

**DANIEL MURPHY SCHOLARSHIP  
FUND**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED AUGUST 31, 2018 AND 2017**

# **DANIEL MURPHY SCHOLARSHIP FUND**

YEARS ENDED AUGUST 31, 2018 AND 2017

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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 statements of financial position as of August 31, 2018 and 2017, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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, 2018 and 2017, 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.

### **Prior period adjustment**

As described in Note 15 to the financial statements, beginning net assets for the year ended August 31, 2017 have been restated to correct an error in beginning unrestricted and temporarily restricted net assets. The restatement has no impact on total beginning net assets and the change in net assets for the year ended August 31, 2017. Our opinion is not modified with respect to this matter.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Ostrow Reisin Berk & Abrams, Ltd.*

January 29, 2019

# DANIEL MURPHY SCHOLARSHIP FUND

## STATEMENTS OF FINANCIAL POSITION

August 31,	2018	2017 (As restated)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,364,948	\$ 1,151,662
Receivables:		
Contributions receivable, net	1,743,808	2,469,314
Other	67,265	37,311
<b>Total receivables</b>	<b>1,811,073</b>	<b>2,506,625</b>
Investments	8,423,283	7,925,183
Prepaid expenses	22,728	33,143
Security deposit	15,371	15,371
Other assets		22,322
Property and equipment, net	86,281	35,858
<b>Total assets</b>	<b>\$ 11,723,684</b>	<b>\$ 11,690,164</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 133,704	\$ 90,461
Accrued tuition and travel costs	1,694,881	1,748,100
Deferred revenue	28,150	41,975
Deferred rent	34,200	22,532
<b>Total liabilities</b>	<b>1,890,935</b>	<b>1,903,068</b>
Net assets:		
Unrestricted	5,841,078	5,660,434
Temporarily restricted	3,991,671	4,126,662
<b>Total net assets</b>	<b>9,832,749</b>	<b>9,787,096</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,723,684</b>	<b>\$ 11,690,164</b>

See notes to financial statements.

## DANIEL MURPHY SCHOLARSHIP FUND

### STATEMENTS OF ACTIVITIES

Years ended August 31,	2018			2017 (As restated)		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
<b>Revenue:</b>						
Grants and contributions:						
Scholarship and education	\$ 1,454,215	\$ 30,000	\$ 1,484,215	\$ 1,150,096	\$ 835,000	\$ 1,985,096
Caddie	111,291		111,291	104,810		104,810
Contributed goods and services	7,520		7,520	23,500		23,500
Fundraising events, net	1,141,935		1,141,935	1,310,054		1,310,054
Net gain on investments held and sold	325,213	723,617	1,048,830	436,387	269,179	705,566
Interest	15,613	1,186	16,799	16,240	585	16,825
Dividends	140,223	5,109	145,332	118,909	4,677	123,586
Investment fees and expenses	(41,020)	(15,397)	(56,417)	(40,739)	(11,383)	(52,122)
Net assets released from restrictions:						
Satisfaction of purpose or time restrictions	879,506	(879,506)		1,430,652	(1,430,652)	
<b>Total revenue</b>	<b>4,034,496</b>	<b>(134,991)</b>	<b>3,899,505</b>	<b>4,549,909</b>	<b>(332,594)</b>	<b>4,217,315</b>
<b>Expenses and loss:</b>						
Program services	2,944,520		2,944,520	3,020,677		3,020,677
Supporting services:						
Management and general	284,438		284,438	124,238		124,238
Fundraising	613,894		613,894	652,479		652,479
<b>Total expenses</b>	<b>3,842,852</b>		<b>3,842,852</b>	<b>3,797,394</b>		<b>3,797,394</b>
Write-off of property and equipment	11,000		11,000			
<b>Total expenses and loss</b>	<b>3,853,852</b>		<b>3,853,852</b>	<b>3,797,394</b>		<b>3,797,394</b>
<b>Change in net assets</b>	<b>180,644</b>	<b>(134,991)</b>	<b>45,653</b>	<b>752,515</b>	<b>(332,594)</b>	<b>419,921</b>
<b>Net assets:</b>						
Beginning of year, as originally reported				4,321,245	5,045,930	9,367,175
Prior period adjustment				586,674	(586,674)	
<b>Beginning of year, as restated</b>	<b>5,660,434</b>	<b>4,126,662</b>	<b>9,787,096</b>	<b>4,907,919</b>	<b>4,459,256</b>	<b>9,367,175</b>
<b>End of year</b>	<b>\$ 5,841,078</b>	<b>\$ 3,991,671</b>	<b>\$ 9,832,749</b>	<b>\$ 5,660,434</b>	<b>\$ 4,126,662</b>	<b>\$ 9,787,096</b>

