor societies in the country, the University provides office space at a reduced rate and absorbs the cost of related utilities at no charge. Office space (including related utility expense) totaled \$6,200 for each of the years ended June 30, 2009 and 2008.

Future minimum rentals are \$900 for each of the fiscal years ended June 30, 2010 through 2011. The aggregate of future minimum rentals is \$1,800.

**OMICRON DELTA KAPPA FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009 and 2008

**NOTE 12 - RELATED PARTY**

During the years ended June 30, 2009 and 2008 the Society paid expenses on behalf of the Foundation. At June 30, 2009 and 2008, there was no outstanding balance owed by the Foundation for these expenses. During the years ended June 30, 2009 and 2008 the Society paid for expenses on behalf of the Foundation in the amount of \$127,001 and \$137,863, respectively. At June 30, 2009 and 2008 there were no outstanding balances owed to the Society. At June 30, 2009 and 2008 the Society owed approximately \$325 and \$361, respectively, to the Foundation. In addition, the Society transferred \$12,000 to the Foundation in fiscal years 2009 and 2008 as a contribution for the Building Fund.

During the year ended June 30, 2006 the Society entered into an agreement for royalty revenues with a credit card company. The term of the agreement is April 1, 2006 through March 31, 2011. The agreement stipulates that the Society will receive no less than \$200,000 over five years to be paid in \$40,000 installments each year. Fifty percent of the revenue from this agreement is recognized in the financial statements of the Foundation.

**NOTE 13 - MANAGEMENT FEES**

During the year ended June 30, 2008 the Foundation entered into an informal agreement with the Society for management services performed by the Society on behalf of the Foundation. The Foundation reimburses the Society for payroll and other expenses. For the years ended June 30, 2009 and 2008 the Foundation paid \$108,750 and \$138,224, respectively, to the Society for management fees. The Society donated \$18,251 to the Foundation in 2009 in the form of expenses paid on the Foundation's behalf. June 30, 2009 and 2008, no amounts were owed to the Society for management fees.