

**DANIEL MURPHY SCHOLARSHIP  
FUND**

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

# **DANIEL MURPHY SCHOLARSHIP FUND**

YEAR ENDED AUGUST 31, 2021

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## **Independent Auditors' Report**

Board of Directors  
Daniel Murphy Scholarship Fund

We have audited the accompanying financial statements of the Daniel Murphy Scholarship Fund (the Fund), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows 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 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 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 financial position of the Daniel Murphy Scholarship Fund as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Ostrow Reisin Berk & Abrams, Ltd.*

February 7, 2022

# DANIEL MURPHY SCHOLARSHIP FUND

## STATEMENT OF FINANCIAL POSITION

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August 31, 2021

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### ASSETS

Cash	\$ 2,766,100
Investments	10,574,109
Grants and contributions receivable, net	388,011
Other receivables	57,446
Prepaid expenses	28,919
Security deposit	16,242
Property and equipment, net	56,848

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Total assets	\$ 13,887,675
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### LIABILITIES AND NET ASSETS

#### Liabilities:

Note payable	\$ 208,132
Accounts payable and accrued expenses	257,825
Accrued tuition and travel costs	1,705,357
Deferred rent	96,646

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Total liabilities	2,267,960
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#### Net assets:

Without donor restrictions	7,721,934
With donor restrictions	3,897,781

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Total net assets	11,619,715
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Total liabilities and net assets	\$ 13,887,675
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*See notes to financial statements.*

# DANIEL MURPHY SCHOLARSHIP FUND

## STATEMENT OF ACTIVITIES

Year ended August 31, 2021	Without donor restrictions	With donor restrictions	Total
Revenue:			
Grants and contributions	\$ 2,487,507	\$ 80,314	\$ 2,567,821
Fundraising events, net of cost of direct benefits to donors of \$678,737	2,090,569		2,090,569
Net investment income	1,035,140	597,070	1,632,210
Forgiveness of debt - PPP loan	220,900		220,900
Other	9,054		9,054
Net assets released from restrictions	199,763	(199,763)	
Total revenue	6,042,933	477,621	6,520,554
Expenses:			
Program services	3,032,810		3,032,810
Supporting services:			
Management and general	290,755		290,755
Fundraising	750,958		750,958
Total expenses	4,074,523		4,074,523
Change in net assets	1,968,410	477,621	2,446,031
Net assets:			
Beginning of year	5,753,524	3,420,160	9,173,684
End of year	\$ 7,721,934	\$ 3,897,781	\$ 11,619,715

See notes to financial statements.

**DANIEL MURPHY SCHOLARSHIP FUND**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended August 31, 2021	Program Serices	Supporting Services		Cost of direct benefits to donors	Total
		Management and general	Fundraising		
Depreciation and amortization	\$ 11,493	\$ 5,066	\$ 2,000		\$ 18,559
Fundrasing events			105,536	\$ 678,737	784,273
Insurance	11,497	2,693	6,469		20,659
Meetings, activities and events	40,245	8,457	8,779		57,481
Occupancy	174,207	8,593	30,310		213,110
Office and administrative	101,666	13,604	111,696		226,966
Professional fees	165,321	75,867	46,181		287,369
Salaries and benefits	809,086	176,133	437,829		1,423,048
Student assistance	15,654				15,654
Travel and transportation	19,141	342	2,158		21,641
Tuition	1,651,245				1,651,245
Tutoring and test preparation	33,255				33,255
<b>Total expenses</b>	<b>3,032,810</b>	<b>290,755</b>	<b>750,958</b>	<b>678,737</b>	<b>4,753,260</b>
Less expenses included with revenue on the statement of activities				(678,737)	(678,737)
<b>Total expenses included in the expenses section of the statement of activities</b>	<b>\$ 3,032,810</b>	<b>\$ 290,755</b>	<b>\$ 750,958</b>	<b>\$ -</b>	<b>\$ 4,074,523</b>

