

**DANIEL MURPHY SCHOLARSHIP
FUND**

YEARS ENDED AUGUST 31, 2016 AND 2015

DANIEL MURPHY SCHOLARSHIP FUND

YEARS ENDED AUGUST 31, 2016 AND 2015

CONTENTS

	Page
Independent auditor's report	1-2
Financial statements:	
Statement of financial position	3-4
Statement of activities	5
Statement of cash flows	6
Notes to financial statements	7-20
Additional information:	
Schedule of functional expenses	21-22

Independent Auditor's Report

Board of Directors
Daniel Murphy Scholarship Fund
Chicago, Illinois

Report on the Financial Statements

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, 2016 and 2015 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.

Auditor's 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, 2016 and 2015 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 21 and 22 is presented for purposes of additional analysis and is 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.

December 30, 2016

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENT OF FINANCIAL POSITION

August 31,	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,028,474	\$ 931,279
Receivables:		
Accrued investment income	2,984	2,437
Accounts receivable	54,500	76,227
Contributions receivable, net:		
Scholarship	2,915,966	1,233,350
Endowment	69,000	101,000
Total receivables	3,042,450	1,413,014
Investments:		
Investment cash and money market funds	389,820	565,116
Corporate stocks	1,674,990	1,535,774
Corporate bonds	221,132	209,283
Mutual funds	2,040,244	2,088,285
Exchange-traded funds	2,320,594	2,172,611
U.S. Government and Government Agency obligations	294,271	289,901
Real estate investment trusts	34,748	
Total investments	6,975,799	6,860,970
Prepaid expenses	25,169	2,385
Security deposit	15,371	15,371
Leasehold improvements, furniture and equipment, net of accumulated depreciation of \$14,001 in 2016 and \$13,001 in 2015	49,676	5,000
Total assets	\$ 11,136,939	\$ 9,228,019

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENT OF FINANCIAL POSITION (CONTINUED)

August 31,	2016	2015
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 94,145	\$ 87,299
Accrued tuition and travel costs	1,600,950	1,478,100
Deferred revenue	45,800	
Deferred rent	28,869	32,526
Total liabilities	1,769,764	1,597,925
Net assets:		
Unrestricted	4,321,245	4,181,241
Temporarily restricted	5,045,930	3,448,853
Total net assets	9,367,175	7,630,094
Total liabilities and net assets	\$ 11,136,939	\$ 9,228,019

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENT OF ACTIVITIES

Years ended August 31,	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Grants and contributions:						
Scholarship and education	\$ 1,159,834	\$ 2,445,100	\$ 3,604,934	\$ 1,108,733	\$ 1,310,500	\$ 2,419,233
Endowment	10,000		10,000			
Caddie	126,848		126,848	92,750		92,750
Contributed goods and services	63,247		63,247	25,680		25,680
Fundraising events, net	1,205,854		1,205,854	2,036,986		2,036,986
Net gain (loss) on investments held and sold	202,830	42,425	245,255	(250,500)	21,515	(228,985)
Interest	11,957	243	12,200	12,853	37	12,890
Dividends	103,264	26,991	130,255	101,421	40,245	141,666
Investment fees and expenses	(31,546)	(14,198)	(45,744)	(32,630)	(14,507)	(47,137)
Net assets released from restrictions:						
Satisfaction of purpose or time restrictions	903,484	(903,484)		439,350	(439,350)	
Total revenue	3,755,772	1,597,077	5,352,849	3,534,643	918,440	4,453,083
Expenses:						
Program services	2,690,829		2,690,829	2,480,068		2,480,068
Supporting services:						
Management and general	335,167		335,167	315,050		315,050
Fundraising	589,772		589,772	563,481		563,481
Total expenses	3,615,768		3,615,768	3,358,599		3,358,599
Change in net assets	140,004	1,597,077	1,737,081	176,044	918,440	1,094,484
Net assets:						
Beginning of year	4,181,241	3,448,853	7,630,094	4,005,197	2,530,413	6,535,610
End of year	\$ 4,321,245	\$ 5,045,930	\$ 9,367,175	\$ 4,181,241	\$ 3,448,853	\$ 7,630,094

