

**DANIEL MURPHY SCHOLARSHIP
FUND**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2023 AND 2022

DANIEL MURPHY SCHOLARSHIP FUND

YEARS ENDED AUGUST 31, 2023 AND 2022

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Independent Auditors' Report

Board of Directors
Daniel Murphy Scholarship Fund

Opinion

We have audited the accompanying financial statements of Daniel Murphy Scholarship Fund (a not-for-profit organization), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daniel Murphy Scholarship Fund as of August 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Daniel Murphy Scholarship Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Daniel Murphy Scholarship Fund has adopted ASU 2016-02, *Leases (Topic 842)*, effective September 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Daniel Murphy Scholarship Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Daniel Murphy Scholarship Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Daniel Murphy Scholarship Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ostrow Reisin Berk & Abrams, Ltd.

May 6, 2024

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF FINANCIAL POSITION

August 31,	2023	2022
ASSETS		
Cash	\$ 776,110	\$ 2,134,072
Investments	9,958,781	8,818,676
Grants and contributions receivable, net	561,089	742,862
Prepaid expenses	45,318	47,146
Security deposit	16,242	16,242
Property and equipment, net	56,128	64,485
Operating lease right-of-use asset	402,484	
Total assets	\$ 11,816,152	\$ 11,823,483
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 116,397	\$ 264,342
Accrued tuition and travel costs	1,887,650	1,798,105
Deferred rent		80,890
Operating lease liability	442,837	
Total liabilities	2,446,884	2,143,337
Net assets:		
Without donor restrictions	6,765,122	7,155,082
With donor restrictions	2,604,146	2,525,064
Total net assets	9,369,268	9,680,146
Total liabilities and net assets	\$ 11,816,152	\$ 11,823,483

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF ACTIVITIES

Years ended August 31,	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues, gains, and other support:						
Grants and contributions	\$ 2,005,181		\$ 2,005,181	\$ 2,231,508	\$ 39,716	\$ 2,271,224
Contributed goods and services	77,000		77,000			
Fundraising events, net of cost of direct benefits to donors of \$626,991 and \$680,891 for 2023 and 2022, respectively	2,002,798		2,002,798	1,844,686		1,844,686
Forgiveness of debt - PPP loan				208,132		208,132
Net investment income	25,078		25,078	13,156		13,156
Other	3,897		3,897	6,211		6,211
Net assets released from restrictions	44,597	\$ (44,597)		222,096	(222,096)	
Total operating revenues, gains, and other support	4,158,551	(44,597)	4,113,954	4,525,789	(182,380)	4,343,409
Operating expenses:						
Program services	3,472,515		3,472,515	3,361,353		3,361,353
Supporting services:						
Management and general	492,323		492,323	180,129		180,129
Fundraising	989,874		989,874	940,285		940,285
Total operating expenses	4,954,712		4,954,712	4,481,767		4,481,767
Change in net assets from operations	(796,161)	(44,597)	(840,758)	44,022	(182,380)	(138,358)
Other changes:						
Endowment net investment income (loss)	406,201	123,679	529,880	(610,874)	(1,190,337)	(1,801,211)
Change in net assets	(389,960)	79,082	(310,878)	(566,852)	(1,372,717)	(1,939,569)
Net assets:						
Beginning of year	7,155,082	2,525,064	9,680,146	7,721,934	3,897,781	11,619,715
End of year	\$ 6,765,122	\$ 2,604,146	\$ 9,369,268	\$ 7,155,082	\$ 2,525,064	\$ 9,680,146

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended August 31, 2023	Program Services			Supporting Services		Cost of	
	Financial Assistance	Other	Total	Management and general	Fundraising	direct benefits to donors	Total
Advertising				\$ 38,500	\$ 38,500		\$ 77,000
Bad debt				8,500			8,500
Depreciation and amortization	\$ 7,077	\$ 2,948	\$ 10,025	3,235	6,199		19,459
Fundraising events					41,552	\$ 626,991	668,543
Insurance	9,782	4,076	13,858	4,470	8,570		26,898
Meetings, activities and events	27,964	33,161	61,125	16,694	12,841		90,660
Occupancy	77,977	32,488	110,465	35,635	68,311		214,411
Office and administrative	82,890	85,043	167,933	20,732	213,573		402,238
Professional fees	171,802	26,094	197,896	98,611	92,136		388,643
Room and board		36,456	36,456				36,456
Salaries and benefits	505,423	272,652	778,075	257,208	501,539		1,536,822
Student assistance	18,781		18,781				18,781
Travel and transportation	64,083	28,491	92,574	8,738	6,653		107,965
Tuition	1,880,221		1,880,221				1,880,221
Tutoring and test preparation		105,106	105,106				105,106
Total expenses	2,846,000	626,515	3,472,515	492,323	989,874	626,991	5,581,703
Less expenses included with revenues, gains, and other support on the statements of activities						(626,991)	(626,991)
Total expenses included in the operating expenses section on the statements of activities	\$ 2,846,000	\$ 626,515	\$ 3,472,515	\$ 492,323	\$ 989,874	\$ -	\$ 4,954,712

