

**DANIEL MURPHY SCHOLARSHIP
FUND**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2022 AND 2021

DANIEL MURPHY SCHOLARSHIP FUND

YEARS ENDED AUGUST 31, 2022 AND 2021

CONTENTS

	Page
Independent auditors' report	1-2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-25



Independent Auditors' Report

Board of Directors
Daniel Murphy Scholarship Fund

Opinion

We have audited the accompanying financial statements of Daniel Murphy Scholarship Fund (a not-for-profit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 financial position of Daniel Murphy Scholarship Fund as of August 31, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Daniel Murphy Scholarship Fund 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 Daniel Murphy Scholarship Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Daniel Murphy Scholarship Fund'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 Daniel Murphy Scholarship Fund'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.

Ostrow Reisin Berk & Abrams, Ltd.

April 25, 2023

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF FINANCIAL POSITION

August 31,	2022	2021
ASSETS		
Cash	\$ 2,134,072	\$ 2,766,100
Investments	8,818,676	10,574,109
Grants and contributions receivable, net	742,862	445,457
Prepaid expenses	47,146	28,919
Security deposit	16,242	16,242
Property and equipment, net	64,485	56,848
Total assets	\$ 11,823,483	\$ 13,887,675
LIABILITIES AND NET ASSETS		
Liabilities:		
Note payable		\$ 208,132
Accounts payable and accrued expenses	\$ 264,342	257,825
Accrued tuition and travel costs	1,798,105	1,705,357
Deferred rent	80,890	96,646
Total liabilities	2,143,337	2,267,960
Net assets:		
Without donor restrictions	7,155,082	7,721,934
With donor restrictions	2,525,064	3,897,781
Total net assets	9,680,146	11,619,715
Total liabilities and net assets	\$ 11,823,483	\$ 13,887,675

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF ACTIVITIES

Years ended August 31,	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues, gains, and other support:						
Grants and contributions	\$ 2,231,508	\$ 39,716	\$ 2,271,224	\$ 2,487,507	\$ 80,314	\$ 2,567,821
Fundraising events, net of cost of direct benefits to donors of \$680,891 and \$678,737 for 2022 and 2021, respectively	1,844,686		1,844,686	2,090,569		2,090,569
Forgiveness of debt - PPP loan	208,132		208,132	220,900		220,900
Net investment income	13,156		13,156	7,523		7,523
Other	6,211		6,211	9,054		9,054
Net assets released from restrictions	222,096	(222,096)		199,763	(199,763)	
Total operating revenues, gains, and other support	4,525,789	(182,380)	4,343,409	5,015,316	(119,449)	4,895,867
Operating expenses:						
Program services	3,361,353		3,361,353	3,032,810		3,032,810
Supporting services:						
Management and general	180,129		180,129	290,755		290,755
Fundraising	940,285		940,285	750,958		750,958
Total operating expenses	4,481,767		4,481,767	4,074,523		4,074,523
Operating income (loss)	44,022	(182,380)	(138,358)	940,793	(119,449)	821,344
Other changes:						
Endowment net investment income (loss)	(610,874)	(1,190,337)	(1,801,211)	1,027,617	597,070	1,624,687
Change in net assets	(566,852)	(1,372,717)	(1,939,569)	1,968,410	477,621	2,446,031
Net assets:						
Beginning of year	7,721,934	3,897,781	11,619,715	5,753,524	3,420,160	9,173,684
End of year	\$ 7,155,082	\$ 2,525,064	\$ 9,680,146	\$ 7,721,934	\$ 3,897,781	\$ 11,619,715