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENT OF CASH FLOWS

Years ended August 31,	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 1,737,081	\$ 1,094,484
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	1,000	1,000
Net (gain) loss on investments held and sold	(245,255)	228,985
Provision for and write off of uncollectible accounts	162,000	128,000
Donated leasehold improvements	(25,000)	
(Increase) decrease in operating assets:		
Accrued investment income	(547)	1,402
Accounts receivable	21,727	(56,227)
Contributions receivable	(1,812,616)	(1,096,150)
Prepaid expenses	(22,784)	87,548
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	6,846	20,847
Accrued tuition and travel costs	122,850	95,935
Deferred revenue	45,800	(81,230)
Deferred rent	(3,657)	(976)
Cash provided by (used in) operating activities	(12,555)	423,618
Cash flows from investing activities:		
Purchase of investments	(832,967)	(2,018,333)
Proceeds from sale of investments	963,393	1,660,751
Purchase of property and equipment	(20,676)	
Cash provided by (used in) investing activities	109,750	(357,582)
Increase in cash and cash equivalents	97,195	66,036
Cash and cash equivalents, beginning of year	931,279	865,243
Cash and cash equivalents, end of year	\$ 1,028,474	\$ 931,279

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 following describes the Fund's major programs:

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 2015/2016 and 2014/2015 school years, the Fund served 373 and 352 scholars, respectively. The Fund has committed to supporting 404 scholars in the 2016/2017 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.

During the year ended August 31, 2015, the Fund initiated a capacity-building campaign, entitled the *Forward to 500* Campaign, pursuant to which it began seeking multi-year pledges to help support the Fund's growth to 500 scholars in high school by the fall of 2020.

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.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and purpose (continued)

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.

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 on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of presentation:

The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, the Fund is required to report 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. See Note 12.

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, 2016 and 2015, there were no permanently restricted net assets.

Unrestricted and restricted revenue and support:

The financial statement presentation follows the Codification for *Accounting for Contributions Received and Contributions Made*. Under the Codification, 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 statement 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 statement of cash flows, cash and cash equivalents includes 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 the fair value hierarchy). 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 statement of activities as changes in unrestricted net assets. Investment income and realized and unrealized gains on donor-restricted endowment investments are reflected in the statement 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.

Leasehold improvements, furniture and equipment and related depreciation:

Items are stated at cost or, if donated, at the approximate fair value at date of donation. Depreciation is provided over the estimated lives of the assets using the straight-line method (furniture – ten years, equipment – five years). 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:

In accordance with generally accepted accounting principles, 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 statement of financial position.

Contributed goods and services:

The Codification requires the Fund to recognize as revenue the fair value of contributed (donated) goods and services. During 2016, the Fund was the recipient of donated leasehold improvements and consulting services. During 2015, the Fund was the recipient of donated legal services.

Expense allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement 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.

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, 2016 and 2015.

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 \$950,000 and \$707,000 as of August 31, 2016 and 2015, respectively.

5. Contributions receivable

Unconditional promises to give are as follows:

August 31,	2016	2015
Scholarship, other programs and general operations	\$ 3,137,966	\$ 1,329,750
Executive Committee-designated endowment (Note 6)	69,000	106,000
Total unconditional promises to give	\$ 3,206,966	\$ 1,435,750
Receivable in less than one year	\$ 954,313	\$ 389,850
Receivable in one to five years	2,101,153	1,045,900
Receivable in five to ten years	151,500	
Total unconditional promises to give	3,206,966	1,435,750
Less allowance for uncollectible accounts	(157,000)	(71,000)
Less discounts to net present value	(65,000)	(30,400)
Net unconditional promises to give	\$ 2,984,966	\$ 1,334,350

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Contributions receivable (continued)

Unconditional promises to give and receivable in more than one year were discounted at an average rate of 1.29% in 2016 and an average rate of 1.31% in 2015.

