

TRIANGLE EDUCATION FOUNDATION

June 30, 2021

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
INCLUDING SUPPLEMENTARY INFORMATION*

**TRIANGLE EDUCATION FOUNDATION
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Triangle Education Foundation
Plainfield, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Triangle Education Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Triangle Education Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Correction of Error

As discussed in the Correction of an Error note to the financial statements, an error was discovered by management of Triangle Education Foundation during the current year resulting in changes to amounts previously reported for net assets without donor restrictions and net assets with donor restrictions as of June 30, 2020 and 2019. Accordingly, amounts reported for these items have been restated in the 2021 financial statements now presented. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

VonLehman & Company Inc.

Indianapolis, Indiana
November 1, 2021

**TRIANGLE EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION**

ASSETS

| | June 30, | |
|--|--------------------------|--------------------------|
| | 2021 | Restated 2020 |
| | | |
| Assets | | |
| Cash and Cash Equivalents | \$ 795,165 | \$ 575,845 |
| Accounts Receivable from Related Parties | 1,864 | 14,877 |
| Other Accounts Receivable | 57,753 | 41,939 |
| Student Loans Receivable, Net | 9,276 | 13,630 |
| Unconditional Promises to Give, Net | 1,001,808 | 1,142,841 |
| Prepaid Expenses | 330 | - |
| Investments | 10,846,713 | 8,143,358 |
| Note Receivable from Triangle Building and Housing Corporation | 600,000 | 800,000 |
| Property and Equipment, Net | <u>6,833</u> | <u>10,254</u> |
| Total Assets | <u>\$ 13,319,742</u> | <u>\$ 10,742,744</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|--------------------------|--------------------------|
| Liabilities | | |
| Accounts Payable | \$ 35,623 | \$ 16,747 |
| Accrued Payroll | 29,792 | 29,792 |
| Due to Affiliates | 50,901 | 27,695 |
| Refundable Advance - Payroll Protection Program | 72,422 | 73,500 |
| Obligation Under Split-Interest Agreement | 23,603 | 29,593 |
| Rabbi Trust | <u>41,721</u> | <u>25,774</u> |
| Total Liabilities | <u>254,062</u> | <u>203,101</u> |
| Net Assets | | |
| Without Donor Restrictions | 3,863,274 | 2,886,141 |
| With Donor Restrictions | <u>9,202,406</u> | <u>7,653,502</u> |
| Total Net Assets | <u>13,065,680</u> | <u>10,539,643</u> |
| Total Liabilities and Net Assets | <u>\$ 13,319,742</u> | <u>\$ 10,742,744</u> |

See accompanying notes.

TRIANGLE EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|-------------------|
| Revenue, Support, and Gains | | | |
| Contributions | \$ 441,511 | \$ 360,395 | \$ 801,906 |
| Charitable Housing Campaign Contributions | - | 575,346 | 575,346 |
| Campaign Management Fees | 157,000 | - | 157,000 |
| Alumni Engagement Campaign Fees | 1,000 | - | 1,000 |
| Investment Return, Net | 769,469 | 1,740,089 | 2,509,558 |
| Other Income | 26,263 | - | 26,263 |
| Total Revenue, Support, and Gains | 1,395,243 | 2,675,830 | 4,071,073 |
| Net Assets Released From Restriction | 1,180,149 | (1,180,149) | - |
| Total Revenue, Support, Gains and Reclassifications | 2,575,392 | 1,495,681 | 4,071,073 |
| Expenses | | | |
| Program Services | 1,101,047 | - | 1,101,047 |
| Fundraising | 315,950 | - | 315,950 |
| Management and General | 128,039 | - | 128,039 |
| Total Expenses | 1,545,036 | - | 1,545,036 |
| Change in Net Assets | 1,030,356 | 1,495,681 | 2,526,037 |
| Transfers | (53,223) | 53,223 | - |
| Net Assets, Beginning of Year | 2,886,141 | 7,653,502 | 10,539,643 |
| Net Assets, End of Year | \$ 3,863,274 | \$ 9,202,406 | \$ 13,065,680 |

See accompanying notes.

