

# Sigma Tau Delta Society, Inc.

Financial Statements

Year Ended December 31, 2022



**SIGMA TAU DELTA**  
INTERNATIONAL ENGLISH HONOR SOCIETY

## **Independent Auditor's Report**

Board of Directors  
Sigma Tau Delta Society, Inc.

### ***Opinion***

We have audited the accompanying financial statements (the "financial statements") of Sigma Tau Delta Society, Inc. (a nonprofit organization), which comprise the Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis as of December 31, 2022, and the related Statement of Revenues, Expenses, and Change in Net Assets - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Assets, Liabilities, and Net Assets - Modified Cash Basis of Sigma Tau Delta Society, Inc. as of December 31, 2022, and the changes in its net assets for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### ***Basis for Opinion***

We conducted our audit 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 Sigma Tau Delta Society, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statements are prepared on the modified 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 this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, this includes determining that the modified 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 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 Sigma Tau Delta Society, Inc.'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 Sigma Tau Delta Society, Inc.'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.



Wipfli LLP

Rockford, Illinois  
June 14, 2023

# **Sigma Tau Delta Society, Inc.**

## **Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis**

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*As of December 31, 2022*

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### **ASSETS**

Cash and cash equivalents	\$	408,789
Investments		1,707,843
Inventories		110,773
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>2,227,405</b>

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### **NET ASSETS**

Net assets without donor restrictions	\$	2,227,405
<b>TOTAL NET ASSETS</b>	<b>\$</b>	<b>2,227,405</b>

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See accompanying notes to financial statements.

# Sigma Tau Delta Society, Inc.

## Statement of Revenues, Expenses, and Change in Net Assets - Modified Cash Basis

*Year Ended December 31, 2022*

Revenues:	
Membership dues	\$ 689,902
Charter fees	72,709
Merchandise sales	203,762
Convention Income	64,373
Net investment income	43,312
Donation Income	7,008
Other Income	284
Loss on investments	(414,812)
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Total revenues	666,538
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Expenses:	
Program Services:	
Scholarships and awards	195,518
Publications	11,488
Convention	106,677
Cost of merchandise sold	92,339
Miscellaneous program services	2,732
Supporting Services:	
Board expenses	88,962
Central office	409,438
Operations	173,649
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Total expenses	1,080,803
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Change in net assets without donor restrictions	(414,265)
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Net assets at the beginning of the year	2,641,670
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Net assets at the end of the year	\$ 2,227,405

See accompanying notes to financial statements.

# **Sigma Tau Delta Society, Inc.**

## **Notes to Financial Statements**

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### **Note 1: Summary of Significant Accounting Policies**

#### **Nature of Operations**

Sigma Tau Delta is the International English Honor Society. A member of the Association of College Honor Societies, it was founded in 1924 at Dakota Wesleyan University.

The Society strives to confer distinction for high achievement in English language and literature in undergraduate, graduate, and professional studies; provide, through its local chapters, cultural stimulation on college campuses and promote interest in literature and the English language in surrounding communities; foster all aspects of the discipline of English, including literature, language, and writing; exhibit high standards of academic excellence; and serve society by fostering literacy.

With over 900 active chapters located in the United States, Europe, the Middle East, and the Caribbean, there are more than 1,000 Faculty Sponsors, and approximately 9,000 members inducted annually.

Sigma Tau Delta's central purpose is to confer distinction upon students of the English language and literature in undergraduate, graduate, and professional studies. Sigma Tau Delta also recognizes the accomplishments of professional writers who have contributed to the fields of language and literature.

Sigma Tau Delta is also the proud sponsor of The National English Honor Society (NEHS). NEHS, a program of Sigma Tau Delta, serves students and faculty in high schools throughout the country and provides an outreach to thousands of students and faculty who share a commitment to excellence in English language arts.

#### **Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting may require management to make estimates and assumptions that affect certain reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Method of Accounting and Presentation**

The accompanying financial statements have been prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of presentation differs from GAAP in that revenues are recognized when received rather than earned and expenses are recognized when paid rather than when the obligation is incurred. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect the market value of equity securities held by the Organization. Inventory is recorded to properly reflect the cost of operations. Accounts receivable and accounts payable are not recorded on these modified cash basis financial statements. In addition, fixed assets and right of use assets and the corresponding lease liability are not recorded on these modified cash basis financial statements, rather expenses for these items are recorded when paid.

# Sigma Tau Delta Society, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Method of Accounting and Presentation** (Continued)

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

**Without Donor Restrictions** - Net assets that are not subject to any donor-imposed stipulations.

**With Donor Restrictions** - Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time or other legal restrictions.

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid instruments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization maintains cash at various financial institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2022 the Organization's cash balances were fully insured.

#### **Investments**

Investments in marketable securities with readily determinable fair values are recorded at their fair values in the statement of assets, liabilities, and net assets - modified cash basis. Unrealized gains and losses are included in the change in net assets in the accompanying statement of revenues, expenses, and change in net assets - modified cash basis. Investment income and gains on assets restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

#### **Inventory**

Inventories, consisting of branded merchandise, are stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value.

#### **Advertising Costs**

Costs associated with advertising and other promotional activities are charged to expense as incurred. There were no advertising costs incurred during the year ended December 31, 2022.