Allowance for uncollectible accounts:

Years ended August 31,	2016	2015
Allowance for uncollectible accounts, beginning of year	\$ 71,000	\$ 20,000
Provision for and write off of uncollectible accounts	(162,000)	(128,000)
Increase in allowance for uncollectible accounts	248,000	179,000
Allowance for uncollectible accounts, end of year	\$ 157,000	\$ 71,000

6. DMSF Endowment Fund

The Fund's endowment consists of three 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 two donor-restricted funds. As required by generally accepted accounting principles, 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) was signed into law in the state of Illinois in 2009. UPMIFA differs from laws previously in place in a few key areas. 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.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. DMSF Endowment Fund (continued)

Executive Committee-designated endowment:

Investment funds identified by the Executive Committee to grow in perpetuity, while generating annual spending allowances to support Fund 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.

Composition of and changes in Executive Committee-designated endowment net assets for the years ended August 31, 2016 and 2015 were as follows:

Years ended August 31,	2016	2015
Executive Committee-designated endowment net assets, beginning of year	\$ 4,750,467	\$ 4,580,160
Contributions	12,000	343,000
Distributions	(132,848)	(5,094)
Net gain (loss) on investments held and sold	202,830	(250,500)
Interest	11,129	14,110
Dividends	102,803	101,421
Investment fees and expenses	(31,546)	(32,630)
Executive Committee-designated endowment net assets, end of year	\$ 4,914,835	\$ 4,750,467

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. DMSF Endowment Fund (continued)

Donor-restricted endowments:

Donor-restricted endowment #1:

During the year ended August 31, 2008, the Fund received a \$1,000,000 pledge to create a named donor-restricted endowment (temporarily restricted net assets). All investment income, including gains on investments, will be reinvested in the donor-restricted endowment. On an annual basis, the Fund can expend this endowment fund to cover a fixed number of scholarships.

Donor-restricted endowment #2:

During the year ended August 31, 2011, the Fund received a \$500,000 pledge to create a named donor-restricted endowment (temporarily restricted net assets). All investment income, including gains on investments, will be reinvested in the donor-restricted endowment. On an annual basis, the Fund can expend this endowment fund to cover a fixed number of scholarships.

Composition of and changes in donor-restricted endowment net assets for the years ended August 31, 2016 and 2015 were as follows:

Year ended August 31, 2016	Donor-restricted endowment		Total
	#1	#2	
Donor-restricted endowment net assets,			
beginning of year	\$ 1,525,973	\$ 584,530	\$ 2,110,503
Distributions	(80,000)	(25,000)	(105,000)
Net gain on investments held and sold	31,993	10,432	42,425
Interest	72	171	243
Dividends	5,685	21,306	26,991
Investment fees and expenses	(9,433)	(4,765)	(14,198)
Donor-restricted endowment net assets,			
end of year	\$ 1,474,290	\$ 586,674	\$ 2,060,964

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. DMSF Endowment Fund (continued)

Donor-restricted endowments: (continued)

Year ended August 31, 2015	Donor-restricted endowment		Total
	#1	#2	
Donor-restricted endowment net assets, beginning of year	\$ 1,516,087	\$ 636,126	\$ 2,152,213
Distributions	(64,000)	(25,000)	(89,000)
Net gain (loss) on investments held and sold	77,266	(55,751)	21,515
Interest	33	4	37
Dividends	5,963	34,282	40,245
Investment fees and expenses	(9,376)	(5,131)	(14,507)
Donor-restricted endowment net assets, end of year	\$ 1,525,973	\$ 584,530	\$ 2,110,503

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, 2016 and 2015.

7. 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 \$14,995 and \$13,519 for the years ended August 31, 2016 and 2015, respectively.

8. 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 statement of activities for services of the unpaid volunteers because the criteria for recognition under the Codification have not been satisfied.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Leases

The Fund leases its office space under an operating lease.

During the year ended August 31, 2013, the Fund entered into an agreement to lease office space at 309 W. Washington with a term of May 1, 2013 through February 28, 2019 and includes one five-year renewal option. After a three-month abatement of rent in the first year, the agreement calls for monthly payments of base rent (increasing annually). The base rent payment for May has been abated each year through May 2017. In addition, the agreement calls for monthly payments of the Fund's proportional share of common area expenses and real estate taxes.