**TRIANGLE EDUCATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020 - RESTATED**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|----------------------|
| Revenue, Support, and Gains | | | |
| Contributions | \$ 249,892 | \$ 656,971 | \$ 906,863 |
| Charitable Housing Campaign Contributions | - | 743,100 | 743,100 |
| Campaign Management Fees | 110,000 | - | 110,000 |
| Investment Return, Net | <u>112,152</u> | <u>264,845</u> | <u>376,997</u> |
| Total Revenue, Support, and Gains | 472,044 | 1,664,916 | 2,136,960 |
| Net Assets Released From Restriction | <u>651,040</u> | <u>(651,040)</u> | <u>-</u> |
| Total Revenue, Support, Gains and Reclassifications | <u>1,123,084</u> | <u>1,013,876</u> | <u>2,136,960</u> |
| Expenses | | | |
| Program Service | 756,160 | - | 756,160 |
| Fundraising | 278,174 | - | 278,174 |
| Management and General | <u>117,464</u> | <u>-</u> | <u>117,464</u> |
| Total Expenses | <u>1,151,798</u> | <u>-</u> | <u>1,151,798</u> |
| Change in Net Assets | <u>(28,714)</u> | <u>1,013,876</u> | <u>985,162</u> |
| Net Assets, Beginning of Year (Restated) | <u>2,914,855</u> | <u>6,639,626</u> | <u>9,554,481</u> |
| Net Assets, End of Year (Restated) | <u>\$ 2,886,141</u> | <u>\$ 7,653,502</u> | <u>\$ 10,539,643</u> |

See accompanying notes.

**TRIANGLE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

| | Program Services | Fundraising | Management and General | Total |
|--------------------------------------|-----------------------------|--------------------|-----------------------------------|---------------------|
| Salaries and Benefits | \$ 194,349 | \$ 262,268 | \$ 69,818 | \$ 526,435 |
| Scholarships and Grants | 802,938 | - | - | 802,938 |
| Meetings and Travel | 19,895 | 14,654 | 3,282 | 37,831 |
| Printing, Postage and Delivery | 15,337 | 13,323 | 5,127 | 33,787 |
| Special Events and Marketing | 4,034 | 8,443 | - | 12,477 |
| Occupancy | 9,250 | 3,700 | 5,549 | 18,499 |
| Professional Fees | 6,316 | - | 14,737 | 21,053 |
| Repairs, Maintenance and IT | 14,000 | 7,954 | 17,817 | 39,771 |
| Bank and Credit Card Processing Fees | 2,792 | 1,861 | 4,654 | 9,307 |
| Insurance | 3,907 | 1,563 | 2,343 | 7,813 |
| Bad Debt Expense | 24,202 | - | - | 24,202 |
| Miscellaneous | 2,659 | 1,500 | 3,343 | 7,502 |
| Depreciation | <u>1,368</u> | <u>684</u> | <u>1,369</u> | <u>3,421</u> |
| Total Expenses by Function | \$ 1,101,047 | \$ 315,950 | \$ 128,039 | \$ 1,545,036 |

See accompanying notes.

**TRIANGLE EDUCATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

| | Program Services | Fundraising | Management and General | Total |
|--------------------------------------|-----------------------------|--------------------|-----------------------------------|---------------------|
| Salaries and Benefits | \$ 128,701 | \$ 217,535 | \$ 52,438 | \$ 398,674 |
| Scholarships and Grants | 511,008 | - | - | 511,008 |
| Meetings and Travel | 29,209 | 17,803 | 7,974 | 54,986 |
| Printing, Postage and Delivery | 14,447 | 13,134 | 5,253 | 32,834 |
| Special Events and Marketing | 3,420 | 13,678 | - | 17,098 |
| Occupancy | 8,548 | 3,419 | 5,128 | 17,095 |
| Professional Fees | 7,370 | - | 17,198 | 24,568 |
| Repairs, Maintenance and IT | 10,315 | 6,877 | 17,191 | 34,383 |
| Bank and Credit Card Processing Fees | 2,589 | 1,726 | 4,315 | 8,630 |
| Insurance | 3,720 | 1,488 | 2,231 | 7,439 |
| Bad Debt Expense | 32,513 | - | - | 32,513 |
| Miscellaneous | 2,126 | 1,417 | 3,542 | 7,085 |
| Depreciation | <u>2,194</u> | <u>1,097</u> | <u>2,194</u> | <u>5,485</u> |
| Total Expenses by Function | \$ 756,160 | \$ 278,174 | \$ 117,464 | \$ 1,151,798 |

See accompanying notes.

