

**DANIEL MURPHY SCHOLARSHIP  
FUND**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2019 AND 2018

# **DANIEL MURPHY SCHOLARSHIP FUND**

**YEARS ENDED AUGUST 31, 2019 AND 2018**

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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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Fund has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. Our opinion is not modified with respect to this matter.

*Ostrow Reisin Berk & Abrams, Ltd.*

March 9, 2020

# DANIEL MURPHY SCHOLARSHIP FUND

## STATEMENTS OF FINANCIAL POSITION

August 31,	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,778,419	\$ 1,364,948
Receivables:		
Contributions receivable, net	925,651	1,743,808
Other	78,048	67,265
Total receivables	1,003,699	1,811,073
Investments	8,030,210	8,423,283
Prepaid expenses	220,069	22,728
Security deposit	15,371	15,371
Property and equipment, net	75,191	86,281
Total assets	\$ 11,122,959	\$ 11,723,684
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 125,800	\$ 133,704
Accrued tuition and travel costs	1,742,550	1,694,881
Deferred revenue	398,651	28,150
Deferred rent	100,164	34,200
Total liabilities	2,367,165	1,890,935
Net assets:		
Without donor restrictions	5,566,173	5,841,078
With donor restrictions	3,189,621	3,991,671
Total net assets	8,755,794	9,832,749
Total liabilities and net assets	\$ 11,122,959	\$ 11,723,684

See notes to financial statements.

## DANIEL MURPHY SCHOLARSHIP FUND

### STATEMENTS OF ACTIVITIES

Years ended August 31,	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Revenue:</b>						
<b>Contributions:</b>						
Scholarship and education	\$ 1,153,834		\$ 1,153,834	\$ 1,454,215	\$ 30,000	\$ 1,484,215
Caddie	80,308		80,308	111,291		111,291
Fundraising events, net of cost of direct benefits to donors of \$498,146 and \$571,467 for the years ended August 31, 2019 and 2018, respectively	1,711,766		1,711,766	1,241,694		1,241,694
Net investment income (loss)	(9,179)	\$ 16,107	6,928	428,519	714,515	1,143,034
Other	23,251		23,251	19,030		19,030
<b>Net assets released from restrictions:</b>						
Satisfaction of purpose or time restrictions	818,157	(818,157)		879,506	(879,506)	
<b>Total revenue</b>	<b>3,778,137</b>	<b>(802,050)</b>	<b>2,976,087</b>	4,134,255	(134,991)	3,999,264
<b>Expenses and loss:</b>						
Program services	2,847,591		2,847,591	2,944,520		2,944,520
<b>Supporting services:</b>						
Management and general	391,994		391,994	284,438		284,438
Fundraising	813,457		813,457	713,653		713,653
<b>Total expenses</b>	<b>4,053,042</b>		<b>4,053,042</b>	3,942,611		3,942,611
Write-off of property and equipment				11,000		11,000
<b>Total expenses and loss</b>	<b>4,053,042</b>		<b>4,053,042</b>	3,953,611		3,953,611
Change in net assets	(274,905)	(802,050)	(1,076,955)	180,644	(134,991)	45,653
<b>Net assets:</b>						
Beginning of year	5,841,078	3,991,671	9,832,749	5,660,434	4,126,662	9,787,096
End of year	\$ 5,566,173	\$ 3,189,621	\$ 8,755,794	\$ 5,841,078	\$ 3,991,671	\$ 9,832,749

