

OMICRON DELTA KAPPA SOCIETY, INC.
LEXINGTON, KENTUCKY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2009 and 2008

For Online Posting

OMICRON DELTA KAPPA SOCIETY, INC.
LEXINGTON, KENTUCKY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Omicron Delta Kappa Society, Inc.
Lexington, Kentucky

We have audited the accompanying statements of financial position of Omicron Delta Kappa Society, Inc. (the Society) 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 Society'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 Society, 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 SOCIETY, 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	\$ 272,991	\$ 236,815
Accounts receivable	6,349	8,160
Inventories	7,288	15,263
Prepaid expenses	9,529	9,865
Investment in certificates of deposit	0	25,000
Equipment, net	<u>23,812</u>	<u>18,694</u>
 Total assets	 <u>\$ 319,969</u>	 <u>\$ 313,797</u>
<u>L I A B I L I T I E S A N D N E T A S S E T S</u>		
Liabilities:		
Accounts payable	\$ 4,214	\$ 9,734
Accrued expenses	7,367	9,830
Deferred revenue	15,000	15,000
Unearned fees	<u>1,826</u>	<u>2,915</u>
 Total liabilities	 28,407	 37,479
 Unrestricted net assets	 <u>291,562</u>	 <u>276,318</u>
 Total liabilities and net assets	 <u>\$ 319,969</u>	 <u>\$ 313,797</u>

OMICRON DELTA KAPPA SOCIETY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues and support:		
Membership fee income	\$ 537,536	\$ 504,419
Affiliation income	18,618	18,016
Convention/regional conference revenue	15	3,690
Extension fees	3,912	2,263
Subscription income	532	1,112
Royalties	20,322	20,810
Merchandise sales, net of costs of \$32,203 and \$25,567	48,062	42,728
Investment income	2,829	8,488
Management fees	108,750	138,224
Contributions in-kind	<u>24,310</u>	<u>21,624</u>
Total revenues and support	<u>764,886</u>	<u>761,374</u>
Expenses:		
Program services:		
Certificates and emblems	40,763	36,849
Conferences and meetings	93,212	192,932
Visitations and member support	127,249	111,180
The Circle	94,550	91,340
Management and general	<u>393,868</u>	<u>360,809</u>
Total expenses	<u>749,642</u>	<u>793,110</u>
Change in net assets	15,244	(31,736)
Unrestricted net assets, beginning of year	<u>276,318</u>	<u>308,054</u>
Unrestricted net assets, end of year	<u>\$ 291,562</u>	<u>\$ 276,318</u>

OMICRON DELTA KAPPA SOCIETY, 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	\$ 15,244	\$ (31,736)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	6,609	4,323
Changes in operating assets and liabilities:		
Accounts receivable	1,811	14,732
Inventories	7,975	(2,695)
Prepaid expenses	336	(9,362)
Accounts payable	(5,520)	(9,663)
Accrued expenses	(2,463)	1,612
Unearned fees	(1,089)	(63)
Cash flows from operating activities	<u>22,903</u>	<u>(32,852)</u>
Cash flows from investing activities:		
Sales of investments	25,000	50,269
Purchases of office equipment	<u>(11,727)</u>	<u>(6,142)</u>
Cash flows from investing activities	<u>13,273</u>	<u>44,127</u>
Change in cash and cash equivalents	36,176	11,275
Cash and cash equivalents, beginning of year	<u>236,815</u>	<u>225,540</u>
Cash and cash equivalents, end of year	<u>\$ 272,991</u>	<u>\$ 236,815</u>

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

	Program Services				Management and general	Total
	Certificates and emblems	Conferences and meetings	Visitations and member support	The Circle		
Salaries and wages	\$	\$ 35,437	\$ 80,539	\$ 25,773	\$ 180,408	\$ 322,157
Payroll taxes		3,053	6,939	2,221	15,544	27,757
Employee benefits		6,222	14,140	4,525	31,675	56,562
Total personnel	0	44,712	101,618	32,519	227,627	406,476
Occupancy expense					10,600	10,600
Cost of merchandise	32,203					32,203
Travel, lodging and meals		48,500	25,631			74,131
Postage				22,840	13,861	36,701
Printing				39,191	4,266	43,457
Engraving	10,349					10,349
Membership supplies	30,414					30,414
Office supplies and expense					25,037	25,037
Contributions					12,000	12,000
Publications					1,200	1,200
Telephone					5,554	5,554
Promotional items					5,623	5,623
Insurance					7,804	7,804
In-kind expense					18,251	18,251
Other expenses					14,665	14,665
Professional fees					20,310	20,310
Depreciation					6,609	6,609
Dues and subscriptions					1,710	1,710
Computer service					18,751	18,751
Total expenses	72,966	93,212	127,249	94,550	393,868	781,845
Expenses included with revenues on the statement of activities	(32,203)					(32,203)
Expenses included in the expense section of the statement of activities	\$ 40,763	\$ 93,212	\$ 127,249	\$ 94,550	\$ 393,868	\$ 749,642

See accompanying notes.

