Financial Statements

Kappa Scholarship Endowment Fund, Inc.

For the Years Ended
December 31, 2025 and 2024

Kappa Scholarship Endowment Fund, Inc.

Table of Contents
For the Years Ended December 31, 2025 and 2024

Independent Auditor's Report 2

Statements of Financial Position 4

Statements of Activities and Changes in Net Assets 5

Statements of Functional Expenses 6

Statements of Cash Flows 8

Notes to Financial Statements 9



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kappa Scholarship Endowment Fund, Inc.
Washington, D.C.

Opinion

We have audited the financial statements of the Kappa Scholarship Endowment Fund, Inc. (KSEF), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KSEF as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KSEF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KSEF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KSEF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KSEF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.



May 11, 2026

Kappa Scholarship Endowment Fund, Inc.

Statements of Financial Position
As of December 31, 2025 and 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash	$ 433,161	$ 332,755
Investments	6,488,394	5,584,587
Pledges receivable	8,308	13,458
TOTAL ASSETS	$ 6,929,863	$ 5,930,800

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Scholarships payable, current portion	$ 391,000	$ 431,000
NONCURRENT LIABILITIES		
Scholarships payable, net of current portion	196,000	168,000
Total liabilities	587,000	599,000
NET ASSETS		
Without donor restrictions:		
Board designated for scholarships	6,342,863	5,331,800
TOTAL LIABILITIES AND NET ASSETS	$ 6,929,863	$ 5,930,800

See accompanying notes to financial statements.

Kappa Scholarship Endowment Fund, Inc.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2025 and 2024

	2025	2024
	Without Donor Restrictions	Without Donor Restrictions
SUPPORT AND REVENUE		
Individual contributions	$ 14,655	$ 20,021
Named Endowment Scholarship (NESP) contributions	264,987	283,850
Net investment return	907,808	635,675
Total support and revenue	1,187,450	939,546
EXPENSES		
Program Services - Scholarships Awarded	142,000	232,000
Management and General	34,387	28,951
Total expenses	176,387	260,951
Changes in net assets	1,011,063	678,595
Net assets at beginning of year	5,331,800	4,653,205
NET ASSETS AT END OF YEAR	$ 6,342,863	$ 5,331,800

See accompanying notes to financial statements.

Kappa Scholarship Endowment Fund, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program Services - Scholarships Awarded	Management and General	Total Expenses
Scholarships, net of forfeitures	$ 142,000	$ -	$ 142,000
Professional fees	-	26,936	26,936
Postage	-	1,126	1,126
Insurance	-	3,611	3,611
Other	-	2,714	2,714
TOTAL	$ 142,000	$ 34,387	$ 176,387

See accompanying notes to financial statements.

Kappa Scholarship Endowment Fund, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services - Scholarships Awarded	Management and General	Total Expenses
Scholarships, net of forfeitures	$ 232,000	$ -	$ 232,000
Professional fees	-	18,980	18,980
Postage	-	1,282	1,282
Insurance	-	3,506	3,506
Other	-	5,183	5,183
TOTAL	$ 232,000	$ 28,951	$ 260,951

See accompanying notes to financial statements.

Kappa Scholarship Endowment Fund, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,011,063	$ 678,595
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized and realized gain on investments	(458,797)	(379,506)
Decrease in:		
Pledges receivable	5,150	1,875
(Decrease) increase in:		
Scholarships payable	(12,000)	79,000
Net cash provided by operating activities	545,416	379,964
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,403,759)	(467,800)
Proceeds from sales of investments	958,749	276,631
Net cash used by investing activities	(445,010)	(191,169)
Net increase in cash	100,406	188,795
Cash at beginning of year	332,755	143,960
CASH AT END OF YEAR	$ 433,161	$ 332,755

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies and General Information

Organization

The Kappa Scholarship Endowment Fund, Inc. (KSEF) is a non-profit organization, established in February 1984 by the Washington, D.C. Alumni Chapter of Kappa Alpha Psi Fraternity, Inc. KSEF holds as its goal and objective to provide scholarships to deserving high school seniors from the D.C. public/charter school system. The affairs of KSEF are governed by the Board of Directors.

KSEF does not have any employees and does not maintain an office. Members of KSEF's Board of Directors (Fraternity members) provide all services necessary to run the Organization; the value of such costs are not reflected in the accompanying financial statements.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to non-profit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions. As of December 31, 2025 and 2024, all of KSEF's net assets are classified as Board Designated for scholarships and related scholarship activities.

- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2025 and 2024, KSEF did not receive any contributions with donor restrictions.

Cash

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of $250,000. At times during the year, KSEF maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

1. Summary of Significant Accounting Policies and General Information (Continued)

Investments

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in net investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statements of Activities and Changes in Net Assets.

Pledges Receivable

Pledges receivable include unconditional promises to give that are expected to be collected in the upcoming year. Pledges receivable are recorded at their net realizable value. Management considers all amounts fully collectible within one year; accordingly, an allowance has not been established.

Income Taxes

KSEF is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. KSEF is not a private foundation.

Support from Contributions

KSEF receives contributions from individuals and other donors. Contributions are recognized in the appropriate category of net assets in the period received. KSEF performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

1. Summary of Significant Accounting Policies and General Information (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Scholarships are reported as direct program expenses, and all other expenses are reported as management and general expenses.

Scholarships

Scholarships are recorded as expense when the commitment is made, in the initial year of award. Generally, scholarships are payable over a four year period, therefore, any undisbursed amounts are recorded as scholarships payable in the accompanying Statements of Financial Position.

Investment Risks and Uncertainties

KSEF invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk 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 changes could materially affect the amounts reported in the accompanying financial statements.

2. Investments and Fair Value Measurements

In accordance with FASB ASC 820, *Fair Value Measurement*, KSEF has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the accompanying Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market KSEF has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

2. Investments and Fair Value Measurements (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2025 and 2024.

- Equities - Valued at the closing price reported on the active market in which the individual securities are traded.

- Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by KSEF are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by KSEF are deemed to be actively traded.

- Money Market Funds - Money market funds are open-end mutual funds that are registered with the Securities and Exchange Commission and are deemed to be actively traded.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
Asset Category:				
Mutual Funds	$ 5,462,777	$ -	$ -	$ 5,462,777
Equities	811,570	-	-	811,570
Money Market Funds	214,047	-	-	214,047
TOTAL INVESTMENTS	$ 6,488,394	$ -	$ -	$ 6,488,394

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Asset Category:				
Mutual Funds	$ 4,758,148	$ -	$ -	$ 4,758,148
Equities	729,045	-	-	729,045
Money Market Funds	97,394	-	-	97,394
TOTAL INVESTMENTS	$ 5,584,587	$ -	$ -	$ 5,584,587

2. Investments and Fair Value Measurements (Continued)

Net investment return consisted of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Interest, dividends and capital gains	$ 490,467	$ 295,977
Unrealized and realized gain on investments	458,798	379,506
Investment management fees	(41,457)	(39,808)
TOTAL NET INVESTMENT RETURN	$ 907,808	$ 635,675

3. Scholarships

For the years ended December 31, 2025 and 2024, respectively, KSEF awarded a total of $266,000 and $232,000 to students that qualified as approved scholarship recipients. During 2025, KSEF determined that certain prior year scholarships payable to awardees remained unclaimed past the period of availability and thus were forfeited. The forfeitures totaled $124,000 and were recorded as a reduction of scholarship expense during the year ended December 31, 2025. As such, total 2025 scholarship expense of $142,000 reported in the Statements of Activities and Changes in Net Assets represents $266,000 of awarded scholarships reduced by $124,000 of forfeitures.

As of December 31, 2025 and 2024, $587,000 and $599,000, respectively, of scholarships have been committed to but not disbursed, and are recorded as scholarships payable in the accompanying financial statements. Any related discount on the noncurrent scholarships payable is considered by management to be immaterial to the financial statements.

Following is a summary, by years, of scholarships payable:

	2025	2024
December 31, 2025	$ -	$ 431,000
December 31, 2026	391,000	110,000
December 31, 2027	122,000	58,000
December 31, 2028	74,000	-
	587,000	599,000
Less: Current maturities	(391,000)	(431,000)
TOTAL NONCURRENT SCHOLARSHIPS PAYABLE	$ 196,000	$ 168,000

4. Liquidity and Availability

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following as of December 31, 2025 and 2024:

	2025	2024
Cash	$ 433,161	$ 332,755
Investments	6,488,394	5,584,587
Pledges receivable	8,308	13,458
Subtotal financial assets available within one year	6,929,863	5,930,800
Less: Board designated funds	(6,342,863)	(5,331,800)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	$ 587,000	$ 599,000

KSEF has a policy to structure its financial assets to be available and liquid as its obligations become due.

5. Subsequent Events

In preparing these financial statements, KSEF has evaluated events and transactions for potential recognition or disclosure through May 11, 2026, the date the financial statements were issued.