

**DANIEL MURPHY SCHOLARSHIP
FUND**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2020 AND 2019

DANIEL MURPHY SCHOLARSHIP FUND

YEARS ENDED AUGUST 31, 2020 AND 2019

CONTENTS

	Page
Independent auditors' report	1-2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-26



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, 2020 and 2019, 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, 2020 and 2019, 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.

Ostrow Reisin Berk & Abrams, Ltd.

January 27, 2021

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF FINANCIAL POSITION

August 31,	2020	2019
ASSETS		
Cash	\$ 1,942,973	\$ 1,778,419
Investments	9,297,863	8,030,210
Contributions receivable, net	450,374	925,651
Other receivables	10,341	78,048
Prepaid expenses	127,235	220,069
Security deposit	16,242	15,371
Property and equipment, net	75,407	75,191
Total assets	\$ 11,920,435	\$ 11,122,959
LIABILITIES AND NET ASSETS		
Liabilities:		
Note payable	\$ 220,900	
Accounts payable and accrued expenses	53,164	\$ 125,800
Accrued tuition and travel costs	1,760,863	1,742,550
Deferred revenue	604,594	398,651
Deferred rent	107,230	100,164
Total liabilities	2,746,751	2,367,165
Net assets:		
Without donor restrictions	5,753,524	5,566,173
With donor restrictions	3,420,160	3,189,621
Total net assets	9,173,684	8,755,794
Total liabilities and net assets	\$ 11,920,435	\$ 11,122,959

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF ACTIVITIES

Years ended August 31,	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Contributions:						
Scholarship and education	\$ 1,917,849		\$ 1,917,849	\$ 1,153,834		\$ 1,153,834
Caddie		\$ 45,072	45,072	80,308		80,308
Fundraising events, net of cost of direct benefits to donors of \$340,260 and \$498,146 for the years ended August 31, 2020 and 2019, respectively	1,256,822		1,256,822	1,711,766		1,711,766
Net investment income (loss)	265,949	755,493	1,021,442	(9,179)	\$ 16,107	6,928
Other	7,116		7,116	23,251		23,251
Net assets released from restrictions	570,026	(570,026)		818,157	(818,157)	
Total revenue	4,017,762	230,539	4,248,301	3,778,137	(802,050)	2,976,087
Expenses:						
Program services	2,897,100		2,897,100	2,847,591		2,847,591
Supporting services:						
Management and general	229,430		229,430	391,994		391,994
Fundraising	703,881		703,881	813,457		813,457
Total expenses	3,830,411		3,830,411	4,053,042		4,053,042
Change in net assets	187,351	230,539	417,890	(274,905)	(802,050)	(1,076,955)
Net assets:						
Beginning of year	5,566,173	3,189,621	8,755,794	5,841,078	3,991,671	9,832,749
End of year	\$ 5,753,524	\$ 3,420,160	\$ 9,173,684	\$ 5,566,173	\$ 3,189,621	\$ 8,755,794

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended August 31, 2020	Program Services			Supporting Services		Cost of direct benefits to donors	Total
	Financial Assistance	Other	Total	Management and general	Fundraising		
	Depreciation and amortization	\$ 11,197	\$ 535	\$ 11,732	\$ 615		
Fundraising events					109,047	\$ 340,260	449,307
Insurance	14,761	735	15,496	1,070	3,247		19,813
Meetings, activities and events	19,058	13,214	32,272	12,121	5,891		50,284
Occupancy	161,081	8,410	169,491	8,754	37,420		215,665
Office and administrative	49,034	8,881	57,915	11,736	137,084		206,735
Professional fees	58,908	82,233	141,141	44,567	34,703		220,411
Provision for uncollectible accounts				29,407			29,407
Salaries and benefits	568,825	88,342	657,167	120,018	373,048		1,150,233
Student assistance	28,497		28,497				28,497
Travel and transportation	48,135	24,631	72,766	1,142	809		74,717
Tuition	1,652,348		1,652,348				1,652,348
Tutoring and test preparation	45,238	13,037	58,275				58,275
Total expenses	2,657,082	240,018	2,897,100	229,430	703,881	340,260	4,170,671
Less expenses included with revenue on the statements of activities						(340,260)	(340,260)
Total expenses included in the expenses section of the statements of activities	\$ 2,657,082	\$ 240,018	\$ 2,897,100	\$ 229,430	\$ 703,881	\$ -	\$ 3,830,411