*See notes to financial statements.*

# DANIEL MURPHY SCHOLARSHIP FUND

## STATEMENT OF CASH FLOWS

Year ended August 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 2,446,031
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	18,559
Realized and unrealized gain on investments	(1,595,380)
Deferred rent	(10,584)
Forgiveness of debt - PPP loan	(220,900)
(Increase) decrease in operating assets:	
Grants and contributions receivable	62,363
Other receivables	(47,105)
Prepaid expenses	98,316
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	204,661
Accrued tuition and travel costs	(55,506)
Deferred grants and contributions revenue	(604,594)
Net cash provided by operating activities	295,861
Cash flows from investing activities:	
Purchase of investments	(1,314,881)
Proceeds from sale of investments	1,634,015
Net cash provided by investing activities	319,134
Cash flows from financing activity:	
Proceeds from note payable	208,132
Net cash provided by financing activity	208,132
Net increase in cash	823,127
Cash, beginning of year	1,942,973
Cash, end of year	\$ 2,766,100

See notes to financial statements.



# **DANIEL MURPHY SCHOLARSHIP FUND**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Nature of organization**

The Daniel Murphy Scholarship Fund (the Fund) was formed in 1989 to give high school scholarship assistance and educational support to Chicago students from economically disadvantaged backgrounds. The Fund seeks to make a life-altering difference in the lives of its scholars by providing them with the best opportunity to succeed in high school and college.

The Fund's main program is Financial Assistance. The Fund provides scholarships to economically disadvantaged Chicago area students, allowing them to attend leading private and parochial high schools in the Chicago area and top boarding schools across the country. During the 2020/2021 school year, the Fund served 471 scholars. The Fund has committed to supporting 448 scholars in the 2021/2022 school year. Financial Assistance accounts for approximately 92% of total program services expenses for the year ended August 31, 2021.

In addition to providing tuition scholarships, the Fund has assisted the Fund's scholars and their families in securing additional financial aid directly from the partnering schools.

The following describes the Fund's other programs:

**College Counseling** - The Fund works with scholars throughout their four years in high school and most intensively in their junior and senior years, assisting the scholars as they search for an appropriate college and for funding to help pay for that college.

**Bridge to Excellence** - The Fund works with LEAP! Learning Systems and Educational Endeavors to provide two weeks of mandatory classes for all incoming freshman scholars, focusing on language skills, time management, study skills and critical thinking.

**Mentoring** - Scholars who wish to participate are matched with an adult mentor for their four years in high school. The Fund also operates an affinity program, in which ten to fifteen students meet every other week with an adult facilitator to discuss issues common to many of the scholars.

**Tutoring** - The Fund helps find and fund tutors for scholars whose GPAs fall below 3.0 or who seek additional help. The Fund also operates an on-site tutoring center two afternoons a week during the school year.

**Summer Opportunities, including the Caddie Program** - The objective of the summer opportunities program is to present scholars with summer job opportunities, internships, cultural and study abroad programs, sports programs and community service programs. As part of the summer opportunities program, the Fund provides summer golf caddie employment opportunities for scholars. Scholars live in college dorms and caddie at nearby country clubs, earning income, gaining work experience and developing life skills.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies

The significant accounting policies of the Fund are summarized below:

#### **Basis of accounting:**

The Fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Recent accounting pronouncement:**

Effective September 1, 2020, the Fund adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that the Fund recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition, eliminates the transaction and industry-specific guidance, and establishes a five step approach for the recognition of revenue. The Fund implemented this standard during the year ended August 31, 2021 using the modified retrospective method. The adoption of this standard did not materially impact the financial statements of the Fund.

#### **Net assets:**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-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 restrictions. The Executive Committee has also designated \$350,000 of net assets without donor restrictions for operating expenses for the year ending August 31, 2022. The Executive Committee has also designated net assets without donor restrictions for the Executive Committee-designated endowment.

**Net assets with donor restrictions** - Net assets subject to donor-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 the resources be maintained in perpetuity.

# **DANIEL MURPHY SCHOLARSHIP FUND**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Grants and contributions:**

Grants and contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Fund reports donor-restricted grants and contributions for which restrictions are met in the same reporting period as support without donor restrictions.