*See notes to financial statements.*

# DANIEL MURPHY SCHOLARSHIP FUND

## STATEMENTS OF CASH FLOWS

Years ended August 31,	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 45,653	\$ 419,921
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,406	13,818
Write-off of property and equipment	11,000	
Net gain on investments held and sold	(1,048,830)	(705,566)
Provision for (adjustment of) uncollectible accounts	51,000	(38,946)
Deferred revenue	(13,825)	(3,825)
Deferred rent	11,668	(6,337)
(Increase) decrease in operating assets:		
Receivables	644,552	574,771
Prepaid expenses	10,415	(7,974)
Other assets	22,322	(22,322)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	43,243	(3,684)
Accrued tuition and travel costs	(53,219)	147,150
Net cash provided by (used in) operating activities	(262,615)	367,006
Cash flows from investing activities:		
Purchase of investments	(1,494,935)	(723,826)
Proceeds from sale of investments	2,045,665	480,008
Purchase of property and equipment	(74,829)	
Net cash provided by (used in) investing activities	475,901	(243,818)
Net increase in cash and cash equivalents	213,286	123,188
Cash and cash equivalents, beginning of year	1,151,662	1,028,474
Cash and cash equivalents, end of year	\$ 1,364,948	\$ 1,151,662

*See notes to financial statements.*

# **DANIEL MURPHY SCHOLARSHIP FUND**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Organization and purpose**

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 2017/2018 and 2016/2017 school years, the Fund served 442 and 404 scholars, respectively. The Fund has committed to supporting 448 scholars in the 2018/2019 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. Organization and purpose (continued)

Program services expenses by program are as follows:

Years ended August 31,	2018	2017
Financial Assistance	\$ 2,217,704	\$ 2,268,672
College Counseling	141,152	138,585
Bridge to Excellence	100,354	123,695
Mentoring	128,731	114,558
Tutoring	79,878	77,608
Summer Opportunities	276,701	297,559
Total program services expenses	\$ 2,944,520	\$ 3,020,677

### 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 (GAAP).

#### Basis of presentation:

The Fund reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Unrestricted** - Unrestricted net assets are available to finance the general operations of the Fund. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Fund, the environment in which it operates and the purposes specified in its Articles of Incorporation. Voluntary resolutions by the Board of Directors (the Board) and/or Executive Committee to designate a portion of the Fund's unrestricted net assets for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board and/or Executive Committee at any time, designated net assets are included under the caption "unrestricted net assets." Board-designated and/or Executive Committee-designated net assets include assets over which the Board and/or Executive Committee retains control and may, at their discretion, subsequently be used for other purposes.

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

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

#### **Basis of presentation: (continued)**

**Temporarily restricted** - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which by the Fund is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Fund pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Fund pursuant to those stipulations.

**Permanently restricted** - Permanently restricted net assets are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently but permit the Fund to utilize or expend part or all of the income or other economic benefits derived from the donated assets. As of August 31, 2018 and 2017, there were no permanently restricted net assets.

#### **Unrestricted and restricted revenue and support:**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Fund reports donor-restricted contributions and donor-restricted investment gains and income for which restrictions are met in the same reporting period as unrestricted support.

#### **Cash and cash equivalents:**

For purposes of the statements of cash flows, cash and cash equivalents include cash accounts and money market funds readily available for operating activities.

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

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

#### **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.

#### **Investments:**

Investments are held for Executive Committee-designated and donor-restricted endowment purposes.