*See notes to financial statements.*

**DANIEL MURPHY SCHOLARSHIP FUND**

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended August 31,	2019						2018	
	Program Services			Supporting Services		Cost of direct benefits to donors	Total	Total
	Financial Assistance	Other	Total	Management and general	Fundraising			
Depreciation and amortization	\$ 4,122	\$ 1,331	\$ 5,453	\$ 2,094	\$ 5,370		\$ 12,917	\$ 13,406
Fundraising events					72,614	\$ 498,146	570,760	671,226
Insurance	5,958	1,923	7,881	3,027	7,762		18,670	19,787
Meetings, activities and events	41,242	33,273	74,515	18,608	3,351		96,474	92,839
Occupancy	129,020	10,252	139,272	16,136	41,383		196,791	144,866
Office and administrative	12,691	16,898	29,589	36,725	136,193		202,507	171,196
Professional fees	55,401	63,237	118,638	94,668	39,548		252,854	291,931
Provision for uncollectible accounts				20,436			20,436	51,000
Room and board		152,481	152,481				152,481	104,518
Salaries and benefits	388,265	125,326	513,591	197,233	505,847		1,216,671	1,122,865
Student assistance	16,137		16,137				16,137	5,436
Travel and transportation	77,934	39,633	117,567	3,067	1,389		122,023	114,597
Tuition	1,602,646		1,602,646				1,602,646	1,585,738
Tutoring and test preparation	1,987	67,834	69,821				69,821	124,673
<b>Total expenses</b>	<b>2,335,403</b>	<b>512,188</b>	<b>2,847,591</b>	<b>391,994</b>	<b>813,457</b>	<b>498,146</b>	<b>4,551,188</b>	<b>4,514,078</b>
Less expenses included with revenue on the statements of activities						(498,146)	(498,146)	(571,467)
<b>Total expenses included in the expenses section of the statements of activities</b>	<b>\$ 2,335,403</b>	<b>\$ 512,188</b>	<b>\$ 2,847,591</b>	<b>\$ 391,994</b>	<b>\$ 813,457</b>	<b>\$ -</b>	<b>\$ 4,053,042</b>	<b>\$ 3,942,611</b>

See notes to financial statements.

# DANIEL MURPHY SCHOLARSHIP FUND

## STATEMENTS OF CASH FLOWS

Years ended August 31,	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (1,076,955)	\$ 45,653
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,917	13,406
Write-off of property and equipment		11,000
Net (gain) loss on investments held and sold	160,241	(1,048,830)
Provision for uncollectible accounts	20,436	51,000
Deferred revenue	370,501	(13,825)
Deferred rent	65,964	11,668
(Increase) decrease in operating assets:		
Receivables	786,938	644,552
Prepaid expenses	(197,341)	10,415
Other assets		22,322
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(7,904)	43,243
Accrued tuition and travel costs	47,669	(53,219)
Net cash provided by (used in) operating activities	182,466	(262,615)
Cash flows from investing activities:		
Purchase of investments	(1,503,845)	(1,494,935)
Proceeds from sale of investments	1,736,677	2,045,665
Purchase of property and equipment	(1,827)	(74,829)
Net cash provided by investing activities	231,005	475,901
Net increase in cash and cash equivalents	413,471	213,286
Cash and cash equivalents, beginning of year	1,364,948	1,151,662
Cash and cash equivalents, end of year	\$ 1,778,419	\$ 1,364,948

*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 2018/2019 and 2017/2018 school years, the Fund served 448 and 442 scholars, respectively. The Fund has committed to supporting 456 scholars in the 2019/2020 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 for the year ended August 31, 2018 are as follows:

<u>Year ended August 31, 2018</u>	
Financial Assistance	\$ 2,217,704
Other	726,816
<u>Total program services expenses</u>	<u>\$ 2,944,520</u>

### 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).

#### **Adoption of new accounting standard:**

Effective September 1, 2018, the Fund adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. This guidance provides for additional disclosure requirements and modifies net asset reporting. The standard requires the Fund to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It also adds information about liquidity and availability of resources and requires the reporting of expense by nature and function as well as investment income net of investment expenses. The Fund has applied these changes retrospectively and included the changes within the financial statements and related disclosures.

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

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

#### **Net assets:**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net assets without donor restrictions** - Net assets available for use in general operations and not subject to donor restrictions. The Executive Committee has designated, from net assets without donor restrictions, net assets for an Executive Committee-designated endowment.

**Net assets with donor restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. See Note 15 for a description of net assets with donor restrictions at June 30, 2019 and 2018.

#### **Revenue and support:**

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

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

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

#### **Investments:**

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

Investment cash is 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 less direct internal and external investment expenses are reflected in the statements of activities as net investment income or loss.

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

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

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

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

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

#### **Property and equipment: (continued)**

The Fund reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended August 31, 2019 and 2018.

#### **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.

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

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

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

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

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

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

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

The preparation of financial statements in 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 to conform with the current year's presentation.