**TRIANGLE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS**

| | June 30, | |
|--|-------------------|-------------------|
| | 2021 | 2020 |
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 2,526,037 | \$ 985,162 |
| Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities | | |
| Depreciation | 3,421 | 5,485 |
| Bad Debt | 24,202 | 32,513 |
| Realized and Unrealized Gains on Investments | (2,290,017) | (112,691) |
| Contribution of Stock | (165,185) | (31,413) |
| Changes in Assets and Liabilities | | |
| Accounts Receivable from Related Parties | 13,013 | 11,026 |
| Other Accounts Receivable | (15,814) | (27,819) |
| Unconditional Promises to Give, Net | 116,831 | (575,707) |
| Prepaid Expenses | (330) | - |
| Accounts Payable | 18,876 | (21,139) |
| Due to Affiliates | 23,206 | 1,974 |
| Obligation Under Split-Interest Agreement | (5,990) | - |
| Refundable Advance - Payroll Protection Program | (1,078) | 73,500 |
| Rabbi Trust | <u>15,947</u> | <u>962</u> |
| Net Cash Provided by Operating Activities | <u>263,119</u> | <u>341,853</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sale of Investments | 1,295,632 | 3,482,239 |
| Purchase of Investments | (1,543,785) | (4,061,707) |
| Student Loan Receipts (Disbursements) | 4,354 | (1,500) |
| Payments Received on Notes Receivable | <u>200,000</u> | <u>200,000</u> |
| Net Cash Used by Investing Activities | <u>(43,799)</u> | <u>(380,968)</u> |
| Net Change in Cash and Cash Equivalents | 219,320 | (39,115) |
| Cash and Cash Equivalents, Beginning of Year | <u>575,845</u> | <u>614,960</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 795,165</u> | <u>\$ 575,845</u> |

See accompanying notes.

**TRIANGLE EDUCATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The mission of the Triangle Education Foundation (the Organization) is to minister to the educational needs of members of Triangle Fraternity (the Fraternity). The Organization provides non-interest bearing loans to undergraduate students and scholarships and grants to students, chapters, and the Fraternity, sponsors various seminars, and publishes educational materials.

The Organization's viability is dependent on contributions and the Organization's ability to collect on fundraising campaign contracts.

Use of Estimates

The process of preparing financial statements in conformity with 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.

Accounts Receivable

Accounts receivable are stated at contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account or pledge has not been paid in full within the contractual terms of the account or the anticipated due date. The Organization begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Organization's collection history, the financial stability and recent payment history of the organizations and chapters, and other pertinent factors. Accounts receivable are written off as uncollectible after the Organization has used reasonable collection efforts and deems them uncollectible. Based on these criteria, no allowance for doubtful accounts has been provided at both June 30, 2021 and 2020 since the Organization does not expect any material losses.

Student Loans Receivable

The Organization conducts a loan program under which the students may borrow up to \$3,000 interest-free. Monthly payments on the loans are deferred until three months after the borrower's graduation date. Student loans receivable are stated at the amount management expects to collect from outstanding balances. The Organization begins to assess its ability to collect student loan receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Organization's collection history, the financial stability and recent payment history of the students, and other pertinent factors. Student loans receivable are written off as uncollectible after the Organization has used reasonable collection efforts and deems them uncollectible. Based on these criteria, the Organization has estimated an allowance for doubtful loans of \$0- and \$520 at June 30, 2021 and 2020 for uncollectible student loans receivable.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Based on these criteria, the Organization has estimated an allowance for uncollectible promises to give at June 30, 2021 and 2020 of \$14,276 and \$9,992, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 (loss) 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. 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.

Nonmarketable Equity Investments

The Organization holds certain nonmarketable equity investments for which the equity method of accounting does not apply. These equity investments do not have a readily determinable fair value. The Organization reports these investments using the measurement alternative whereby the equity investments are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in "orderly transactions" for identical or similar investments of the same issuer. Any realized gains and losses on the sale of nonmarketable equity investments are included in investment return, net.

Nonmarketable equity investments are reviewed for impairment on an annual basis. Investments are considered impaired when the fair value of the investment has declined below the investment's adjusted cost basis. If an impairment is determined to be an other-than-temporary impairment, the Organization writes down the cost of the investment to fair value. No adjustments were deemed necessary during the years ended June 30, 2021 and 2020.