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

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

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF CASH FLOWS

Years ended August 31,	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 417,890	\$ (1,076,955)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,979	12,917
Realized and unrealized (gain) loss on investments	(903,875)	160,241
Provision for uncollectible accounts	29,407	20,436
Deferred rent	7,066	65,964
(Increase) decrease in operating assets:		
Receivables	513,577	786,938
Prepaid expenses	92,834	(197,341)
Security deposit	(871)	
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(72,636)	(7,904)
Accrued tuition and travel costs	18,313	47,669
Deferred revenue	205,943	370,501
Net cash provided by operating activities	322,627	182,466
Cash flows from investing activities:		
Purchase of investments	(2,506,200)	(1,503,845)
Proceeds from sale of investments	2,142,422	1,736,677
Purchase of property and equipment	(15,195)	(1,827)
Net cash provided by (used in) investing activities	(378,973)	231,005
Cash flows from financing activity:		
Proceeds from note payable	220,900	
Net cash provided by financing activity	220,900	
Net increase in cash	164,554	413,471
Cash, beginning of year	1,778,419	1,364,948
Cash, end of year	\$ 1,942,973	\$ 1,778,419

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS

1. Nature of organization

The Daniel Murphy Scholarship Fund (the Fund) was formed in 1989 to give high school scholarship assistance and educational support to Chicago students from economically disadvantaged backgrounds. The Fund seeks to make a life-altering difference in the lives of its scholars by providing them with the best opportunity to succeed in high school and college.

The Fund's main program is Financial Assistance. The Fund provides scholarships to economically disadvantaged Chicago area students, allowing them to attend leading private and parochial high schools in the Chicago area and top boarding schools across the country. During the 2019/2020 and 2018/2019 school years, the Fund served 456 and 448 scholars, respectively. The Fund has committed to supporting 471 scholars in the 2020/2021 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)

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.

Recent accounting pronouncement:

Effective September 1, 2019, the Fund adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The change in accounting principle was adopted on a modified prospective basis in 2020. The adoption of this standard did not materially impact the financial statements of the Fund.

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 also designated \$350,000 of net assets without donor restrictions for operating expenses for each of the years ending August 31, 2021 and 2022. The Executive Committee has also designated net assets without donor restrictions for the Executive Committee-designated endowment.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. See Note 17 for a description of net assets with donor restrictions at August 31, 2020 and 2019.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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.

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 that the receivable will not be collected.

Investments:

Investments with readily determinable fair values are stated at fair value. Other investments are reported at cost or net asset value. See Note 8. 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 investments other than donor-restricted endowment investments are reflected in the statements of activities as changes in net assets without donor restrictions. Net investment income or loss from donor-restricted endowment investments are reflected in the statements of activities as changes in net assets with donor restrictions. Realized and unrealized losses on donor-restricted endowment investments first reduce any realized and unrealized gains reported in net assets with donor restrictions and then are reflected as changes in net assets without donor restrictions.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Risks and uncertainties:

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Property and equipment:

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

The Fund reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended August 31, 2020 and 2019.

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.

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. Expenses allocated in this manner included salaries and benefits, depreciation and amortization, insurance, and occupancy.

Tuition and travel and transportation:

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

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of the Fund has reviewed and evaluated subsequent events through January 27, 2021, the date the financial statements were available to be issued.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. COVID-19

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The Fund's primary Financial Assistance program has not been materially interrupted by COVID-19, however, other programs have been impacted. The Fund shifted all of its educational programs to a virtual platform beginning in March 2020. The Fund continues to host programs virtually until local and state government and health agencies determine it is safe to return to in-person activities. The Fund's Mentoring program was suspended in March 2020 and the Summer Opportunities program, including the Caddie program, was canceled. The Fund's annual June 2020 Golf Classic was rescheduled to September 2020, which resulted in a loss of revenue during the year ended August 31, 2020 that typically was generated from this event. A significant portion of the in-person event historically was dedicated to a silent and live auction as well as a paddle raise conducted during the dinner program. Due to COVID-19, the auctions and paddle raise were canceled and replaced with a virtual fundraiser through digital and online efforts prior to and during the Golf Classic which took place but only consisting of golf and a socially-distant reception.