#### **Subsequent events:**

Management of the Fund has reviewed and evaluated subsequent events through March 9, 2020, the date the financial statements were available to be issued.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Liquidity and availability

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

<u>August 31, 2019</u>	
Financial assets at year-end:	
Cash and cash equivalents	\$ 1,778,419
Receivables	1,003,699
Investments	8,030,210
<hr/>	
Total financial assets at year-end	10,812,328
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Less amounts not available to be used within one year:	
Contributions receivable due in over one year	378,853
Executive Committee-designated endowment investments	5,664,611
Donor-restricted endowment investments	2,263,970
<hr/>	
Total amounts not available to be used within one year	8,307,434
<hr/>	
Financial assets available to meet general expenditures within one year	\$ 2,504,894

The Fund regularly monitors liquidity to meet operating needs, contractual commitments and scholarship obligations. Annual fundraising events, scholarship expenses and other known expenses are accounted for in the preparation of an annual budget. Management, along with the Finance and Executive Committees, monitor the budget, cash reserves and the liquidity needs of the Fund on an ongoing basis. On an annual basis, the Fund is entitled to expend an amount that is equal to no more than 5% of the average fair value of the Executive Committee-designated endowment investments over the most recent eight fiscal quarters. On an annual basis, the Fund is entitled to expend \$80,000 of donor-restricted endowment investments for scholarships.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 4. 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, 2019 and 2018.

### 5. 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 \$1,445,000 and \$1,206,000 as of August 31, 2019 and 2018, respectively.

### 6. Contributions receivable

Unconditional promises to give are as follows:

August 31,	2019	2018
Scholarship, other programs and general operations	\$ 968,651	\$ 1,828,808
Receivable in less than one year	\$ 589,798	\$ 817,155
Receivable in one to five years	333,353	966,153
Receivable in five to ten years	45,500	45,500
Total unconditional promises to give	968,651	1,828,808
Less allowance for uncollectible accounts	(24,000)	(47,000)
Less discounts to net present value	(19,000)	(38,000)
Net unconditional promises to give	\$ 925,651	\$ 1,743,808

Unconditional promises to give in more than one year were discounted at an average rate of 1.50% in 2019 and an average rate of 2.00% in 2018.



# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Investments

The Fund's investments stated at fair value (all Level 1) are as follows:

August 31,	2019	2018
Cash and money market funds	\$ 558,772	\$ 516,007
Equity funds	2,792,087	3,073,740
Fixed income funds	2,120,364	2,151,735
U.S. Government securities	198,749	99,462
Equity securities stock	2,360,238	2,582,339
Total	\$ 8,030,210	\$ 8,423,283

### 8. Property and equipment

The components of property and equipment are as follows:

August 31,	2019	2018
Leasehold improvements	\$ 70,276	\$ 70,276
Computer equipment	3,769	1,942
Furniture	30,787	30,787
	104,832	103,005
Less accumulated depreciation and amortization	(29,641)	(16,724)
Property and equipment, net	\$ 75,191	\$ 86,281

# **DANIEL MURPHY SCHOLARSHIP FUND**

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

### **9. Endowment funds**

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

The Executive Committee of the Fund has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. The Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of the Fund and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Fund
- The investment policies of the Fund

## **DANIEL MURPHY SCHOLARSHIP FUND**

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

#### **9. Endowment funds (continued)**

As of August 31, 2019 and 2018, the Fund had the following endowment net asset composition by type of fund:

<b>August 31, 2019</b>	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Executive Committee-designated endowment</b>	<b>\$ 5,664,611</b>		<b>\$ 5,664,611</b>
<b>Donor-restricted endowment</b>		<b>\$ 2,263,970</b>	<b>2,263,970</b>
<b>Total</b>	<b>\$ 5,664,611</b>	<b>\$ 2,263,970</b>	<b>\$ 7,928,581</b>

  

<b>August 31, 2018</b>	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Executive Committee-designated endowment	\$ 6,025,388		\$ 6,025,388
Donor-restricted endowment		\$ 2,247,863	2,247,863
Total	\$ 6,025,388	\$ 2,247,863	\$ 8,273,251