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended August 31, 2022	Program Services			Supporting Services		Cost of direct benefits to donors	Total
	Financial Assistance	Other	Total	Management and general	Fundraising		
Depreciation and amortization	\$ 10,744	\$ 1,538	\$ 12,282	\$ 408	\$ 2,563		\$ 15,253
Fundraising events					162,361	\$ 680,891	843,252
Insurance	9,087	4,956	14,043	1,572	8,544		24,159
Meetings, activities and events	83,339	13,039	96,378	7,273	15,084		118,735
Occupancy	151,513	21,697	173,210	5,758	36,149		215,117
Office and administrative	65,706	63,329	129,035	6,929	162,555		298,519
Professional fees	77,467	115,055	192,522	50,410	58,494		301,426
Room and board		19,019	19,019				19,019
Salaries and benefits	439,346	315,362	754,708	105,760	493,408		1,353,876
Student assistance	23,659		23,659				23,659
Travel and transportation	91,439	46,657	138,096	2,019	1,127		141,242
Tuition	1,754,565		1,754,565				1,754,565
Tutoring and test preparation		53,836	53,836				53,836
Total expenses	2,706,865	654,488	3,361,353	180,129	940,285	680,891	5,162,658
Less expenses included with revenues, gains, and other support on the statements of activities						(680,891)	(680,891)
Total expenses included in the operating expenses section on the statements of activities	\$ 2,706,865	\$ 654,488	\$ 3,361,353	\$ 180,129	\$ 940,285	\$ -	\$ 4,481,767

See notes to financial statements.

DANIEL MURPHY SCHOLARSHIP FUND

STATEMENTS OF CASH FLOWS

Years ended August 31,	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (310,878)	\$ (1,939,569)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	19,459	15,253
Net realized and unrealized (gain) loss on investments	(401,222)	1,884,896
Deferred rent		(15,756)
Amortization of operating lease right-of-use asset	173,130	
Forgiveness of debt - PPP loan		(208,132)
Bad debt expense	8,500	
(Increase) decrease in operating assets:		
Grants and contributions receivable, net	173,273	(297,405)
Prepaid expenses	(17,657)	(18,227)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(147,945)	6,517
Accrued tuition and travel costs	89,545	92,748
Operating lease liability	(194,182)	
Net cash used in operating activities	(607,977)	(479,675)
Cash flows from investing activities:		
Purchases of property and equipment	(11,102)	(22,890)
Purchases of investments	(3,497,360)	(1,616,567)
Proceeds from sales of investments	2,758,477	1,487,104
Net cash used in investing activities	(749,985)	(152,353)
Net decrease in cash	(1,357,962)	(632,028)
Cash, beginning of year	2,134,072	2,766,100
Cash, end of year	\$ 776,110	\$ 2,134,072
Supplemental cash flows information related to leases is as follows:		
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	\$ 216,732	

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-area 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 2022/2023 and 2021/2022 school years, the Fund served 442 and 448 scholars, respectively. The Fund has committed to supporting 444 scholars in the 2023/2024 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, 2022, the Fund adopted ASU 2016-02, *Leases (Topic 842)* using the modified retrospective transition method. This guidance requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The Fund elected the package of practical expedients to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any existing leases. In addition, the Fund elected to use hindsight to determine the lease terms of existing leases and assess impairment of right-of-use assets at the adoption date.

The adoption of this standard resulted in the recognition of an operating lease right-of-use asset of \$556,129 and an operating lease liability of \$637,019 at September 1, 2022. See Note 14 for a description of the Fund's lease commitment as of August 31, 2023. The Fund elected to apply the provisions of Topic 842, *Leases* at September 1, 2022 through a cumulative-effect adjustment. As a result, comparative information for the prior period has not been adjusted and is reported under the accounting standards that were in effect for the prior period under Topic 840, *Leases*.

