

**DANIEL MURPHY SCHOLARSHIP  
FUND**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED AUGUST 31, 2017 AND 2016**

# **DANIEL MURPHY SCHOLARSHIP FUND**

YEARS ENDED AUGUST 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 schedules of functional expenses on pages 20 and 21 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 3, 2018

# DANIEL MURPHY SCHOLARSHIP FUND

## STATEMENTS OF FINANCIAL POSITION

August 31,	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,151,662	\$ 1,028,474
Receivables:		
Contributions receivable, net	2,469,314	2,984,966
Other	37,311	57,484
Total receivables	2,506,625	3,042,450
Investments	7,925,183	6,975,799
Prepaid expenses	33,143	25,169
Security deposit	15,371	15,371
Other assets	22,322	
Property and equipment, net	35,858	49,676
Total assets	\$ 11,690,164	\$ 11,136,939
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 90,461	\$ 94,145
Accrued tuition and travel costs	1,748,100	1,600,950
Deferred revenue	41,975	45,800
Deferred rent	22,532	28,869
Total liabilities	1,903,068	1,769,764
Net assets:		
Unrestricted	5,046,016	4,321,245
Temporarily restricted	4,741,080	5,045,930
Total net assets	9,787,096	9,367,175
Total liabilities and net assets	\$ 11,690,164	\$ 11,136,939

See notes to financial statements.

## DANIEL MURPHY SCHOLARSHIP FUND

### STATEMENTS OF ACTIVITIES

Years ended August 31,	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Grants and contributions:						
Scholarship and education	\$ 1,150,096	\$ 835,000	\$ 1,985,096	\$ 1,159,834	\$ 2,445,100	\$ 3,604,934
Endowment				10,000		10,000
Caddie	104,810		104,810	126,848		126,848
Contributed goods and services	23,500		23,500	63,247		63,247
Fundraising events, net	1,310,054		1,310,054	1,205,854		1,205,854
Net gain on investments held and sold	398,954	306,612	705,566	202,830	42,425	245,255
Interest	15,962	863	16,825	11,957	243	12,200
Dividends	98,899	24,687	123,586	103,264	26,991	130,255
Investment fees and expenses	(35,762)	(16,360)	(52,122)	(31,546)	(14,198)	(45,744)
Net assets released from restrictions:						
Satisfaction of purpose or time restrictions	1,455,652	(1,455,652)		903,484	(903,484)	
Total revenue	4,522,165	(304,850)	4,217,315	3,755,772	1,597,077	5,352,849
Expenses:						
Program services	3,020,677		3,020,677	2,690,829		2,690,829
Supporting services:						
Management and general	124,238		124,238	335,167		335,167
Fundraising	652,479		652,479	589,772		589,772
Total expenses	3,797,394		3,797,394	3,615,768		3,615,768
Change in net assets	724,771	(304,850)	419,921	140,004	1,597,077	1,737,081
Net assets:						
Beginning of year	4,321,245	5,045,930	9,367,175	4,181,241	3,448,853	7,630,094
End of year	\$ 5,046,016	\$ 4,741,080	\$ 9,787,096	\$ 4,321,245	\$ 5,045,930	\$ 9,367,175

*See notes to financial statements.*

# DANIEL MURPHY SCHOLARSHIP FUND

## STATEMENTS OF CASH FLOWS

Years ended August 31,	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 419,921	\$ 1,737,081
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,818	1,000
Net gain on investments held and sold	(705,566)	(245,255)
Provision for (adjustment of) and write off of uncollectible accounts	(38,946)	162,000
Donated leasehold improvements		(25,000)
Deferred revenue	(3,825)	45,800
Deferred rent	(6,337)	(3,657)
(Increase) decrease in operating assets:		
Receivables	574,771	(1,791,436)
Prepaid expenses	(7,974)	(22,784)
Other assets	(22,322)	
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(3,684)	6,846
Accrued tuition and travel costs	147,150	122,850
Net cash provided by (used in) operating activities	367,006	(12,555)
Cash flows from investing activities:		
Purchase of investments	(723,826)	(832,967)
Proceeds from sale of investments	480,008	963,393
Purchase of property and equipment		(20,676)
Net cash provided by (used in) investing activities	(243,818)	109,750
Net increase in cash and cash equivalents	123,188	97,195
Cash and cash equivalents, beginning of year	1,028,474	931,279
Cash and cash equivalents, end of year	\$ 1,151,662	\$ 1,028,474

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 2016/2017 and 2015/2016 school years, the Fund served 404 and 373 scholars, respectively. The Fund has committed to supporting 442 scholars in the 2017/2018 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.