#### **Grants and contributions receivable:**

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. The Fund provides an allowance, as needed, for estimated uncollectible contributions based on an analysis of specific donor history and experience. It is the Fund's policy to charge off uncollectible contributions receivable when management determines that the receivable will not be collected.

#### **Investments:**

Investments with readily determinable fair values are stated at fair value. Other investments are reported at cost or net asset value. The Fund records donated securities at fair value at the date of donation.

Realized and unrealized investment gains and losses and other investment income less direct internal and external investment expenses are reflected in the statement of activities as net investment income or loss.

Net investment income or loss from investments, other than donor-restricted endowment investments, are reflected in the statement of activities as changes in net assets without donor restrictions. Net investment income or loss from donor-restricted endowment investments are reflected in the statement of activities as changes in net assets with donor restrictions. Realized and unrealized losses on donor-restricted endowment investments first reduce any realized and unrealized gains reported in net assets with donor restrictions and then are reflected as changes in net assets without donor restrictions.

# **DANIEL MURPHY SCHOLARSHIP FUND**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Risks and uncertainties:**

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, 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 statement of financial position.

#### **Property and equipment:**

Property and equipment are stated at cost or, if donated, at the approximate fair value at date of donation. Depreciation is provided over the useful life of the assets using the straight-line method (furniture – ten years, computer equipment – five years). Amortization of leasehold improvements is provided over the lesser of the life of the lease or the useful life of the assets. Additions over \$1,000 are capitalized while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed currently.

The Fund reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended August 31, 2021.

#### **Deferred rent:**

The Fund records monthly rent expense equal to total minimum payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent which is reported in the statement of financial position.

#### **Contributed goods and services:**

The Fund recognizes as revenue the fair value of contributed goods and services 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 Fund.

The Fund also receives a significant amount of donated services from unpaid volunteers who assist in interviewing, mentoring, fundraising and special projects. No amounts have been recognized in the statement of activities for services of the unpaid volunteers because the criteria for recognition have not been satisfied.

# **DANIEL MURPHY SCHOLARSHIP FUND**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Expense allocation:**

The costs of program and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenditures which can be identified with a specific program or support service are allocated directly according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of estimates of time and effort. Expenses allocated in this manner included salaries and benefits, depreciation and amortization, insurance, and occupancy.

#### **Tuition and travel and transportation:**

Tuition and travel and transportation expenses for scholars are recognized when the number of scholars has been approved by the Fund and when scholarship terms have been met.

#### **Use of estimates:**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

#### **Subsequent events:**

Management of the Fund has reviewed and evaluated subsequent events through February 7, 2022, the date the financial statements were available to be issued.

# **DANIEL MURPHY SCHOLARSHIP FUND**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **3. COVID-19**

The Fund's primary Financial Assistance program has not been materially interrupted by the COVID-19 pandemic. The Fund's Mentoring program and Summer Opportunities program, including the residential piece of the Caddie program, were suspended during the year ended August 31, 2021 due to the COVID-19 pandemic. The Fund's other programs have not been materially interrupted by the COVID-19 pandemic. The Fund believes that the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the Fund's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the Fund.

In response to the COVID-19 pandemic in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) that, among other economic stimulus measures, established the Employee Retention Credit (ERC) to provide a refundable tax credit against certain employment taxes if eligibility requirements are met. The credit is equal to 50% of qualified wages paid from March 12, 2020 to December 31, 2020 with a maximum credit of \$5,000 per employee for 2020. The Fund has applied for the ERC for the quarters ended June 30, 2020 and December 31, 2020. The Fund has accounted for the ERC as a conditional contribution and has recognized grants and contributions revenue of \$87,400 during the year ended August 31, 2021.

