

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

**For The Years Ended
June 30, 2013 and 2012**

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

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BERNSTEIN ROSEN & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Epiphany School Foundation, Inc.

We have audited the accompanying financial statements of The Epiphany School Foundation, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of 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 opinion.

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, 2013 and 2012, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 11-12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bernstein Rosen & Company, CPAs, PC

NEW YORK, NEW YORK
September 4, 2013

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statements of Financial Position

June 30,

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 677,985	\$ 1,011,175
Marketable securities	535,552	240,599
Contributions receivable	183,250	20,974
Prepaid expenses	<u>4,073</u>	<u>19,229</u>
TOTAL CURRENT ASSETS	<u>1,400,860</u>	<u>1,291,977</u>
Property and equipment, net of accumulated depreciation	<u>4,891</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,405,751</u>	<u>\$ 1,291,977</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ -	\$ 833
Deferred special event income	500	78,112
Grants payable	<u>200,000</u>	<u>150,000</u>
TOTAL CURRENT LIABILITIES	<u>200,500</u>	<u>228,945</u>
NET ASSETS		
Unrestricted	849,137	745,488
Temporarily restricted	<u>356,114</u>	<u>317,544</u>
TOTAL NET ASSETS	<u>1,205,251</u>	<u>1,063,032</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,405,751</u>	<u>\$ 1,291,977</u>

See Independent Auditors' Report and accompanying notes to financial statements

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Activities

For the Year Ended June 30, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 25,000	\$ 450,570	\$ 475,570
Special events	597,470	99,366	696,836
Investment return	22,622	-	22,622
Net assets released from restrictions	<u>511,366</u>	<u>(511,366)</u>	<u>-</u>
 TOTAL PUBLIC SUPPORT AND REVENUE	 <u>\$ 1,156,458</u>	 <u>\$ 38,570</u>	 <u>\$ 1,195,028</u>
EXPENSES:			
Grants to the Epiphany School	\$ 589,516	\$ -	\$ 589,516
General and administrative	54,508	-	54,508
Special events	244,629	-	244,629
Fund raising - general	<u>164,156</u>	<u>-</u>	<u>164,156</u>
 TOTAL EXPENSES	 <u>1,052,809</u>	 <u>-</u>	 <u>1,052,809</u>
 CHANGE IN NET ASSETS	 103,649	 38,570	 142,219
Net assets - beginning of year	<u>745,488</u>	<u>317,544</u>	<u>1,063,032</u>
Net assets - end of year	<u>\$ 849,137</u>	<u>\$ 356,114</u>	<u>\$ 1,205,251</u>

See Independent Auditors' Report and accompanying notes to financial statements

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Activities

For the Year Ended June 30, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 313,431	\$ 153,000	\$ 466,431
Special events	377,211	84,375	461,586
Investment return	10,423	-	10,423
Net assets released from restrictions	<u>282,250</u>	<u>(282,250)</u>	<u>-</u>
 TOTAL PUBLIC SUPPORT AND REVENUE	 <u>\$ 983,315</u>	 <u>\$ (44,875)</u>	 <u>\$ 938,440</u>
EXPENSES:			
Grants to the Epiphany School	\$ 601,095	\$ -	\$ 601,095
General and administrative	51,105	-	51,105
Special events	101,853	-	101,853
Fund raising - general	<u>169,995</u>	<u>-</u>	<u>169,995</u>
 TOTAL EXPENSES	 <u>924,048</u>	 <u>-</u>	 <u>924,048</u>
 CHANGE IN NET ASSETS	 59,267	 (44,875)	 14,392
Net assets - beginning of year	<u>686,221</u>	<u>362,419</u>	<u>1,048,640</u>
Net assets - end of year	<u>\$ 745,488</u>	<u>\$ 317,544</u>	<u>\$ 1,063,032</u>

See Independent Auditors' Report and accompanying notes to financial statements

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 142,219	\$ 14,392
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,446	-
Donated marketable securities	(6,300)	-
Unrealized and realized (gain) from marketable securities	(11,976)	(1,863)
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	(162,276)	12,016
Decrease (increase) in prepaid expenses	15,156	(17,591)
(Decrease) increase in accounts payable and accrued expenses	(833)	723
(Decrease) increase in deferred special event income	(77,612)	78,112
Increase in grants payable	<u>50,000</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(49,176)</u>	<u>85,789</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(7,337)	-
Proceeds from sale of marketable securities	109,532	81,449
Purchase of marketable securities	<u>(386,209)</u>	<u>(81,984)</u>
Net cash (used in) investing activities	<u>(284,014)</u>	<u>(535)</u>
Net (decrease) increase in cash	(333,190)	85,254
Cash and cash equivalents - beginning of year	<u>1,011,175</u>	<u>925,921</u>
Cash and cash equivalents - end of year	<u>\$ 677,985</u>	<u>\$ 1,011,175</u>

See Independent Auditors' Report and accompanying notes to financial statements

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2013 and 2012

Note 1 Formation and Description of Organization

The Epiphany School Foundation, Inc. was organized in 1999 and determined to be tax-exempt under section 501(c)(3) of the Internal Revenue Code. 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 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

Basis of Accounting

The books and records of the Organization are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use judgment in the application of accounting policies, including making estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amount of revenues and expenses during a reporting period. The most significant assumptions and estimates relate to depreciable lives, revenue recognition and the recoverability of trade accounts receivable. Application of these assumptions requires the exercise of judgment as to future uncertainties, and as a result actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of demand deposit accounts held at major financial institutions and may at times exceed the insurable amount. Management believes it mitigates its risk by investing in major financial institutions and in funds that are currently U.S. federal government insured. Recoverability of investments is dependent upon the performance of the issuer.