#### **Executive Committee-designated endowment:**

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

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Endowment funds (continued)

#### Donor-restricted endowment:

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

Changes in total endowment net assets for the years ended August 31, 2019 and 2018 are as follows:

Year ended August 31, 2019	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 6,025,388	\$ 2,247,863	\$ 8,273,251
Distributions	(350,000)		(350,000)
Net investment income (loss)	(10,777)	16,107	5,330
<b>Endowment net assets, end of year</b>	<b>\$ 5,664,611</b>	<b>\$ 2,263,970</b>	<b>\$ 7,928,581</b>
Year ended August 31, 2018	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 5,813,346	\$ 1,657,348	\$ 7,470,694
Contributions	22,000		22,000
Distributions	(241,000)	(124,000)	(365,000)
Net investment income	431,042	714,515	1,145,557
<b>Endowment net assets, end of year</b>	<b>\$ 6,025,388</b>	<b>\$ 2,247,863</b>	<b>\$ 8,273,251</b>

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, 2019 and 2018.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 10. 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 \$18,232 and \$17,018 for the years ended August 31, 2019 and 2018, respectively.

### 11. 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.

### 12. 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>
2020	\$ 161,378
2021	206,268
2022	211,440
2023	216,732
2024	222,690
Thereafter	244,816
<u>Total</u>	<u>\$ 1,263,324</u>

Rental expense was \$191,208 and \$141,578 for the years ended August 31, 2019 and 2018, respectively.

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 13. 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 2019/2020 school year has been accrued as a liability at August 31, 2019. If all scholars as of August 31, 2019 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
2020/2021	\$ 1,285,950	\$ 72,400	\$ 1,358,350
2021/2022	881,000	42,950	923,950
2022/2023	490,500	23,750	514,250
Total	\$ 2,657,450	\$ 139,100	\$ 2,796,550

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 14. Fundraising events

Net income from fundraising events is as follows:

<b>Year ended August 31, 2019</b>	<b>Golf Classic</b>	<b>Other</b>	<b>Total</b>
<b>Gross revenue</b>	<b>\$ 1,865,873</b>	<b>\$ 344,039</b>	<b>\$ 2,209,912</b>
<b>Cost of direct benefits to donors</b>	<b>(418,194)</b>	<b>(79,952)</b>	<b>(498,146)</b>
<b>Revenue, net of cost of direct benefits to donors</b>	<b>1,447,679</b>	<b>264,087</b>	<b>1,711,766</b>
<b>Other expenses</b>	<b>50,968</b>	<b>21,646</b>	<b>72,614</b>
<b>Net income</b>	<b>\$ 1,396,711</b>	<b>\$ 242,441</b>	<b>\$ 1,639,152</b>
<b>Year ended August 31, 2018</b>	<b>Golf Classic</b>	<b>Other</b>	<b>Total</b>
<b>Gross revenue</b>	<b>\$ 1,552,156</b>	<b>\$ 261,005</b>	<b>\$ 1,813,161</b>
<b>Cost of direct benefits to donors</b>	<b>(504,553)</b>	<b>(66,914)</b>	<b>(571,467)</b>
<b>Revenue, net of cost of direct benefits to donors</b>	<b>1,047,603</b>	<b>194,091</b>	<b>1,241,694</b>
<b>Other expenses</b>	<b>67,831</b>	<b>31,928</b>	<b>99,759</b>
<b>Net income</b>	<b>\$ 979,772</b>	<b>\$ 162,163</b>	<b>\$ 1,141,935</b>

# DANIEL MURPHY SCHOLARSHIP FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 15. Net assets with donor restrictions

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

August 31,	2019	2018
Purpose-restricted funds:		
Donor-restricted endowment	\$ 2,263,970	\$ 2,247,863
Time-restricted funds:		
Contributions receivable	925,651	1,743,808
Total net assets with donor restrictions	\$ 3,189,621	\$ 3,991,671

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

Years ended August 31,	2019	2018
Purpose-restricted funds:		
Donor-restricted endowment		\$ 124,000
Time-restricted funds:		
Contributions receivable	\$ 818,157	755,506
Total net assets released from restrictions	\$ 818,157	\$ 879,506