### **4. Revenue from contracts with customers**

The Fund held two golf outings during the year ended August 31, 2021. In exchange for the outing fee, participants receive various direct benefits, including a round of golf, food and beverages. The estimated value of direct benefits provided is recognized as revenue from contracts with customers at a point in time when the outing takes place. The Fund recognized \$551,500 of special events revenue from contracts with customers during the year ended August 31, 2021 which is included in fundraising events revenue on the statement of activities. Significant judgments are made by management to determine the fair value of benefits provided to participants. There were no receivables related to contracts with customers as of August 31, 2021 and 2020. There were also no contract assets or contract liabilities at August 31, 2021 and 2020.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Liquidity and availability

The following represents the Fund's financial assets available to meet general expenditures within one year:

<u>August 31, 2021</u>	
Financial assets at year-end:	
Cash	\$ 2,766,100
Investments	10,574,109
Grants and contributions receivable, net	388,011
Other receivables	57,446
<hr/>	
Total financial assets at year-end	13,785,666
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Less amounts not available to be used within one year:	
Grants and contributions receivable due in over one year	146,500
Executive Committee-designated net assets	350,000
Executive Committee-designated endowment investments	6,696,389
Donor-restricted endowment investments	3,521,783
Other purpose-restricted net assets	75,387
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Total amounts not available to be used within one year	10,790,059
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Financial assets available to meet general expenditures within one year	\$ 2,995,607
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The Fund regularly monitors liquidity to meet operating needs, contractual commitments and scholarship obligations. Annual fundraising events, scholarship expenses and other known expenses are accounted for in the preparation of an annual budget. Management, along with the Finance and Executive Committees, monitor the budget, cash reserves and the liquidity needs of the Fund on an ongoing basis. On an annual basis, the Fund is entitled to expend an amount that is equal to no more than 5% of the average fair value of the Executive Committee-designated endowment investments over the most recent eight fiscal quarters. On an annual basis, the Fund is entitled to expend \$80,000 of donor-restricted endowment investments for scholarships.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Tax status

The Fund is generally exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Fund is not a private foundation within the meaning of Section 509(a) of the Code. Management has determined that the Fund was not required to record a liability related to uncertain tax positions as of August 31, 2021.

### 7. Cash

The Fund maintains cash in bank accounts which are insured by the Federal Deposit Insurance Corporation up to insured limits. The Fund's uninsured cash totaled approximately \$2,850,000 as of August 31, 2021. Management believes that the Fund is not exposed to any significant credit risk on cash.

### 8. Grants and contributions receivable

Unconditional promises to give are as follows:

<u>August 31, 2021</u>	
Receivable in less than one year	\$ 254,871
Receivable in one to five years	146,500
Total unconditional promises to give	401,371
Less allowance for uncollectible accounts	(7,000)
Less discounts to net present value	(6,360)
Net unconditional promises to give	<u>\$ 388,011</u>

Unconditional promises to give in more than one year were discounted at 1.50%.



# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Fair value

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework 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 are described below:

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Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.
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Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul>
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Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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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.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Fair value (continued)

Following is a description of the valuation methodologies used for assets measured at fair value:

- Mutual and exchange-traded funds, U.S. Government securities, and common stock are reported at fair value based on quoted prices in active markets.
- Hedge fund is valued at net asset value (NAV) per fund share (the unit of account), derived from the value of the underlying fund investments, less fund expenses.

Cash (not yet invested) and certificate of deposit are carried at cost, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes that 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 reporting date.

The following table sets forth the Fund's investments by level within the fair value hierarchy:

August 31, 2021	Level 1	Total
Mutual and exchange-traded funds	\$ 5,699,357	\$ 5,699,357
U.S. government securities	464,800	464,800
Common stock	3,543,861	3,543,861
<b>Total investments at fair value</b>	<b>\$ 9,708,018</b>	<b>9,708,018</b>
Cash		212,899
Certificate of deposit		355,937
Hedge fund*		297,255
<b>Total investments</b>		<b>\$ 10,574,109</b>

\*Certain investments that are measured using the NAV per share practical expedient have not been classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Fair value (continued)

The Fund invests in a highly diversified, multi-strategy hedge fund (valued at \$297,255 as of August 31, 2021) focused on generating absolute return with low correlation to global capital markets and low volatility. Its five core strategy allocations include: equity arbitrage, relative value fundamental equity, statistical arbitrage/quantitative strategies, fixed income, equity arbitrage, and commodities. The Fund has concluded that the net asset value reported by the hedge fund approximates fair value. Hedge fund shareholders may redeem 25% of shares quarterly with 90 days' notice. A shareholder's entire balance may be redeemed over four quarters. The hedge fund manager, in its sole discretion, may permit redemptions in amounts or frequency other than amounts and frequency as listed above. The Fund has no unfunded capital commitment for the hedge fund.