The Fund believes that the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the Fund's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the Fund.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability

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

August 31,	2020	2019
Financial assets at year-end:		
Cash	\$ 1,942,973	\$ 1,778,419
Investments	9,297,863	8,030,210
Receivables	460,715	1,003,699
Total financial assets at year-end	11,701,551	10,812,328
Less amounts not available to be used within one year:		
Contributions receivable due in over one year	247,000	378,853
Executive Committee-designated net assets	350,000	
Executive Committee-designated endowment investments	5,668,772	5,664,611
Donor-restricted endowment investments	2,924,713	2,263,970
Total amounts not available to be used within one year	9,190,485	8,307,434
Financial assets available to meet general expenditures within one year	\$ 2,511,066	\$ 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)

5. Tax status

The Fund is generally exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Fund is not a private foundation within the meaning of Section 509(a) of the Code. Management has determined that the Fund was not required to record a liability related to uncertain tax positions as of August 31, 2020 and 2019.

6. Cash

The Fund maintains cash in bank accounts which are insured by the Federal Deposit Insurance Corporation up to insured limits. The Fund's uninsured cash totaled approximately \$1,988,000 and \$1,445,000 as of August 31, 2020 and 2019, respectively.

7. Contributions receivable

Unconditional promises to give are as follows:

August 31,	2020	2019
Receivable in less than one year	\$ 223,448	\$ 589,798
Receivable in one to five years	247,000	333,353
Receivable in five to ten years		45,500
Total unconditional promises to give	470,448	968,651
Less allowance for uncollectible accounts	(12,000)	(24,000)
Less discounts to net present value	(8,074)	(19,000)
Net unconditional promises to give	\$ 450,374	\$ 925,651

Unconditional promises to give in more than one year were discounted at an average rate of 1.50% in 2020 and 2019.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2 Inputs to the valuation methodology include:

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

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

- Cash (not yet invested) and certificates of deposit are carried at cost, which approximates fair value.
- Money market funds, equity funds, fixed income funds, U.S. Government securities, and common stock are reported at fair value based on quoted prices in active markets.
- Hedge fund is valued at net asset value (NAV) per fund share (the unit of account), derived from the value of underlying fund investments, less fund expenses.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth the Fund's investments by level within the fair value hierarchy as of August 31, 2020 and 2019:

August 31, 2020	Level 1	Total
Money market funds	\$ 240,700	\$ 240,700
Equity funds	2,672,812	2,672,812
Fixed income funds	2,065,728	2,065,728
U.S. Government securities	99,982	99,982
Common stock	3,031,984	3,031,984
Total investments at fair value	\$ 8,111,206	8,111,206
Cash		228,748
Certificates of deposit		704,375
Hedge fund*		253,534
Total investments		\$ 9,297,863

August 31, 2019	Level 1	Total
Money market funds	\$ 497,180	\$ 497,180
Equity funds	2,792,087	2,792,087
Fixed income funds	2,120,364	2,120,364
U.S. Government securities	198,749	198,749
Common stock	2,360,238	2,360,238
Total investments at fair value	\$ 7,968,618	7,968,618
Cash		61,592
Total investments		\$ 8,030,210

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value (continued)

*Certain investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The Fund invests in a highly diversified, multi-strategy hedge fund (valued at \$253,534 as of August 31, 2020) focused on generating absolute return with low correlation to global capital markets and low volatility. It's five core strategy allocations include: equity arbitrage, relative value fundamental equity, statistical arbitrage/quantitative strategies, fixed income, equity arbitrage, and commodities. The Fund has concluded that the net asset value reported by the hedge fund approximates fair value. Hedge fund shareholders may redeem 25% of shares quarterly with 90 days notice. A shareholder's entire balance may be redeemed over four quarters. The hedge fund manager, in its sole discretion, may permit redemptions in amounts or frequency other than amounts and frequency as listed above. The Fund has no unfunded capital commitment for the hedge fund.

9. Property and equipment

The components of property and equipment are as follows:

August 31,	2020	2019
Leasehold improvements	\$ 70,276	\$ 70,276
Computer equipment	18,964	3,769
Furniture	30,787	30,787
	120,027	104,832
Less accumulated depreciation and amortization	(44,620)	(29,641)
Property and equipment, net	\$ 75,407	\$ 75,191

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Note payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Fund applied for and received \$220,900. The loan is a two-year loan maturing in April 2022. The loan bears an annual interest rate of 1%. The Fund intends to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the SBA. The Fund is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