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

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

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

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

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



# **DANIEL MURPHY SCHOLARSHIP FUND**

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

### **2. Summary of significant accounting policies**

The significant accounting policies of the Fund are summarized below:

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

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

**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, 2017 and 2016, there were no permanently restricted net assets.

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

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

#### **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.

#### **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.

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

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

#### **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.

#### **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.

# **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. During 2017, the Fund was the recipient of donated legal services. During 2016, the Fund was the recipient of donated leasehold improvements and consulting services.

#### **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.

#### **Reclassifications:**

Certain amounts in the prior year financial statements have been reclassified in order to conform with the current year's presentation.

#### **Subsequent events:**

Management of the Fund has reviewed and evaluated subsequent events from August 31, 2017, the financial statement date, through January 3, 2018, 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, 2017 and 2016.

### 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 \$952,000 and \$950,000 as of August 31, 2017 and 2016, 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,	2017	2016
Scholarship, other programs and general operations	\$ 2,558,314	\$ 3,137,966
Executive Committee-designated endowment	22,000	69,000
<b>Total unconditional promises to give</b>	<b>\$ 2,580,314</b>	<b>\$ 3,206,966</b>
Receivable in less than one year	\$ 897,161	\$ 954,313
Receivable in one to five years	1,536,653	2,101,153
Receivable in five to ten years	146,500	151,500
<b>Total unconditional promises to give</b>	<b>2,580,314</b>	<b>3,206,966</b>
Less allowance for uncollectible accounts	(64,000)	(157,000)
Less discounts to net present value	(47,000)	(65,000)
<b>Net unconditional promises to give</b>	<b>\$ 2,469,314</b>	<b>\$ 2,984,966</b>

# 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 1.59% in 2017 and an average rate of 1.29% in 2016.

### 6. Investments

Investments are as follows:

August 31,	2017	2016
Investment cash and money market funds	\$ 199,667	\$ 389,820
Corporate stocks	1,979,012	1,674,990
Corporate bonds	213,971	221,132
Mutual funds	2,732,196	2,040,244
Exchange-traded funds	2,454,938	2,320,594
U.S. Government and Government Agency obligations	312,201	294,271
Real estate investment trusts	33,198	34,748
Total	\$ 7,925,183	\$ 6,975,799

### 7. Property and equipment

The components of property and equipment are as follows:

August 31,	2017	2016
Leasehold improvements	\$ 27,500	\$ 27,500
Computer equipment	8,001	8,001
Furniture	28,176	28,176
	63,677	63,677
Less accumulated depreciation and amortization	(27,819)	(14,001)
Property and equipment, net	\$ 35,858	\$ 49,676

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

### **8. 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. 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,	2017	2016
Executive Committee-designated endowment net assets, beginning of year	\$ 4,914,835	\$ 4,750,467
Contributions	7,000	12,000
Distributions	(193,265)	(132,848)
Net gain on investments held and sold	396,655	202,830
Interest	12,518	11,129
Dividends	96,030	102,803
Investment fees and expenses	(34,845)	(31,546)
Executive Committee-designated endowment net assets, end of year	\$ 5,198,928	\$ 4,914,835

#### Donor-restricted endowments:

##### Donor-restricted endowment #1:

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:

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.



# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8. DMSF Endowment Fund (continued)

#### Donor-restricted endowments: (continued)

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

Year ended August 31, 2017	Donor-restricted endowment		Total
	#1	#2	
<b>Donor-restricted endowment net assets, beginning of year</b>	\$ 1,474,290	\$ 586,674	\$ 2,060,964
<b>Distributions - scholarships awarded</b>	(80,000)	(25,000)	(105,000)
<b>Net gain on investments held and sold</b>	269,179	37,433	306,612
<b>Interest</b>	585	278	863
<b>Dividends</b>	4,677	20,010	24,687
<b>Investment fees and expenses</b>	(11,383)	(4,977)	(16,360)
<b>Donor-restricted endowment net assets, end of year</b>	\$ 1,657,348	\$ 614,418	\$ 2,271,766

  

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

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, 2017 and 2016.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 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 \$19,856 and \$14,995 for the years ended August 31, 2017 and 2016, respectively.

### 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 with a term of May 1, 2013 through February 28, 2019. The agreement calls for monthly payments of base rent and proportional share of common area expenses and real estate taxes. Subsequent to August 31, 2017, the Fund signed an amendment extending the lease to September 30, 2025.

Future minimum rental payments are as follows:

<u>Year ending August 31:</u>	<u>Amount</u>
2018	\$ 122,808
2019	125,244
2020	161,378
2021	206,267
2022	211,439
Thereafter	684,235
<u>Total</u>	<u>\$ 1,511,371</u>

Rental expense was \$104,287 for each of the years ended August 31, 2017 and 2016.