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended August 31, 2022	Program Services			Supporting Services		Cost of direct benefits to donors	Total
	Financial Assistance	Other	Total	Management and general	Fundraising		
Depreciation and amortization	\$ 10,744	\$ 1,538	\$ 12,282	\$ 408	\$ 2,563		\$ 15,253
Fundraising events					162,361	\$ 680,891	843,252
Insurance	9,087	4,956	14,043	1,572	8,544		24,159
Meetings, activities and events	83,339	13,039	96,378	7,273	15,084		118,735
Occupancy	151,513	21,697	173,210	5,758	36,149		215,117
Office and administrative	65,706	63,329	129,035	6,929	162,555		298,519
Professional fees	77,467	115,055	192,522	50,410	58,494		301,426
Room and board		19,019	19,019				19,019
Salaries and benefits	439,346	315,362	754,708	105,760	493,408		1,353,876
Student assistance	23,659		23,659				23,659
Travel and transportation	91,439	46,657	138,096	2,019	1,127		141,242
Tuition	1,754,565		1,754,565				1,754,565
Tutoring and test preparation		53,836	53,836				53,836
Total expenses	2,706,865	654,488	3,361,353	180,129	940,285	680,891	5,162,658
Less expenses included with revenue on the statements of activities						(680,891)	(680,891)
Total expenses included in the expenses section on the statements of activities	\$ 2,706,865	\$ 654,488	\$ 3,361,353	\$ 180,129	\$ 940,285	\$ -	\$ 4,481,767

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended August 31, 2021	Program Services			Supporting Services		Cost of direct benefits to donors	Total
	Financial Assistance	Other	Total	Management and general	Fundraising		
Depreciation and amortization	\$ 10,375	\$ 1,118	\$ 11,493	\$ 5,066	\$ 2,000		\$ 18,559
Fundraising events					105,536	\$ 678,737	784,273
Insurance	8,791	2,706	11,497	2,693	6,469		20,659
Meetings, activities and events	36,093	4,152	40,245	8,457	8,779		57,481
Occupancy	157,255	16,952	174,207	8,593	30,310		213,110
Office and administrative	46,656	55,010	101,666	13,604	111,696		226,966
Professional fees	50,367	114,954	165,321	75,867	46,181		287,369
Salaries and benefits	809,086		809,086	176,133	437,829		1,423,048
Student assistance	15,654		15,654				15,654
Travel and transportation	18,742	399	19,141	342	2,158		21,641
Tuition	1,651,245		1,651,245				1,651,245
Tutoring and test preparation		33,255	33,255				33,255
Total expenses	2,804,264	228,546	3,032,810	290,755	750,958	678,737	4,753,260
Less expenses included with revenue on the statements of activities						(678,737)	(678,737)
Total expenses included in the expenses section on the statements of activities	\$ 2,804,264	\$ 228,546	\$ 3,032,810	\$ 290,755	\$ 750,958	\$ -	\$ 4,074,523

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF CASH FLOWS

Years ended August 31,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,939,569)	\$ 2,446,031
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,253	18,559
Realized and unrealized (gain) loss on investments	1,884,896	(1,595,380)
Deferred rent	(15,756)	(10,584)
Forgiveness of debt - PPP loan	(208,132)	(220,900)
(Increase) decrease in operating assets:		
Grants and contributions receivable	(297,405)	15,258
Prepaid expenses	(18,227)	98,316
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	6,517	204,661
Accrued tuition and travel costs	92,748	(55,506)
Deferred grants and contributions revenue		(604,594)
Net cash provided by (used in) operating activities	(479,675)	295,861
Cash flows from investing activities:		
Purchase of property and equipment	(22,890)	
Purchase of investments	(1,616,567)	(1,314,881)
Proceeds from sale of investments	1,487,104	1,634,015
Net cash provided by (used in) investing activities	(152,353)	319,134
Cash flows from financing activity:		
Proceeds from note payable		208,132
Net cash provided by financing activity		208,132
Net increase (decrease) in cash	(632,028)	823,127
Cash, beginning of year	2,766,100	1,942,973
Cash, end of year	\$ 2,134,072	\$ 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 2021/2022 and 2020/2021 school years, the Fund served 448 and 471 scholars, respectively. The Fund has committed to supporting 442 scholars in the 2022/2023 school year.

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)

1. Nature of organization (continued)

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. These programs resumed during the year ended August 31, 2022.

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.

Operating income (loss):

The Fund's operating income (loss) includes all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations includes support for operating activities from both Executive Committee-designated and donor-restricted endowment funds according to the Fund's spending policy, which is detailed in Note 12. Only the portion of total endowment investment return distributed under this policy to meet current operating needs is included in operating revenue. The measure of operations excludes endowment net investment income (loss) in excess of (less than) amounts made available for operating support. During the years ended August 31, 2022 and 2021, there were no distributions from endowment funds for operating support. Operating net investment income consists of dividends, interest, and realized and unrealized gains and losses on non-endowed investments.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 also designated \$350,000 of net assets without donor restrictions at August 31, 2021 for operating expenses during the year ended 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.