The Fund has accounted for the PPP loan under the debt model in which the loan will remain a liability of the Fund until such time that the Fund's application for forgiveness is approved by the SBA. At the time the application for forgiveness is approved, the Fund will recognize revenue to the extent of the amount forgiven. The Fund has up to 10 months after the end of the 24-week period following the loan disbursement date to apply for loan forgiveness. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the 24-week period following disbursement date, then payments are to begin at that time. The two-year maturity date could be extended to five years if approved by the lender. If the Fund were to not submit an application for forgiveness by 10 months after the end of the 24-week covered period and assuming no change in the two-year maturity date, principal payments due on the PPP loan would be \$24,544 for the year ending August 31, 2021 and \$196,356 for the year ending August 31, 2022.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. 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)

11. Endowment funds (continued)

As of August 31, 2020 and 2019, the Fund had the following endowment net asset composition by type of fund:

August 31, 2020	Without donor restrictions	With donor restrictions	Total
Executive Committee-designated endowment	\$ 5,668,772		\$ 5,668,772
Donor-restricted endowment		\$ 2,924,713	2,924,713
Total	\$ 5,668,772	\$ 2,924,713	\$ 8,593,485

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

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)

11. 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, 2020 and 2019 are as follows:

Year ended August 31, 2020	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 5,664,611	\$ 2,263,970	\$ 7,928,581
Distributions	(255,500)	(94,750)	(350,250)
Net investment income	259,661	755,493	1,015,154
Endowment net assets, end of year	\$ 5,668,772	\$ 2,924,713	\$ 8,593,485

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
Endowment net assets, end of year	\$ 5,664,611	\$ 2,263,970	\$ 7,928,581

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 were no deficiencies of this nature as of August 31, 2020 and 2019.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. 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 \$25,996 and \$18,232 for the years ended August 31, 2020 and 2019, respectively.

13. 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.

14. Leases

The Fund leases office space under an operating lease expiring in September 2025. The agreement calls for monthly payments of base rent and proportional share of common area expenses and real estate taxes.

Future minimum rental payments are as follows:

<u>Year ending August 31:</u>	<u>Amount</u>
2021	\$ 206,268
2022	211,440
2023	216,732
2024	222,690
2025	225,984
Thereafter	18,832
<u>Total</u>	<u>\$ 1,101,946</u>

Rent expense was \$195,684 and \$191,208 for the years ended August 31, 2020 and 2019, respectively.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. 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 2020/2021 school year has been accrued as a liability at August 31, 2020. If all scholars as of August 31, 2020 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
2021/2022	\$ 1,283,610	\$ 55,700	\$ 1,339,310
2022/2023	900,990	36,500	937,490
2023/2024	412,450	10,500	422,950
Total	\$ 2,597,050	\$ 102,700	\$ 2,699,750

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. Fundraising events

Net income from fundraising events is as follows:

Year ended August 31, 2020	Golf Classic**	30th Anniversary Gala	Other	Total
Gross revenue		\$ 1,386,677	\$ 210,405	\$ 1,597,082
Cost of direct benefits to donors		(315,082)	(25,178)	(340,260)
Revenue, net of cost of direct benefits to donors		1,071,595	185,227	1,256,822
Other expenses		(60,522)	(48,525)	(109,047)
Net income		\$ 1,011,073	\$ 136,702	\$ 1,147,775
<hr/>				
Year ended August 31, 2019		Golf Classic	Other	Total
Gross revenue		\$ 1,865,873	\$ 344,039	\$ 2,209,912
Cost of direct benefits to donors		(418,194)	(79,952)	(498,146)
Revenue, net of cost of direct benefits to donors		1,447,679	264,087	1,711,766
Other expenses		(50,968)	(21,646)	(72,614)
Net income		\$ 1,396,711	\$ 242,441	\$ 1,639,152

**The 2020 Golf Classic was postponed from June 2020 to September 2020 due to COVID-19.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

17. Net assets with donor restrictions

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

August 31,	2020	2019
Purpose-restricted funds:		
Donor-restricted endowment	\$ 2,924,713	\$ 2,263,970
Caddie program	45,073	
Time-restricted funds:		
Contributions receivable	450,374	925,651
Total net assets with donor restrictions	\$ 3,420,160	\$ 3,189,621

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

Years ended August 31,	2020	2019
Purpose-restricted funds:		
Donor-restricted endowment	\$ 94,750	
Time-restricted funds:		
Contributions receivable	475,276	\$ 818,157
Total net assets released from restrictions	\$ 570,026	\$ 818,157