

THE EPIPHANY SCHOOL FOUNDATION, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
AS OF JUNE 30, 2006 AND 2005

THE EPIPHANY SCHOOL FOUNDATION, INC.
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Independent Auditors' Report

Board of Trustees
The Epiphany School Foundation, Inc.

We have audited the accompanying statement of financial position of The Epiphany School Foundation, Inc. as of June 30, 2006 and 2005 and the related statements of activities and cash flows for the years ended June 30, 2006 and functional expenses for the year ended June 30, 2006. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Foundation's 2005 financial statements and, in our opinion dated December 8, 2005, we expressed an unqualified opinion on those financial statements.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Epiphany School Foundation, Inc. as of June 30, 2006 and 2005 and its activities, cash flows and functional expenses for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Pustorino, Puglisi + Co., LLP

Pustorino, Puglisi & Co., LLP
New York, New York
January 11, 2007

THE EPIPHANY SCHOOL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

	2006	2005
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 268,486	\$ 549,532
Investments	247,017	212,142
Prepaid expenses	24,081	4,554
Pledges receivable	22,089	45,650
Total current assets	561,673	811,878
Computers, software and furniture, net of accumulated depreciation of \$5,287 in 2006 and \$5,993 in 2005	1,043	1,657
Total assets	\$ 562,716	\$ 813,535
<u>Liabilities and net assets</u>		
<u>Current liabilities</u>		
Accounts payable and accrued expenses	4,824	34,265
Total current liabilities	4,824	34,265
<u>Net assets</u>		
Unrestricted	457,892	428,928
Temporarily restricted	100,000	350,342
Total net assets	557,892	779,270
Total liabilities and net assets	\$ 562,716	\$ 813,535

The accompanying notes are an integral part of these financial statements.

THE EPIPHANY SCHOOL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue</u>			
Contributions	\$ 235,804	\$ 100,000	\$ 335,804
Capital campaign contributions	-	578,208	578,208
Net assets released from restrictions	928,550	(928,550)	-
Special events	316,483	-	316,483
Investment income	<u>28,006</u>	<u>-</u>	<u>28,006</u>
Total support and revenue	<u>1,508,843</u>	<u>(250,342)</u>	<u>1,258,501</u>
<u>Expenses</u>			
Grants to the Epiphany School	1,197,700	-	1,197,700
Management and general	33,930	-	33,930
Fund raising	107,784	-	107,784
Capital campaign fundraising	52,559	-	52,559
Special events	<u>87,906</u>	<u>-</u>	<u>87,906</u>
Total expenses	<u>1,479,879</u>	<u>-</u>	<u>1,479,879</u>
Change in net assets	28,964	(250,342)	(221,378)
Net assets, beginning of year	<u>428,928</u>	<u>350,342</u>	<u>779,270</u>
Net assets, end of year	<u>\$ 457,892</u>	<u>\$ 100,000</u>	<u>\$ 557,892</u>
2005			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue</u>			
Contributions	\$ 256,850	\$ 100,000	\$ 356,850
Capital campaign contributions	-	340,257	340,257
Net assets released from restrictions	189,915	(189,915)	-
Special events	226,951	-	226,951
Investment income	<u>6,779</u>	<u>-</u>	<u>6,779</u>
Total support and revenue	<u>680,495</u>	<u>250,342</u>	<u>930,837</u>
<u>Expenses</u>			
Grants to the Epiphany School	350,240	-	350,240
Capital campaign	29,165	-	29,165
Management and general	64,760	-	64,760
Fund raising	69,692	-	69,692
Capital campaign fund raising	81,437	-	81,437
Special events	<u>72,761</u>	<u>-</u>	<u>72,761</u>
Total expenses	<u>668,055</u>	<u>-</u>	<u>668,055</u>
Change in net assets	12,440	250,342	262,782
Net assets, beginning of year	<u>416,488</u>	<u>100,000</u>	<u>516,488</u>
Net assets, end of year	<u>\$ 428,928</u>	<u>\$ 350,342</u>	<u>\$ 779,270</u>

The accompanying notes are an integral part of these financial statements.

THE EPIPHANY SCHOOL FOUNDATION, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ (221,378)	\$ 262,782
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	614	1,557
Contributions of securities	(26,896)	(28,560)
Realized loss on investments	280	67
Unrealized (gain) on investments	(14,945)	(1,372)
Changes in assets and liabilities:		
Prepaid expenses	(19,527)	(1,937)
Pledges receivable	23,561	9,221
Accounts payable and accrued expenses	(29,441)	33,122
Net cash provided (used) by operating activities	(287,732)	274,880
Cash flows from investing activities		
Purchase of investments	(84,685)	(210,768)
Proceeds from sale of securities	91,371	28,493
Net cash provided (used) by investing activities	6,686	(182,275)
Change in cash and cash equivalents	(281,046)	92,605
Cash and cash equivalents, beginning of year	549,532	456,927
Cash and cash equivalents, end of year	\$ 268,486	\$ 549,532

The accompanying notes are an integral part of these financial statements.