Change in net assets from operations:

The Fund's change in net assets from operations includes all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations includes support for operating activities from both Executive Committee-designated and donor-restricted endowment funds. Only the portion of total endowment investment return distributed under this policy to meet current operating needs is included in operating revenue. The measure of operations excludes endowment net investment income (loss) in excess of (less than) amounts made available for operating support. During the years ended August 31, 2023 and 2022, there were no distributions from endowment funds for operating support. Operating net investment income consists of dividends, interest, and realized and unrealized gains and losses on non-endowed investments.

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 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 the resources be maintained in perpetuity.

Grants and contributions:

Grants and 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 grants and contributions for which restrictions are met in the same reporting period as support without donor restrictions.

Grants and contributions receivable:

Unconditional promises to give that are expected to be collected within one year are recorded as grants and 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 grants and contributions based on an analysis of specific donor history and experience. It is the Fund's policy to charge off uncollectible grants and contributions receivable when management determines that the receivable will not be collected.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Investments:

Investments with readily determinable fair values are stated at fair value. Other investments are reported at cost or net asset value. 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 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, absent any donor-restrictions on net investment income.

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, 2023 and 2022.

Lease accounted for under Topic 840, *Leases*:

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 which is reported in the statements of financial position.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Lease accounted for under Topic 842, *Leases*:

The Fund determines whether an arrangement or contract is a lease at inception of the arrangement or contract. Identified leases are subsequently measured, classified, and recognized at lease commencement as either a finance lease or an operating lease. The Fund only reassesses its determination if the terms and conditions of the arrangement or contract are changed.

A right-of-use asset represents the Fund's right to use an underlying asset for the lease term, and a lease liability represents the Fund's obligation to make lease payments. A right-of-use asset and a lease liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Fund has elected to use a risk-free discount rate for its office space lease based on a term commensurate with the lease terms at the lease commencement date. The portion of payments on operating lease liabilities related to interest, along with the amortization of the related right-of-use assets, is recognized as operating lease cost. Operating lease cost is recognized on a straight-line basis over the lease term. The Fund's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Fund will exercise the option.

The Fund elected to account for the lease and non-lease components of a lease as a single lease component for all classes of underlying assets.

Contributed goods and services:

Contributed goods and services are reflected as contributions at their fair value at the date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Fund recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not contributed. In addition, the Fund also 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.

Contributed goods are not sold and contributed goods and services are only utilized by the Fund. There were no donor restrictions for contributed goods and services received during the year ended August 31, 2023.

During the year ended August 31, 2023, the Fund was the recipient of contributed advertising with an estimated fair value of \$77,000 based on industry pricing for similar services.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Contributed goods and services: (continued)

Contributed goods and services were allocated as follows:

Year ended August 31, 2023	Program services	Management and general	Fundraising	Total
Advertising		\$ 38,500	\$ 38,500	\$ 77,000

There were no contributed goods and services recognized during the year ended August 31, 2022.

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

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Subsequent events:

Management of the Fund has reviewed and evaluated subsequent events through May 6, 2024, the date the financial statements were available to be issued.

In September 2023, the Fund received a multi-year pledge of \$2,000,000 to be used to replicate the Fund's scholarship program in Lake County, Illinois.

3. Revenue from contracts with customers

Participants of the Fund's fundraising events receive various direct benefits in exchange for the purchase of a ticket or payment of an outing fee. The estimated value of direct benefits provided is recognized as revenue from contracts with customers at a point in time when the fundraising event takes place. The Fund recognized \$340,825 and \$308,200 of special events revenue from contracts with customers during the years ended August 31, 2023 and 2022, respectively, which is included in fundraising events revenue on the statements of activities. There were no receivables related to contracts with customers as of August 31, 2023, 2022 and 2021. There were also no contract assets or contract liabilities at August 31, 2023, 2022 and 2021.

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,	2023	2022
Financial assets at year-end:		
Cash	\$ 776,110	\$ 2,134,072
Investments	9,958,781	8,818,676
Grants and contributions receivable, net	561,089	742,862
Total financial assets at year-end	11,295,980	11,695,610
Less amounts not available to be used within one year:		
Grants and contributions receivable due in over one year	105,000	96,000
Executive Committee-designated endowment investments	6,491,716	6,085,515
Donor-restricted endowment investments	2,455,125	2,331,446
Other purpose-restricted net assets		4,588
Total amounts not available to be used within one year	9,051,841	8,517,549
Financial assets available to meet general expenditures within one year	\$ 2,244,139	\$ 3,178,061

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, for operating and program purposes, 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, 2023 and 2022.

6. Concentration of credit risk

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 \$607,000 and \$1,751,000 as of August 31, 2023 and 2022, respectively. Management believes that the Fund is not exposed to any significant credit risk on cash.

