

**Delta Mu Delta  
Honor Society**

**Financial Statements  
and  
Independent Auditor's Report  
For the Year Ended  
June 30, 2014**

**Wolf & Company LLP**  
Certified Public Accountants

## CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Assets and Net Assets - Cash Basis	3
Statements of Revenue and Expenses and Changes in Net Assets - Cash Basis	4
Notes to the Financial Statements	5-8

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Delta Mu Delta Honor Society

We have audited the accompanying financial statements of DELTA MU DELTA HONOR SOCIETY (an Illinois corporation), which comprise the statement of assets and net assets - cash basis as of June 30, 2014, and the related statement of revenue and expenses and changes in net assets - cash basis for the year 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 the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 auditor considers 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 assets and net assets of Delta Mu Delta Honor Society as of June 30, 2014, and its revenue and expenses and changes in net assets for the year then ended, in accordance with the basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Delta Mu Delta Honor Society's 2013 financial statements, and our report dated October 16, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Oakbrook Terrace, Illinois  
October 15, 2014

*Wolf & Company LLP*

DELTA MU DELTA HONOR SOCIETY  
STATEMENTS OF ASSETS AND NET ASSETS - CASH BASIS

ASSETS

	<u>General Fund</u>	<u>Scholarship Fund</u>	<u>June 30,</u>	
			<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 491,366	\$ 47,306	\$ 538,672	\$ 479,933
Investments	155,797	633,297	789,094	777,860
Security deposit	<u>2,124</u>	<u>-</u>	<u>2,124</u>	<u>2,124</u>
 Total assets	 <u>\$ 649,287</u>	 <u>\$ 680,603</u>	 <u>\$ 1,329,890</u>	 <u>\$ 1,259,917</u>

NET ASSETS

Unrestricted:				
Undesignated	\$ 414,447	\$ -	\$ 414,447	\$ 399,839
Board designated	232,716	305,116	537,832	517,616
Temporarily restricted	2,124	3,000	5,124	4,000
Permanently restricted	<u>-</u>	<u>372,487</u>	<u>372,487</u>	<u>338,462</u>
 Total net assets	 <u>\$ 649,287</u>	 <u>\$ 680,603</u>	 <u>\$ 1,329,890</u>	 <u>\$ 1,259,917</u>

The accompanying notes are an integral part of these financial statements, and the accompanying independent auditor's report should be read in conjunction herewith.

DELTA MU DELTA HONOR SOCIETY  
STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>For the Year Ended June 30,</u>	
				<u>2014</u>	<u>2013</u>
Revenue:					
Membership dues	\$ 457,562	\$ -	\$ -	\$ 457,562	\$ 502,846
Fees	6,500	-	-	6,500	3,500
Contributions	-	-	34,025	34,025	16,245
Investment income	11,407	-	-	11,407	12,073
Chapter services	177,916	-	-	177,916	201,709
Royalties, merchandise sales and other	34,479	-	-	34,479	45,633
Net assets released from restriction	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenue	 <u>688,864</u>	 <u>(1,000)</u>	 <u>34,025</u>	 <u>721,889</u>	 <u>782,006</u>
 Expenses:					
Chapter	121,226	-	-	121,226	124,492
Scholarships	57,000	-	-	57,000	45,500
General operating	381,433	-	-	381,433	354,205
Travel and meeting	62,581	-	-	62,581	31,373
Printing and publishing	<u>29,676</u>	<u>-</u>	<u>-</u>	<u>29,676</u>	<u>28,879</u>
 Total expenses	 <u>651,916</u>	 <u>-</u>	 <u>-</u>	 <u>651,916</u>	 <u>584,449</u>
 Increase (decrease) in net assets	 36,948	 (1,000)	 34,025	 69,973	 197,557
 Net assets, beginning of year	 <u>917,455</u>	 <u>4,000</u>	 <u>338,462</u>	 <u>1,259,917</u>	 <u>1,062,360</u>
 Net assets, end of year	 <u>\$ 954,403</u>	 <u>\$ 3,000</u>	 <u>\$ 372,487</u>	 <u>\$ 1,329,890</u>	 <u>\$ 1,259,917</u>

The accompanying notes are an integral part of these financial statements, and the accompanying independent auditor's report should be read in conjunction herewith.

DELTA MU DELTA HONOR SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS

1. General

Delta Mu Delta Honor Society (the Organization) is a not-for-profit organization whose purposes are to promote higher scholarship in education for business and to recognize and reward scholastic attainment in business subjects. After 1992, all new chapters entering the Organization must have their business program accredited by the Accreditation Council for Business Schools and Programs. The Organization's primary sources of revenue are member dues and fees. Delta Mu Delta Honor Society also receives support from contributions and from the sale of various related organizational merchandise.