### 10. Property and equipment

The components of property and equipment are as follows:

<u>August 31, 2021</u>	
Leasehold improvements	\$ 70,276
Computer equipment	13,564
Furniture	30,787
	<u>114,627</u>
Less accumulated depreciation and amortization	<u>(57,779)</u>
Property and equipment, net	<u>\$ 56,848</u>

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Notes payable

One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Fund is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses. The Fund accounts for the PPP under the debt model in which the loan will remain a liability of the Fund until such time that the Fund's application for forgiveness is approved by the SBA. At the time the application for forgiveness is approved, the Fund will recognize revenue to the extent of the amount forgiven.

#### First draw PPP loan:

The Fund applied for and received \$220,900. The loan was a two-year loan maturing on April 17, 2022 with an annual interest rate of 1%. In July 2021, the Fund applied for and received forgiveness of the entire loan balance. The loan forgiveness of \$220,900 is recorded as forgiveness of debt revenue on the statement of activities.

#### Second draw PPP loan:

The Fund applied for and received \$208,132. The loan is a five-year loan maturing on February 3, 2026 with an annual interest rate of 1%. It is the Fund's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the SBA. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the 24-week period following disbursement date, then payments due on the PPP loan would be as follows:

<u>Year ending August 31:</u>	<u>Amount</u>
2022	\$ 13,875
2023	55,502
2024	55,502
2025	55,502
2026	27,751
<u>Total</u>	<u>\$ 208,132</u>

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. Endowment funds

The Fund's endowment funds consist of two individual funds established to support operations and programs. The Fund's endowment funds include a fund designated by the Executive Committee to function as an endowment and one donor-restricted fund. Net assets associated with endowment funds, including funds designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Committee of the Fund has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Fund and (7) the Fund's investment policies.

Endowment net asset composition by type of fund is as follows:

August 31, 2021	Without donor restrictions	With donor restrictions	Total
Executive Committee-designated endowment	\$ 6,696,389		\$ 6,696,389
Donor-restricted endowment		\$ 3,521,783	3,521,783
Total	\$ 6,696,389	\$ 3,521,783	\$ 10,218,172

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. Endowment funds (continued)

#### Executive Committee-designated endowment:

Investment funds identified by the Executive Committee to grow in perpetuity, while generating annual spending allowances to support the Fund's operations and programs, have been designated as an Executive Committee-designated endowment (net assets without donor restrictions). Investment of endowment funds must follow the Fund's investment policy. Under this policy, the Fund will be entitled to expend an amount that is equal to no more than 5% of the average fair value of the Executive Committee-designated endowment over the most recent eight fiscal quarters. In the event that the Fund experiences a deficit in a fiscal year, the Fund can borrow funds from the Executive Committee-designated endowment so long as the amount borrowed never exceeds more than 5% of the average fair value of the Executive Committee-designated endowment over the most recent eight fiscal quarters. In such an event, the Fund will be obligated to repay the amount borrowed within three years of the date borrowed. All investment income, including gains on investments, will be reinvested in the Executive Committee-designated endowment.

#### Donor-restricted endowment:

All investment income, including gains on investments, will be reinvested in the donor-restricted endowment. On an annual basis, the Fund can expend the endowment fund to cover a fixed number of scholarships.