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value at the date of donation, and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized for items in excess of \$500.

The useful lives of property and equipment for purposes of computing depreciation are:

| | |
|--------------------|--------------|
| Computer Equipment | 5 Years |
| Computer Software | 10 Years |
| Office Equipment | 5 – 10 Years |

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment. No adjustments were deemed necessary during both the years ended June 30, 2021 and 2020.

Split-Interest Agreement

The Organization serves as a trustee for an irrevocable charitable gift annuity which requires future payments to the annuitants. The original assets received from the donor were recorded at fair value and are included in investments at June 30, 2021 and 2020. The Organization has recorded a liability which represents the present value of the future annuity obligations using a rate of 4.13%. This liability has been determined based on the annuitants' life expectancy.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Funds Received on Behalf of Others**

The Organization performs fundraising services under charitable fundraising campaign agreements with various chapters affiliated with the Fraternity. Under these agreements, the Organization may accept non-deductible contributions in support of the chapter house expenses and transfers the funds directly to the chapter on behalf of the donor. The Organization records the receipt of the cash donations or unconditional promises to give and a corresponding liability to the chapter. The Organization does not have variance power over these donations received.

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 (or certain grantor) restrictions. The governing board has designated from net assets without donor restrictions net assets for specific purposes (see Board Designated Net Assets note).

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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.

All 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.

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 and at a point in 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.

Service revenue from campaign management and alumni engagement contracts is recognized over time utilizing an input method and aligns with when the services are provided. Typically, revenue is recognized in the amount of the invoices since that amount corresponds directly to the estimated value of the Organization's performance to date.

Under the campaign management and alumni engagement contracts, the Organization recognizes revenue from reimbursements of certain expenses incurred while performing under the contracts at the point in time the expenses are incurred.

Revenue from Contributions

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In April 2020, the Organization received funding in the amount of \$73,500 under the Paycheck Protection Program (PPP). In February 2021, the Organization received funding in the amount of \$72,422. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying organizations. The loans and accrued interest are forgivable within a 24-week period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains other designated thresholds. The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1% with a deferral of payments until the date that the lender receives the forgiveness amount from the SBA. The Organization intends to use the proceeds for purposes consistent with the PPP. The Organization accounts for the PPP funding in accordance with ASC 958-605 Revenue Recognition for Nonprofit Entities. Revenue is recognized as eligible expenses and other conditions are substantially met or incurred. At June 30, 2021 and 2020, the Organization recognized revenue of \$73,500 and \$-0-, respectively, and a refundable advance of \$72,422 and \$73,500, respectively, for the amounts the Organization has yet to satisfy the conditions as of year end. The Organization considers formal forgiveness as a condition of recognizing the revenue.

Donated Services, Equipment, and In-Kind Contributions

Donations of equipment and in-kind contributions are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization has significant time contributed to its mission through volunteers, however, the statements of activities do not reflect the value of these services as they do not meet recognition criteria required under U.S. GAAP.

Retirement Plans

The Organization has a SIMPLE IRA plan (the Plan) which covers substantially all full-time employees. Plan participants may elect to contribute up to the annual allowable amount as determined by the Internal Revenue Service. Employer contributions are discretionary and are determined and authorized by the Board of Directors each Plan year. By its nature, the Plan is fully funded.

In 2014, the Organization established a Rabbi Trust for the benefit of the Organization's president. Under the terms of the trust agreement, the Organization is required to contribute a minimum of \$2,000 annually into the trust.

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 presents 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 benefits, meetings and travel, printing, postage and delivery, special events and marketing, occupancy, professional fees, repairs, maintenance and IT, bank fees, insurance, miscellaneous, and depreciation, which are allocated on the basis of estimates of time and effort.

Income Tax Status

Triangle Education Foundation is an Indiana nonprofit organization as described in Section 501©(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to the Internal Revenue Code.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 June 30, 2021 and 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 statute 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 June 30, 2021 and 2020.