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

	Program Services					Total
	Certificates and emblems	Conferences and meetings	Visitations and member support	The Circle	Management and general	
Salaries and wages	\$	\$ 34,628	\$ 78,700	\$ 25,184	\$ 176,289	\$ 314,801
Payroll taxes		2,673	6,076	1,944	13,609	24,302
Employee benefits		6,707	15,243	4,878	34,142	60,970
Total personnel	0	44,008	100,019	32,006	224,040	400,073
Occupancy expense					13,000	13,000
Cost of merchandise	25,567					25,567
Travel, lodging and meals		135,605	11,161			146,766
Postage				22,055	18,067	40,122
Printing		2,898		37,279	3,739	43,916
Engraving	9,436					9,436
Membership supplies	27,413					27,413
Office supplies and expense					12,404	12,404
Contributions					12,000	12,000
Publications					1,489	1,489
Telephone					5,489	5,489
Promotional items					10,319	10,319
Insurance					2,506	2,506
Other expenses		10,421			9,036	19,457
Professional fees					17,124	17,124
Depreciation					4,323	4,323
Dues and subscriptions					2,000	2,000
Computer service					25,273	25,273
Total expenses	62,416	192,932	111,180	91,340	360,809	818,677
Expenses included with revenues on the statement of activities	(25,567)					(25,567)
Expenses included in the expense section of the statement of activities	\$ 36,849	\$ 192,932	\$ 111,180	\$ 91,340	\$ 360,809	\$ 793,110

See accompanying notes.

OMICRON DELTA KAPPA SOCIETY, 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 Society, Inc. (the Society) is presented to assist in understanding the Society's financial statements. The financial statements and notes are representations of the Society'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 Society is an academic organization located in Lexington, Kentucky, which recognizes those who have attained a high standard of leadership and scholastic achievement and inspire others to proactively pursue similar goals. Most of the Society's revenue is derived from membership dues and charter fees received from various chapters (the Circles) around the country.

Basis of Accounting:

The financial statements of the Society have been prepared on 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 Society have been prepared following the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Society 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. All of the Society's net assets are unrestricted in nature.

Allocation of Expenses:

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

Cash and Cash Equivalents:

For purposes of reporting cash flows, the Society considers all certificates of deposits purchased with an original maturity of three months or less to be cash equivalents.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable:

Accounts receivable consist of Circle dues and fees owed for memberships and chartering privileges and other miscellaneous charges. Management believes there is no risk of loss associated with these receivables and accordingly, no provision for bad debts has been provided for in the accompanying financial statements.

Inventories:

Inventories consist of jewelry, honor cords, honor stoles, and other items sold to Circle members. Inventories are stated at the lower of average cost or market value determined by the first-in, first-out method.

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 \$6,609 and \$4,323, respectively.

Unearned Fees:

Unearned fees represent excess fees collected by the Society on behalf of numerous Circles. Currently, the Society provides the option of refunding these fees, or allowing the balance to carry over into the next year, until such time as the fees are earned. As of June 30, 2009 and 2008, unearned fees amounted to \$1,826 and \$2,915, respectively.

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.

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

NOTE 2 - RELATED PARTY

The Omicron Delta Kappa Foundation, Inc. (the Foundation) is a not-for-profit organization whose major function is to raise money for scholarships and support, as needed for the operations of 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. 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 Society do not include the assets, liabilities and net assets of the Foundation 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. 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 3 - OFFICE EQUIPMENT

At June 30, 2009 and 2008, office equipment amounted to \$57,554 and \$48,566, respectively. At June 30, 2009 and 2008, accumulated depreciation amounted to \$33,742 and \$29,872, respectively.

NOTE 4 - IN-KIND CONTRIBUTIONS

For the years ended June 30, 2009 and 2008, the Society received donated legal services by professional counsel and donated accounting services. These services pertained to corporate matters of the Society. Had the Society not received these services as a contribution, they would have incurred expenses of \$15,310 and \$12,624, respectively. Pursuant to Statement of Financial Accounting Standard No. 116, these amounts are reflected in the accompanying statements of activities. In addition, the Society received in-kind contributions of office rent of \$9,000 in 2009 and 2008, respectively. See the discussion at Note 7.

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

NOTE 5 - INCOME TAX STATUS

The Society 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 reported in the accompanying financial statements.

NOTE 6 - RETIREMENT PLAN

In fiscal year 2007, the Society initiated a defined contribution retirement plan. Eligible employees may contribute up to the maximum amount allowed by the Internal Revenue Code. If an employee contributes five percent of compensation, the Society will contribute ten percent of the employee's compensation. Plan expense totaled \$29,025 and \$26,308 for the years ended June 30, 2009 and 2008, respectively.

NOTE 7 - LEASE

The Society shares office space and related expenses with the Foundation. The Society 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 \$10,600 for each of the years ended June 30, 2009 and 2008, respectively.

Future minimum rentals are \$1,500 each for fiscal years ended June 30, 2010 through 2011. The aggregate of future minimum rentals is \$3,000.

NOTE 8 - COMMITMENTS

The Society has entered into a contract with a hotel to obtain discounted rates for its 2010 national convention. The contract provides for penalties if the Society cancels or does not meet a minimum threshold for reservations.

NOTE 9 - 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. At June 30, 2009 and 2008, no amounts were owed to the Society for management fees.