Changes in total endowment net assets is as follows:

Year ended August 31, 2021	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 5,668,772	\$ 2,924,713	\$ 8,593,485
Net investment income	1,027,617	597,070	1,624,687
Endowment net assets, end of year	\$ 6,696,389	\$ 3,521,783	\$ 10,218,172

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA require the Fund to retain. There were no deficiencies of this nature as of August 31, 2021.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 13. Retirement plan

The Fund has a SIMPLE-IRA retirement plan (the Plan) covering all employees who meet the eligibility requirements. The Fund makes matching contributions to the Plan equal to 100% of employee deferrals, up to a maximum of 3% of employee compensation for a calendar year. Contributions to the Plan were \$25,192 for the year ended August 31, 2021.

### 14. Leases

The Fund leases office space under an operating lease expiring in September 2025. The agreement calls for monthly payments of base rent and proportional share of common area expenses and real estate taxes.

Future minimum rental payments are as follows:

<u>Year ending August 31:</u>	<u>Amount</u>
2022	\$ 211,440
2023	216,732
2024	222,690
2025	225,984
2026	18,832
<u>Total</u>	<u>\$ 895,678</u>

Rent expense was \$195,684 for the year ended August 31, 2021.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 15. Conditional scholarship commitment

Annually, the Fund provides up to \$5,000 of tuition for each scholar and in some situations up to \$2,500 of travel expense for scholars attending a boarding school. Although the Fund awards a four-year scholarship, the Fund's Education Committee reviews each scholar's status at the end of each grading period. The Fund reserves the right to terminate a scholarship for any of the following reasons:

- Grades falling below a 3.0 on a 4.0 scale
- Failure to pay (the scholar family's portion of) tuition and supplementary fees
- Failure to comply with a partnership school's rules and regulations
- Failure to communicate with the Fund's staff on a regular basis
- Family income exceeding the Fund's guidelines of an economically-disadvantaged family
- Transferring to any other school without the permission of the Fund
- Failing to attend mandatory events or fulfill mandatory obligations

Since the Fund reviews each scholar's status at least annually, the Fund is only committed to funding scholarships for the ensuing school year. The Fund's portion of tuition for the 2021/2022 school year has been accrued as a liability at August 31, 2021. If all scholars as of August 31, 2021 were to remain in the program, scholarship tuition and travel grants approved and committed for future payment payable in the following school years are as follows:

Year ending August 31:	Tuition	Travel	Total
2022/2023	\$ 1,286,100	\$ 55,250	\$ 1,341,350
2023/2024	834,600	29,250	863,850
2024/2025	440,200	17,500	457,700
Total	\$ 2,560,900	\$ 102,000	\$ 2,662,900



# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 16. Fundraising events

Historically, the Fund holds the Golf Classic, its primary fundraising event, annually in June. The Fund's June 2020 Golf Classic was rescheduled to September 2020 due to the COVID-19 pandemic. A significant portion of the in-person event historically was dedicated to a silent and live auction as well as a paddle raise conducted during the dinner program. The auctions and paddle raise were canceled and replaced with a virtual fundraiser through digital and online efforts prior to and during the Golf Classic which took place but only consisting of golf and a socially-distant reception. The Fund's June 2021 Golf Classic was held in June 2021 without significant changes to the traditional event format.

Net income from fundraising events is as follows:

Year ended August 31, 2021	June 2021 Golf Classic	September 2020 Golf Classic	Total
Gross revenue	\$ 2,022,689	\$ 746,617	\$ 2,769,306
Cost of direct benefits to donors	(450,638)	(228,099)	(678,737)
Revenue, net of cost of direct benefits to donors	1,572,051	518,518	2,090,569
Other expenses	(39,949)	(65,587)	(105,536)
Net income	\$ 1,532,102	\$ 452,931	\$ 1,985,033

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 17. Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes or periods:

<u>August 31, 2021</u>	
Purpose-restricted funds:	
Donor-restricted endowment	\$ 3,521,783
Caddie program	75,387
Time-restricted funds:	
Contributions receivable	300,611
<u>Total net assets with donor restrictions</u>	<u>\$ 3,897,781</u>

During the year ended August 31, 2021, net assets released from donor restrictions of \$199,763 were released by the passage of time.