Investment cash and money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements under GAAP). The Fund records donated securities at fair value at the date of donation. Realized and unrealized investment gains and losses and other investment income on Executive Committee-designated endowment investments are reflected in the statements of activities as changes in unrestricted net assets. Investment income and realized and unrealized gains on donor-restricted endowment investments are reflected in the statements of activities as changes in temporarily restricted net assets. Realized and unrealized losses on donor-restricted endowment investments first reduce any realized and unrealized gains reported in temporarily restricted net assets and then are reflected as changes in unrestricted net assets.

#### **Property and equipment and related depreciation and amortization:**

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.

#### **Deferred revenue:**

Proceeds related to special events and other fundraisers that are received by August 31 that will not be earned until after August 31 are recognized as deferred revenue.

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

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

#### **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 reported in the statements 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.

#### **Expense allocation:**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Scholar tuition and travel and transportation:**

Tuition distribution and scholar travel and transportation expenses 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 conformity 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 from August 31, 2018, the financial statement date, through January 29, 2019, the date the financial statements were available to be issued.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. 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 a tax-exempt organization described in Sections 501(c)(3), 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

The Fund has adopted the requirements for accounting for uncertain tax positions and management has determined that the Fund was not required to record a liability related to uncertain tax positions as of August 31, 2018 and 2017.

### 4. Cash and cash equivalents

The Fund maintains a portion of its cash and cash equivalents in bank accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to insured limits. The Fund maintains a portion of its cash and cash equivalents in a sweep investment account, which is not insured nor guaranteed by the FDIC. The Fund's uninsured cash and cash equivalents totaled approximately \$1,206,000 and \$952,000 as of August 31, 2018 and 2017, respectively. Management believes that the Fund is not exposed to any significant credit risk on cash.

### 5. Contributions receivable

Unconditional promises to give are as follows:

August 31,	2018	2017
Scholarship, other programs and general operations	\$ 1,828,808	\$ 2,558,314
Executive Committee-designated endowment		22,000
Total unconditional promises to give	\$ 1,828,808	\$ 2,580,314
Receivable in less than one year	\$ 817,155	\$ 897,161
Receivable in one to five years	966,153	1,536,653
Receivable in five to ten years	45,500	146,500
Total unconditional promises to give	1,828,808	2,580,314
Less allowance for uncollectible accounts	(47,000)	(64,000)
Less discounts to net present value	(38,000)	(47,000)
Net unconditional promises to give	\$ 1,743,808	\$ 2,469,314

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Contributions receivable (continued)

Unconditional promises to give in more than one year were discounted at an average rate of 2.00% in 2018 and an average rate of 1.59% in 2017.

### 6. Investments

Investments are as follows:

August 31,	2018	2017
Investment cash and money market funds	\$ 554,237	\$ 199,667
Corporate stocks	2,582,339	1,979,012
Corporate bonds		213,971
Mutual funds	2,844,855	2,732,196
Exchange-traded funds	2,441,852	2,454,938
U.S. Government and Government Agency obligations		312,201
Real estate investment trusts		33,198
Total	\$ 8,423,283	\$ 7,925,183

### 7. Property and equipment

The components of property and equipment are as follows:

August 31,	2018	2017
Leasehold improvements	\$ 70,276	\$ 27,500
Computer equipment	1,942	8,001
Furniture	30,787	28,176
	103,005	63,677
Less accumulated depreciation and amortization	(16,724)	(27,819)
Property and equipment, net	\$ 86,281	\$ 35,858

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

### **8. DMSF Endowment Fund**

The Fund's endowment consists of two individual funds established to support operations and programs. The Fund's endowment fund includes 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) eliminates the historical dollar value rule with respect to endowment fund spending, updates the prudence standard for the management and investment of charitable funds and amends the provisions governing the release and modification of charitable funds.

The Executive Committee of the Fund has interpreted 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. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. 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.