Recently Issued Significant Accounting Standard

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 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 November 1, 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 were comprised of the following:

| | June 30, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Financial Assets, End of Year | | |
| Cash and Cash Equivalents | \$ 795,165 | \$ 575,845 |
| Accounts Receivable from Related Parties | 1,864 | 14,877 |
| Other Accounts Receivable | 57,753 | 41,939 |
| Current Portion of Student Loans Receivable | 8,441 | 5,500 |
| Unconditional Promises to Give | 1,001,808 | 1,142,841 |
| Investments | 10,846,713 | 8,143,358 |
| Note Receivable from | | |
| Triangle Building and Housing Corporation | <u>600,000</u> | <u>800,000</u> |
| Total Financial Assets | 13,311,744 | 10,724,360 |
| Less Amounts Not Available to be Used for General Expenditures within One Year | | |
| Net Assets With Donor Restrictions | 9,202,406 | 7,653,502 |
| Board Designated Net Assets | 2,033,105 | 1,657,294 |
| Investments in Privately Held Organizations | <u>125,250</u> | <u>125,250</u> |
| Total Financial Assets Available | <u>\$ 1,950,983</u> | <u>\$ 1,288,314</u> |

The Organization is funded primarily through contributions and earnings on investments. As part of the Organization's liquidity management, the Organization invests cash in excess of operating requirements in short-term investments and money market funds. The Board has designated net assets for specific use. Although the Organization does not plan to spend from the board-designated net asset fund for general use, these amounts could be made available if necessary.

NOTE 3 – CASH AND CASH FLOWS

For purposes of the statements of cash flows, cash and cash equivalents includes cash on hand and cash held in checking, savings, and money market accounts.

At various times throughout the year, the Organization may have cash and cash equivalents in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 for each business depositor. Cash equivalents that are held in brokerage accounts are protected by the 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.

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were as follows:

| | June 30, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Amounts Promised | | |
| Within One Year | \$ 95,696 | \$ 231,714 |
| In One to Five Years | 898,342 | 899,073 |
| Over Five Years | <u>26,667</u> | <u>26,667</u> |
| | 1,020,705 | 1,157,454 |
| Less Discount to Net Present Value | 4,621 | 4,621 |
| Less Allowance for Uncollectable Promises | <u>14,276</u> | <u>9,992</u> |
| | <u>\$ 1,001,808</u> | <u>\$ 1,142,841</u> |

Unconditional promises to give due in more than one year are discounted at applicable treasury rates ranging from 0.16% to 1.92%.

NOTE 5 – INVESTMENTS

Investments consisted of the following:

| | | | |
|--|----------------------|---------------------|--|
| Investments Carried at Fair Value | | | |
| Cash Equivalents | \$ 5,834 | \$ 1,655 | |
| Certificates of Deposit | - | 100,394 | |
| Common Stocks | 9,148,891 | 3,091,689 | |
| Mutual Funds | 718,018 | 3,879,184 | |
| Corporate Bonds | <u>-</u> | <u>195,186</u> | |
| | 9,872,743 | 7,268,108 | |
| Investments in Equity Securities Without Readily Determinable Fair Values | <u>973,970</u> | <u>875,250</u> | |
| Total Investments | <u>\$ 10,846,713</u> | <u>\$ 8,143,358</u> | |

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.

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

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.

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 June 30, 2021 and 2020.

Certificates of Deposit: Valued based on the underlying interest rate of the certificate of deposit.

Common Stock: Valued based on the closing price reported on the active market where the individual securities are traded.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held are open-ended mutual funds that are registered with the SEC.

Corporate 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 operating date. All investments measured at fair value held by the Organization at June 30, 2021 and 2020 were measured using Level 1 inputs except for certificates of deposit and corporate bonds, which were valued using Level 2 inputs.

Investments in equity securities without readily determinable fair values are reported using the measurement alternative whereby the securities are measured at their cost less any impairment, plus or minus changes resulting from observable price changes in "orderly transactions," for the identical or similar investment of the same issuer. During the years ended June 30, 2021 and 2020 there were no changes resulting from impairment or observable price changes.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credits 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 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consisted of the following:

| | June 30, | |
|-----------------------------------|---------------|---------------|
| | 2021 | 2020 |
| Computer Equipment | \$ 10,819 | \$ 10,819 |
| Computer Software | 34,200 | 34,200 |
| Office Equipment | <u>9,920</u> | <u>9,920</u> |
| | 54,939 | 54,939 |
| Less Accumulated Depreciation | <u>48,106</u> | <u>44,685</u> |
| | \$ 6,833 | \$ 10,254 |
| Total Property and Equipment, Net | | |