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 statements 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 grants and 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 grants and contributions based on an analysis of specific donor history and experience. It is the Fund's policy to charge off uncollectible grants and contributions receivable when management determines that the receivable will not be collected.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 external investment expenses are reflected in the statements 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 statements of activities as changes in net assets without donor restrictions. Net investment income or loss from donor-restricted endowment investments are reflected in the statements 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.

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 years ended August 31, 2022 and 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 statements of financial position.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 statements of activities for services of the unpaid volunteers because the criteria for recognition have not been satisfied.

Expense allocation:

The costs of program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present 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.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Reclassifications:

Endowment net investment income in the prior year statement of activities has been reclassified for comparative purposes to conform with the presentation of an intermediate measure of operations in the current year financial statements.

Program services expense in the prior year statement of functional expenses has been broken out between Financial Assistance and Other Programs for comparative purposes to conform with the presentation of program services expense in the current year financial statements.

Subsequent events:

Management of the Fund has reviewed and evaluated subsequent events through April 25, 2023, the date the financial statements were available to be issued.

3. Revenue from contracts with customers

The Fund held one golf outing during the year ended August 31, 2022 and 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 \$308,200 and \$551,500 of special events revenue from contracts with customers during the years ended August 31, 2022 and 2021, respectively, which is included in fundraising events revenue on the statements 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, 2022, 2021 and 2020. There were also no contract assets or contract liabilities at August 31, 2022, 2021 and 2020.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability

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

August 31,	2022	2021
Financial assets at year-end:		
Cash	\$ 2,134,072	\$ 2,766,100
Investments	8,818,676	10,574,109
Grants and contributions receivable, net	742,862	445,457
Total financial assets at year-end	11,695,610	13,785,666
Less amounts not available to be used within one year:		
Grants and contributions receivable due in over one year	96,000	146,500
Executive Committee-designated net assets		350,000
Executive Committee-designated endowment investments	6,085,515	6,696,389
Donor-restricted endowment investments	2,331,446	3,521,783
Other purpose-restricted net assets	4,588	75,387
Total amounts not available to be used within one year	8,517,549	10,790,059
Financial assets available to meet general expenditures within one year	\$ 3,178,061	\$ 2,995,607

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)

5. 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, 2022 and 2021.

6. 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 \$1,751,000 and \$2,850,000 as of August 31, 2022 and 2021, respectively. Management believes that the Fund is not exposed to any significant credit risk on cash.

7. Grants and contributions receivable

Unconditional promises to give are as follows:

August 31,	2022	2021
Receivable in less than one year	\$ 655,332	\$ 312,317
Receivable in one to five years	96,000	146,500
Total unconditional promises to give	751,332	458,817
Less allowance for uncollectible accounts	5,000	7,000
Less discounts to net present value	3,470	6,360
Net unconditional promises to give	\$ 742,862	\$ 445,457

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

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. 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:

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">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means.
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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)

8. 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 tables set forth the Fund's investments by level within the fair value hierarchy:

August 31, 2022	Level 1	Total
Mutual and exchange-traded funds	\$ 5,538,001	\$ 5,538,001
U.S. government securities	456,004	456,004
Common stock	2,376,483	2,376,483
Total investments at fair value	\$ 8,370,488	8,370,488
Cash		117,322
Hedge fund*		330,866
Total investments		\$ 8,818,676

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value (continued)

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
Total investments at fair value	\$ 9,708,018	9,708,018
Cash		212,899
Certificate of deposit		355,937
Hedge fund*		297,255
Total investments		\$ 10,574,109

*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 these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The Fund invests in a highly diversified, multi-strategy hedge fund (valued at \$330,866 and \$297,255 as of August 31, 2022 and 2021, respectively) focused on generating absolute return with low correlation to global capital markets and low volatility. Its six 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.