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or the fair market value on the date of the donation. Depreciation has been provided in the financial statements utilizing the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements which improve and extend the life of the asset are capitalized.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2013 and 2012

Note 2 Summary of Significant Accounting Policies (Continued)

Public Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. All noncash donations are reflected as contributions on the Statement of Activities.

Income Taxes

The Organization is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization follows the provisions of Accounting Standards Codification 740, *Accounting for Uncertainty in Income Taxes*, which addresses the accounting for, and disclosures of, uncertain tax positions and prescribes a threshold of more likely than not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return.

Subsequent Events

The Organization has evaluated subsequent events and transactions for potential recognition of disclosure in the financial statements through September 4, 2013, the day the financial statements were issued. No material subsequent events were identified.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2013 and 2012

Note 2 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels in the fair value hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- *Level 3* – Inputs are unobservable inputs based on the Organization's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Note 3 Fair Value Measurements

The following table provides the marketable securities carried at fair value measured on a recurring basis for the year ended June 30, 2013.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 275,422	\$ 275,422	-	-
Fixed income mutual funds	196,477	196,477	-	-
Equity mutual funds	<u>63,653</u>	<u>63,653</u>	-	-
	\$ <u>535,552</u>	\$ <u>535,552</u>	-	-

The following table provides the marketable securities carried at fair value measured on a recurring basis for the year ended June 30, 2012.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 131,106	\$ 131,106	-	-
Fixed income mutual funds	82,952	82,952	-	-
Equity mutual funds	<u>26,541</u>	<u>26,541</u>	-	-
	\$ <u>240,599</u>	\$ <u>240,599</u>	-	-

THE EIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2013 and 2012

Note 3 Fair Value Measurements (Continued)

The following schedule summarizes the components of investment return in the Statement of Activities for the year ended June 30,

	<u>2013</u>	<u>2012</u>
Interest income	\$ 2,936	\$ 2,020
Dividend income	7,710	6,540
Realized gains	8,417	9,385
Unrealized gains (losses)	<u>3,559</u>	<u>(7,522)</u>
Total investments income	<u>\$22,622</u>	<u>\$ 10,423</u>

Note 4 Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows at June 30,

	<u>2013</u>	<u>2012</u>
iPads	\$ 298,366	\$ 77,250
Teacher development and retention	75,000	70,000
Financial aid	25,000	35,000
Technology	25,000	25,000
Smart board	25,000	25,000
Playground	-	50,000
Capital campaign for school facilities improvements	50,000	-
Scholarship	<u>13,000</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 511,366</u>	<u>\$ 282,250</u>

Temporarily restricted net assets are as follows at June 30,

	<u>2013</u>	<u>2012</u>
iPads	\$ 80,695	\$ 5,125
Teacher development and retention	80,000	80,000
Playground	79,098	79,098
Capital campaign for school facilities improvements	33,321	68,321
Financial aid	25,000	25,000
Technology	25,000	25,000
Smart board	25,000	25,000
Tree planting/maintenance	8,000	7,000
Scholarship	<u>-</u>	<u>3,000</u>
Total temporarily restricted net assets	<u>\$ 356,114</u>	<u>\$ 317,544</u>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2013

	<u>Management and Administrative</u>	<u>Fund Raising - General</u>	<u>Total</u>
Salaries and related expenses	\$ 30,640	\$ 122,560	\$ 153,200
Professional fees	6,900	-	6,900
Office and other expenses	<u>16,968</u>	<u>41,596</u>	<u>58,564</u>
	<u>\$ 54,508</u>	<u>\$ 164,156</u>	218,664
Special events			<u>244,629</u>
Total supporting services			463,293
<u>Program Services</u>			
Grants to the Epiphany School			<u>589,516</u>
Total expenses			<u>\$ 1,052,809</u>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2012

	<u>Management and Administrative</u>	<u>Fund Raising - General</u>	<u>Total</u>
Salaries and related expenses	\$ 30,890	\$ 123,560	\$ 154,450
Professional fees	6,690	11,087	17,777
Office and other expenses	<u>13,525</u>	<u>35,348</u>	<u>48,873</u>
	<u>\$ 51,105</u>	<u>\$ 169,995</u>	221,100
Special events			<u>101,853</u>
Total supporting services			322,953
<u>Program Services</u>			
Grants to the Epiphany School			<u>601,095</u>
Total expenses			<u>\$ 924,048</u>