NOTE 8 - BOARD DESIGNATED NET ASSETS

The Board designated net assets for the following purposes:

| | | |
|-----------------------------------|---------------|---------------|
| Pritchard Fund | \$ - | \$ 28,535 |
| Gargani Academic U | 148,720 | 101,081 |
| Garatoni Man Fund | 551,348 | 464,795 |
| Duhan RLC Fund | 1,284,551 | 1,023,307 |
| World Fund | 198 | 83 |
| Echelberger Leadership Fund | <u>48,288</u> | <u>39,493</u> |
| | \$ 2,033,105 | \$ 1,657,294 |
| Total Board Designated Net Assets | | |

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

Subject to the Passage of Time

| | | |
|--|------------|------------|
| Unconditional Promises to Give Not Subject to Expenditure for Specified Purpose | \$ 133,843 | \$ 403,162 |
|--|------------|------------|

Subject to Expenditure for Specified Purpose

| | | |
|--|---------------------|---------------------|
| Educational Scholarships and Grants | <u>9,068,563</u> | <u>7,250,340</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 9,202,406</u> | <u>\$ 7,653,502</u> |

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

| | Years Ended June 30, | |
|---|----------------------|-------------------|
| | 2021 | 2020 |
| Expiration of Time Restrictions | \$ 269,319 | \$ 46,871 |
| Satisfaction of Purpose Restrictions and Appropriations | | |
| Educational Scholarships and Grants | 712,438 | 438,352 |
| Administrative Fees | <u>198,392</u> | <u>165,817</u> |
| Total Net Assets Released From Restrictions | <u>\$ 1,180,149</u> | <u>\$ 651,040</u> |

NOTE 10 - REVENUE FROM CONTRACTS WITH CUSTOMERS

All revenue from contracts with customers for the years ended June 30, 2021 and 2020 was recognized over a period of time.

NOTE 11 - IN-KIND CONTRIBUTIONS

The Organization received an in-kind contribution of stock with a fair value of \$165,185 and \$31,413 during the years ended June 30, 2021 and 2020, respectively.

NOTE 12 - RETIREMENT PLAN EXPENSE

During the years ended June 30, 2021 and 2020, the Organization incurred expenses related to the Organization sponsored retirement plans in the amount of \$13,436 and \$10,003, respectively.

NOTE 13 - AFFILIATED ORGANIZATIONS**Triangle Fraternity**

Triangle Fraternity (the Fraternity), a national college fraternity, is a legally separate entity from the Organization. One of the directors of the Organization is a director on the board of the Fraternity. The accounts of the Fraternity have not been combined with the Organization in the accompanying financial statements. The significant transactions and balances between the Organization and Fraternity are as follows:

Operating Lease – The Organization entered into an agreement to rent office space from the Fraternity to function as its national headquarters.

NOTE 13 - AFFILIATED ORGANIZATIONS (Continued)

Future annual rental payments required under this lease are as follows:

| Years Ending <u>June 30,</u> | |
|---------------------------------|-----------------|
| 2022 | <u>\$ 8,344</u> |

Reimbursement of Shared Costs – The Organization and Fraternity share certain personnel, operating facilities, equipment, travel, software, and other operating costs.

Grants to Fraternity – The Organization provided grants to the Fraternity to assist with educational and leadership programming.

Following is a summary of transactions and balances with the Fraternity:

| | Years Ended June 30, | |
|---|----------------------|-----------|
| | 2021 | 2020 |
| Transactions with the Fraternity | | |
| Rent Paid to the Fraternity under Operating Lease | \$ 8,344 | \$ 8,344 |
| Shared Cost Reimbursement to the Fraternity | 54,907 | 62,410 |
| Shared Cost Reimbursement from the Fraternity | 9,485 | 25,294 |
| Grants to the Fraternity | 84,417 | 75,426 |
| Balances at June 30 | | |
| Due to the Fraternity | \$ 27,832 | \$ 19,495 |
| Due from the Fraternity | 1,519 | 4,111 |

Triangle Building and Housing Corporation

Triangle Building and Housing Corporation (TBHC) is a legally separate entity organized to provide housing, financing, and related goods and services to local chapters and housing corporations affiliated with the Fraternity. The accounts of TBHC have not been combined with the Organization in the accompanying financial statements. The significant transactions and balances between the Organization and TBHC are as follows:

Reimbursement of Shared Costs – The Organization shared certain operating costs with TBHC during the years ended June 30, 2021 and 2020. Following is a summary of the shared costs and amounts due to and from TBHC.

| | Years Ended June 30, | |
|-------------------------------------|----------------------|----------|
| | 2021 | 2020 |
| Transactions with TBHC | | |
| Shared Cost Reimbursement to TBHC | \$ 6,920 | \$ 5,907 |
| Shared Cost Reimbursement from TBHC | 15,060 | 6,987 |
| Balances at June 30 | | |
| Due to TBHC | \$ 3,000 | \$ 3,000 |
| Due from TBHC | 345 | 10,766 |

NOTE 13 - AFFILIATED ORGANIZATIONS (Continued)

Note Receivable – The Organization entered into a \$1,000,000 debenture agreement with TBHC during the year ended June 30, 2019. TBHC agrees to pay the Organization \$1,000,000 with interest at the prime rate plus 1%. The outstanding balance on the debenture is due on July 10, 2023, but the Organization can request payment at any time. The Organization requested and received payment on the debenture of \$200,000 in both December 2019 and December 2020. At June 30, 2021 and 2020, the outstanding balance was \$600,000 and \$800,000, respectively. During the years ended June 30, 2021 and 2020, the Organization recognized \$29,762 and \$50,364 of interest revenue, respectively, on the note receivable.

NOTE 14 - CONCENTRATIONS

At June 30, 2021, unconditional promises to give from two donors accounted for 58% of total unconditional promises to give.

During the year ended June 30, 2020, contributions from one individual donor accounted for 27% of total contribution revenue. At June 30, 2020, unconditional promises to give from two donors accounted for 54% of total unconditional promises to give.

NOTE 15 - RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

During 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 and 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.

NOTE 16 - CORRECTION OF AN ERROR

An error resulting in a misstatement of previously reported net asset balances as of June 30, 2019 was discovered by management during the current year. Accordingly, the following net asset amounts have been restated:

| | Previously Reported | Correction | Restated |
|---|------------------------|--------------|--------------|
| Without Donor Restrictions at June 30, 2019 | \$ 2,814,238 | \$ 100,617 | \$ 2,914,855 |
| With Donor Restrictions at June 30, 2019 | \$ 6,740,243 | \$ (100,617) | \$ 6,639,626 |
| Without Donor Restrictions at June 30, 2020 | \$ 2,785,524 | \$ 100,617 | \$ 2,886,141 |
| With Donor Restrictions at June 30, 2020 | \$ 7,754,119 | \$ (100,617) | \$ 7,653,502 |