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 statements of financial position.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Property and equipment

The components of property and equipment are as follows:

August 31,	2022	2021
Leasehold improvements	\$ 70,276	\$ 70,276
Computer equipment	25,511	13,564
Furniture	41,730	30,787
	137,517	114,627
Less accumulated depreciation and amortization	(73,032)	(57,779)
Property and equipment, net	\$ 64,485	\$ 56,848

10. Notes payable

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). 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.

Second draw PPP loan:

The Fund applied for and received \$208,132. The loan was a five-year loan maturing on February 3, 2026 with an annual interest rate of 1%. In June 2022, the Fund applied for and received forgiveness of the entire loan balance.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Notes payable (continued)

Loan forgiveness of \$208,132 and \$220,900 is recorded as forgiveness of debt revenue on the statements of activities for the years ended August 31, 2022 and 2021, respectively.

11. Employee retention credit

The CARES Act also 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 credit is equal to 70% of qualified wages paid from January 1, 2021 to September 30, 2021 with a maximum credit of \$7,000 per employee for 2021. The Fund has applied for the ERC for the quarters ended June 30, 2020, December 31, 2020, and September 30, 2021. The Fund has accounted for the ERC as a conditional contribution and has recognized grants and contributions revenue of \$94,850 and \$87,400 during the years ended August 31, 2022 and 2021, respectively.

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.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Endowment funds

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

August 31, 2022	Without donor restrictions	With donor restrictions	Total
Executive Committee-designated endowment	\$ 6,085,515		\$ 6,085,515
Donor-restricted endowment		\$ 2,331,446	2,331,446
Total	\$ 6,085,515	\$ 2,331,446	\$ 8,416,961

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

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.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Endowment funds (continued)

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:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 1, 2020	\$ 5,668,772	\$ 2,924,713	\$ 8,593,485
Net investment income	1,027,617	597,070	1,624,687
Endowment net assets, August 31, 2021	6,696,389	3,521,783	10,218,172
Net investment loss	(610,874)	(1,190,337)	(1,801,211)
Endowment net assets, August 31, 2022	\$ 6,085,515	\$ 2,331,446	\$ 8,416,961

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, 2022 and 2021.

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 \$24,206 and \$25,192 for the years ended August 31, 2022 and 2021, respectively.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

Year ending August 31:	Amount
2023	\$ 216,732
2024	222,690
2025	225,984
2026	18,832
Total	\$ 684,238

Rent expense was \$195,684 for the years ended August 31, 2022 and 2021.

15. Conditional scholarship commitment

Annually, the Fund provides up to \$6,000 (\$5,000 in 2021) 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

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. Conditional scholarship commitment (continued)

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 2022/2023 school year has been accrued as a liability at August 31, 2022. If all scholars as of August 31, 2022 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
2023/2024	\$ 1,293,480	\$ 36,250	\$ 1,329,730
2024/2025	910,850	24,500	935,350
2025/2026	479,250	9,500	488,750
Total	\$ 2,683,580	\$ 70,250	\$ 2,753,830

16. Fundraising events

Net income from fundraising events is as follows:

Years ended August 31,	2022	2021
	June 2022 Golf Classic	September 2020 and June 2021 Golf Classics
Gross revenue	\$ 2,525,577	\$ 2,769,306
Cost of direct benefits to donors	(680,891)	(678,737)
Revenue, net of cost of direct benefits to donors	1,844,686	2,090,569
Other expenses	(162,361)	(105,536)
Net income	\$ 1,682,325	\$ 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:

August 31,	2022	2021
Purpose-restricted funds:		
Donor-restricted endowment	\$ 2,331,446	\$ 3,521,783
Caddie program	4,588	75,387
Time-restricted funds:		
Contributions receivable	189,030	300,611
Total net assets with donor restrictions	\$ 2,525,064	\$ 3,897,781

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions specified by donors:

Years ended August 31,	2022	2021
Purpose-restricted funds:		
Caddie program	\$ 110,515	
Time-restricted funds:		
Contributions receivable	111,581	\$ 199,763
Total net assets released from restrictions	\$ 222,096	\$ 199,763

18. Related party transactions

Grants and contributions received from Board members were approximately \$750,000 and \$715,000 during the years ended August 31, 2022 and 2021, respectively.