THE EPIPHANY SCHOOL FOUNDATION, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2006
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2005)

	2006			2005
	Management and General	Fundraising	Capital Campaign Fund Raising	Total Expenses
	Fund Raising	Total	Fund Raising	Total
Salaries and related	\$ 18,871	\$ 46,166	\$ 46,166	\$ 111,203
Professional fees	7,818	-	-	7,818
Office and other	<u>7,241</u>	<u>61,618</u>	<u>6,393</u>	<u>75,252</u>
	<u>\$ 33,930</u>	<u>\$ 107,784</u>	<u>\$ 52,559</u>	194,273
Special events				215,889
Total supporting services				<u>87,906</u>
				<u>282,179</u>
Program Service:				
Grants to the Epiphany School				350,240
Professional fees related to the				
Capital Campaign				<u>29,165</u>
Total Program Services				<u>\$ 1,197,700</u>
Total Expenses				<u>\$ 1,479,879</u>

The accompanying notes are an integral part of these financial statements.

THE EPIPHANY SCHOOL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

Note 1 - Organization and Activities:

The Epiphany School Foundation, Inc. (the "Foundation") was incorporated on March 23, 1999 and commenced operations September 1, 1999.

The Foundation was formed to solicit contributions on behalf of the Epiphany School (the "School"), a parochial school located in New York City. These contributions are to be used by the school to strengthen academic programs, develop faculty, maintain and improve School facilities and other special projects.

Note 2 - Summary of Significant Accounting Policies:

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

a) Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

b) Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

c) Computers, Software and Furniture:

The Foundation depreciates its fixed assets on the straight-line method based on the estimated useful lives of the respective assets.

d) Income Taxes:

The Foundation is a not-for-profit corporation incorporated in New York and exempt from income taxes under 501(c) (3) of the United States Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

THE EPIPHANY SCHOOL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

Note 2 - Summary of Significant Accounting Policies (Continued):

e) Recognition and classification of Support, Revenue and Expenses:

All support is recognized as income in the statement of activities in the period received (or pledged).

Contributions received with donor stipulations as to their intended use are reported in the statement of activities as restricted support, except that temporarily restricted contributions that are expended for their specified purposes in the year of the gift are classified as unrestricted.

All expenses are charged in the statement of activities to unrestricted net assets, regardless of how funded. Temporarily restricted net assets are reclassified as unrestricted when available for unrestricted use as a result of compliance with or expiration of the related restriction.

f) Use of Estimates:

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

g) Prior Year Financial Information Presentation:

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class or service. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2005, from which the summarized information was derived, and on which an unqualified opinion dated December 8, 2005 was expressed.

h) Marketable Securities:

Marketable securities are valued at available quoted market prices which approximates their fair market value. Investment activity is recorded on a trade date basis.

THE EPIPHANY SCHOOL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

Note 3 - Temporarily Restricted Net Assets:

Temporarily Restricted Net Assets are as follows:

	<u>2006</u>	<u>2005</u>
Teacher development and computer purchases	\$100,000	\$100,000
Capital campaign for school facilities enhancements	<u>-</u>	<u>250,342</u>
	<u>\$100,000</u>	<u>\$350,342</u>

Temporarily Restricted Net Assets Released from Restrictions are as follows:

	<u>2006</u>	<u>2005</u>
Teacher development and computer purchases	\$100,000	\$100,000
Capital campaign for school facilities enhancements	<u>828,550</u>	<u>89,915</u>
	<u>\$928,550</u>	<u>\$189,915</u>

Note 4 – Investments:

Marketable securities consist of:

	<u>2006</u>	<u>2005</u>
Equities	\$134,751	\$111,015
Equity mutual funds	33,611	25,922
Fixed income mutual funds	<u>78,655</u>	<u>75,205</u>
Total	<u>\$247,017</u>	<u>\$212,142</u>

THE EPIPHANY SCHOOL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

Note 4 – Investments (Continued):

Investment income consists of the following:

	2006	2005
Interest and dividends	\$ 13,341	\$ 5,556
Realized loss on sales of investments	(280)	(67)
Unrealized gain on investments	14,945	1,290
Total	\$ 28,006	\$ 6,779

It is Epiphany’s policy to report unrealized and realized gains and losses on securities as an operating item in the statement of activities.

Note 5 – Functional Allocation of Expenses:

The cost of various programs and other activities has been summarized on a functional basis in the statement of functional expenses, which includes all expenses incurred for the year. Certain costs have been allocated among the programs and supporting services based on personnel time and program support for the related activities as determined by management.

Note 6 – Concentrations:

The Foundation maintains all of its cash in financial institutions, which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

During 2005, the Foundation received a contribution from one donor which totaled 11% of total Revenues and Support.

Note 7 – Donated Services:

The majority of support services are carried out by unpaid volunteers. These donated services do not create or enhance non-financial assets or require specialized skills, therefore the value of such services has not been reflected in the financial statements.