SUPPLEMENTARY INFORMATION

TRIANGLE EDUCATION FOUNDATION
SCHEDULES OF NET ASSETS WITH DONOR RESTRICTIONS

| | June 30, | |
|--|---------------|------------------|
| | 2021 | Restated 2020 |
| Multi-Year Unrestricted Pledges Receivable | \$ 133,843 | \$ 403,162 |
| Healey Scholarship Fund | 38,479 | 31,631 |
| Hong Scholarship Fund | 598,525 | 485,546 |
| Larson Scholarship Fund | 49,919 | 41,107 |
| Kahlert Scholarship Fund | 332,555 | 273,195 |
| Mortin Scholarship Fund | 123,154 | 101,226 |
| Sabbagh Scholarship Fund | 207,761 | 169,942 |
| Sevcik Scholarship Fund | 19,592 | 16,105 |
| Rust Scholarship Fund | 117,427 | 96,402 |
| Kapadia Scholarship Fund | 416,188 | 342,019 |
| Bye Scholarship Fund | 101,835 | 83,591 |
| Gargani Education Fund | 70,128 | 56,438 |
| Favor Scholarship Fund | 84,449 | 69,441 |
| Schmitt Scholarship Fund | 26,995 | 18,215 |
| Better Man Program | 2,661 | 2,110 |
| Foglesong Scholarship Fund | 79,197 | 65,085 |
| Henderson Scholarship Fund | 27,826 | 22,803 |
| Miller Presidential Leadership Academy | 290,652 | 232,213 |
| Wakerly Leadership Advantage | 53,124 | 43,330 |
| Stocco Scholarship Fund | 33,847 | 28,067 |
| Kahlert Academic Recognition Award | 134,830 | 107,768 |
| Troup Scholarship Fund | 49,826 | 38,804 |
| Garatoni Chapter Education Fund | 450,000 | 450,000 |
| Michigan State Chapter Education Fund | 214,472 | 172,118 |
| Michigan Chapter Education Fund | 185,946 | 155,141 |
| Rose-Hulman Chapter Education Fund | 63,727 | 53,046 |
| Toledo Chapter Education Fund | 116,018 | 96,624 |
| Oklahoma Chapter Education Fund | 52,938 | 43,501 |
| Pitt Chapter Education Fund | 68,669 | 55,284 |
| Marquette Chapter Education Fund | 822,276 | 664,723 |
| Missouri Minds Chapter Education Fund | 33,054 | 26,421 |
| Penn State Chapter Education Fund | 49,390 | 41,026 |
| South Dakota Mines Chapter Education Fund | 44,361 | 117,468 |
| MSOE Chapter Education Fund | 72,964 | 56,643 |
| Colorado State Chapter Education Fund | 60,537 | 49,537 |
| Iowa State Chapter Education Fund | 283,312 | 184,022 |
| Armour Chapter Education Fund | 66,329 | 52,107 |
| Kansas State Chapter Education Fund | 53,765 | 44,352 |
| Ohio State Chapter Education Fund | 680,411 | 571,166 |
| Kentucky Chapter Education Fund | 41,146 | 32,450 |
| Kentucky Chapter House | - | 6,508 |
| Pierre & SE Leroy | 3,581 | 2,793 |
| Illinois Chapter Education Fund | 50,921 | 41,026 |
| Utah Chapter Education Fund | 30,174 | 24,247 |
| J. McClelland Memorial Scholarship | 36,402 | 29,887 |
| Sub-Total | 6,473,206 | 5,698,290 |

TRIANGLE EDUCATION FOUNDATION
SCHEDULES OF NET ASSETS WITH DONOR RESTRICTIONS
(Continued)

| | June 30, | |
|---|-----------------|--------------------------|
| | 2021 | Restated 2020 |
| Sub-Total Amount Brought Forward | \$ 6,473,206 | \$ 5,698,290 |
| Kansas Chapter Education Fund | 169,641 | 122,824 |
| Ness A C Armour Chapter Education Fund | 121,773 | 98,380 |
| Kahlert 1st Robotics Fund | 58,237 | 59,499 |
| Rose Tech House Fund | 162,296 | 130,142 |
| Michigan Tech House Fund | 16,536 | 13,313 |
| Sonnenberg Scholarship Fund | 36,845 | 31,319 |
| Kleist JUCO Scholarship Fund | 68,999 | 54,699 |
| Duhan Iowa State Scholarship Fund | 283,733 | 268,137 |
| Templin Scholarship Fund | 72,030 | 59,308 |
| Nebraska Chapter Education Fund | 16,002 | 12,850 |
| Louisville Chapter Education Fund | 123,624 | 102,558 |
| Iowa State House Fund | 459,807 | 558,124 |
| Purdue University 1958 Chapter Education Fund | 59,461 | 48,839 |
| Purdue University 1953 Chapter Education Fund | 50,289 | 41,132 |
| Washington Chapter Education Fund | 48,966 | 40,249 |
| Penn State Behrend | 120,640 | 98,022 |
| Clemson Chapter Education Fund | 30,729 | 24,720 |
| Michigan Tech Chapter Education Fund | 165,143 | 132,904 |
| Cal Poly Pomona Chapter Education Fund | 30,467 | - |
| VCU Chapter Education Fund | 10,613 | 3,411 |
| Wisconsin Chapter Education Fund | 30,880 | 25,000 |
| Minnesota Chapter Education Fund | 31,030 | 25,000 |
| Michigan House Fund | 92,298 | 4,782 |
| Illinois House Fund | 47,818 | - |
| UCLA Chapter Education Fund | 106 | - |
| UCLA House Fund | 54,313 | - |
| South Dakota Mines Terry Newlin Scholarship | 97,643 | - |
| CEL Educational Program Fund | 1,500 | - |
| Income Sharing Agreement Fund | 267,781 | - |
| Total Net Assets With Donor Restrictions | \$ 9,202,406 | \$ 7,653,502 |