# 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 2017/2018 school year has been accrued as a liability at August 31, 2017. If all scholars as of August 31, 2017 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
2018/2019	\$ 1,331,400	\$ 84,550	\$ 1,415,950
2019/2020	964,200	58,900	1,023,100
2020/2021	513,700	29,450	543,150
Total	\$ 2,809,300	\$ 172,900	\$ 2,982,200

## **DANIEL MURPHY SCHOLARSHIP FUND**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The Fund held the following fundraising events:

<b>Year ended August 31, 2017</b>	<b>Golf Classic</b>	<b>Ignite Potential</b>	<b>Other</b>	<b>Total</b>
<b>Revenue</b>	\$ 1,582,698	\$ 174,250	\$ 86,934	\$ 1,843,882
<b>Expenses</b>	458,137	39,544	36,147	533,828
<b>Net income</b>	\$ 1,124,561	\$ 134,706	\$ 50,787	\$ 1,310,054

  

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

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

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

<b>August 31,</b>	<b>2017</b>	<b>2016</b>
<b>Purpose-restricted funds:</b>		
Donor-restricted endowments	\$ 2,271,766	\$ 2,060,964
<b>Time-restricted funds:</b>		
Contributions receivable	2,469,314	2,984,966
<b>Total temporarily restricted net assets</b>	<b>\$ 4,741,080</b>	<b>\$ 5,045,930</b>

# 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,	2017	2016
Purpose-restricted funds:		
Donor-restricted endowments	\$ 105,000	\$ 105,000
Time-restricted funds:		
Contributions receivable	1,350,652	794,484
Scholarships		4,000
Total net assets released from restrictions	\$ 1,455,652	\$ 903,484

**DANIEL MURPHY SCHOLARSHIP FUND**

**SCHEDULES OF FUNCTIONAL EXPENSES**

Year ended August 31, 2017	Program Services							Supporting Services		
	Financial Assistance	College Counseling	Bridge to Excellence	Mentoring	Tutoring	Summer Opportunities	Total	Management and general	Fundraising	Total
Activities	\$ 18,937			\$ 26,131			\$ 45,068		\$ 3,250	\$ 48,318
Depreciation and amortization	4,462	\$ 1,227	\$ 195	482		\$ 1,360	7,726	\$ 626	5,466	13,818
Employee benefits	28,405	7,812	1,240	3,070		8,656	49,183	3,985	34,801	87,969
Equipment and office supplies	18,686	1,988	1,830	1,874	\$ 1,801	2,007	28,186	4,597	5,335	38,118
Insurance	3,020	1,544	1,579	3,155		3,125	12,423	2,358	608	15,389
Meals and entertainment	2,012		1,732	4,052			7,796	1,846	1,555	11,197
Meeting and conference	16,299	4,366		1,047	1,000	427	23,139	8,731	13,353	45,223
Other	13,880	10,357	340	971	336	16,461	42,345	7,670	44,746	94,761
Payroll taxes	23,962	6,590	1,046	2,590		7,302	41,490	3,362	29,357	74,209
Professional fees	12,944	680	94,078	680	680	680	109,742	82,650	117,624	310,016
Provision for (adjustment of) and write off of uncollectible accounts								(38,946)		(38,946)
Rent and utilities	61,434	5,585	2,792	16,755	5,585	5,585	97,736	2,792	11,171	111,699
Room and board						114,637	114,637			114,637
Salaries	312,440	85,880	13,625	53,289		95,238	560,472	43,791	382,688	986,951
Student assistance	36,328						36,328			36,328
Test preparation		12,282					12,282			12,282
Travel and transportation:										
Scholars	60,420					42,081	102,501			102,501
Staff	15,793	274		462			16,529	776	2,525	19,830
Tuition	1,639,650						1,639,650			1,639,650
Tutoring			5,238		68,206		73,444			73,444
<b>Total expenses</b>	<b>\$ 2,268,672</b>	<b>\$ 138,585</b>	<b>\$ 123,695</b>	<b>\$ 114,558</b>	<b>\$ 77,608</b>	<b>\$ 297,559</b>	<b>\$ 3,020,677</b>	<b>\$ 124,238</b>	<b>\$ 652,479</b>	<b>\$ 3,797,394</b>

**DANIEL MURPHY SCHOLARSHIP FUND**

**SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)**

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
Depreciation and amortization	268	\$ 78	\$ 13	39		\$ 92	490	\$ 61	\$ 449	1,000
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
Other	19,992	10,897	98	2,889		12,016	45,892	5,367	41,912	93,171
Payroll taxes	17,976	5,238	885	2,623		6,151	32,873	4,118	30,083	67,074
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
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
Student assistance	4,344						4,344			4,344
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
<b>Total expenses</b>	<b>\$ 2,017,886</b>	<b>\$ 122,561</b>	<b>\$ 135,059</b>	<b>\$ 116,851</b>	<b>\$ 39,878</b>	<b>\$ 258,594</b>	<b>\$ 2,690,829</b>	<b>\$ 335,167</b>	<b>\$ 589,772</b>	<b>\$ 3,615,768</b>