#### **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 (unrestricted net assets). 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 market 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 market 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)

### 8. DMSF Endowment Fund (continued)

#### Executive Committee-designated endowment: (continued)

Composition of and changes in Executive Committee-designated endowment net assets are as follows:

Years ended August 31,	2018	2017 (As restated)
Executive Committee-designated endowment net assets, beginning of year, as originally stated	\$ 5,813,346	\$ 4,914,835
Prior period adjustment		586,674
Executive Committee-designated endowment net assets, beginning of year, as restated	5,813,346	5,501,509
Contributions	22,000	7,000
Distributions	(241,000)	(218,265)
Net gain on investments held and sold	329,471	434,088
Interest	6,276	12,796
Dividends	135,683	116,040
Investment fees and expenses	(40,388)	(39,822)
Executive Committee-designated endowment net assets, end of year	\$ 6,025,388	\$ 5,813,346



# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8. DMSF Endowment Fund (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.

Composition of and changes in donor-restricted endowment net assets are as follows:

Years ended August 31,	2018	2017 (As restated)
Donor-restricted endowment net assets, beginning of year, as previously stated	\$ 1,657,348	\$ 2,060,964
Prior period adjustment		(586,674)
Donor-restricted endowment net assets, beginning of year, as restated	1,657,348	1,474,290
Distributions - scholarships awarded	(124,000)	(80,000)
Net gain on investments held and sold	723,617	269,179
Interest	1,186	585
Dividends	5,109	4,677
Investment fees and expenses	(15,397)	(11,383)
Donor-restricted endowment net assets, end of year	\$ 2,247,863	\$ 1,657,348

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 requires the Fund to retain. There are no deficiencies of this nature as of August 31, 2018 and 2017.

### 9. 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 \$17,018 and \$19,856 for the years ended August 31, 2018 and 2017, respectively.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 10. Donated services

The Fund 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.

### 11. 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>
2019	\$ 125,244
2020	161,378
2021	206,268
2022	211,440
2023	216,732
Thereafter	467,506
<u>Total</u>	<u>\$ 1,388,568</u>

Rental expense was \$141,578 and \$107,638 for the years ended August 31, 2018 and 2017, respectively.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. 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 2018/2019 school year has been accrued as a liability at August 31, 2018. If all scholars as of August 31, 2018 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
2019/2020	\$ 1,255,813	\$ 75,350	\$ 1,331,163
2020/2021	890,816	46,150	936,966
2021/2022	450,478	16,700	467,178
Total	\$ 2,597,107	\$ 138,200	\$ 2,735,307

## **DANIEL MURPHY SCHOLARSHIP FUND**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **13. Fundraising events**

Net income from fundraising events is as follows:

<b>Year ended August 31, 2018</b>	<b>Golf Classic</b>	<b>Other</b>	<b>Total</b>
<b>Revenue</b>	<b>\$ 1,552,156</b>	<b>\$ 261,005</b>	<b>\$ 1,813,161</b>
<b>Expenses</b>	<b>572,384</b>	<b>98,842</b>	<b>671,226</b>
<b>Net income</b>	<b>\$ 979,772</b>	<b>\$ 162,163</b>	<b>\$ 1,141,935</b>

  

<b>Year ended August 31, 2017</b>	<b>Golf Classic</b>	<b>Other</b>	<b>Total</b>
<b>Revenue</b>	<b>\$ 1,582,698</b>	<b>\$ 261,184</b>	<b>\$ 1,843,882</b>
<b>Expenses</b>	<b>458,137</b>	<b>75,691</b>	<b>533,828</b>
<b>Net income</b>	<b>\$ 1,124,561</b>	<b>\$ 185,493</b>	<b>\$ 1,310,054</b>

#### **14. Temporarily restricted net assets**

Temporarily restricted net assets were available for the following purposes or periods:

August 31,	<b>2018</b>	2017 (As restated)
Purpose-restricted funds:		
Donor-restricted endowment	<b>\$ 2,247,863</b>	\$ 1,657,348
Time-restricted funds:		
Contributions receivable	<b>1,743,808</b>	2,469,314
<b>Total temporarily restricted net assets</b>	<b>\$ 3,991,671</b>	\$ 4,126,662