7. Grants and contributions receivable

Unconditional promises to give are as follows:

August 31,	2023	2022
Receivable in less than one year	\$ 462,068	\$ 655,332
Receivable in one to five years	105,000	96,000
Total unconditional promises to give	567,068	751,332
Less allowance for uncollectible accounts	2,110	5,000
Less discounts to net present value	3,869	3,470
Net unconditional promises to give	\$ 561,089	\$ 742,862

Unconditional promises to give receivable in more than one year were discounted at 1.50%.

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.
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Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• 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.
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Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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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.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value (continued)

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

- Mutual and exchange-traded 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 the underlying fund investments, less fund expenses.

Cash (not yet invested) is carried at cost, which approximates fair value.

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:

August 31, 2023	Level 1	Total
Mutual and exchange-traded funds	\$ 6,529,867	\$ 6,529,867
U.S. government securities	452,178	452,178
Common stock	2,519,570	2,519,570
Total investments at fair value	\$ 9,501,615	9,501,615
Cash		100,598
Hedge fund*		356,568
Total investments		\$ 9,958,781

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value (continued)

August 31, 2022	Level 1	Total
Mutual and exchange-traded funds	\$ 5,538,001	\$ 5,538,001
U.S. government securities	456,004	456,004
Common stock	2,376,483	2,376,483
Total investments at fair value	\$ 8,370,488	8,370,488
Cash		117,322
Hedge fund*		330,866
Total investments		\$ 8,818,676

*Certain investments that are measured using the NAV per share practical expedient have not been classified in the fair value hierarchy. The 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 \$356,568 and \$330,866 as of August 31, 2023 and 2022, respectively) focused on generating absolute return with low correlation to global capital markets and low volatility. Its six 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.

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.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Property and equipment

The components of property and equipment are as follows:

August 31,	2023	2022
Leasehold improvements	\$ 70,276	\$ 70,276
Computer equipment	25,511	25,511
Furniture	52,832	41,730
	148,619	137,517
Accumulated depreciation and amortization	(92,491)	(73,032)
Property and equipment, net	\$ 56,128	\$ 64,485

10. Notes payable

In response to the COVID-19 pandemic in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). 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. Funds are 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 applied for and received a PPP loan in the amount of \$208,132 during the year ended August 31, 2021. The loan was a five-year loan maturing on February 3, 2026 with an annual interest rate of 1%. The Fund accounted for the PPP under the debt model in which the loan remains a liability of the Fund until such time that the Fund's application for forgiveness is approved by the SBA. In June 2022, the Fund applied for and received forgiveness of the entire loan balance. Loan forgiveness of \$208,132 is recorded as forgiveness of debt revenue on the statements of activities for the year ended August 31, 2022.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Employee Retention Credit

The CARES Act also established the Employee Retention Credit (ERC) to provide a refundable tax credit against certain employment taxes if eligibility requirements are met. The credit is equal to 50% of qualified wages paid from March 12, 2020 to December 31, 2020 with a maximum credit of \$5,000 per employee for 2020. The credit is equal to 70% of qualified wages paid from January 1, 2021 to September 30, 2021 with a maximum credit of \$7,000 per employee for 2021. The Fund applied for the ERC for the quarter ended September 30, 2021. The Fund accounted for the ERC as a conditional contribution and recognized grants and contributions revenue of \$94,850 during the year ended August 31, 2022.

Receivables related to ERC were \$183,874 as of August 31, 2023 and 2022 and are included with grants and contributions receivable on the statements of financial position. The Fund estimates an allowance for doubtful accounts based on an analysis of specific account history and knowledge of circumstances that may affect the collectibility of receivables. It is the Fund's policy to charge off uncollectible receivables when management determines that the receivable will not be collected. An allowance for uncollectible accounts is not considered necessary and is not provided as of August 31, 2023 and 2022.

12. 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 classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Fund and (7) the Fund's investment policies.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Endowment funds (continued)

Endowment net asset composition by type of fund is as follows:

August 31, 2023	Without donor restrictions	With donor restrictions	Total
Executive Committee-designated endowment	\$ 6,491,716		\$ 6,491,716
Donor-restricted endowment		\$ 2,455,125	2,455,125
Total	\$ 6,491,716	\$ 2,455,125	\$ 8,946,841

August 31, 2022	Without donor restrictions	With donor restrictions	Total
Executive Committee-designated endowment	\$ 6,085,515		\$ 6,085,515
Donor-restricted endowment		\$ 2,331,446	2,331,446
Total	\$ 6,085,515	\$ 2,331,446	\$ 8,416,961

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)

12. 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 is as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 1, 2021	\$ 6,696,389	\$ 3,521,783	\$ 10,218,172
Net investment loss	(610,874)	(1,190,337)	(1,801,211)
Endowment net assets, August 31, 2022	6,085,515	2,331,446	8,416,961
Net investment income	406,201	123,679	529,880
Endowment net assets, August 31, 2023	\$ 6,491,716	\$ 2,455,125	\$ 8,946,841

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 require the Fund to retain. There were no deficiencies of this nature as of August 31, 2023 and 2022.