Future minimum rental payments are as follows:

Year ending August 31:	Amount
2017	\$ 110,625
2018	123,783
2019	62,866
Total	\$ 297,274

Rental expense, including common area expenses and real estate taxes, for the years ended August 31, 2016 and 2015 was \$111,973 and \$112,141, respectively.

10. 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

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. 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 2016/2017 school year has been accrued as a liability at August 31, 2016. If all scholars as of August 31, 2016 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
2017/2018	\$ 1,209,900	\$ 69,050	\$ 1,278,950
2018/2019	887,700	50,750	938,450
2019/2020	498,000	19,500	517,500
Total	\$ 2,595,600	\$ 139,300	\$ 2,734,900

11. Fundraising events

The Fund held the following fundraising events during the years ended August 31, 2016 and 2015:

Year ended August 31, 2016	Golf Classic	Other	Total
Revenue	\$ 1,519,890	\$ 92,561	\$ 1,612,451
Expenses	377,097	29,500	406,597
Net income	\$ 1,142,793	\$ 63,061	\$ 1,205,854

Year ended August 31, 2015	Golf Classic	25th Anniversary	Other	Total
Revenue	\$ 1,365,469	\$ 1,180,517	\$ 207,192	\$ 2,753,178
Expenses	350,090	281,746	84,356	716,192
Net income	\$ 1,015,379	\$ 898,771	\$ 122,836	\$ 2,036,986

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Temporarily restricted net assets

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

August 31,	2016	2015
Purpose-restricted funds:		
Donor-restricted endowments	\$ 2,060,964	\$ 2,110,503
Time-restricted funds:		
Contributions receivable	2,984,966	1,334,350
Scholarships		4,000
Total temporarily restricted net assets	\$ 5,045,930	\$ 3,448,853

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

Years ended August 31,	2016	2015
Purpose-restricted funds:		
Donor-restricted endowments	\$ 105,000	\$ 89,000
Time-restricted funds:		
Contributions receivable	794,484	342,350
Scholarships	4,000	8,000
Total net assets released from restrictions	\$ 903,484	\$ 439,350

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Subsequent events

Management of the Fund has reviewed and evaluated subsequent events from August 31, 2016, the financial statement date, through December 30, 2016, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.

DANIEL MURPHY SCHOLARSHIP FUND

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended August 31, 2016	Program Services						Supporting Services			
	Financial Assistance	College Counseling	Bridge to Excellence	Mentoring	Tutoring	Summer Opportunities	Total	Management and general	Fundraising	Total
Activities	\$ 16,060			\$ 22,109			\$ 38,169			\$ 38,169
Awards						\$ 675	675			675
Background checks	120			2,600			2,720			2,720
College fairs and trips		\$ 4,672					4,672			4,672
Dues and membership fees		365					365	\$ 820		1,185
Employee benefits	20,654	6,019	\$ 1,017	3,013		7,067	37,770	4,732	\$ 34,565	77,067
Equipment and office supplies	16,586	1,818	1,616	1,697	\$ 1,575	1,861	25,153	4,130	5,333	34,616
Insurance	4,835	2,417	2,417	4,835		4,835	19,339	3,626	1,208	24,173
Meals and entertainment	1,373		2,030	4,621			8,024	3,253	1,983	13,260
Meeting and conference	2,887	3,366		663			6,916	9,349	2,723	18,988
Miscellaneous	2,437	4,686				10,664	17,787	3,659	25,328	46,774
Payroll taxes	17,976	5,238	885	2,623		6,151	32,873	4,118	30,083	67,074
Postage and shipping	261	316	13	38		89	717	61	3,656	4,434
Printing and duplication	1,758	357					2,115	433	9,660	12,208
Professional fees	9,032	728	104,820	21,675	728	728	137,711	76,329	51,822	265,862
Provision for and write off of uncollectible accounts								162,000		162,000
Recruit and interview scholars	13,696						13,696			13,696
Rent and utilities	61,585	5,599	2,799	16,796	2,800	5,599	95,178	5,599	11,196	111,973
Room and board						100,954	100,954			100,954
Salaries	243,147	70,857	11,976	35,474		83,196	444,650	55,707	406,909	907,266
Staff development and training									390	390
Student assistance	4,344						4,344			4,344
Telephone	1,720	501	85	251		588	3,145	394	2,878	6,417
Test preparation		9,716					9,716			9,716
Travel and transportation:										
Scholars	88,378					36,095	124,473			124,473
Staff	5,965	5,828		417			12,210	896	1,589	14,695
Tuition	1,504,804						1,504,804			1,504,804
Tutoring			7,388		34,775		42,163			42,163
Total expenses before depreciation	2,017,618	122,483	135,046	116,812	39,878	258,502	2,690,339	335,106	589,323	3,614,768
Depreciation	268	78	13	39		92	490	61	449	1,000
Total expenses	\$ 2,017,886	\$ 122,561	\$ 135,059	\$ 116,851	\$ 39,878	\$ 258,594	\$ 2,690,829	\$ 335,167	\$ 589,772	\$ 3,615,768