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 14. Temporarily restricted net assets (continued)

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

Years ended August 31,	2018	2017
		(As restated)
Purpose-restricted funds:		
Donor-restricted endowment	\$ 124,000	\$ 80,000
Time-restricted funds:		
Contributions receivable	755,506	1,350,652
<b>Total net assets released from restrictions</b>	<b>\$ 879,506</b>	<b>\$ 1,430,652</b>

### 15. Prior period adjustment

The financial statements for the year ended August 31, 2017 have been restated to correct an error in beginning unrestricted and temporarily restricted net assets. Management has determined that an Executive Committee-designated endowment contribution was incorrectly recognized as a temporarily restricted donor-restricted endowment contribution in a prior year. An adjustment was made to increase beginning unrestricted net assets and decrease beginning temporarily restricted net assets by \$586,674 for the year ended August 31, 2017. The change in unrestricted net assets has increased and the change in temporarily restricted net assets has decreased by \$27,744 for the year ended August 31, 2017. Total beginning net assets and the total change in net assets have not changed for the year ended August 31, 2017 as a result of this correction.

The effect of the restatement on the statement of activities is as follows:

Year ended August 31, 2017	Increase (decrease)		
	Unrestricted	Temporarily restricted	Total
Net gain on investments held and sold	\$ 37,433	\$ (37,433)	\$ -
Interest	\$ 278	\$ (278)	\$ -
Dividends	\$ 20,010	\$ (20,010)	\$ -
Investment fees and expenses	\$ (4,977)	\$ 4,977	\$ -
Net assets released from restrictions:			
Satisfaction of purpose or time restrictions	\$ (25,000)	\$ 25,000	\$ -

**DANIEL MURPHY SCHOLARSHIP FUND**

**SCHEDULES OF FUNCTIONAL EXPENSES**

Years ended August 31,	2018				2017			
	Program services	Supporting Services		Total	Program services	Supporting Services		Total
		Management and general	Fundraising			Management and general	Fundraising	
Activities	\$ 51,022			\$ 51,022	\$ 45,068		\$ 3,250	\$ 48,318
Depreciation and amortization	7,614	\$ 594	\$ 5,198	13,406	7,726	\$ 626	5,466	13,818
Employee benefits	47,939	3,746	32,733	84,418	49,183	3,985	34,801	87,969
Equipment and office supplies	28,770	4,795	4,795	38,360	28,186	4,597	5,335	38,118
Insurance	15,829	2,969	989	19,787	12,423	2,358	608	15,389
Meals and entertainment	6,995	1,211	440	8,646	7,796	1,846	1,555	11,197
Meeting and conference	10,501	7,500	1,023	19,024	23,139	8,731	13,353	45,223
Other	66,264	24,941	52,316	143,521	42,345	7,670	44,746	94,761
Payroll taxes	39,605	3,094	27,042	69,741	41,490	3,362	29,357	74,209
Professional fees	59,697	137,311	98,107	295,115	109,742	82,650	117,624	310,016
Provision for (adjustment of) uncollectible accounts		51,000		51,000		(38,946)		(38,946)
Rent and utilities	126,757	3,622	14,487	144,866	97,736	2,792	11,171	111,699
Room and board	104,518			104,518	114,637			114,637
Salaries	550,110	42,982	375,613	968,705	560,472	43,791	382,688	986,951
Student assistance	5,436			5,436	36,328			36,328
Test preparation	12,444			12,444	12,282			12,282
Travel and transportation:								
Scholars	99,738			99,738	102,501			102,501
Staff	12,451	673	1,151	14,275	16,529	776	2,525	19,830
Tuition	1,585,738			1,585,738	1,639,650			1,639,650
Tutoring	113,092			113,092	73,444			73,444
<b>Total expenses</b>	<b>\$ 2,944,520</b>	<b>\$ 284,438</b>	<b>\$ 613,894</b>	<b>\$ 3,842,852</b>	<b>\$ 3,020,677</b>	<b>\$ 124,238</b>	<b>\$ 652,479</b>	<b>\$ 3,797,394</b>