# Sigma Tau Delta Society, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Contributed Services**

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist the annual convention, however, these services do not meet the criteria for recognition as contributed services.

#### **Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code and qualifies donors for the charitable contributions deduction.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2019, 2020, and 2021 are subject to possible examination by the IRS, generally for three years after they are filed.

#### **Revenue Recognition**

As noted in the above paragraph, revenue is recognized when cash is received in accordance with the modified cash basis of accounting. Revenue transactions consist of membership dues, charter fees, and merchandise sales. Since membership dues and charter fees are related to lifetime membership and no additional services are provided, they are considered to have a single performance obligation and revenue is recognized at a point in time. Merchandise sales consist of sale of honor cords and stoles, membership pins, medallions, shirts and other accessories (mugs, tumblers, etc.). These sales have a single performance obligation. There are no significant financing components or variable consideration involved in any of the revenue streams. The most significant factor affecting revenue is the number of new members joining each year.



# Sigma Tau Delta Society, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Fair Value Measurements**

The Financial Accounting Standards Board (FASB) has issued guidance that defines fair value, establishes a framework for measuring fair value, specifies a fair value hierarchy based on the inputs used to measure fair value, and specifies disclosure requirements for fair value measurements. The guidance also maximizes the use of observable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date, as well as investments measured at net asset value (NAV), or its equivalent, that are redeemable at or near the reporting date. The nature of these securities include investments for which quoted prices are available but which are traded less frequently and investments that are fair valued using securities, the parameters of which can be directly observed.

Level 3 - Assets that lack sufficient pricing observability as of the report date, and investments measured at NAV or its equivalent asset value that are not redeemable at or near the reporting date. These assets are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable requires significant judgment by the organizations. The organizations consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based on the pricing transparency of the instrument and does not necessarily correspond to the organizations' perceived risk of that instrument.

Investments for which values are based on quoted market prices in active markets, and are therefore classified within Level 1, include mutual funds, common and preferred stock, and short-term money market mutual funds. The organizations do not adjust the quoted price for such instruments, even in situations where the organizations hold a large position and a sale could reasonably impact the quoted price.

# Sigma Tau Delta Society, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Fair Value Measurements (Continued)

Investments that trade in markets that are not considered to be active, but that are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. These include certain commingled funds and limited partnerships. As Level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Also included in Level 2 are investments measured using an NA V per share or its equivalent that may be redeemed at that NAV at the reporting date or in the near term, which is generally considered to be within 90 days.

Investments classified within Level 3 have significant unobservable inputs as they trade infrequently or not at all. When observable prices are not available for these investments, the Organizations use one or more valuation techniques (e.g., the market approach, the income approach or the cost approach) for which sufficient and reliable data is available. Also included in Level 3 are investments measured using an NA V per share or its equivalent that will not be redeemed at that NA V at the reporting date or in the near term, or for which redemption at that NAV is uncertain due to lockup periods or other investment restrictions.

#### Date of Management's Review of Subsequent Events

Management has evaluated events through June 14, 2023, the date on which the financial statements were available to be issued.

### Note 2: Investments

Investments are stated at fair value. Fair values and unrealized appreciation or depreciation as of December 31, 2022, are summarized as follows:

<i>Year Ended December 31, 2022</i>	Purchased Value	Fair Value	Unrealized Appreciation (Depreciation)
Corporate bonds	\$ 797,080	\$ 698,650	\$ (98,430)
Mutual funds	911,544	1,009,193	97,649
<b>Totals</b>	<b>\$ 1,708,624</b>	<b>\$ 1,707,843</b>	<b>\$ (781)</b>

The investments as of December 31, 2022, are unrestricted.

# Sigma Tau Delta Society, Inc.

## Notes to Financial Statements

### Note 2: Investments (Continued)

The following schedule summarizes the unrestricted investment return and its classification in the statement of support, revenue and expenses for the year ended December 31, 2022.

	2022
Dividend and interest income	\$ 65,404
Investment expenses	(22,092)
Net investment income	43,312
Net realized gain	30,281
Net unrealized loss	(445,093)
Total loss on investments	\$ (414,812)

### Note 3: Fair Value Measurements

The following table summarizes assets by fair value measurements level as of December 31, 2022:

	Fair Value of Assets as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 698,650	\$ -	\$ -	\$ 698,650
Mutual funds	1,009,193	-	-	1,009,193
Totals	\$ 1,707,843	\$ -	\$ -	\$ 1,707,843

### Note 4: Lease Agreements

The Organization extended their original lease for its land and building with an unrelated party on July 14, 2020. The agreement was for a term of 2 years which expired on May 31, 2022. The total rent expense was \$5,902 under this lease for the year ended December 31, 2022.

The Organization entered into a lease with Northern Illinois University on April 29, 2022. The agreement is for a term of 5 years, which expires on June 1, 2027. Annual rent is required to be paid in twelve equal installments of \$1,500. The total rent expense was \$10,500 under this lease for the year ended December 31, 2022.

# Sigma Tau Delta Society, Inc.

## Notes to Financial Statements

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### Note 4: Lease Agreements (Continued)

Future annual minimum rental commitments under this lease agreement are summarized in the chart below:

<i>Year</i>	<i>Amount</i>
2023	\$ 18,180
2024	18,546
2025	18,918
2026	19,296
2027	9,744
<b>Total</b>	<b>\$ 84,684</b>