2. Summary of Significant Accounting Principles

Basis of Accounting - The financial statements of the Organization have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because of the effects of carrying purchased investments at cost rather than at fair value, recognizing revenue upon receipt rather than when earned, and recognizing expenses when paid rather than when incurred.

Basis of Presentation - The Organization reports information regarding its net assets and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of each net asset class follows:

*Unrestricted* - net assets that are not subject to donor-imposed restrictions.

*Temporarily restricted* - net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

*Permanently restricted* - net assets subject to donor-imposed restrictions which require that they be maintained permanently (i.e., in perpetuity) by the Organization. Generally, the donors of those assets permit the Organization to use all or part of the income earned on related investments for specific purposes.

Comparative Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Cash and Cash Equivalents - Except for amounts held by brokers, the Organization considers all highly liquid investments with an initial maturity of three months or less and money market accounts to be cash equivalents.

Restricted and Unrestricted Revenue - Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

DELTA MU DELTA HONOR SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Principles (Cont.)

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before the tax year ending June 30, 2011.

Investments - Purchased investments are recorded at cost. Investments received as contributions are recorded at fair market value at the date of the contribution. The carrying amount of investments is reduced to fair market value if there appears to be a permanent impairment of value.

Financial instruments that potentially subject the Organization to credit and market risk consist principally of temporary cash investments and interest-bearing investments. The Organization places its temporary cash investments and interest-bearing investments with major financial institutions and, by policy, attempts to limit the amount of credit exposure at any one financial institution.

The Organization also has significant investments in marketable securities that are, therefore, subject to market risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable. The Organization's investment policies are to hold all term investments to maturity, which may not exceed five years, and to maintain a minimum of 75% of investments in U.S. Government obligations or U.S. Government guaranteed certificates of deposit.

3. Restricted Net Assets

Permanently restricted net assets are to be held indefinitely. The income from the assets can only be used for scholarships. Temporarily restricted net assets are to be used for expiring scholarships.

4. Commitments

The Organization leases its office space and certain equipment. Rent expense was \$27,874 and \$27,068 for 2014 and 2013, respectively. Future minimum lease payments as of June 30, 2014 are summarized as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 28,511
2016	29,224
2017	29,955
2018	<u>30,704</u>
	<u>\$ 118,394</u>



DELTA MU DELTA HONOR SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS

5. Investments

Investments at cost consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
General fund:		
Cash and money market funds	\$ 91,954	\$ 96,804
Corporate bonds	5,006	-
Certificates of deposit	<u>58,836</u>	<u>58,358</u>
Total general fund	<u>155,797</u>	<u>155,161</u>
Scholarship fund:		
Cash and money market funds	198,161	208,925
Corporate bonds	147,011	130,078
Certificates of deposit	278,121	273,692
Municipal bonds	<u>10,004</u>	<u>10,004</u>
Total scholarship fund	<u>633,297</u>	<u>622,699</u>
	<u>\$ 789,094</u>	<u>\$ 777,860</u>

Investment income consisted of the following for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
General fund:		
Interest and dividends	\$ 811	\$ 828
Scholarship fund:		
Interest and dividends	<u>10,596</u>	<u>11,245</u>
	<u>\$ 11,407</u>	<u>\$ 12,073</u>

6. Marketing Agreements

The Organization entered into an agreement with a magazine publisher whereby the Organization's members receive a one year discounted subscription to a business magazine for \$5.00 per year. The subscription fees are paid by the Organization from membership dues collected. In exchange for the subscriptions, the publisher will reimburse certain marketing expenses of the Organization equal to the subscription fees the publisher collects from the Organization. Subscriptions paid and included in general operating expenses were \$46,805 and \$48,815 in 2014 and 2013, respectively. Marketing expenses reimbursed and included in royalties, merchandise sales, and other revenue were \$31,500 and \$44,500 in 2014 and 2013, respectively. The Organization expects to receive full reimbursement for subscriptions paid as additional reimbursable marketing expenses are incurred.

DELTA MU DELTA HONOR SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS

6. Marketing Agreements (Cont.)

The Organization has entered into an agreement with an insurance company whereby the Organization's members are offered coverage at discounted rates. The agreement requires the insurance company to pay the Organization 1) a fee for each qualified insurance inquiry received from the Organization's members, 2) \$5,000 per calendar year as reimbursement for costs incurred by the Organization in promotion of the program, and 3) \$2,000 per calendar year for a general scholarship fund to be disbursed at the Organization's discretion.

7. Subsequent Events

The Organization has evaluated subsequent events through October 15, 2014, the date the financial statements were available to be issued.