

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

For The Years Ended
June 30, 2014 and 2013

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

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June 30, 2014 and 2013**

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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, 2014 and 2013, 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, 2014 and 2013, 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 12-13 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
August 27, 2014

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statements of Financial Position

June 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 786,775	\$ 677,985
Marketable securities (Note 3)	635,496	535,552
Contributions receivable	181,415	183,250
Prepaid expenses	<u>2,933</u>	<u>4,073</u>
TOTAL CURRENT ASSETS	<u>1,606,619</u>	<u>1,400,860</u>
Property and equipment, net of accumulated depreciation	<u>2,445</u>	<u>4,891</u>
TOTAL ASSETS	<u>\$ 1,609,064</u>	<u>\$ 1,405,751</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Grants payable	\$ 225,000	\$ 200,000
Deferred special event income	<u>-</u>	<u>500</u>
TOTAL CURRENT LIABILITIES	<u>225,000</u>	<u>200,500</u>
NET ASSETS		
Unrestricted	1,084,093	849,137
Temporarily restricted (Note 4)	<u>299,971</u>	<u>356,114</u>
TOTAL NET ASSETS	<u>1,384,064</u>	<u>1,205,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,609,064</u>	<u>\$ 1,405,751</u>

See Independent Auditors' Report and accompanying notes to the financial statements

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Activities

For the Year Ended June 30, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 262,432	\$ 160,000	\$ 422,432
Special events	524,418	108,650	633,068
Investment income	110,826	-	110,826
Net assets released from restrictions	<u>324,793</u>	<u>(324,793)</u>	<u>-</u>
 TOTAL PUBLIC SUPPORT AND REVENUE	 <u>\$ 1,222,469</u>	 <u>\$ (56,143)</u>	 <u>\$ 1,166,326</u>
EXPENSES:			
Grants to the Epiphany School	\$ 546,300	\$ -	\$ 546,300
Supporting services:			
General and administrative	65,224	-	65,224
Special events	204,814	-	204,814
Fund raising - general	<u>171,175</u>	<u>-</u>	<u>171,175</u>
Total supporting services	<u>441,213</u>	<u>-</u>	<u>441,213</u>
 TOTAL EXPENSES	 <u>987,513</u>	 <u>-</u>	 <u>987,513</u>
 CHANGE IN NET ASSETS	 234,956	 (56,143)	 178,813
Net assets - beginning of year	<u>849,137</u>	<u>356,114</u>	<u>1,205,251</u>
Net assets - end of year	<u>\$ 1,084,093</u>	<u>\$ 299,971</u>	<u>\$ 1,384,064</u>

See Independent Auditors' Report and accompanying notes to the 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 income	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
Supporting services:			
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 supporting services	<u>463,293</u>	<u>-</u>	<u>463,293</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>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase in net assets	\$ 178,813	\$ 142,219
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,446	2,446
Donated marketable securities	(2,365)	(6,300)
Unrealized and realized (gain) from marketable securities	(96,223)	(11,976)
Changes in operating assets and liabilities:		
Decrease (increase) in contributions receivable	1,835	(162,276)
Decrease in prepaid expenses	1,140	15,156
Increase in grants payable	25,000	50,000
(Decrease) in accounts payable and accrued expenses	-	(833)
(Decrease) in deferred special event income	<u>(500)</u>	<u>(77,612)</u>
Net cash flows provided by (used in) operating activities	<u>110,146</u>	<u>(49,176)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	-	(7,337)
Proceeds from sale of marketable securities	153,206	109,532
Purchase of marketable securities	<u>(154,562)</u>	<u>(386,209)</u>
Net cash flows (used in) investing activities	<u>(1,356)</u>	<u>(284,014)</u>
Net increase (decrease) in cash	108,790	(333,190)
Cash and cash equivalents - beginning of year	<u>677,985</u>	<u>1,011,175</u>
Cash and cash equivalents - end of year	<u>\$ 786,775</u>	<u>\$ 677,985</u>

See Independent Auditors' Report and accompanying notes to the financial statements

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2014 and 2013

Note 1 **Formation and Description of Organization**

The Epiphany School Foundation, Inc. (the "Foundation") was organized in 1999 in the State of New York.

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 and Presentation

The Financial Statements of the Foundation are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as applicable to not-for-profit organizations.

Financial statement presentation follows the recommendations of ASC 958-205, *Presentation of Financial Statements*. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on designation of restriction.

Net Assets

The net assets of the Foundation and the changes therein are classified and reported as follows:

Unrestricted Net Assets: Unrestricted net assets represent those resources for which there is no donor restriction.

Temporarily Restricted Net Assets: Temporarily restricted net assets are those resources that have been restricted by donors for a specific purpose or are time restricted. Net assets released from restrictions represent the satisfaction of the restricted purposes specified by the donor, or by the occurrence of other events.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. 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. The Foundation considers all highly liquid debt instruments with original maturities of three months or less when purchased, to be cash equivalents.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2014 and 2013

Note 2 Summary of Significant Accounting Policies (Continued)

Cash Credit Risk Concentration

The Foundation maintains balances in banks which may exceed the limits covered by Federal Deposit Insurance Corporation ("FDIC") at certain times during the year.