DANIEL MURPHY SCHOLARSHIP FUND

SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended August 31, 2015	Program Services						Supporting Services			
	Financial Assistance	College Counseling	Bridge to Excellence	Mentoring	Tutoring	Summer Opportunities	Total	Management and general	Fundraising	Total
Activities	\$ 5,159			\$ 19,676			\$ 24,835		\$ 4,282	\$ 29,117
Awards						\$ 2,449	2,449			2,449
Background checks	120			90			210			210
College fairs and trips		\$ 4,504					4,504			4,504
Dues and membership fees	500	420					920	\$ 770		1,690
Employee benefits	20,464	7,886	\$ 3,600	2,578		5,382	39,910	7,527	37,063	84,500
Equipment and office supplies	12,209	1,221	1,221	1,221	\$ 1,221	1,221	18,314	3,052	3,052	24,418
Insurance	4,543	2,271	2,271	4,543		4,543	18,171	3,407	1,136	22,714
Meals and entertainment	3,054			4,090			7,144	3,064	4,543	14,751
Meeting and conference	727	337		80			1,144	3,441	5,587	10,172
Miscellaneous	4,010	448	2,479	315		9,038	16,290	2,728	24,560	43,578
Payroll taxes	16,001	6,166	2,815	2,016		4,208	31,206	5,885	28,981	66,072
Postage and shipping	112	43	20	14		29	218	41	5,624	5,883
Printing and duplication	385						385	2,463	6,948	9,796
Professional fees	30,458	631	100,814	17,431	631	631	150,596	71,676	46,296	268,568
Provision for and write off of uncollectible accounts								128,000		128,000
Recruit and interview scholars	24,608						24,608			24,608
Rent and utilities	61,678	5,607	2,804	16,821	2,804	5,607	95,321	5,607	11,213	112,141
Room and board						78,047	78,047			78,047
Salaries	208,527	80,355	36,684	26,270		54,844	406,680	76,697	377,678	861,055
Staff development and training									1,729	1,729
Telephone	1,593	614	280	201		419	3,107	586	2,885	6,578
Test preparation		6,895					6,895			6,895
Travel and transportation:										
Scholars	68,210					21,963	90,173			90,173
Staff	4,440	5,440		194			10,074	17	1,466	11,557
Tuition	1,432,939						1,432,939			1,432,939
Tutoring			77		15,378		15,455			15,455
Total expenses before depreciation	1,899,737	122,838	153,065	95,540	20,034	188,381	2,479,595	314,961	563,043	3,357,599
Depreciation	242	93	43	31		64	473	89	438	1,000
Total expenses	\$ 1,899,979	\$ 122,931	\$ 153,108	\$ 95,571	\$ 20,034	\$ 188,445	\$ 2,480,068	\$ 315,050	\$ 563,481	\$ 3,358,599