13. 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 \$25,049 and \$24,206 for the years ended August 31, 2023 and 2022, respectively.

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Lease

Lease accounted for under Topic 840, *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.

At August 31, 2022, future minimum rental payments required under the lease are as follows:

Year ending August 31:	Amount
2023	\$ 216,732
2024	222,690
2025	225,984
2026	18,832
Total	\$ 684,238

Rent expense was \$195,680 for the year ended August 31, 2022.

Lease accounted for under Topic 842, *Leases*:

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

Future minimum lease payments are as follows:

Year ending August 31:	Amount
2024	\$ 222,690
2025	225,984
2026	18,832
Total undiscounted lease payments	467,506
Imputed interest	(24,669)
Operating lease liability	\$ 442,837

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Lease (continued)

Lease accounted for under Topic 842, *Leases*: (continued)

Total lease cost is as follows:

<u>Year ended August 31, 2023</u>	
Operating:	
Operating lease cost	\$ 195,680
Variable lease cost	15,377
<hr/>	
Total lease cost	\$ 211,057

The weighted-average remaining lease term and discount rate is as follows:

<u>Year ended August 31, 2023</u>	
Weighted-average:	
Discount rate - operating lease	3.54%
Remaining lease term (years) - operating lease	2.08

15. Conditional scholarship commitment

Annually, the Fund provides up to \$6,000 of tuition for each scholar and in some situations up to \$2,500 of travel expense for scholars attending a boarding school. Although the Fund awards a four-year scholarship, the Fund's Education Committee reviews each scholar's status at the end of each grading period. The Fund reserves the right to terminate a scholarship for any of the following reasons:

- Grades falling below a 3.0 on a 4.0 scale
- Failure to pay (the scholar family's portion of) tuition and supplementary fees
- Failure to comply with a partnership school's rules and regulations
- Failure to communicate with the Fund's staff on a regular basis
- Family income exceeding the Fund's guidelines of an economically-disadvantaged family
- Transferring to any other school without the permission of the Fund
- Failing to attend mandatory events or fulfill mandatory obligations

DANIEL MURPHY SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. Conditional scholarship commitment (continued)

Since the Fund reviews each scholar's status at least annually, the Fund is only committed to funding scholarships for the ensuing school year. The Fund's portion of tuition for the 2023/2024 school year has been accrued as a liability at August 31, 2023. If all scholars as of August 31, 2023 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
2024/2025	\$ 1,415,400	\$ 41,000	\$ 1,456,400
2025/2026	961,700	26,000	987,700
2026/2027	468,000	16,500	484,500
Total	\$ 2,845,100	\$ 83,500	\$ 2,928,600

16. Fundraising events

Net income from fundraising events is as follows:

Year ended August 31, 2023	Golf Classic	Other	Total
Gross revenue	\$ 2,496,067	\$ 133,722	\$ 2,629,789
Cost of direct benefits to donors	(572,170)	(54,821)	(626,991)
Revenue, net of cost of direct benefits to donors	1,923,897	78,901	2,002,798
Other expenses	(25,237)	(16,315)	(41,552)
Net income	\$ 1,898,660	\$ 62,586	\$ 1,961,246

Year ended August 31, 2022	Golf Classic
Gross revenue	\$ 2,525,577
Cost of direct benefits to donors	(680,891)
Revenue, net of cost of direct benefits to donors	1,844,686
Other expenses	(162,361)
Net income	\$ 1,682,325

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,	2023	2022
Purpose-restricted funds:		
Donor-restricted endowment	\$ 2,455,125	\$ 2,331,446
Caddie program		4,588
Time-restricted funds:		
Contributions receivable	149,021	189,030
Total net assets with donor restrictions	\$ 2,604,146	\$ 2,525,064

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

Years ended August 31,	2023	2022
Purpose-restricted funds:		
Caddie program	\$ 4,588	\$ 110,515
Time-restricted funds:		
Contributions receivable	40,009	111,581
Total net assets released from restrictions	\$ 44,597	\$ 222,096

18. Related party transactions

Grants and contributions received from Board members were approximately \$505,000 and \$750,000 during the years ended August 31, 2023 and 2022, respectively.