Property and Equipment

Property and equipment are recorded at cost or the fair market value on the date of purchase or 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.

Public Support and Revenue

The Foundation accounts for contributions in accordance with the provisions of ASC 958, NPO Entities. In accordance with ASC 958, contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Contributions received during the reporting period are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support.

Contributions of donated noncash assets and services that meet the criteria for recognition in the financial statements are reflected as in-kind donations and are recorded at their estimated fair values at the date of receipt. In-kind donations are reflected as contributions on the Statement of Activities.

Revenues from special fund-raising events and the direct benefit to donor are reflected in the statement of activities and statement of functional expenses, respectively.

Income Taxes and Uncertainties

The Foundation is exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements. However, any unrelated business income may be subject to taxation. Currently, the Foundation has no obligation for any unrelated business income tax. Management believes that the Foundation will continue to be exempted from tax.

The Foundation's policy is to record interest expense and penalties in operating expenses. For the years ended December 31, 2013 and 2012, there was no interest and penalties expense recorded and no accrued interest and penalties. The Foundation's federal and state exempt status tax returns are open for examination for the years 2011, 2012 and 2013.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2014 and 2013

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 Foundation'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 Market Value Risk and Fair Value Measurements

The Foundation invests in funds in a managed portfolio that contains fixed income investments. Certain of these investments are exposed to various risks, such as fluctuations in market value and credit risk. Therefore, the Foundation's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

The Foundation carries its marketable securities as Level 1 as of June 30, 2014 and 2013. The common stock, fixed income and equity mutual funds were valued based on quoted prices in active markets plus accrued dividends, if any, which approximates fair value. The following table provides the Level 1 marketable securities as June 30, 2014 and 2013, respectively.

	<u>2014</u>	<u>2013</u>
Common stock	\$ 349,131	\$ 275,422
Fixed income mutual funds	212,158	196,477
Equity mutual funds	<u>74,207</u>	<u>63,653</u>
	<u>\$ 635,496</u>	<u>\$ 535,552</u>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2014 and 2013

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>2014</u>	<u>2013</u>
Interest income	\$ 899	\$ 2,936
Dividend income	13,704	7,710
Realized gains	27,155	8,417
Unrealized gains	<u>69,068</u>	<u>3,559</u>
Total investment income	<u>\$110,826</u>	<u>\$ 22,622</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>2014</u>	<u>2013</u>
iPads	\$ 80,695	\$ 298,366
Teacher development and retention	80,000	75,000
Playground	79,098	-
Financial aid	25,000	25,000
Technology	25,000	25,000
Smart board	25,000	25,000
Scholarship	10,000	13,000
Capital campaign for school facilities improvements	<u>-</u>	<u>50,000</u>
Total net assets released from restrictions	<u>\$ 324,793</u>	<u>\$ 511,366</u>

Temporarily restricted net assets are as follows at June 30,

	<u>2014</u>	<u>2013</u>
Environmental center	\$ 108,650	\$ -
Teacher development and retention	75,000	80,000
Capital campaign for school facilities improvements	33,321	33,321
Financial aid	25,000	25,000
Technology	25,000	25,000
Smart board	25,000	25,000
Tree planting/maintenance	8,000	8,000
iPads	-	80,695
Playground	<u>-</u>	<u>79,098</u>
Total temporarily restricted net assets	<u>\$ 299,971</u>	<u>\$ 356,114</u>

See Accompanying Independent Auditors' Report

Note 5 **Subsequent Events**

The Foundation has evaluated subsequent events and transactions for potential recognition of disclosure in the financial statements through August 27, 2014, the day the financial statements were available to be issued. No material subsequent events were identified.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2014

	<u>Management and Administrative</u>	<u>Fund Raising - General</u>	<u>Total</u>
<u>Supporting services</u>			
Salaries and related expenses	\$ 35,340	\$ 141,360	\$ 176,700
Professional fees	7,505	-	7,505
Office and other expenses	<u>22,379</u>	<u>29,815</u>	<u>52,194</u>
	<u>\$ 65,224</u>	<u>\$ 171,175</u>	236,399
Special events			<u>204,814</u>
Total supporting services			<u>441,213</u>
<u>Program services</u>			
Grants to the Epiphany School			<u>546,300</u>
Total expenses			<u>\$ 987,513</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>
<u>Supporting services</u>			
Salaries and related expenses	\$ 30,640	\$ 122,560	\$ 153,200
Professional fees	6,900	-	6,900
Office and other expenses	16,968	41,596	58,564
	<u>\$ 54,508</u>	<u>\$ 164,156</u>	218,664
Special events			<u>244,629</u>
Total supporting services			<u>463,293</u>
<u>Program services</u>			
Grants to the Epiphany School			<u>589,516</u>
Total expenses			<u>\$ 1,052,809</u>